# HCM Outlook 2025

Research Data Highlights

November 2024

Introduction

The challenges faced by human capital management (HCM) today are unique in some ways, but they also echo challenges faced in previous eras of work transformation. Dramatic shifts in how work is done are not new. The globalization brought on by internet connectivity, while accepted today, was completely new not that long ago. Changes in the nature of work have always required new skills and capabilities that weren't needed before.

What is uniquely challenging to this particular era of transformation is the sheer pace of change, making it difficult for organizations to keep up with emerging trends and technologies. The increasing interconnectedness of the global economy has created a competitive landscape for talent, requiring organizations to compete on a global scale. Aging populations, increased diversity, and the rise of the gig economy are reshaping the workforce, requiring organizations to adapt their practices to meet the needs of a changing workforce. The increasing use of advanced technology in HCM raises ethical concerns related to privacy, bias, and the impact of automation on jobs.

While the challenges faced by HCM today are not entirely new, the combination of factors, including rapid technological change, globalization, and demographic shifts, makes them particularly complex and challenging to address. Respondents to the Brandon Hall Group™ HCM Outlook 2025 study have confirmed this and shed even more light on the trends and priorities shaping HCM strategies for 2025.
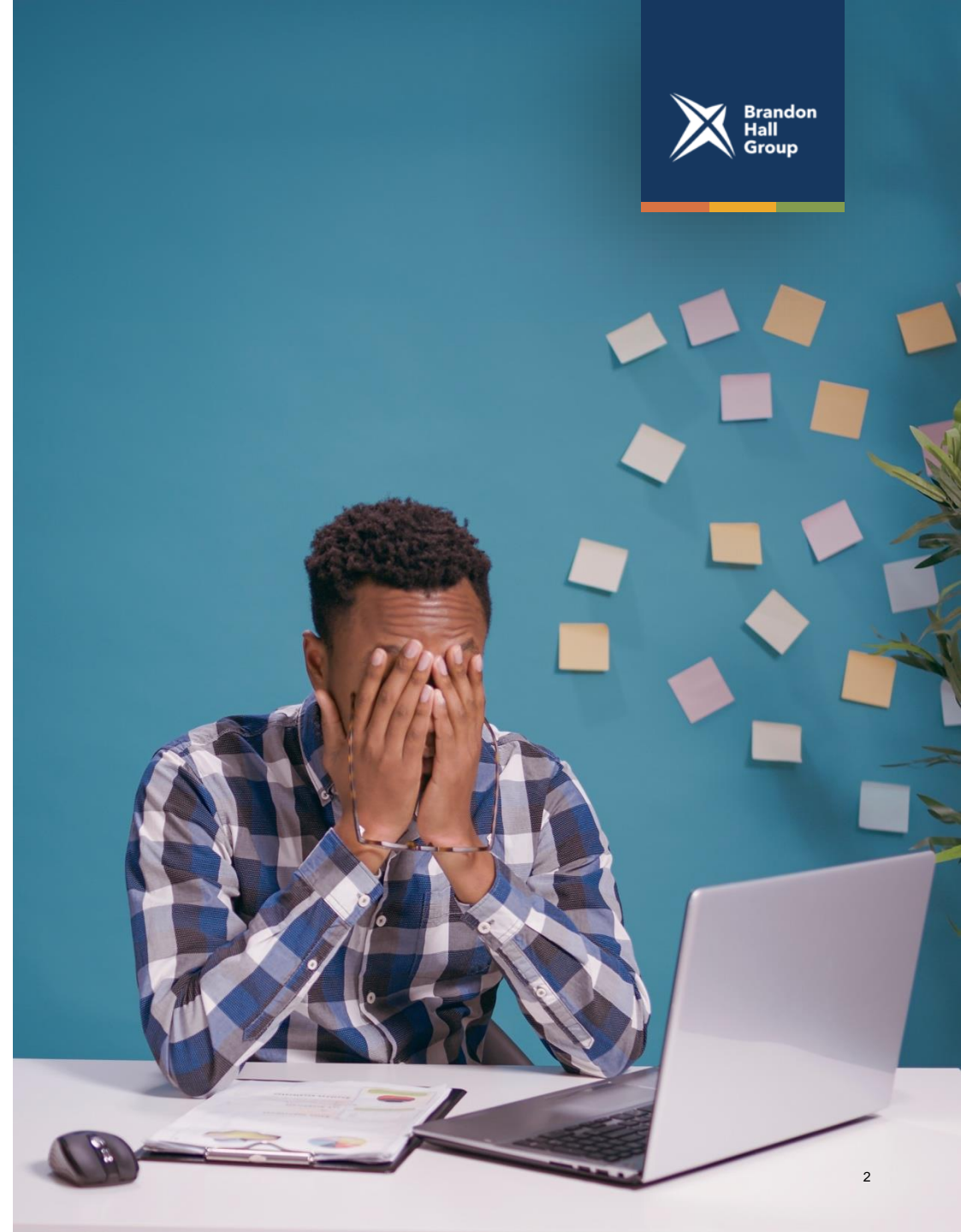
The State of HCM

Challenges Facing HCM Teams

HCM has an alignment problem. All areas of HCM have indicated that improving alignment with business goals is a top priority. This can be a reflection of the relentless pace of change impacting work priorities, but it seems far more likely that HCM teams are struggling to adjust their programs and strategies to be more responsive.

When asked to rank the challenges facing HCM organizations as they looked ahead to 2025, the Brandon Hall Group™ community clearly identified budget constraints and number of priorities as the two biggest challenges to HCM constraints. Budgets were largely flat in 2024 and based on projections, a rebalancing of investments in 2025 could find teams struggling to keep pace. Interestingly, the link between alignment and budget is typically strong. If the goals and priorities of HCM practices are out of sync with operational and strategic priorities, which our data suggests is likely, funding will rightfully be inconsistent.

What HCM practitioners need to keep in mind, regardless of discipline, is that HCM must be a clear means to the end – the end being achievement of business results. Any program for the sake of the program without a clear through line to business results will likely be seen as expendable.

Top Challenges Facing HCM Initiatives in 2025

1 Budget Constraints

2 Number of Priorities

3 Time Constraints

4 Organizational Resistance

5 Outdated Technology

Source: Brandon Hall Group™ study, HCM Outlook 2025

Tech Dominates Spending Plans

The fact that technology investment tops the list of budget focus for 2025 is interesting. This could be as simple as the fact that technology is costly. Could it also be that companies are really trying to address competing priorities and funding shortfalls through technology?

This approach may bring some efficiency gain (maybe a lot depending on the current state of your tech stack) but it cannot make up for strategies and programs that are not achieving business impact.

Planned Investments and Cuts

■ investment ■ cut

	Staff	Technology	Outside Services
investment	37%	73%	11%
cut	34%	9%	62%
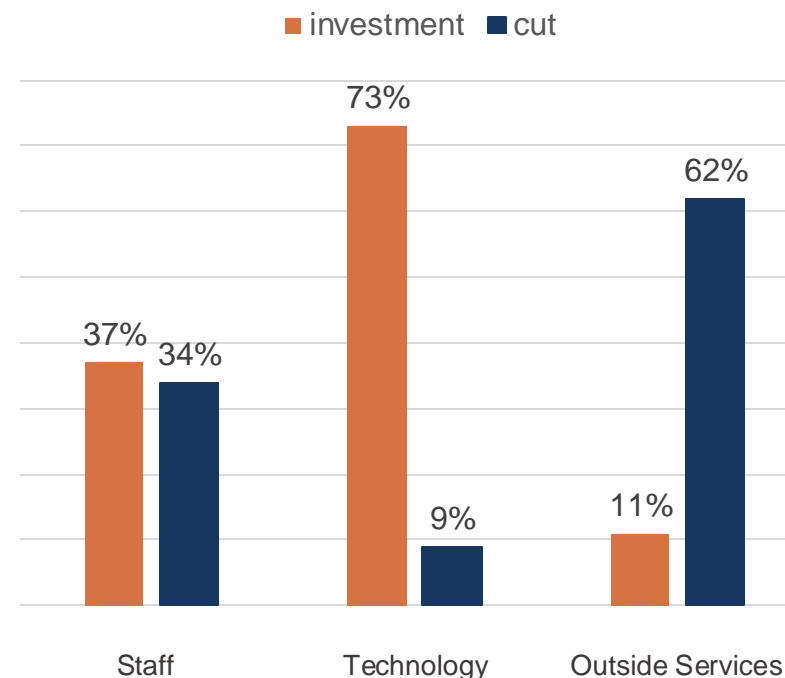
Source: Brandon Hall Group™ study, HCM Outlook 2025

Impact of AI in HCM

The invasion of AI into HCM has taken deeper roots in some areas over others. AI is part of the rapid pace of evolution in work and HCM organizations must learn to harness its power to keep their workforce competitive. The planned spending on technology may be reflective of the push to integrate more AI capabilities across the HCM technology ecosystem.

Organizations Projecting High Impact for AI in HCM in 2025

Learning and Development
60%

Talent Acquisition
41%

Talent Management
30%

Leadership Development
24%

Human Resources
16%

Diversity, Equity and Inclusion
10%

Source: Brandon Hall Group™ study, HCM Outlook 2025

Alignment, Measurement Dominate L&D Priorities

It is absolutely critical that L&D teams close the gap between learning strategy and business goals. Learning strategy should be a tactic for driving the achievement of business goals and not something that is managed separately from the overall targets in the business. Measurement is crucial to that effort and an effective learner experience is key.

Top Learning Priorities, 2025

Priority	%
Improve alignment between learning strategy and business goals	75%
Improve learning measurement and analytics	64%
Improve the learner experience	62%
Deploy strategies to prove employees can apply learned skills on the job	59%
Leverage AI and automation to support upskilling/reskilling the workforce	56%
Select/implement new learning technology	56%
Address next-gen learner requirements	47%
Improve the skills and competencies of the learning team	39%
Change learning team's structure and governance	25%

Source: Brandon Hall Group™ study, HCM Outlook 2025

Competing Priorities in Talent Management

Given the challenges of the talent market, it makes sense for companies to be prioritizing the employee experience in order to drive engagement and retention.

Career development in the form of skill and competency development is closely linked to the employee experience and should be well-aligned to strategic business priorities as well.

Priorities in Talent Management, 2025

Improve employee experience, engagement and retention
58%

Address competency and skill gap assessment
55%

Improve alignment between talent strategy and business goals
53%

Focus on team development
45%

Move toward continuous performance management
45%

Empower and enable employees to own their career development
43%

Leverage predictive and prescriptive analytics
42%

Build a coaching culture
37%

Select/implement new talent management technology
27%

Source: Brandon Hall Group™ study, HCM Outlook 2025

Prioritizing Development of Future Leaders

Leadership is a key ingredient to long-term success in any organization. Ensuring a steady pipeline of those who can move into leadership roles at all levels is critical.

However, if those objectives and processes are not well aligned to the business, organizations may find they have missed the mark on developing and preparing future leaders for success.

Priorities in Leadership Development, 2025

Improve high-potential development and succession planning
58%

Improve alignment between leadership development strategy and business objectives
53%

Develop data-driven decision-making skills for leaders
48%

Increase opportunities for leaders to practice and apply new skills to understand readiness
43%

Improve measurement of leadership development effectiveness
38%

Develop leaders for hybrid and/or agile environments
38%

Improve the diversity of the leadership pipeline
36%

Develop inclusive leadership capabilities
34%

Develop leaders' mindset and world-view to increase leadership capacity
33%

Offer leadership development for all
23%

Source: Brandon Hall Group™ study, HCM Outlook 2025

Priorities in Talent Acquisition

Employer brand is critical in the age of social media. To find the right workforce and to be competitive, people have to want to work for you. In this era of digitally enabled transparency, employers who do not have the right reputation will struggle to gain long-term success in hiring.

Priorities in Talent Acquisition, 2025

Improve alignment between talent acquisition strategy and business objectives
57%

Improve employer brand
47%

Focus on personalized and adaptive onboarding
45%

Adopt/improve skills-based hiring
42%

Develop predictive and prescriptive analytics
40%

Improve interviewing practices
40%

Building an AI-driven, candidate-centric recruiting experience
32%

Select/implement new technology
32%

Improve/expand candidate assessment
30%

Improve diversity of hiring
28%

Source: Brandon Hall Group™ study, HCM Outlook 2025

Priorities in HR

The stresses of modern life are affecting workers in unprecedented ways and employers are having to proactively address that impact.

It's encouraging to see AI and automation near the top of this list, because HR is well behind the AI curve and must catch up to be effective.

Priorities in HR, 2025

Improve alignment between HR strategy and business objectives
62%

Address all types of wellness/well-being (physical, emotional, mental, financial, etc.)
47%

Integrate AI and automation for HR processes
41%

Increase use of predictive and prescriptive people analytics
40%

Improve employee value proposition (EVP)
40%

Improve/expand employee self-service
32%

Improve/expand workforce planning
28%

Improve pay and benefits equity
24%

Select/implement new technology
23%

Regulatory compliance (e.g., ACA, EEO, GDPR, industry-specific regulations)
20%

Source: Brandon Hall Group™ study, HCM Outlook 2025

Priorities in DEI

As DEI becomes embedded in the whole of HCM, maintaining a focus on psychological safety and belonging is critical. This culture work makes room for all other core DEI practices and can be powerful in enabling success across the HCM practice spectrum. It also represents a shift in priority away from Diversity as the primary focus. The three components of DEI are three legs of a stool so maintaining balance among the three is critical.

Priorities in DEI, 2025

Build a culture of psychological safety and belonging — **62%**

Focus on inclusive leadership — **47%**

Improve alignment of DEI strategy with business objectives — **41%**

Embed the values of DEI across the organization — **40%**

Improve equity of opportunity (recruitment, pay, advancement) — **40%**

Improve leader accountability for DEI — **32%**

Improve/expand targeted development of people in under-represented groups — **28%**

Increase the focus on Intersectionality — **24%**

Use of AI and data analytics to measure the impact of DEI — **23%**

Select/implement new technology to assist with DEI efforts — **20%**

Source: Brandon Hall Group™ study, HCM Outlook 2025

Conclusion

All signs point to some level of disconnect between HCM teams and the businesses they serve. At this critical moment in the AI revolution, that could be disastrous. HCM teams must relentlessly focus on delivering results and let go of what they have always done to the extent it no longer serves the business. To deliver excellence, HCM must be agile, responsive and attuned to the organization's priorities no matter how they may shift from day to day.

Contributors

Matt Pittman, Principal Analyst

Matt brings nearly 30 years of experience developing people and teams in a variety of settings and organizations. As an HR Practitioner, he has sat in nearly every HR seat. A significant part of those roles involved building out functions in organizations and driving large-scale change efforts. As a Principal Analyst at Brandon Hall Group™, Matt leverages this in-depth experience and expertise to provide clients and providers with breakthrough insights and ideas to drive their business forward.

Claude Werder, Senior VP and Principal Analyst

Claude Werder runs Brandon Hall Group's Talent Management, Leadership Development and DEI practices, focusing on solving corporate's challenges in developing and retaining talent. He takes a strategic, unified approach, with a keen eye on leveraging technology to drive efficiencies that enable leaders to better engage employees and drive performance.

Michael Rochelle, Chief Strategy Officer and Principal HCM Analyst

Prior to joining Brandon Hall Group™, Michael was the Chief Strategy Officer and co-founder at AC Growth. Michael serves in a variety of roles including overseeing consulting and advisory support for corporations and solution providers. Michael has led a wide range of advisory support and strategic engagements for Fortune 1000 and small- to medium-sized organizations as well as leading and emerging solution providers across the HCM industry. Michael is one of the company's principal analysts covering the learning and development, talent management, leadership development, workforce management and talent acquisition sectors. Michael also leads the analyst coverage for solution providers in these sectors.

Mike Cooke, Chief Executive Officer and Principal HCM Analyst

Prior to joining Brandon Hall Group™, Mike was the Chief Executive Officer and Co-founder of AC Growth. Mike has held leadership and executive positions for the majority of his career, responsible for steering sales and marketing teams to drive results and profitability. His background includes more than 15 years of experience in sales and marketing, management, and operations in the research, consulting, software and technology industries.

Rachel Cooke, Chief Operating Officer and Principal HCM Analyst

She is responsible for business operations, including client and member advisory services, marketing design, annual awards programs, conferences and the company's project management functions. She also leads Advancing Women in the Workplace and Diversity, Equity and Inclusion initiatives, research and events. Rachel worked in the HCM research industry for 15 years and held several key management and executive positions within the Talent and Learning Research, and Performance Improvement industries.

Pat Fitzgerald, Content and Community Coordinator

Prior to joining Brandon Hall Group™, he was an award-winning community journalist for 30 years and recognized for his writing, investigative reporting, editing, photography, design and community service. He also started and then sold his own successful weekly newspaper in the Branson, Mo., area.

About
Brandon Hall Group™

With more than 10,000 clients globally and 30 years of delivering world-class research and advisory services, Brandon Hall Group™ is focused on developing research that drives performance in emerging and large organizations and provides strategic insights for executives and practitioners responsible for growth and business results.

AGENCY! BY BRANDON HALL GROUP™
Provides comprehensive marketing solutions for human capital management solution providers. We offer strategic services to establish a strong foundation for your marketing efforts.

SMARTCHOICE® PREFERRED PROVIDER PROGRAM
uniquely places HCM service and technology companies at the top of organizations' consideration list of vendors. It adds an unmatched level of credibility based on BHG's 30 years of experience in evaluating and selecting the best solution providers for leading organizations around the world.

ENTERPRISE EXCELLENCE CERTIFICATION PROGRAM
recognizes the best HCM programs that transform their organization and achieves breakthrough results. This designation is a step above the HCM Excellence Awards® which focuses on one program within a company. Enterprise Excellence is a hybrid of award winners who are also members.

Professional Certifications
Self-paced certification programs. Virtual group sessions for companies. In-person conferences and summits.

Membership
Individual and Enterprise Membership Options: Includes research assets, advisory support, a client success plan and more.

SOME WAYS WE CAN HELP

Advisory Offerings
Custom Research Projects, including surveys, focus group interviews and Organization Needs Assessment for Transformation, Technology Selection and Strategy.

Excellence Awards
Three annual programs recognize the best organizations that have successfully deployed programs to achieve measurable results.