

## HR MISALIGNMENT COSTS YOU MORE THAN YOU THINK - HERE'S WHY IT MATTERS

*Misalignment with Business Strategy among 82% of HR Leaders Leads to Trillions in Annual Losses*

### Executive Summary

This report, created by 3Sixty Insights in collaboration with Eightfold AI, explores the misalignment between HR leaders and business strategies and the short-term and long-term issues that result from it.

3Sixty Insights partnered with Eightfold to deploy two surveys:

- An HR Leader Survey taken by 500 HR leaders, VP level and above, at companies with 5000+ employees across six countries.
- An Employee Survey including/covering 1200 respondents who are employed full or part-time across six countries.

Our findings show a high recurrence (82%) of misalignment in businesses where HR departments are not in lockstep with the overall business. This was exemplified primarily in three areas:

- **Business strategy development and execution** - Only 53% of HR leaders report involvement from the outset in developing and executing their company's overall business strategy.
- **C-suite collaboration** - 47% of HR leaders report that their HR department is absent from regular collaboration with the C-suite on long-term strategic initiatives.
- **Talent strategy** - 56% say their talent strategies do not align with the overall business objectives.

Only 18% of the leaders surveyed execute all three of the above strategy areas effectively. This has downstream effects on the efficacy of talent strategy, the HR organization, and general business needs. With 69% of respondents to the Leader Survey concerned about their ability to keep up with their company's rapid changes and the ever-evolving HR needs of their employees, this number will only continue to grow the longer HR remains misaligned.

We also found that employee satisfaction is at a low 61%. Other studies have repeatedly proven that [low employee satisfaction](#) negatively impacts performance. This has led many workers toward a job hunt frenzy. Our survey reports that 82% of all employees admitted to looking for a new job in the past 12-18 months, citing pay and culture as the leading obstacles in their existing jobs. These employee numbers juxtapose the 3 out of 4 HR leaders who report that they have what it takes to help employees grow in their roles yet struggle with staffing challenges. Ultimately, our employee survey reveals that current HR and corporate initiatives must catch up to employees' needs.

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While staffing remains a challenge, gaining a better understanding of skills is one tenable solution. HR leaders ranked understanding their workforce's skills and capabilities as the second most important factor after retaining top performers, and our survey results indicate that gaining a better understanding of the skills makeup of their talent networks could be a method of doing so. With 96% of leaders surveyed saying they plan on using AI to help them solve these present and future problems, there's light on the horizon to break these trends.

This report will outline how leaders can solve these problems by aligning HR goals with business goals and prioritizing understanding skills and capabilities to overcome internal and external staffing challenges. We will examine how those who encourage internal mobility, reskilling, redeployment, retention, and employee growth have higher employee satisfaction. The report also looks at the use of AI and technology in HR practices and the positive changes harnessing AI can bolster. This report shows how companies making strategic investments in technology enhance and transform their ability to meet future needs, achieve business goals, and streamline their tech stack.

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## Key Takeaways

### **Misalignment Hurts Your Business: Only 18% of HR leaders say they are fully involved and aligned with business strategy**

- Only 18% of HR leaders were considered best-in-class with full involvement in business strategy, regular collaboration with the C-Suite, and alignment with the business on talent strategy.
- The contrast: 82% of HR leaders struggle to align with Executives and Leadership.

### **HR's Disconnects & Inefficiencies Cost Businesses \$8.9 Trillion**

- Misalignment between HR and business strategies can translate into lower employee engagement.
- In turn, low engagement decreases business outcomes so substantially that it costs the global economy \$8.9 trillion annually or 9% of the global GDP.
- With such staggering numbers, even a small positive change could mean millions or billions of dollars of business growth.

### **Employee Satisfaction at 61%**

- Only 61% of workers are satisfied with their current roles.
- Employee survey finds that current HR and corporate initiatives don't meet their needs.

### **82% of Employees Looked for a New Job in the Past 12-18 Months Citing Pay, Culture, and Motivation as Top Challenges**

- If so many HR leaders invest in helping employees grow and/or struggle with staffing challenges, why are so many employees still looking for new jobs?
- 71% of HR leaders agree that they struggle with staffing challenges, yet 75% are confident they have the tools/resources for employees to grow in their roles.

### **Why Gaining a Better Understanding of Skills Should be at the Top of HR's Priority List**

- To achieve business goals, HR leaders ranked understanding their workforce's skills and capabilities as the second most crucial factor after retaining top performers.
- However, survey results indicate that gaining a better understanding of the skills makeup of their talent networks was last on their priority list for the next 12-18 months.

### **96% of Companies Surveyed Currently Use or Plan On Using AI**

- All is not lost: The survey reveals HR's top priorities, challenges, and investments in an attempt to better align with employees.
- AI's impactful role: 67% of HR leaders surveyed showed high satisfaction with current tools and planned more significant investments in HR-specific AI tools and technologies.

## Misalignment Hurts Your Business

**Only 18% of HR leaders say they are fully involved and aligned with business strategy.**

HR leadership must create a more collaborative and strategic partnership with executive leadership. Executives who can champion human resources, talent, and workforce strategies as pivotal elements in achieving financial efficiency and employee satisfaction will likely see elevated operational standards.

The most concerning takeaway from our survey data was the lack of alignment across organizations in three key areas and relationships: business strategy development and execution, C-suite collaboration, and talent strategy alignment to business objectives. Of the HR leaders surveyed, **only 18%** said they align in these three key areas. For the purposes of this report, we consider this 18% to be “best-in-class.”

### Survey Insights

<p><b>Q: To what extent is HR involved in the development and execution of the company's overall business strategy?</b></p> <p>53% are fully involved from the outset in the development and execution of the company's overall business strategy</p>	<p><b>Q: How frequently does the HR department collaborate with the C-Suite on long-term strategic initiatives?</b></p> <p>52% say their HR department regularly collaborates with the C-Suite on long-term strategic initiatives</p>	<p><b>Q: How well do you believe the company's talent strategy aligns with its overall business objectives?</b></p> <p>56% of respondents believe the company's talent strategy fully aligns with its overall business objectives.</p>
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### Why are only 18% aligned?

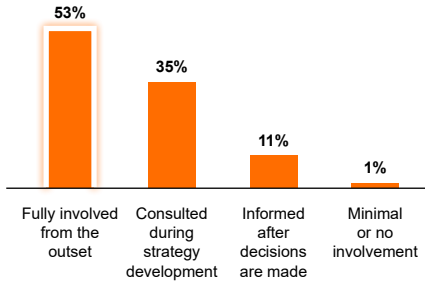
It was challenging to find HR leaders in the survey data who believed they fully grasped their team and company goals. 82% fell into this category. The absence of a cohesive strategic framework for HR to operate under creates friction and prevents HR leaders from successfully executing HR functions that align with employees who drive business outcomes.

Within the 82% of organizations that are **not** fully aligned, we saw the following trends:

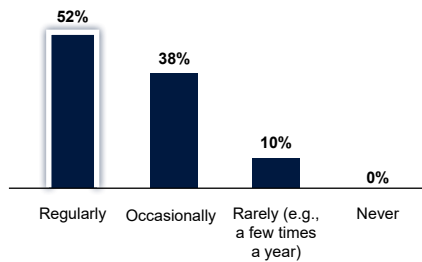
- **Strategic Misalignment** — HR departments were often seen as administrative apparatuses rather than strategic ones. This can result in HR focusing on operational tasks rather than aligning its efforts with broader business objectives.
- **Lack of Executive Support** – Responses indicate a lack of executive support contributing to misalignment.
- **Friction in Strategic Buy-in** — Lack of support can increase friction when vying for strategic buy-in for tech, which our best-in-class performers did not have. Executives may not fully recognize HR's value in shaping the company's long-term vision, leading to expectations and investment gaps.
- **Competing Priorities** – Executives may prioritize profits, cost management, and operational targets, while HR may focus on employee well-being, development, and compliance. When these priorities don't align, HR can become sidelined.

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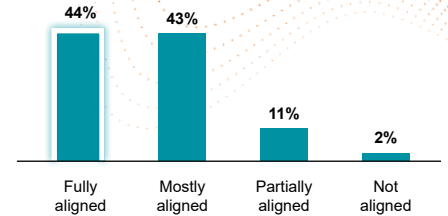
## HR Involvement in Overall Business Strategy



## Frequency of HR Collaborating with C-Suite on Strategic Initiatives



## Talent Strategy Alignment With Business Objectives



### Best-in-Class =

The 18% of respondents who responded positively in all three of these categories

## HR Departments Aligned with Executive Leadership and Organizational Strategies Have the Edge Over Those Who Aren't

Our best-in-class (the 18% fully aligned) businesses exemplify the following trends:

- 90% report complete alignment with executives for HR initiatives.
- HR meets regularly with leadership and is more involved in business strategy.
- Heightened self-awareness of weaknesses and areas of improvement.
- An awareness that leads to targeted investments and innovations that help them grow.
- While strategic buy-in remains a struggle, they report increased buy-in and reduced resistance from executive leadership.

### Achieving Success

According to the HR leaders we surveyed, *all* HR departments struggle to meet employee and company needs regardless of strategic alignment. In fact, there is only a 3% difference between the best-in-class and others on this subject. However, those fully aligned (the 18% best-in-class) were less likely to worry about their ability to face these challenges. Still, it shows that all are struggling with the same problem: the disconnect between what they're doing and what employees want.

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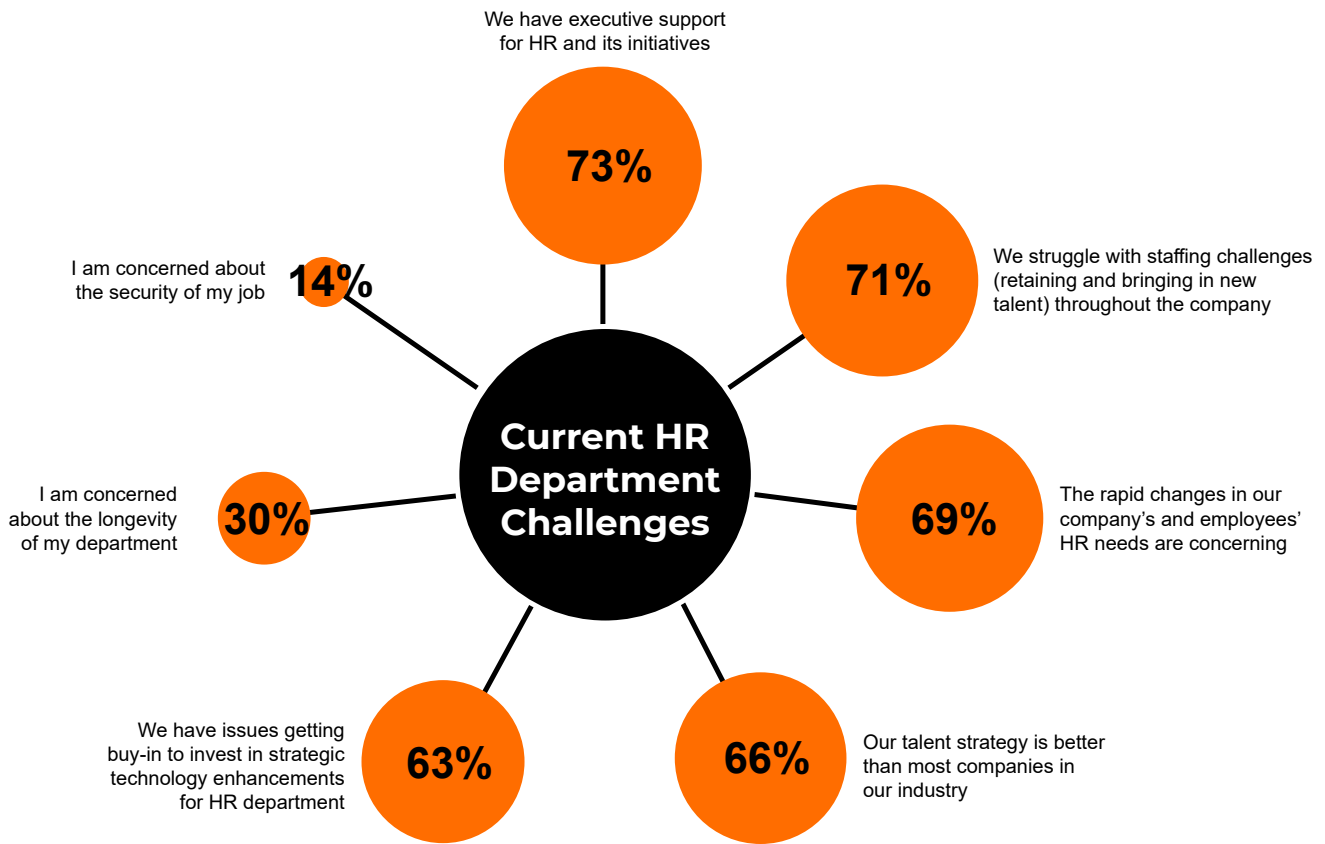
## HR's Disconnects & Inefficiencies Cost Businesses \$8.9 Trillion

Dysfunction and misalignment are not just bad for people; they can significantly hamper business performance, operations, and profits. An HR organization not aligned with the rest of the business typically results in employees with lower engagement, performance, and morale.

According to [Gallup's 2024 State of the Global Workplace report](#), employee engagement directly reflects employees' involvement and enthusiasm in their work and workplace. More engaged teams have better outcomes within their organizations. However, low or reduced engagement hurts business outcomes so significantly that it costs the global economy \$8.9 trillion annually (9% of global GDP). When faced with such incredible numbers, a small positive change could mean millions or billions of dollars of growth for a business.

### The General Consensus: HR is Struggling to Keep Up and Connect Strategic Priorities with Tactical Execution

Staying competitive in today's market demands HR systems that evolve with industry needs and business goals. HR departments must prepare for the future of work and remain competitive just as much as any part of the organization. However, survey data shows HR is not at the table 53% of the time to help impact business strategy and course corrections. So when new challenges like remote work or AI enter the picture, and businesses attempt to master them, HR can be slow in responding or may even deploy an entirely incorrect plan of action.



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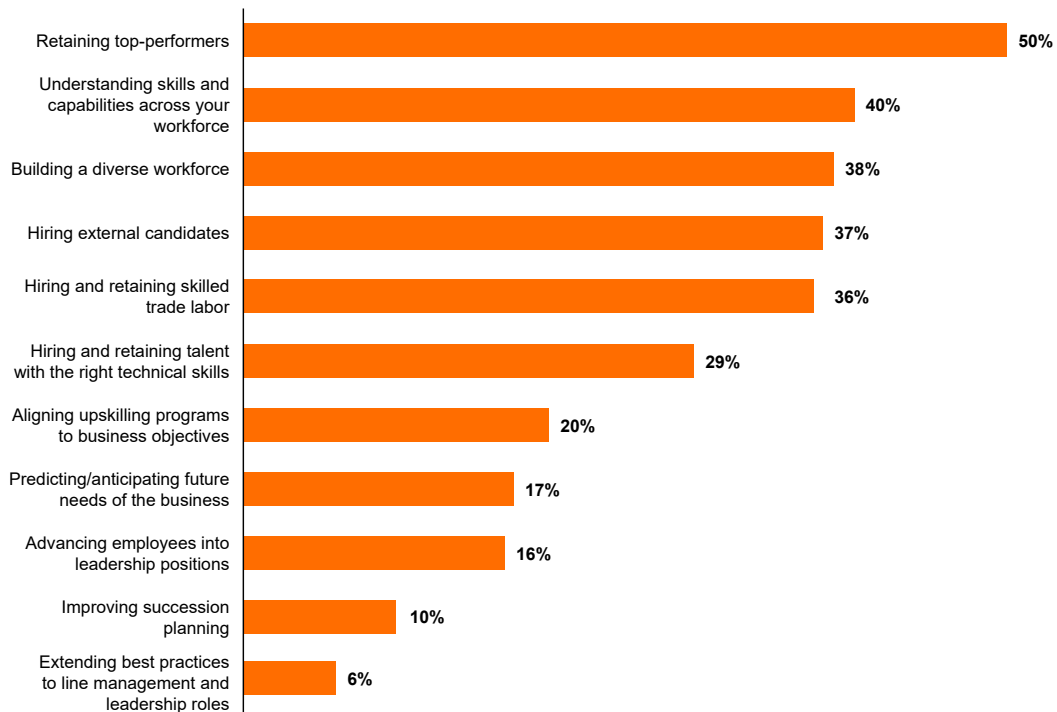
Our report found that the top three challenges of HR are:

- Struggles with internal and external staffing (71%)
- Rapid changes in their company and employee HR needs (69%)
- Buy-in for technology (63%)

When businesses grow and evolve quickly, not all departments can keep pace. Many HR leaders surveyed said their organizations needed new technology and investments to avoid lagging behind in the face of business-wide digital transformations. Without them, they found they were struggling with high turnover rates, difficulty managing various systems, and inability to meet employee needs and demands.

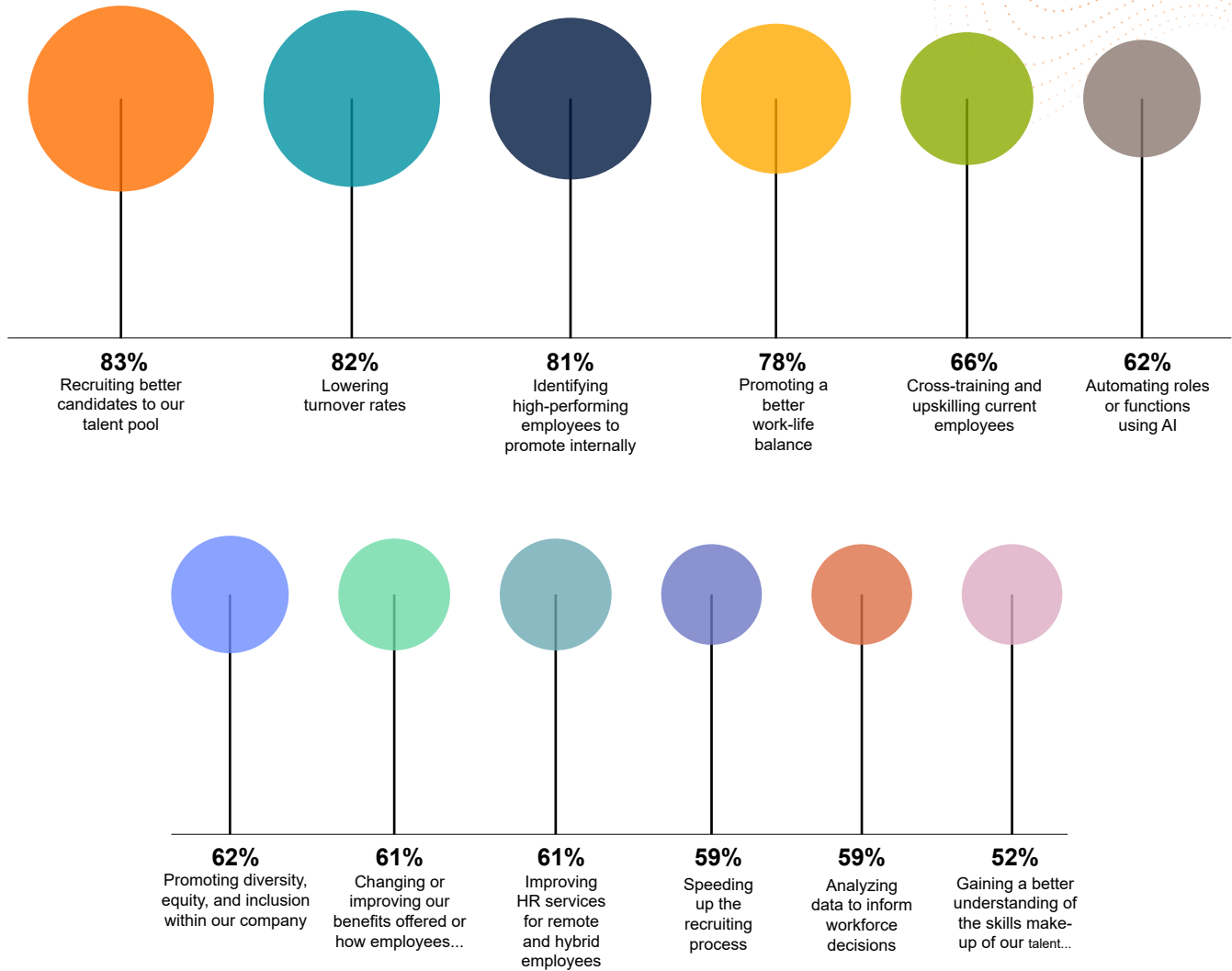
With this in mind, the graphs below display the most important factors in achieving business objectives and overall company priorities over the next 12-18 months. They highlight how these disconnects begin to form. What emerges is a notable misalignment between HR's perceived challenges, strategic priorities, and their actual implementation.

## Most Important Factors in Achieving Business Objectives



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## Company Priorities Next 12-18 Months

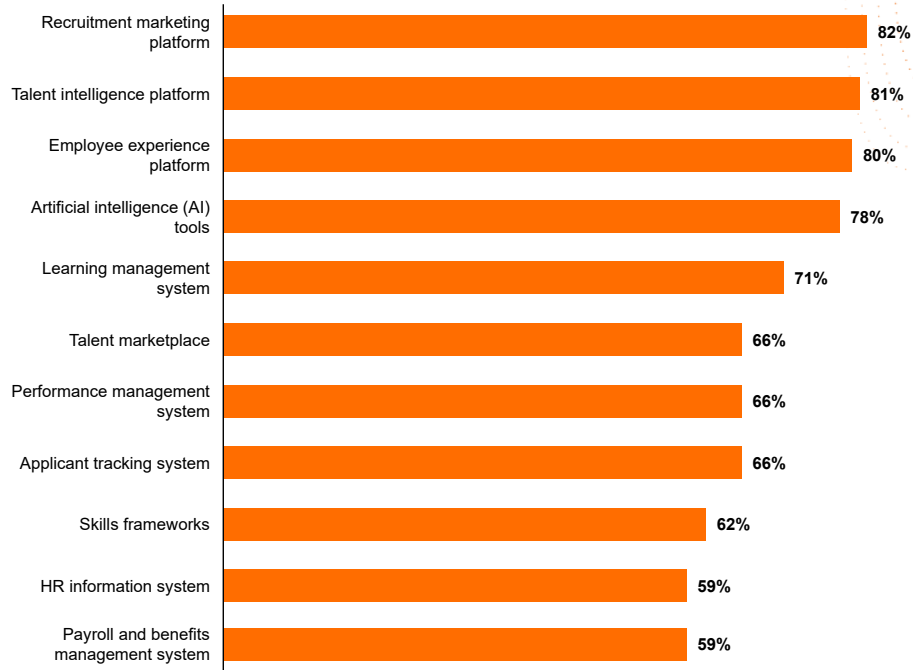


### Initiatives and Investments: A Piece of a Problem

HR leaders identified their top business priorities as recruiting better candidates to the talent pool, lowering turnover rates, and identifying high-performing employees to promote internally. Not surprisingly, recruitment marketing platforms consistently ranked as a top investment, especially among advanced AI users. At the same time, HR leaders said their bottom three organizational priorities were speeding up the recruiting process, analyzing workforce data, and better understanding the skills makeup.



## HR Technology Investments in the Next 12-18 Months



The disconnect that emerges here is that the bottom three priorities listed in the chart would help address the company's top three priorities. While HR organizations are in the market for recruitment and talent platforms, most are not looking at skills data and HRIS systems to help them do so. With one in five (20%) HR leaders saying they have little to no insight into the skills makeup of their workforce, the correct skills data are likely not examined, leading to hiring practices not backed up by tactical and strategic hiring.

### Staffing Challenges

As the survey reports, 75% of HR leaders are confident in having the tools and resources for employees to grow in their roles, while **7 out of 10 (71%) HR leaders report staffing challenges**. Counter to this is employee dissatisfaction fueled by HR strategies and practices that fall short of their needs and demands. Employees continued to express pessimism about these initiatives even in organizations where internal promotion is a priority.

We find that HR organizations are incorrectly focusing on the solutions they *believe* will fix their problems in the short term instead of focusing on the solutions they *need* to solve the considerable challenges in the long term.

Our findings show that leaders want to retain employees. However, HR leaders' focus on external recruitment and talent acquisition has led them to pay less attention to internal growth and career development pathways. Over time, this creates a significant disconnect where HR reports satisfaction in improving existing processes while employees are repeatedly dissatisfied with the methods being implemented instead of addressing core issues.

It appears that many of these HR departments are still operating in firefighting mode, putting out the latest and most prominent threats to them with no substantial short and long-term tactical framework. While there has been a trend of talking about internal mobility for the last business cycle (approximately three years), it hasn't been successful with employees, resulting in dissatisfaction at work.

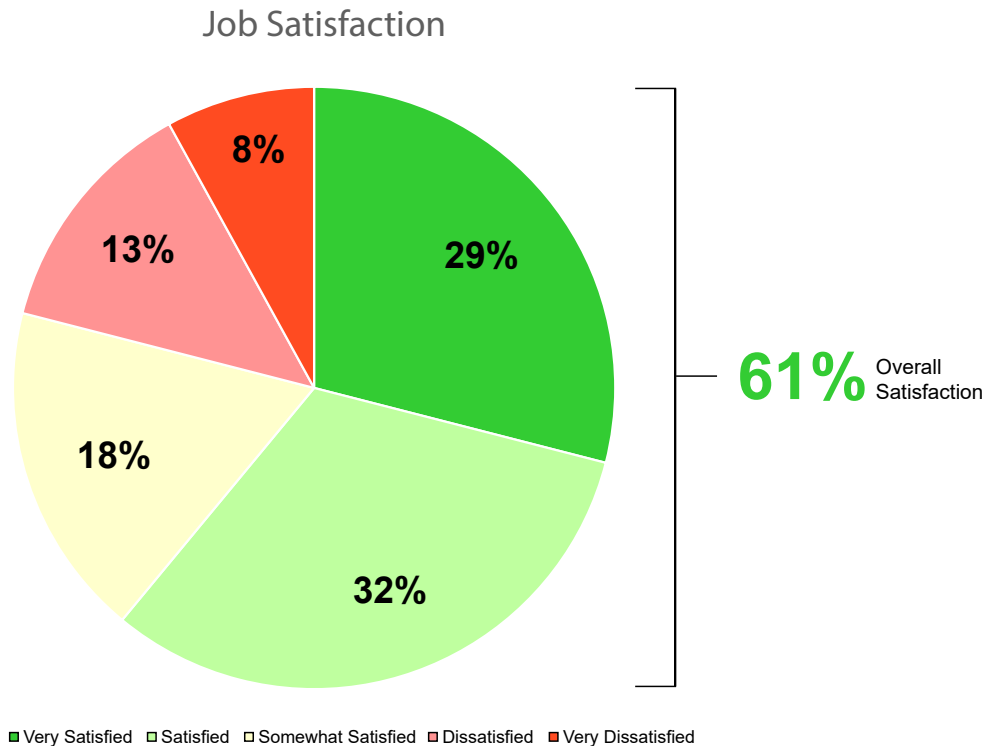
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HR leaders prioritize recruitment over everything else, including cross-training or upskilling current employees. However, only 60% of CHROs surveyed said their company understands the future skills needed to remain competitive in the market. Given that employee satisfaction and well-being are the cornerstone of many businesses, organizations cannot continue to hire themselves out of their existing organizational problems. Instead, they need a workforce plan that aligns tools and strategies for hiring the right person from the start.

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## Employee Satisfaction at 61%

A primary driver of this job hunt is the 61% satisfaction rate that workers reported in our Employee Survey. With nearly 2 out of 5 (39%) of employees unsatisfied with their jobs, they cite inadequate compensation, poor work-life balance, and lack of career development as significant concerns. Those with lower tenure in their roles have the lowest satisfaction, and women reported lower satisfaction than men.



### The Disconnect: Employee Responses on Job Satisfaction

When asked how satisfied they were with their current job, respondents' overall sentiment speaks to dissatisfaction regarding systemic issues related to pay, management, workload, and opportunities for growth, which contribute to a generally negative work experience for many employees. Consistently, a trend emerges that employees are looking for more ways to navigate their career paths.

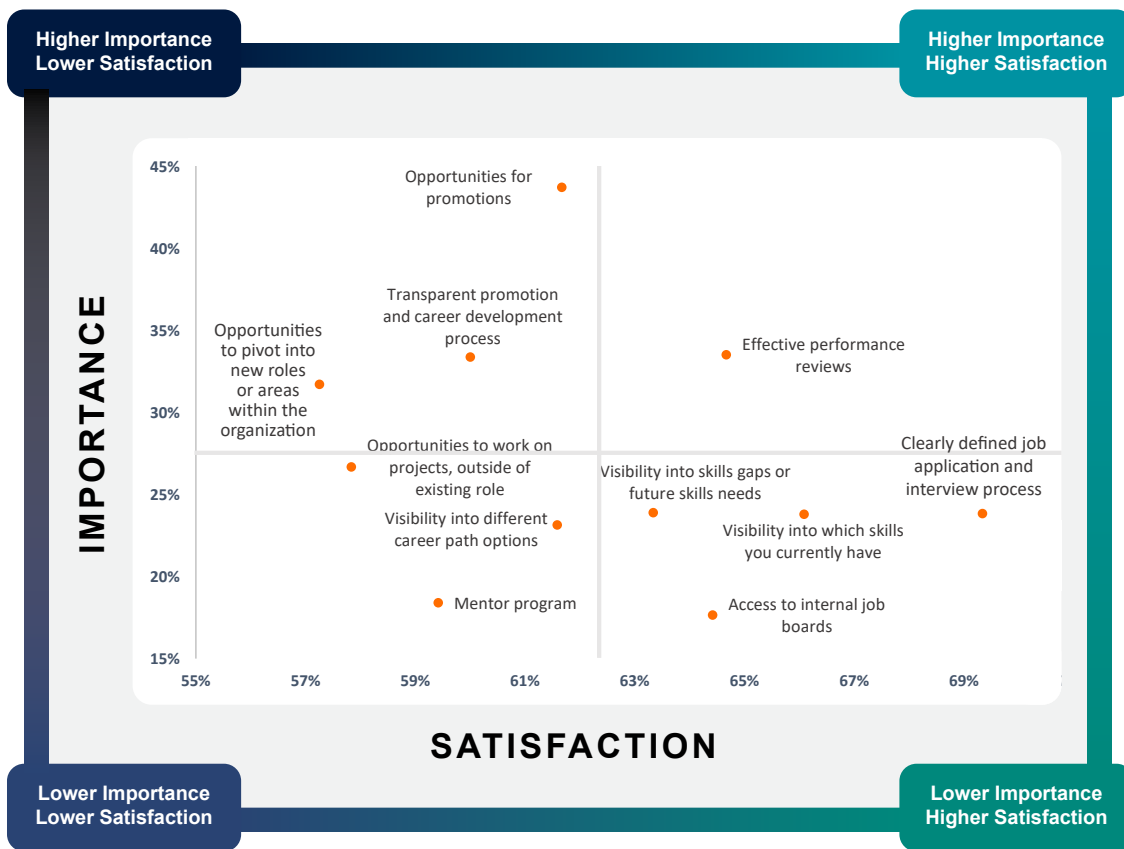
When we can break down typed-in commentary, we see a few distinct themes:

- **Poor Compensation and Benefits:** Many employees aren't happy with their pay, with many salaries below industry standards or even legal minimum wages. They reported a lack of pay raises even with increased workload or job responsibilities and benefits (health plans, retirement options, etc.) that do not meet employee expectations.
- **Toxic Work Environment and Poor Management:** Many responses pointed to toxic work culture, including unsupportive supervisors, unprofessional managers, and unfair managerial behavior. Reports of bullying, micromanagement, and lack of respect were prevalent, leaving employees feeling undervalued and without recognition for their efforts or achievements.

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- Excessive Workload and Poor Work-Life Balance:** Employees frequently mentioned being overworked while handling responsibilities meant for multiple employees. Little flexibility in work schedules made it challenging to balance personal and professional lives. Long work hours and poor work-life balance contribute to burnout and stress, which hurt employee performance.
- Lack of Career Growth and Development Opportunities:** Employees reported feeling stuck in their roles with repetitive tasks and no clear path for growth, promotion, or progression. For many, more training programs, mentorship, and professional development were needed.
- Poor Communication and Support from Leadership:** Many employees expressed frustration over poor communication from management and slow decision-making processes. Leadership's focus is perceived as profit-oriented, with little regard for employee well-being or morale, and feedback and employee concerns are not adequately addressed.
- Job Insecurity and Stability Issues:** Many responses indicated concerns about job stability, with restructuring, high turnover, and a constant threat of job loss. There were complaints about temporary contracts, lack of permanent positions, and uncertainty about future job prospects.

## Career Tools Satisfaction & Importance Matrix



## **Disconnected & Discontented: What the survey shows as the fundamental disconnect**

Half of the leaders surveyed said that gaining a better understanding of their talent network was a priority, as well as recruiting better candidates and retaining top employees. However, our survey data indicates that their execution of addressing these priorities hurts employees' perceptions of them and the overall organization.

The numbers prove this: 53% of unsatisfied employees surveyed don't believe their leader executes effectively on internal mobility, and 47% do not believe their company promotes internal mobility.

As reported in a national study by [Pew](#), less than half of American workers feel their job provides adequate opportunities for advancement. Only about 30% feel engaged at work, and low pay is a persistent complaint. As 3Sixty Insights [has previously described](#), this can lead to low engagement, stress, and burnout.

Widespread unhappiness and low employee engagement are ominous signs for businesses, the economy, and an unsustainable growth model. Companies must rethink their retention strategies by focusing on fair compensation, rethinking modern work, and cultivating highly engaged workplaces.

## 82% of Employees Looked for a New Job in the Past 12-18 Months Citing Pay, Culture, and Motivation as Top Challenges

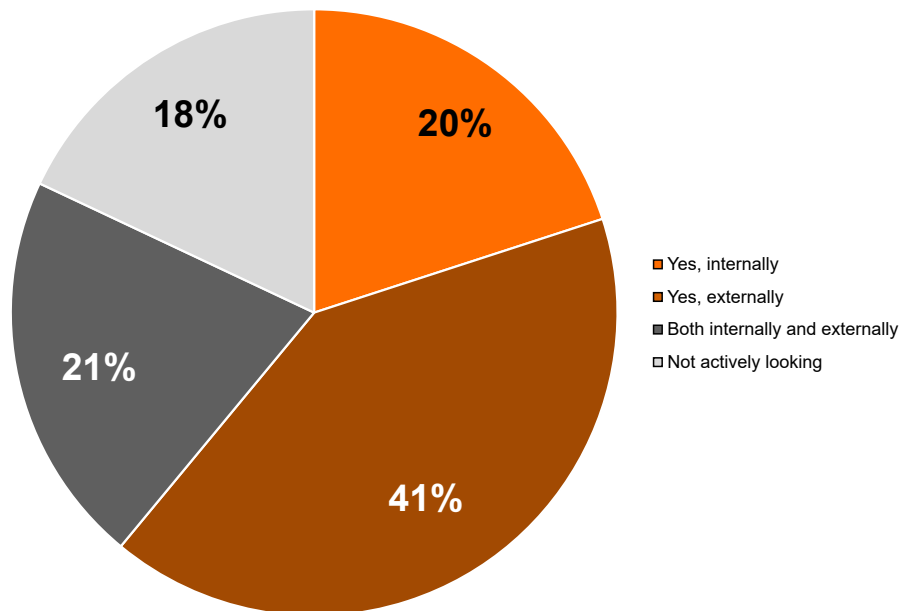
Low employee satisfaction has led to 82% of employees applying for new jobs. This number is up from a [2022 Eightfold survey](#), which reported 76% of employees said they considered applying for a job in the past 12-18 months.

With higher numbers to report in 2024, it highlights the friction between retention practices and employee perception. Equally confounding is that 71% of organizations are looking for top talent but struggle to find it in a flooded talent market where 8 out of 10 workers seek new employment.

While 75% of HR leaders are confident they have the tools/resources for employees to grow in their roles but,



Actively Looking for a New Job



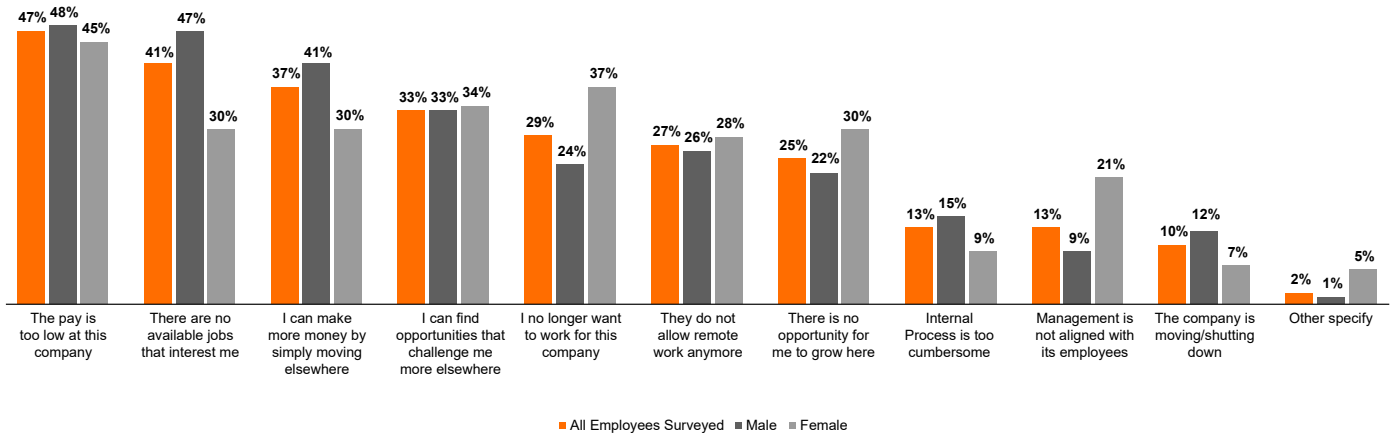
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## Why aren't employees looking internally?

As discussed in the previous section, employees generally feel undervalued and are dissatisfied with internal promotion opportunities. Other top factors were low pay, a lack of opportunity to grow internally, and insufficient exciting internal jobs to keep them interested.

Another underlying factor is employees' often misunderstood perceptions of HR departments. Since so many companies are not aligned with HR regarding strategy (82%), this leads to mixed messages and ineffective initiatives that confuse employees about company priorities, policies, and goals. Without clear communication channels, executives and employees may feel that HR is out of touch with their concerns.

Reasons for Not Looking Internally



Some of the largest gaps in this chart are between male and female respondents' reasons for not looking internally for jobs. The differences are most notable in the following:

- Lack of available jobs of interest (47% of men versus 30% of women)
- Ability to earn more elsewhere (41% of men versus 30% of women)
- Overall desire to maintain employment at the company (37% of women versus 24% of men)
- Lack of opportunity to grow (30% versus 22% of men)
- Management is misaligned with employees (21% versus 9% of men).

These discrepancies show that leadership could do a better job of retaining women based on cultural fit and internal hiring. Women show greater interest in looking internally than men (30% of women versus 47% of men say there are no internal jobs that interest them) and show more interest in internal employment, meaning that marketing internal roles to women may have a higher return on investment in retention. Men appear more compensation-driven than women and may have different or lower standards on what they expect from the workplace or where their loyalties lie with their existing employer. Employment to men may be more transactional.

Interestingly, in the 18-30 demographic, while 28% stated they could make more money elsewhere, more important to them (38%) was that they could find more challenging opportunities elsewhere. We can interpret this to mean they care *more* about the meaning and objective of their work than the pay.

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## External Job Search: What Employees Are Looking For

Generally, the top reasons respondents state they are looking for a new job are all compensation-related: **better pay, better benefits, and better work-life balance.**

As automation and restructuring trends continue or markets mature, internal growth opportunities may slow as cost-of-living pressure demands wage growth in the short term. When companies are unlikely to give significant wage increases, individuals look externally for jobs that meet their expectations instead.

### Most Important Attributes When Looking for a New Job



**48%**

Increase in pay / better pay



**32%**

Better benefits (health insurance, 401(k) / pension, tuition reimbursement, etc)



**30%**

Company is known for a good work/life balance



**21%**

Hybrid work schedule



**18%**

Increase in responsibilities



**18%**

Fully remote



**18%**

The opportunity to manage others



**17%**

Opportunity to travel



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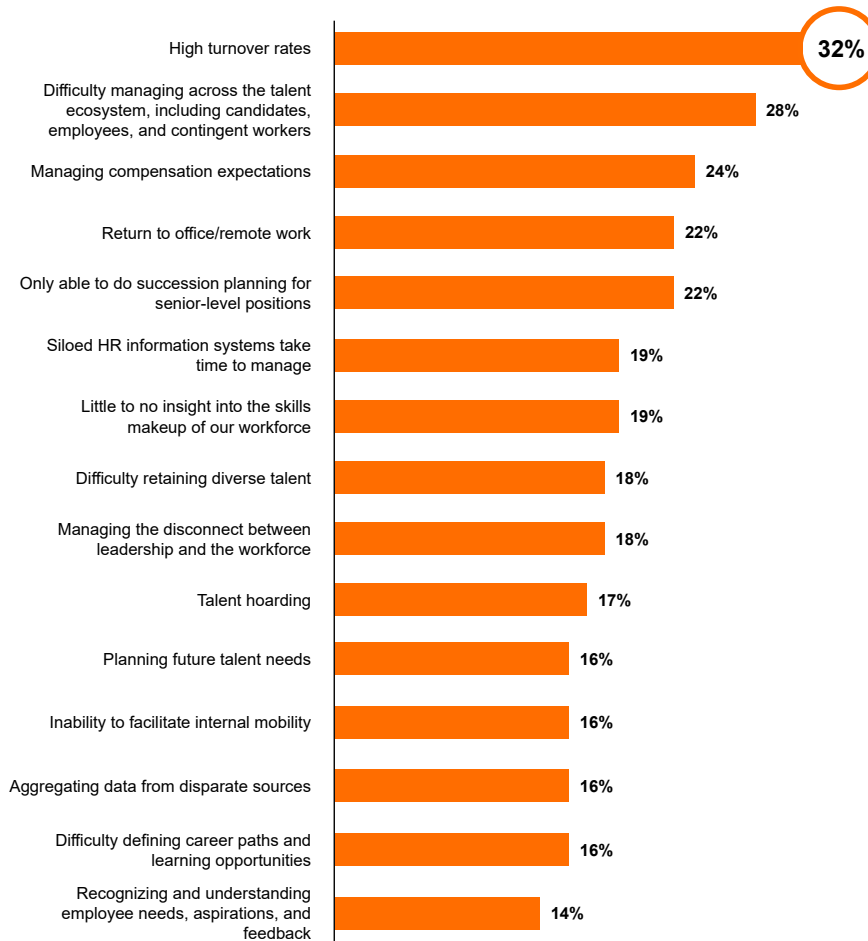
## An Uphill Battle for Employers and Leadership - Widening the Gap

From the employer and leader perspective, the top 3 responses for all respondents relate to talent management and compensation:

- 32% High turnover
- 28% Difficulty managing across the talent ecosystem
- 24% Managing compensation expectations

This should not come as a surprise, given employees' overall sentiment and prospects for the future at their current employer. This lack of connection with their employers leaves workers disengaged and looking elsewhere while simultaneously, HR passes them by with initiatives that can fail to resonate with them.

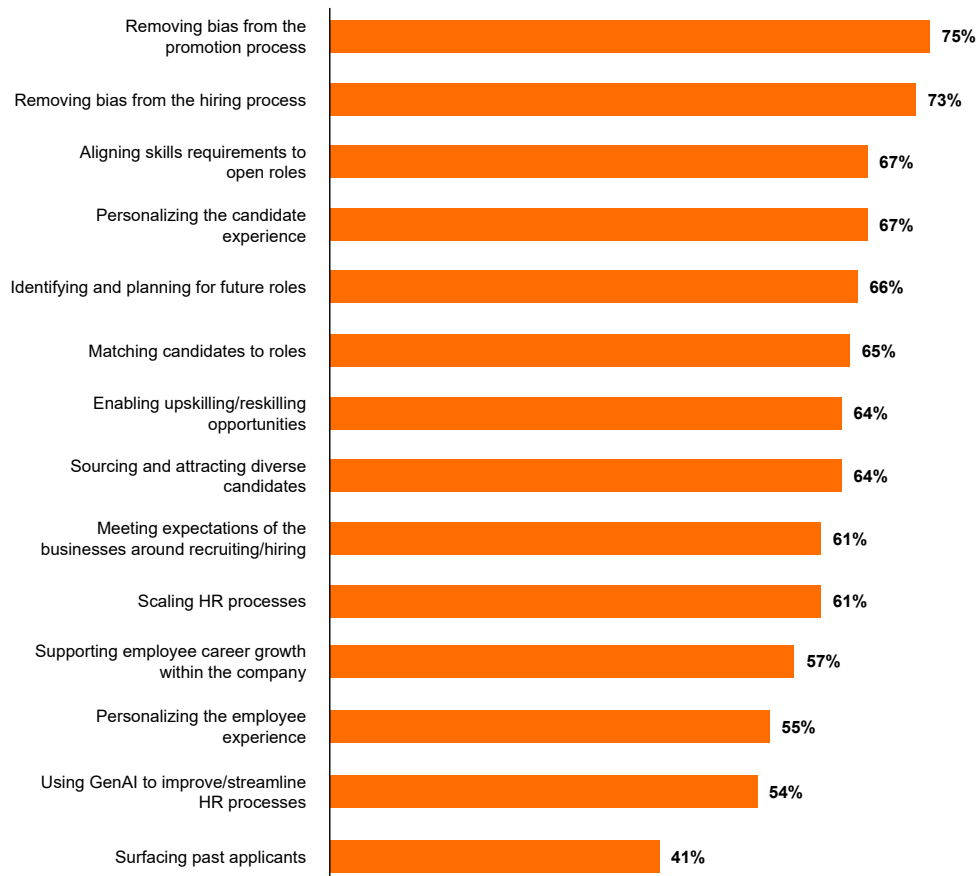
## Biggest Challenges in Retaining and Engaging Employees



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While high turnover can undoubtedly lead to ongoing staffing challenges, effectively managing a talent ecosystem through tactics such as upskilling and resurfacing old candidates is vital. But to do so effectively, you need insights into the skills of your workforce and talent pools. The grass is always greener for employees.

## Company Effectiveness in HR Areas



Based upon self-reported responses, many HR leaders feel they are not as effective in:

- **Surfacing past applicants (41%)** – Organizations may miss out on filling open roles with past applicants.
- **Using Gen-AI (54%)** – Underutilizing technology due to a lack of understanding or needing to upskill themselves ties back to those who admit to not being as tech-savvy as they would like and are missing out on opportunities to automate manual processes.
- **Employee Experience (55%)** – Giving employees what they're looking for and supporting employee career growth.

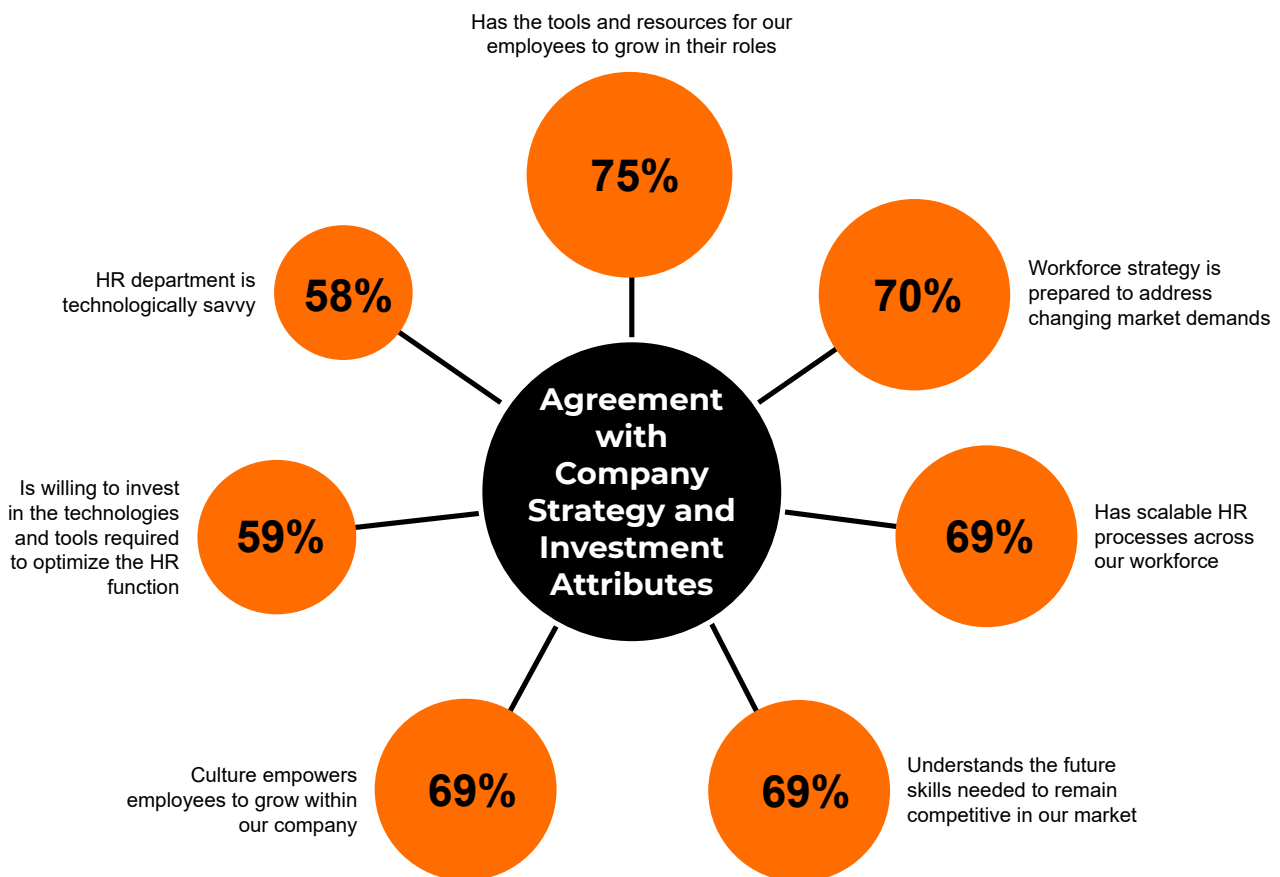
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Companies miss one potential fix to their staffing issues: filling open roles with past applicants. When roles remain vacant, the cycle to replace and engage someone in that role can be months to years. Significant business and morale impacts exist when roles remain empty—work is redistributed to existing employees or not done at all. By surfacing new or past candidates faster, you have a higher probability of closing this gap as you speed toward securing a new hire.

Retention and upskilling are vast areas of opportunity for organizations to retain and promote the best talent while opening doors to those who are frustrated and looking elsewhere.

## How can HR leaders prepare their people for the future?

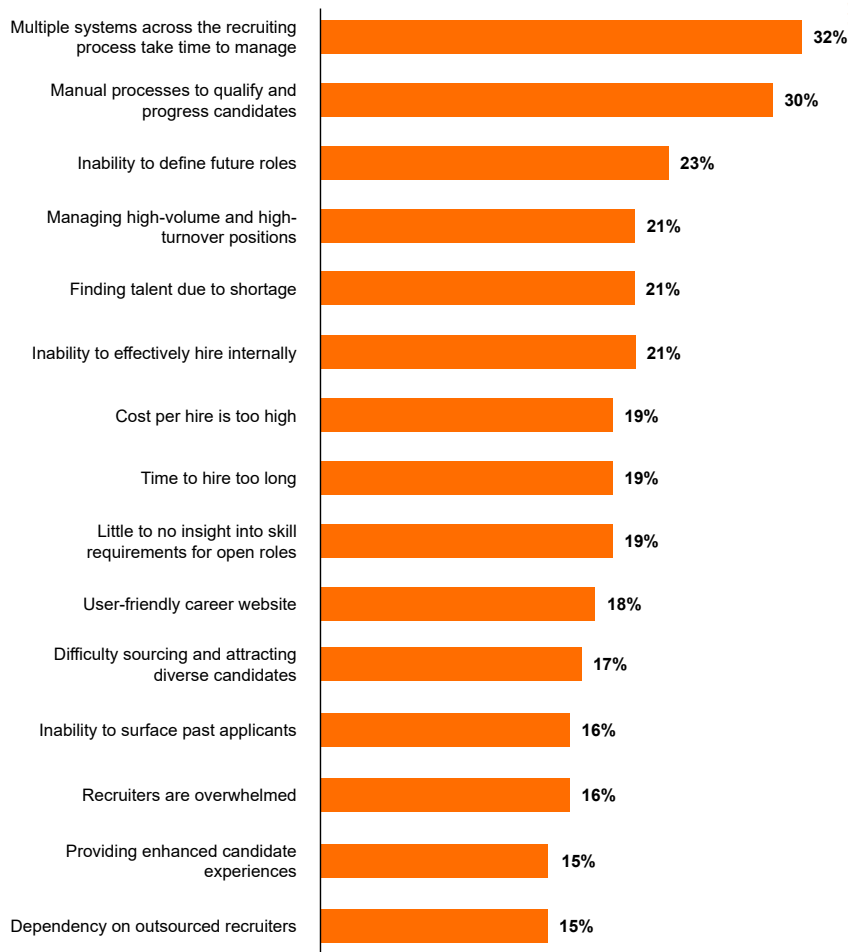
75% of HR VPs are confident they have the tools and resources for employees to grow in their roles, and 74% of HR VPs say their company understands the future skills needed to remain competitive in the market, compared to 60% of CHROs. Therefore, CHROs are less confident of their company's ability to do so, demonstrating the misalignment between VP and C-Suite.



When asked about their biggest challenges in recruiting and hiring candidates, most HR leaders pointed to challenges with managing multiple systems (32%), manual processes (30%), and the inability to define future roles (23%).

When comparing all respondents to the CHROs, 19% of *all* respondents identified having little to no insight into skill requirements for open roles as one of their top 3 challenges, compared to 25% of CHROs. Additionally, 25% of all respondents identified the inability to effectively hire internally as one of their top 3 challenges, compared to 28% of CHROs.

## Biggest Challenges in Retaining and Hiring



Determining future roles with outdated, disparate systems and outdated data is impossible without communicating at the C-suite level to understand business priorities and organizational strategy. If organizations don't know what skills they'll need in the future, they won't keep up. **HR departments must further align with employees and leaders**, particularly regarding strategy alignment, technology adoption, and employee satisfaction.

Without skills-based intelligence, talent intelligence, and one unified, aligned picture, businesses will likely continue to struggle with these challenges. When you know what your people can do, you can leverage existing people to meet future challenges, build a more resilient company culture, and reduce the risk of future layoffs.

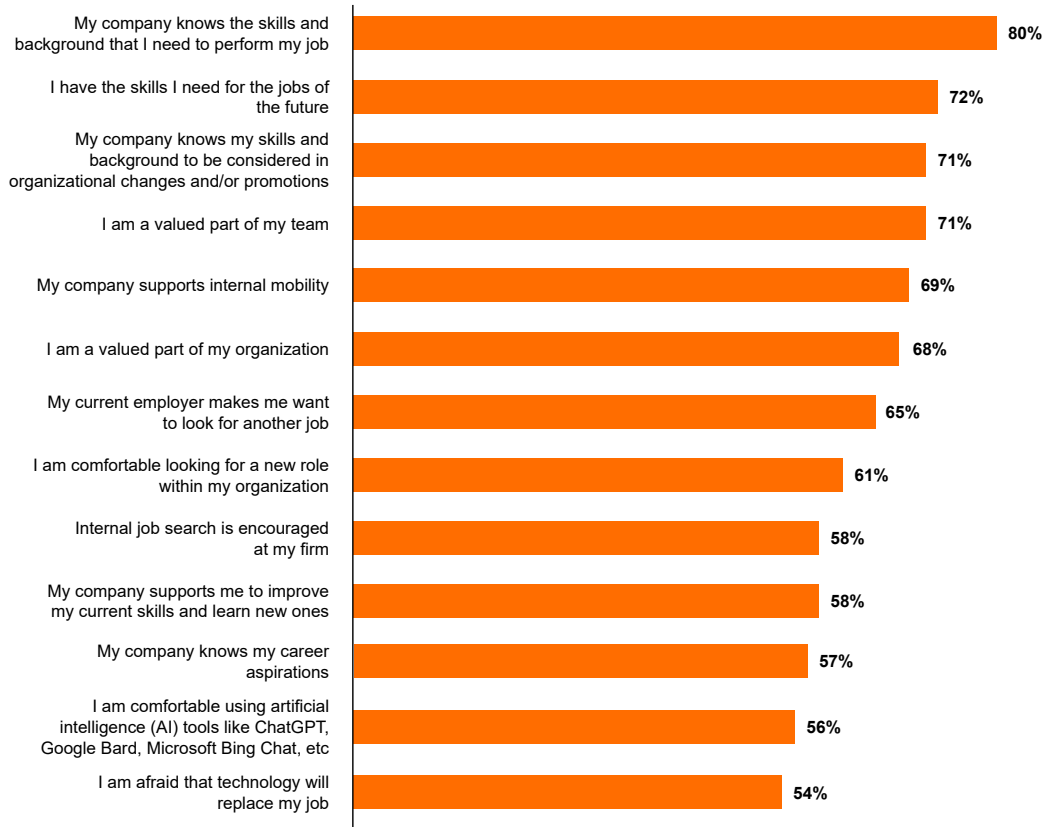
Additionally, our results show that compensating people fairly is essential. While terms like 'skills shortage' and 'talent shortage' get thrown around often, all roads lead back to [wage shortages](#). Our survey data backs this up since the top reasons respondents stated they were looking for a new job were all compensation-related: **better pay, better benefits, and better work-life balance**.

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## Why Gaining a Better Understanding of Skills Should Be at the Top of HR's Priority List

For the 82% of surveyed employees who report having submitted job applications, skills and experience are major barriers to clicking 'Apply.' Employers struggling to recruit should consider whether their requirements are unnecessarily tight, as this approach stops nearly half of potential employees from applying.

### Current Employer Attributes

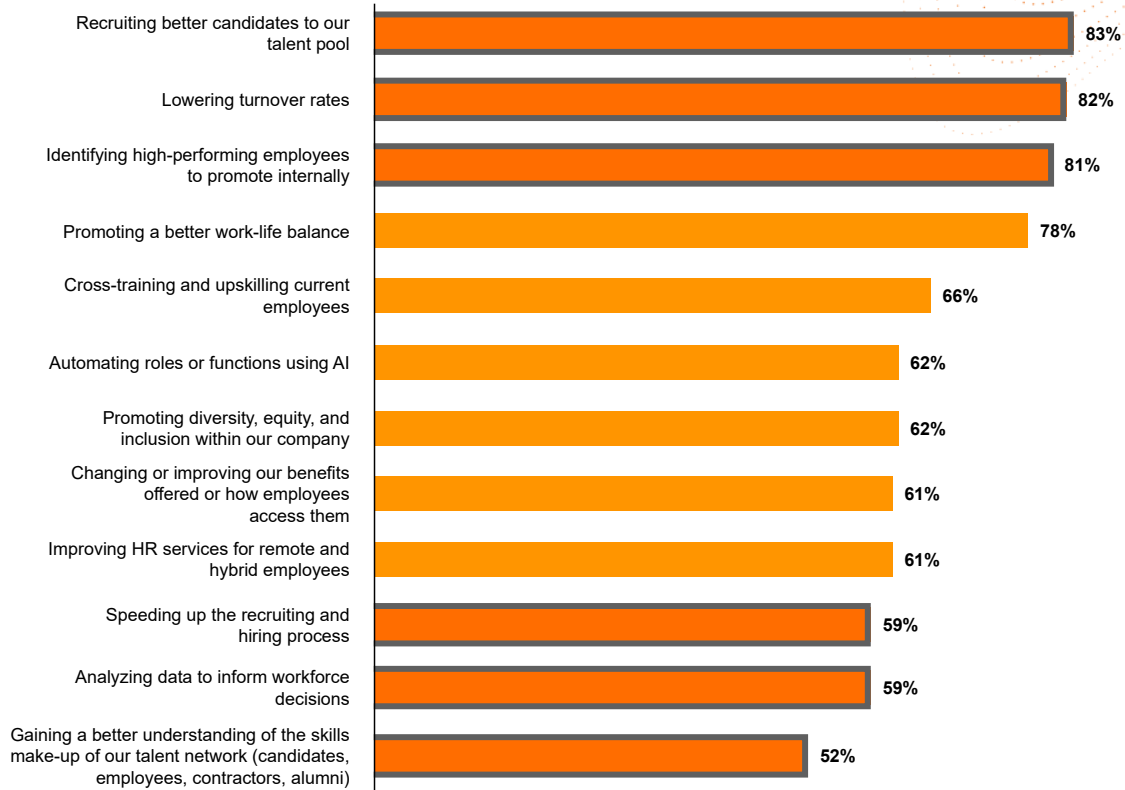


### Using Skills to Hire Right From the Start

With people being the most expensive item on a company's balance sheet, organizations must use sound data and insights to make the best investments in their people. When you look at the cumulative costs and time spent involved with letting a worker go, posting an ad for the open position, interview process, onboarding, and then training a new worker to get up to speed with the business, it's tough to imagine that it's cheaper than having just upskilled an internal employee – even if it is a challenge. Sometimes, it's better to rely on the talent already on your roster.

Organizations that don't know what skills they need for the future won't keep up, and hiring the right person is the most effective strategy. Without a good plan and technology to support it, the hiring experience for hiring leaders and candidates will not meet expectations. Increased awareness and insight can lead to better support, increased budget buy-in, and investments in the right areas, even if it requires more upfront capital and effort.

## Company Priorities Next 12-18 Months

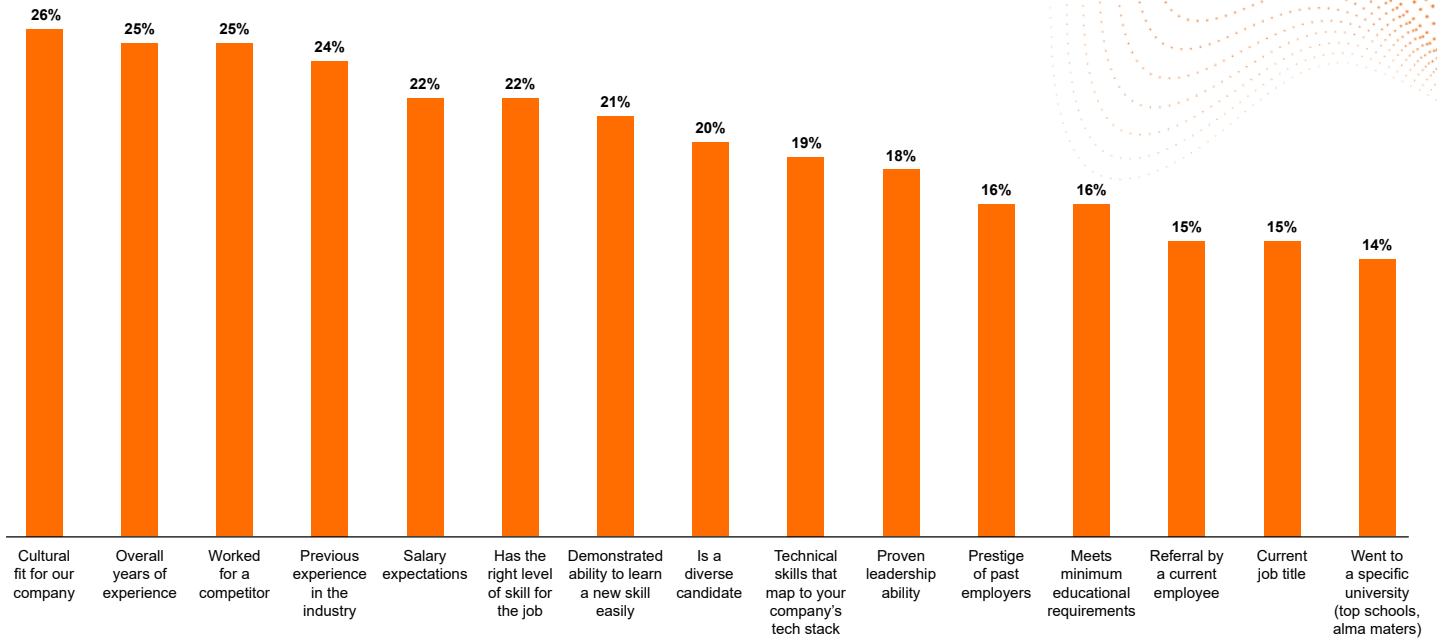


Organizations prioritize actions they think will quickly help them solve the staffing challenges, but their lowest priority is gaining a better understanding of the skills makeup of their talent network (52%). They are focused on short-term wins, putting them in a perpetual cycle of continuing to miss their business outcomes due to poor employment practices.

### Getting to Know Your People

HR leaders focus on hiring new talent but can't agree on the most important factor when evaluating candidates. Instead, they should spend the same effort getting to know their existing people and the skills of their workforce. While cultural fit is essential (26%), managing it is much more challenging and leaves more room for bias.

## Most Important Factors When Evaluating a Candidate



Survey responses were scattered when asked what factors are most important when evaluating candidates. For the candidate, this can reemerge in a poor candidate experience where the goal lines for what makes a great candidate are inconsistent, even within the same organization.

Organizations should focus on skills that can be learned first, followed by cultural fit since skills are often a democratizing factor that can help circumvent the biases of cultural fit.

### How much money can be saved by looking internally instead of hiring externally?

The balance of external and internal hiring will be different for every business. While external hiring has advantages, such as accessing a broader talent pool and bringing in fresh ideas, it is [about 20% more cost-consuming](#) than internal hiring. Instead of a candidate who already knows the company culture and processes, external candidates will incur the costs associated with advertising, interviewing, and onboarding. From there, whether the external candidate will be a good fit or adapt well to the company or team is still unknown.

There's also a morale aspect at play that shouldn't be overlooked. Internal promotion is a clear sign to employees that their company has their future in mind and that there are pathways for advancement. Our data indicates that employees look elsewhere because they lack a future with their existing employer. They simply do not believe that their leaders or businesses have effective succession planning in place or can recognize their potential for development. While this can be true, and many leaders may not have invested in an effective succession planning process, many have but are stuck with how to execute their succession planning effectively.

## How AI-powered skills intelligence can help align your organization

When you see that these organizations don't know what roles they will need for the future (23%), it's no wonder they struggle with talent and staffing. Survey results indicate that gaining a better understanding of the skills makeup of talent networks was last on their priority list for the next 12-18 months. Skills in the context of work – with a forward-looking view – isn't just about skills data; it's about skills intelligence in the context of work and its application in business.

Solutions like skills intelligence can help change that, though. Here's what they can offer:

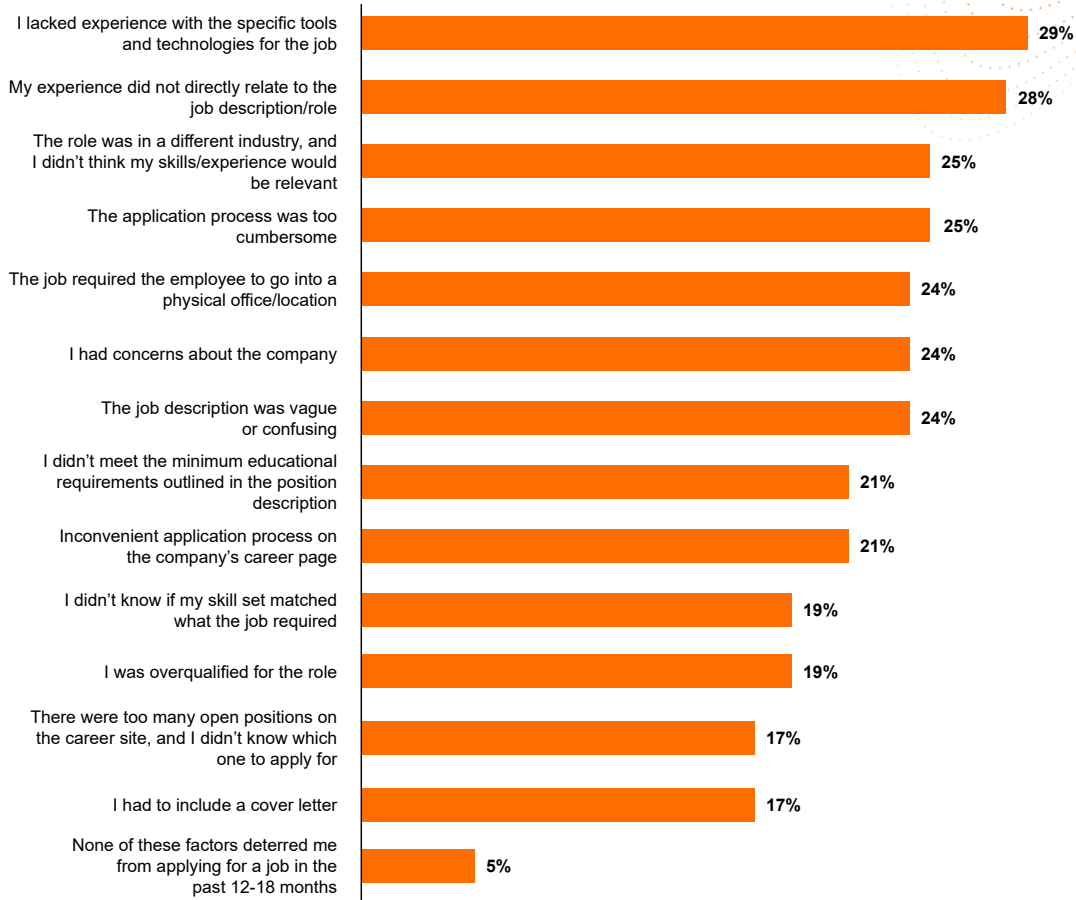
- It can help organizations understand their current skills, identify skills gaps, and align skills with business needs.
- AI-native skills intelligence can identify candidate and employee skills and infer adjacent and learnable skills to drive matches based on current ability and future potential.
- This information can inform reskilling and upskilling programs, helping personalize learning paths while honing in on career development.
- It can put employees in the driver's seat of their careers, showing them what's possible.
- It helps businesses understand what it means to link people to the context of work as work continues to change, allowing you to make more informed decisions about candidates.
- Skills intelligence focuses on analyzing, cataloging, and managing employees' skills.

Technology like this has become helpful in light of our survey data, which reports that some of the top reasons for not applying to a job were the feeling of lack of experience, unfamiliarity with tools and technology for that skill, or lack of the proper certifications or degrees.



## Reasons for Not Submitting an Application

Among those Actively Looking for a Job



For HR organizations, this can help tailor job descriptions to ensure that they align with job requirements for the talent available instead of being prescriptive to attract a broader talent pool. Talent intelligence and AI can also be used to recommend who's a good fit for the role based on skills.

## How AI-powered talent intelligence can help align your organization

Broader in scope than skills intelligence, AI talent intelligence also looks at skills and overall talent management data, including employee performance, career aspirations, cultural fit, and external labor market information. Both internal and external data can be used to inform talent intelligence solutions. When used effectively, an organization can gain a competitive edge by having:

- Accurate workforce planning
- Strategic hiring and talent acquisition
- Comprehensive talent profiles
- Data-driven decision-making
- Improved talent development
- Market competitiveness
- Diversity, equity, and inclusion
- Enhanced succession planning

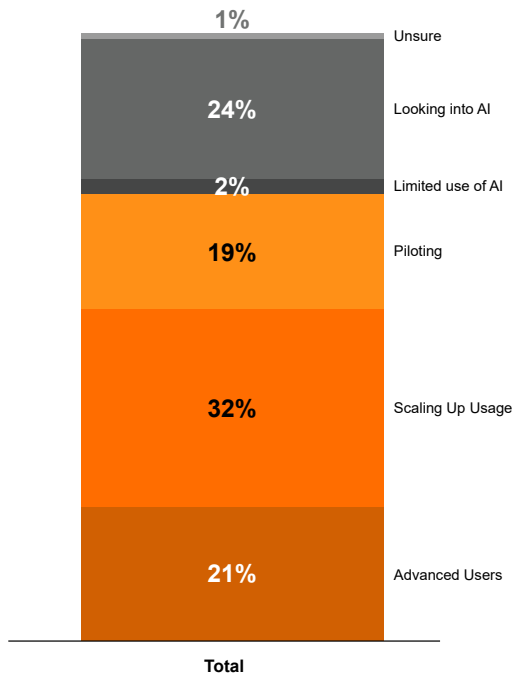
AI's immense impact on helping align everyone with the same data and skills intelligence for present and future roles can help harmonize an organization's strategy. AI empowers you to make decisions more efficiently and effectively, as you have real-time data driving those decisions and complete visibility into that data across the entire organization. When the same goals are served from the top down, HR is happier with a more robust pipeline of talent (internal and external—based on skills), and employees see more paths to opportunity. The organization is healthier and performs better with the right people in place to do their best work and deliver on organizational goals.

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## 96% of Companies Surveyed Currently Use or Plan On Using AI

Despite concerns varying across the board, all HR leaders and organizations are investing in AI technology, whether they are advanced users or just piloting. Our survey results indicated that AI spurred improvements across the board. Approximately 78% reported improvements across the overall company, their HR department specifically, and their employees in general.

Current Use of AI Technology in the HR Department by Title



### Defining Advanced AI Users

3Sixty Insights defines “advanced AI users” in this survey based on self-declared and self-defined information in the responses to the following question:

**Question:** *To what extent is your HR department currently using artificial intelligence (AI) tools/ technologies?*

#### Response options:

- We are advanced users of AI tools and solutions
- We are looking to scale up the use of AI on a broad basis, building upon experience gained to date
- We are currently piloting and experimenting with AI tools on a relatively limited basis
- Limited use of AI solutions (ex., chatbots, generative AI)
- Currently investigating AI tools and solutions for our department
- Not using AI and currently not looking to use AI in the near future

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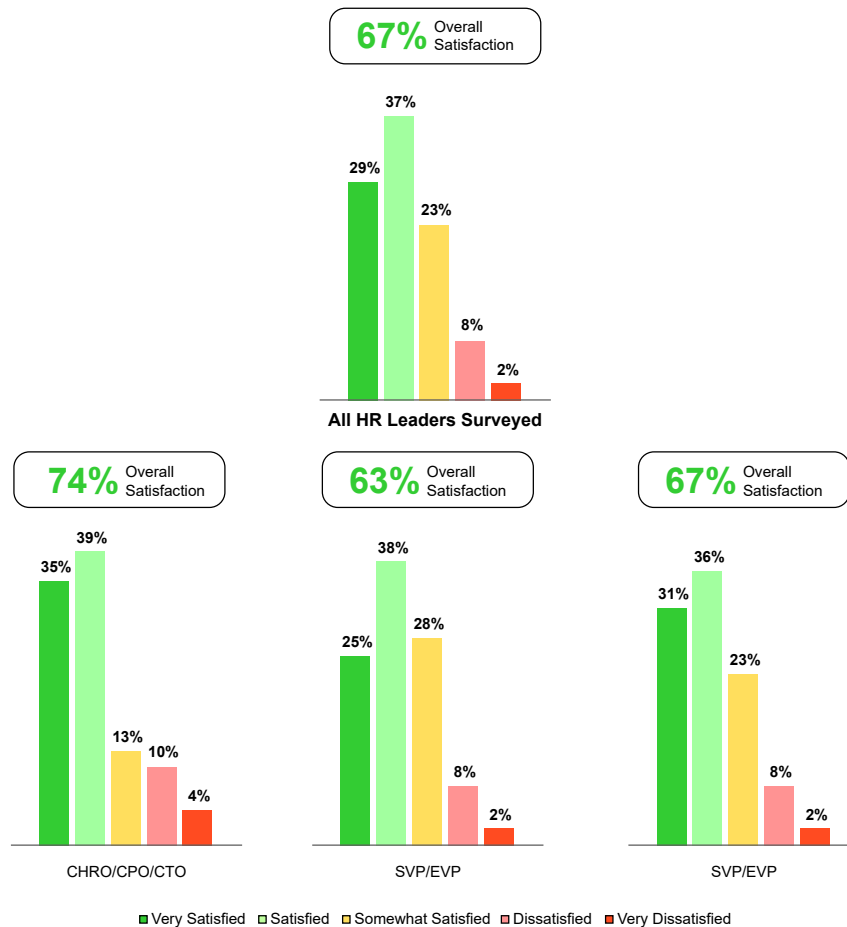
Out of the total respondents:

- Twenty-one percent said their HR departments are advanced AI users.
- Thirty-two percent are scaling up.
- Twenty-four percent are looking into using AI.
- Only 58% of respondents agree that their HR department is tech-savvy.
- Only 54% said they are effectively using AI.

There was a perception gap between CHROs and other HR leaders regarding the benefits and adoption of AI. A notable 35% of CHROs consider their HR departments advanced users, compared to only 20% of VPs. Additionally, 60% of CHROs report being advanced users or scaling up use compared to 47% of VPs. The 12-15% gap in these categories may indicate a perception or knowledge gap between these roles.

We also noted AI usage and satisfaction differences between CHROs and other leaders. The further away from the front lines, the more misalignment there is: CHROs think AI is *more* impactful than SVPs and VPs. Potential causes for this may be that CHROs are not using AI technology and don't know the actual pros and cons of the solutions they are deploying.

## Satisfaction with AI by Title



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Sixty-seven percent are satisfied or very satisfied with the HR-specific AI tools and technologies they use. Half of all respondents stated that they effectively use AI – a clear indicator of the need to upskill themselves. With many great opportunities to automate manual processes, there's plenty of room to grow with the help of AI.

## Impact of HR-specific AI on the Efficiency and Effectiveness of the Business Among Users

% Significantly Increased/Increased

### Your HR department



Advanced users  
**79%**

Total  
**79%**



Looking to increase usage  
**79%**



Piloting  
**76%**

### Specific departments



Advanced users  
**87%**

Total  
**81%**



Looking to increase usage  
**79%**



Piloting  
**77%**

### The company's employees (not just the HR department)



Advanced users  
**79%**

Total  
**78%**



Looking to increase usage  
**82%**



Piloting  
**71%**

### The overall company



Advanced users  
**82%**

Total  
**77%**



Looking to increase usage  
**78%**



Piloting  
**68%**

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Our results also indicated differing degrees of satisfaction in organizations, often depending on the title of the person who responded. It could be that they bought what they thought was AI without doing the proper due diligence and research, did not implement it correctly, or did not deploy it in a way that made sense for the organization.

## Leader Responses on AI sentiment

HR leaders had mixed sentiments when we gave them the option to type in a response to describe how satisfied their organization was with the HR-specific AI solutions and technologies they were currently using. Many appreciate the efficiency and automation that AI brings to HR functions, but concerns around cost, security, reliability, and the need for human oversight temper any enthusiasm. AI technology is viewed as a helpful tool that complements HR operations, but it is not seen as a complete replacement for human intervention.

When we can break down the commentary further into the following columns:

### Positive Aspects

#### Efficiency and Automation

AI solutions have streamlined various HR tasks, such as announcements, data entry, payroll processing, resume screening, and employee performance tracking. Automating repetitive tasks has saved time and reduced manual work.

#### Improved HR Functions

Strategic planning, staffing, and onboarding have been made easier. This has helped manage team dynamics, improve HR processes, and enhance employee engagement. HR operations have also improved, including performance evaluation, leave management and job postings.

#### Accuracy and Data Management

Notable reduction of errors, providing real-time feedback, and enabling data-driven decision-making. They also help with data collection and management, keeping records accurate and up to date.

#### User-Friendly Features

Many users find the solutions easy to navigate and user-friendly, which has enhanced the overall employee and HR experience.

### Negative Aspects

#### High Costs

The high maintenance cost of AI can outweigh the benefits it delivers.

#### Reliability and Security Concerns

Data security and privacy are persistent concerns, especially regarding the data required for more complex learning models or tasks. Frustrations with frequent updates, integrations, and glitches that hindered efficiency and ease of use were mentioned.

#### Limitations in Handling Complex Tasks

AI solutions are not always practical for complex issues or scenarios that require human judgment. Some find the technology lacking innovation and too dependent on manual oversight.

#### Training and Adaptability

Several users highlighted that the technology is new and requires more training for practical use. They also mentioned that AI generates irrelevant or contradictory information, leading to mistrust of its capabilities.

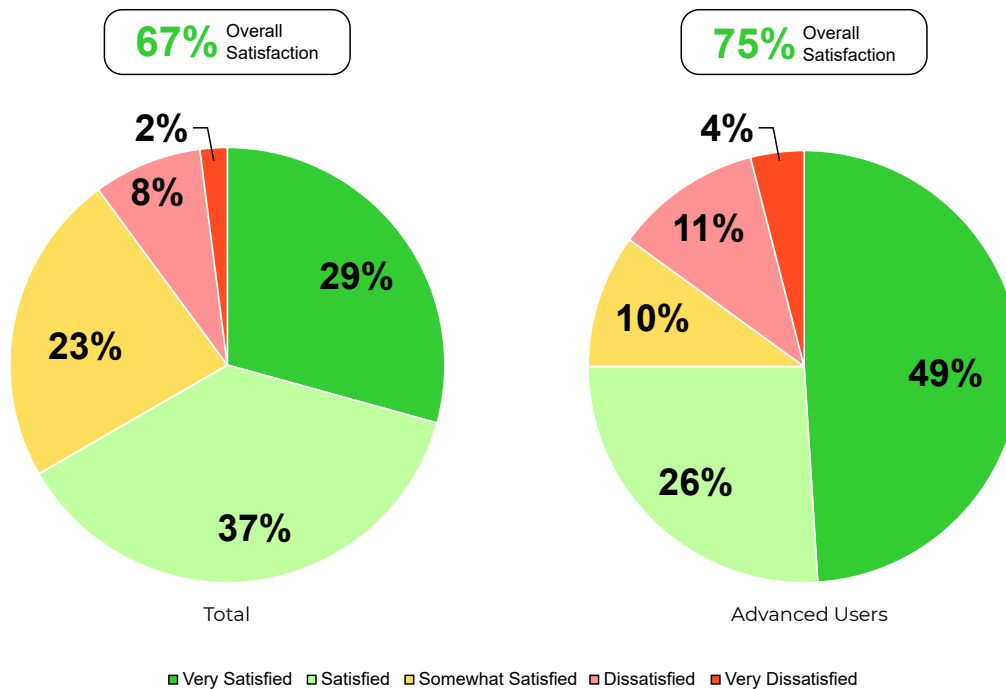
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## How Advanced AI Users Are Using It

Of the people we surveyed, we found that people who learned how to use AI correctly were more satisfied with it.

### Satisfaction with AI by Title

Among those currently using AI Technologies in HR



We noted some positive trends amongst these advanced users:

- Higher satisfaction (75%) compared to just piloting (58%). This is likely due to the learning curve and speed bumps experienced when starting with new technologies.
- Improvements in the effectiveness and efficiencies of their business, HR departments, and employees (found in 80% of advanced users surveyed).
- Fewer staffing and departmental challenges
- More successful petitions for AI
- A more optimistic view of the future and change in general. Less advanced users appear caught up in a perpetual cycle of spending too much time putting out fires.

Advanced users face challenges from being unprepared to cleanse and organize data before implementing and complying with AI regulations. With US AI regulation occurring at the state level and not at the federal level, these state regulators are having a challenging time keeping up with the rapid growth of the AI industry.

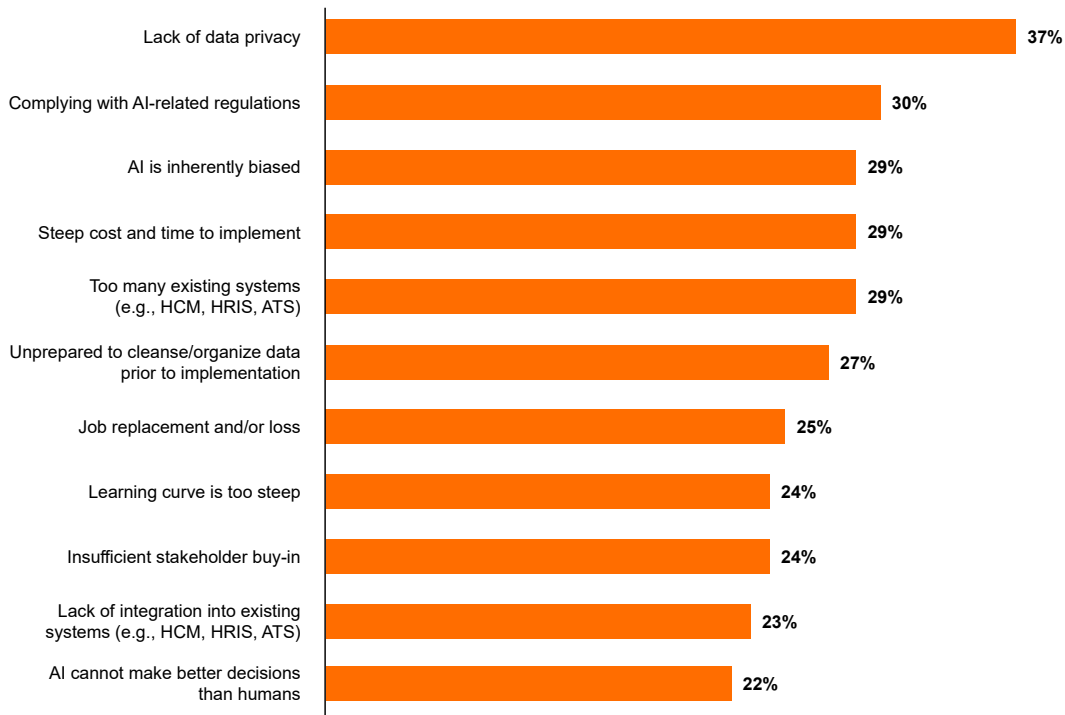
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## Concerns Regarding HR Technology

HR leaders still express concerns about AI regarding data privacy, compliance with AI regulations, AI's potential for bias, and cost. Where cost used to be the main hurdle, now that there are more providers in the space, privacy, regulation, and adoption are the new hurdles. Despite people's concerns and fears about AI, those who've done it have found it not as scary as they think. It should be noted that all of those AI respondents report being happy with its results regardless of where they are in the organization and their initial skepticism.

### Top 3 Concerns Regarding HR Technology in HR

Among those Currently Using or Considering AI Technologies



Those looking to increase AI usage and investment face hurdles in stakeholder buy-in, having too many existing systems, and managing a steep cost and time to implement. There appears to be a challenge in getting new tech, but there is a gap between what leaders perceive will help them and what actually works for their business. Leaders see the value of a technology but get stuck in the change management process, leading to poor implementation and, ultimately, the failure of that technology for a company. For piloting users, they reported bias concerns and having too many systems in place already to manage another.

Despite a clear focus on recruitment and reducing turnover, many HR departments must utilize available data or technologies more effectively. For example, priorities such as speeding up the recruiting process and analyzing workforce data rank low, revealing a strategic blind spot. Investment in technology, mainly recruitment marketing, is seen as crucial, yet companies still need to fully connect these investments with broader talent management strategies.



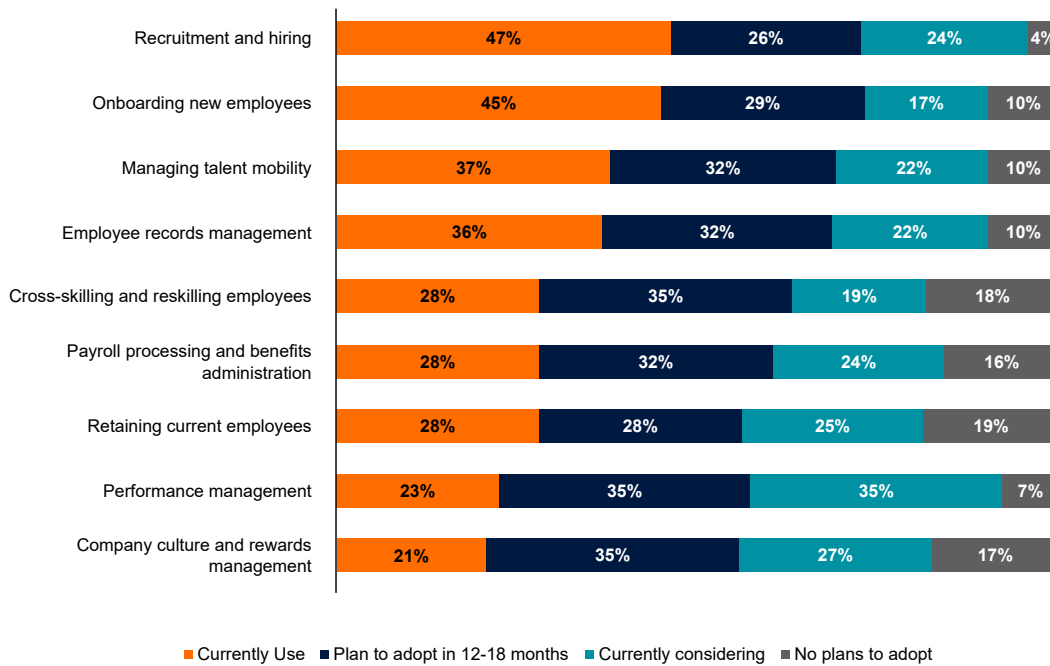
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## Future Investments in AI

All said, 35% of the leaders surveyed plan to adopt AI for cross-skilling and reskilling, which correlates to the 20% of respondents who said aligning upskilling programs to business objectives was one of the most important factors in their ability to achieve business objectives. HR must find the balance between getting the technology needed to increase the department's efficiency and productivity and meeting candidates' and employees' expectations.

## Current and Future Use of AI Tools and Technologies

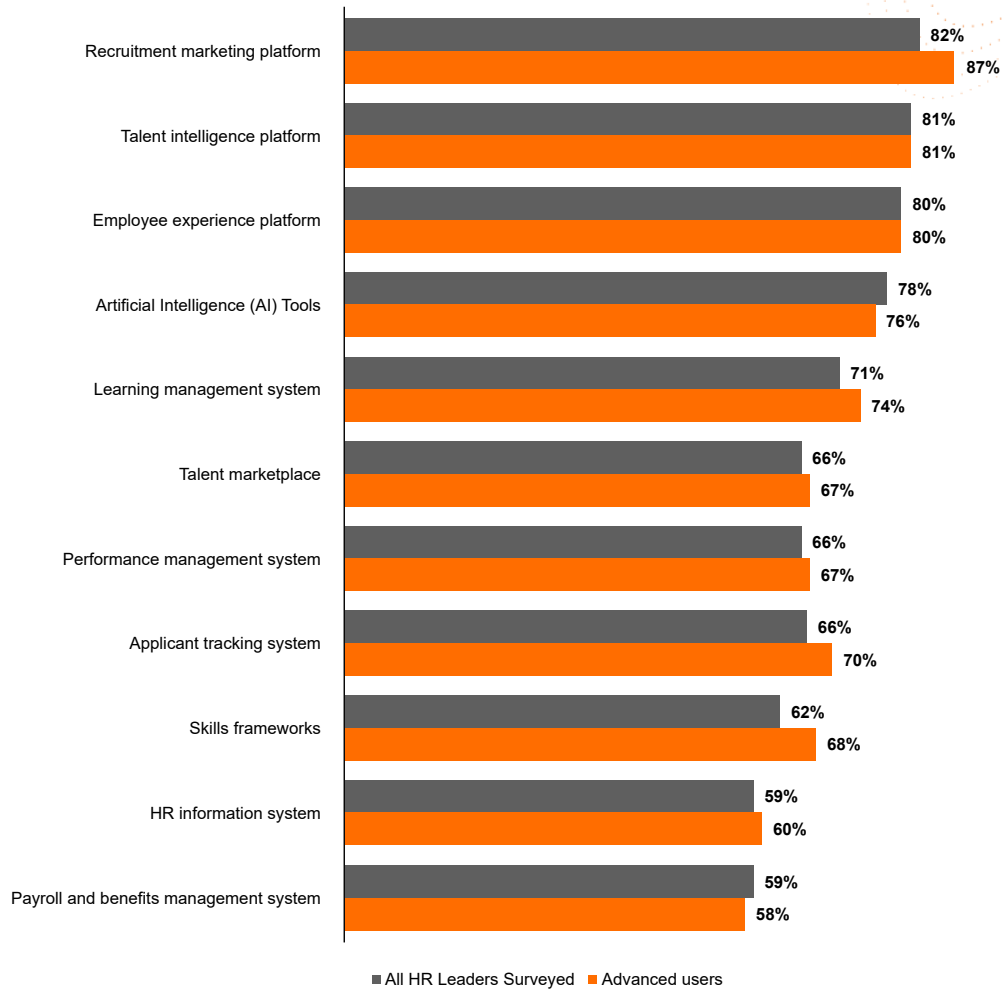
Among Those Currently Using or Considering AI Technology



Seventy-three percent of our surveys' best-in-class respondents (18% fully aligned) say their company is willing to invest in the technology and tools they need to optimize their HR function.

## HR Technology Investments in the Next 12-18 Months by AI Sophistication

% Significantly Increase/Increase



## Conclusion

Our survey data highlights the urgent need for HR leaders to focus on redefining their HR priorities to align with business objectives and strategy. This alignment can result in winning executive support, stronger coordination with the C-suite, and, most importantly, reducing friction for strategic buy-in for technologies and methods that spawn innovation and competitiveness.

Organizations should prioritize bridging the strategic gap between HR and the C-suite, particularly by recognizing HR's integral role in business strategy discussions. This collaborative approach fosters a more holistic view of company needs and encourages HR to remain a proactive, strategic partner. HR leaders could foster such alignment through regular inter-departmental meetings and strategic planning sessions with leadership.

The potential benefits of investing in AI-powered skills intelligence and talent intelligence platforms are significant as these platforms pave the way for improved organizational efficiency and employee satisfaction. Skills and talent intelligence can enable leaders to map current workforce skills and anticipate future talent needs, empowering HR to upskill or reskill existing employees, thereby reducing reliance on external hiring. The role of AI in automating repetitive HR processes is a game-changer, freeing HR to focus on more strategic functions such as career development and employee engagement, leading to a more efficient and effective HR department.

HR leaders have a significant role in addressing systemic employee satisfaction issues. HR retains talent and reduces turnover by leveraging technology to explore flexible work arrangements, personalized development plans, and clear career progression pathways. Fostering a culture of internal mobility, where employees feel their career progression is valued and upskilling is possible, can help retain top talent while minimizing recruitment costs, showcasing the influential role of HR in shaping the company's culture and talent strategy.

Adopting AI, talent intelligence, and skills intelligence, paired with an inclusive approach to HR strategy, represents a comprehensive roadmap for leaders to enhance HR effectiveness, improve employee satisfaction, and ensure sustained alignment with business goals.

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## Report Demographics

HR Leader Survey: VP-level and above HR leadership within companies of 5,000+ employees, across the United States, Canada, the UK, Australia, Singapore, and Germany.

Employee Survey: Full-time or part-time employees across the United States, Canada, the UK, Australia, Singapore, and Germany.



## Dylan Teggart

Principal Analyst | 3Sixty Insights

Dylan is a versatile professional experienced in research, writing, and analysis. As a Research Analyst at 3Sixty Insights, Dylan specializes in Human Capital Management (HCM), crafting impactful research in the space.

While with UKG and Ceridian, Dylan collaborated with internal teams to create diverse customer-facing sales and marketing content and supported sales to develop impactful sales proposals. With DataAnnotation.tech, he developed a focus on AI analysis and optimization, and at S. Sutton & Associates, Inc., he had contributions in philanthropic consulting.

Dylan's education includes a BA in Political Science and an AA in Liberal Studies from New York University, with proficiency in French as well as elementary German and Spanish.

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