

Building on Shaky Ground:

HR's struggle to realize value from tech investments



When it comes to AI, it's complicated. CEOs are eager to invest, with nearly 60% of HR teams actively pursuing it, yet 40% of organizations acknowledge that significant barriers remain¹. Despite the enthusiasm, HR is aware of the flaws in their foundational operating model, which makes achieving full value realization somewhat unclear.

Even before AI, we struggled with realizing our full HR transformation potential — making investments that don't align with our people priorities, letting tech stacks get unwieldy and kill return on investment (ROI), and implementing tech without changing how we work

Mercer's latest HR Tech Confidence Check explores whether we're moving the needle on all of it.



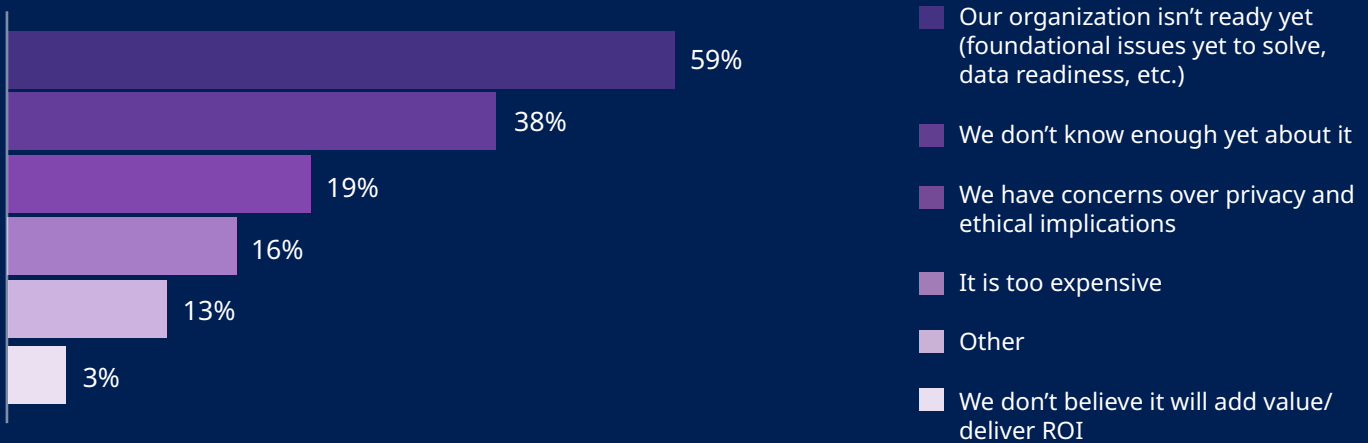
AI (un)readiness

In stark contrast to last year's lighthearted optimism regarding AI experimentation, this year's study shows HR teams facing pressure to move from ideating around AI to producing real results. Notably, **59% of HR teams are actively strategizing to incorporate AI into their operations**, with more than half allocating specific budgets and resources for this purpose.

However, a substantial proportion of teams — 59% —not yet incorporating AI **cite organizational readiness as a primary barrier**. Foundational issues, such as data readiness and integration challenges, remain unresolved. Additionally, 38% of these teams say they lack knowledge about AI, highlighting a critical need for education and transparency in this area. This all underscores the urgent need for a solid strategy, a clear use case and a real understanding of the value technology brings before diving into any purchases or implementations.



Why organizations aren't actively incorporating AI into their approach



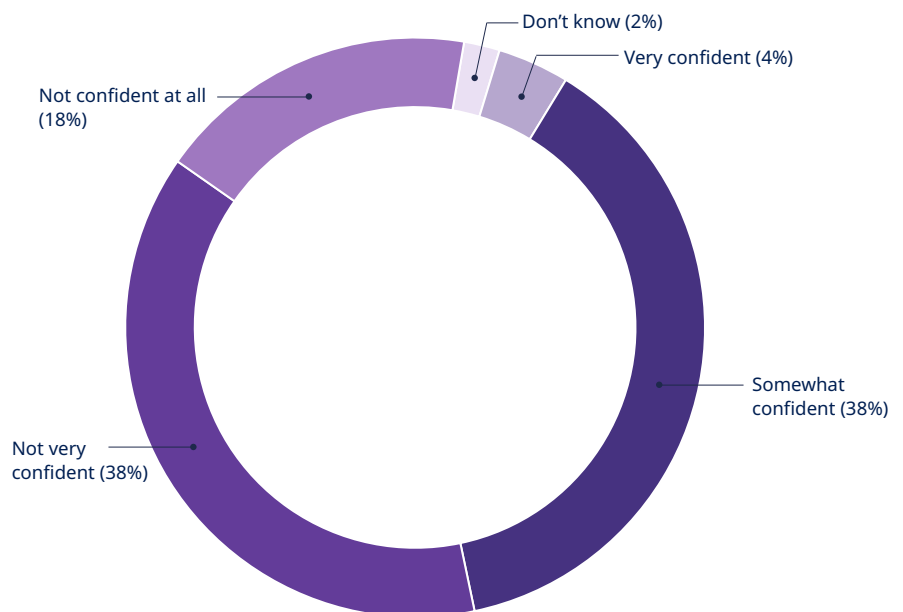


Minding the deployment gap

If HR is going to make AI visions a reality, they'll need to address the cycle of buying technology without getting value. Although the number of **HR teams claiming to deploy cutting-edge technology has surged by 53%** year over year, reports of **teams actively modifying system configurations to unlock new capabilities have declined by 14%**. This trend highlights HR's tendency to invest in appealing technology without a clear strategy for maximizing its benefits or linking it to tangible business outcomes.

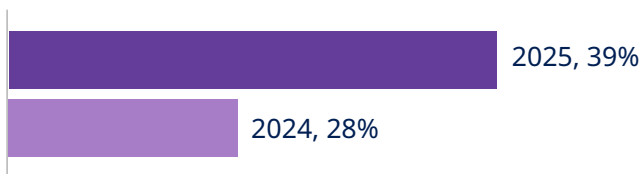
Moreover, our findings reveal a **concerning lack of confidence in optimizing HR tech stacks**. Fewer than 5% of teams fully believe they have achieved their maximum potential impact, and a striking **56% express low confidence in their tech optimization efforts**. This suggests a significant disconnect between investment in technology and its effective deployment and utilization. Thoughtful deployment includes listening to stakeholder voices and configuring technology to support the needs of the greater business. More importantly, deployment is not a one-and-done event but a continuous journey of listening, adjusting and improving over time.

Confidence HR Tech stack is fully optimized for maximum impact



Investment continues to exceed satisfaction

Most people are mildly satisfied with the ROI of HR tech investments—unless you're the one writing the check, in which case your happiness is waning. So, is HR technology perpetually falling short of ROI, or are we measuring the wrong thing?



HR Tech budget owners & influencers that are dissatisfied with their current HR tech stack.

Source: HR Tech Confidence Check — Spring 2025, Mercer

Satisfaction with HR technology has notably declined compared to last year, especially among budget owners and influencers, whose **dissatisfaction has surged by nearly one-third year over year. This drop is accompanied by a significant** decrease in the number of respondents who are very satisfied with the perceived ROI of HR tech, which is now at an all-time low— less than half of what it was two years ago for those managing HR tech budgets. This further highlights the disconnect between tech investments and their actual utilization. Tech works best when it's aligned with clear outcomes and strategically optimized over time to adapt to the needs of the business. Yet, too often, it's tied to metrics we once thought important — such as hiring efficiencies and modest cost-saving — but that fade quickly and can't easily be tied to business success. It's no wonder we're underwhelmed.





Data offers a solution, but only if it's put to good use

HR teams continue to recognize the value of people analytics, with 44% planning to invest or increase their investment in this area, consistent with last year's figure of 48%. However, simply having access to better data and insights doesn't guarantee improved outcomes. To drive real impact, analytics need to align with other key people priorities. This means asking critical questions: What value do we expect to gain from our analytics? How will these insights influence our business decisions? More importantly, what action can be taken based on this data, and who will take that action?

By connecting people analytics to broader goals — such as enhancing people management skills or improving workforce planning — HR can unlock real value. When analytics serve as a strategic tool rather than just a data source, tech investments transform from simple efficiency boosters into powerful catalysts for meaningful business results. That's what we call real ROI.

HR/ People Analytics Technology Investment



44%

Plan to invest, or plan to increase investment.



38%

Currently invest, with no plan to increase investment.



18%

Do not invest and have no plans to invest.

In summary

It's clear that while HR teams are buzzing with excitement about AI, there are some serious cracks in the foundation that need attention. The history of investing in tech without seeing real value is a story we've heard too often. To make the most of tech investments, especially AI, HR must think strategically about how technology aligns with broader people priorities and the overall business strategy. And since people remain the cornerstone of any effective strategy, investments in AI must be accompanied by a commitment to developing the workforce that will harness its potential.

This isn't just about jumping on the latest trend; it's about ensuring every tech decision supports the bigger picture. A focus on solid data foundations and connecting HR tech investments to clear outcomes can not only boost ROI, but they can also expand HR's impact and effectiveness. So, if we want to unlock the true potential of AI (or any other tech) in HR, we must shift from mere investment to strategic alignment, ensuring that every technology decision not only enhances our workforce but also drives meaningful business outcomes.



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