2020 HR TRENDS REPORT
Six mega-trends that are reshaping HR.

McLean & Company is a research and advisory firm that provides practical solutions to human resources challenges with executable research, tools, and advice that will have a clear and measurable impact on your business. © 1997-2020 McLean & Company. McLean & Company is a division of Info-Tech Research Group Inc.
The nature of work as we know it is changing, and Human Resources is evolving along with it. These are the six trends that McLean & Company sees as shaping the evolution of HR in 2020.

- Increasing support for HR professionals
- Evolution of HR design
- Talent management in agile organizations
- Reskilling in the age of digital disruption
- Technology and talent acquisition
- Moving from diversity to inclusion
How to read this report

This report is based on data gathered from McLean & Company’s 2020 HR Trends Survey of 838 business professionals. It also includes data from McLean & Company’s Engagement and New Hire diagnostics.

**Organizational Size |**

- Small – 100 or fewer employees
- Medium – 101 to 2,000 employees
- Large – 2,001 or more employees

**Key terms used throughout this report include:**

**Highly Effective |**

The percentage of respondents who selected 8, 9, or 10 out of 10 when asked to rate the effectiveness.

**Highly Effective: Association & Relationship |**

Any time an association or relationship is referenced in this report, it refers to a statistically significant result. Graphs or visualizations that show a difference in effectiveness based on certain practices are also only shown if they are statistically significant. These are used to indicate which practices are disproportionately used by the most-effective HR departments.
Key insights

| INCREASING SUPPORT FOR HR PROFESSIONALS
In their drive to support others, HR professionals too often neglect their own development and challenges. HR stress levels are increasing, and more varied and holistic HR development is required to keep pace with changing needs.

Organizations that help HR professionals develop their skills and manage stress have more effective HR departments.

| EVOLUTION OF HR DESIGN
Organizational outcomes improve when HR is involved in organizational strategic planning and decisions about the workforce. As such, HR must continue increasing its involvement in these areas.

Unfortunately, strategic planning within HR, at the department or function level, is underused, which may be contributing to HR’s slowed traction in expanding its strategic impact more broadly.

| TALENT MANAGEMENT IN AGILE ORGANIZATIONS
Agile structures are associated with success in today’s volatile, uncertain, complex, and ambiguous business environment, and organizations are slowly making the transition.

Frequent performance conversations are critical to the success of agile organizations and should be leveraged along with team-based performance management and leadership development strategies.
Key insights

| RESKILLING IN THE AGE OF DIGITAL DISRUPTION
Proficiency in the competencies of the future is low, particularly in larger organizations. Organizations risk falling behind if HR doesn’t take action to support digital transformation.
Learning is more than training. HR can improve a variety of organizational outcomes by enabling a culture of continuous learning and advocating for tools, time, and leadership support.

| TECHNOLOGY AND TALENT ACQUISITION
Talent Acquisition (TA) is the top HR priority for professionals outside of HR, however, the candidate experience, a key to effective TA, doesn’t have the buy-in it deserves.
Technology in the TA space is booming and investing in technologies such as automated communication can free up time to concentrate on more strategic initiatives without sacrificing the candidate experience.

| MOVING FROM DIVERSITY TO INCLUSION
Failing to create an inclusive environment or changing organizational practices to improve diversity and inclusion has harsh organizational consequences, including higher turnover and lower engagement.
Organizations must widen the lens on what diversity means and move beyond surface-level awareness to changing practices and initiatives to focus on inclusion. Tailoring benefits to specific groups is one way to provide an inclusive environment.
Characteristics of 2020 survey respondents

Organization size

- Small: 13%
- Medium: 58%
- Large: 28%

Seniority

- Senior Leaders: 47%
- Management: 37%
- Individual Contributors: 16%

Role

- HR: 44%
- Other Professionals: 56%

Location

- North America: 76%
- Europe: 5%
- Asia: 2%
- Middle East: 6%
- Latin America: 2%
- Africa: 4%
- Oceania: 5%

Is your workforce unionized?

- No: 64%
- Partially: 24%
- Yes: 12%

Top seven industries

- Manufacturing: 21%
- Government: 17%
- Financial Services: 14%
- Other: 12%
- Media, Telecom & Technology: 11%
- Professional Services: 9%
- Healthcare & Life Sciences: 8%
- Education: 8%

N=838
HR in 2020

Effectiveness
38%
of HR respondents rate their HR department as highly effective \( (n=473) \)
1.8x more than other professionals rate their HR departments \( (n=365) \).

2020 HR to FTE Ratio
- SMALL: 1:37
- MEDIUM: 1:73
- LARGE: 1:129
\( n=326 \)

Organizational Turnover
17.1%
Average voluntary & involuntary turnover
\( n=578 \)
Turnover has been relatively flat year over year.
SHRINKING HR in 2020

Expected Change in HR Headcount

<table>
<thead>
<tr>
<th>Year</th>
<th>Growing</th>
<th>No change</th>
<th>Shrinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>19%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>2019</td>
<td>17%</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>2020</td>
<td>19%</td>
<td>17%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Current Average Distribution of HR Headcount Across Activities

- Ensuring compliance with policies & regulations: 28%
- Talent Acquisition: 19%
- Learning & Development: 17%
- Talent Management: 12%
- Employee & labor relations: 9%
- Total Rewards: 8%
- Engagement & culture (including diversity & inclusion): 8%
- Organizational development: 6%
- Technology & operations: 6%
- Other: 4%
- Shrinking: 3%
- Growing: 21%
- No change: 20%
- Shrinking: 28%

of HR staff are contingent workers (part-time, on contract, or consultants).
Increasing support for HR professionals

Year after year, HR is asked to do more with less to support and enable other employees, leaders, and functions in achieving organizational objectives. In 2020’s volatile, uncertain, complex, and ambiguous work environment, it is time for HR professionals to pause and ask ourselves how long we can effectively support others and our organizations if we continue to put our own wellbeing and development on the backburner.

Actions and Practical Resources:

- Ensure HR professionals are adequately supported by focusing on three key behaviors that enable resilience while also ensuring they have access to an appropriate portfolio of resilience techniques.

- Proactively impact HR employees’ wellbeing to improve productivity and boost employee engagement by providing a balanced wellbeing program.

- Identify, assess, and develop the capabilities that are key to deliver on HR department priorities.
HR is an increasingly challenging place to work, and HR professionals are struggling to cope

41% of HR professionals strongly agree that their stress levels have increased.

As stress levels increase, HR effectiveness decreases.

### Most common job stressors for HR professionals

- **Lack of time**: 70%
- **Resolving employee relations issues**: 42%
- **Knowing about significant decisions in advance**: 35%
- **Pressure from senior-level clients**: 35%
- **Role ambiguity**: 33% *
- **Implementing programs or policies they don’t agree with**: 29% *
- **Conducting terminations**: 22%

* Indicates the stressor is associated with lower HR effectiveness.

**Insight**

The absence of clear strategic priorities can lead to misunderstanding of HR accountabilities by HR staff and stakeholders alike. Not only can this result in stakeholder perceptions of ineffectiveness, it can also increase HR professionals’ stress levels as they try to juggle everyone’s needs and/or are often in the position of having to refuse, or put off, work stakeholders require.

- **Pressure from senior-level clients**: 35%
- **Role ambiguity**: 33% *
- **Implementing programs or policies they don’t agree with**: 29% *
- **Conducting terminations**: 22%

Percentage of HR professionals who reported experiencing each stressor

*n=469*
The most common tactic HR professionals use to manage stress is relying on peers

- 54% Seek support from HR peers within the organization
- 46% Find time to be alone at work
- 43% Take time off from work
- 40% Seek support from their manager
- 36% Access resources
- 30% Seek advice from external HR experts
- 12% Employee assistance program (EAP) resources

Two out of the top-three coping mechanisms may manifest in less constructive ways.

- Finding time to be alone at work may reduce stress, and mental health days are important. However, both mechanisms separate the individual from their team. Overusing these mechanisms may hinder team collaboration and productivity.

The more formal mechanisms that are offered by organizations are underused and may offer greater benefits to both the individual and the organization.
More challenging and rewarding development options are rarely offered to HR professionals

Of the following development opportunities for HR professionals, all but stretch assignments and rotations into other business units are associated with higher overall HR effectiveness.

<table>
<thead>
<tr>
<th>Development Opportunity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attending conferences</td>
<td>73%</td>
</tr>
<tr>
<td>HR association membership</td>
<td>68%</td>
</tr>
<tr>
<td>HR specific courses, programs, or certification</td>
<td>57%</td>
</tr>
<tr>
<td>Access to learning resources</td>
<td>50%</td>
</tr>
<tr>
<td>Coaching</td>
<td>39%</td>
</tr>
<tr>
<td>Stretch assignments</td>
<td>38%</td>
</tr>
<tr>
<td>Mentorship (internal or external)</td>
<td>26%</td>
</tr>
<tr>
<td>Internal communities of practice</td>
<td>21%</td>
</tr>
<tr>
<td>Rotation into other HR functions</td>
<td>18%</td>
</tr>
<tr>
<td>Rotation into other departments or business units</td>
<td>9%</td>
</tr>
</tbody>
</table>

* Not associated with higher HR effectiveness.

**Insight**

Relational and experiential development methods are not prevalent in HR. Increasing their use allows HR professionals to deepen their organizational knowledge and business acumen, then apply their learning on the job.
The evolution of HR

The fourth industrial revolution has arrived, marked by technological advances disrupting both the tasks people need to accomplish and how they go about their work. The increased complexity of work impacts how people communicate, interact, and collaborate with one another.

HR is in a unique position to help organizations navigate this turbulence and transform and capitalize on their most valuable asset – people. The HR function is evolving to meet these demands.

Actions and Practical Resources:

- Create a focused talent strategy that contains all the key elements and aligns HR programs with the strategic needs of the organization.
- Ensure your HR structure contains roles and capacity for strategic projects or initiatives.
- Take an evidence-based approach to understanding the needs and views of your stakeholders.
- Become a data-driven HR function to drive HR effectiveness and the value delivered to the organization.
Organizations are more successful when HR has greater input into workforce decisions

As HR responsibility for workforce-related decision making increases, the following positive outcomes also increase:

- Overall organizational performance
- Workforce productivity
- Employee experience
- HR effectiveness

However, workforce-related decision making still largely rests outside of HR:

- Responsibility for day-to-day decisions about the workforce:
  - Executive leadership: 16%
  - Management outside of HR: 27%
  - Corporate HR: 21%
  - Field HR: 35%

- Responsibility for decisions about HR programs & HR resource allocation:
  - Executive leadership: 8%
  - Management outside of HR: 27%
  - Corporate HR: 13%
  - Field HR: 52%
Organizational outcomes also improve when HR is involved in organizational strategy

Organizations highly effective in the following areas are ___ x more likely to have HR as a partner, rather than not involved, in the planning and execution of organizational strategy.

- **2x**  Ability to generate and implement new ideas
- **1.8x**  Ability to quickly change at scale to capitalize on new opportunities
- **1.7x**  Workforce productivity
- **1.6x**  Overall organizational performance
- **1.5x**  Social and environmental sustainability performance

**Insight**
HR knowledge and voice matters. HR is in a unique position to provide insight into and drive initiatives that upskill and enable employees to execute strategy.

n=832
Despite the benefits, HR’s involvement in organizational strategy has not changed much over the past four years

HR’s momentum has slowed, with two-thirds of HR departments yet to become a full partner in organizational strategy.

This trend is especially telling given the seniority of survey respondents:

- 48% of HR survey respondents are senior leaders (director to c-suite).
- 50% of non-HR survey respondents are senior leaders.
HR efficiency and effectiveness are higher when a documented talent (HR) strategy is in place

42% of HR departments have no overarching talent strategy.  

Having a strategy is not enough. HR’s day-to-day activities must be aligned with the talent strategy.

When there is high alignment, HR departments are:

- 31% More effective
- 32% More efficient

<table>
<thead>
<tr>
<th>Percentage of top-performing HR departments</th>
<th>No talent strategy</th>
<th>Talent strategy in place</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR effectiveness</td>
<td>31%</td>
<td>47%</td>
</tr>
<tr>
<td>HR efficiency</td>
<td>30%</td>
<td>34%</td>
</tr>
<tr>
<td>Controlling labor costs and maximizing the value of labor spend</td>
<td>34%</td>
<td>54%</td>
</tr>
</tbody>
</table>

n=617

n=346

n=378
Even when an HR strategy is in place, it often lacks critical elements

Even when an HR strategy is in place, it often lacks critical elements:

HR goals
Clear connection between HR goals and organizational goals
HR initiatives to close the gap between current and target state
A timeline for implementation
Metrics for success

HR effectiveness increases when each element is included in HR strategy

Average HR effectiveness (scale 1-10)

<table>
<thead>
<tr>
<th>Element included in HR strategy</th>
<th>Element not included in HR strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR goals</td>
<td></td>
</tr>
<tr>
<td>Clear connection</td>
<td></td>
</tr>
<tr>
<td>HR initiatives to close the gap</td>
<td></td>
</tr>
<tr>
<td>A timeline for implementation</td>
<td></td>
</tr>
<tr>
<td>Metrics for success</td>
<td></td>
</tr>
</tbody>
</table>

HR effectiveness increases as more of these elements are included

Frequency of each element

<table>
<thead>
<tr>
<th>HR goals</th>
<th>Clear connection</th>
<th>HR initiatives to close the gap</th>
<th>A timeline for implementation</th>
<th>Metrics for success</th>
</tr>
</thead>
<tbody>
<tr>
<td>69%</td>
<td>55%</td>
<td>54%</td>
<td>50%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Percentage of HR departments that include each strategy

<table>
<thead>
<tr>
<th>HR goals</th>
<th>Clear connection</th>
<th>HR initiatives to close the gap</th>
<th>A timeline for implementation</th>
<th>Metrics for success</th>
</tr>
</thead>
<tbody>
<tr>
<td>69%</td>
<td>55%</td>
<td>54%</td>
<td>50%</td>
<td>49%</td>
</tr>
</tbody>
</table>

n=437

Insight

To report on HR’s ROI, the first step is to measure the success of its activities.

→ Using metrics for success has the largest impact on HR effectiveness, yet is used by fewer than 50% of respondents.
HR functions with documented strategies are also more effective, yet these tools are underused.

Some HR departments have function-specific strategies and no overall HR strategy. This can lead to misalignment, and as shown previously, misalignment between day-to-day activities and overall HR strategy reduces HR effectiveness.

<table>
<thead>
<tr>
<th>Function</th>
<th>Effectiveness</th>
<th>No strategy</th>
<th>Has a strategy</th>
<th>% of HR departments with the specific functional strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent Acquisition</td>
<td>50%</td>
<td>26%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Talent Management</td>
<td>31%</td>
<td>31%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Learning &amp; Development</td>
<td>60%</td>
<td>30%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>54%</td>
<td>38%</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Diversity &amp; Inclusion</td>
<td>55%</td>
<td>36%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Total Rewards</td>
<td>51%</td>
<td>38%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>HR Analytics</td>
<td>49%</td>
<td>23%</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>

-insight-

HR Analytics is least likely to have a function-specific strategy despite having one of the largest jumps in effectiveness resulting from having one. This is surprising and concerning given the increasing importance organizations and HR departments are placing on data-driven decision making.

Fewer than 50% of respondents have a documented Talent Management, Diversity & Inclusion, or HR Analytics strategy.
Identifying strategic priorities allows for better HR role specialization

Extent to which various roles/structures exist within HR departments

- HR Generalists: 85%
- HR Business Partners: 61%
- Centers of Excellence: 47%
- Internal Consultants: 37%
- HR Shared Services: 36%

**Insight**

HR departments that include these roles are more effective than those without them, yet these roles are underused. These roles are typically accountable for many strategic HR initiatives, so making greater use of them should create greater strategic impact.

**Internal consultants:** HR professionals that develop and deliver solutions for specific HR projects for internal clients.
HR must increasingly rely on technology to deliver strategic value

Managing the many different HR technologies and vendors will likely add more complexity to HR’s already difficult role.

80% of HR departments have multiple vendors.

Relying on one vendor to meet all needs is **NOT** associated with greater HR efficiency or effectiveness.

### % of HR Departments With Planned or Recent Investment in HR Technology

- HRIS/HCM system: 82%
- Performance management software: 82%
- Payroll system: 72%
- Applicant tracking system (ATS): 70%
- Rewards & recognition software: 64%
- Workforce time attendance management software: 63%
- Learning technology system: 36%
- Advanced technologies – artificial intelligence: 24%
- HR case management: 12%

*n=471

Insight

Most of these technologies were not associated with increased HR effectiveness, meaning technology by itself is not a solution to HR challenges. Rather, HR should leverage technology to create efficiencies and enhance processes or practices that are already effective.
As HR evolves, maintain focus on the following key areas

These six areas were most strongly linked with high overall HR effectiveness.

1. Fostering collaboration between different groups within HR
2. Fostering a positive labor relations climate
3. Recruiting quickly to fill vacant roles with quality external talent
4. Providing a great employee experience
5. Supporting change
6. Facilitating data-driven people decisions

HR leaders must make a concerted effort to foster intra-HR collaboration

The challenges facing HR are usually too complicated for one group to solve by themselves.

Yet traditional HR silos often mean groups are working independently on solutions to the same issues.

HR leaders should focus on building and enhancing a collaborative HR culture to improve HR effectiveness.

Areas are ranked, starting with the strongest association with HR effectiveness.
Talent management in agile organizations

The historical, more static approaches to talent management are being challenged by today’s rapidly changing work landscape. Building increased agility into talent management programs is the key to meeting employee expectations (e.g. frequent feedback, customizable career paths, compensation, and development) and organizational needs (e.g. succession planning, workforce planning).

Actions and Practical Resources:

• [Create an effective performance management process](#) that fits the context of your organization by easily selecting and customizing the building blocks to meet your needs.

• Equip managers with the skillset to conduct [effective performance conversations](#).

• [Optimize your internal hiring process](#) to ensure that employees are moving within the organization and taking advantage of the career development opportunities that are inherent in any organization.

• Help teams climb out of ruts and reach full potential by [equipping managers to improve team effectiveness](#).
The agile organization is emerging...slowly

Insight
Uptake of agile structures has been slow despite being associated with positive organizational outcomes. The road to full implementation is long; organizations should be planning for implementation now.

With one exception, having these agile features is associated with:
- Greater ability to change at scale and capitalize on new opportunities
- Greater ability to generate and implement new ideas
- A great employee experience

<table>
<thead>
<tr>
<th>Feature</th>
<th>Implemented to a minimal extent or not at all</th>
<th>Implemented to a moderate extent</th>
<th>Fully implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Emphasis on Seniority</td>
<td>51%</td>
<td>39%</td>
<td>10%</td>
</tr>
<tr>
<td>Distributed Decision Making</td>
<td>64%</td>
<td>34%</td>
<td>2%</td>
</tr>
<tr>
<td>Removal of Middle Management Layers</td>
<td>71%</td>
<td>26%</td>
<td>3%</td>
</tr>
<tr>
<td>Elimination of Traditional Job Titles</td>
<td>73%</td>
<td>23%</td>
<td>4%</td>
</tr>
<tr>
<td>Entirely Ad Hoc Teams</td>
<td>78%</td>
<td>21%</td>
<td>2%</td>
</tr>
<tr>
<td>Self-Managed Teams</td>
<td>79%</td>
<td>19%</td>
<td>2%</td>
</tr>
</tbody>
</table>

n=448
Many of these agile structures make it harder to develop leaders the traditional way

Progressing gradually through increasing levels of leadership isn’t always feasible with flatter hierarchies and distributed leadership. This can mean larger jumps for first-time leaders and new challenges for leadership development.

<table>
<thead>
<tr>
<th>Leadership development tactic</th>
<th>Percentage using each tactic</th>
<th>Overall organizational performance</th>
<th>Average score of organizations that:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership development programs</td>
<td>61%</td>
<td>7.0</td>
<td>[ ] Do not use the tactic [ ] Use the tactic</td>
</tr>
<tr>
<td>Focusing on leadership potential in recruiting for non-leadership positions</td>
<td>36%</td>
<td>7.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Temporary leadership assignments inside the organization</td>
<td>33%</td>
<td>7.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Leadership development opportunities external to the organization</td>
<td>25%</td>
<td>7.3</td>
<td>7.7</td>
</tr>
<tr>
<td>Formal mentorship programs</td>
<td>23%</td>
<td>7.3</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Insight

As organizations transition to agile ways of working, the distinction between leaders and managers could narrow, resulting in a need to rethink leadership development.
Frequent performance conversations are critical as organizations attempt to become more agile

The use of frequent performance conversations is increasing rapidly

<table>
<thead>
<tr>
<th>Performance Method</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal system in place</td>
<td>7%</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Annual performance review</td>
<td>38%</td>
<td>39%</td>
<td>26%</td>
</tr>
<tr>
<td>Semi-annual performance review</td>
<td>N/A</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>Quarterly performance review</td>
<td>N/A</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Frequent performance and goal-setting</td>
<td>N/A</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>conversations and regular performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reviews</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% of organizations that exclusively use each of the performance management tactics

Insight

Frequent performance conversations that include feedback and coaching help employees maintain high performance despite changing business needs, which is critical to the success of agile organizations.
More frequent conversations are associated with stronger organizational performance

Organizational outcomes for each performance management tactic:

<table>
<thead>
<tr>
<th>Performance Management Tactic</th>
<th>Average Effectiveness Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to generate and implement new ideas</td>
<td>6.2  6.7  6.8  7.3  7.5</td>
</tr>
<tr>
<td>Workforce productivity</td>
<td>6.6  6.8  7.4  7.4  7.4</td>
</tr>
</tbody>
</table>

Legend:
- Light blue: No formal system in place
- Purple: Annual performance review
- Deep purple: Semi-annual performance review
- Dark purple: Quarterly performance review
- Pink: Frequent performance and goal-setting conversations and regular performance reviews

n=454
Team-based performance management is also emerging as teamwork becomes the new norm

### Team-based performance management tactic

<table>
<thead>
<tr>
<th>Percentage using each tactic</th>
<th>Setting team goals</th>
<th>Actively communicating team performance targets to the rest of the organization</th>
<th>Including team outcomes and metrics in individual performance appraisals</th>
<th>Using team and or project management tools to track progress</th>
<th>Providing team-based compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### Associating with

- **Ability to quickly change at scale to capitalize on new opportunities**: Left
- **Ability to generate and implement new ideas**: Right

#### Insight

Organizations should review their performance management processes and determine where it makes sense to adopt team-based PM tactics.

**Thirty-five percent** of organizations are not doing anything to enable team-based performance management (PM); on average, these organizations are less able to change at scale and to generate and implement new ideas.
Employees don’t care about the type of career moves provided as long as they are provided.

Percentage of organizations that offer each type of career move:

- Lateral moves: 67%
- Focus on developing within roles: 66%
- Defined traditional upwards career paths: 51%
- Defined career paths for individual contributors: 41%

Insight:
Offering any type of career move is associated with a better employee experience, and the more the better.

HR’s effectiveness at facilitating a great employee experience (average from 1-10), when each career move is, and is not, provided:

- Career move provided:
  - Lateral moves: 7.3
  - Focus on developing within roles: 7.2
  - Defined traditional upwards career paths: 7.4
  - Defined career paths for individual contributors: 7.4

- Career move not provided:
  - Lateral moves: 6.9
  - Focus on developing within roles: 6.9
  - Defined traditional upwards career paths: 6.9
  - Defined career paths for individual contributors: 6.9

n=458 for provided, n=456 for not provided.
Reskilling in the age of digital disruption

Organizations are on the front lines of technological advancements, yet many report they aren’t taking action internally to address the disruptions and leverage the opportunities inherent in digital transformation. There is a clear role for HR to play in closing key skill gaps to position organizations for success in an age of digital disruption.

Actions and Practical Resources:

• Use ready-to-deploy tools to develop key skills of the future like design thinking, change management, and resilience.

• Take a proven approach to driving HR effectiveness through learning by developing a holistic L&D strategy and adopting continuous learning.

• Effectively prepare for the changing business landscape by creating and leveraging a skills inventory to boost competitive advantage.

• Get managers involved in employees’ development by training them to coach for high performance and development.
HR needs to support digital transformation

Digital transformation: Investment or adoption of new technology or business models

Creating a new talent strategy

Supporting change management of digital transformation

Nothing

30% are not taking action, which is negatively associated with innovation, productivity, and overall organizational performance.

Insight

Taking no action is an active decision. If HR doesn’t take steps to support digital transformation, their organizations risk falling behind.
HR action to support digital transformation is lagging

<table>
<thead>
<tr>
<th>Associated with</th>
<th>Overall organizational performance</th>
<th>Ability to change quickly</th>
<th>Ability to generate new ideas</th>
<th>Workforce productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevalence</td>
<td>36%</td>
<td>35%</td>
<td>28%</td>
<td>27%</td>
</tr>
</tbody>
</table>

There is an opportunity to improve a variety of key outcomes; actions focused on employee development have the broadest impact.

- Creating a new talent strategy
- Supporting change management of digital transformation
- Helping redesign organizational structure
- Analyzing the employee skills gap
- Updating candidate profiles and recruiting different talent
- Updating and developing employees on new core competencies
- Equipping leaders to lead in agile environments
- Redesigning roles to account for automation
- Training employees in specific new skills

n=419
Insight

Large organizations are struggling much more than smaller ones to attract or develop these competencies, suggesting there is an innate nimbleness in small organizations that allows them to transition quicker.

<table>
<thead>
<tr>
<th>Competency</th>
<th>Average Proficiency (1-10)</th>
<th>% of Organizations with High Proficiency</th>
<th>% of Small Organizations with High Proficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agile Scrum Methodology</td>
<td>4.7</td>
<td>16%</td>
<td>29%</td>
</tr>
<tr>
<td>Design Thinking</td>
<td>5.1</td>
<td>14%</td>
<td>33%</td>
</tr>
<tr>
<td>Change Management</td>
<td>5.8</td>
<td>21%</td>
<td>44%</td>
</tr>
<tr>
<td>Emotional Intelligence</td>
<td>5.9</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>Digital Literacy</td>
<td>6.2</td>
<td>26%</td>
<td>54%</td>
</tr>
<tr>
<td>Resilience</td>
<td>6.3</td>
<td>29%</td>
<td>38%</td>
</tr>
</tbody>
</table>

n=429

n=40
L&D supports more than individual skill development

Organizations with highly effective L&D also have:

1. Increased innovation
2. A greater employee experience
3. Increased ability to support change

Enabling Learning & Development is the #3 priority for professionals outside of HR.

Yet, only 41% of HR departments are highly effective at enabling Learning & Development.
Enabling continuous learning leads to positive outcomes

Those who take any of the following actions to promote a culture of continuous learning are outperforming on the following key outcomes: ability to quickly change, enabling innovation, greater workforce productivity, and supporting change *(n=456).*

<table>
<thead>
<tr>
<th>% Taking the Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>69%</td>
<td>Supporting the creation of individual development plans</td>
</tr>
<tr>
<td>59%</td>
<td>Encouraging leaders to role model continuous learning</td>
</tr>
<tr>
<td>52%</td>
<td>Including a continuous learning competency in talent programs</td>
</tr>
<tr>
<td>49%</td>
<td>Providing formal coaching to leaders</td>
</tr>
<tr>
<td>45%</td>
<td>Allocating time dedicated to learning</td>
</tr>
</tbody>
</table>

None of these are directly related to spending large amounts of money.

**L&D spend per FTE**

$800

*Median spending per FTE, n=115*

**Insight**

Learning is more than training. Providing tools, time, and leadership support are equally as important when attempting to upskill a workforce.
Technology and talent acquisition

With tightening labor markets and widening skill gaps, talent acquisition (TA) remains a top organizational priority. So it is no surprise that HR functions continue to move beyond standard applicant tracking systems (ATS) to take advantage of an exploding technology market. HR functions have an opportunity to identify and implement tools that will create the biggest benefits for the function, candidates, and ultimately, organizations.

Actions and Practical Resources:

- Navigate the crowded HR technology market and improve your software evaluation and selection process.
- Create a roadmap for technology investment in your HR department that is driven by the strategic needs of the organization.
- “Wow” candidates by using design thinking to redesign the candidate experience. Make sure to highlight what candidates value the most: career opportunities and the job itself.
- Optimize the value of social networks by purposefully sourcing with social media.
- Tap into the right candidate pool and manage candidate expectations by uncovering an impactful employee value proposition.
Great HR departments excel at talent acquisition

Effective TA is an important aspect of high-performing HR departments.

Highly effective talent acquisition is strongly associated with:

Talent Acquisition is the 2\textsuperscript{nd} most staffed HR function, reflecting its importance and the heavy workload.

$n=460$

$n=838$
Despite viewing talent acquisition as the top priority, professionals outside of HR fail to prioritize the candidate experience.

**Priority #1**
Professionals outside of HR rank talent acquisition as their number 1 priority.

**The candidate experience is integral to TA**
There is a strong association between providing a great candidate experience and effective TA.

**Yet, the benefits of a great candidate experience are being overlooked**
Other professionals rated the candidate experience dead last, of HR-related priorities.

Insight
Effective talent acquisition requires collaboration between TA specialists and hiring managers to ensure a positive candidate experience. HR needs to ensure other professionals understand the rationale for improving it.
Online brand promotion is a core capability for effective talent acquisition

Three online brand promotion activities are associated with more effective talent acquisition overall and a better candidate experience.

- Managing the organization’s profile on social media
- Social media campaigns
- Managing the organization’s profile on employer review sites

75% manage their organization’s profile on social media
51% are pursuing a social media campaign to promote their employer brand
The employee value proposition (EVP) remains a vital tool for effective TA.

Using an EVP for internal and external branding is associated with more effective talent acquisition.

Not having an EVP at all is associated with less effective talent acquisition.  

Despite the association between a lack of an EVP and less effective talent acquisition, only 57% of organizations have an established EVP.

Insight

Without an EVP you risk falsely advertising the employee experience and in turn attracting the wrong talent, leading to ineffective talent acquisition.
Technology has the power to improve the candidate experience

Poor communication is the #2 biggest pain point for candidates

(New Hire Survey Database, 2020; n=22,171).

Yet, there is no relationship between % of candidate communication performed by human recruiters and the effectiveness of talent acquisition or the candidate experience (n=447), suggesting robotic or automated communication doesn’t hinder the TA process.

And HR investment in AI is on the rise

Given the lack of impact human communication has on TA effectiveness, there is an opportunity to automate some routine candidate-facing TA tasks and redeploy resources to more strategic areas.

Insight

Planning to invest/recently invested

<table>
<thead>
<tr>
<th>Year</th>
<th>Planning to invest/recently invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>4%</td>
</tr>
<tr>
<td>2020</td>
<td>12% (2x)</td>
</tr>
</tbody>
</table>

Planning to invest/recently invested

<table>
<thead>
<tr>
<th>Year</th>
<th>Planning to invest/recently invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>136</td>
</tr>
<tr>
<td>2020</td>
<td>471</td>
</tr>
</tbody>
</table>

Human

Robots (automated)
However, technology is only as useful as the users allow it to be.

Leveraging all the capabilities of talent acquisition technology available in-house is associated with:

- More effective talent acquisition (n=419)
- Greater candidate experience (n=417)

Yet only 32% of recruiters are leveraging all the capabilities of their talent acquisition technology available in-house to a great extent (n=419).
## Talent acquisition is among the most diverse and mature markets in HR technology

<table>
<thead>
<tr>
<th>Function</th>
<th>Using</th>
<th>Planning to invest</th>
<th>No planned investment</th>
<th>Associated with:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant tracking system</td>
<td>58%</td>
<td>13%</td>
<td>30%</td>
<td>Greater candidate experience, More effective talent acquisition</td>
</tr>
<tr>
<td>Video interviewing</td>
<td>47%</td>
<td>7%</td>
<td>46%</td>
<td></td>
</tr>
<tr>
<td>Automated assessments</td>
<td>40%</td>
<td>9%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Instant messaging</td>
<td>35%</td>
<td>12%</td>
<td>53%</td>
<td></td>
</tr>
<tr>
<td>Automated routine tasks</td>
<td>32%</td>
<td>12%</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Advanced analytic tools</td>
<td>14%</td>
<td>14%</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>Automated reference checking</td>
<td>17%</td>
<td>7%</td>
<td>76%</td>
<td></td>
</tr>
<tr>
<td>Chatbots</td>
<td>5%</td>
<td>10%</td>
<td>85%</td>
<td></td>
</tr>
</tbody>
</table>

### Insight

Talent acquisition functions that adopt technology faster than their peers are providing a much better candidate experience, and in some cases more effective talent acquisition.

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*McLean & Company*
Moving from diversity to inclusion

Research has consistently found greater diversity leads to stronger innovation, better bottom-line results, and numerous other positive organizational outcomes. There’s no doubt awareness is the foundation to making strides in diversity, however, it is clear organizations must widen the lens on what diversity means and move beyond surface-level awareness to changing practices and initiatives to focus on inclusion. Ultimately, diversity without inclusion will fail to capture all the benefits organizations are seeking.

Actions and Practical Resources:

• Unlock the benefits of diversity by developing an inclusion strategy to leverage diversity and drive innovation.

• Conduct an annual salary assessment to maintain pay equity and avoid discrepancies.

• Equip managers to adopt inclusive leadership behaviors and create an inclusive environment.

• Take a planful approach to flexible work – assess the feasibility of options upfront to avoid having to backtrack.
Focusing on diversity & inclusion pays off

**Engagement increases**

Creating a culture where more people feel included can increase engagement. Those who are believe "I am a fit for the organizational culture" are 22% more engaged than the average employee (McLean & Company Engagement Survey Database, 2020; N=126,640).

**Productivity is impacted**

Having a diversity & inclusion strategy is associated with greater workforce productivity (n=472).

**Investment leads to greater results**

When HR departments have a great share of staff dedicated to engagement and culture, which includes D&I, they are more successful at fostering an environment of inclusion (n=460).
Yet, for many employees, workplaces are far from inclusive

Women are more likely to have...
- Seen incidents of discrimination
- Experienced emotional harassment
- Felt physically unsafe at work

Women's experience clearly speaks to non-inclusive environments

Un-inclusive environments could account for women scoring significantly lower than men in:
- Demonstrated engagement – “In the last year, I have made many recommendations for improvements to the organization.”
- Employee empowerment – “I am empowered to make decisions about how I do my work.”

Women rated “This organization has a very friendly atmosphere” significantly lower than men.

The gender gap increases even more for less-senior roles

3x Lower for team members versus directors
2x Lower for team members versus directors
It’s time to shift the focus from diversity to inclusion

Organizations that are taking action to create an inclusive environment are:

- **18%** more effective at creating a positive employee experience.
- **20%** better at fostering an environment of inclusion.
- Better at retaining employees: **4%** less turnover than those not taking action.

Taking action leads to positive outcomes
There is room to take more action in creating an environment of inclusion.

Actions organizations are taking to create an environment of inclusion:

- Providing inclusion training: 43%
- Embedding inclusive behaviors into values: 54%
- Evaluating inclusive behaviors in performance appraisals: 27%
- Articulating the link between D&I and organizational goals: 32%
- Tracking and reporting D&I metrics: 33%
- Creating employee resource groups: 25%

These four actions are associated with greater effectiveness in diversity & inclusion.

n=416
Changing existing practices to improve D&I is an untapped opportunity

These five practices are associated with more effective diversity & inclusion.

<table>
<thead>
<tr>
<th>Practice</th>
<th>% of Organizations Changing Practices</th>
<th>% of Organizations Not Changing Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding candidate pools beyond traditional sources</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Structuring interviews to mitigate bias</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Targeting referral programs to underrepresented groups</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Purposefully establishing diverse project teams</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Recognizing employees for inclusive behaviors</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Addressing gender and/or minority pay gaps</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Broadening the notion of cultural fit in hiring</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Changing succession selection process</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Eliminating the notion of cultural fit for hiring</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

25% of organizations haven’t changed any of these practices to improve D&I and it could be contributing to higher turnover.
The employee experience is also impacted by a culture of inclusion.

Insight

There is no hiding inequalities; employees are intuitively aware of them in their day-to-day jobs. Ensuring a fair approach to pay and talent acquisition is a good starting point for HR departments.

Start the journey to an improved employee experience by...

- Addressing gender and/or minority pay gaps.
- Structuring interviews to mitigate bias.
- Targeting referral programs to underrepresented groups.
- Expanding candidate talent pools beyond traditional sources.
A fair approach to pay is needed before real strides in pay transparency can be made.

Top three barriers to transparency:

1. Too much subjectivity in pay decisions
2. Existing pay inequities need to be resolved
3. Lack of senior leadership buy-in

Transparency has increased from 2019 to 2020: 8% of employees went from knowing only their own compensation to a more transparent pay structure.
## Beyond pay, different types of benefits can connect with more employees

### % Offering Traditional Benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>% Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health insurance</td>
<td>0%</td>
</tr>
<tr>
<td>Vacation or time off</td>
<td>0%</td>
</tr>
<tr>
<td>EAP</td>
<td>0%</td>
</tr>
<tr>
<td>Professional development</td>
<td>0%</td>
</tr>
<tr>
<td>Disability and accident insurance</td>
<td>0%</td>
</tr>
<tr>
<td>Retirement and investments</td>
<td>0%</td>
</tr>
</tbody>
</table>

### % Offering Non-Traditional Benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>% Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual dress</td>
<td>0%</td>
</tr>
<tr>
<td>Flexible work</td>
<td>0%</td>
</tr>
<tr>
<td>Wellness fitness programs/services</td>
<td>0%</td>
</tr>
<tr>
<td>Tuition assistance</td>
<td>0%</td>
</tr>
<tr>
<td>Volunteer program</td>
<td>0%</td>
</tr>
<tr>
<td>Technology reimbursement</td>
<td>0%</td>
</tr>
<tr>
<td>Food and drink</td>
<td>0%</td>
</tr>
<tr>
<td>Transport assistance</td>
<td>0%</td>
</tr>
<tr>
<td>Elder care</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Insight

It’s time to rethink benefits! Non-traditional benefits are underused, particularly given their impact on D&I and employee experience. With far fewer organizations offering them, they could be a competitive differentiator in the talent market.
Parents are one employee group that require tailored benefits

Flexible work options
Don’t provide support beyond what is legally required
Adoption assistance
Employee support groups
Onsite or subsidized child care
Counseling support

Prevalence

- 56% Unpaid paternity leave beyond legally required minimum
- 35% Paid paternity leave beyond legally required minimum
- 11% Unpaid maternity leave beyond legally required minimum
- 6% Paid maternity leave beyond legally required minimum
- 17% Adoption assistance
- 17% Employee support groups
- 45% Onsite or subsidized child care
- 60% Counseling support

Insight

Successful inclusion involves identifying and addressing the unique needs of different groups. There is an opportunity to improve working parents' experience through a robust benefits offering.

Associated with more effective D&I
Associated with a better employee experience

n=473
Leverage feedback to drive performance

<table>
<thead>
<tr>
<th>OPTIMIZE THE HR DEPARTMENT FOR SUCCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Stakeholder Management Survey</td>
</tr>
<tr>
<td>Align HR initiatives with business strategy and stakeholder needs.</td>
</tr>
<tr>
<td>HR Management &amp; Governance</td>
</tr>
<tr>
<td>Improve HR’s core functions and drive project success.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IMPROVE EMPLOYEE EXPERIENCE AND HR PROCESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Hire Survey</td>
</tr>
<tr>
<td>Ensure recruiting and onboarding programs are effective by surveying new employees.</td>
</tr>
<tr>
<td>Employee Engagement</td>
</tr>
<tr>
<td>Move beyond measuring job satisfaction with a comprehensive view of engagement.</td>
</tr>
<tr>
<td>McLean Employee Experience Monitor</td>
</tr>
<tr>
<td>Evolve to leader-driven engagement with a real-time dashboard and results.</td>
</tr>
<tr>
<td>Employee Exit Survey</td>
</tr>
<tr>
<td>Understand why people leave the organization in order to proactively retain top talent.</td>
</tr>
<tr>
<td>360 Degree Feedback</td>
</tr>
<tr>
<td>Empower employees with a holistic view of their performance to prioritize development.</td>
</tr>
</tbody>
</table>

Build an evidence-based HR strategy while gathering insights throughout the employee lifecycle.

View our diagnostic programs for more information.
McLean & Company is a research and advisory firm providing practical solutions to human resources challenges via executable research, tools, and advice that have a clear and measurable impact on your business.

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