Executive Summary

HR professionals and non-HR C-suite executives are in agreement about many of the challenges they face now and will face in the years to come. Retaining talent, engaging employees and providing strong benefits and compensation are among the most important human capital challenges both HR professionals and non-HR C-suite executives listed. However, HR views many of these issues as more pressing than do non-HR C-suite executives. Because HR professionals are immersed in human capital issues on a daily basis, they may be more likely to see human capital issues as a key challenge. The findings suggest that HR professionals will need to continue to give strategic guidance to non-HR C-suite executives to help them understand the human capital challenges their organizations face and to prioritize these issues when developing business strategies.

Both HR professionals and non-HR C-suite executives indicate that some issues that constitute key human capital challenges today will be more manageable in the future. For example, both groups expect that managing HR processes efficiently with constrained resources will be less of a concern in the future. Many business leaders both inside and outside of the HR profession understand the pressure HR has faced to do more with less in the aftermath of the recession, but they do not see this as a permanent problem. This suggests that both HR professionals and non-HR C-suite executives see their organizations putting into practice processes, strategies and tactics that are meeting today’s challenges and will position their organizations for success in the future.

Current issues that both HR professionals and non-HR C-suite executives view as key challenges are executing HR processes efficiently under constraints, the growing complexity of legal compliance and moving HR from a transactional to transformational role within the organization. HR professionals and non-HR C-suite executives also agree that many organizations will attempt to shift to the use of different, less traditional employment models in the coming decade.

The similarities in opinions of HR professionals and non-HR C-suite executives underscore the importance of these organizational and human capital challenges. At the same time, the differences in views, in particular the higher levels of importance that HR professionals place on these challenges compared with non-HR C-suite executives, represent an opportunity for HR professionals to make a case for a greater awareness among their non-HR colleagues of the implications of key human capital challenges. By communicating the importance of these challenges, HR professionals can work in partnership with
their organizations’ non-HR C-suite executives to develop better strategies for the years ahead.

The survey findings also suggest that HR professionals are increasingly well-positioned to work closely with the non-HR C-suite executives in their organizations. At the majority of organizations, both HR and non-HR C-suite executives view HR as having a strategic role and are currently planning to make changes to their HR function to make it even more strategic and measurement-driven. Non-HR C-suite executives stress the importance of the development of leadership skills and business acumen for senior HR professionals. In addition, a key future challenge relating to HR, according to non-HR C-suite executives, is finding HR professionals with leadership abilities.

These and other findings underscore the importance of leadership development for HR professionals. To ensure that HR will be able to fulfill this strategic role, it will be imperative that HR professionals are given every opportunity to develop the needed competencies and for organizations to invest in HR by sourcing top HR talent from the marketplace and developing their existing HR staff.

Because HR professionals are immersed in human capital issues on a daily basis, they may be more likely to see human capital issues as a key challenge compared with non-HR C-suite executives.

Key Findings
- Maintaining high levels of employee engagement was the most pressing human capital challenge in today’s economic environment according to HR professionals (38%). This was followed by developing the next generation of organizational leaders (31%) and maintaining competitive compensation offerings (29%).
- Non-HR C-suite executives were most likely to say that retaining their highest-performing employees was a critical human capital challenge (28%) in the current business environment. This was followed by maintaining competitive benefits offerings (22%) and retaining employees overall (22%). Generally speaking, non-HR executives were less likely than HR professionals to consider human capital issues as key challenges both today and in the future.
- The top future human capital challenge identified by HR professionals was developing the next generation of organizational leaders (39%). Other top human capital challenges identified were managing the loss of key workers and their skill sets due to retirement (35%), and maintaining competitive benefits offerings such as health insurance and retirement benefits (26%). Maintaining high levels of employee engagement—the factor that is currently the top challenge according to the survey results—was fairly low on the list of future challenges (20%).
- Non-HR C-suite executives agreed with HR professionals that developing the next generation of organizational leaders is the top future human capital challenge (24%). Retaining their highest performing employees and maintaining competitive benefits offerings tied as the second highest-ranking key future human capital challenges among non-HR C-suite executives (both 19%).
- HR professionals show a high level of agreement that executing HR processes smoothly and efficiently under constrained resources such as time, staff, technology and finances is today’s top HR function challenge (69%). Other top HR function challenges included moving HR from a transactional to transformational role within the organization (44%), the growing complexity of legal compliance (41%) and creating an effective HR infrastructure that supports an employee-centric, service-oriented HR organization (35%). As they looked to the future, far fewer HR professionals surveyed (37%) thought that executing HR processes smoothly and efficiently under constrained resources would continue to be a challenge and slightly fewer (39%) felt that moving HR from a transactional to transformational role within the organization would be a challenge in the next 10 years, compared with the 44% who experienced it as a key challenge today. An interesting finding of note: HR professionals at larger organizations were significantly more likely to be concerned about finding competent HR staff than were HR professionals working at the smallest organizations.
- Non-HR C-suite executives agreed with HR professionals that executing HR processes smoothly and efficiently under constrained resources was today’s top HR function challenge. This was followed by the growing complexity of legal compliance and attracting highly competent HR professionals that align with strategies (32% and 30% respectively). While few HR professionals (16%) were currently concerned about attracting highly competent HR professionals that fit with their
organization’s HR strategy, 30% of non-HR C-suite executives said this was a critical challenge. Their top current challenge involving HR talent was finding HR talent with leadership ability (31%), followed by finding HR talent that fits within the culture of their organization and finding HR talent with strategic HR expertise (both 28%).

- Creating an organizational culture where trust, open communication and fairness are emphasized and demonstrated by leaders (33%) was the top tactic needed to meet today’s key human capital challenges, according to HR professionals. This was followed by providing employees with opportunities for career advancement (29%) and demonstrating a commitment to professional development (24%). Creating a culture of trust declined in importance when looking to the future. Other declines included providing employees with the latest tools and technology and providing employees with job security.

- The most important factor that non-HR C-suite executives said would determine their organizations' ability to successfully meet their HR-related challenges was the strength and effectiveness of their HR leadership (23%). Strong HR competencies among their HR staff (21%) and strong and effective organizational leadership (20%) were second and third most important.

- Approximately one-half of HR professionals said obtaining human capital was their most important financial challenge. This was followed by compliance with laws, rules and regulations (38%), resource allocation (37%) and responding effectively to market volatility (32%).

- Compliance with laws, rules and regulations (36%) was seen by non-HR C-suite executives as the top financial challenge. This was followed by obtaining human capital (33%) and responding effectively to market volatility (31%).

- Non-HR C-suite executives and HR professionals hold similar views on how the size of their workforce will change in the coming decade, but non-HR senior executives are less likely to say that they are not sure how their workforce will change. About the same percentage of non-HR C-suite executives and HR professionals forecast that their workforce would increase (59%) and decrease (58%) respectively. Nineteen percent of non-HR C-suite executives said they expected no change.

- Whereas 86% of the HR professionals surveyed said that their organization used a traditional employment model that provides employees with specific job roles, duties and responsibilities, fewer respondents (60%) anticipated that this would be the model they would use in the next 10 years. Although 19% of survey respondents said their companies currently used a non-traditional employment model that stipulated the knowledge, skills and behaviors needed to perform a specific project or task without a focus on formal job roles (also known as project-based employment), 40% anticipated that this would be the employment model used in the next decade. Fifty-eight percent of those surveyed said they believed their organization’s workforce would grow over the next 10 years; meanwhile, only 11% said they believed their workforce would shrink, 16% anticipated no change, and 14% were not sure. Looking ahead, 65% believed their organizations would add regular full-time employees, whereas 21% thought there would be no change and 14% thought this category would decline.

- There was an increase in the percentage of HR professionals who said they would use flexible work arrangements (e.g., flextime, telework and compressed work weeks) as a tactic to attract and retain talent in the future. Other tactics that were expected to grow more prevalent were implementing policies that support workers across life phases, such as parents of young children and those phasing into retirement, and developing human capital management skills at all levels of the organization.

- HR professionals reported that refreshing HR strategies to align with evolving business goals is the top action currently being undertaken to make HR more strategic (37%), followed by investing in HR professional development and focusing on HR competencies (27%), and measuring the financial efficiency of HR operations (such as cost-per-hire, time-to-fill vacancies and the return on investment of training interventions) (20%). Fewer said they thought they would be focusing on refreshing HR strategies in the next decade (30%).

- Sixty-three percent of non-HR C-suite executives view HR as having a strategic role in their organization. The most common view of HR was as a combination of a transactional and strategic function.

- Almost three-quarters of non-HR C-suite executives report that their organization will change their HR function in the years ahead (71%). Some actions included broadening HR’s scope to more of a business partner involved in change management, outsourcing transactional HR and using more HR metrics. The top actions non-HR C-suite executives reported were currently being taken to make HR more strategic were engaging top executives to develop HR strategy (22%), refreshing HR strategies such as selection, compensation, benefits and training (also 22%) and getting senior executives more involved in implementing HR strategies (20%). Looking ahead to the next 10 years, the top actions non-HR C-suite executives said their organizations would be taking were refreshing HR strategies to align with evolv-
ing business goals (21%), measuring the specific effects of HR programs (19%) and getting senior executives more involved in implementing HR strategies (18%).

- **Human Resource Expertise** was the HR competency (51%) the greatest number HR professionals identified as most critical. This was followed by Relationship Management, and Leadership and Navigation (both 36%), Communication (35%), and Business Acumen (34%).

  Looking ahead to the next 10 years, Human Resource Expertise dropped 18 percentage points as a top HR competency and Communication dropped by 12%. Business Acumen and Critical Evaluation both rose in importance by 12% and 11% respectively.

- **The most critical HR competency according to non-HR C-suite executives** was Human Resource Expertise (29%), followed by Leadership and Navigation (28%) and Business Acumen (27%). The same three competencies remained at the top of the list when executives looked to the next decade, but in a slightly different order (Business Acumen was at the top, followed by Human Resource Expertise and Leadership and Navigation). The largest drop in the perceived importance of an HR competency was in Communication: there was an 8 percentage point decline in the percentage of non-HR executives who thought it would be a critical competency in the next decade (18%) compared with today.

- **Non-HR C-suite executives considered business knowledge the most important component of Business Acumen.** This was followed by effective administration and knowledge of government and regulatory guidelines. The behavior non-HR C-suite executives considered most important in relation to the Leadership and Navigation HR competency was understanding the most effective and efficient ways to accomplish tasks within the parameters of organizational hierarchy, processes, systems and policies.

A majority of HR and non-HR C-suite executives are currently planning to make changes to their organization’s HR function to make it even more strategic and measurement-driven.