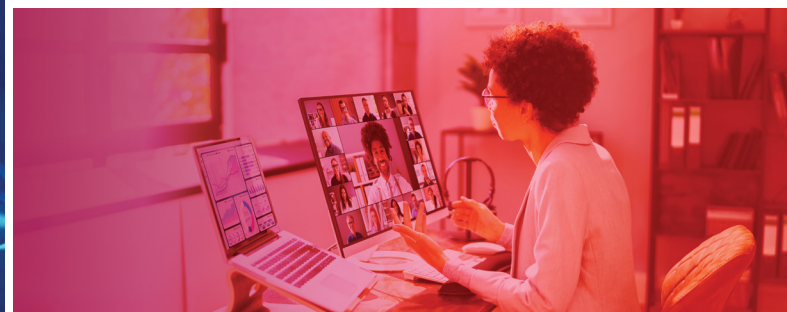


EMPLOYEE ENGAGEMENT **TRENDS & FORECASTS**



2023
Q2



2023 Trends & Forecasts Report: Q2

We're pleased to present our 2Q 2023 Inspirus Trends & Forecasts Report. The new shortened quarterly report started in 1Q and has been met with fantastic feedback, all positive! Over 9,200 professionals have read it since the January 17th, 2023 release. This 2Q report again draws upon the collective wisdom and thought leadership of our Inspirus team to reveal what we see as trending now and our vision of how these trends will impact the future of our industry and our clients' programs. And, as a part of the multinational Sodexo Group, we're able to layer in insights that drive quality of life from the prestigious Sodexo Quality of Life Institute.

What's changed since 1Q? While the [Conference Board](#) forecasts that economic weakness will continue in the United States, predicting three-quarters of negative gross domestic product (GDP) growth, rising interest rates and higher inflation are contributing to fears of a looming recession. For U.S. businesses, that likely means decelerating growth, tightening spend and [accomplishing more with less](#). According to the [latest employment report from the U.S. Bureau of Labor Statistics](#), employers only added 311,000 new jobs in February, down from 504,000 in January. The [Deloitte 2023 Human Capital Trends report](#) reveals that work has changed, but leaders haven't. One example is the shift from the traditional job structure to a skills-based approach. While 93% of leaders who responded said moving away from a focus on jobs is important to their organization's success, only 20% said they were ready to tackle the challenge. Plus, there is a large leadership gap causing disconnect: nearly half of survey respondents said their organization's leaders are overwhelmed and struggling to identify what they should prioritize in this "new normal."

[McKinsey reports](#) that productivity growth in the U.S. is declining. Labor productivity is growing only at 1.4% since 2005, resulting in missed opportunities for companies totaling \$10 trillion. Business leaders need to [embrace change and champion transformation](#) to return productivity to historical levels, and that includes boosting morale levels and addressing workforce shortages.

Our findings support that many organizations continue to juggle a competitive talent landscape with an exhausted workforce. Employees have many choices at their fingertips, giving them the edge in compensation negotiations, benefits and geography. Employers have responded with "[quiet hiring](#)," a new way to acquire new skills and capabilities without adding additional full-time employees. The approach deploys employees to the areas where the organization most needs them, to [help stretch their budget](#).

Another hot area that is changing so quickly it is making our heads spin is artificial intelligence (AI), and it is big business. Microsoft will invest billions in OpenAI, Microsoft Bing's ChatGPT integration launched with claims to reinvent search and Google unveiled Bard. McKinsey reports ([New York Times](#), paid subscription) that investors are clamoring to invest in generative-AI companies, pumping at least \$1.37 billion into them in 2022, similar to the kinds of investments we saw when the internet and mobile devices burst onto the scene. AI will have many business uses, but we see Human Resources (HR) professionals using it in the immediate future to [alleviate their administrative burden and personalize the employee experience](#).

These are just a tiny fraction of our findings — there are many more in the pages that follow. I hope you find this report holds value for you and your organization. Our goal remains: deliver fresh insights, unique perspectives, actionable strategies and of course, best practices to help organizations elevate employee engagement and create a thriving culture.



Yours in success,
Tatiana Frierson, CEO
Inspirus | Sodexo Benefits and Rewards Services, USA

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Business Leaders Must Embrace Change and Champion Transformation

When will the workplace get back to normal? According to McKinsey senior partner Katy George, “if by normal, they mean ‘2019,’ the short answer is ‘never.’ And that might be a good thing.”

The workplace is evolving, and business leaders who rethink their HR strategy and embrace change will be better able to find, hire and keep more talent. Research has found that purpose is interconnected with earnings, engagement and loyalty. Basically, if employees find their work boring or pointless or if the culture is toxic, nothing else matters. Talent drives the workforce, so it’s crucial to address the need for purpose.

How your organization responds to change, whether internal or external, contributes to your work culture, helps predict business outcomes and can make or break the employee experience. Here’s what we see top organizations doing now to navigate today’s fast-changing business environment.

Business Agility Helps Facilitate Change

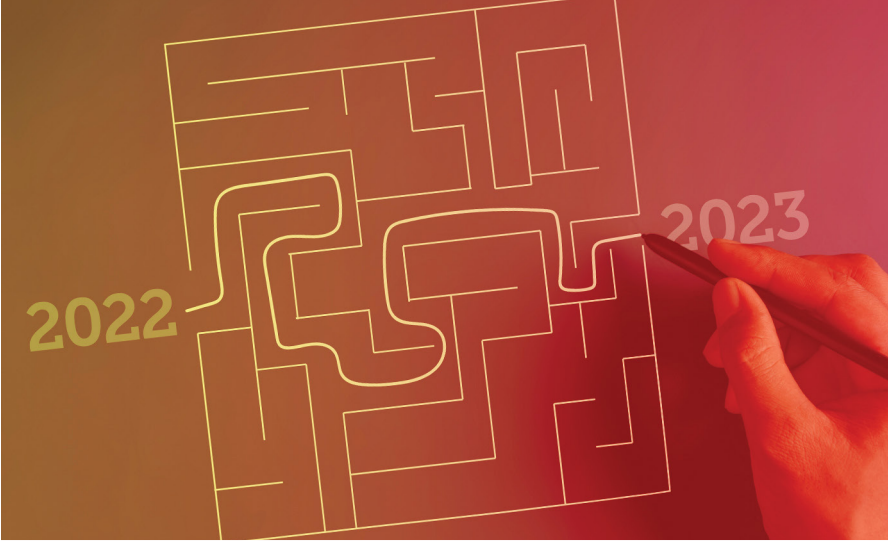
Change is an inevitable part of life and, thus, of business. Historically, businesses that are more agile are better equipped to navigate changing circumstances — which generally translates to greater business outcomes. Organizations with high levels of business agility are able to adapt quickly to market changes (both internally and externally), respond promptly to customer needs, navigate change in a cost-effective way without sacrificing quality and tend to consistently hold a competitive advantage over organizations with less flexibility.

Business agility isn’t a fancy buzzword to describe an organization’s ability to cut costs or reallocate spending in response to market conditions. **True agility comes from people.** People who overcame the disruptions of the past few years are driving agility in their organizations by creating nimble processes and responding quickly to change. It’s the people who create the environment where agility can exist, so it’s the job of leadership to acknowledge and embrace change. This typically calls for a mindset shift, from a place where change is scary or harmful to seeing change as an opportunity to improve.

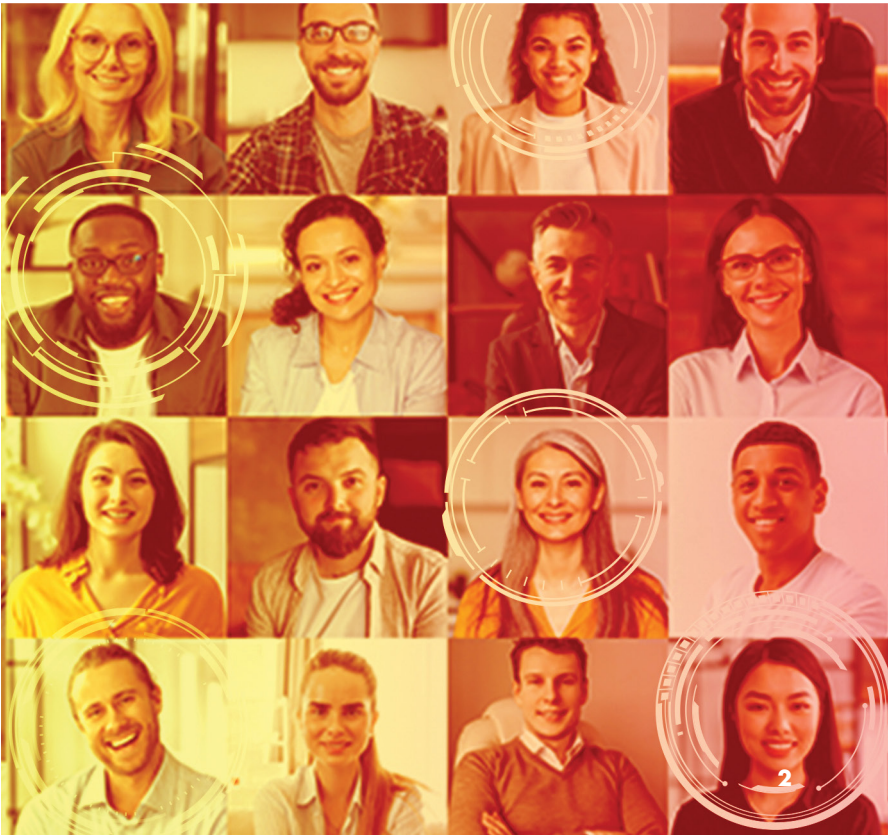
Ultimately, business agility — and the all-important sense of purpose we mentioned earlier — relies on alignment. Many HR teams may, in fact, be doing it all backwards when it comes to transformation. “To make true transformation happen for HR, to really change, it’s better to look at aligning the project to the business — understanding what the whole impact is, not funneling things up in a silo,” said Shari Yocum, partner/principal in [EY’s People Advisory Services Practice](#). “You should go overall strategy down, instead of function up. If leaders can be very clear, and articulate why they need to do this, employees will understand it. People want to know the why so they can make sure it feels fair. Openness changes the way people accept change.”

Keep Talent in the Spotlight

Focusing on talent (with recruitment and onboarding processes dialed in) can transform work culture and business outcomes. This has always been true but the impact is even more tangible in times of economic uncertainty and talent shortages.



LEADERSHIP



Hiring talent: Organizations who leverage a positive work culture to position themselves as a “destination company” will attract top talent. Leading with culture can help many employers improve hiring efficiency, a valuable advantage when the average time to fill open positions has slowed to 11 weeks, according to a recent [report from Robert Half](#).

Onboarding: Maximize the opportunities to connect with your people from ‘pre-hire to retire.’ Many organizations put tons of effort into engaging with candidates and new hires, and rightly so. Many employers are seeing high levels of attrition during the first 90 days of onboarding, so it’s crucial to use that time to align your new hires with your company values. Recognition is an effective way to do that in the first 90 days — it’s never too early to recognize your people.

Developing talent: It may sound too simple but one of the best ways to boost retention is to give people reasons to stay. For many employees, growth opportunities are at the top of that list. In [McLean & Company’s 2023 HR Trends Report](#), 78% of respondents indicate they are providing internal training and development opportunities. This means employers who don’t offer professional development are the outliers and will likely struggle more to attract and retain talent.

Recognizing talent: We already mentioned recognition in the first 90 days after hire but it remains crucially important throughout the employee lifecycle. [According to Zippia](#), a majority (80%) of employees say they would work harder if they felt better appreciated, but 29% haven’t received recognition for good work in more than a year, if ever. That’s an opportunity for major improvement, and you can start today.

Connecting employees: Work culture happens organically but a positive, inclusive culture requires intentional effort. When your organization has a combination of remote, on-site, and hybrid workers, delivering an “equal” employee experience is a challenge. A digital approach to employee engagement technology, using a platform like [Connects](#), centralizes employee connection points, giving them a place to interact, receive and celebrate recognition, and tune in to company values and news.

Retaining talent: Feeling disconnected from the culture and their peers is the top reason employees who work for remote and hybrid companies give for leaving, according to a [survey from Airspeed](#). Being proactive about building community and encouraging employee engagement are essential to retaining your people, which is doubly important when you’re having trouble finding good people to hire in the first place. Building trust through open communication and prioritizing workforce well-being can help improve engagement, reducing turnover and the high costs associated with it.

Change is Growth

Throughout the history of business, the best leaders are those who rise above others, make bold choices and successfully navigate through turbulence using “strategic courage.” No matter the size of your business, the number of employees you have or where they work, using tools to facilitate and support employee recognition and engagement helps build a sustainable, agile culture — where people show up to work ready to take on the challenges of the day. When employees feel a strong sense of purpose and are confident that the organization’s leaders have their back — with the resources and perks they need to do their jobs while balancing the responsibilities of their personal lives — anything is possible.



LEADERSHIP



A Modern Approach to Total Rewards Will Improve Retention

Despite a rise in layoffs in some industries, most notably technology, concerns about retaining top talent remains top of mind for the majority of employers — many that continue to suffer from what has been called the “Great Resignation” and “quiet quitting.”

One insight that has emerged since the pandemic, likely spurred by many employees’ newfound freedom and flexibility amid remote and hybrid work, is a shift in what employees value most from their jobs. It’s a shift that is likely to continue into the future.

While compensation continues to be a driver of what serves to get employees to accept a job and to remain in that job, other benefits and rewards are becoming equally and, in some cases, more highly valued. Importantly, though, what employees value is personal — employee needs and preferences are diverse and employers need to be attuned to those differences.

The Evolution of Total Compensation to Total Rewards

Total compensation management (TCM) has evolved and must now be thought of as total rewards in an environment where it’s not just money that drives engagement and longevity. It’s a unique set of benefits — or the Employee Value Proposition (EVP) that employers need to be focusing on. The EVP reflects what employees receive in exchange for what they bring to the company — their skills, capabilities and experience.

Today’s employees want more than pay and traditional benefits; they want meaningful benefits that will enhance their lifestyles and improve their well-being. That’s what will set organizations apart in a post-pandemic environment.

A Look at Total Rewards

[Gartner](#) defines total rewards as “the combination of benefits, compensation and rewards that employees receive from their organizations.” This, Gartner says, can include: “wages and bonuses as well as recognition, workplace flexibility and career opportunities.”

In a broader sense, they say: “Total rewards may also refer to the function or department within HR that handles compensation and benefits, or the combined intrinsic and extrinsic rewards (or value) that an employee perceives.”

As employers look to the future, they should focus on creating a full suite of total rewards relevant to today’s modern workers, which will effectively drive retention for the long term.

Attributes of a Modern Total Rewards Program

Effective, modern total rewards programs:

Are social. Gone are the days when employee work anniversaries and recognition awards are celebrated with their small team — limited primarily by location — and capped off with a handshake and a paper certificate. Today, we live in a digital and highly social world, where everything is shared online and interactions are ongoing. Thanks to social media and employee engagement platforms like [Connects](#), these experiences can be shared enterprise-wide, which is especially powerful in an increasingly remote and hybrid world.

Employee rewards shouldn’t be confined to once a year — or limited to small group interactions. By making recognition enterprise-wide and using



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technology, employees can choose how broadly they want to share these moments. The more they share, the more contagious the message becomes. Using the science behind behavior, employers need to understand that people follow the actions of others. Socializing rewards will drive action to improve organizational performance on a broader scale.

Leverage technology. Automation helps deliver a more robust experience that isn't dependent on employee bandwidth. This has become abundantly clear during the pandemic as many organizations shifted suddenly to remote or hybrid work models requiring the use of technology to maintain productivity and performance. Driving retention through total rewards will require a continued focus on technology and how it can allow HR departments to do more, more effectively, with less.

Are high frequency. As Josh Bersin has pointed out, we don't go to the gym once a year to work out and expect to stay in shape; we know we need to work out frequently to achieve results. The same is true of achieving results through employee rewards. Recognition is, or should be, a process — not a single event or action. But first, a recognition program needs to be in place. Perhaps shockingly, data suggests that 39% of employees say they aren't recognized enough at work — only 15% say they are. Just 3% say they're recognized too frequently. Clearly there's no need to worry about overdoing it!

Thrive on connections. To engage and reward employees, organizations need to ensure that employees are both connected to the culture — and to each other. That's important to give them a sense of belonging and to help them see in real and relevant ways how what they do, both individually and within teams, benefits the whole organization.

Are amplified by employees. Effective recognition isn't something that occurs only between managers and employees. Recognition is amplified when peers have the power to recognize each other. Providing that power extends what a manager or HR department can do, multiplying the significant benefits of rewards and recognition.

Aren't "cookie-cutter" initiatives. What motivates the Gen Z employees in your workforce isn't what motivates your Gen X employees, or others. A Gen Z employee might want benefits that support diversity, equity and inclusion (DEI) initiatives, while a Gen X employee may prefer retirement planning and caretaker benefits. Of course, even within generational cohorts there will be differences in values and how employees want to be rewarded.

The [Incentive Research Foundation](#) (IRF) indicates that Gen Y and Boomers are highly interested in making a positive contribution to society and the health of the planet — 86% of Gen Y and 85% of Boomers say it's important that their work involves "giving back." That same sense of obligation isn't as strong among Gen X employees; only 10% of people in their 30's and early 40's feel this same sense of obligation.

Employers need to consider how they will tailor their total rewards packages, including recognition programs, to meet employees where they are now — both in their life journeys and their employee journeys — to give them what they need to stay engaged, productive, and on board.

Are driven by employee feedback. Employers need to increasingly focus on ensuring their approaches to total rewards are based on what employees really want. Savvy organizations get this intel through employee surveys, which can play a vital role in shaping their total rewards strategies. For instance, the [Employee Voice](#) tool within Connects gathers employee feedback to help employers pivot their strategy based on employees' shifting needs and interests.

Strive for pay equity. While pay alone will not be sufficient to drive employee retention moving forward, it remains an important element of total rewards. It may be the elephant in the room, but pay is a financial incentive that employees value and consider the currency of respect. As the [HR Daily Advisor suggests](#), organizations need to rethink their pay practices to retain top performers and attract top talent. That will mean a focus on equal pay, or pay equity, which may require equity adjustments.

Both employer and employee needs will continue to ebb and flow as technology, globalization and other factors make significant impacts. Modern total rewards programs that receive continuous attention will lead the charge in driving high employee performance.

Taking a strategic and thoughtful approach to total rewards is one way employers can **improve retention today and into the future.**

Artificial Intelligence (AI) Will be Used to Personalize the Employee Experience

We know personalizing the employee experience helps improve engagement and can even help combat burnout. Personalization can be fairly easy for very small businesses but becomes more of a challenge as organizations increase in size. That's where technology solutions, like employee engagement software, become useful to help you personalize employee communication, facilitate community connections and grant access to personalized rewards.

Now, AI has entered the chat...

Using AI for a variety of HR functions isn't exactly new. But the new generation of AI tools (those currently available and in development) could mark a new era of employee personalization and help us take a collective leap forward — a much-needed boost when employee engagement is lagging in almost every industry.

Here's what we're observing at this stage in the evolution of AI in HR.

AI Can Improve the Employee Experience

Like any new technology that comes onto the market, the current version of generative AI tools come with caveats and cautions (think incorrect data, violation of privacy, lack of regulation, among others). But, they do offer some key benefits when it comes to improving personalization, data analysis, and the automation of time-consuming and repetitive tasks, all of which can have a profound and positive impact on the employee experience.

During the first week of February, we asked ChatGPT how AI can help HR, and here's how it responded.

AI can help HR improve the employee experience in several ways, such as:

1. Personalized Communication: AI-powered chatbots can help HR communicate with employees in a personalized manner and provide quick and accurate answers to common HR queries.
2. Performance Evaluation: AI can assist HR in evaluating employee performance by analyzing data from various sources such as emails, chats, and project management tools.
3. Employee Engagement: AI can help HR understand employee needs, preferences and behavior to improve engagement levels through targeted initiatives and programs.
4. Recruitment: AI can help HR automate time-consuming tasks such as resume screening, candidate matching, and scheduling interviews, making the recruitment process more efficient.
5. Career Development: AI can help HR identify skill gaps and provide personalized learning and development opportunities to employees based on their career goals.

These are some of the ways in which AI can support HR in enhancing the employee experience.

TECHNOLOGY

It's worth noting that generative AI tools learn over time, which means their responses will evolve, too. When asked the same question a month later, ChatGPT kicked out a slightly different list of the top five advantages: recruitment, onboarding, performance management, employee engagement, and employee well-being. This new response doesn't mean AI can no longer help with personalized communication or career development. Rather, this suggests that perhaps fewer people are asking questions about how AI can help in those areas or possibly that the AI is refining its answer to reflect what it's received the most positive feedback about. Clearly, AI tools have more than five applications in the HR realm — and if we asked ChatGPT for an exhaustive list of benefits, it might go on forever (without getting even a little bit tired).

Weighing the Pros and Cons of AI Tools for HR

Without a doubt, we are living in a very exciting time where AI technology is concerned. While machine learning has long been a part of HR tools that help recruiters screen applicants, evaluate demographic data for diversity, equity and inclusion (DEI) progress and measure productivity, those types of AI tools are different because they are directed toward a single task or group of related tasks. The rise of generative AI, which sources responses from the (sometimes wild) world wide web, means we are now faced with a buffet of new possibilities for using AI to help HR teams work more efficiently and focus more effort on improving the employee experience.

Here is our take on the key advantages and pitfalls the current generation of AI tools comes with and how HR professionals can navigate the changing landscape cautiously, while still benefitting tremendously.

Advantages: AI can automate much transactional work, drive efficiency and power chatbots to ask and answer basic questions. Use cases for HR include:

- A recruiting chatbot that asks 'knock out' questions and directs prequalified candidates to a virtual recruiting event, online chat with a human recruiter or specialized contact form
- Tools built-in to your ATS or talent management system that evaluate resumes and applications to create shortlists of candidates for interviews with a recruiter or hiring manager
- Tools that evaluate utilization rates of benefit programs and analyze results of employee surveys to make recommendations for perks to add, expand, or sunset and to help guide future strategy
- Evaluate employee skill sets and compare to career paths, helping to identify areas for additional training or support — or suggest other roles in your organization where someone might thrive

Pitfalls: AI can show you the what, but it is not very good at finding the why, so we humans still need to apply our skills of deduction and critical thinking. [In an article for HRExecutive.com](#), Mary Faulkner summarizes: "AI is an excellent tool for aggregating and summarizing information in a consumable format, but ultimately, there needs to be a bridge between that information and how to act on that information." Essentially, the real pitfall of AI tools is expecting too much from them.

Understanding how AI tools function helps HR teams maximize the advantages while controlling the pitfalls. The net result? More efficient processes and data-informed decision-making that put the employee experience front and center.



TECHNOLOGY



Industry Attitudes Toward AI

It's tough to find public conversations about AI applications for personalizing the employee experience and boosting engagement. For the time being, there is more focus on how AI can improve customer service with, for the most part, many of the same functions that can also help HR enhance the employee experience. We suspect the larger focus on customer service is because that is more easily tied to a business's expenses and profits — but we all know the health of your workplace culture has a major impact on the bottom line, too.

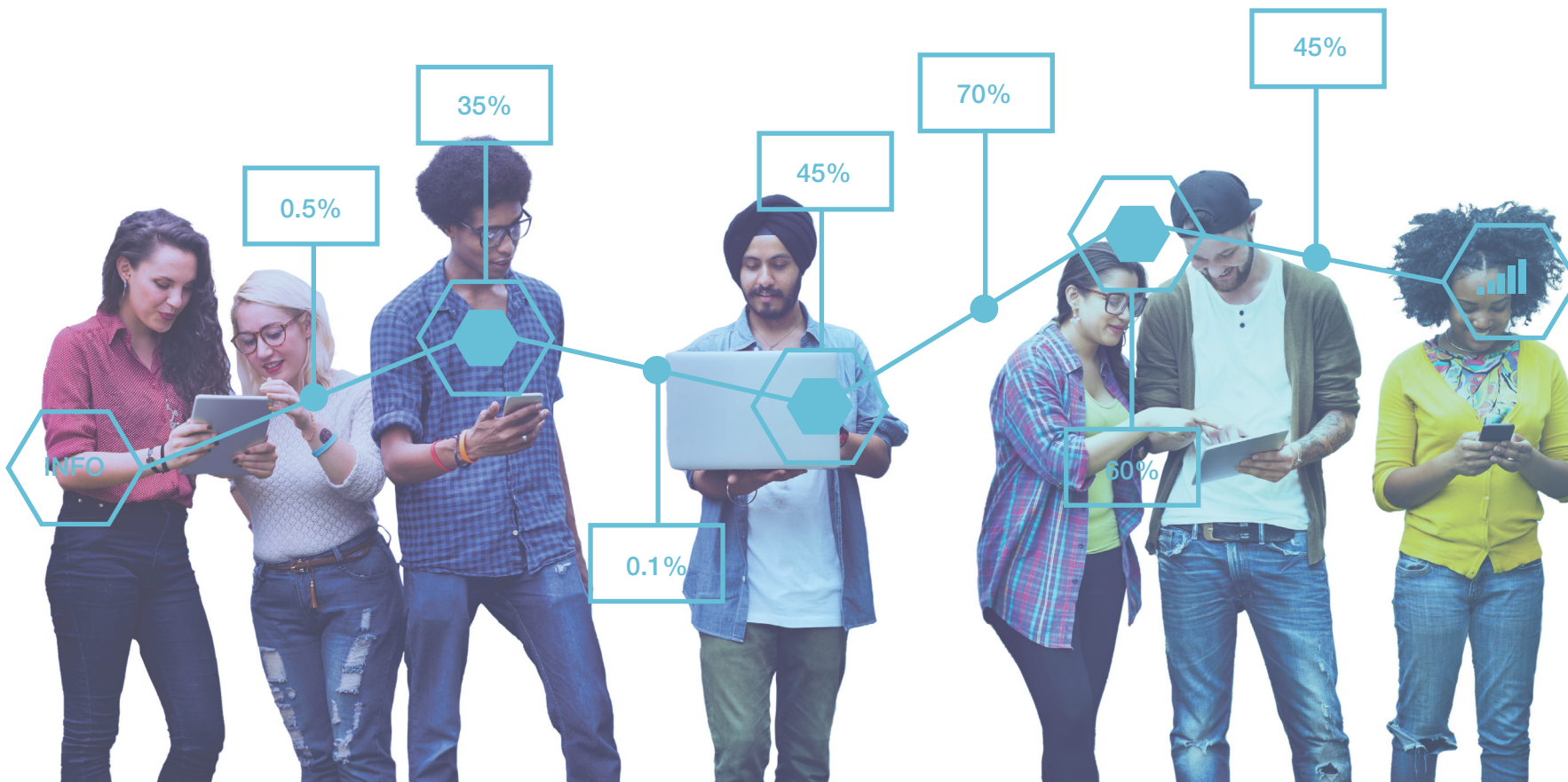
We find that most business owners and HR leaders are skeptical — and hopefully curious — about using AI to personalize the employee experience. And we fully encourage employers to move forward with a healthy dose of

caution, perhaps testing the waters with controlled experiments by using AI tools for small groups or for low-stakes applications at first. Over time, as you learn how AI fits into your processes and your culture — and as we all learn more about how this technology can positively impact the workplace — we expect to see adoption grow, alongside proven strategies and best practices to help guide us further.

Right now, many business leaders are concerned about the lack of regulations regarding the use of AI, especially when it comes to personal information. While we can't speculate on when Washington will catch up, we know organizations can forge a path forward, by carefully planning AI use, weighing risks and keeping safeguards in place to protect employees' privacy.

Personalization is the key to employee engagement

The new (and next) generation of AI tools offers something HR desperately needs: untapped potential. With the right tools applied in the right ways, AI can help HR create more efficient processes and effective programs, and deliver a more engaging employee experience that results in better employee satisfaction, increased productivity and improvements to employee retention. We're excited to see how AI will evolve in the coming months and years, and what new benefits will emerge that organizations can offer to employees.



Winning Cultures Will Have Human-first People Strategies

As we move into a new era of workplace norms, we're finding that organizations that put employees first will become employers of choice. This is much more than adding benefits and improving employee engagement. In fact, some industry experts say this calls for a broader shift in mindset. In his [Predictions for 2023 report](#), Josh Bersin declares that "employee experience" will morph into "people sustainability," described as "a more well-rounded role in keeping all employees feeling safe, fulfilled, and cared for at work."

As employers in every industry struggle to attract and retain great people amid historic low unemployment rates and high talent mobility, people sustainability will continue to grow as a survival strategy. Among others, [SAP](#) identifies people sustainability as part of an organization's social responsibility and links this new mindset with positive business outcomes.

We've advocated for employers to lead with human-first people strategies for years and it's exciting to see more organizations adopt this approach. Here are our recommendations on how organizations can put people first and what happens when they do.

What is a Human-first People Strategy?

Broadly (and perhaps somewhat obviously), a human-first strategy puts people first. This approach intentionally and proactively recognizes and considers employees as whole people with preferences, feelings and needs outside of work. Organizations that have already adopted human-first people strategies tend to have a more positive and inclusive work culture, higher rates of employee engagement, better retention and oftentimes better business outcomes as well.

Attributes of a Human-first People Strategy

The key element that makes a people strategy 'human-first' is that it addresses people's needs — which vary to some degree depending on age, phase of life, location and so many other factors. While the details of human-first people strategies may look somewhat different from one organization to the next, there are many common elements.

Culture of connection. Develop a supportive work environment (regardless of where people work) that enables people to develop cooperative and collaborative relationships. [ADP Research Institute](#) found that United States workers who feel strongly connected to their employer are 75 times more likely to be engaged than those who do not feel connected. Connection is about [humanizing the workplace](#), which in turn helps people feel included and accepted.

Sense of purpose and fulfillment. Employees want the quality of their work experiences to mirror their personal experiences, and that includes [relationships](#). When employees feel their work is meaningful, they tend to be more engaged and more satisfied. Because employees' expectations have changed (particularly over the past few years), employers need to adapt by providing more tools and opportunities that foster employee connection and contribute to a shared sense of purpose.

Personalized total rewards packages. When crafting your total rewards package, think about employees as individuals, each with unique needs, feelings and priorities. "We fundamentally transformed our approach to how we make decisions, how we strategize, how we communicate," said [Patrick Bowes, managing director of HR at CLA](#), an accounting firm that rolled



ENGAGEMENT



out two dozen new benefit offerings since the beginning of the pandemic. “Behind that is recognizing that every person — and we have 8,500 people — is on a different wellness journey. What I need looks different from what every other one of the 8,500 people need.” This is just one example of the broader trend: a spike in voluntary benefits which, as Sally Prather, executive vice president and employee benefits practice leader at the benefits firm Alera Group, told [SHRM](#), may [combat quiet quitting](#) by “helping to improve people’s sense of financial well-being, which research shows is meaningful for employees.”

Regular, meaningful recognition from leaders and peers. Everyone wants to know that their work is seen and appreciated, whether they want public fanfare or a simple email. Organizations with effective human-first people strategies have thoughtfully crafted (and well-executed) rewards and recognition programs. To do this well and ensure equity, we highly recommend using an [employee engagement platform](#) to facilitate and manage employee recognition, while also helping foster the community of connection we mentioned earlier.

Building and Cultivating a Human-first People Strategy

People’s needs change over time, especially when influenced by external forces — such as a global pandemic or economic downturn. An effective people strategy must have the ability to adapt and evolve along with those changing needs. We recommend collecting employee feedback on a regular basis (and more frequently than once a year!) so leaders are always in touch with what’s actually happening within the organization.

One of the most effective ways to do this is by using an employee feedback tool like [Employee Voice](#) to solicit feedback 24/7. Of course, collecting feedback from employees is just the first step. Then, leaders must acknowledge what employees are reporting and, if necessary, research further to understand the why and how of it. After soliciting feedback from employees, it’s critical to act upon it. Ideally, this means addressing and rectifying employee concerns — but if for some reason that isn’t possible, acknowledging the issue lets employees know they were heard and sets the stage for future (transparent) conversations on that and other topics.

[McKinsey](#) dubbed this emerging dynamic “the new possible,” explaining that these changes represent a shift away from a traditional workplace hierarchy (which employees are increasingly rejecting). The new possible calls for a more flexible model built on higher levels of connection, in which leaders work together with their people “to create personalized, authentic, and motivating experiences that strengthen individual, team, and company performance.”

Putting People First Moves Business Forward

Adopting human-first people strategies is not a new or earth-shattering concept. Indeed, many organizations have been operating this way for years — and reaping the benefits, with higher levels of employee engagement, lower turnover and often better business outcomes. Now, in an era when job seekers and employees hold more of the power, more organizations are coming to grips with what some already knew. Putting people first naturally builds trust and engagement, fostering healthy work cultures where people are more likely to do their best work — and to stick around and grow within the organization rather than leaving for greener pastures.



ENGAGEMENT



Disruptions From an Economic Downturn Deliver Differing Employee Experiences

In an environment where the costs of a wide range of goods and services — including, to the surprise of many, eggs! — are rising exponentially, it's clear that the United States is entering an economic downturn, or worse. An August 2022 [McKinsey survey](#) of CEOs revealed that 81% of these senior leaders expected a recession. ([McKinsey](#) offers a playbook for inflation that CEOs will want to read.)

It's a situation that has rightfully attracted the attention of senior leaders in government roles as well. [Fed Reserve chair Jerome Powell](#) says that: "The Federal Open Market Committee's (FOMC) overarching focus right now is to bring inflation back down to our 2% goal. Price stability is the responsibility of the Federal Reserve and serves as the bedrock of our economy. Without price stability, the economy does not work for anyone."

In our 2023 Q1 Trends Report we talked about the importance of building a resilient organization. In this report, we'll get real about the disruptions that are happening as a result of a poor economic climate and how they impact company culture, the employee experience and business success.

Importantly, it's not only CEOs that should be interested in these impacts — down-line managers will also benefit from knowing what executives and their organizations will face in the coming months. And, as we'll see, employee involvement can have a very positive impact as well.

Short-term vs. Long-term Vision

While a looming recession or any period of economic uncertainty tends to focus leaders on short-term fixes, that focus on putting out fires can lead to

the neglect of maintaining their long-term strategic priorities. In the process, employees sense instability — a change in focus and direction that many fail to understand. This leads to a decline in morale which impacts productivity, retention and longevity.

While easier said than done, it's important for leaders to remain committed to their long-term vision, even amid shifting priorities in the short term. CEOs will have the opportunity to serve as "Motivators in Chief," connecting the dots for why short-term fixes will help sustain long-term goals. Doing this through constant and transparent communication can help employees understand company direction, even amid shifts, and keep them focused on current and future priorities. A [tool like Spotlights](#) can help companies continually convey news to the entire enterprise, keeping all employees up-to-date.

Expensive capital. While some companies are in the midst of layoffs, others are still experiencing the great attrition. Many employees are continuing to jump ship, looking for greener pastures — or deciding to leave the workforce entirely.

This leaves companies on the hook for investing in ways to attract and retain high-performing employees. Or does it?

It doesn't have to! When employee needs are met, the company culture is one of community and connection, and compensation is fair, employees are more likely to stay in place. If employees feel they are fairly compensated and recognized for their hard work and contributions, they're less likely to consider moving to those greener pastures we talked about earlier.



STRATEGY



And, even if some employees do decide to pursue new opportunities, when the climate is right and internal career growth opportunities exist, companies will be able to fill the holes made by departing employees with other seasoned employees already on board (see “quiet-hiring” craze). This means that fewer funds and less time will be needed to hire new employees.

Investments stalled. Companies that fear a recession have a tendency to hold off on investments, even those they’ve planned, as they wait to see what the future holds. That can be counter-intuitive to long-term success.

While no one can predict the future, investing during downturns often comes with better pricing due to lower demand. Instead of stalling investments, savvy companies constantly assess risk to determine if and when investments will generate positive ROI.

The continued pursuit of needed investments, despite a downturn, can ease the burden for employees who have been asked to do more with less by providing them with the support and resources they need to do their job.

Overhead is slashed. This is where the rubber really meets the road in terms of employee commitment and engagement. When a recession hits, the first inclination of many organizations is to reduce overhead to make up for reduced profit. We’re already seeing that in some sectors.

While reducing overhead may be warranted in some cases, its impacts can be mitigated by asking individual business units to help identify where cuts can occur. Employees can, and should, be part of these conversations.

Employee feedback from those on the front lines can help to power your people strategies. Their first-hand insights can help scale down variable costs, improve negotiations with vendors, embrace savings that may come from remote workers and more.

When they’re engaged and included, and communication is transparent, employees are motivated to share their ideas for positive impact. When they’re not, and they get wind of potential cutbacks, there will be an immediate and negative impact on morale. Employee thoughts will be focused not on how they might help by offering new ideas, but on questions like: Will my job be cut? Will my peers lose their jobs? In the process, company culture suffers — along with productivity — and turnover is likely to ensue.

Involving employees in identifying opportunities for cost savings, to the extent possible, will boost buy-in and provide a challenge that pulls the entire workforce together.

Supply chain challenges. A smoothly running and efficient supply chain is integral to the success of any organization, whether the organization provides a service or a tangible product. When processes are hindered because of either product or people availability, everyone suffers. Why? Because supply chains are managed by humans!

Organizational leaders can reimagine and reconfigure supply chains by taking steps to do things like reevaluate existing vendors or reconfigure relationships to include more vendors. The byproduct: lower spending, which saves on overhead costs.

Again, involving employees in this process can reap rewards. Employees likely have relationships with vendors that many may want to preserve. Involving them in the examination of the supply chain — with an eye toward sustainability — will make their voices heard and validate their importance in the decision-making process.

Even when tough decisions must be made, involving employees in the process **builds trust in the leadership vision** and **improves company culture**.

That involvement and a sincere interest in leveraging the power of the employee feedback will boost morale and engagement — while making the business more sustainable.

Tough times require tough decisions. Involving employees in those decisions will build buy-in and minimize the potential negative effects of disengagement, lost productivity and turnover. Employees are less likely to jump ship when they know where the ship is going — and when they’ve had some involvement in moving the ship in the right direction.

Leadership Development Will be Critical to Business Success

For years, leaders have heard that “people don’t leave companies, they leave their manager.” In this new normal, reality runs much deeper: employees leave when organizations fail to meet their needs and that does not always come from their immediate manager. So, who does that ultimately roll up to? Leadership.

Organizations that recognize and embrace this correlation have already begun to develop their leaders to communicate better and be more authentic. For organizations new to this concept or in the early stages of prioritizing leadership development, the challenge can seem complex given all the variables involved in cultivating many of the soft skills that great leaders exhibit. However, there are plenty of best practices already in use by top organizations, and they aren’t necessarily difficult or expensive to implement. We’ve observed that organizations that make leadership development a key value — and act accordingly — typically come out ahead.

Here are the leadership development trends we’re monitoring in successful organizations.

Build Trust Through Relationships

Establish relationships with your workforce [based on trust](#), which comes from transparent and consistent communication, along with accountability. According to [Gallup’s State of the Global Workplace report](#), a manager’s effect on a workplace is so significant that Gallup can predict 70% of the variance in team engagement just by getting to know the boss — a key realization alongside Gallup’s findings that engagement and employee

wellness are still low (21% and 33%, respectively.) While it isn’t solely a manager’s responsibility to build relationships, opportunity plays a big role. Who better to cultivate trusting relationships with at work than the people you interact with the most?

Nurture Emotional Intelligence

Nothing builds trust more than knowing your boss has walked a mile in your shoes. When leaders [show empathy and compassion](#) towards their workforce, daily stresses become less challenging and more of the glue that holds everyone together. Truly effective leaders do this by asking genuine questions about their people. The mechanical “how are you?” becomes “How are you doing, really? What’s your biggest challenge this week? How can I help you meet your goals?” Leaders who cultivate the skills to listen will see higher levels of trust and engagement in their workforce.

Commit to Leadership over Authority

“Leadership is an activity, not a position of authority,” [wrote Ed O’Malley and Julia Fabris McBride](#) of the Kansas Leadership Center in their new book, *When Everyone Leads the Toughest Challenges Get Seen and Solved*. When people see leadership as something that is done, rather than something that simply is, leaders will have an easier time creating connections and building community — while those who cling to authority are more likely to [foster a toxic culture](#) full of fear. How can leaders embody this shift? One key strategy is empowering employees to ask powerful questions, without fearing the consequences. This is one way to adopt a [transformational leadership style](#) that has been linked to better business outcomes.



TRAINING



Lead by Example

Effective leaders model the behavior they wish to see. The old adage of ‘do as I say, not as I do’ is out the window. To inspire cultural change within organizations, leaders need to behave the way they want their workforce to behave. The examples of this are endless. This means demonstrating the work/life balance that may be touted in the company values and policies. It means being transparent and accountable for mistakes. Essentially, it means leaders must embody the organizational values they wish to see employees reflect. Leading by example not only motivates employees to follow suit but shows them how it’s done.

Embrace Change

The one constant in our ‘new normal’ is change — sometimes on a daily basis. For employees to feel safe and secure amid all these changes, leadership needs to balance strength and flexibility to navigate challenges with resilience and lead with confidence. [McKinsey](#) reported that more than 50% of senior leaders believe the COVID-19 pandemic made risk and resilience much more important in their organizations, so developing these skills is critical to success. [Using a digital employee engagement platform](#) to facilitate communication across your workforce is a key part of a successful change management strategy.

Build Strong Teams

Leaders in successful organizations want creative, innovative thinking — but they don’t want people going rogue and trying to ‘lone wolf’ their way through work. Fostering a culture of connection creates an environment for sustainable collaboration, in which the power of teamwork and diverse

perspectives are valued. A big part of being an effective leader is learning to identify and cultivate talent in your teams, and great leaders are always on the lookout for opportunities to help people develop the skills they need to work together on problems.

Encourage and Facilitate Growth

Savvy leaders know they need to cultivate their leadership pipeline and doing that from within makes smart business sense. After compensation, a lack of advancement is the leading cause of employee turnover, according to [SHRM](#). To address this pain point, leaders need to survey employees about their career goals and follow through with training, mentorship and real opportunities to help them progress within the organization. Otherwise, they will look to climb the ladder elsewhere.

Developing Leaders for Tomorrow’s Challenges

Taking a page from sports psychology, [Forbes](#) advocates that today’s top leaders need to “control the controllable.” That goes for organizations as a whole, too. One of the most important — and controllable — things any organization can do is invest time, energy and resources in building [a sustainable, inclusive leadership pipeline](#). This begins by [coaching, training and mentoring current leaders](#) while also identifying and cultivating future leaders within the organization. The trademarks of effective leadership are evolving and it’s crucial for organizational leaders at all levels to keep up with the changes — and reflect the qualities that attract job seekers and help retain employees.



TRAINING



Stretching the HR Dollar: Doing More While Spending Less

We're living in an era of economic uncertainty these days and HR professionals are feeling the pinch. [According to SHRM data](#), 61% of HR professionals indicate that finding ways to reduce costs and improve efficiency is a top priority. Almost half — 48% — say that budget constraints represent a major barrier to their organizations' success in 2023.

If the economy actually does enter a recession, HR professionals believe their organizations are more likely to freeze hiring than reduce their workforce or eliminate bonuses.

Being focused on efficiency and having sound financial policies is always important, but more so as the economy tightens. Everything costs money or time, so for those managers tasked with doing more with less money, they must take the time to set up processes and systems that achieve results. HR can lead the way in acknowledging the importance of doing more while spending less. Here's what we see as trending in this area, right now:

Leverage Technology

Time-consuming tasks like resume screening, candidate matching and scheduling interviews can benefit immediately from using **automation**. A [CareerBuilder survey](#) indicated that HR managers lose an average of 14 hours a week manually completing tasks that could have been automated. That represents an unfortunate — and unnecessary — cost. Tools that help alleviate the drain on HR managers and their staff members are now in high demand. For instance, time tracking tools can be helpful to measure exactly where time is being spent. [Forbes](#) cites Clockify as the best overall time tracker — or TimeCamp for remote workers.

Technology can be used to deliver training and development, particularly to remote workers. **Increasing virtual learning** not only helps make information and support readily accessible to remote staff, but also saves time and money. Since the pandemic, most organizations have eliminated more time-consuming and costly in-person training in favor of online tools. They've learned that they can spend less money and still get fabulous results with tools like [LinkedIn Learning](#) or [Coursera](#), for instance.

Digital **knowledge banks** can leverage technology to reduce costs while boosting access to vital information. Responding to frequently asked questions over and over again can be tiring and time-sucking. Organizations that create a knowledge library of HR "how-to's" and information documents on their intranet give employees fast, easy access to the information and answers they need.

Employee recognition can also reap the benefits of using technology. A **shift to digital** — giving eGift cards instead of shipping bulky merchandise or emailing printable pdfs for service anniversary certificates instead of incurring the printing and mailing costs — delivers efficient and effective budget hacks. This shift will continue to provide value to organizations that embrace it, particularly those that embrace work-from-home models.

Boost Acquisition — and Increase Retention

Despite news reports of some tech companies' massive layoffs, we found most organizations continue to be concerned about attracting and retaining top talent. Organizations can avoid a revolving door by ensuring the right hires are made in the first place and that once employees are onboard.



BUDGETING



they are supported and remain engaged. This will cut down acquisition and training costs significantly while boosting engagement and productivity.

Candidate pools are a budget-conscious way to enlist current employees in talent acquisition efforts. Using employee referral programs and leveraging the power of social media networking to get more candidates in the pipeline can be done with minimal cost. In addition, employees aren't likely to recommend others who won't be a good fit, so this can be a win/win for both the employer and the employee.

Our findings show that one of the top requirements on many employees' "must have" lists these days is flexibility. Many gained a taste of it during the pandemic and they're not ready to give it up.

Offering remote work can be an effective way to cut costs. Your budget goes further with remote workers. You can, for instance, shed unwanted office space or reconfigure space to sublet.

[Insurance giant Aetna](#), for instance, shed 2.7 million square feet of office space, saving \$78 million a year. Speaking of insurance, check with your insurance providers to see if fewer workers on site — with less probability of on-site accidents — might mean you can renegotiate insurance coverage and premiums.

You've probably heard the term "quiet hiring" — it's another creative way to cut costs related to employee acquisition. Quiet hiring involves retraining people for roles in different departments or providing cross-functional training while [restructuring or reorganizing the distribution of work](#).

Recognize and Reward Success

While not an area that should be targeted for cost or frequency reduction (a dip in this area will lead to lower employee engagement), there are

creative ways to stretch the HR dollar in recognition programs that won't impact the results.

First, **set performance goals**. Without an idea of where they need to be going, employees are unlikely to be productive or effective. When goals are met, reward employees who have met them rather than using an across-the-board monetary award. This serves not only to reward high-performing individuals but also provides aspirational motivation to those on the edge of greatness.

If there is such a thing as an evergreen trend, acknowledging that money is not the only motivator is it. Savvy organizations know that **non-monetary recognition** is another way to manage costs while motivating high performance. It costs nothing to thank someone for their hard work, their teamwork or their innovation. Two of the most powerful words anyone can say are "thank you."

On a more tactical level, another way organizations are cutting costs is by **analyzing recognition program billing**. Make sure you're getting "bill on redemption" invoicing, paying only for points that are redeemed by employees. A bill on issuance model, in contrast, charges customers when the company loads points to the platform — unused points result in lost money.

Finally, **listen**. While listening won't stretch your HR dollar, it is important during times of budget cuts when leaders may have a tendency to ignore employees' concerns — voluntarily or involuntarily. Employees feel changes, sense uncertainty and their morale plunges. By listening, organizations can enlist frontline employees as agents of change, and find new ways to improve processes and operations, saving time, money, or both.



BUDGETING





About Inspirus

Employees play a large part in defining a company's culture: their everyday experiences create the foundational structure that drives an organization to be strong, high-performing, and ultimately successful. Inspirus helps organizations harness the full potential of their greatest resource — their people — ensuring they feel valued and connected, fostering greater loyalty, performance, productivity and success. Through our technology, integrated solutions and award-winning customer service, we elevate the employee experience and optimize organizational culture by providing a holistic approach throughout the entire employee journey.

As a vital part of the multinational Sodexo Group, our efforts are strengthened by Sodexo's global reach, and something more: a guiding principle for positive change — improving quality of life for everyone. Inspirus aims to bring joy to work, one experience at a time.

Visit [Inspirus.com](https://inspirus.com) for more information.

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About Sodexo

Founded in Marseille in 1966 by Pierre Bellon, Sodexo is the global leader in services that improve Quality of Life, an essential factor in individual and organizational performance. Operating in 53 countries, Sodexo serves 100 million consumers each day through its integrated offering of On-site Services, Benefits and Rewards Services and Personal and Home Services, developed using 50+ years' experience. Sodexo's success and performance are founded on its independence, its sustainable business model and its ability to continuously develop and engage its 422,000 employees throughout the world.



[Inspirus.com](https://inspirus.com)

100 N. Rupert Street, Fort Worth, TX 76107

P 817.332.6765 T 800.552.9273