

HR Predictions for 2023

the
joshbersin
company

The year 2023 will be a year of *transition* as we redefine work, the workforce, and HR. We have come through three years of the pandemic while dealing with supply chain issues, inflation, hybrid work, and continued economic growth. At this turning point, we have ended 14 years of near-zero interest rates and now face a slowdown in both the economy and in consumer spending. And people—our workers and employees—remain overworked, tired, and ready for change.

CEOs and CFOs are going to push to maintain and grow profits, focus on cash and financial sustainability, and search for new postures for growth. This means carefully placing bets on the new, green-energy, sustainable economy and reallocating resources and skills to this area.

Think, for example, about the massive growth in the semiconductor industry. TSMC, the largest global foundry, has now been able to build three-nanometer circuits¹ (one nanometer is about two atoms!). Yet, while most U.S. manufacturers (e.g., Intel, AMD, and others) are planning to take advantage of the \$1 trillion CHIPS and Science Act, they do not have the engineers or production workers to execute on it. Almost every company we talk with is in the same situation.

A focus on bold new products and services will redefine the coming year. In November 2022, the GPT-3 chatbot shocked the world with its ability to tweet, blog, write poetry and essays, and create its own computer programs.² Even Google, the most profitable company in tech, is worried about what to do next.³

We are studying these transformations in detail. Our Global Workforce Intelligence (GWI) Project⁴ research shows how healthcare and banking are transforming into digital-enabled industries, competing with retailers, payment companies, and more.

Consider Amazon's and Walmart's journeys into healthcare and financial services, respectively. These are two examples of large organizations hopping across traditional industries, disrupting incumbents with their ambition. Energy and auto industries

are good cases in point. Traditional auto manufacturers are realizing the EV (electrical vehicle) market requires entirely new skills and business models and therefore also requires a different talent strategy. Energy companies like Chevron are considering their roles in battery, power distribution, hydrogen, and new energy-tech—driving them to rethink their workforce plans as well. This theme will manifest everywhere, pushing companies to get much smarter about their skills.

CHROs and employee-facing teams must consider that these pressures will take place in a workforce that is quite tapped out. Witness the new *productivity paranoia* (the disconnect between employee and employer perception of productivity) among business leaders: while 87% of employees feel highly productive at work,⁵ only 12% of leaders agree. In 2023 we must inject energy and enthusiasm into the workforce. We see a new movement of “people sustainability,” which you’ll read about in this report.

Employees, on the other hand, are more empowered and vocal than ever. Job mobility is at an all-time high. This situation has forced nearly every company to build an employee experience team to identify the journeys and experiences that make employees happy. Bank of America's new Academy,⁶ for example, started as a development program and has now evolved into an entire employee experience strategy to drive productivity, engagement, retention, and growth. (Bank of America, by the way, is an “irresistible” organization.⁷)

Companies have bulked up on HR tech solutions,⁸ and new platforms like the employee experience platforms and talent marketplaces are growing significantly. (The average number of HR apps increased by 47% in large companies.⁹)

Despite these efforts, it's still hard to hire—and we expect this challenge to continue. Thanks to hybrid work, it's easier than ever to change jobs. Roughly a third of U.S. workers changed jobs this last year,¹⁰ and this level of mobility will continue.

1 [“Samsung Begins Chip Production Using 3nm Process Technology With GAA Architecture,”](#) Samsung Newsroom, June 30, 2022.

2 [“GPT-3 Powers the Next Generation of Apps,”](#) OpenAI, March 25, 2021.

3 [“Google Faces a Serious Threat From ChatGPT,”](#) Parmy Olson and Bloomberg/The Washington Post, December 7, 2022.

4 [The Global Workforce Intelligence \(GWI\) Project, 2022.](#)

5 [Hybrid Work Is Just Work. Are We Doing It Wrong?](#) Work Trend Index Special Report, Worklab/Microsoft.com, September 22, 2022.

6 [Career Building at a Great Company: The Academy of Bank of America,](#) Josh Bersin/The Josh Bersin Company, 2021.

7 [Irresistible: The Seven Secrets of the World's Most Enduring, Employee-Focused Organization,](#) Josh Bersin/Ideapress, 2022.

8 [“HR Technology: What's Hot. What's Not?”](#) Josh Bersin/ joshbersin.com, December 26, 2022.

9 [Businesses at Work 2022 Report,](#) Okta, 2021.

10 Bureau of Labor Statistics (BLS) database.

More than 45% of people who changed jobs last year also changed industries, indicating an unprecedented level of mobility in the workforce.¹¹ This means companies must triple their efforts to create internal mobility, growth opportunities, and career development for their people. Otherwise, staff will just drift out the door.

Predictions 2023

This report presents the major trends that all HR leaders and professionals need to keep in mind as the year progresses.



A new, multifaceted workforce—diverse, aging, and scarce—will emerge.

Before we get into business and human capital issues, it's important to look at demographics. Three big workforce trends will shape our companies: diversity, longevity, and scarcity.

Diversity Is Expanding

New diversity issues loom large. In the United States, the nation's labor force is 78% White, 13% Black, 6% Asian, 2% Biracial, and 1% Native American. People of Hispanic or Latino ethnicity, who may be of any race, represented 17% of the workforce.¹² Women now make up 58% of the workforce, and this percentage grows every year. By 2045, experts estimate that the White population will no longer be the majority,¹³ with Hispanics and Asians growing the fastest.

To leverage this multifaceted workforce, companies must understand the business need for diversity. As our Diversity, Equity, and Inclusion (DEI)¹⁴ research points out, diverse teams outperform their peers. They produce better ideas; they attract stronger skills; and they better understand diverse

and global customer needs. Importantly, the dimensions of diversity keep expanding.

Today "diversity" refers to nationality, gender (many genders), age (five generations), language, cognitive skills, race, and more. As a result, CEOs and CHROs face an ever-growing need to build organizations that are as diverse as customers and the workforce as a whole. The process is held back by education inequalities, racism, and all sorts of old ideas, but the bottom line is simple: the workforce is diversifying rapidly, and we, as companies, must continue to do the same.

Interestingly, in conversations with King Willem-Alexander of the Netherlands, we discovered his country is decades behind the U.S. in accepting diversity. He said that they have not had a civil rights movement, affirmative action, or any similar social revolutions. Many other countries have just as much work to do in this area.

Aging Is Now a Business Reality

The workforce is getting older. There are two reasons for this: increasing longevity coupled with a very low fertility rate. People are living longer, and our energy and vitality lasts well into our eighties and nineties. This means our entire definition of career, work, and jobs must change.

Can you imagine a company with five generations working together? Young employees in their twenties are looking for new relationships, career guidance, constant communication, and excitement. Early families need flexibility for childcare and child activities. Middle-aged workers strive for growth and promotion and want to improve their standards of living. And older workers want purpose, meaning, and work that fits their older eyes, hands, and bodies. We also can't forget elder care benefits: this is one of the fastest-growing add-ons to your complete benefits program.

As our book *Irresistible*¹⁵ points out, this creates a quite different kind of organization. It's time to get serious about reverse mentoring (young workers mentoring older

11 "The Great Attrition is making it harder. Are you searching the right talent pools?" Aaron De Smet, Bonnie Dowling, Bryan Hancock, and Bill Schaninger/McKinsey & Company, July 13, 2022.

12 "60+ Incredible Diversity in the Workplace Statistics (2022): Facts You Need to Know," Elsie Boskamp/Zippia.com, July 7, 2022.

13 "The Future Workforce: More Diverse than Ever," AAUW.org.

14 *Elevating Equity: The Real Story of Diversity and Inclusion*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2021.

15 *Irresistible: The Seven Secrets of the World's Most Enduring, Employee-Focused Organization*, Josh Bersin/Ideapress, 2022.

ones), part-time careers for older workers, job-sharing, and accommodations for aging eyes, backs, and hands. These are not just nice things to do: they're essential if you want your company to grow.

And remember that age is one of the most subtle dimensions of diversity. Are you a company that's biased toward youth? (It was Mark Zuckerberg who famously said, "all young people are smarter.") Or are you the opposite: a company that thinks young people don't know enough yet? Both can get you into trouble.

Worker Scarcity Is Increasing

The third demographic challenge is what we call the "demographic drought." The size of the workforce is shrinking. Consider the following data. The fertility rate to "keep the population constant" is 2.1, two children for every family. In Figure 1 (below), we show the current fertility rates in the most-developed countries.

The working population in every developed economy is starting to peak. World Bank data shows that total population in the highly developed countries will peak around 2045, after which only countries in Africa, Indonesia, and India will continue to grow. This means that immigration, a topic many countries find politically difficult, will be the only way for economies to expand.

The United States, which admits close to a million immigrants per year, has an advantage. Countries like China and Japan, with lower immigration rates, are handcuffed by this challenge.

Most recently we have experienced a low unemployment rate (reaching a low of 3.5% during 2022¹⁶) coupled with high inflation, strong economic growth, and extremely high rates of turnover. Most companies we talk with tell us their turnover (especially early career workers) is puzzlingly high. One of the world's leading investment banks told us it is now seeing double-digit turnover when their turnover was below 10% for a decade.

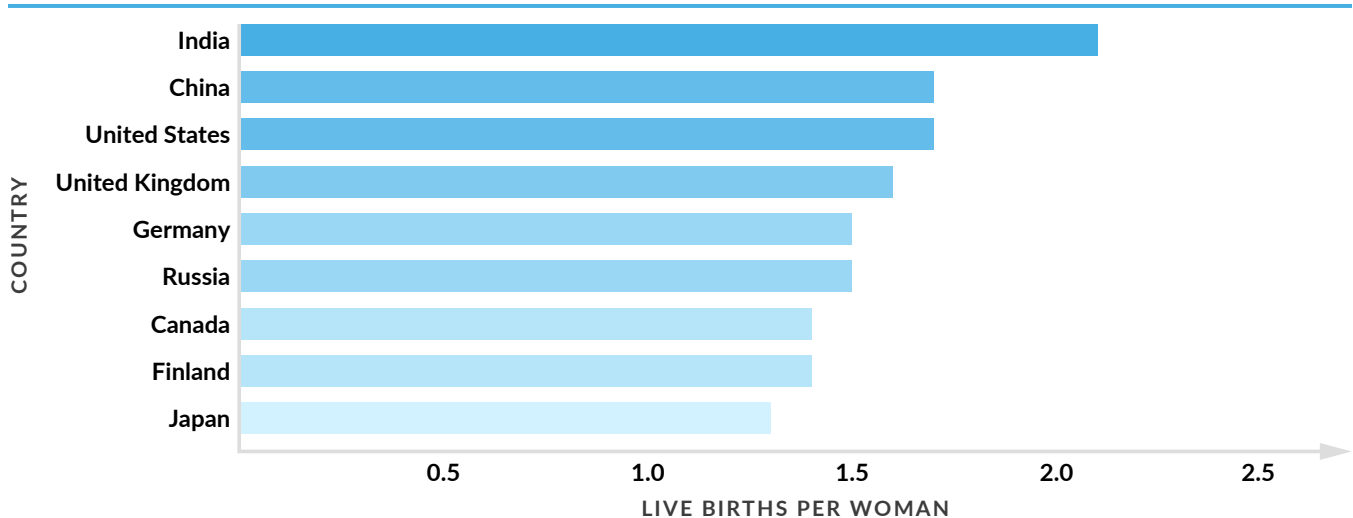
This tells us workers are in charge. And that leads us to our biggest trend for the year ahead: redefining how you attract, retain, develop, and employ your people. And to do all of that, you need to think about jobs and careers in a different way.



Jobs and careers will be redefined by the convergence of industries.

As we discovered in the Global Workforce Intelligence Project, virtually every industry has moved beyond "digital

Figure 1: Fertility Rates in 2022



Source: [World Population Prospects 2022](#), un.org

16 "Unemployment Rate Fell To 3.5% In September As Labor Market Added 263,000 Jobs," Jonathan Ponciano/Forbes, December 27, 2022.

transformation” to adjacent industries and business models. And this creates a massive need for new skills, new job titles, and new organizations—all of which means we’ve entered an even more brutal war for talent.

Below is a brief look by industry (see Figure 2): auto manufacturers are building electric vehicles, batteries, and power distribution networks. Oil and chemical companies are getting into hydrogen and energy systems. Retailers are getting into healthcare services. And every industry is starting to get into payment processing, loans, and ultimately impacting banking.

The Global Workforce Intelligence (GWI) Project,¹⁷ our industry research group, studies these trends industry by industry. In each industry we look at all the trending job titles, trending skills, job clusters, and career pathways. And what we are finding is very consistent. In healthcare and banking, the “advanced” or “high-performing” companies (we call them the “Trailblazers”) have vastly different job titles, skills profiles,

employment models, and job families than their lagging peers. *What this means is that the job architecture and structure of your business must adapt.*

It also points out that no company can “hire their way” to growth anymore. Not only are there fewer workers to choose from but also the high-demand skills are in short supply. For example, we find healthcare companies are dramatically limited by a lack of clinical workers and banks are being held back by dated IT and tech skills. No amount of recruiting will fill the gap of 2.1 million clinical staff needed by 2025. Companies must recruit, retain, reskill, and redesign simultaneously, creating a new HR operating model we call “systemic people solutions.”

Thanks to the pandemic and hybrid work, companies have moved from “recruit based on experience” to “recruit based on skills.” This requires employers to understand both the skills they have and the skills they need, so they can create “career pathways” to fill these critical positions. Providence Health is

Figure 2: Transformation to Convergence in Industries

Retail	Healthcare	Banking	Telco	Media	Autos	Energy
Stores Logistics Food Service Deli Pharmacy Promotions Membership	Care Nursing Physician Facilities Emergency Research Insurance	Branches Products Sales Mortgage Risk Analytics Service	Infrastructure Network Management Service Technology Call Center Design	Talent Creators Production Movies Social Media Subscription Publishing	Design Manufacture Source Supply Chain Engineering Service Dealers Safety	Sourcing Exploration Production Refining Distribution Environment Safety Research
Last Mile Distribution	Informatics	FinTech	Media	Social Platforms	EVs	Batteries
Pharmacy Healthcare	Telemedicine	Crypto	Publishing	Creator Economy	Software Engineering	Solar, Electric
Financial Services	IT Cybersecurity	Insurance	5G	Metaverse	Semiconductors	Energy Systems
Omni Channel	Business Operations	Product Management	Consulting	Distribution	Data Services	Mining

Source: The Josh Bersin Company, 2022

¹⁷ The Global Workforce Intelligence Project, 2022.

working with Amazon, for example, to train surplus warehouse workers to enter the nursing profession.

We believe this trend will continue, regardless of the state of the economy. Our GWI research shows that every industry is morphing into something new, creating the need for new job roles, skills, careers, and employment models. This is what forced Ford to split off its EV business from the internal combustion engine business. The two have fundamentally different job roles, skills, talent models, and cultures.



Every company will get serious and pragmatic about skills.

Skills and skills-based strategies are NOT a replacement for the competency models we built in the 1980s and 1990s. This is something completely different, so it warrants a different approach.

First, companies are becoming flatter, more team- and project-oriented, and more focused on internal mobility. The formal relationship between the “person” and the “job” is weakening. Consider this picture below (see Figure 3).

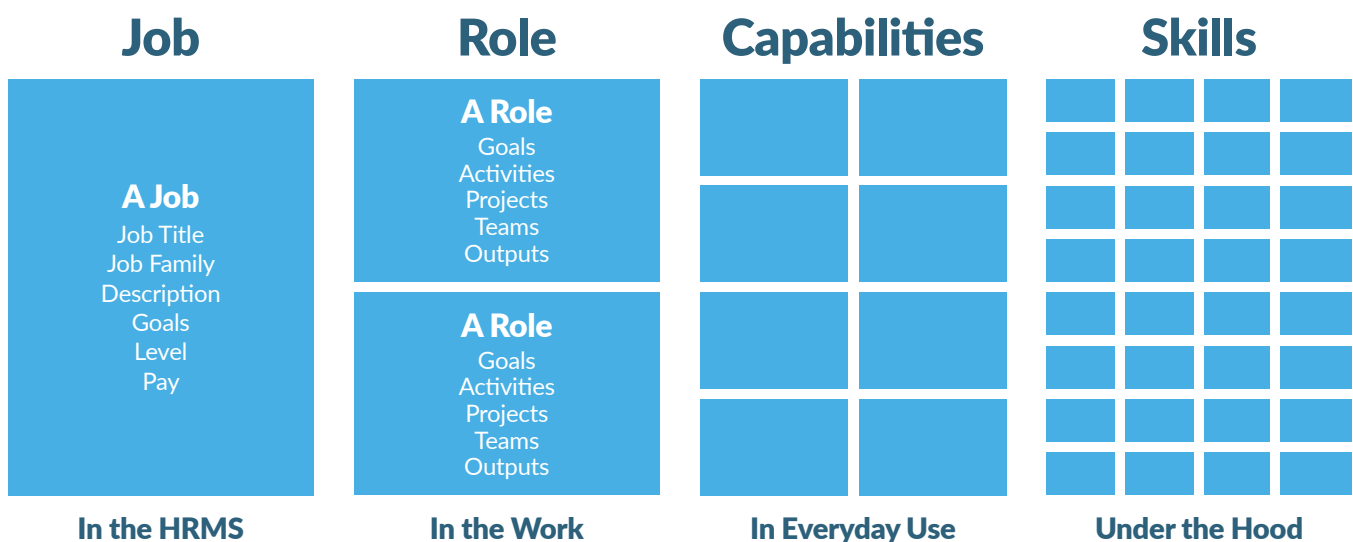
In most companies today employees have many roles and work on many projects. Each of these types of work requires “capabilities” and “skills.” *Capabilities* are the business-worded definitions of what drives success while *skills* are the granular areas of expertise that people need to perform well.

In the competency model era, we selected competencies from a book (or wrote them down) and matched them each to a *job*. Today these formal matches are changing all the time. For example, the skills needed in software engineering seem to change every few months. Thus, we need to remember that we are now dealing with tens to hundreds of thousands of skills, each of which might trend up or down based on technology and the workforce.

A skills-based organization is using this data to focus on specific business problems: whom to hire, whom to promote, how to develop people for increased performance, and whom to consider for an internal position. Many companies are now “paying for skills,” encouraging employees to figure out what skills are in demand and go out and build them.

This new, dynamic way of managing people is different from competency management. And in 2023 this will become clearer to companies as the technology market starts to consolidate. Several things we know right now:

Figure 3: Understanding Jobs, Roles, Skills, and Capabilities



Source: The Josh Bersin Company, 2022

- Skills projects should focus on an agenda: increasing performance, revitalizing a business to move in a new way, or transforming a business to move into a new area. Just “doing a skills taxonomy” is not an effective way to proceed.
- Teams should focus on capabilities first, skills second. Employees should understand the major business capabilities they need and dive into specific skills as needed. (Read our research on *Capability Academies*,¹⁸ featuring Bank of America, Novartis, Cemex, and KraftHeinz for more.)
- Skills clusters need “owners,” and these are not people in HR. If you’re a bank you want to accelerate your customer experience and digital offerings, and you need a digital product owner to watch over the digital skills you need. Ditto sales, marketing, finance, and of course HR. (Our Global HR Capability Project is designed to do this.)
- Skills data is being collected and used in many systems. As we discuss further on, in 2023 you’ll see skills systems in the HCM platform, the recruitment tools, the talent marketplace tools, the L&D tools, and even the employee experience systems. Every vendor now has its own skills database, so you need to figure out what data will go where. (There is no single place for this yet.)



Employee experience will be put to the test by hybrid work.

As people come back to the office, most companies are trying to build a new hybrid work strategy. The real trend is toward three important things:

- Redefining what the “workplace” really is, teaching managers and employees how and when to come into the new office,

and refining our collaboration and workspace tools to accommodate hoteling workers and part-time office holders.

- Creating better models for teamwork, team performance management, team alignment, and multifunctional teams. Employees in hybrid work teams operate in an agile way, so they often have multiple bosses, multiple team projects, and multiple assignments in parallel. (Witness SAP SuccessFactors entirely new system for “dynamic teams.”¹⁹)
- Embracing a new generation of HR and workplace technology for scheduling, workplace optimization, real-estate planning, presence awareness, mobile video, and similar productivity tools that we believe extends the employee experience into the workplace experience. ServiceNow, Microsoft, and others are investing heavily here.

Ultimately, however, hybrid work requires a focus on culture. First, managers and team leaders must learn to be comfortable with remote, disconnected teams and learn how to lead them, listen to them, and help them. Second, senior leaders must trust that the “invisible workers” are really, in fact, working.

Hybrid work has highlighted other critical issues: Do remote people feel included? Is there a “privilege” to come to the office or not come to the office? What meetings can be skipped and what meetings warrant a face-to-face session? If a worker lives in a low cost-of-living state, will they be paid less? How do remote workers develop a sense of psychological safety so they can speak up when they’re not in the office? Indeed, hybrid work has a lot of important questions to address (see Figure 4 on the next page)

Companies need to apply design thinking and experience design approaches to hybrid work problems. We offer our research-based *The Big Reset Playbook: Hybrid Work*²⁰ and complete learning program in the Josh Bersin Academy to help you build this strategy.

18 *Capability Academies: A New Approach for Critical Skills Development*, Josh Bersin and Nehal Nangia/The Josh Bersin Company, 2022.

19 “Introducing the new module of SAP SuccessFactors in 2H2022—Dynamic Teams,” Jiale Wang/SAP Community, November 10, 2022.

20 *The Big Reset Playbook: Hybrid Work*, Josh Bersin, Kathi Enderes, PhD, and Janet Mertens/The Josh Bersin Company, 2021.

Figure 4: Six Principles of Hybrid Work

Principle	Key Questions to Address
<p>1. Define your hybrid work strategy.</p> <p>Outline how hybrid work fits into your mission, vision, and culture, and define a strategy/philosophy.</p>	<p>What do our customers need?</p> <p>What is our leadership model?</p> <p>How do we retain culture in hybrid?</p>
<p>2. Create a measurement system.</p> <p>Define success criteria and outcomes for business, people, and innovation measures so you can stay on track.</p>	<p>What are we optimizing for?</p> <p>How do we know if we get there? How will we listen to employees?</p> <p>What measures and metrics do we need?</p>
<p>3. Operate in cross-functional teams.</p> <p>Facilitate design in cross-company collaboration between HR, IT, and more.</p>	<p>How do we engage senior leaders in the process?</p> <p>Who are the experts to consult?</p> <p>How do we engage IT, HR, facilities, safety, legal, and management together?</p>
<p>4. Codesign with employees.</p> <p>Involve employees in the design and implementation, listen and learn from them. They are the customers of hybrid work.</p>	<p>How do we get input on employee needs?</p> <p>How can we listen and involve them?</p> <p>Who are the personas and what are their journeys?</p>
<p>5. Consider the entire EX.</p> <p>Hybrid work is about the work itself, teaming, productive workplace design, DEI, people processes, learning, leadership, and culture.</p>	<p>What do we want the new reality to look like?</p> <p>What work processes, programs, policies, and tools do we need?</p> <p>How do we create the EX for productivity, performance, engagement, and wellbeing</p>
<p>6. Iterate and continuously improve.</p> <p>Experiment, iterate, learn what works and what needs to improve, then measure and expand.</p>	<p>Where can we try on a smaller scale?</p> <p>How will we get input?</p> <p>Where can we expand?</p>

Source: *The Josh Bersin Company, 2021*

Rather than mandate “days in the office,” we urge companies to build a set of tools and guidelines for hybrid work. New research²¹ from the Four-Day Work Institute²² is also discovering that people who work fewer hours are often more productive. As a result, we all must respect that “work at home,” once considered an opportunity to goof off, may be one of the most productive ways people want to work. (Listen to my podcast “How Productivity Creates Purpose”²³ for more details.)

And there’s more. SAP lets workers share jobs (you work Monday and Tuesday, I work Wednesday through Friday); MetLife and Seagate encourage gig work inside the company; Intuit provides on-demand internal coaching.

Finally, make sure your frontline workers are included. Retail salespeople, teachers, baristas, nurses, pharmacists, drivers, manufacturing workers, also need autonomy and flexibility

21 “4-Day Workweek Brings No Loss of Productivity, Companies in Experiment Say,” Jenny Gross/*The New York Times*, September 22, 2022.

22 “The pilot results are here!” 4Dayweek.com.

23 “How Productivity Creates Purpose, And The Four Day Work Week” (Podcast), Josh Bersin/joshbersin.com, December 11, 2022.

in their lives. Learn more about this topic in *The Big Reset Playbook: Deskless Workers*.²⁴



Organizations will move beyond employee experience and focus on “people sustainability.”

Throughout the last decade HR departments have been piling on wellbeing programs, coaching, education, and services. The Global Wellness Institute estimates that the corporate wellbeing market is over \$51 billion²⁵ and is expected to grow at double-digit rates. And this trend has created new industries in online coaching, on-demand counseling, fitness and exercise apps, and AI-enabled training, education, and financial support.

Additionally, companies must address financial wellbeing. While we know what mental and physical wellbeing ailments look like, we don’t see the invisible problem of people worrying about their mortgage or rent payments, scratching to find money for bus and transportation, and poor diet or education from low wages.

Also, a new breed of social sustainability issues have emerged, including such topics as contractor health and safety, nondiscrimination (often veiled as DEI), child protection, right of collective bargaining, freedom from sexual harassment, and the rights of employees to rest and have leave for their personal needs.

People Sustainability: A New Concept

All these topics, each of which fall into traditional areas like DEI, benefits, health and safety, or employee experience, cluster together around the concept of “people sustainability.” To put it simply, as Benjamin Gatland of Heineken points out: How do we remove human capital risks at all levels, effectively unleashing employee human energy, innovation, service, and growth?

At Heineken, the human rights policy (see Figure 5) is owned by a senior leader who reports to the CHRO, and programmatic solutions like DEI, safety, pay equity, and career growth reside in the talent function. Whether you build a separate organization (European companies are being asked to do this because of EU regulations) or use this to get alignment, this idea is picking up speed.

There is a never-ending stream of good ideas to promote fairness, equity, belonging, and wellbeing at work, but we need to think about all these programs as long-term investments and wrap them all up together into “long-term sustainability.”

Figure 5: Heineken’s Human Rights Policy



Source: Heineken, 2022

24 *The Big Reset Playbook: Deskless Workers*, Josh Bersin, Kathi Enderes, PhD, and Nehal Nangia/The Josh Bersin Company, 2021.

25 [2021 Global Wellness Economy: Looking Beyond COVID](#), Global Wellness Institute, 2021.

Given the myriad labor and talent risks companies have today, this is a definitive trend we will see in 2023.

What will really change? We will move beyond “people as a source of innovation and growth” to think about people and workers as a core asset and infrastructure in our company. Companies like Heineken, Cisco, and Liberty Mutual now look at people sustainability as a strategy for investment, social responsibility, growth, and risk reduction.



Every company will need to revisit its leadership model.

Much of what we preached about leadership ten years ago has changed. As our book *Irresistible*²⁶ discusses, the more successful companies now operate in teams, not hierarchies. They focus on work, not jobs. And, these companies operate in a flatter, always-on work experience that can happen anywhere. The nursing manager, who leads 40+ nurses in a hospital, is more like the management model in many companies. Leaders don’t “manage” or “direct” people very much anymore: they empower, train, support, align, and often evaluate and move people around.

The Josh Bersin Company is in the middle of a substantial look at leadership models, and the early results are inspiring. While CEOs are focused on productivity (performance management is a hot topic again), leadership models are focused on care, inspiration, empathy, and flexibility. We think many companies learned a big lesson from the pandemic:

If you take care of your people, they will take care of you.

In 2023, we will need to learn to balance the new world of empathetic, flexible leadership with the need for ever-increasing levels of productivity. During the last economic cycle we found out that companies cannot just “hire to

²⁶ *Irresistible: The Seven Secrets of the World’s Most Enduring, Employee-Focused Organization*, Josh Bersin/Ideapress, 2022.

grow” and expect productivity to increase. Many firms (tech companies in particular) grew so fast they lost productivity in the process. Now is the time for leaders to be more deliberate, careful, and strategic in their hiring.

Listening Is Key

Another key to leadership in 2023 is listening (also called “feedback.”) In a world where hybrid work practices are not clear, we must let employees tell us what they believe will improve productivity. Every new idea for job redesign, team performance, or new work processes is most likely to come from a passionate, well-intended employee. (Boeing, in response to the 737 crisis, has revitalized its listening strategy from top to bottom, encouraging all leaders to listen, talk about the tough topics, and respond.)

Leadership is also inseparably linked with culture. Leaders set the tone for behaviors, priorities, and values. Therefore, we must build a leadership framework that embraces and reinforces our culture. After studying culture for two years, we know there are many elements to consider. See Figure 6 on the next page to see all the elements and dimensions of our Culture Framework.²⁷

Widely admired companies like Deutsche Telekom and IBM are now focusing their employee experience beyond “moments that matter” and focusing on creating a *culture of trust*—one of the most high-value priorities in our Employee Experience research.²⁸



New models of performance management will take hold.

Given that the economy is slowing, performance management is a hot topic for companies again. Not only do companies want to improve productivity but also they’re discussing layoffs and workforce reductions when their revenues

²⁷ *The Big Reset Playbook: Organizational Culture and Performance*, Josh Bersin, Kathi Enderes, PhD, Stella Ioannidou, Janet Mertens, and Nehal Nangia/The Josh Bersin Company, 2022.

²⁸ *The Definitive Guide: Employee Experience*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2021.

Figure 6: The Culture Framework



Source: *The Josh Bersin Company, 2022*

slow. How do you make these decisions in context with the performance process?

During the pandemic, most company leaders told us they relaxed (or stopped) the annual appraisal, primarily to save time and give people more flexibility to adapt. Now we find many companies embracing OKRs (objectives and key results), more formal check-in processes, and new tools that let team leaders manage performance “in the flow of work.”

At Intuit, performance management is a core business process that supports the company’s mission and vision. “At the core of Intuit’s performance management philosophy is our mission to deliver great products and services to our customers. We know that will fuel success for the organization,” said Humera Shahid, Vice President of Talent Development at Intuit. The company uses OKRs, and the performance management process has been key to accomplishing the new vision to operate as a platform company, with assorted brands under a single unifying platform. Goal-setting from the very top became the vehicle to create alignment.²⁹

Every major HR tech company is reinvesting in this category. SAP SuccessFactors, which pioneered cascading goal software in the early 1990s, has introduced a team-management, OKR-based

system that lets companies manage performance among matrix teams, hierarchical teams, and individual contributors. Microsoft Viva Goals (an acquisition) is bringing OKR-based goal management right into the Microsoft Teams workspace. And vendors like 15Five, Lattice, CultureAmp, BetterWorks, WorkTango, and others are growing again. Workday is also working on a new team-based, goal-management system. And employee feedback systems like Perceptyx, Glint (part of Microsoft), and others also added performance management features.

Performance management approaches must support current management models, and with today’s focus on productivity, individuality, and trust, a new generation of philosophies (and supporting tools) have emerged (see Figure 7 on the next page).

And something more profound is starting to happen. If you implement a talent marketplace like Gloat, Fuel50, Workday, or Eightfold AI, you will start to facilitate agile work, job-sharing, internal mobility, and gig work in a new platform. Where do the goals, feedback, and project reviews from this kind of activity reside? Vendors like Fuel 50, which is primarily a career management and talent marketplace platform, have added performance management. As a result, this whole HR tech functionality area may move from place to place.

²⁹ *Managing Performance in the New Reality: Goals Matter More Than Ever*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company 2021

Figure 7: The Evolution of Management Models

The Industrial Corporation	Hierarchical Leadership	Collaborative Management	Company as a Network	Empathy, Trust, Resilience, Growth
Operational Efficiency	Profit, Growth, Financial Engineering	Customer Service, Employees as Leaders	Mission, Purpose, Sustainability	Citizenship, Trust, Growth, Learning
Industrial Age People as Workers	Management by Objective	Servant Leadership Work Together	Empower the Team	Productivity, Wellness, Responsibility
Andrew Carnegie Henry Ford	Jack Welch Peter Drucker	Howard Schulz Steve Jobs	Netflix, Google, Facebook, Amazon	Unilever, Verizon, Patagonia, Whole Foods
The Corporation is King	The Executives are King	The People are King(s)	The Teams and Team Leaders are Kings	The Individual, Community, and Family
<1950s	1960s-80s	1990s	Today	Postpandemic

Source: The Josh Bersin Company, 2021

As we’ve talked about in our research for years, there is no “best model” for implementing performance management. Our research shows that high-performing companies hold people accountable, but they focus on “performance enablement” not just “year-end reviews.” And they build a process and system that is continuous, not just episodic.

In 2023 it’s time to revisit this process and make sure that growth, efficiency, and user-centered design are included. Call us if you need any help, we’ve done hundreds of case studies and will be revisiting our performance management research this year.



Organizations will seriously revisit their pay and rewards strategies.

The year 2022 has been the most disruptive period in pay practices we’ve seen in a very long time. Driven by inflation, every company has been raising pay, changing pay models, and benchmarking pay at a fevered pitch. There are now many sources of data for pay by job, and regulations in California, Colorado, New York, and other places now mandate that pay be published in job postings.

In 2023, this frenzy will continue. Our new research on pay equity shows that more than a quarter of all companies are now working on pay equity solutions, and that’s a good thing. Our Pay Equity research³⁰ finds that workers are *six times more impacted by pay equity than they are by level of pay*. In other words, if you want to properly allocate budgets, fix the disparities in pay before you give everyone a raise. Many new vendors (Trusaic, Syndio, Payscale, Salary.com) can help here.

This is not a one-time intervention. In 2023 it’s important to revisit pay practices in a systemic way, as our research describes. Every time a new person is hired, promoted, or moved, your pay system may need adjustment.

Our research shows that your ability to demonstrate fair and equitable pay and rewards practices is now a requirement to attract and retain hard-to-find talent.³¹ Salesforce, for example, spends between \$2.5 and \$4.5 million to remediate pay equity issues. Costs have stayed consistent even though the employee population has almost tripled, indicating that the company is getting much better at not only fixing issues retroactively but also proactively avoiding them. And the process has built trust with their employees. In the beginning, the company sent separate pay statements with the pay equity adjustments. Recently, people would just get the increase sent directly into their bank accounts, and nobody questioned it—because now people trust the company to do right by them.³²

30 Pay Equity research, The Josh Bersin Company, 2023.

31 Ibid.

32 *Demystifying Pay Equity: What Works*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2022.

While there is no single solution for pay, our newest Definitive Guide³³ shows four levels of maturity when it comes to pay. At first companies focus on “basic transactional pay”; next, as the business matures, companies focus on “total rewards”; then, they move on to “performance-based pay”; and finally, they look at pay as an organizationwide strategy and practice what we call “systemic pay and rewards.”

While it's tempting to develop a highly differentiated pay-for-performance model, our research shows this only works in some roles and some companies. Remember: every individual is part of the overall corporate “system,” so beware of pay models that overfocus on the individual as the driver of performance. The HBS report *Goals Gone Wild*³⁴ lists many examples of companies who “overfocused” on individual goals and rewards, only to suffer as a result.

Importantly, “total rewards” keeps growing every year. In 2022, U.S. employers paid about 32.5% of their total payroll in “noncash benefits.”³⁵ This includes insurance, leave, educational benefits, and hundreds of other rewards. This percentage has increased by 30% over the last ten years. This trend points out how you, as an employer, are playing an ever-increasing role in your employees' lives (at least in the U.S.).

As you discuss your pay strategies, we would like to remind you to read *Irresistible*³⁶ and think about the fact that human capital (people) is an investment, not an expense. People are the only appreciating asset you have on your balance sheet: if the reward system helps them stay focused and productive, the payoff is always massive.

As our research points out, it's extremely important to communicate your pay strategy clearly and honestly. Today, as employees worry about inflation, they want to know your policies and strategies to adapt. If you keep them in the dark, they simply talk with each other, think about leaving, or possibly discuss pay with a union representative. Note, that in 2022, Amazon, Starbucks, Apple, *The New York Times*, and many other highly esteemed companies suffered union actions, which were largely driven by pay issues.

33 Pay Equity and Rewards research, The Josh Bersin Company, 2023.

34 *Goals Gone Wild: The Systemic Side Effects of Over-Prescribing Goal Setting*, Lisa D. Ordóñez, Maurice E. Schweitzer, Adam, D. Galinsky, and Max H. Bazerman/Harvard Business School, 2009.

35 [Table 2. Civilian workers by occupational and industry group](#), Economic News Release/ U.S. Bureau of Labor Statistics, September 2022.

36 *Irresistible: The Seven Secrets of the World's Most Enduring, Employee-Focused Organization*, Josh Bersin/Ideapress, 2022.



CEOs and CHROs will increase their focus on wellbeing.

While workforce wellbeing programs have exploded, we've now learned something new: “Productivity creates wellbeing,” not the other way around. So rather than push people to work more and lavish them with benefits, it's time to simply make work easier.

Consider the current state of the workforce. Mercer research shows that 81% or more of the workforce is burned out.³⁷ Amazon, Apple, and Starbucks face unions, and workers have more agency and power than ever. One of the world's biggest investment banks, which prides itself on a turnover rate below 10%, told us their early career turnover is almost 26% this year. They, like others, are now bending over backward to improve flexible work conditions, increase pay, and offer more career growth.

The focus on wellbeing has entirely changed. Once considered a “benefit” to be offered along with vacation and insurance, it's now a strategy for corporate growth. Our Healthy Organization³⁸ research, coupled with our new studies of human-centered leadership,³⁹ show that CEOs, CFOs, and CHROs have developed a new level of respect for the issue.⁴⁰ They understand that today, when economics and technology change faster than ever, skilled and highly engaged employees are the most important “supply chain” asset they have.

CEOs are actively involved. Howard Schulz, the chairman of Starbucks, recently mentioned that his company's biggest challenge is “the mental health of his employees.” After studying the problem, along with the union trends in the company, they realized they had essentially “broken the trust” with their workers. After years of providing above-market benefits and pay, the employee experience had declined.

37 *Global Talent Trends 2022*, Mercer 2022.

38 Healthy Organization research, The Josh Bersin Company, 2022.

39 [The Big Reset research](#), joshbersin.com

40 *The Definitive Guide: Employee Experience*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2021.

Today Starbucks' Glassdoor ratings are 3.8, putting them slightly above average, but only 61% of employees approve of the CEO. The company is working hard to reengineer store offerings, store systems, metrics, and performance management to get back to its core focus on associates. Many of our clients, including Microsoft, Walmart, IBM, Astra Zeneca, Deutsch Telekom, and other "irresistible" companies have done the same. Even Morgan Stanley, one of the most competitive investment banks in the world, has a chief medical officer who reports to the CEO.

This is not a simple problem to solve. We just looked at the employee burnout feedback from one of the largest telecommunications providers, and 68% of employees felt they had "too much to do" and "managers were getting in their way of doing work" with too many meetings, interruptions, or other projects. Ultimately employee burnout is a management problem, not a personal issue for each worker.

In *Irresistible*, the need for "slack time" is discussed. Human beings, unlike machines, need time to rest, reflect, learn, and grow. When people are overworked, their performance suffers. Here are two recent examples.

First, the studies done by the [4 Day Week Global team](#) show clearly that companies who embrace a 32-hour week (at the same pay as the previous 40-hour week) had a 94% reduction in burnout and most found that the amount of work produced was equal or higher.⁴¹ This is an astounding finding. We think we're finally figuring out that the old industrial model of "9 to 5 pm, five days a week" just no longer applies. The old work hours we set were designed for manufacturing or production jobs: today more than 85% of U.S. economic activity comes from "service workers:" people create, build, design, or serve others.⁴²

Second, output does go down as people work too many hours. Manufacturers in Germany found that total work output peaked at about 50 hours per week, and that once workers worked more than 50 to 55 hours, the total work output decreased. Mercadona and Costco, two very profitable retailers, found that when teams "overstaff" the stores (i.e., bring in more staff to reduce workload per worker) total profit

increased. Not only were workers happier but also they had more time to take care of product stocking, cleanliness, and customer service.

In 2023 it's clear that the wellbeing issue is not only a problem of benefits or insurance programs; instead, it's a design issue. When we design the company for productivity, employee wellbeing will flourish—which takes us to the next prediction: productivity.



Productivity will become an essential measure of employee success.

As economists say, there are only two ways to grow a company (or a country): you can *hire more people* (grow your population) or you can make each person *more productive*. Over the last 14-year cycle, we focused more on the first way and mostly ignored the second. U.S. productivity growth has been disappointing, and most companies overhired and reduced profit per hour of labor in favor of top line growth.

This all made sense when the stock market was rewarding revenue growth, but now it makes no sense at all. A company that wants to survive this cycle, where workers are hard to find and the stock market is looking for cash flow, has no choice but to focus on productivity. And this is a big new challenge to face.

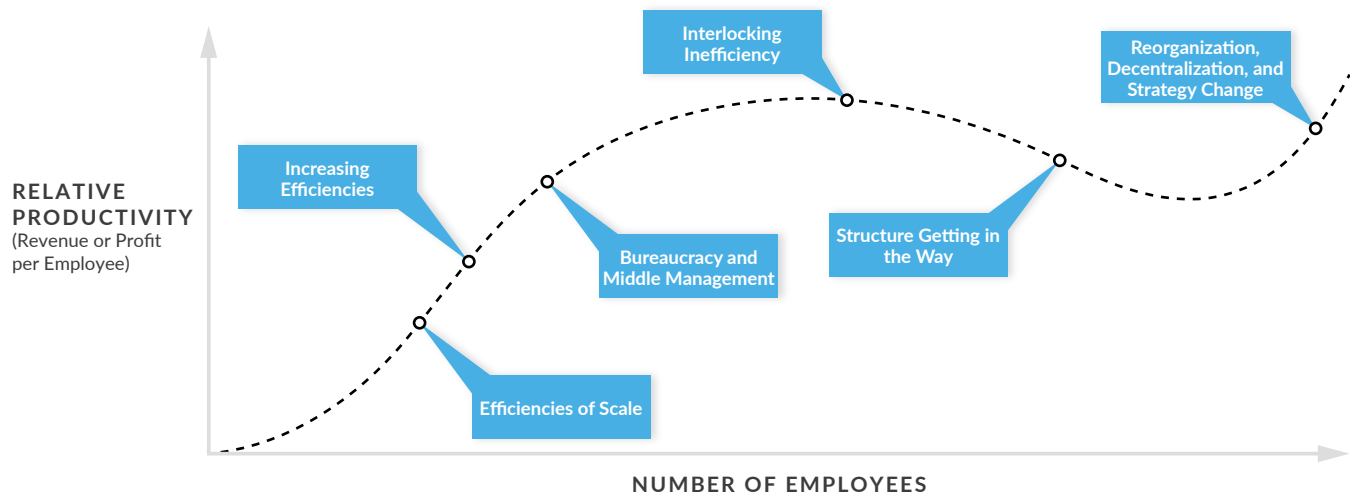
Let us suggest an important idea: every incremental hire, under the best of conditions, should increase the productivity of the entire team. I know this is a bold concept, but if you're just hiring to grow and each incremental hire is reducing productivity, would your investors be happy? They may want that capital invested elsewhere. See Figure 8 on the next page.

This curve in Figure 8 explains the layoffs at Twitter, Meta, and other tech firms. They overhired and had no concept of steadily increasing productivity. At this point in the economic cycle, we must work to prevent this, which gets us to the

⁴¹ "4-Day Workweek Brings No Loss of Productivity, Companies in Experiment Say," Jenny Gross, *The New York Times*, September 22, 2022.

⁴² "What is the Service Center?" CFI, December 11, 2022

Figure 8: The Incremental Productivity of Growth



Source: The Josh Bersin Company, 2022

issue of design: job design, team design, and skills design. If you hire someone with complementary skills to the team, will they be shared? Will the hire effectively make the whole team better? Or will they get in the way? We, as HR professionals, must watch for this. Don't just "fill the slots" created by hiring managers: look at the organization and make sure you're redesigning jobs to make work easier. We explain how in our Definitive Guide to organization design.⁴³

Also, think about the entire employee experience at work: every new product, process, or policy you create should improve productivity, not reduce it. Starbucks, for example, decided not to produce their signature eggnog lattes in the last few years because they junked up the blenders. The result of that decision is a new mandate to redesign the blenders at Starbucks. That's an example of redesign that should be led by the business in partnership with the organization design team.

We just completed an entire study of agile organization design and a member-only SuperClass on this topic.⁴⁴ It's not black magic, but it's a particularly important topic. In 2023, we recommend you take it seriously. Otherwise, you may see a blanket layoff to clean up the mess.

Another critical point: *productivity creates employee engagement!* When people feel productive, they love their jobs. When they feel they are wasting their time, they check out, quietly quit, or depart. Every HR organization should create an org design center of excellence and let this team go out and implement projects around productivity (see Figure 9 on the next page).

Our GWI Project research around healthcare shows that every employee in your company should be operating at "top of their license." This idea, which is widely used in clinical roles, essentially says that people should be doing the jobs that best leverage their credentialed and valued skills, not wasting time on bureaucracy. This problem of "cleaning out the kitchen drawer" and finding ways to automate, eliminate, or redesign nonessential tasks will be vital in the year ahead. Read our GWI industry study⁴⁵ on the healthcare industry for notable examples and solutions.

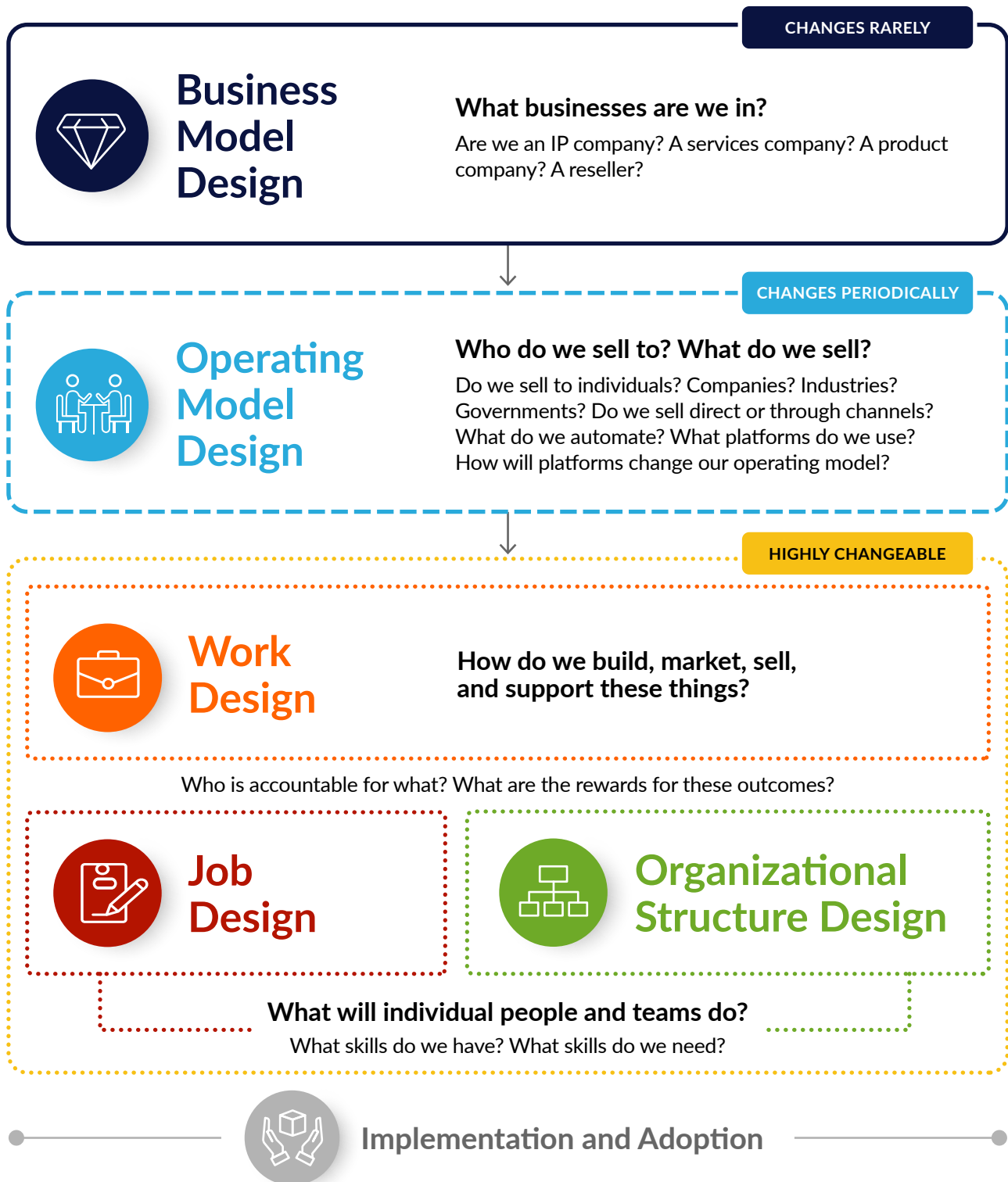
We also encourage you to watch out for some exciting tools to help with productivity. Microsoft Viva Insights and Glint can give individuals and managers direct feedback on meeting protocols, calendar management, and other time-wasters in a

43 *The Definitive Guide to Organization Design: The Journey to Agile*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2022

44 *Ibid.*

45 *Healthcare at a Crossroads: Filling the Urgent Talent Gap in Clinical Care*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2022.

Figure 9: The Organizational Design Process



Source: The Josh Bersin Company, 2022

simple actionable way. New solutions like Balloon (a fantastic new meeting management and collaboration solution) and many new collaborative learning solutions let employees participate in meetings and learn in the flow of work. We will be publishing much more information on this entire market during 2023.



Growth in the flow of work will become a new focus for corporate learning.

In our recent and biggest study of corporate learning, we made a big discovery. While organizations have been leaning heavily on content libraries, program design, tools, and systems to enable learning in the flow of work, many lost sight of the real goal of learning and development (L&D). Of all the practices that drive value in corporate training, “creating extensive career growth options” (see Figure 10 on the next page) scores the highest.⁴⁶

The impact of this new orientation is massive. When companies go beyond development and facilitate growth in

the flow of work, they are much more likely to build skills for the future. Our study finds companies that focus on growth are *29 times more likely to let employees “unleash their potential,” 4 times more likely to be innovation leaders, and 7.2 times more likely to be best places to work.*

Growth-oriented L&D teams take on several new innovations:

- Talent marketplaces where people can build skills through projects, gigs, mentoring, relationship-building, networking, community events, and more (companies like HSBC, Nestle, Mastercard, Unilever, Novartis, and Schneider Electric have all been using them with great success to build digital skills and other future-forward areas.⁴⁷
- Capability academies to focus on comprehensive strategic business capabilities (e.g., CEMEX or Bank of America⁴⁸ This approach brings together business leaders with L&D teams to create an entire “academy” focus to capabilities, skills, and growth.
- Career pathways with tuition-free education to build capacity in particularly constrained roles (like Providence Health for clinical people, Amazon to reskill their warehouse workers to higher-paying jobs, or Walmart for tech roles and pharmacists)⁴⁹

When companies go beyond development and facilitate growth in the flow of work, they are much more likely to build skills for the future.

⁴⁶ *The Definitive Guide to Corporate Learning: Growth in the Flow of Work*, Josh Bersin and Nehal Nangia/The Josh Bersin Company, 2022.

⁴⁷ Talent Marketplace Collection, jbc.joshbersin.com.

⁴⁸ *Capability Academies: A New Approach for Critical Skills Development*, Josh Bersin and Nehal Nangia/The Josh Bersin Company, 2022.

⁴⁹ *Career Pathways: Building Tomorrow's Workforce Today*, Josh Bersin and Nehal Nangia/The Josh Bersin Company, 2022.

Figure 10: The 15 Essential L&D Practices

Practice	Element	Relative Impact
① Create extensive career growth options	 Career Management	
② Develop leaders as part of the company's brand	 Leadership Development	
③ Foster a culture of continuous learning	 Learning in the Flow of Work	
④ Create career pathways to move employees into high-priority areas	 Career Management	
⑤ Cultivate coaching skills as a key leadership capability	 Coaching and Mentoring	
⑥ Facilitate cross-divisional and cross-functional career growth	 Career Management	
⑦ Experiment with new learning tech and approaches	 Learning and Development Capabilities	
⑧ Build a strategy for learning in the flow of work	 Learning and Development Capabilities	
⑨ Refresh the company's learning and development (L&D) infrastructure with new tools and tech	 Learning and Development Technologies	
⑩ Offer career coaching to employees regularly	 Career Management	
⑪ Curate and monitor content to make sure learning is relevant	 Learning in the Flow of Work	
⑫ Train and incent managers to work as coaches to others	 Coaching and Mentoring	
⑬ Enable access to learning as needed in the flow of work	 Learning in the Flow of Work	
⑭ Develop leaders at all levels	 Leadership Development	
⑮ Provide self-service tools to navigate career opportunities	 Career Management	

Source: The Josh Bersin Company, 2022

These novel solutions are no longer point solutions to address a specific knowledge or skills gap, they are strategically embedded in the broader business and talent strategy of the organization and become part of the systemic HR operating model.



The role of the recruiter will become increasingly important.

In 2022, we completed a substantial look at talent acquisition, and our maturity model points out something particularly important (see Figure 11). While technology and tools are important, the real key to high-performance recruiting is the strength, skills, and relationships of your recruiters.

Why is this? It's simple: recruiters in the most successful companies act more like talent advisers. They advise hiring managers on

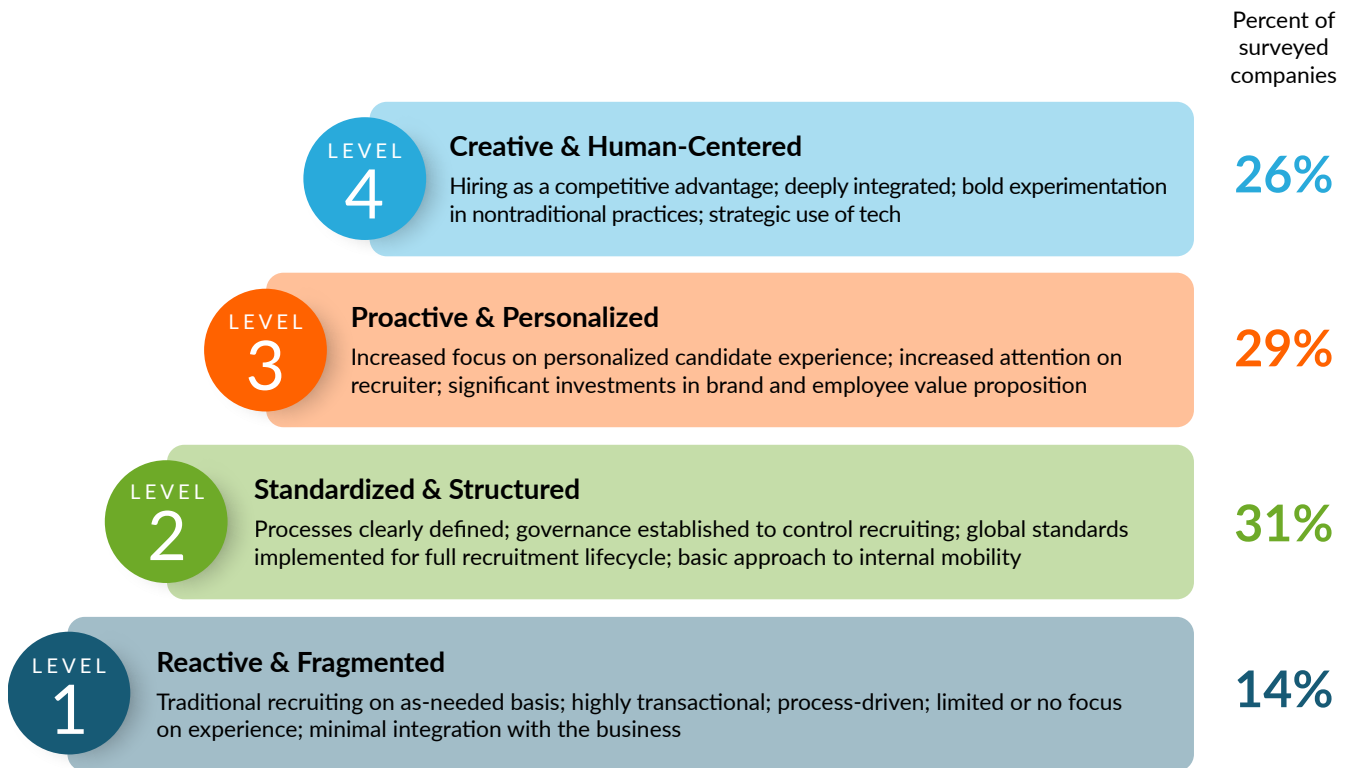
the role, they seek out internal candidates, and they have a deep understanding of the skills and culture fit of candidates.

Here is an example: we helped a pharma company merge two talent acquisition functions during an acquisition (see Figure 12 on the next page).

As you can see, these companies each see the problem differently. In this case Company A was acquiring Company B, primarily for their science, expertise, and drug pipeline. You can see why they had a stronger research team. As the engagement proceeded, Company A decided to maintain and grow Company B's recruiting team. They realized they had lost focus on quality and had to learn from their acquired partner.

Of course, there are many other important parts to recruitment: first is having a fantastic employment brand (which is a leadership issue, not an HR program); second is investing in an excellent candidate experience (this is not easy, some of the world's best companies struggle to get back to candidates); third is focusing on internal mobility and internal hiring; and fourth is investing in recruiters.

Figure 11: Talent Acquisition Maturity Model



Source: The Josh Bersin Company, 2022

Figure 12: Sample of Two Companies' Approach to Recruiting

	Company A	Company B
Strategy	High-Volume Pharma Company	R&D-Focused Science Pharma Company
Talent Acquisition Focus	High volume, excellent candidate experience, low cost to hire, high levels of consistency in process	Medium volume, personalized candidate experience, average cost to hire, high focus on quality of hire
Levels of TA Automation	Very high and very expensive	Average set of tools
Recruiting Team	Mid to low level, much outsourced, low cost, operated in a global pool	Very hands-on, highly aligned to business counterparts, consultative
Company Result	High turnover, low cost to hire	Excellent retention, higher cost, and time to hire

Source: The Josh Bersin Company, 2022

What we're suggesting for 2023 is: *your recruiters are more important than you think*. They are not salespeople looking for candidates. Instead, they must consult with hiring managers, help decide if a candidate fits the culture, and be armed with powerful tools for sourcing, assessment, and selling "the deal." Additionally, we suggest recruiters take on other roles to really see how their job fits into other areas of the business.

Some of the most passionate and highly skilled HR professionals work as recruiters; make sure you're using them effectively. One of our clients told us years ago the following story:

"When we correlated all the factors of our best hires—education, experience, college degree, pay, location—the most important predictor of high performance was *the recruiter*." In other words, recruiters are like gold, take good care of them.

This year we are embarking on a "systemic recruiting" study and would be happy to benchmark your talent acquisition function. We have a team of experts in this domain now, so members can get access to all our tools and new Josh Bersin Academy programs on human-centered recruiting.



People analytics will evolve into talent intelligence.

One of the most interesting parts of HR is the steady growing domain of people analytics. Here's some history on this ever-expanding space:

- In the 1980s and 1990s, "people analytics" focused on understanding pay, rewards, the annual engagement survey, and some studies of retention and engagement.
- In the 2000s, we added dimensions like culture assessment (looking at belonging, trust, and other psychological factors), organizational network analysis (who is talking with whom), and dove into data on the impact of DEI, tenure, and correlated data to business performance.
- In the 2010s, people analytics moved from an "industrial organizational psychology team" to a "business analytics

team” and started to look at all sorts of other data (location, skills, organizational hierarchy). At this time, most big companies developed centralized people analytics teams, acquired advanced survey and listening systems, and started to build an ongoing “listening strategy” for the company.

- Next, companies implemented global listening platforms, which include integrated analytics. These vendors, Perceptyx, Medallia, Qualtrics, Peakon, Glint (Microsoft), and others built end-to-end platforms that allowed companies to implement a wide range of feedback programs. (annual, pulse, 360, crowdsourcing, and now passive.)
- Since 2020, “passive analytics” (getting feedback from calendars, messages, and organizational network analysis) has matured. Vendors like Cultivate (Perceptyx), Yva.ai (Visier), Microsoft Viva Insights, and Motive (BetterUp) now offer these tools, giving us even better insights into employee sentiment, activity, and productivity.

- Today, we need people analytics to look at wellbeing, burnout, the impact of remote work, and data about who is coming into the office, where and how people are working together, as well as analysis of recruiting pipelines, retention, early career engagement, and skills.

As this history shows, the agenda for people analytics teams keeps growing. This is a good thing, but we must focus on a new problem. Now that the economy is slowing, how can we use data to better help the company grow?

We must consider the data problem behind what we call the “Four Rs of Talent Intelligence”⁵⁰ (see Figure 13). Can you predict how many people you can hire, reskill, grow through retention, and enhance through redesign? We would suggest this is the next big thing—and we call this effort “talent intelligence.”

In 2023, the people analytics teams should work with the sourcing intelligence and workforce planning teams to be

Figure 13: The Four Rs of Talent Intelligence



Source: The Josh Bersin Company, 2022

50 Talent Intelligence: A Primer, Josh Bersin/The Josh Bersin Company, 2022.

even more relevant than ever. Doing analysis of burnout and turnover will continue, but the big ROI will come from a strong look at strategic skills gaps, sourcing strategies, strategic retention, reskilling, redeployment of people, and how we address job redesign. In other words, forward-thinking companies will expand their people analytics teams and add labor economics, workforce planning, sourcing intelligence, and skills intelligence.

Tools for people analytics keep getting better: the HCM vendors have much more integrated platforms today, and open APIs make it relatively easy to consolidate data from recruiting, learning, skills, and survey platforms. We urge you to invest in this area in 2023, because you'll need the strategic thinking to stay ahead of the transforming economic climate, slowing economy, and competitive labor market.

Remember, an often overlooked element of people analytics is getting people insights directly to managers and employees. As we explain in our report on democratizing people analytics, data needs to be simple and visual, open and transparent, action-oriented, and in real time to allow HR business partners, managers, even employees to take action.⁵¹

In the coming year, we'll explore in detail how the people analytics, listening, and workforce planning domain has shifted from an I/O psychology experiment to a business function that powers key insights across all areas of the business (not just HR), and we see the next generation of people analytics to comprise also talent intelligence, skills trends, and workplace insights.

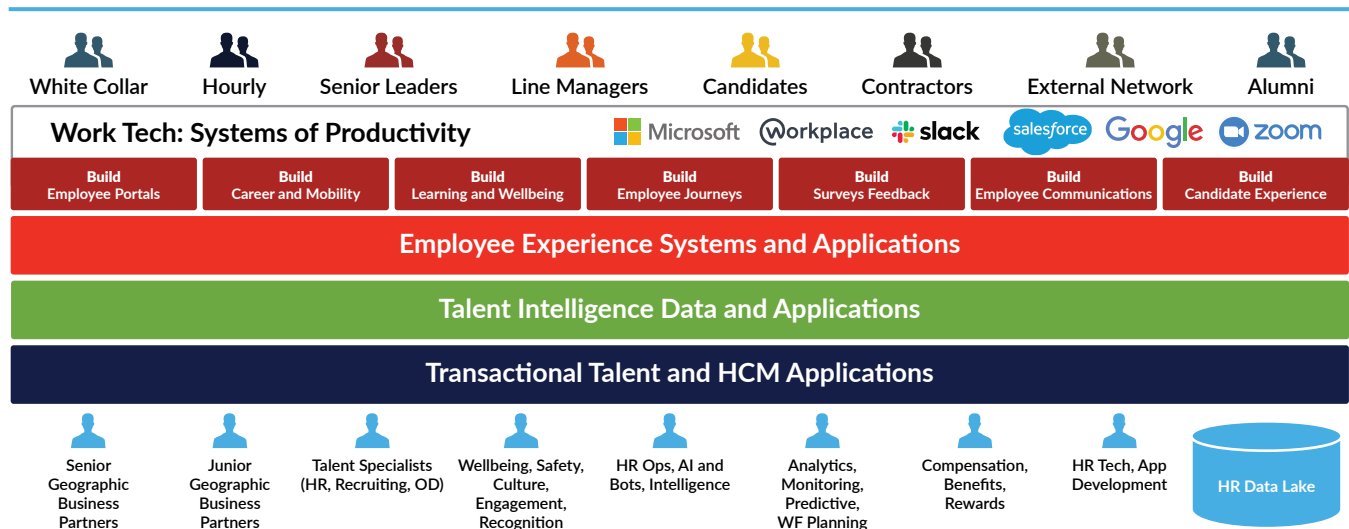


A new HR tech landscape will arrive.

The HR tech market, which continues to grow like mad, is taking on a new form. As many of you have seen, the current market is organized like this (see Figure 14), with various layers of systems.

In 2023, we are going to see something new: an emergence of a new integrated “skills-powered talent platform.” Companies will have multiple “intelligence systems” that create, infer, or

Figure 14: HR Technology—2022 and Beyond



Source: The Josh Bersin Company, 2022

51 Democratizing People Data: Work Works, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2022.

store skills, and we as companies want this to come together into an integrated place (see Figure 15).

While we may want to start with the ERP (enterprise resource planning) system as the core, today the major HCM (human capital management) vendors are well behind—so companies wind up with these four “categories” of skills systems and then decide how to integrate them into a single “employee skills profile.”

Imagine, for example, you’re an oil company and have critical skills needs for exploration, production, distribution, as well as finance, HR, IT, and logistics. You may need a skills profile for oil tanker staff, deep well drilling jobs, refinery jobs, and even construction jobs. Each has a high degree of technical proficiency needed, so the “details” may not be stored in the L&D or HR systems at all. Where do we put all this? The point is not that there are any “perfect” HR systems but rather that this is an “architecture” companies need to consider.

Many production and operations companies (and healthcare and pharma) have rigid competencies that must be validated before someone can take a job or operate equipment. That type of “skill” is likely to be stored in a compliance system or a special “operational competency” system like Kahuna (one of the leading platforms in operational skills management).

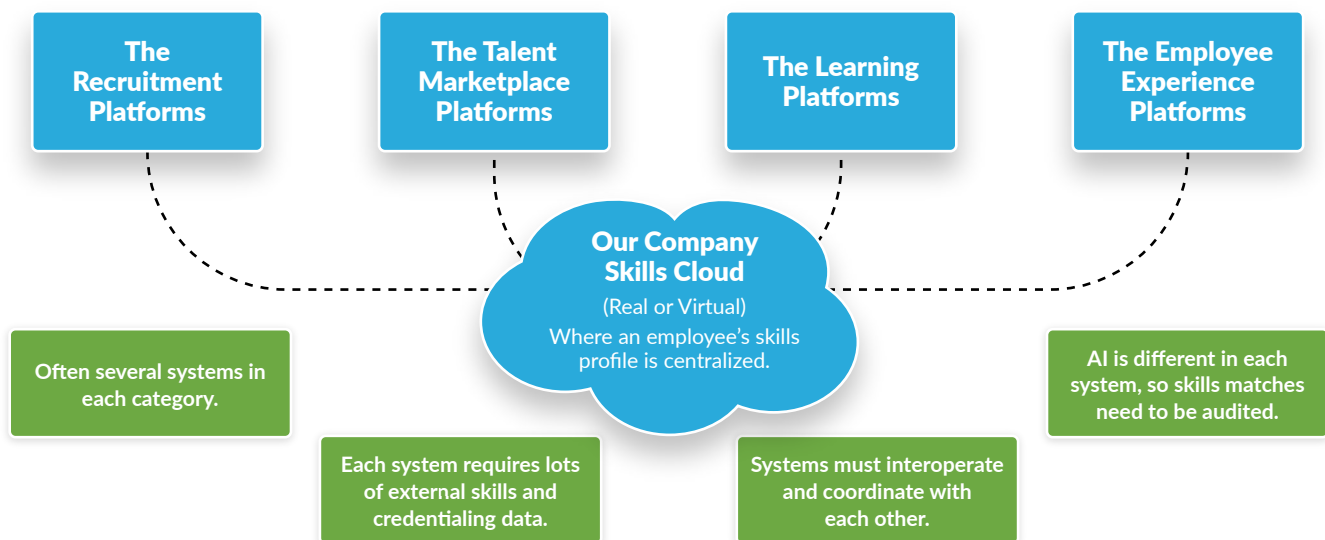
Therefore, we encourage companies to think about this as a family of “skills academies” or “skills communities” where business leaders maintain their taxonomies and we, in HR, collaborate with them to bring new skills into the architecture.

Note the use cases in Figure 15, which are extensive. We’ve already seen clear examples of skills being used for sourcing, selection, assessment, development, career pathways, pay, bonuses, job fit, redeployment, M&A integration, leadership development, mobility, gig work, mentoring, job-sharing, performance management, and development planning.

Vendors, of course, each want to “own” this architecture. As a result, every company—from Oracle to SAP SuccessFactors to Workday, Gloat to Cornerstone, Eightfold AI to Beamery—wants to be the system of record for skills. HR buyers should avoid thinking this way: shop for the four major categories of systems and make sure you select a vendor with an open API strategy, one that has experience bringing lots of third-party data into their systems, and one that considers themselves a “data company” not just a “software company.”

In other areas of HR, we will see an explosion of interest in employee experience tools (Microsoft Viva, ServiceNow, Firststep, Perceptyx, Medallia, Qualtrics, and many others)

Figure 15: Where the Tech Market Is Going



Skills-Enabled Applications: sourcing, selection, assessment, development, career pathways, pay, bonuses, job fit, redeployment, M&A integration, leadership development, mobility, gig work, mentoring, job-sharing, performance management, development planning.

Source: The Josh Bersin Company, 2022

with continued expansion of learning systems (lots of new collaborative, cohort, and virtual learning systems), recruiting (Eightfold AI, Beamery, Phenom, and many others), and many new offerings in pay equity, wellbeing (now a \$60 billion market), DEI, and more. The most important thing we recommend is to build a long-term architecture and make sure every tech decision you make focuses on ease of use and improvement of employee productivity with HR functionality and data capabilities as secondary.

McDonald's, for example, is focusing on simplifying their restaurant hiring with McHire, a chatbot powered by Paradox that makes staffing as fast as fast food ("do you want a job with that meal").⁵² Even large HCM systems need to be employee systems first, then HR and data systems, as our research on using Workday, Oracle, and SAP SuccessFactors shows.⁵³

As always, we have a massive database of vendors and corporate members can tap into our expertise to build an HR tech strategy or roadmap.



HR organizations will move to a new operating model: systemic HR.

The final, and probably most interesting trend is what we call the new operating system for HR. Most companies call this the "operating model," but the substantial change is not simply better service delivery, improved access to data, and more HR business partner skills. It's also a new framework of integrating HR into a total operating system, so information and insights captured in one part of the company can be leveraged and addressed elsewhere.

Let's go back to the Four Rs: recruit, retain, reskill, and redesign. In some sense, every HR program falls into this model:

- Performance management should enable people to develop skills, grow, and learn how to deliver more impact.
- DEI programs create a sense of belonging, so they improve retention, skills, innovation, and productivity.
- Pay practices should incent performance, expertise development, collaboration, retention, and teamwork.
- L&D programs should improve "learning and growth" in the flow of work and create opportunities for capability communities and discussions about mistakes.
- Recruiting should focus on getting the right people into the right jobs, encouraging recruiters to advise hiring managers on the job, not just the candidate.
- Talent acquisition leaders should share information with L&D leaders because they know the most urgent skills needed in the organization.
- Career programs should be part of an integrated talent mobility strategy, which impacts job architecture, work design, leadership development, and capability academies.

In other words, everything we do in HR should be part of an "integrated operating system" (see Figure 16 on the next page).

There are many parts to this new operating model, and we will be explaining them in detail in 2023. A few of the fundamental principles are as follows:

- Every HR "team" should understand what other teams are doing.
- The overall "top priority" talent strategies should be shared and agreed on by everyone.
- Every HR professional should strive to have "full stack" skills.
- HR teams should share their roadmaps with each other regularly.

⁵² *McDonald's Serves up a Menu for Modular Cloud HCM Transformation*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2022.

⁵³ *Best Practices for HCM Excellence: Oracle and SAP SuccessFactors Editions*, Josh Bersin and Kathi Enderes, PhD/The Josh Bersin Company, 2022.

Figure 16: The Interconnectivity of HR Functions



Source: The Josh Bersin Company, 2022

- HR professionals should rotate around HR and into and out of the business.
- HR technology roadmaps should match the HR talent strategies and be shared regularly.
- Local or embedded HR teams should have a voice in all strategic programs.
- An integrated analytics and talent intelligence function should inform all major decisions.

Most of the HR organizations we look at were designed as service-delivery teams. Like the old IT function, we designed HR with centers of excellence (COEs) and service centers designed to take orders and fulfill employee needs quickly.

Today we obviously need design teams to build self-service employee systems and deploy employee experience platforms as well as teams to listen and provide feedback to other HR teams on a regular basis.

We have often said that most talent acquisition teams are like sales functions, and most learning and development teams are like universities. The two often operate at opposite ends of the HR function. But now, it is more important than ever that these two groups work together.

Consider, for example, a recruiter who suddenly gets a bunch of job reqs for engineers or scientists in some new domain she never saw before. Does the L&D function know these hot new skills are suddenly in demand? Could there be people inside the company with skills adjacencies? Or should they build a career program? The point is that this is an "integrated system," not a bunch of COEs trying to reduce the service-delivery costs of HR.

HR is like a human body (that's why we called it "systemic"). When an infection enters the body and an organ is impacted, a set of neurological and chemical systems create a systemic response. White blood cells, antigens, nerves, and organs all react together. And that's exactly how HR should work. That would also mean more communication, more cross-training, and better data.

The pandemic forced HR teams to become singularly focused on infection prevention, wellbeing, and mental health. Think about how many new policies you have built over the last three years by working together. This will help you understand why we believe this is what HR needs to look like.

How do you benchmark your level of maturity toward systemic HR? Just ask yourself, “How quickly do we respond to a critical workforce problem?” And how well do the teams respond together?

Don't worry: in 2023, we will complete this research, and you'll have a roadmap for the future.

Conclusion

The year 2023 is going to be an exciting and challenging year for business and HR leaders. Not only do we need to continue the effort to optimize hybrid work and improve employee experience but also we must get laser-focused on employee productivity and building a more integrated HR function.

Technology vendors will continue to innovate, and we will see AI provide more intelligent, useful systems as a result. Most of you will suffer the paradox of slowing growth with a labor market that's highly competitive, forcing you to consider the Four R model and talent intelligence⁵⁴ solutions.

Your HR team will need even more education, support, and consulting expertise. We encourage you to have your HR professionals go through our Global Capability Assessment

so you can benchmark your capabilities. Building the skills, experience, and relationships within HR will be more important than ever.

You can also be rest assured that the HR function has now become one of the most important disciplines in business. Many CHROs are now taking on the role as chief operating officer, chief productivity officer, and chief culture officer. This is not just because these are desperately needed jobs but also that the fundamentals of business are all about a deep understanding of people. As a result, your expertise, focus, and continuous learning about people and organizations is critical.

Finally, we believe 2023 will be a year of colossal innovation in our domain. As companies get serious about their industry transformations and dealing with the slowing economy, we will see many new ideas about how to reskill and move people into new jobs, careers, teams, or projects as well as redesign jobs and the organization itself. Tools will proliferate, but the promising ideas come from innovative, creative leaders who consult with the business and try new things.

As all these changes take form, we will be here to guide you. Our role as your trusted adviser, research analyst, and educator are clearer than it has ever been. We look forward to working with you as we move into 2023 with energy and confidence.

⁵⁴ *Talent Intelligence: A Primer*, Josh Bersin/The Josh Bersin Company, 2022.

About the Author



Josh Bersin

Josh founded Bersin & Associates in 2001 to provide research and advisory services focused on corporate learning. He expanded the company's coverage to encompass HR, talent management, talent acquisition, and leadership and became a recognized expert in the talent market. Josh sold the company to Deloitte in 2012 and was a partner in Bersin by Deloitte up until 2018.

In 2019, Josh founded the Josh Bersin Academy, a professional development academy that has become the "home for HR." In 2020, he put together a team of analysts and advisors who are now working with him to support and guide HR organizations from around the world under the umbrella of The Josh Bersin Company. He is frequently featured in publications such as *Forbes*, *Harvard Business Review*, *HR Executive*, *The Wall Street Journal*, and *CLO Magazine*. He is a popular blogger and has more than 800,000 followers on LinkedIn.

Collaborators



Kathi Enderes, PhD

Kathi is the senior vice president of research at The Josh Bersin Company, leading and developing research-based insights for all areas of HR, learning, talent, and HR technology. Kathi has more than 20 years' global experience, from management consulting with IBM, PwC, and EY and as a talent leader at McKesson and Kaiser Permanente. Most recently, Kathi led talent and workforce research at Deloitte. She is a frequent keynote speaker, author, and thought leader.

Originally from Austria, Kathi has worked in Vienna, London, and Spain and now lives in San Francisco. Her passion is to make work better and more meaningful. Kathi holds a doctoral degree in mathematics and a master's degree in mathematics from the University of Vienna.



Stella Ioannidou

Stella is the senior manager of research and Global Workforce Intelligence Project leader at The Josh Bersin Company. In this role, she conducts empirical research on a variety of topics related to the skills economy, talent intelligence, and HCM solutions. Stella has almost 20 years of experience across several industries, including banking. Prior to joining The Josh Bersin Company, Stella was the HR transformation leader for Deloitte, where she led large-scale HCM implementations and designed frameworks for talent acquisition and performance management for the public sector. Stella holds master's degrees in engineering, information systems management, business administration, and lifelong learning. Stella lives and works in Greece and is pursuing her PhD in talent intelligence. She is a certified project manager, change management practitioner, lean six sigma green belt, and ICAgile HR professional.



Janet Mertens

Janet is the director of research at The Josh Bersin Company, where she conducts empirical research on a variety of topics related to work and people as well as leading the development of fact-based insights for today's HR executive. With 20 years of HR consulting experience across multiple industries, Janet most recently led the human capital research program at IBM's Institute for Business Value. She has published key studies on employee experience, the enterprise skills gap, and the emerging role of the CHRO. Janet holds degrees in computer science, education, and psychology; her current research areas include talent acquisition, workforce wellbeing, and the application of artificial intelligence in HR.



Nehal Nangia

Nehal is the director of research at The Josh Bersin Company. In this role, Nehal drives empirical research on key workforce-related topics and the development of actionable insights and powerful stories for today's talent executives. Nehal has over 15 years of professional experience in human capital, with a focus on learning and development; performance management; employment value proposition; workforce transformation; and diversity, equity, and inclusion (DEI). She is the research leader for learning and leadership at The Josh Bersin Company.

Prior to joining The Josh Bersin Company, Nehal was a global advisor for clients at Deloitte and published several studies on pertinent topics such as DEI, performance management, and bias. Nehal lives and works in India and has a master's degree in psychology. Nehal has also led deployments of benchmarking and diagnostic products at Gartner for clients across EMEA, APAC, and ANZ.

The Josh Bersin Company Membership

The Josh Bersin Company provides a wide range of research and advisory services to help HR leaders and professionals tackle the ever-evolving challenges and needs of today's workforce. We cover all topics in HR, talent, and L&D. The Josh Bersin Academy—built on our research and powered by Nomadic Learning—helps HR practitioners grow key foundational skills. Our corporate membership program provides HR teams and senior leaders with the skills, strategies, and insights to build cutting-edge HR and people strategies through a combination of research, assessments, professional development, exclusive events, and community. In 2022, The Josh Bersin Company introduced the Global Workforce Intelligence (GWI) Project to guide market-leading businesses and their leaders through the challenges of industry convergence while remaining future-focused.

For more details, contact us at info@bersinpartners.com.