STRATEGIC HR:
A GUIDE TO MAKING A DIFFERENCE FOR YOUR PEOPLE AND THE BOTTOM LINE

Always Designing for People®

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Introduction

A lot has changed in the world of work, and it's still evolving quickly. Today's workforce is shaped by economic pressure, shifting expectations, new technologies and global competition.

Strategic HR connects technology, people and business outcomes in ways that drive measurable impact. With the rise of real-time data and workforce analytics, HR is no longer just a support function — it's a driver of business performance and resilience.

1 What is strategic HR?

Strategic HR is the practice of using data, technology and human insight to align workforce decisions with business outcomes.

Today's HR leaders are empowered with real-time analytics, predictive workforce insights and integrated payroll and HR systems. Together, these capabilities help HR improve productivity, reduce costs, increase engagement and support better leadership decisions — all in a more proactive and measurable way.

One of the most significant drivers of this shift is artificial intelligence (AI), which is rapidly redefining how HR operates, makes decisions and delivers value to the business.

> **"The workplace has been transformed ... employers are investing in their people in new ways to drive engagement and results."**
>
> **— Nela Richardson**
> Chief Economist, ADP Research

2 How AI is transforming the role of HR

AI has fundamentally changed how HR work gets done.

Tasks that once required significant manual effort — such as running reports, managing payroll inputs, scheduling interviews and responding to employee questions — can now be automated. This allows HR teams to shift their focus toward higher-value work, including workforce strategy, employee experience and organizational performance.

As a result, HR is evolving from a function centered on administration to one focused on insight, strategy and impact.

From reactive to predictive

The most significant transformation is the shift from reactive processes to predictive decision-making.

AI-powered analytics can identify patterns and risks much faster than traditional methods. Instead of only reporting on past events, HR teams can now anticipate future challenges and opportunities.

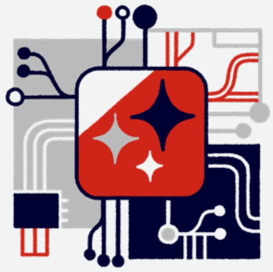
This enables leaders to take a more proactive approach by identifying retention risks early, tracking engagement trends in real time and aligning workforce decisions more closely with business goals.

Impact across the HR life cycle

AI is improving both efficiency and outcomes across the HR life cycle.

In recruiting, AI helps streamline candidate screening and surfaces stronger matches more quickly. In payroll and workforce management, it supports accuracy and helps detect anomalies. In learning and development, it enables more personalized and scalable skill-building.

Across these areas, AI allows HR to operate with greater precision and agility while focusing more on strategic priorities.



New role of HR in the AI era

AI isn't replacing HR — it's redefining and elevating it.

HR is now expected to:

- Lead workforce strategy and transformation
- Use data and insights to guide business decisions
- Design more effective employee experiences
- Help organizations adapt to ongoing technological change

Organizations that effectively integrate AI into HR are better positioned to improve productivity, strengthen their workforce and drive better business outcomes.

3 Strategic pay

Pay remains one of the most important elements of the employee experience, but expectations have evolved significantly in recent years.

Compensation strategies now need to go beyond salary alone. Organizations are increasingly taking a broader view that includes financial wellness support, clearer communication about pay, flexible benefits and tools that help employees better manage their money.

Helping employees understand not just what they are paid, but how pay decisions are made, has become essential to building trust and improving retention.

"Pay is the foundation of financial well-being for most workers, yet even record employment isn't translating into financial security."

— Nela Richardson
Chief Economist, ADP Research

Issues and approaches to consider

Values

Budgets reflect an organization's values and what's important. So does pay. But things get complicated when we try to translate human skills and effort into money. We have historical norms about who should lead. There are strong societal expectations about work's role in our lives and what it means to be a team player or a great employee. We reward people who are great at what they do by giving them management jobs where they don't get to do that work anymore.

Instead of treating compensation as a pay range based on hierarchy, titles and benchmarks, we're noticing more analysis of skills and contributions. This isn't always related to hours worked, work location or traditional roles and titles.

HR's mission

Rather than jumping into new tools, processes and metrics, start by considering values in terms of contributions and in terms of what matters to the organization and its people.

Understanding

Pay, deductions and taxes are all part of work. But often, employees don't understand all the information on their paychecks. Most organizations have employee portals where employees can track their pay, paid time off (PTO) and benefits. Making that information easy to access with the ability to get explanations and learn more saves everyone time and stress.

The bigger question about pay is whether employees understand what they are paid and how it is determined. This is an important part of the manager-employee relationship and a way to build trust, increase pay transparency and help with career planning.

And if pay transparency becomes part of the organizational culture, it can also promote equity because people will better understand where they are and where they want to go.

The unexpected

Getting people paid on time is a compliance requirement, and the penalties for being late can be significant. When things are running smoothly, it's not a problem. But planning for the unexpected is now necessary. Storms, fires, hurricanes and power outages are becoming part of our everyday reality. Make sure your payroll provider knows how to handle these issues and can help you navigate whatever is going on so that employees dealing with a disaster have the security and resources they need.

Financial wellness

Money is complicated. Dealing with taxes often feels like it requires an accounting or law degree. Investing and retirement benefits are a mystery to many people, regardless of where they are in their careers.

For many of us, no one talked about money, debt, investments, risk or saving. And our systems have changed. Almost all transactions are digital. People under 30 don't write checks and wonder why anyone would.

Once someone gets past the question of whether there is enough money to cover bills and expenses, that usually means spending more. Employees would like the security of savings but often don't know where to start.

For more on this topic, check out: The True ROI of Employee Financial Wellness

4 Strategic recruiting

Recruiting today requires a long-term, more strategic mindset. Rather than reacting to open roles, organizations are planning ahead using data and workforce insights.

A growing challenge is the skills gap. **Only 24%** of workers feel confident they have the skills needed to advance in their careers, highlighting both risk and opportunity for employers. At the same time, employees consistently rank career growth and development opportunities among their top reasons for staying with an organization.[1]

As a result, many organizations are shifting toward a more modern approach. This includes moving away from rigid credential requirements and toward skills-based hiring, investing more heavily in upskilling and reskilling programs, and using analytics to anticipate talent needs before gaps emerge.

In a labor market that is increasingly global and competitive, success depends on building talent pipelines early, continuously developing employees and using data to make smarter hiring decisions.

Finding and hiring the right people for your organization means understanding where the organization is, where it's going and the people and skills required to get there.

"Our research shows that a skilled workforce is more loyal to their employers — and more productive. Yet only a small fraction of workers are upskilled within two years of being hired. If companies want to benefit from the enormous technological advancement to come, they must start with investing in the skills and career progression of their workers."

— Nela Richardson
Chief Economist, ADP Research

Issues and approaches to consider

Talent strategy

Your talent strategy probably needs to be broader, on a longer timeline and more dependent on workers' availability, the economy, the environment and governmental policies. Individual organizations don't control these things directly; the temptation is to wait until something happens before responding. When things are changing fast or can change at any minute, having the best information gives you more confidence in your decisions. When you're unsure, guessing is usually as bad as doing nothing.

This is where data and technology can make a difference. Some tools can monitor and track key recruitment metrics, such as:

- **Source of hire**: Where do your people come from? Where else can you search?
- **Application completion rate**: Are you losing people before the process starts?
- **Submittal-to-interview ratio**: Where and when do people drop out?
- **Interview-to-offer rate**: Are you talking to too few or too many people?
- **Offer acceptance and decline rates**: If people don't accept, why?
- **New-hire turnover rate**: Are people leaving soon after they arrive? Why?

These metrics will tell you what's happening in your hiring process, where the process is working and where it's not. When you have better information, you can ask better questions and find answers and solutions faster.

With real-time analytics, planning is more manageable, and you know what needs to happen to have the right people when you want them. When it's possible to recognize what's happened, emerging trends and when things are changing, you can predict needs with greater accuracy. You can also address issues before they worsen.

A skills-based evolution

There is plenty of room to improve how we assess who can or should do different jobs. And turnover is expensive.

We are moving from degrees and certificates to skills. By understanding people's skills and the skills required for a job or project, we can match the actual work to a human instead of guessing based on proxies for qualification. This also helps eliminate bias because the focus shifts to a person's competencies instead of who they are and where they have been.

This approach allows teams to be configured by project, which may cross traditional reporting dots and lines. New career paths will open as we learn more about transferring skills to different kinds of work.

Most importantly, educational and financial barriers to entry are removed. Reimagining the recruiting, hiring and organizational structure presents an opportunity to create a more inclusive and equitable workplace.

More on skills:
A new, innovative approach to hiring and development

5 Strategic business partner

HR's role as a strategic business partner has expanded significantly with the rise of integrated data and analytics.

Today, HR teams can combine workforce, payroll and financial data to develop a clearer view of organizational performance. Instead of relying on backward-looking reports, they can monitor trends in real time and provide leaders with actionable insights that influence key decisions.

For example, HR can now identify patterns in labor costs, turnover or productivity and connect those trends directly to business outcomes. This allows organizations to respond faster, allocate resources more effectively and make better-informed strategic choices.

Organizations that take advantage of these capabilities are better positioned to manage costs, improve retention and optimize workforce performance — all while navigating ongoing change.

Combining people data with budget data

When HR can combine people data with financial data, they can provide senior leaders with strategic advice that impacts the bottom line.

HR already works with the connections between people, technology and data, which puts HR in a unique position to:

- Explore and understand trends and connections
- Monitor changes
- Advise on new policies and their impacts
- Know what employees need and want and the challenges they are facing
- Explore how people issues affect the bottom line
- Solve problems in sensible and practical ways

When you combine budget data with real-time people analytics, it suddenly becomes possible to understand the entire financial picture in context with what's happening in the organization.

For example, you can track how expenses are related to the budget at any time instead of monitoring year-over-year expenses. Are your labor costs on track, over or under? If the answer doesn't make sense, you can look at labor costs by location, division or department. You may be understaffed for the work when labor expenses are significantly under projections. You may be dealing with wage compression and a more competitive market when they are over.

The importance of the combination

Having your people and financial data together allows the organization to quickly identify trends and adjust.

With access to financial data, HR can begin to track revenue against spending. Revenue can decline for many reasons, including people, products and the economy. It may involve staffing or compensation issues with sales, extra labor costs, other expenses affecting the financial balance or even morale issues impacting productivity.

No matter what's going on, it's sensible for HR leaders to understand financial data and to be involved in strategy conversations so they can offer unique insights, ideas and approaches.

Conclusion

Strategic HR is about connecting the dots between people, data and business outcomes. Organizations that invest in technology, workforce insights and employee experience are better equipped to adapt to change, reduce risk and drive sustainable growth. By taking a more strategic approach, HR can play a central role in shaping both the future of work and the success of the business.

By exploring the bigger picture, approaching business with new and creative solutions and having the tools and information to ask better questions and get answers faster, HR and organizations can change both work and business for the better.

EXPLORE THE BIGGER PICTURE WITH PEOPLE ANALYTICS.

Access the self-guided demo

1. ADP Research, People at Work 2025: A Global Workforce View, 2025

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