



MERCER
A MARSH BUSINESS

From investment to impact: HR technology enters a new phase

Insights on HR tech confidence, investment priorities, ecosystem connectivity, AI adoption, and the capabilities shaping what comes next

Executive summary

HR technology is entering a more outcome-driven phase.

After several years of rapid investment, experimentation, and portfolio expansion, organizations are starting to see stronger returns from HR technology. In Spring 2026, **73%** of respondents report satisfaction with the ROI of their HR technology investments—up from **56%** in 2025. Overall satisfaction with HR technology also increased to **65%** from **58%** last year.

At the same time, the data highlights a structural constraint that continues to limit progress: ecosystem interoperability. Only **14%** of respondents describe their HR tech ecosystem as coherent and interoperable. Most organizations operate in environments that are either **fragmented and inconsistently connected (42%)** or **connected, but complex (34%)**. As a result, many are realizing greater value from HR technology while still struggling to scale that value across systems, workflows, and experiences.

This tension defines the current moment. The question is no longer simply whether to invest in HR technology. It is how to **connect, govern, and orchestrate** those investments to deliver measurable outcomes.

The shift is also visible in current investment priorities. **78%** of respondents say they are investing in **Core HR**, **74%** in **recruitment management**, **71%** in **learning and development**, and **60%** in **people analytics**. These patterns suggest renewed focus on foundational systems and capabilities that support operational performance and create the conditions for advanced use cases.

AI momentum is building as well, with a pragmatic orientation. The top outcomes driving AI investment are **cost optimization and efficiency (52%)** and **productivity or capacity expansion (48%)**. Only **8%** cite innovation and experimentation as the primary driver—suggesting the market is moving beyond exploration toward applied value in the flow of work.

The implication for HR leaders is clear. The next phase of value creation will come less from adding more tools and more from improving how the ecosystem works together. Organizations that strengthen the backbone, improve data flow, reduce friction across systems, and build orchestration capabilities will be better positioned to convert HR technology investment into sustained business and workforce outcomes.

2026 at a glance

73% are satisfied with HR tech ROI

65% report overall satisfaction with HR technology

78% are currently investing in Core HR

60% are currently investing in people analytics

14% describe their ecosystem as coherent and interoperable

52% cite efficiency as the top AI investment driver

Confidence

Confidence in HR technology is improving.

The clearest signal in this year's data is a meaningful improvement in perceived value. In Spring 2026, **73%** of respondents say they are satisfied with the return on investment from HR technology, up from **56%** in 2025. Overall satisfaction also increased, rising from **58%** to **65%**. Together, these findings suggest more organizations are achieving consistent returns from HR technology investments.

Notably, progress is not primarily driven by budget growth.

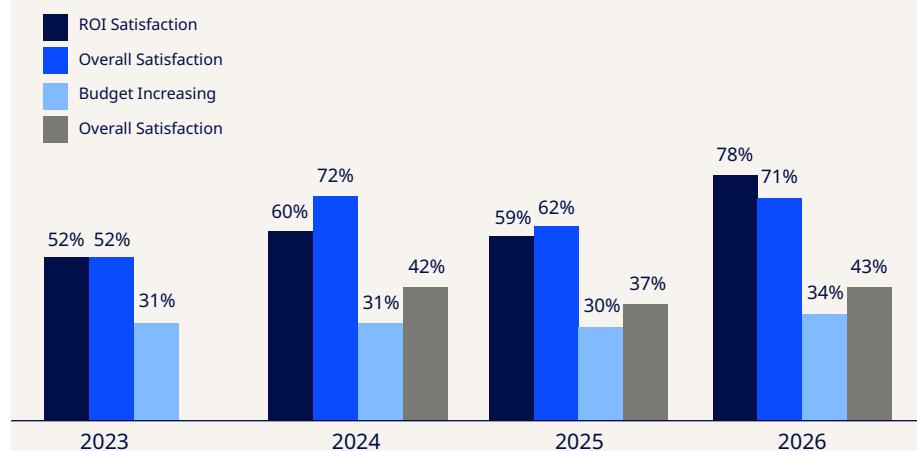
Only **34%** of respondents report their HR technology budget is increasing, while **54%** say budgets are staying flat. The story, then, is not simply increased spend—it is greater discipline in managing investments and capturing value.

There are also signs of modest improvement in execution. The share of respondents who say their organization can continually modify configurations and release new capabilities in an agile way rose to **43%**, up from **37%** last year.

While this still indicates significant room to mature, it suggests some organizations are strengthening the operational capabilities required to convert investment into usable value.

Overall, the market is showing cautious progress. Many organizations are seeing clearer value, even as deeper structural barriers to scale remain unresolved.

Figure 1: HR tech Management Metrics - Year over year



Value is improving: Nearly 73% of respondents are satisfied with HR tech ROI, a sharp increase from last year's 56%.

What this suggests: Organizations are seeing more value from HR technology, but better outcomes do not necessarily mean underlying ecosystem challenges have been resolved. For many, improved returns are being achieved despite persistent complexity.

Investment

Investment is shifting—not in size, but in focus

The most important investment signal in the 2026 data is not a dramatic increase in budgets. It is a clearer pattern in where organizations are placing their bets.

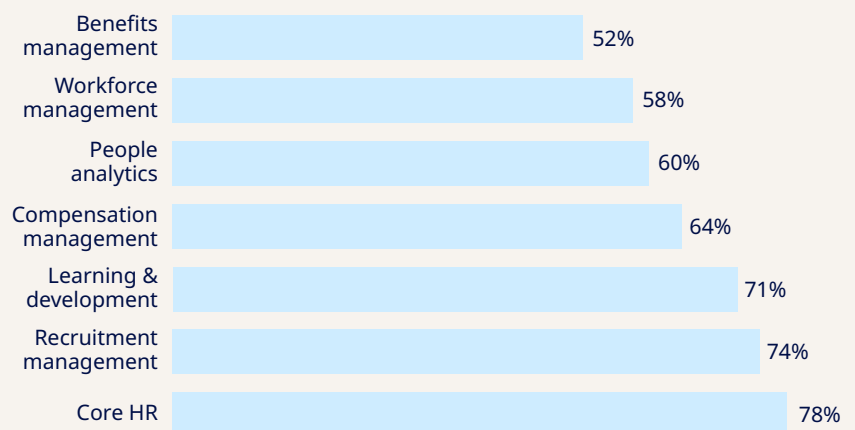
Current investment is concentrated in foundational capabilities. **78%** of respondents report investing in Core HR, followed by **74%** in recruitment management and **71%** in learning and development. Investment in compensation management remains strong at **64%**, and **60%** say they are investing in people analytics.

This back-to-core posture reflects an important market shift. Organizations appear to be moving away from diffuse investment patterns and toward systems that anchor HR operations, hold critical workforce data, and enable more consistent execution at scale.

The rebound in people analytics is especially notable. In 2025, only **38%** of respondents reported current investment in people analytics; in 2026, that figure rose to **60%**. This increase suggests analytics is increasingly viewed as a core enabler of future value—not a secondary layer.

These findings also help explain why confidence is improving. Organizations are not simply adding more tools. They are directing investment toward the parts of the ecosystem most likely to improve operational performance, data visibility, and readiness for advanced capabilities.

Figure 2: Current Investment - Foundational HR Tech (2026)



Better-targeted investment: Core HR (78%), Recruitment Management (74%), and Learning & Development (71%) represent the strongest current investment levels.

What this suggests: Foundational systems create the operating backbone for HR. As organizations invest in AI, automation, and more advanced capabilities, the quality of that backbone increasingly determines what can scale.

Interoperability

Interoperability is the missing link between investment and value

If this year's report has one defining structural insight, it is this: value is improving, but most ecosystems are not yet built to scale it.

Only **14%** of respondents describe their HR technology environment as coherent and interoperable. By contrast, **42%** say their environment is fragmented and inconsistently connected, while **34%** describe it as connected, but complex. Another **5%** say it is rigid and difficult to change.

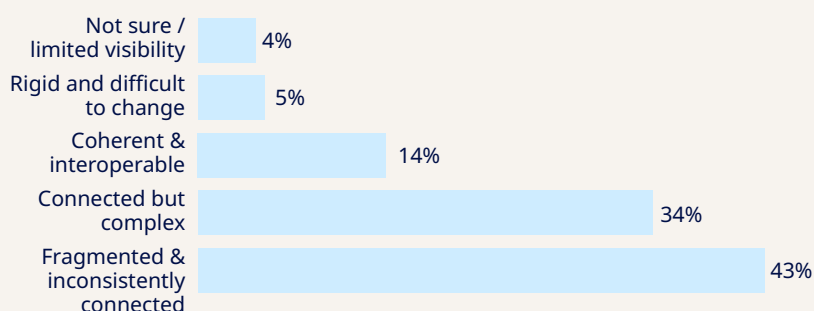
These results explain the tension at the heart of the 2026 findings. Organizations are reporting stronger ROI and higher overall satisfaction, yet most still operate within environments that create friction across systems, workflows, and data. The market is making progress on value realization—but often within ecosystems that make scale harder than it should be.

This is why interoperability is becoming a critical factor.

Fragmented environments slow data movement, complicate cross-system processes, increase the cost of change, and make it harder to deliver seamless workforce and leader experiences. They also constrain activation of more advanced capabilities—such as automation, AI-enabled assistance, and workflow orchestration—in ways that feel connected and sustainable.

Interoperability is not simply an architecture issue. Increasingly, it is the condition that determines whether organizations can translate investment into coordinated outcomes. As HR technology portfolios mature, the gap between moderate value and sustained impact will depend less on individual tools and more on how well the ecosystem works together.

Figure 3: HR Tech Ecosystem Connectivity (2026)



Only 14% of organizations report having a coherent and interoperable HR tech ecosystem.

Why this matters now: AI depends on trusted data flow. Workforce and leader experience depends on seamless handoffs. Workflow improvement depends on cross-system coordination. Faster change depends on simpler architecture and release discipline.

AI momentum

AI momentum is building, with a pragmatic focus

AI continues to gain traction in HR technology, and the Spring 2026 data suggests organizations are approaching it with a practical mindset.

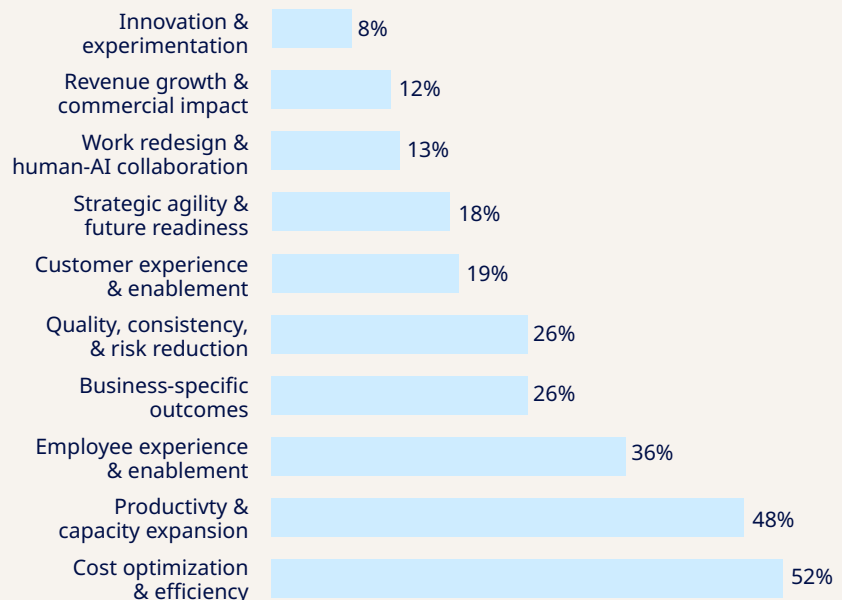
The top outcomes driving AI investment are cost optimization and efficiency (**52%**) and productivity or capacity expansion (**48%**). A smaller—but still meaningful—share cite employee experience (**36%**). Only **26%** point to quality improvement or risk reduction, and just **8%** identify innovation and experimentation as a primary driver.

This distribution signals a shift: AI in HR is moving out of the exploratory phase and into a more applied phase, where leaders expect it to improve how work gets done. Organizations are looking for measurable returns in service delivery, workflow improvement, content generation, and decision support—rather than positioning AI primarily as a future-facing experiment.

At the same time, a pragmatic focus on efficiency does not remove the need for readiness. AI depends on the surrounding ecosystem. If data is inconsistent, workflows are fragmented, and governance is unclear, even strong AI functionality will struggle to produce durable value.

AI is no longer being justified by novelty. It is being justified by operational performance. Organizations most likely to benefit will be those that connect AI efforts to the structure, data, and workflows that support execution at scale.

Figure 4: Top AI Investment Priorities (2026)



Applied value over experimentation:

Only 8% of respondents cite innovation and experimentation as the main driver of AI investment, compared with 52% citing efficiency.

What leaders should keep in mind:

Early AI value may come from narrow, high-practicality use cases. Longer-term value depends on governance, trustworthy data, and the ability to embed AI into connected workflows.

Advanced capabilities

The next wave depends on connection and orchestration

A second important signal in the 2026 data is the emergence of capabilities designed to improve flow across systems, decisions, and work.

Among the capabilities surveyed, **24%** of respondents say they have already deployed a unified people data layer, while **31%** are planning to do so. Workflow orchestration has been deployed by **13%**, with **35%** planning investment. Low-code / no-code configuration shows a similar pattern, with **13%** already deployed and **33%** planning. Agentic AI workflows remain earlier-stage, but momentum is building, with **19%** reporting deployment and **38%** planning to invest.

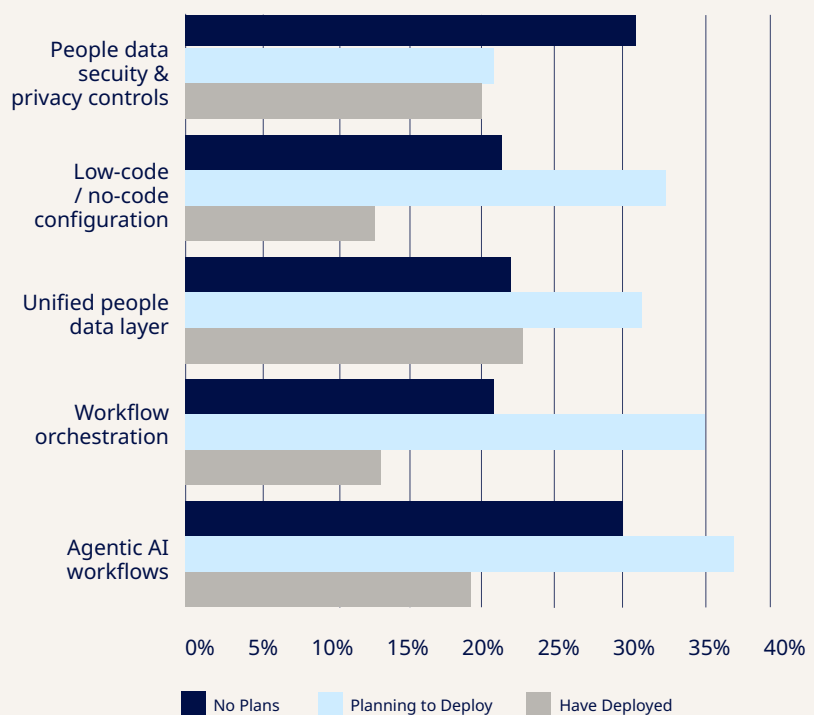
These patterns suggest organizations are increasingly investing in coordination—not just transactions. Workflow orchestration can reduce manual handoffs. Unified data layers can increase consistency across disconnected systems. Flexible configuration can make it easier to adapt processes without large-scale redevelopment cycles.

Taken together, these capabilities point to the next phase of HR technology architecture: environments that better coordinate activity across systems, people, and decisions.

This is also where interoperability becomes decisive.

These advanced capabilities will deliver the most value where connectivity is improving across the HR technology stack. Without that foundation, they risk becoming another layer of complexity.

Figure 5: Advanced Capabilities - Deployed vs. Planned (2026)



What comes next:

- **38%** are planning agentic AI workflows
- **35%** are planning workflow orchestration
- **31%** are planning a unified people data layer

What these capabilities have in common:

Each of these capabilities depends on better flow across systems, data, and processes. Their value is amplified in environments that are more connected and easier to manage.

Recommendations

Turning HR technology investment into measurable outcomes

As confidence rises and investment continues, the central challenge is no longer selecting the right technologies. It is creating the conditions in which those technologies produce measurable outcomes.

The 2026 data points to a clear gap between progress and potential: **73%** of respondents report satisfaction with HR tech ROI, yet only **14%** report operating in a coherent and interoperable ecosystem. That gap is where the next phase of value creation sits.

Closing it requires a shift in focus. Organizations that generate sustained value from HR technology do more than invest in platforms.

They strengthen the operational backbone, simplify ownership, improve data consistency, and reduce friction across the workflows that matter most.

They also apply greater discipline to change management, capability release practices, and governance—particularly for emerging technologies such as AI.

In practical terms, this means shifting from technology acquisition to ecosystem management. It means evaluating not only whether a tool has the right features, but whether it fits into a connected architecture, supports coherent journeys, and can be managed repeatably over time.

For many organizations, progress will begin with targeted moves: standardizing key data definitions, fixing the most important system handoffs, improving release discipline, and proving value through a few connected journeys before pursuing broader transformation. Organizations best positioned for what comes next will treat interoperability, governance, and execution discipline as strategic enablers of value—not simply technical concerns.

Six actions can help organizations convert HR technology investment into measurable outcomes

1. Anchor value in outcomes:

Tie technology decisions to measurable workforce, service, and business results.

2. Strengthen the backbone:

Simplify core process ownership and standardize critical data definitions.

3. Prioritize connected journeys:

Improve a small number of high-value, cross-system experiences first.

4. Build orchestration capability:

Improve coordination across systems, workflows, and teams.

5. Increase execution discipline:

Mature release management, configuration practices, and product ownership.

6. Scale AI with structure: Apply practical governance, monitoring, and accountability from the start.

Conclusion

The HR technology market is entering a more consequential stage. Confidence is improving. Investment is becoming more focused. AI adoption is shifting toward practical value. Yet the structural challenge remains: most ecosystems are still too fragmented or too complex to support the next level of impact.

That is why interoperability matters so much in the 2026 story. It may not be the headline, but it is increasingly the factor that determines whether investment can be translated into measurable outcomes. Organizations that strengthen connection across systems, data, and workflows will be best positioned to move from isolated gains to sustained value.

For HR leaders, the mandate is clear. The next phase of progress will not be defined by more technology alone. It will be defined by better-connected technology, clearer accountability, and a stronger ability to translate digital capability into business and workforce outcomes.

The next phase of HR technology will be defined less by adding tools and more by connecting them.



Methodology

Mercer's HR Tech Confidence Check captures market perspectives on HR technology investment, management, AI adoption, ecosystem complexity, and emerging capabilities. The Spring 2026 edition reflects responses collected primarily from US-based participants and is intended to provide insight into how organizations are managing the next phase of the HR technology landscape.

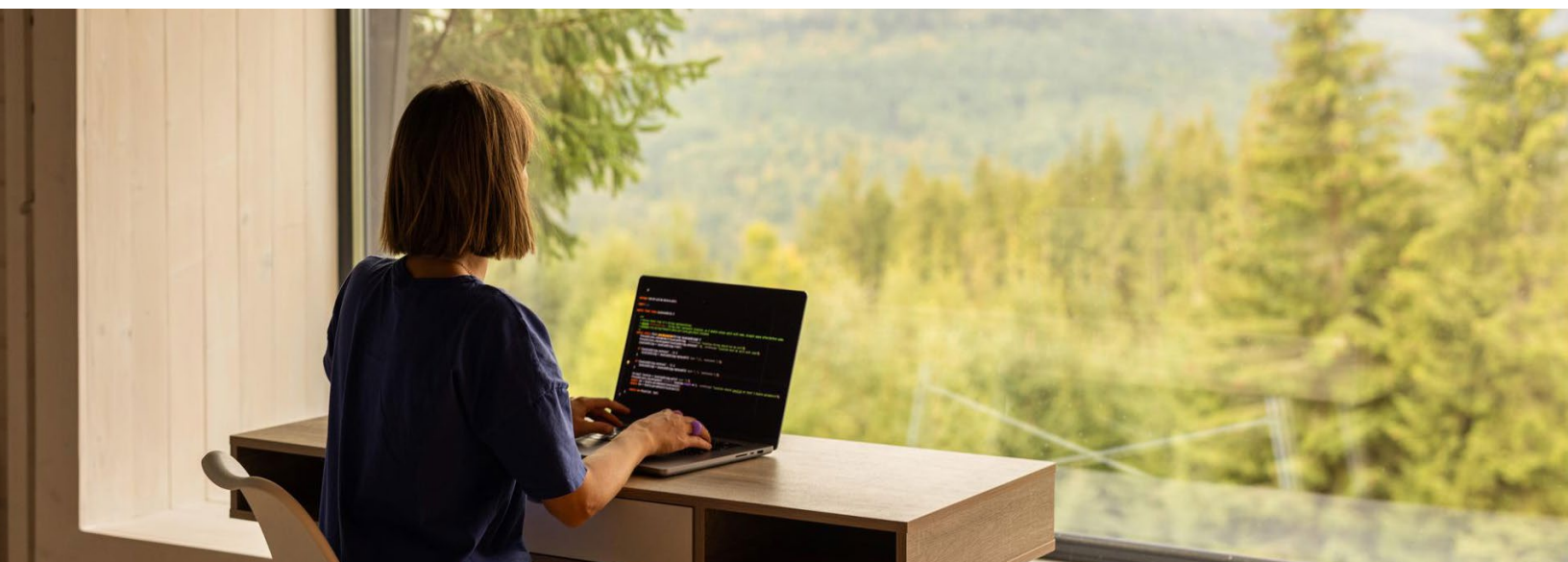
How to read the findings:

- Fieldwork was conducted in Spring 2026.
- Responses were collected via an online questionnaire.
- Results are shown as percentages of respondents to each question (excluding blanks where applicable).
- Some questions allow multiple selections; totals may exceed 100%.
- Percentages are rounded; minor variance may occur due to rounding.

Supplemental finding:

Payroll does not emerge as one of the dominant themes in the 2026 findings. However, it provides a useful operational signal. Most organizations report no planned change in their payroll model, while a smaller segment is reevaluating aspects of technology, execution, or service delivery.

The takeaway is not that payroll is a primary driver of the broader HR technology story this year. Rather, it remains an important area where decisions are shaped by complexity, country requirements, integration dependencies, and control expectations.



About Mercer

Mercer is a business of Marsh (NYSE: MRSH), a global leader in risk, reinsurance and capital, people and investments, and management consulting, advising clients in 130 countries. With annual revenue of \$27 billion and more than 95,000 colleagues, Marsh helps build the confidence to thrive through the power of perspective. For more information about Mercer, visit mercer.com, or follow us on LinkedIn and X.

Visit mercer.com to get started.