Recession-Proofing Your Business

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Preparing to Gain Advantage During an Economic Downturn

There's a dark, spooky cloud forming over the head of the world economy: experts agree that a downturn is looming, if not a full-blown recession. The globe and its various economies are more connected than ever before. This is both a blessing and a curse as we currently face what some researchers are calling a multitude of critical risks.

Overall, the economy is in a precarious position. According to the most recent Global Economic Prospects Report, "Global growth is slowing sharply in the face of elevated inflation, higher interest rates, reduced investment, and disruptions caused by Russia's invasion of Ukraine."

The outlook is bleak. "Given fragile economic conditions, any new adverse development—such as higher-than-expected inflation, abrupt rises in interest rates to contain it, a resurgence of the COVID-19 pandemic, or escalating geopolitical tensions—could push the global economy into recession. This would mark the first time in more than 80 years that two global recessions have occurred within the same decade."

If vs. When

Considering everything going on in the world, it's easy to fall into stoic despair. "This is fine," we insist, surrounded by the flames of a global economy in distress. But recently, most economists have come to the conclusion that things are, well, not fine. It is no longer a question of if there will be an economic downturn, but rather **when**.

The good news is that there is time to prepare. We don't have to merely sip our coffee and watch the economy burn. Some have even suggested

that now is the time to take action so that in an economic downturn, your company could actually gain an advantage.

[Harvard Business Review](#) looked to research of resilient companies, those that actually managed to thrive during a previous economic downturn. They found some common characteristics that serve as a cautionary tale for those preparing to weather the next economic storm.

Stay the Course

Downturns, or even the threat of a downturn, can incite subtle panic. Companies begin to scramble for resources, cutting costs hither and yon just to accumulate profit that will, unfortunately, only cushion them for the short term.

Resilient companies don't lose sight of their long term goals when a crisis is on the horizon, but instead, stay proactive and focused. According to a recent study by McKinsey: "Companies should rely on scenario planning and prepare a set of long-term moves that will help them thrive in a higher-for-longer environment."

HBR found that resilient companies lost just as much during a recession as their less resilient peers, but improved their earnings early enough in the recession cycle that their total shareholder return recovered quicker.

So, don't panic and look for a quick fix when things get dark. Revisit your long-term goals, recommit to them, and stay the course. The first step to surviving a downturn is making sure you have a healthy, growing business in the first place.

Don't Abandon Tech Advancements

Experts overwhelmingly agree that gaining advantage during a downturn requires "technological competitiveness." When times get tough, some technologies may seem like luxuries that could be sacrificed. You may think it's frugal to put off upgrades until the price tags mellow out when actually that kind of penny-pinching will probably put you at a further disadvantage.

Martin Reeves of Boston Consulting Group explains that technological changes are already "causing competitive positions to become more fragile," and during a downturn, the competitive volatility will spike even further. He adds that "technological progress will not stop during a downturn," so companies simply cannot afford to "put their digital change agendas on hold."

For example, moving to cloud technologies and investing in better monitoring and tracking of productivity can see returns even when the economy is in a delicate place through employee retention.

A Note on Cutting Costs

In times like these, it's tempting to cut costs wherever possible. However, resilient companies don't actually respond to risk by rapidly slashing budgets wherever they can. Currently, our world is facing a wide host of systemic issues that are inevitably affected when any company rushes to cut costs.

Crises like income inequality, real-estate values, and sustainability are directly affected by corporate decision-making. According to HBR, "2023 will be a test of corporate America — the year we find out if corporate social responsibility (CSR) commitments and environmental, social, and governance (ESG) principles are deeply ingrained values or in fact only hobbies to be enjoyed in economic fair weather."

Collaborate for Sustainable Change

That being said, it's predicted that the impending downturn may "inflame social tensions and reduce governments' ability to act on such issues." So, thriving during a downturn isn't just a financial concern. Martin Reeves thus recommends "collaborating with all stakeholders" in order to "move from discussion to pragmatic action."

Don't Get Spooked

Yes, there is an economic downturn on the horizon. We may not be sure precisely when it will arrive, but economists seem to agree that it's coming soon. Fortunately, since it's still on its way, we have time to make some changes. Be proactive so that your company can cultivate resilience now, and the predicted recession won't feel like quite a punch to the gut.

Employee Retention: A Challenge for The US Economy

According to McKinsey, research indicates that "talent pools in many industries are drying up as employees quit to enter other sectors, go after nontraditional opportunities such as gig-economy work, or leave the workforce altogether."

Many companies are taking steps to strengthen their workforce, including: "motivating workers with more meaningful assignments and better opportunities for career advancement" and "training in skills that are hard for companies to find," in addition to reducing or eliminating college degree requirements.

"Evidence also suggests that improving workers' emotional experience on the job can do more for retention than employers might expect," McKinsey reports - with less emphasis on wage increases, and a sharper focus on benefits, work-life balance and goal fulfillment.

It's easy to get lost in reading the tea leaves. Some of us even decide we don't need to read the tea leaves at all. Others of us avoid it because it's just plain stressful. Now the reality of the economy is becoming increasingly difficult to avoid.

Job Growth Complicates Hiring

Businesses wishing to respond to these changes are going to have to focus on retaining the best employees in 2023 now that businesses everywhere are struggling with layoffs and need to do more, with less.

This makes retaining a high-quality team a challenge.

is available to help you save money and closely monitor what's working for your team, and what isn't.

For example, Prodoscore can improve employee retention and mitigate churn. Prodoscore monitors employee productivity and measures what actually benefits your business to create a single productivity score based on your success and not just who does the most busywork.

With Prodoscore, you can feel confident about providing a remote or hybrid work option for your employees. COVID's impact from 2020 - 2022 accelerated the desire and the ability for employees to work from home. As such, being able to work from home for part of the week is still a highly desired perk

Employers will have to sweeten the deal to keep their talent around, and that can get expensive depending on the incentives they choose.

The Evolution of the Workforce

The growing prominence of the millennial workforce is also working in tandem with economic conditions to impact hiring and retention. More than one-in-three American labor force participants (35%) are Millennials, making them the largest generation in the U.S. labor force, according to a Pew Research Center analysis of U.S. Census Bureau data.

Older, more established talent is not only retiring, but also less likely to relocate for a job offer. Consequently, those with more extensive resumes and experience often take more effort to entice if you want to get them and keep them on your team.

Meanwhile, contrary to public perception, the millennial workforce holds its leaders to higher standards and advocates for a greater work-life balance than their predecessors. Employers need to offer a variety of benefits and professional development opportunities if they want the majority millennial talent on their side.

How You Can Improve Retention

The good news amid all of this social and economic change is that there are a variety of helpful ways to meet the challenges ahead. Technology

for many employees. The chance to better balance personal and professional, avoid long commutes, or save on childcare can be huge incentives for retaining talented people. And with Prodoscore you can ensure that work is still being done efficiently outside of the office.

Prodoscore can also pinpoint who your top contributors are and who may be showing early warning signs of leaving. Prodoscore highlights those employees who should be acknowledged and rewarded instead of just who is a favorite and helps managers fairly assess teams and ensure hard workers are recognized.

If someone is starting to slip in their daily activities and productivity, it is an indicator that something may be going on and management should check in. Maybe they are frustrated with their workload or responsibilities; maybe there is a challenge with a coworker, or a personal issue. But, with immediate insight into those hiccups, organizations can make changes that will keep employees happy and motivated.

Employees rarely want to shake the boat when they're struggling or may feel like management is unlikely to take them seriously. Prodoscore makes managers proactive and draws their attention to the areas that require immediate attention.

Read 'em and Don't Weep

Employers will have to step up their game to keep up with the unpredictable economy in 2023. Don't panic, but don't let talent jump ship for better shores. Read the tea leaves and act accordingly, before it's too late.

Why Investing in Career Development Can Save Your Budget

The precarity of our economy has made employee retention one of all managers' top concerns this year. Upskilling and reskilling are not novel concepts, but they are gaining momentum as a defense against skills gaps and budget shortfalls. Recruitment experts at SHRM predict this year will see a hiring slowdown as businesses struggle to find the skills they need so it makes sense that many companies are training the staff they have rather than fruitlessly searching for new recruits.

The talent shortage might be driving the recent spike in upskilling and reskilling, but it's far from the only reason to invest in your employees. There are many benefits to empowering staff and savvy CEOs know that these types of programs are best thought of as a long-term investment rather than a knee-jerk reaction to challenging times.

Many managers feel the same way about onboarding and retention that I feel about fabric softener. It costs more than it should, but it keeps everything smooth, clean, and comfortable.

Yet when budgets get tight, retention often comes out of focus and everyone gets a little stiff. The fabric softener gets watered down. Onboarding is associated with dollar signs, a funnel of money where the only thing that you're selling is yourself to your prospective recruits, and maybe trying to smell nice along the way.

But it turns out that recruiting and retaining top workers isn't always about the money. The current economy has indeed made retention a huge issue that deserves adequate investment. However, such investments may be closer to home, and even more budget-friendly, than you think.

The Cost of Career Development

Various research has shown that employees don't feel supported by their employers - they don't believe that their managers make career development a top priority. But, in an environment where workers are less and less engaged, we can't afford to overlook their needs.

Career development is one of the leading reasons that people leave jobs, second to compensation. No matter how much money you can throw at people--which these days, is not much anyway--they will still be dissatisfied if there's no opportunity for development. This is in part because of shifting values in the workforce, where millennials, in particular, are seeking quality over quantity.

That means a majority of the workforce is already scrutinizing their employer's use of resources, and won't hesitate to look for better opportunities elsewhere.

Bridging Development Without Busting Budgets

In these circumstances, employee turnover, not retention and investment, is the real budget buster. Compared to the ghastly costs of turnover, the cost of investing in better career development opportunities is microscopic.

The pool of available workers may be the most pressing concern about the future of the U.S. labor market, experts agree, based on newly released federal government data.

The labor force participation rate is projected to continue to trend down, declining from 61.7 percent in 2020 to 60.4 percent in 2030, with retiring Baby Boomers and a declining population rate reducing the number of people available to work, according to a new analysis from the Bureau of Labor Statistics (BLS). The youngest Boomers will reach traditional retirement age by 2030.

In light of recent findings, balancing your budget and retaining employees requires a development strategy that supports employer, manager, and employee alike. And chances are, unlike complete turnover, it won't cost everyone billions.

Employees who are not engaged or who are actively disengaged cost the world $7.8 trillion in lost productivity, according to Gallup's State of the Global Workplace: 2022 Report. That's equal to 11% of global GDP.

An adequate employee development strategy isn't focused on bells and whistles, team-building activities, or one or two cool pieces of software. Development should stretch all across the board to include proactive coaching, long-term goal setting, and steady feedback with open dialogue between managers and their teams.

These changes to culture don't come with a huge price tag but do come with some hefty benefits--including keeping your best talent for the long haul by tangibly demonstrating investment in them.

Strategies to Retain Top Talent in a Recession

It is easy to feel helpless in the face of such economic and global strain. After all, there are many aspects of the market that just don't depend on you. But one thing that you can definitely do, especially at a time when employment is high and job offers must become more tantalizing, is implement strategies to retain your top talent.

This means keeping an eye on metrics to pinpoint your most productive and valuable team members. That way, you know who you want on your team whatever the economic climate.

Proactively Minimize Risk

Responding to recession accordingly doesn't just mean retaining your high performers, it also means coaching those mid-performers and staying proactive so that economic disaster doesn't reduce you to a state of catastrophe.

Use performance metrics like Prodoscore's to spot low performers or concerning trends before they become overwhelmingly problematic at the end of the quarter. That way, like any good scout, you can be prepared no matter what the economy brings.

Stay Sharp!

Signs of a recession may be showing their faces, but you don't have to sit around waiting for the worst of the downturn to arrive. You have the power to observe and act so that your business will still be there when the economy's back on the upward climb again.

The Future of Performance Management According to MIT Research

MIT Sloan Management Review partnered with McKinsey and Company for a global executive research study about how performance management is changing. Their report offers insight into the future of performance management.

They discovered that our evaluations of productivity and performance are and will continue to become "more data-driven, more flexible, more continuous, and more development oriented." Furthermore, technology is transforming how and why we measure performance.

MIT provides a thorough research report which carries heavy implications for every business trying to attract, retain, and develop top performers. Here are some of the highlights as you prepare your business to respond to the changing nature of performance management.

Decline of Traditional Performance Management

MIT's research demonstrates an overwhelming consensus among professionals that traditional methods of performance management are simply ineffective. The annual, and even quarterly, review process is becoming strikingly less indicative of actual performance. In order to keep up morale, and motivation--and thereby retention--performance has to be managed in real time.

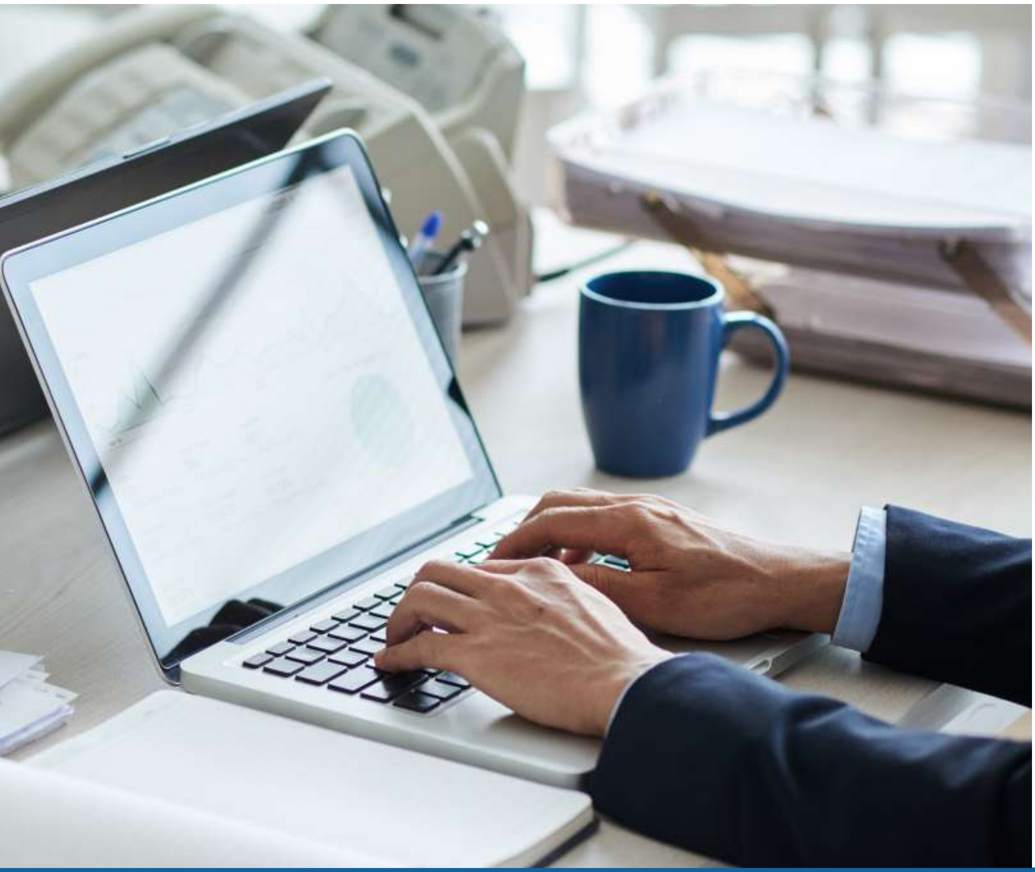
These abounding criticisms of traditional methods are nothing new. According to SHRM, "the trend started with Adobe, Deloitte, GE and other companies that keep track of large workforces. Now, they've been joined by medium and small companies, all eager to ditch the end-of-year performance review that can produce nail-biting anxiety for managers and workers alike, without much improvement in performance.

Data to Save the Day

A major, weakening proponent of traditional methods is their focuson the individual. It's more common now for a single employee to work on multiple teams at once, and so measuring by their individual progress on specific skills is quite limiting. Additionally, there remains the danger of subjectivity when one individual is being reviewed by another individual, with many factors outside of human control that can influence a typical performance review.

So what is one to do? MIT's research shows that as annual review models and measuring individual skills become less effective, performance management will continue to shift toward a more data-driven approach.

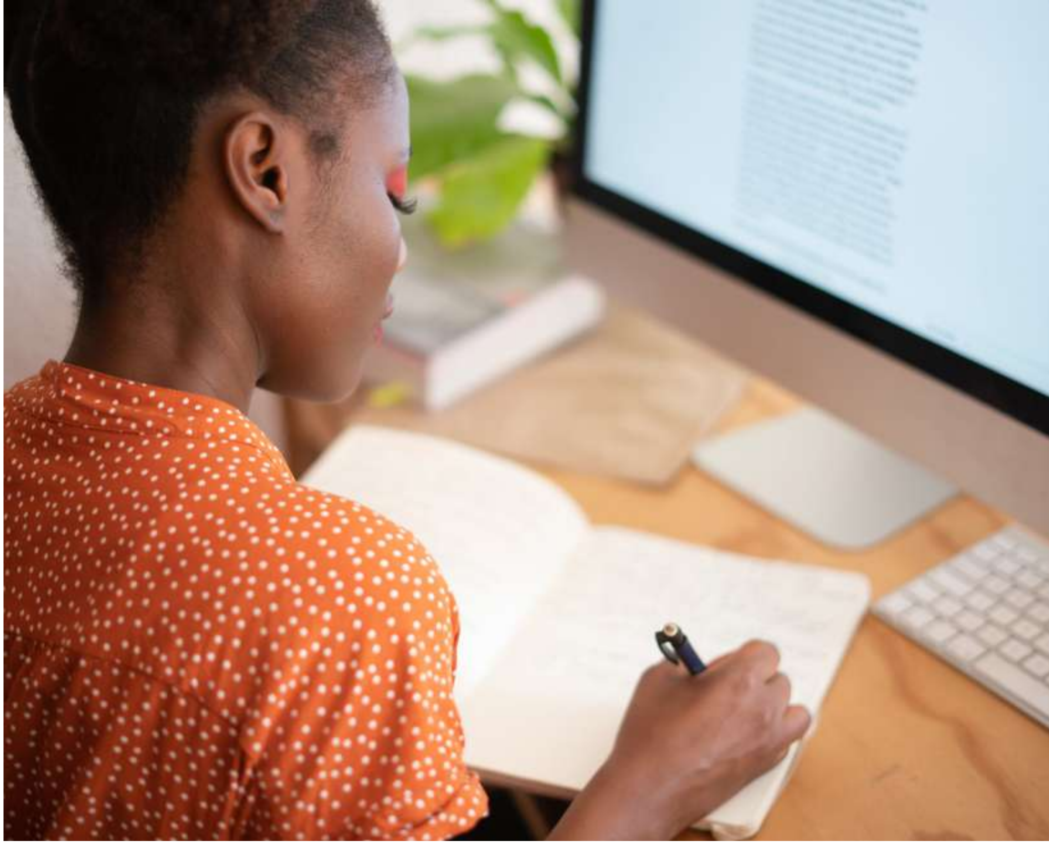
The bigger and more established your company, the harder the switch. Older and larger companies may find themselves relying on outdated systems and thus inadequate data. The study points to companies like these, such as IBM and Adobe, that are restructuring the way they measure and consider human capital. Executive summary of the research declares that the "performance management future belongs to data-rich systems" that serve to better inform managers and workers more accurately and objectively.



Flexible and Continuous Evaluation

The traditional feedback system caves in on itself. Performance reviews are often looking backward, evaluating the previous six months to a year. Not only is that a huge chunk of time to evaluate in one sitting, but it doesn't reflect the constantly changing nature of real life and work.

That "rear view mirror approach" doesn't work well in a world where change happens on a rapid and real-



time basis. Leaders need to be more real-time and adaptable.

This agility involves ditching the regular review method and instead checking in and coaching more actively and frequently. Today's workers work in different locations, with different teams, and in different modalities. This "nimbleness" of skill sets deserves to be recognized and taken into account.

Developing Skills

Recognizing that performance relies on a variety of skill sets, MIT's research report insists that the performance management of the future will be increasingly development-oriented.

At the best organizations, employees will have an opportunity to reinvent their skills throughout their tenure. Skills development should be an essential criterion not just for recruiting, but also performance management.

We need to focus on hiring people who have the capacity to learn, not just because they currently have a particular skillset. Performance management should consider this capacity and to what extent an employee is taking advantage of that capacity.

The Future is Now

Time and technology are moving fast, and performance review methods are finding ways to keep up. Going forward, it appears that traditional performance reviews will become more obsolete as we turn to data-based, agile, development-oriented performance management. Technology will be integral to these advancements as well, and we should take advantage of the tools that have become available to transform the way we define productivity.

Stop Working Against the Clock: Developing Productive Habits

Confession: I love organizational apps. At the time of writing this, I count at least nine different organizational and/or time-management applications on my phone. The combination of calendars, lists, and documents makes me seem, at a glance, like an extremely productive person. Unfortunately, those tools don't give me any more time in the day than anyone else.

Here in the 21st century, we have a myriad of time-management options available to us. Shouldn't it be easier than ever to be productive? Ideally, sure. But as our methods have changed, so has the way that we work.

The average workweek for all employees on US private nonfarm payrolls is 34.4 hours. America is one of the few countries where a maximum length to the work week isn't mandated by law, which means that all of us in our quest to accomplish more are working hundreds of more hours than others around the world. Throw in the prevalence of remote work and the growth of the gig economy, and it becomes evident that many Americans spend more time working than doing anything else.

That sounds pretty productive, but research from MIT in conjunction with the Harvard Business Review demonstrates otherwise. HBR used a survey to invite readers to analyze their own productivity habits based off of seven specific skill sets associated with accomplishing

more. The patterns they noticed provide evidence that "working longer hours does not necessarily mean higher personal productivity."

We have 24 hours in a day. And most days, it seems like if we just had more time, we could get more done. Turns out that no matter how much time you have, your habits will dictate how you spend that time. Productive habits may vary from person to person, but research offers some common characteristics of highly productive people.

Plan & Prioritize

HBR found that those identified as most productive were advanced planners with specific goals. This doesn't mean having every moment planned out by the half-hour, (unless that's what works for you) but you should develop specific routines that give you the opportunity to plan ahead.

Some suggest that a successful day starts the night before - prioritizing your schedule for the next day. Some executives believe that task tracking is the answer to productivity.

How you choose to stay productive is up to you but the habit of planning extends not just to the day-by-day, but your tasks throughout the day. Large projects can--and probably should--be broken into smaller pieces. Use outlines when you write, and please, for the love of all your co-workers, have an agenda prepared for upcoming meetings.

Give Your Schedule Some Space

While you're planning out that schedule, don't get too caught up in filling it to the brim. A full schedule isn't always the most productive. In fact, meeting overload is a real thing and growing problem in today's workplace. Building space into your day for emergencies, or just to make sure that you have time for your regular routines is critical.

If it helps you to even write down those regular routines, like getting dressed or making breakfast, go for it! Just be

sure to give yourself the space to take care of yourself so that you're functioning on all cylinders. That's right--productive doesn't have to mean over-time. Give you, and your schedule, some space to be flexible.

Communicate With Clarity

The productive worker should also take into account the preferences of their colleagues. Conciseness and clarity benefit everyone involved.

And limit video calls to 1 hour or less if at all possible. If it needs to be longer, add in breaks. Make sure you're preceding those meetings with an agenda and ending them with defined next steps. Respond to messages right away, or reserve time each morning to take care of correspondence. And if you find yourself delegating and giving instructions, be as clear as possible and include viable metrics so that everyone is on the same page.

Same Minutes, Better Habits

You can't turn back the clock, but you can make the sure the clock doesn't turn on you. Notice that none of these suggestions are about working any faster, or accomplishing tasks at great volume. It's a matter of technique. So, use time to your advantage by developing productive habits that let you and your team work smarter, not harder.

Using an EPM solution like Prodoscore can significantly improve productivity, office culture and so much more. Transparency into workflows takes the guesswork out of management, ensuring that those who deserve recognition get it, and those who need extra support or training get it too. Actionable insights create visibility into daily engagement, empower employee flexibility, and ensure accountability. The result? Better informed leadership and engaged employees – a win-win.

Contact us for more information