



State of People Strategy

2026 Report

PEOPLE + AI SUCCEEDING TOGETHER

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Innovate, consolidate, learn, and unlearn: In 2026, HR teams expect to be pulled in every conceivable direction as they try to defend their programs, prove the ROI of people strategy, and traverse the deepening fault lines of workplace polarization.

Our data reveals that the most effective people teams aren't choosing sides. They're wading into the sticky middle, using this moment to rewire how people, processes, and AI can support each other, not compete.

Performance takes the spotlight.

40% of HR teams are prioritizing performance, while a determined 16% are keeping DEIB front and center.

Tech becomes a strength and a strain.

While 49% of high-performing teams (those exceeding goals) are using six or more HR tools, 36% feel pressure to consolidate.

AI moves from hype to hands-on.

Experimentation is finally taking off, with 42% of white-collar teams reporting experimentation or daily use of agentic AI.

Teams haven't figured it all out yet, but they *have* figured out that the cost of inaction is higher than the risk of trying. This year's report tells the story of HR leaders betting big on their people and stacking the deck with AI.

HR is staying true to its North Star.

After some wild swings from year to year, HR engagement is leveling out. Most surveyed HR professionals (78%) feel somewhat or fully engaged and energized, a slight uptick from last year's report (77%).

HR professionals in Europe feel more energized and engaged than their US peers (85% vs. 72%). Alan Cairns, CPO at GoCardless, attributes this to three things: work-life balance, cultural diversity, and employment law.

"The combination of employee-friendly legislation, works councils, and notice periods has created a culture where employees have greater rights, which in turn leads to greater trust between employers and employees."

The type of workplace matters too: In this year's survey, 77% of blue-collar and 75% of gray-collar HR professionals said they were likely or very likely to recommend the field, whereas only 56% of white-collar workers said the same.

The biggest predictors of stability aren't geography or industry — they're structural:

79%

of HR professionals globally feel that their job is secure.

93%

expect HR headcount to stay the same or increase.

90%

expect HR budgets to stay the same or increase.

If you sensed a “but” coming, you’d be right. Because job security, as it turns out, is no cure for a shift in purpose. In fact, 41% of HR professionals said they’ve considered leaving HR altogether in the last 12 months.

Many of them came to HR to help people grow and thrive, and build a better workplace. But reality has worn down that optimism, leaving many feeling unheard, undervalued, and underwater.

“HR teams carry the emotional and operational weight of the business, yet too often receive little recognition or support,” said Rana Robillard, chief people officer at Tekion.

“People are the most valuable asset of any company, and the HR team is what keeps that engine running. Losing them doesn’t just set HR back. It slows the entire business.”

The good news, though, is that 32% of those who considered leaving HR found something worth fighting for — and they decided to stay.

Top Reasons to Leave HR	Top Reasons for Choosing HR
1. Emotional toll of managing employee issues	Helping individuals grow and develop
2. Feeling undervalued or unheard	Having an influence across the organization
3. Difficulty maintaining work-life balance	Being seen a trusted advisor

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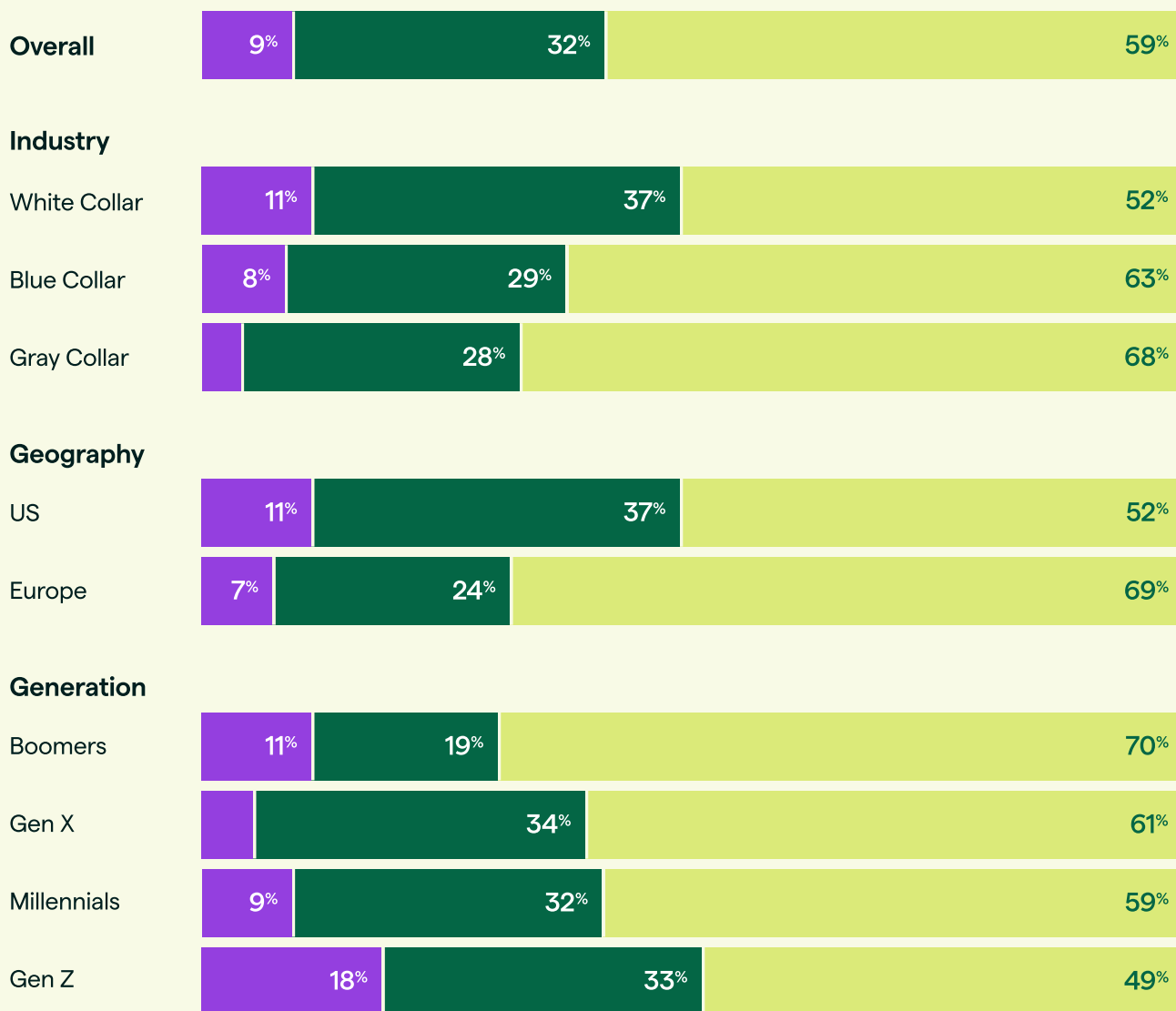
People are the most valuable asset of any company, and the HR team is what keeps that engine running. Losing them doesn’t just set HR back. It slows the entire business.



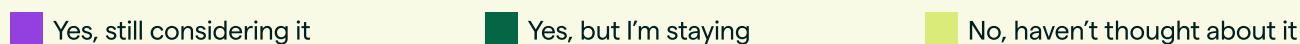
Rana Robillard
Chief People Officer
Tekion

Over 40% of HR professionals considered a career change this year.

Nearly a third (32%) of HR professionals thought about leaving the profession but found a reason to stay.



White-collar, US, and Gen-Z HR professionals were most likely to consider a change.



The best HR teams are innovative *and* inclusive.

The AI hype train has a new conductor. Top HR teams aren't just chugging along in a window seat with a view — they're commandeering the controls.

High-performing teams (those exceeding their goals) feel more optimistic and more open to AI experimentation than their low-performing counterparts (those falling short of their goals):

52%

are "really excited" to see how AI can transform HR, compared to 32% of teams not meeting their goals.

50%

use agentic AI regularly. Just 6% of low performers do the same.

Successful HR teams are getting more value from their tech and using it to create real feedback loops between performance and strategic impact, such as tracking performance, managing talent operations, and unearthing hidden data insights. They're also more likely to use specialized HR software.

But it's not just tech that's driving peak performance. Because there's one very human thing that teams exceeding their goals do better than the rest: DEIB. High-performing teams are five times more likely than low-performing teams to be prioritizing DEIB in 2026, showing that they value process and people.

"Teams that prioritize DEIB create cultures of trust, agility, and accountability, the exact conditions that high-performing teams thrive in," said [Natalie Breece](#), chief people and diversity officer at [ThredUp](#). "When people feel like they belong and their voice matters, engagement rises, retention improves, and collaboration becomes more impactful."

If high performers have created a virtuous cycle between people, process, and tech, low performers are mired in a vicious one:

65%

say they're constantly in crisis mode compared to 21% of top performers.

39%

say lean budgets and resources are a significant challenge.

61%

are asking employees to do more work without more pay.

Here's the gut punch: 68% of low performers have considered leaving HR altogether, or thought about it but decided to stay — for now.

“

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Natalie Breece
Chief People and Diversity Officer
ThredUp

High-Performing vs. Low-Performing HR Teams.

High-performing teams (those exceeding their goals) prioritize pay transparency, DEIB, and experimenting with new tech.

Greater Pay Transparency



Execs See Engagement as Priority



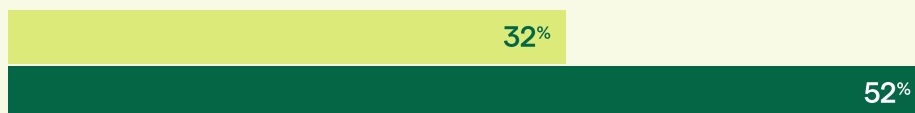
Experimenting With Tools



Feeling Engaged / Energized



Really Excited About AI



Use Agentic AI Regularly



Prioritizing DEIB



Low-Performing HR Teams

High-Performing HR Teams

In a polarized workplace, HR is stuck in the middle.

Whoever said to leave your politics at the office door must not have worked in HR over the last few years. Because these days, *everything* seems political, employees and leaders are in an ideological standoff, and HR is stuck with a whistle, playing referee:

23%

said navigating cultural and political polarization at their organization is becoming a significant problem.

32%

said they feel stuck managing the perceptions of employees and leaders who don't see eye-to-eye on DEIB.

Polarization can drive a wedge in everyday operations. Take return-to-office (RTO) mandates, for example: Globally, 59% of HR said most or all employees are back in the office, and 67% of them agree with their company's policy. But support for RTOs is felt even more strongly in Europe.

But some polarization can be worth the risk, especially when organizations make big, bold bets that show exactly what they stand for.

HR professionals working in companies that take an active stance on political, social, and cultural issues report that 80% of their people are engaged. Meanwhile, HR professionals at organizations that keep quiet report only 50% engagement.

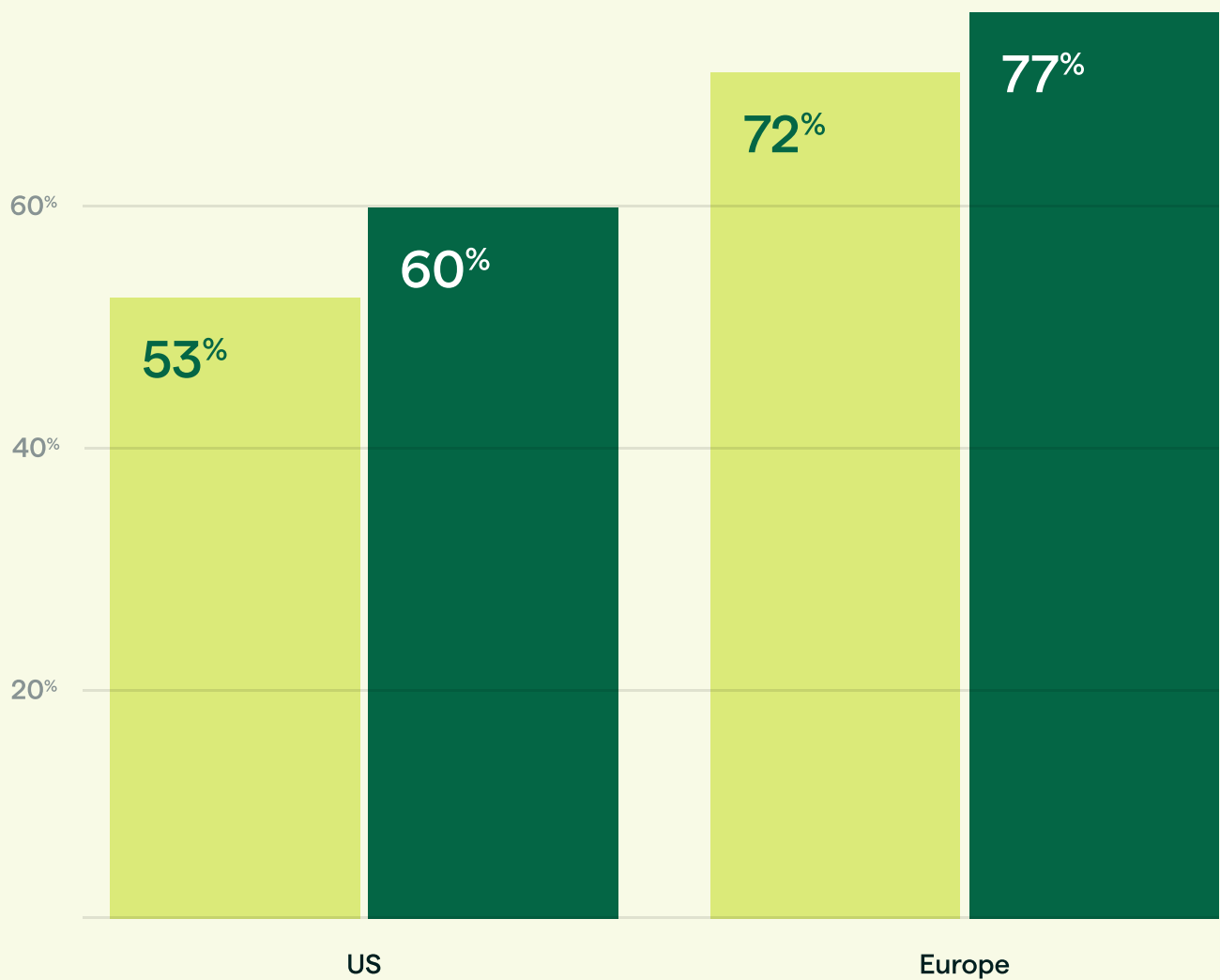
Gone are the days of corporate shrugging and performative lip service dressed up as a rainbow banner or a black square. HR says employees *want* their organization to stand up, speak up, and say something real.

"In polarized climates, taking a public stance may not be possible or productive," said [Regina Ross](#), EVP and chief people and operations officer at [Opportunity Finance Network](#). "But that doesn't mean action is off the table. Having clear guiding principles around when and how the organization takes a stance on a topic helps remove ambiguity in high-pressure moments."

It's a simple case of risk versus reward, and the organizations that are willing to show what they stand for are reaping the engagement and performance that follow.

European HR is gaining more traction with RTO policies.

Employees in Europe are more likely to be back in office — and their HR leaders aren't mad about it.



Full/Partial Company RTO

HR Supports RTO Policy

Performance edges out engagement on HR's priority list.

For the first time in six years of this report, performance has overtaken engagement as HR's top priority — but just barely. While 40% of HR professionals said performance management is top of their list in 2026, engagement follows hot on its tail at 39%.

This narrow lead doesn't mark a change in direction for HR — if anything, it reinforces the inexorable pull between performance and engagement. These aren't opposing forces — they're twin stars, each sustaining the other's momentum.

"Performance and engagement should not be opposites, they fuel each other and should be well balanced," said Stéphanie Fraise, CHRO at OpenClassrooms. "Favoring one at the expense of the other creates short-term wins but long-term erosion."

Fewer teams are struggling with quantifying "good" versus "excellent" performance (40% in 2025 vs. 61% in 2024). They're also getting better at the operational and logistics side, with only 41% of teams citing challenges with analyzing a year's worth of performance data compared to 47% in 2024. Is HR getting the hang of manager enablement, or is the tech getting better? Some leaders say it's a mix of both.

"Tech is finally catching up to what good performance management needs, but success still depends on leaders actually using it well," said Kayshia Kruger, VP of people and organizational development at O. R. Colan Associates. "The differentiator will be enabling managers to have meaningful conversations that data alone can't replace. Tools help, but culture change is the lever."

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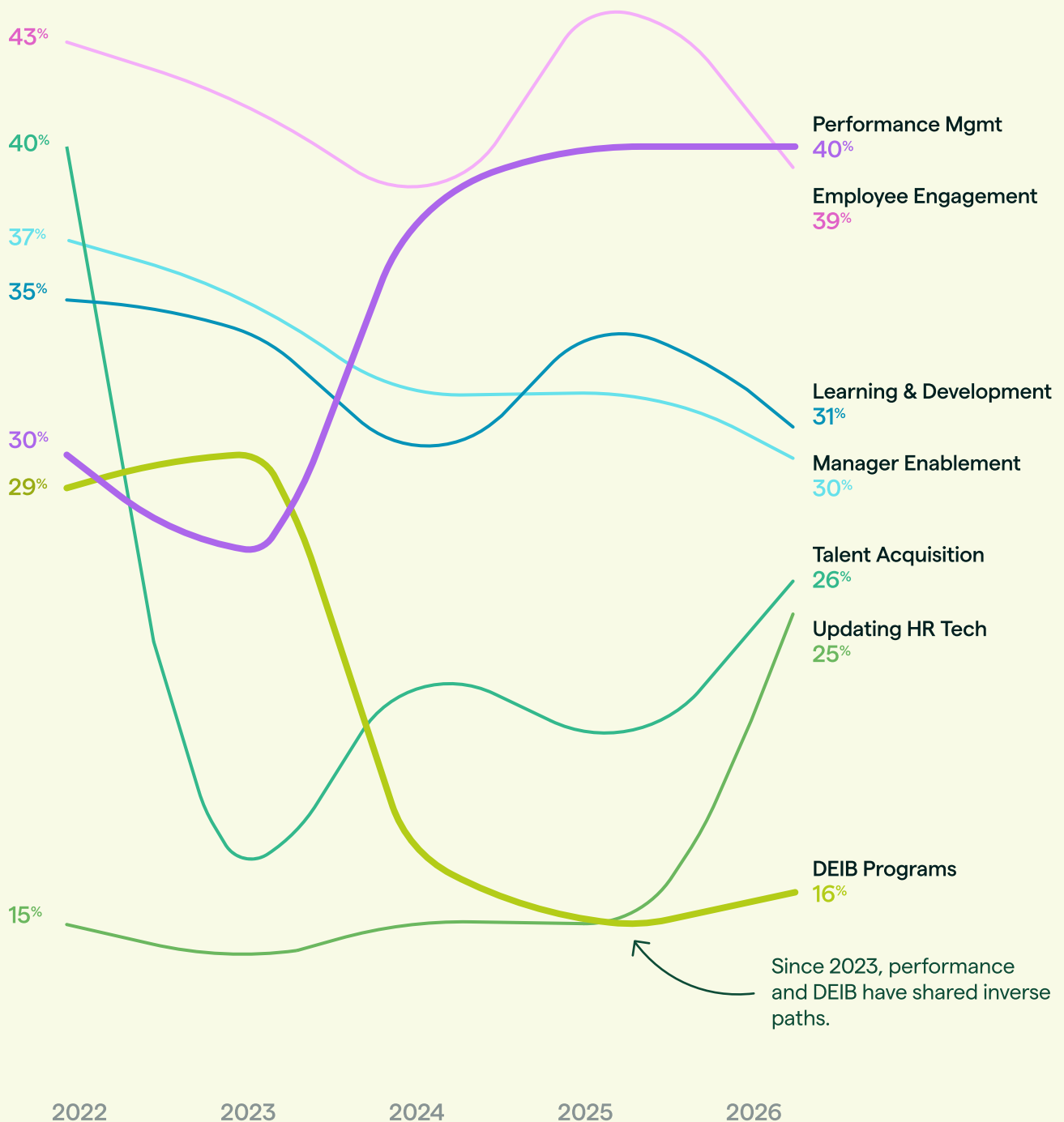
Performance and engagement should not be opposites, they fuel each other...Favoring one at the expense of the other creates short-term wins but long-term erosion.



Stéphanie Fraise
CHRO
OpenClassrooms

Performance is HR's top priority in 2026.

In 2026, HR teams are continuing to push performance management and engagement, but DEIB continues to languish.



Performance and DEIB Inverse Paths

This year, DEIB is a priority for just 16% of teams, down from a peak of 30% in 2023. Performance management and DEIB seem to share inverse trajectories — jostling almost neck and neck in 2023 before splitting sharply and veering off on mirrored paths

There's a cruel irony in this relationship. Cutting DEIB programs means organizations could be walking away from one of the most powerful performance drivers they have at their disposal.

It isn't a case of either-or. High-performing HR teams understand this connection the most — they're five times as likely to prioritize DEIB.

"When teams feel seen, valued, and empowered to contribute authentically, performance follows," Breece said. "Diverse perspectives fuel innovation, help teams anticipate challenges from multiple angles, and drive more thoughtful decision-making."

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Natalie Breece
Chief People and Diversity Officer
ThredUp

Tech Stack Overhaul

Updating tech infrastructure is a top priority for 25% of HR teams in 2026 — a ten percentage point increase from 2025.

This is one of the biggest year-over-year increases in our survey, and it reflects a deeper trend that goes beyond routine upgrades.

HR teams are getting under the hood of their tech stack and auditing every platform. This timing isn't coincidental. When viewed in the context of how teams are integrating AI, we can see that they're facing pressure to build a tech stack that evolves *with* it.

HR is looking for a technology upgrade.

Updating HR software is a top priority for 25% of teams in 2026. Compared to last year, that's a 10 percentage point increase.



Focusing on Performance Systems, Not Scorecards

Performance management may be having its moment as HR's top priority, but the real question isn't about optimizing performance as a singular effort — it's about how teams make it repeatable, equitable, and scalable.

That relies on seeing it as a system, not a repeating task or metric.

One way to do this is to increase review frequency. Half (51%) of European HR teams are running quarterly reviews, compared to 25% in the US, highlighting the impact of continuous feedback processes in catching and solving issues before they lead to disengagement or underperformance.

Better manager calibration through training is also critical for safeguarding equity and consistency. Ninety percent of organizations offer managers at least one form of structured training on how to conduct performance reviews, including:

AI can help scale manager calibration and consistency by helping managers compare reviews, identify biases, and condense feedback, said Joaquin Migliore, director of people experience at Superside, "as if you're giving them a dedicated HRBP to think through reviews with them."

Meanwhile, at a macro level, proactive, continuous talent management will help drive alignment across the organization.

"Active talent reviews, led by HR with each department and in between big performance review cycles, go deeper into the results and skills that make up our talent portfolio," Migliore added. "These can lead to important discussions around underperformance that might be flying under the radar."

This shift — from one-off evaluations to skills-aware developmental feedback — is part of a broader cultural evolution.

49%

written guides and toolkits

47%

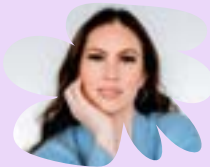
coaching and one-on-one support

45%

live instructor-led training or workshops

“

The most effective teams are moving away from compliance-driven performance management and more toward developmental cultures. That looks like continuous feedback, clarity of expectations, and teaching leaders how to coach, not just evaluate. HR's real impact is facilitating that design work, not just running the review cycle.



Kayshia Kruger
VP of People and Organizational Development
O.R. Colan Associates



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Generational perspectives provide a crucial lens for HR.

Where and when people start their careers shapes how they think the workplace should look. Some toiled for the gold watch and the corner office, building trust at a literal water cooler. Others learned to navigate the freedom of work untethered from place — bound by Slack pings and virtual meetings.

But everyone has a different “why.”

“Every generation brings a unique lens to HR influenced by the world they came up in, the tools they trust, and the values they hold,” said Breece. “As HR leaders, our opportunity isn’t to erase those differences, it’s to leverage them in designing cultures that are both inclusive and future-forward.”

Millennials and Gen Z said they are driven by helping employees grow and develop, but it can come at a cost to their wellbeing.

Almost half (46%) of millennials are struggling with the emotional toll of managing employee issues, more than any other generation. Gen Z respondents, who entered the workplace amid years of uncertainty and unrest, are feeling the effects of downsizing that led to understaffed teams. As a result, they’re more likely to feel burned out or just flat — a sign that disengagement is whispering.

Baby boomers and Gen X, on the other hand, said they are more focused on strategy and influence. They want to be seen as trusted advisors and earn their seat at the table. But flying higher can make it harder to stay connected to what employees want and need — a challenge felt most keenly by boomers.

Generation	Key Driver	Key Challenge
Gen Z	Helping people grow and develop	Understaffed HR teams
Millennial	Helping people grow and develop	Aligning strategy with business goals
Gen X	Being seen as a trusted advisor	Aligning strategy with business goals
Baby Boomers	Having influence across the organization	Keeping up with changing employee needs

Decisions That Divide

Generational perspectives don't just show up in what HR professionals want from work — they also define where each generation draws the line on workplace policy.

Boomers have a clear stance: 83% are fully on board the RTO train. This could be due to their relationship with technology. As the generation that forged their careers through handshakes and hallway conversations, they clearly value face-to-face interaction. As a result, they're almost twice as likely as Gen Z respondents to say technology reduces human connection (56% vs. 30%) and makes work more impersonal (52% vs. 23%).

Most generations share some healthy skepticism around HR's increasing reliance on tech, too — with over half of boomers (52%)

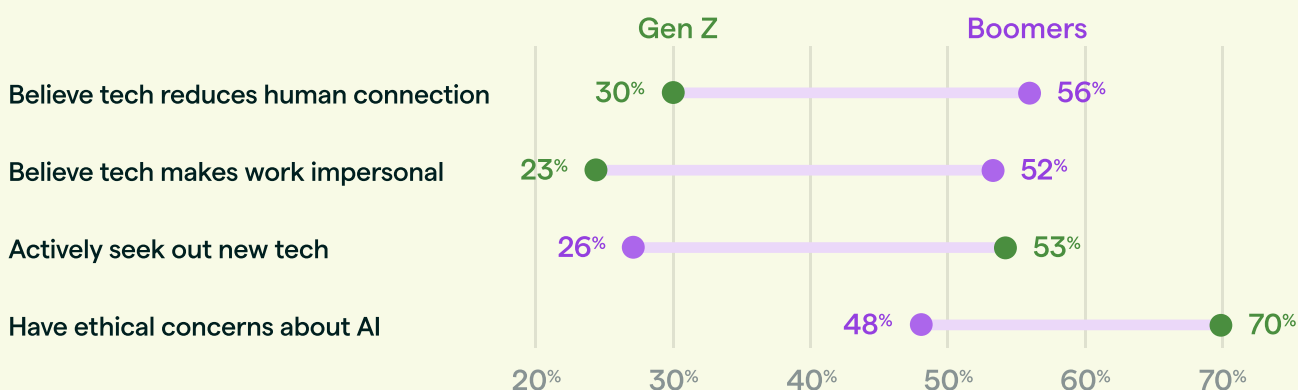
and Gen X respondents (58%) wanting proof that something works before they'll commit to using it.

Meanwhile, millennials, who represented over half of survey respondents, are getting into advanced AI tooling — they're the group most likely to use agentic AI tools regularly in their work.

But Gen Z isn't afraid to be the voice of dissent. Only 44% of Gen Z HR professionals personally agree with their organization's RTO policy. As the only generation who grew up with tech right from the cradle, they're the most likely to actively seek out and try new tech. But that tech experimentation is tempered when it comes to AI, as 70% of Gen Z respondents voiced ethical concerns over AI — more than any other group.

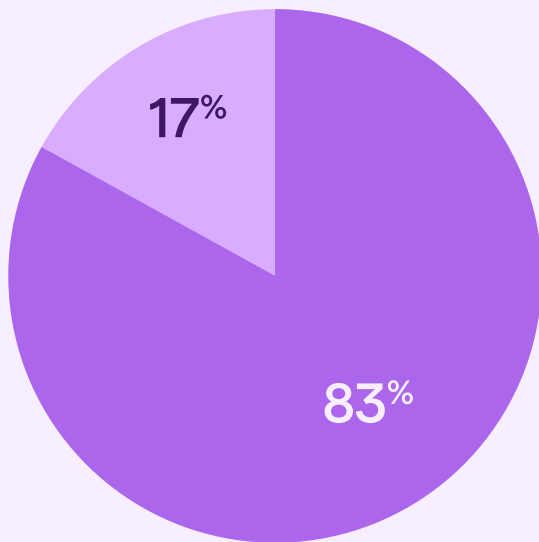
Boomers vs. Gen Z on Workplace Tech

Same tools, different worries — boomers fear disconnection, while Gen Z harbors ethical concerns about AI.

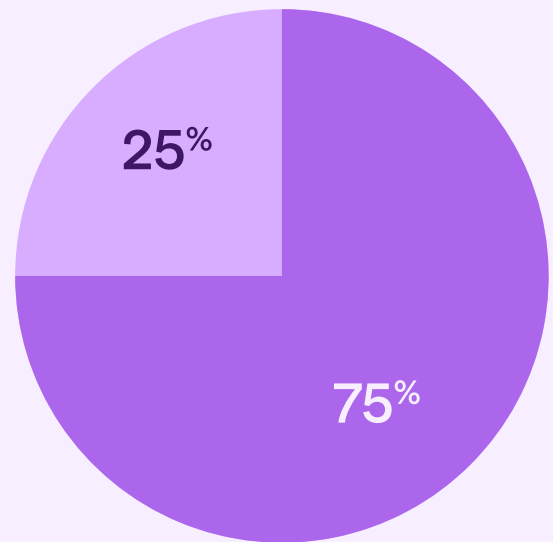


Less than half of Gen Z HR professionals agree with their RTO policy.

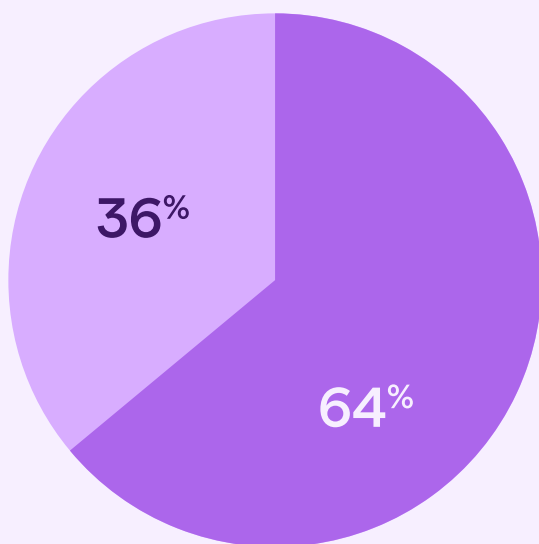
Baby boomers and Gen X welcome a return to the office, but Gen Z isn't sold.



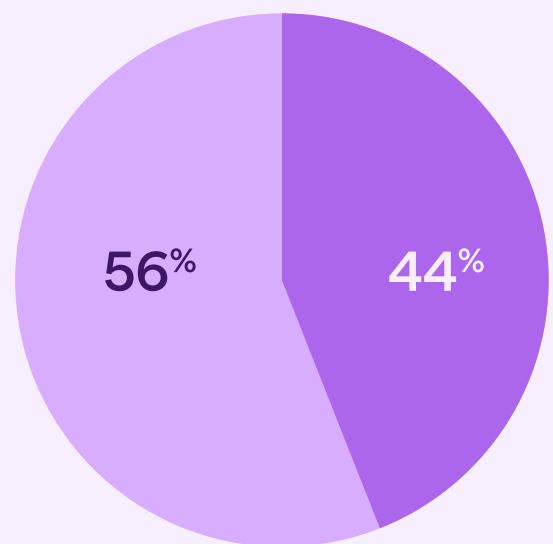
Baby Boomers



Gen X



Millennials



Gen Z

Agree/Strongly Agree

Disagree/Neutral

Designing Systems That Support Everyone

Across every generation in the workplace, the “why” behind the work looks different. Some want to grow people. Some want to grow their influence.

But if there’s one commonality, it’s this: HR professionals all want to build an organization where employees can thrive. They just have different ways of approaching it. Building a bridge and getting the best from each relies on creating trust through communication.

“HR, at its core, is about understanding employees,” said [Erica Coffey](#), director of DEIB at Khan Academy. “If millennials are the largest group on the HR team, they may only think about what other millennials want. But if they take the time to have focus groups or one-on-ones with a diverse range of ages, they will learn about what might be best for all. Each generation can learn from one another.”

Open communication and surveys can build on this feedback loop, highlight employee needs, and promote a culture of listening. Organizations can integrate AI-powered analytics like Lattice to surface aggregated recommendations for their workforce that they can put into action.

Beyond just learning from employees, organizations need to help HR practitioners learn *together*. Because every generation has something that the other wants.

Cross-generational co-mentoring, for example, can help teams address internal knowledge and skills gaps in a way that *doesn’t* make it feel like an AI 101 class targeted at boomers. Gen Z and millennials can step in for tech support on AI upskilling, while boomers and Gen X can share their experience on strategy.

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When we stop asking which generation is ‘doing it right’ and start asking how they can learn from each other, we unlock the real power of a multigenerational workforce.

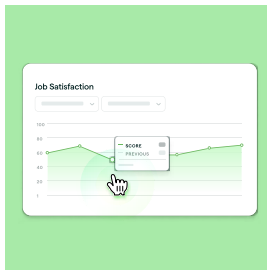


Natalie Breece
Chief People and Diversity Officer
ThredUp

Tailoring learning opportunities — such as micro-learning, digital platforms, and formal courses — could help address differing learning needs while equalizing growth and career progression.

“Designing workplaces that honor each group means embracing flexibility over uniformity. It means offering learning pathways that meet different comfort levels with tech, creating spaces for cross-generational mentoring, and balancing empathy with performance through transparent communication and feedback,” Breece said.

“When we stop asking which generation is ‘doing it right’ and start asking how they can learn from each other, we unlock the real power of a multigenerational workforce,” she added. “The future of HR depends on that harmony, and the cultures we build will be stronger because of it.”



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Pay transparency isn't paying off, and employees are pushing back.

Pay transparency was supposed to end the guessing games on how people get paid. But after years of employee campaigns and new legislation, some organizations are still just going through the motions, rather than using it as the launchpad for deeper pay equity.

And this could be why organizations are losing momentum. Compensation is a priority for just 18% of HR teams in the coming 12 months — down from an already low 21% in last year's report.

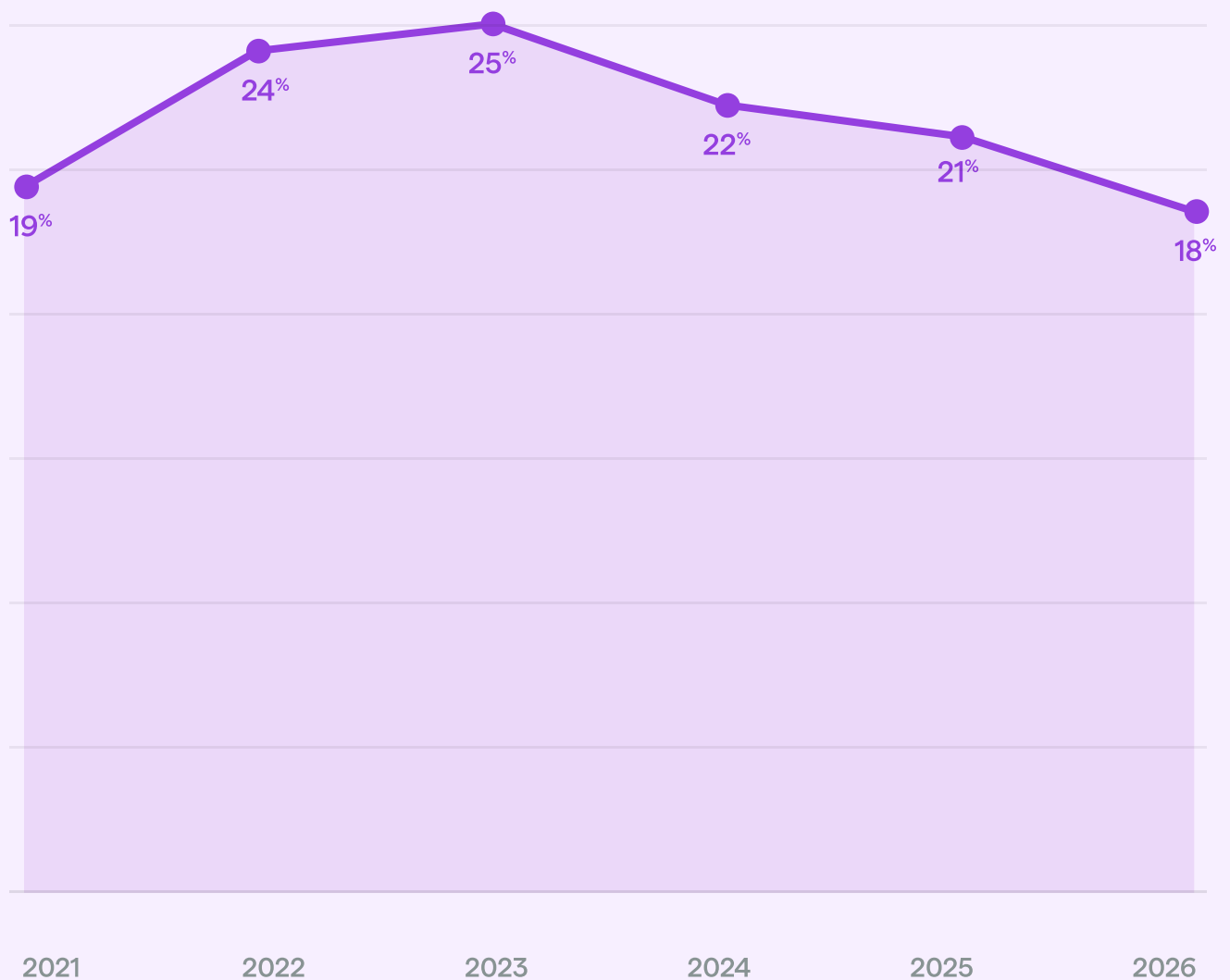
This priority shift *could* be because teams think the job's already done. Globally, 54% of HR teams report that their companies are doing a good job with pay transparency compared with 2024 (36%).

European teams are feeling especially confident. For the second year in a row, they're more likely than their US counterparts to rate their company's pay transparency as good or excellent (67% vs. 45%). That's partly due to the EU Pay Transparency Directive taking effect in 2026, and partly to company-level initiatives.

"In Europe, the 2026 directive sets a legal framework, but real pay transparency demands a cultural shift," Fraise said. "Beyond compliance, companies need a competency-based and data-driven approach to salary grids, anchored in clarity, fairness, and manager accountability."

Compensation hits a six-year low on HR's priority list.

Only 18% of HR professionals say compensation is a priority in 2026 — perhaps because they've gotten the hang of it.



More Work, Same Pay for Employees

HR teams say they're feeling more confident about pay transparency, but things get murky fast when employees' pay doesn't reflect their *actual* workload.

This year, 43% of HR professionals said that employees are expected to take on additional responsibilities and tasks without a pay bump — also known as a dry promotion.

"A dry promotion feels like more work with no development, no support, and no pay," said Kruger. "A real growth opportunity includes learning, feedback loops, and exposure to skills and responsibilities."

"When companies cut budgets and call it growth, employees see right through it. We need to scrutinize how we define roles and career paths to avoid exploiting ambition," she added.

But organizations may not be getting the memo: Only 20% of American HR teams are increasing bonuses, compared to 41% of European HR teams.

47%

of HR leaders said their employees are pushing back on dry promotions.

50%

said employees are asking for higher pay in general.

Identifying and Solving Hidden Imbalances

If HR confidence in pay transparency is up, we'd be hard-pressed to say the same for employees.

Pay transparency without follow-through is just employee names in a spreadsheet with a dollar value. And when workload is up, base pay seems stagnant, and bonuses require endless proof, increasing pay has become a problematic hamster wheel for employees.

The question isn't just more work, but *unbalanced* work: "We focus more on the way workload is distributed rather than a general 'overwork' narrative," said Migliore. "The shift toward balancing workload across teams makes discussions more productive, as we improve wellbeing for those that are overworked, and improve performance for the rest."

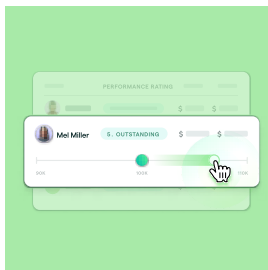
Pay-for-performance can be a powerful way to restore some sense of equity and fairness, but only when paired with meaningful reward criteria, transparent rubrics, and clear policies. Long-term, organizations need to focus on the systems and structures that underpin pay transparency and equity itself.

At a team level, increasing manager fluency with salary conversations and compensation philosophy will help them explain how or why decisions are made — a make-or-break move for employee trust.

But across the broader organization, setting transparent guidelines that assess workload and job drift as part of compensation reviews will help HR teams and managers evaluate where and when workloads are becoming unbalanced.

Beyond internal measures, getting ahead of regulatory requirements shows that pay transparency is intentional, not just a box-checking exercise.

"We have teams in the US and Latvia, so we already had to show salaries in job advertisements," said Cairns. "We could see the direction of the EU Pay Transparency Directive and wanted to build more transparency across our business. So we took the call to do this across all our locations and to show salary range transparency by individual."



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HR is running defense on people programs and tech.

In 2025, every people investment has felt like a negotiation. Snip, snip, snip: Before you know it, the programs you've worked so hard to build are on the cutting room floor, and the culture they support begins to fray.

No surprise, then, that teams are feeling the squeeze. But it's not just one program that's under the microscope — it's everything, everywhere, all at once.

HR teams are feeling pressure to advocate for people programs across the entire employee lifecycle, with 41% citing pressure to defend engagement initiatives. But a relatively even distribution among all priorities makes it clear they're all important for creating a great place to work.

And perhaps that's what makes it hard to pick just one — because when you cut one thread, you unravel the rest.

"Initiatives focused on engagement, learning and development, wellbeing, manager enablement, and DEIB nourish an organization," Coffey said. "Without them, an organization risks adopting a fixed mindset, hindering growth, and encouraging employee departure."

But on a global scale, this weight isn't evenly shared. European HR teams are feeling significantly more pressure than those in the US, with over 40% of European teams citing pressure to justify people programs in every category.

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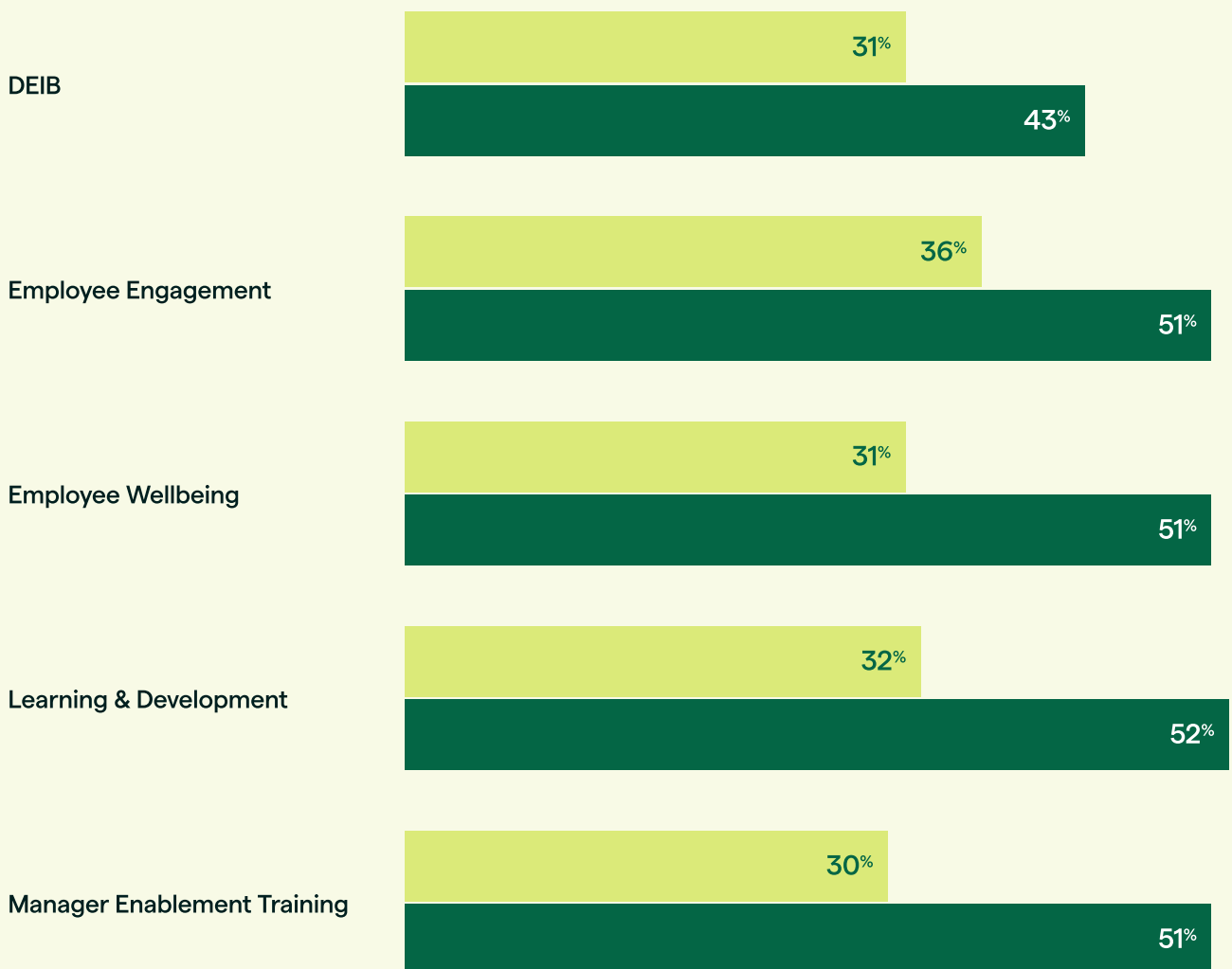
Initiatives focused on engagement, learning and development, wellbeing, manager enablement, and DEIB nourish an organization.



Erica Coffey
Director of DEIB
Khan Academy

HR teams are under pressure to defend key programs.

Everyone's fighting to protect all aspects of their employee experience — but European teams are feeling the pressure more than those in the US.

 US Europe

A Frantic Retreat From DEIB

When organizations want quick wins and clear metrics, DEIB initiatives — which are neither fast nor easy — are becoming even more vulnerable.

35% of teams are under pressure to defend DEIB efforts.

28% are cutting DEIB roles entirely, with 13% having already done so, and 15% planning to in the future.

61% of teams expect no change to DEIB positions for the foreseeable future.

It's an ideological conflict between stated values and actual priorities — one that shows up less in what organizations say they're doing about DEIB, and more in what they're willing to defend when budgets get squeezed.

“When companies scale back their DEIB initiatives, they inadvertently signal that their employees are not a top priority,” Coffey noted. “A common misunderstanding is that DEIB exclusively benefits marginalized communities — yet inclusion is universally applicable, and transcends individual identities. Faced with growing pressure to diminish DEIB efforts, companies must now integrate DEIB into all their operations — a practice that should have always been standard.”

“

When companies scale back their DEIB initiatives, they inadvertently signal that their employees are not a top priority. A common misunderstanding is that DEIB exclusively benefits marginalized communities — yet inclusion is universally applicable, and transcends individual identities.



Erica Coffey
Director of DEIB
Khan Academy

Digital Decluttering

Alongside DEIB rollbacks, 55% of teams are under somewhat or significant pressure to consolidate their HR tech stack as organizations call to streamline budgets.

This comes into direct conflict with HR's rising priority of upgrading their tech stack to match the pace of AI — and it's hitting high- and low-performing teams alike.

But when tech is deeply intertwined with keeping people programs up and running, it's making the *right* cuts that counts.

"I try to 'think like a CFO' and scrutinize each of our HR investments before the pressure to cut the tool arrives," said [Alexis MacDonald](#), VP of People at [Klue](#).

"What value does it bring? What would we do without this tool? What, if anything, would break? What would our workarounds be? What would the cost be of implementing a new technology as a replacement, or solving the problem manually?"

"Answering those questions will help map the path forward — you may find it's a critical tool bringing a ton of value, or it might be something you can live without."

“ 55% of teams are under somewhat or significant pressure to consolidate their HR tech stack as organizations call to streamline budgets. ”

Embedding People Programs into Business Operations

The best way to defend your initiatives is to prove how they directly impact business strategy — driving efficiency, productivity, performance, and company growth.

“HR teams must do a better job of ‘show and tell’ when it comes to people programs,” said Ross. “How does low staff engagement translate to the cost of excessive turnover and missed goals due to being understaffed? How does the investment in training and coaching accelerate the confidence and competence of people in critical roles and boost their productivity?”

This applies as much to people programs as to the tech that supports them.

“HR technology should only be purchased when it clearly addresses a meaningful, well-defined business problem,” Robillard said. “Systems that are underused — or not fully aligned with real business needs — will naturally become targets for budget cuts. But when a tool is well-utilized and visibly contributing to outcomes, it’s far easier to defend its place in the tech stack.”

Chuck Marcelin, director of HR at Hudson Valley Property Group, balances team impact and utilization data to help guide strategic decision-making — cutting tools with low utilization (20-40%), or that are used by fewer employees. “My approach is to always bring it back to the employees, demonstrating to my leaders how these HR tech tools enhance the employee experience and bring value. The right tools can significantly improve the employee journey and ultimately drive better results for the organization,” he said.

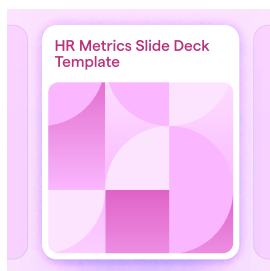
But beyond proving ROI, Ross said the real move is in how teams “weave people programs into the fabric of the business, rather than positioning them as standalone HR initiatives.” Doing so helps keep people programs off the chopping block.

“

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Rana Robillard
Chief People Officer
Tekion



RESOURCE



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INTERACTIVE TOUR



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The most successful teams embrace technology and AI.

With over half (55%) of teams facing tech cutbacks, our data reveals an interesting tension between tech stacks and performance.

Seventy-two percent of high-performing HR teams use four or more HR tools, and almost half (49%) use six or more tools — double the average for all survey respondents.

High-performing teams don't just use more tech — they're also more likely to report that it has significantly impacted the value they bring to their organization.

We're not saying more is more here. But high-performing HR teams are more likely to design their tech stack with a bias toward action, measurement, and strategy across the entire employee lifecycle, rather than focusing on functional tasks.

"I like to keep a lean HR tech stack by ensuring that each tool brings tangible value," said MacDonald. "Time in the market and being AI-forward are important, but the most important element will always be how well it solves the related problem. I look at a competitive lens, customer evidence, alignment with other internal tools, and ease of use."

“

I like to keep a lean HR tech stack by ensuring that each tool brings tangible value...I look at a competitive lens, customer evidence, alignment with other internal tools, and ease of use.



Alexis MacDonald
VP of People
Klue

HR most common software use cases

Over half of HR teams are under pressure to consolidate their tech stacks.
But the most successful teams are using more specialized tools.

	All Respondents Average Used: 3 Tools	Top Performers Average Used: 5-6 Tools
Performance	56%	59%
Employee Engagement	49%	59%
Applicant Tracking	45%	55%
Compensation	37%	52%
Payroll	54%	49%
Learning end Development	42%	49%
Time Tracking	41%	45%

The AI Paradox

Our 2025 report revealed that AI adoption within HR had stagnated year-over-year. In 2026, it's booming, but there's a creeping tension between the opportunities and anxieties AI brings. This scramble is playing out differently across regions, team sizes, and performance levels:

European HR teams

More likely to actively seek out and experiment with new technology compared to their US peers (54% vs. 37%)

HR teams

Less excited for an AI-enabled future than those in HR teams of more than 20 people (49% vs. 84%)

High-performing teams

More excited about AI than low-performing teams (52% vs. 32%), but are more fearful of being replaced by it (29% vs. 19%)

But if you're among the camp feeling anxious for the future, you're not alone. A whopping 61% of HR leaders have significant ethical concerns about adopting AI, while only 6% say they have no concerns at all.

"HR leaders should really emphasize that AI is a tool to enhance our work, not replace us," Marcelin said. "It'll change how we operate, and we might not need to expand teams as often, but that human connection will always be essential. Those who hesitate might find themselves falling behind, as early adopters gain significant advantages in efficiency and workflow optimization."

“

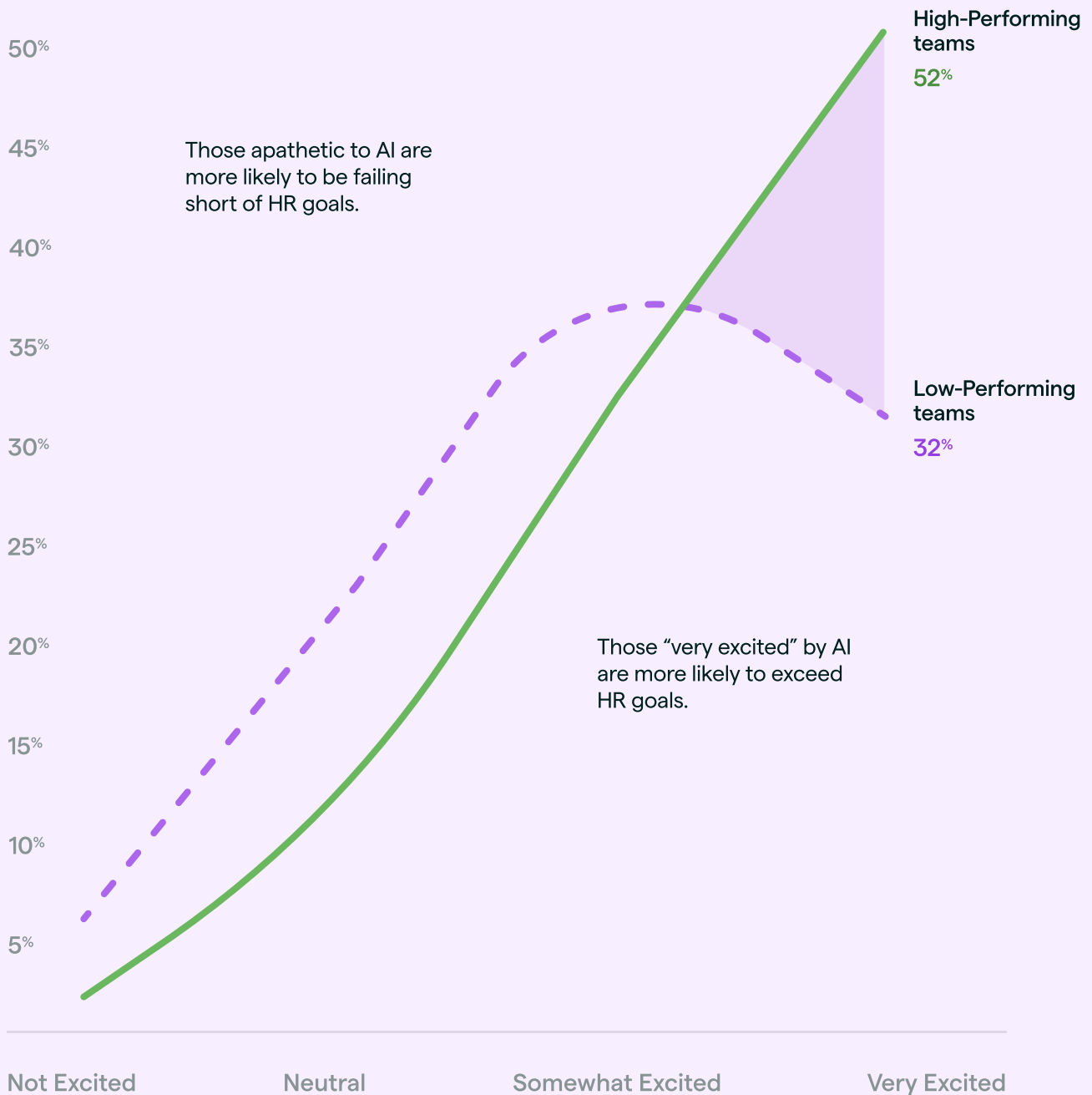
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Chuck Marcelin
Director of HR
Hudson Valley Property Group

Enthusiasm for AI pays dividends for HR.

The better HR teams' performance, the more likely they are to be very excited about AI in HR.



AI, Take the Wheel

For the last few years, HR has been learning to play puppet master with AI — pulling the strings and tweaking prompts with careful guidance. But as agentic AI becomes the forefront of every conversation, teams are now asking: What happens when AI can pull the strings on its own?

Unlike generative AI, which generates outputs based on prompts, agentic AI can plan, act, and adapt autonomously.

The answer to how to use it, for many, is an evolving conversation. There's a clear learning curve ahead:

While few HR teams have reached AI maturity, the appetite is definitely there: Altogether, 83% of HR professionals are either excited, hopeful, or optimistic about outsourcing to agentic AI — with a dash of caution, of course.

“High-performing teams are culturally wired to experiment, learn, and adapt,” said Kruger. “Experimenting with AI is a symptom of a learning culture, and AI just amplifies that culture. It's less about the tech and more about whether the organization has psychological safety embedded into their culture to support the change required to use it well.”

42%

of HR professionals in corporate environments say they already use agentic AI regularly.

45%

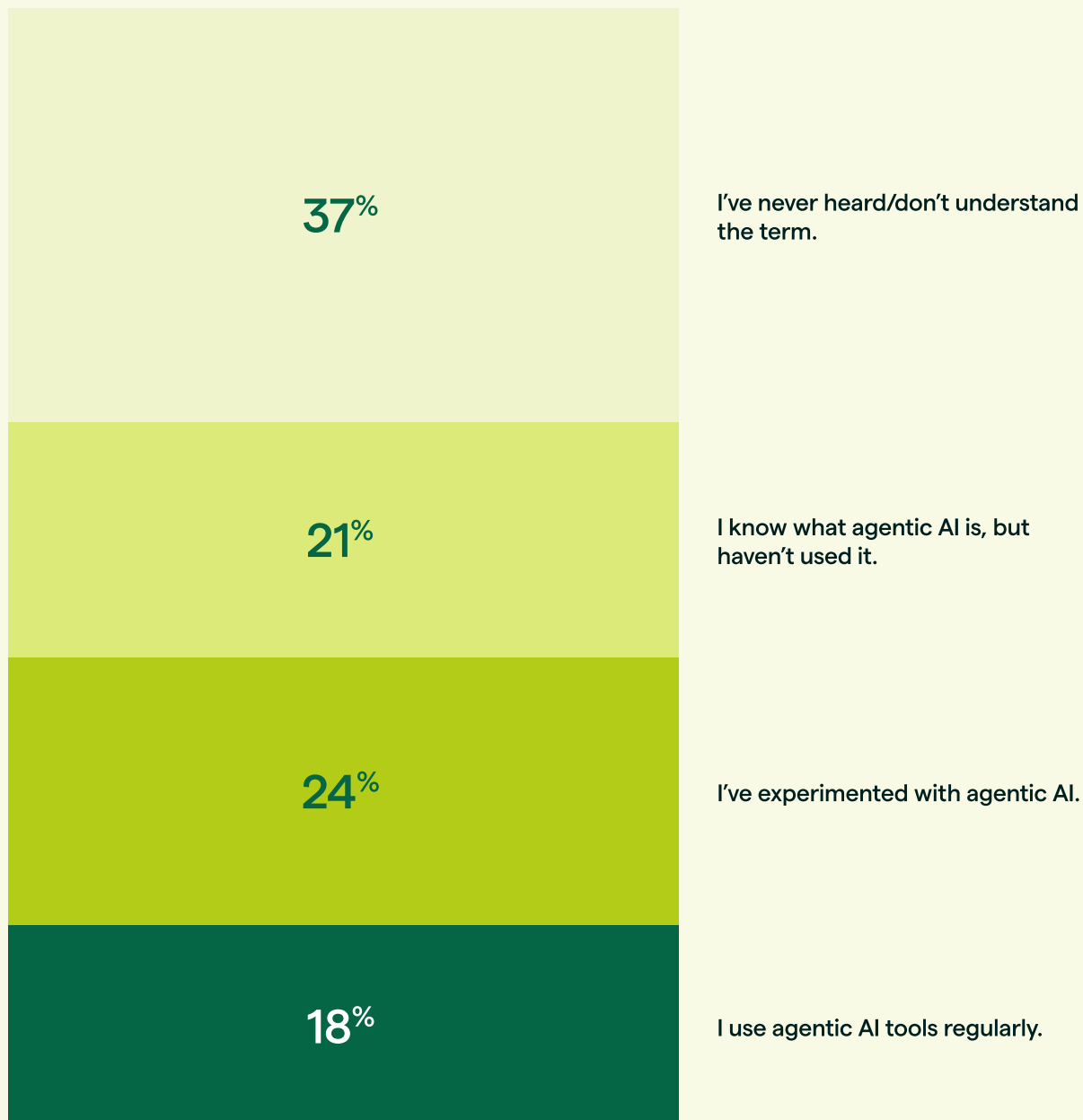
of European HR teams are regularly using agentic AI compared to only 28% in the US.

38%

of millennials in HR report regular use of agentic AI, compared to 7% of boomers.

White-Collar HR's Familiarity

Agentic AI is taking hold in white-collar businesses, with 42% citing experimentation or regular use.



Aligning AI Tooling With Business Strategy

When it comes to AI, every tool must be a value-add that helps teams build more effective processes. As teams face greater pressure to innovate and consolidate in the same breath, getting smart about specialization, AI use case identification, and business alignment will help teams stay ahead of the curve and budget cuts.

Being discerning about what you bring in is critical.

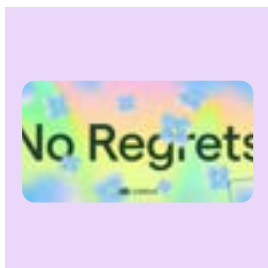
“If the tech complicates the employee experience, it’s not mature regardless of how ‘shiny’ it looks,” said Kruger. “So, I ask three questions: Does it solve a real problem? Can it integrate without creating more work? Do people have the skills to use it well? If the answer to any of these is no, it’s not ready. Being discerning about adoption is as important as being open to it.”

Small-scale experimentation can make this selection process even smarter. Ross notes that running low-risk pilots will help teams test new AI-enabled tools and scale what works while investing budget wisely.

But beyond implementation, HR teams need to set their sights on facilitating tech and AI-readiness, said Ross, “to reimagine their roles as strategic enablers supported by technology, rather than sidelined by it.”

On a global scale, HR teams are working across the entire spectrum to make this work, including delivering training and workshops on AI tools and responsible use, reskilling and upskilling employees impacted by AI, and developing policies and guidelines around AI use. They’re also acting as facilitators — partnering with IT on integration strategy and helping to identify roles, tasks, and workflows that can be automated.

Ultimately, HR’s best chance at success comes when tech and AI are in lockstep with the organization. This means moving beyond tool adoption to become enablers of change — building the frameworks, relationships, and capabilities that help the entire organization move forward, together.



RESOURCE

Want practical strategies on how to win with AI? Here are seven tips for getting it right.

[Download the playbook](#) >



Conclusion

No matter what new tech, priorities, or pressures are in the spotlight for HR, it always comes back to people. That hasn't changed — and it probably never will. But the difference now is in how HR teams are showing up and supporting their people in an ever-shifting terrain.

With the rise of AI, HR teams are finding new ways to solve old problems, unearth insights previously locked in black boxes, and amplify the impact of their employees. They're testing, experimenting, building, and breaking — all in service of creating a better employee experience.

But while the way we work is changing, the fundamentals that make work work haven't. Culture and engagement are still twin pillars of every organization's success. Trust and transparency remain the bedrock of high-performing teams. And HR's human touch will never be replaced.

So yes, our data may show that teams are worried about an uncertain future. But we also see so many reasons for optimism. The teams leading the way on AI aren't turning away from their people — they're doubling down and showing up, using AI to create space for more strategic, empathetic, and meaningful work.

People + AI Succeeding Together

Lattice's people management platform provides interconnected and intuitive HR tools designed to drive high performance and build people-first cultures.

Combining an HRIS with continuous performance management, employee engagement surveys, compensation management, and career development tools, Lattice's platform drives excellence and efficiency for HR teams by enabling them to invest in their people and accelerate business results.

With offices across North America, the UK, and Europe, Lattice serves more than 5,000 customers worldwide, including Discord, Gusto, Intercom, Ramp, Calm, NPR, and Tide. Lattice has ranked on the Inc. 5000 list of the fastest-growing private companies five years in a row and is rated as a Great Place to Work by 99% of its employees.

[Request a demo](#)[Learn More](#)

“

Lattice has really helped us foster a strong culture of collaboration, continuous feedback, and celebrating our core values.

Gary Chow

Head of People Operations
and Systems
Lyra Health

“

Lattice gives us a central hub where performance, development, engagement, and planning come together. It lets us operate strategically and speak the same language as our Finance partners.

Karishma Barua

VP of People
Fairmarkit

“

For our employees, Lattice is top of mind whenever they think about performance or feedback. Having Lattice integrated into our day-to-day experience has been instrumental in embedding the culture and values we strive for as a company.

Sudarshan Dhati

Group VP for Organizational
Development and
Effectiveness
Tide

The *2026 State of People Strategy Report* features survey responses from 1,002 HR professionals collected between April 2 and June 5, 2025.

Respondents work across various industries and company sizes, with a variety of job levels, departments, and responsibilities. They’re located in the US, United Kingdom, Germany, France, and other global markets.

In our 2026 survey, we explored some of the key topics influencing HR priorities right now, including employee performance, how teams are using HR tech and artificial intelligence (AI), and how they’re navigating an increasingly polarized workplace.

We analyzed these responses and compared them to the results from previous years, pulling out key trends and practical actions for HR’s most pressing focus areas.

Data points presented as percentages have been rounded to the nearest whole number.

COMPANY HEADCOUNT

0-10	1%
11-24	3%
24-40	4%
41-100	18%
101-250	17%
251-500	12%
501-1,000	19%
1,001-2,000	10%
2,001-3,000	3%
3,001-5,000	7%
5,001-7,000	2%
7,001-10,000	2%
10,000+	2%

COMPANY LOCATION

United States	52%
United Kingdom + Ireland	18%
France	11%
Germany	10%
Other	9%

HR TEAM SIZE

1	10%
2-5	35%
6-10	15%
11-20	20%
21+	20%

COMPANY INDUSTRY

Software & IT	18%
Manufacturing	13%
Retail & Trade	11%
Professional & Business Services	8%
Healthcare	7%
Financial Technology	5%
Leisure & Hospitality	4%
Food & Beverage	4%
Transportation	4%
Construction	3%
Banking / Credit Union	3%
Nonprofit	3%
Advertising & Marketing	3%
Insurance	2%
Media & Entertainment	2%
Education	2%
Life Sciences	1%
Telecommunications	1%
Wealth Management	1%
Utilities	1%
Aerospace	1%

ROLE

VP or Head of People/HR	31%
Director-Level People/HR or HRBP	50%
HR Generalist	9%
People Ops	5%
Recruiting	1%
Other	4%

This report was carefully and creatively produced by many insightful people — a reminder that, above all else, people are what make work meaningful. A heartfelt thanks to our contributors, without whom this report would not be possible:

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