FOR HR LEADERS

HR Trends Report
2023

1. A focus on total wellbeing
2. Creating purpose-driven organizations
3. Inclusion across the employee lifecycle
4. Increased investments in deskless workers
5. Reshaping workplace learning
6. Redefining remote and hybrid work strategies
7. Managing workforce ecosystems
8. HR enters the metaverse
9. The rise of algorithmic HR
10. The evolving role of the CHRO
11. Upskilling leaders and managers

AIHR | ACADEMY TO INNOVATE HR

Introduction

We are facing an unprecedented shift in employee expectations.

The pandemic has **accelerated digital transformation by four years**. Employees see their organization as their **most trusted source of information** — even more so than government and NGOs. And employees expect their organizations to have a higher purpose.

The playing field has shifted. And 2023 is the year in which HR will help businesses step up to the plate.

> **"** *We are facing an unprecedented shift in employee expectations.* ***And 2023 is the year in which HR will help businesses step up to the plate.***

We believe that 2023 is the year **for HR to reposition the function's value proposition.** Since 2020, HR has demonstrated its potential when properly enabled.

To make this shift, we have to change our perspective on how we add value — to employees, managers, customers, and communities — and where we spend our time.

However, HR is on the cusp of burning out.

This will not get better unless we take care of the function itself, giving HR professionals the chance to recharge their energy and the proper resources they need to be effective.

But this is not HR's responsibility alone.

It's a business problem that must be prioritized. If businesses don't empower HR to function effectively and make better strategic decisions, organizations will face greater internal pressures from the challenges of the new world of work.

HR holds the key to unlocking the change but enabling them is a business-wide responsibility.

This is a pivotal time for HR. So let's take a look at the HR trends that will shape the world of work in 2023 and beyond.

Erik van Vulpen
Founder of AIHR

Dieter Veldsman
HR and OD thought leader

Table of Contents

Executive Summary

1. A Focus on Total Wellbeing

HR will help organizations tackle the looming burnout crisis by switching from a reactive approach to a proactive one aimed at maintaining wellbeing & building resilience — also in HR itself.

2. Creating Purpose-Driven Organizations

Drivers such as increased automation and demographic shifts mean that work with meaning has become a key differentiator for organizations looking to retain, attract, and engage talent.

3. Inclusion Across the Employee Lifecycle

In order to develop, promote and retain diverse talent, HR will review the entire employee life cycle, ranging from comp & ben to promotions and even potential layoffs.

4. Increased Investments in Deskless Workers

To boost retention, HR must understand what deskless workers need and want, and think beyond better compensation, by enabling and empowering their deskless workers with tools fit for purpose.

5. Reshaping Workplace Learning

If organizations want to attract and retain employees, as well as close skills gaps, they must offer enough upskilling opportunities — or risk falling behind the competition.

6. Redefining Remote & Hybrid Work Strategies

By creating future-proof remote work policies and adapting management and recruitment, HR can help organizations remain competitive in the jobs market.

7. Managing Workforce Ecosystems

Expanding HR's scope to include the contingent workforce creates a better work experience for all, and helps the organization become more competitive and successful.

8. HR Enters the Metaverse

The metaverse can help HR reach a wider range organizations and candidates, and create workplaces conducive to collaboration, creativity and decision-making.

9. The Rise of Algorithmic HR

Multiple industries are already using technology to enhance managers by helping them reduce bias, augment decision-making, and take care of admin. But there are also dark sides to the tech that HR needs to be wary of.

10. The Evolving Role of the CHRO

As a result of 4 key drivers, the CHRO will become part of the C-suite inner circle, acting as a trusted advisor to the CEO alongside the CFO and COO.

11. Upskilling Managers and Leaders

Leadership pipelines are filled with candidates with little to no managerial experience. HR will assess the next generation of managers and enable them with initiatives designed to fast-track their development.

A Focus on Total Wellbeing

98% of HR professionals report feeling burned out and 60-87% of all employees experience stress and anxiety. We expect employee wellbeing to become an increasingly large part of the employment relationship in 2023, as organizations take more responsibility for this looming crisis.

Most employees experience stress and anxiety

Almost 3 in 5 employees *reported negative impacts of* **work-related stress** *in the wake of the pandemic*

Source: **APA**

87%

of Americans feel anxious about inflation

Source: **APA**

From crisis to resilience

The pandemic has taken an immense toll on the mental wellbeing of HR professionals, who were at the forefront of the crisis. As a result, **98% of HR professionals report feeling burned out**.

In 2023, organizations should do more to tackle the prevalent issue of burnout, both for the sake of their employees and to safeguard continuity.

Companies need to move from a reactive approach to a proactive one aimed at maintaining wellbeing and building resilience.

Highly resilient employees are better able to deal with stress and see challenges as opportunities for growth rather than existential threats that should be avoided.

What this means for HR

Prioritizing HR's wellbeing

HR needs to overcome its own burnout crisis before it can build resilience in others. While HR professionals have the tendency to prioritize the welfare of others, they now need to **put on their own oxygen mask first**.

This may prove to be a challenge, requiring HR to break free from some mental models holding them back, such as feeling pressure to serve employees at any cost and continuously demonstrate the department's value.

Physical, mental & financial wellbeing

HR should work on creating a holistic wellbeing proposition for employees, with a focus on mental, financial, and physical wellbeing.

Physical wellbeing initiatives have been popular in recent years. However, other aspects of wellbeing deserve no less attention.

HR has a role to play in communicating about **mental wellbeing**, bringing in solutions,

> *HR professionals are **feeling overwhelmed** in the face of rebuilding organizations for the post-pandemic world.*

and building an accepting and supportive culture. Only when all three elements are present, will HR be able to help employees.

Financial wellbeing will become increasingly important as the cost of living grows. More than half the American population – which is over 150 million adults – are living paycheck-to-paycheck, "making it the most common financial lifestyle in the United States", **according to a recent survey**.

The subsequent financial anxiety will significantly impact mental wellbeing. We believe that HR has an important role in building financial acumen amongst its employees, for instance, through benefits education or providing access to financial coaches.

Key Takeaway

In 2023, HR will focus on different aspects of wellbeing, starting with its own. The goal will be to build a more resilient workforce.

Creating Purpose-Driven Organizations

As more people expect meaning and purpose from work, the role of the organization is changing from a transactional employer to a transformational ally. In 2023, HR needs to embrace its role as a driver of purpose and meaningful change or risk increasing the talent shortage.

Organizational purpose is growing in importance

82% *of US workers say it's **important** that their company **has purpose***
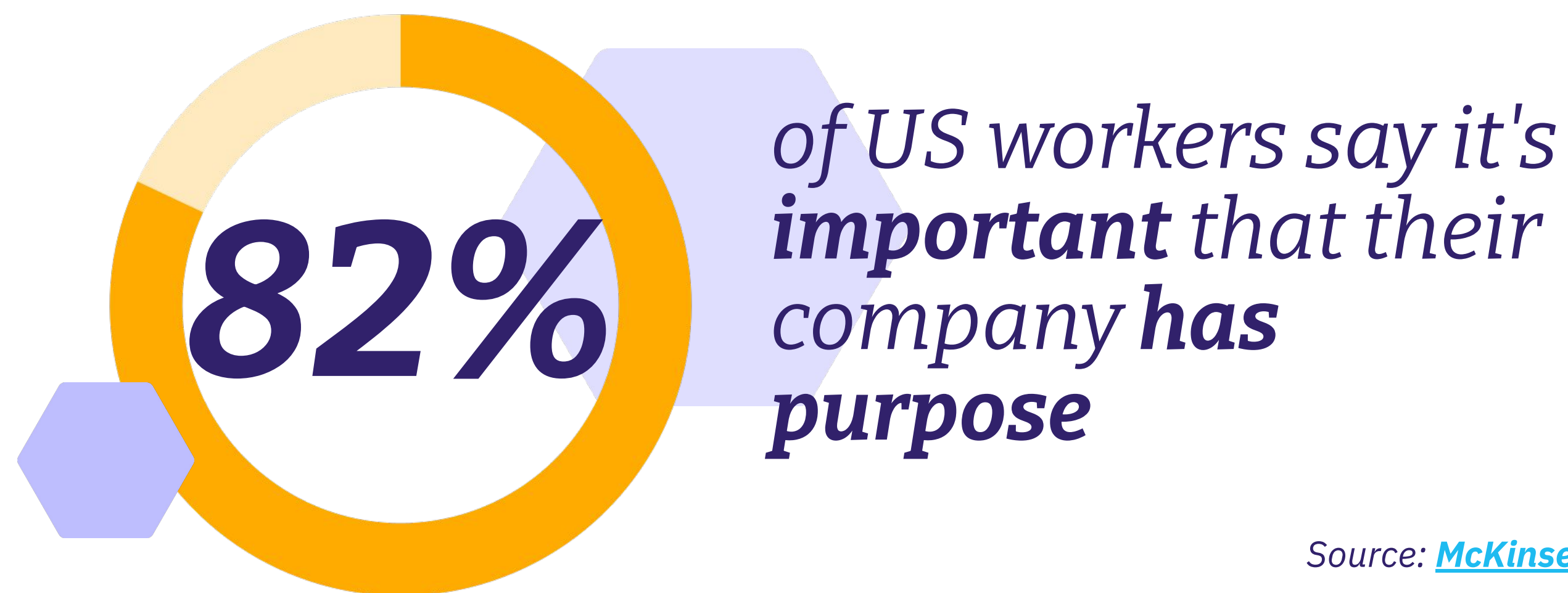
*Source: **McKinsey***

The importance of purpose in today's organizations is the result of 4 driving forces:

1. COVID 19

63% of US workers admit **the pandemic has dramatically shifted their priorities**, and even more say it's important a company has purpose.

Despite this, many companies are still focused on transactional elements of employee relations. This is a lost opportunity: a more human-centric workplace is a basic expectation from employees.

81%

*of workers believe automation can create **more meaningful work**.*

2. Automation

81% of workers believe that **automation will lead to more meaningful work**. As the focus shifts from repetitive and admin tasks towards more strategic matters, workers expect to gain more purpose and autonomy.

3. Demographic changes

The composition of our workforces is changing. Both **Millennials** and Gen Z'ers prioritize values and purpose more than previous generations.

At the same time, many workers choose to work beyond retirement age in pursuit of **personal and professional fulfillment**.

4. Changing relationship to work

Movements such as the anti-work movement in the US, quiet quitting, and the lying flat movement in China have shed light not only on work conditions and questions of pay equity, but also on topics of human dignity, decent work, and purpose-driven employment.

What this means for HR

Automation risks

While technology offers opportunities to focus on more meaningful work, companies can't ignore the **dark side of automation** and the associated risks. For example, in countries with a high dependency on low-paid labor to stimulate the economy, increased automation could lead to more exploitative work practices with few alternatives for individuals without the right skills.

Understanding the new workforce

Organizations also cannot ignore demographic changes in the workforce and the varying needs of different generations in finding meaning and purpose in their work. This means offering development opportunities, (reverse) mentoring, partial and phased retirement, and other initiatives.

Social pressures

The growing importance of values in the workplace is creating new social pressures that have pushed organizations to participate in broader social debate, sharing their stance on societal issues. Organizations that have remained silent have lost the trust of their employees who demand that employers are clear on their stance and views.

Key Takeaway

To keep a wider segment of employees motivated and engaged HR needs to help shape the company's purpose by connecting its activities to environmental, social, and economic goals and making these goals a clear part of the (employer) brand.

Inclusion Across the Employee Life Cycle

At the moment, diversity initiatives primarily focus on recruiting. But there are also many opportunities to create more inclusive workplaces when it comes to onboarding, development, promotion, and other people practices. We believe this will be a pivotal trend in 2023.
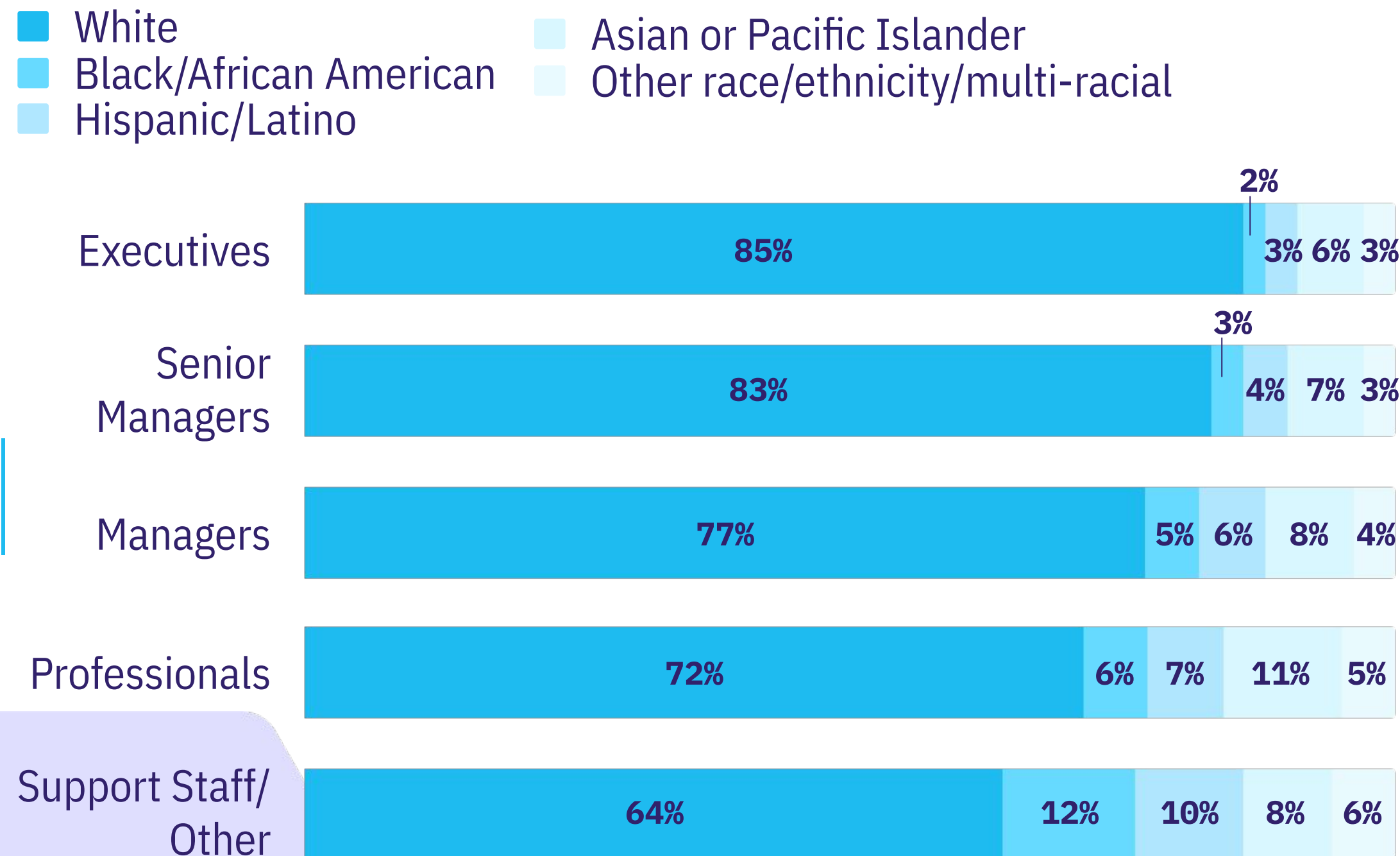
Organizations aren't diverse across all layers yet

■ White
■ Black/African American
■ Hispanic/Latino

■ Asian or Pacific Islander
■ Other race/ethnicity/multi-racial

Source: Mercer

	White	Black/African American	Hispanic/Latino	Asian or Pacific Islander	Other race/ethnicity/multi-racial
Executives	85%	2%	3%	6%	3%
Senior Managers	83%	3%	4%	7%	3%
Managers	77%	5%	6%	8%	4%
Professionals	72%	6%	7%	11%	5%
Support Staff/Other	64%	12%	10%	8%	6%

The evolution of DEIB

Diversity, equity, inclusion, and belonging (DEIB) have been receiving more attention. **All Fortune 100 companies have their DEI initiatives outlined on their websites**, and 49% have a dedicated DEI initiatives leader.

Yet, despite the increased visibility and attention paid to **DEIB**, employee diversity consistently drops from the bottom to the top layers within the businesses.

Organizations are starting to understand that fair recruitment of candidates from diverse backgrounds isn't enough: They also need to be able to develop, promote, and retain them.

What this means for HR

Reviewing the life cycle

In order to build more inclusive HR practices, HR needs to ask: What initiatives promoting DEIB can we implement in all stages of the employee life cycle? This should include hiring, compensation & benefits, L&D, promotions, and even potential layoffs.

A few DEIB initiatives for 2023:

- Addressing **racial disparities in healthcare** through education and tiered premium structures

- Implementing relevant long-term diversity programs to **increase representation among managers**

- Tying executive compensation to DEI metrics

The consulting firm Mercer estimates that around **15-20% of S&P 500 companies make DEI metrics part of their executive compensation**, and only about 5-10% of those companies set objective, quantitative DEI metrics. Here, HR can help identify and track the relevant DEI metrics.

Key Takeaway

Diversity initiatives haven't reached all levels of organizations, so a new approach is required. HR needs to launch long-term DEIB initiatives across the entire employee life cycle.

Increased Investments in Deskless Workers

In the wake of the pandemic, 1 in 12 traditionally deskless workers have switched to different industries, with another 37% expected to follow. This mass exodus should send a wake-up call for organizations that are already struggling to retain and attract talent. Because of this, we expect to see drastically increased investments in deskless workers in 2023.

Organizations struggle to retain deskless workers

" *About **one in twelve** traditionally deskless workers have already switched to industries with a clear future. **More are expected to follow.***

*Source: **Oliver Wyman Forum***

The changing front line

While many deskless roles in manufacturing or healthcare have become more sophisticated, requiring specialized skills and qualifications, others remain low-paying and highly demanding, with difficult conditions.

With more opportunities open to them, deskless workers are pressing for better pay, improved working conditions and the same benefits as their deskbound counterparts.

As a result, companies will need to refocus on creating a better workplace for their deskless employees.

The pandemic has made this change irreversible — for three reasons.

97%

of deskless workers would stay in their current roles if conditions improved

Increased recognition

Firstly, the pandemic highlighted the importance of deskless work. Front line workers such as nurses, grocery store workers, and people working in food processing showed up to work every day, often working in precarious conditions.

Reskilling and switching industries

Secondly, some deskless workers saw COVID-19 as an opportunity to reinvent themselves. They learned new skills, and gained certificates and licenses that would qualify them for non-manual jobs. Many of these workers have switched to industries with a clear future, including IT, data processing, or electronics manufacturing.

Worsening talent shortages

Finally, the exodus of deskless workers has exacerbated talent shortages in sectors such as hospitality and construction. This is resulting in innovations, better wages, and improved working conditions for those who choose to stay, thus advancing the deskless workers' cause.

What this means for HR

Understanding deskless worker needs

As the number of deskless workers decreases, HR needs to deliver a radically improved employee experience that goes beyond increasing wages.

Only when HR understands the full scope of deskless workers' wants and needs can it improve the workplace to reflect the real demands of workers.

This means HR needs to be more intentional about capturing deskless employees' sentiments. Engaging in conversations and running regular (pulse) surveys to encourage dialogue are actions to explore.

Providing equal benefits

To enable deskless workers, HR needs to deliver the same types of services office employees receive. These range from self-service software to improved work-life balance, and career opportunities.

To achieve this, there needs to be less emphasis on communication compatible with computer screens and more emphasis on mobile devices.

Organizations should continue to invest in providing deskless-friendly HR solutions that will give employees more autonomy over their scheduling, claiming holidays, or tracking and getting access to their pay.

Key Takeaway

Organizations are facing a mass exodus of deskless workers. To tackle this, HR needs to rethink the deskless worker experience and invest in offering them tailored HR services, career opportunities, and improved working conditions.

Reshaping Workplace Learning

Lack of career development and advancement is the top reason for quitting a job. If organizations want to attract and retain employees, as well as close their skills gaps, they need to offer enough upskilling opportunities — or risk falling behind the competition.

Urgent action is needed to bridge skills gaps

87% *of organizations will have a skills gap in the next few years*

40% *of employees say their company is upskilling*

Sources: McKinsey, PWC

The right skills and upskilling methods

Upskilling has never been more critical. But in order to succeed, focusing on the right skills isn't enough.

In addition to identifying and targeting the skills that businesses need to remain competitive, HR also needs to take the initiative and reinvent old learning approaches.

With the added complexity of remote and hybrid work and the urgency of the impending skills gap, businesses need to rethink their employee development strategies and embed learning into the day-to-day work.

What this means for HR

Targeted upskilling

Based on organizational goals, HR can analyze skills gaps and learning needs to create effective L&D strategies to engage and develop the workforce. This includes exploring, testing, and implementing a variety of learning and training methods, especially the ones that focus on learning as part of daily work. Some of the methods we will see more of in 2023 are:

- Microlearning
- **Micro-mentoring**
- **Performance coaching**

Learning technology

Use of learning technology is also set to expand. HR will research and implement technologies like e-learning, immersive learning platforms, and mentor matching platforms. They also need to onboard workers on the technology and help them use it effectively.

Personalized learning

Organizations can personalize workplace learning by creating a mix of formal and informal learning methods and topics, and ensuring they're compatible with remote and hybrid work. When done right, this empowers businesses to offer employees relevant and engaging learning experiences.

HR upskilling

HR professionals also need up-to-date skills to create organizational impact.

By developing their core HR competencies and **future HR skills**, they can deliver better and more effective upskilling initiatives.

Key Takeaway

Upskilling is critical for businesses to remain competitive. In order to deliver results, HR needs to identify the skills and upskilling methods that will bring organizational goals within reach.

Redefining Remote & Hybrid Work Strategies

The psychological contract between employer and employee has changed. In 2023, HR should create future-proof remote work policies to help organizations navigate this contentious issue and remain competitive in the jobs market.

Remote roles receive more interest from candidates

Remote roles made up less than
20%
of paid job postings

but received over
50%
of applications
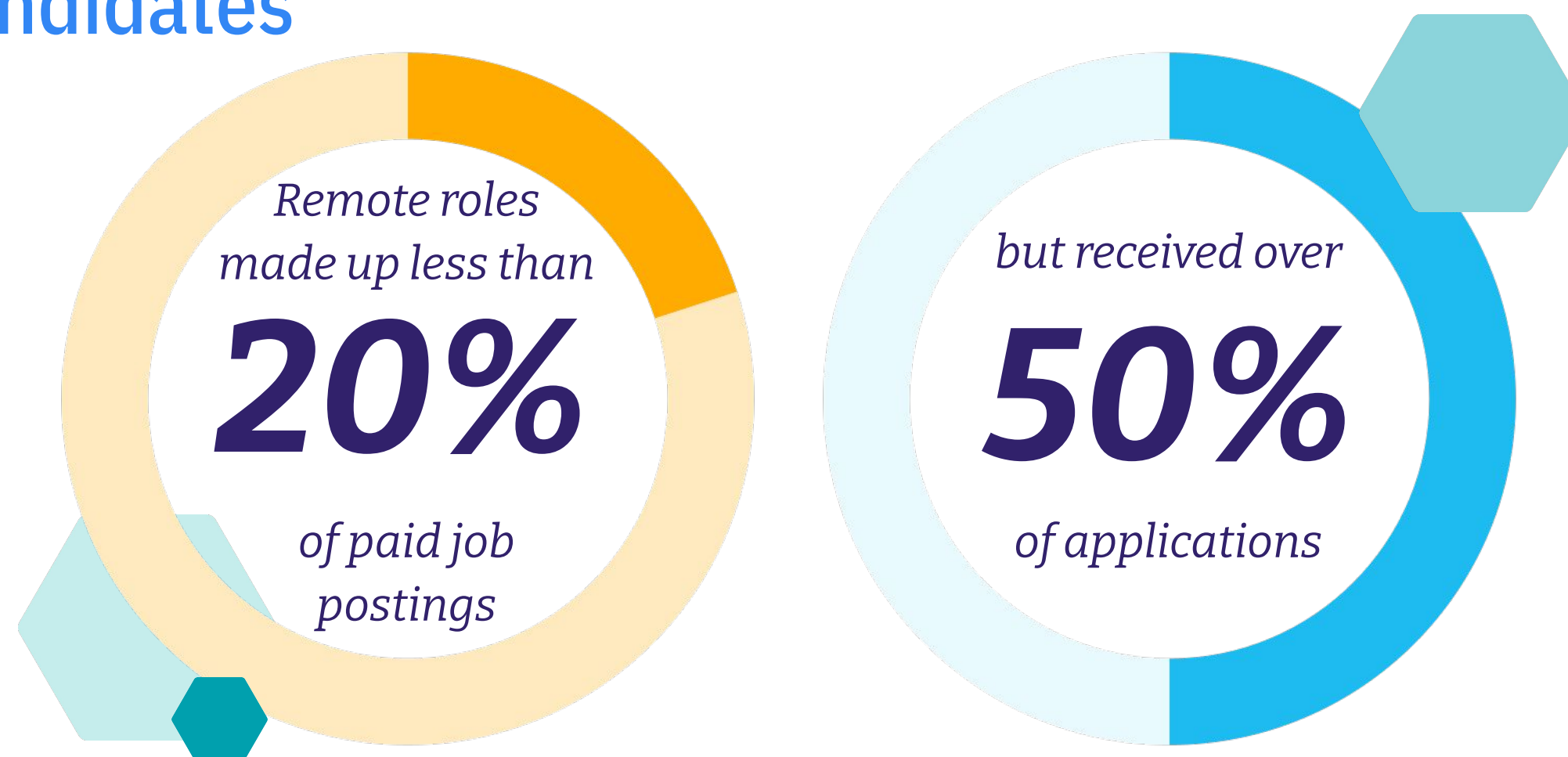
*Source: **LinkedIn***

Competitive disadvantage

The pandemic has **sped up digital transformation in organizations by three to four years**, and the psychological contract between employer and employee has changed.

Despite reported drawbacks on collaboration and company culture, **64% of employees would consider quitting if they were asked to return to the office full-time**.

Companies like **Goldman Sachs** are fighting a losing battle: remote work is here to stay. And in 2023, HR needs to step up to the plate and help organizations navigate this contentious issue, to avoid losing their competitive edge.

What this means for HR

Employees need clarity

Don't wait for the next lockdown. Employees are looking for clear communication and modern policies. These need to be put in place.

It is up to HR to set principles about how, where, and when work is done. HR should increasingly facilitate these conversations and push organizations to make decisions, even if these are temporary in nature as organizations explore different workplace strategies.

HR also needs to align internally on what the company will allow. Having a senior leader speak out against remote work will impact the entire organization (most

notably **Elon Musk** who said that Tesla workers can either come to the office – or never come back).

Rethinking workspaces

We will move away from full-time desk space to more fluid and configurable spaces that encourage social connection and collaboration. Alternatively, we might see offices distributing their footprint, being open to renting flexible workspaces near remote employees to help combat WFH loneliness.

What we'll also see more of is remote office space becoming an employee benefit in the form of a workspace allowance.

Talent management

From succession planning to objective performance metrics, HR needs to carefully review how the selected remote work policy impacts how the organization manages talent. Once you decide on your remote strategy, you need to understand how this affects your EVP.

Key Takeaway

Whether remote is here to stay or not, it needs to be addressed in 2023. Companies who don't provide clarity and meet employee expectations will be at a competitive disadvantage.

Managing Workforce Ecosystems

While HR has traditionally focused on permanent employees, the contingent workforce is increasingly important for service delivery. We believe that 2023 is the year where HR will begin to manage the complex workforce ecosystem beyond permanent employees.

HR policies need to take the blended workforce into account

36%

*of the total US workforce is made up of **independent workers**, and HR needs to adjust to this new reality.*

Gig & contract, freelance, and temporary (26 million workers)

Contract, freelance, and temporary only (19 million workers)

Gig only (14 million workers)

Unemployed (6 million workers)

Permanent workers (100 million workers)

Rethinking the HR value chain

It's time for companies to expand their focus beyond the employer-employee relationship.

Companies are often unable to deliver their services without value chain partners. This means that external workers are not separate entities remote from the traditional organization, but all integrated into one (HR) value chain.

If HR is able to create this single HR value chain, it **unlocks access to more diverse talent pools and lowers costs through flexible workforce resourcing.**

Source: McKinsey

What this means for HR

Managing the contingent workforce

HR should integrate contractors, gig workers, and external contributors into a single HR value chain.

This is essential not just for value creation, but also avoiding risk. Taking a hands-off attitude towards temporary staff creates a two-tiered workforce that even **leading companies like Google struggle to adequately manage**.

Moving from employee experience to **people experience** lets organizations accommodate a complex workforce, create more human-centric interactions, and deliver a positive work experience for all.

Collaboration across the supply chain

HR can benefit from cooperating with their supply chain partners, vendors, and service providers.

By creating communities of HR practice across organizations, HR can improve practices, greatly increase its impact, and build towards a more productive, sustainable, and reliable supply chain.

__93%__ of managers view some external workers as __part of their organization's workforce__, but only __30%__ agree their organization is __sufficiently preparing to manage this.__

Source: __MITSloan__

Mapping capabilities

And finally, having a talent ecosystem creates a much larger and more diverse workforce for the organization. This means that based on existing workforce capabilities, new products and services can be offered. It is up to HR to map these capabilities and bring them to the attention of the business.

HR has various tools to create this visibility, such as **skills inventories** and internal **talent marketplaces**. **Internal mobility** is becoming increasingly important and the business needs to change its mindset on how talent moves and contributes to the organization.

Creating value through workforce ecosystems

Example initiatives we expect to see more of in 2023 include the creation of communities of expertise, mentoring programs for seasoned HR professionals, and job rotation across the supply chain. Business is not a zero-sum game, especially not when it comes to partners. This is an area in which HR can create tremendous value through workforce ecosystems.
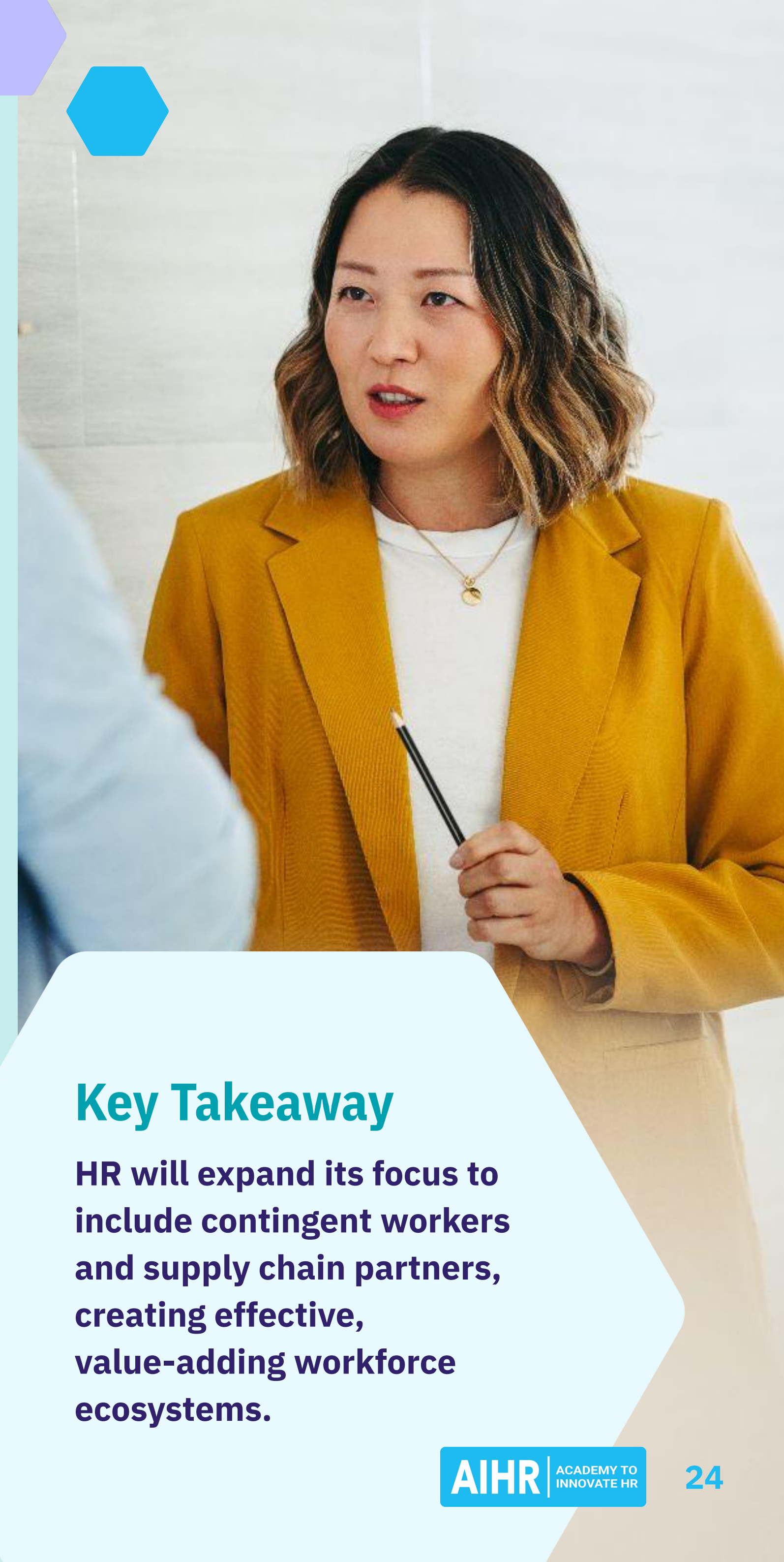
Key Takeaway

HR will expand its focus to include contingent workers and supply chain partners, creating effective, value-adding workforce ecosystems.

HR Enters the Metaverse

We believe that in 2023, a select group of organizations will set themselves apart by investing in the metaverse. These will be not only large enterprises with custom-designed metaverse environments but also innovative small businesses utilizing virtual workspace software.

A new channel with untapped potential
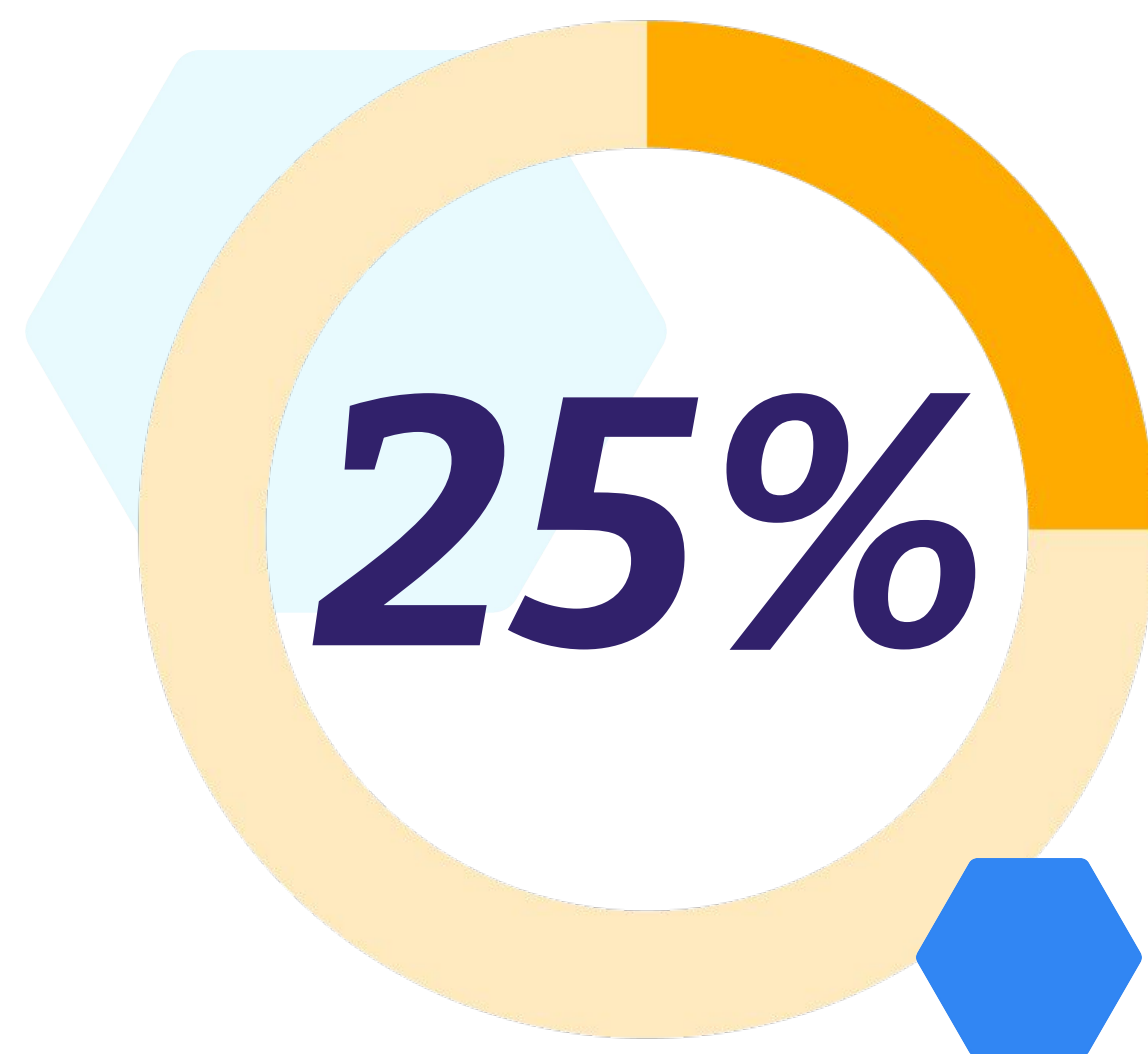
25% *of people will spend at least **one hour per day** in the metaverse by* **2026**

Source: Gartner

A next step for virtual HR

The metaverse is any digital space in which users interact with one another. We may not call it the metaverse yet, but most organizations are already recruiting, onboarding, and sometimes even **firing people virtually**.

Only a very small percentage of organizations are leveraging the metaverse to hire and onboard people today. However, this is likely to change.

The metaverse can also help organizations unite a distributed workforce without requiring travel and **offer immersive learning experiences**.

In short, it can help organizations bridge the human connection gap in remote settings.

What this means for HR

Productivity and performance

The metaverse opens the possibility of reimagining a work environment unconstrained by physical norms.

HR will need to set up the metaverse in their organizations in a way that drives business performance and employee experience. The virtual design of the metaverse allows us to go beyond the traditional, often uninspiring office environment and create places conducive to collaboration, creativity, and decision-making.

An inclusive online workplace for all

HR will need to develop metaverse-proof hybrid working policies and teach leaders how to lead in this new environment.

An example of this is **disability inclusion in the metaverse** and making sure that people with disabilities are included across the full metaverse experience.

HR plays a key role in creating a virtual workplace policy that includes topics such as harassment, bullying, and abuse.

*The metaverse allows HR to create workplaces conducive to **collaboration, creativity and decision-making**.*
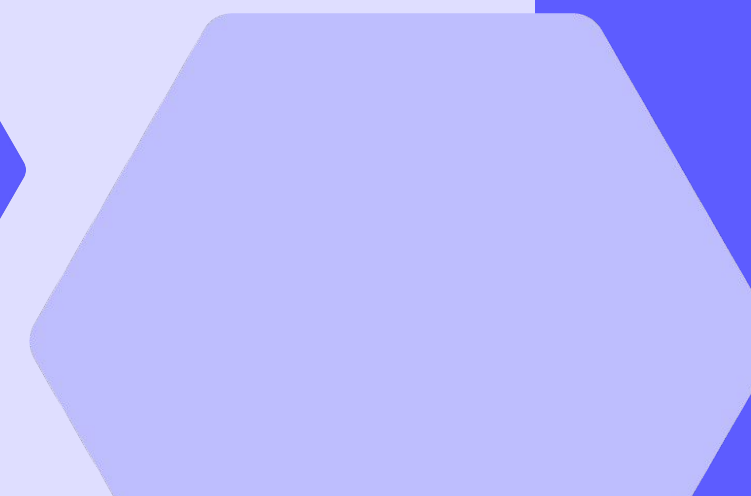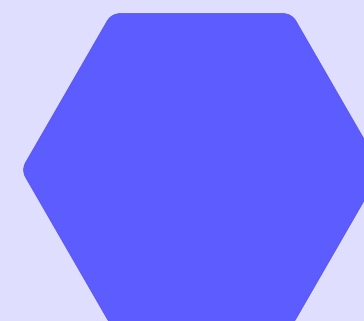
Value for all organizations

Now it's mostly large organizations are investing in the metaverse. But virtual workspaces can benefit organizations of all sizes.

They can lower operational costs by reducing the need for physical infrastructure, for example. The emerging **software category for virtual workspaces** makes it accessible for small organizations. Virtual workspaces allow businesses to position themselves as innovative employers who value a collaborative work environment.

But despite the hype and regardless of your organization, the metaverse is a means to an end. It should drive performance and EX, and not distract from your core business.

Key Takeaway

If used well, the metaverse and similar tools will enable HR to create more productive, collaborative and inclusive workspace in the era of hybrid and remote work.

The Rise of Algorithmic HR

The vast majority of the Global 2000 companies projected to use algorithmic managers to hire, fire, and train employees by 2024. Now is the time for HR to step up and help organizations avoid embedding existing bias in new systems and realize true value.

Algorithmic HR is already a reality
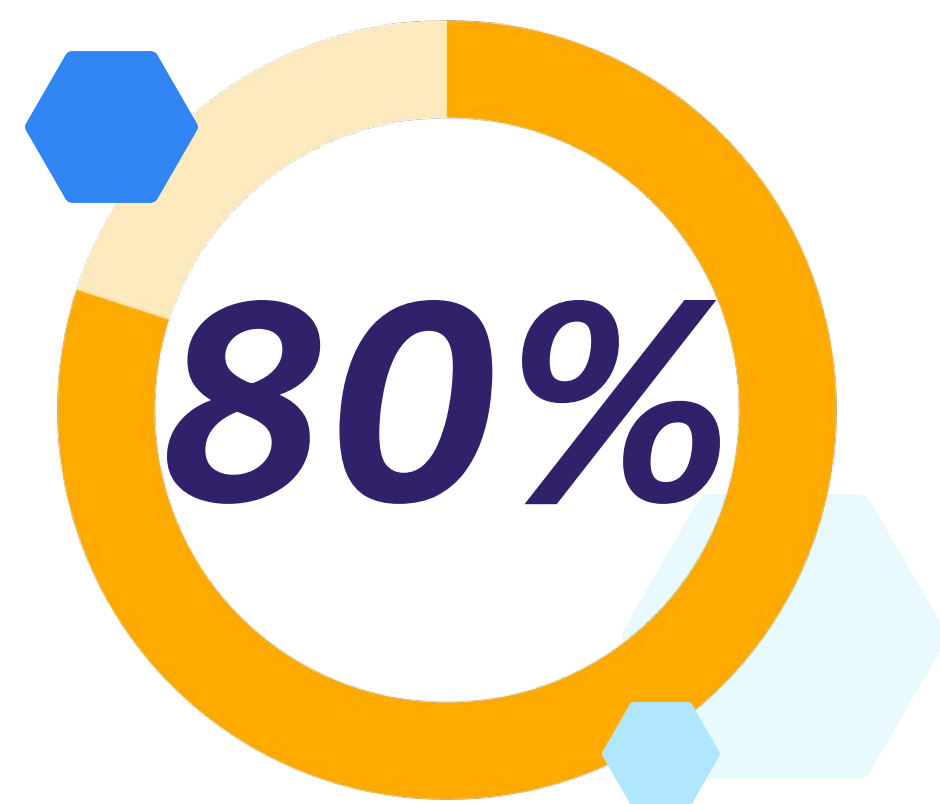
80% *of G2000 companies will use algorithmic managers to hire, fire, and train workers by 2024*

But without human engagement, only **1 of 5 will realize value**

Source: **IDC**

Enhancing managers

One of the technologies connected to our workplaces that is likely to significantly affect HR professionals is **algorithmic (or robot) managers**.

That is not to say that these robots will be able to replace humans with their empathy, trust, and social intelligence. Rather, these robots (or 'cobots:' collaborative robots) will complement and support human managers by:

- ⬡ Reducing their bias
- ⬡ Augmenting decision-making
- ⬡ Taking care of administration

These cobots can relieve managers of their mundane and repetitive duties, giving them more time to focus on human connection and the new expectations of managers and leaders.

Battling bias

To use algorithmic HR fairly, transparently, and effectively, we need to prevent existing biases embedded in our historical data from becoming a part of the algorithm. At the same time, it is an opportunity to create systemic equity.

Algorithmic managers will be able to process large quantities of data, communicate clearly, and help both HR and managers make more informed decisions. Moreover, they could add a level of transparency and procedural justice that is much harder for humans to provide.

Two managers

Each employee will have a human manager who will focus on retention and development. They will also have an algorithmic manager serving as a kind of personal assistant, answering simple questions and data-related queries, helping select optimal benefits, supporting admin, arranging better workspaces in the era of hybrid work, and so on.

For the human manager, the cobot will become a sounding board, using data to spot irregularities and opportunities earlier. The robotic manager will point the human manager in the right direction and give actionable feedback that will lead to more informed decisions.
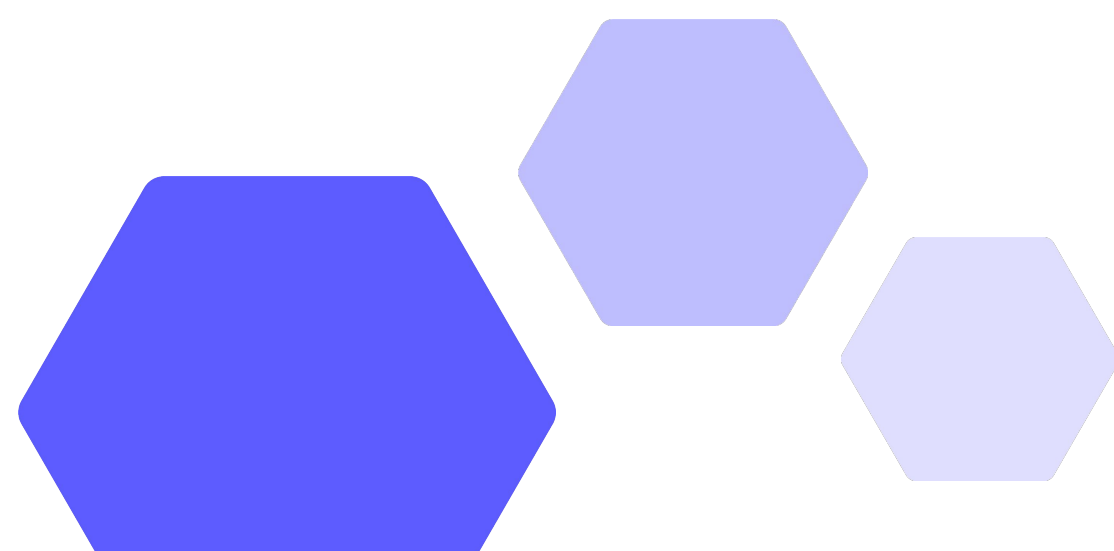
What this means for HR

Safeguarding ethics

HR will need to take ownership of algorithmic management, ensuring a fair, transparent, and efficient process.

How do businesses ensure algorithmic managers are used for enablement rather than surveillance and control? How do they ensure transparency in using these algorithms, and of the algorithms themselves? It's up to HR to help the business tackle questions like these.

Enabling the transition

HR has a key role to play in ensuring managers and employees can participate in this digitalized world. This will require more upskilling initiatives focusing on digital literacy, as well as helping the organization implement the infrastructure to facilitate the change.

HR can help leaders and managers transition into their new, more tech-dependent role through training and coaching. The right use of algorithmic management will help great leaders make an even more positive impact on the organization.

HR should also ensure employees can adapt to this change as they adopt new ways of working and interacting with managers.

Key Takeaway

Algorithmic managers are on the rise. They allow human managers to overcome bias, take data-driven decisions, and get more time to focus on retention and development, while also granting employees more autonomy.

The Evolving Role of the CHRO

The business landscape is changing, and so is the role of the Chief HR Officer. In 2023, the CHRO will become part of the inner C-suite circle together with the CFO and COO, forming the CEO's most trusted advisor group. There are three key drivers for this HR trend.

A new business landscape needs a new kind of CHRO

Business

61%

NGOs

59%

Government

52%

Media

50%

*Businesses are people's **most trusted** source of information*

Source: *Edelman Trust Barometer 2022*

The CHRO as the Chief Counselor

People trust their CEO more than government leaders, journalists, and even national health authorities. And **60% of employees expect their CEO to speak out on social and political issues they care about**.

This changing role of the CEO leaves room for the CHRO to understand employee sentiment and counsel the CEO on when to speak up and what to say.

The CHRO as the Chief Sustainability Officer

There is another reason the CHRO is being pushed into the spotlight.

60%

of employees expect their CEO to speak out on controversial social and political issues they care about.

Source: **Edelman Trust Barometer 2022**

They're now expected to take responsibility for spearheading social, and corporate governance (ESG) goals. Increasingly ambitious ESG goals, as well as investor appetite toward companies with these goals, places the CHRO in a position to take ownership of this topic.

HR owns topics directly tied to ESG themes such as culture, competencies, compensation, diversity, equity, inclusion, and belonging, and even facilities. This means that of everyone in the boardroom (with the exception of a rare chief sustainability officer), the CHRO is the best person to take this on.

The CHRO as the Chief Crisis Officer

During recent crises, the board looked to the CHRO to lead and respond. HR has been pushed to the center of the business since early 2020, and many CHROs led the conversations about policies, business continuity, and employee safety and productivity.

In an increasingly VUCA world, the CHRO is the chief crisis officer, responsible for taking action and leading the organization through difficult times.

What this means for HR

The new CHRO

These changing responsibilities make the CHRO an irreplaceable part of the board. So it's little wonder that **companies are hiring external CHROs rather than internal talent** as they look for a fresh perspective on key topics. This signals that there still is a perception that HR leadership has the potential to grow beyond its current role.

The path to the boardroom

It also means that CHRO capabilities have changed. A successful CHRO should be a strategic and action-oriented driver of the business rather than a reactive and operational compliance officer. Job rotation, both outside of HR and potentially outside of the organization, is becoming increasingly important for HR professionals looking to grow into more senior positions.

HR has never been as strategic as it has been in the past three years. **We believe that 2023 is the year in which the CHRO solidifies their position as the CEO's advisor.**

Key Takeaway

External factors such as global instability as well as shifting expectations of leadership and the business are solidifying the CHRO's role as advisor to the CEO and part of the C-suite inner circle.

Upskilling Leaders & Managers

Only 11% of companies have a strong leadership bench. 2023 is the year in which HR will be instrumental in helping existing leaders reinvent themselves and enabling and upskilling newly promoted leaders and managers.

Developing leaders is the most common challenge for CEOs

Developing the next generation of leaders
55%

Global recession/slowing economic growth
54%

Attracting and retaining top talent
52%

Driving new product innovation
50%

Succeeding with emerging technologies
46%

Outperforming key competitors
42%

Re-training or upskilling employees
35%

Source: DDI Global Leadership Forecast

The leadership paradox

As a result of the Great Resignation, today's leadership pipeline is full of candidates with little to no managerial experience. Organizations have promoted high performers to management to retain them, and have had to hire less experienced candidates for managerial positions due to the talent shortage.

But leadership has never been more consequential for business success than it is today.

Challenges like high inflation, unpredictable political developments, and fast-shifting labor markets put a lot of pressure on managers whose roles are already being redefined in an area of hybrid work.

Building better leadership

HR professionals are having to step in to drive the necessary change and educate these leaders and managers on all these topics.

Facilitating better leadership and management is a twofold challenge for HR: They have to upskill the existing leaders and find ways to fast track leadership maturity on the job for fledgling managers.

Key leadership skills

Successful leaders need to upskill to be able to:

- **Lead in a hybrid world of work**, a setting that is constantly evolving.

- Help **build purpose-driven organizations** and embody the organization's mission and values within the company and in public.

- **Lead in complex and multilayered contexts** (i.e., life, work, geography) while connecting people to a shared purpose.

- **Act as a guide, workflow designer, and (co-)developer** as technology enables the automation of many traditional management tasks.

- **Take a human-centered approach to leadership**, balancing the needs and wants of the organization and the individual.

- **Work together with multiple new stakeholders**, including stakeholders beyond their organization.

What this means for HR

Setting expectations

HR plays a key role in shaping both new and more experienced leaders.

The first priority of business is for HR to affirm what leadership within their context entails.

- What does the organization expect from leaders?
- How does this translate into practical behaviors?
- And how do we help leaders become self-aware of the impact that their behaviors have on those around them?

Employee voice

Next, HR should help leaders keep their finger on the pulse of their organization, workforce, and society at large. Using the **employee voice**, HR can help leadership understand the mood in the organization and navigate any relevant issues.

HR can also help leaders become more socially, culturally, and environmentally conscious – something that workers and consumers alike increasingly demand. Likewise, HR can teach leaders how to put their soft skills to work, including empathy and active listening.

Blended upskilling

We expect to see an uptick in blended approaches to leadership development in order to fast track exposure, experience and skills development, including:

- Formalized **leadership development plans**
- Training
- Mentorship
- On-the-job immersive experiences
- Innovative talent rotation strategies

Changing role of leadership

HR needs to help leaders navigate their increasingly public role. Leaders are expected to live **organizational values** and act on issues that transcend business, and this can cause tension as the line between privately held and publicly expressed opinions continues to blur.

HR in the lead

The time has come for HR to step into leadership roles beyond the function. We predict that we will see more HR professionals becoming general managers and business leaders than ever before, spurred by leadership roles gravitating towards more human-centric leadership styles and skills.

Key Takeaway

HR can make a real difference in how the organization develops its leaders to be better, retains its employees, and drives the company forward. In no year has this been more critical than in 2023.

Conclusion

We see 2023 as a year of immense opportunity for HR. However, there are a number of challenges to be overcome.

First of all, HR needs to **prioritize their own wellbeing** and continue building resilience. That will enable HR professionals to support employee wellbeing and future-proof the organization.

Second, organizations need to adopt a broader perspective and understand that **HR trends don't concern only one department, but the whole business**. The collaboration between the business leaders and HR needs to intensify to successfully navigate changes in the world of work.

Finally, businesses must embrace that they are **standing on the threshold of a new era**: a human-first era that sees organizations not just as structures to maximize profit and effectiveness, but also as drivers of meaning to empowered, engaged, and diverse workforces.

It is time for HR to step up to the plate, capture the window of opportunity that 2023 brings, and reposition the function's value proposition as a leader of the business and a builder of competitive people capabilities. **That is the true power of HR: driving strategic impact through people.**

Erik van Vulpen
Founder of AIHR

Dieter Veldsman
HR and OD thought leader

AIHR | Academy to Innovate HR

HR teams are only as successful as their skills are relevant. With engaging in-depth training and resources, AIHR helps HR teams become better at what they do and drive more business value.

Learn more at AIHR.com