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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. In their most recent Global Economic Prospects Report, The World Bank admitted that "the global economy has slowed to its lowest pace in three years." And contrary to popular belief, those numbers aren't simply because of developing countries affecting statistics. In fact, reports reveal that "growth in the emerging and developing world is expected to pick up next year," while intensifying disputes between the world's largest economies are a major risk factor.

If vs. When

Considering everything going on in the world, it's easy to fall into stoic despair like the dog sipping his coffee in KC Green's infamous webcomic. "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.

In a survey of U.S. CFOs, Bloomberg discovered 49% expect a downturn by the end of this year, while 82% expect it will strike by the end of 2020. World Bank reports that global business confidence has been steadily on the decline for the past year and a half, as executives and constituents alike face ballooning debt, poorly distributed resources, and increasing global tensions.

The good news is that among all the predictions, 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 the last 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. World Bank warns that there is a need for “growth-enhancing projects” to sustain the economy, rather than a quick fix.

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 you can. 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. And as employee, activism has increased in recent years, it's more important than ever to consider the socioeconomic implications of corporate decisions.

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.

Why the Weirdness of the 2019 Economy Makes Employee Retention a Huge Issue

The Chief Economist at MUFG in New York, Chris Rupkey, laments that the Federal Reserve may be "misreading the tea leaves on where the economy is going next." This analogy is striking in more ways than one, as the stock market grows more volatile and the country is still reeling from an ongoing trade war with China. The confusion over the U.S. economic situation is merited, however, considering a unique and ever-growing amalgamation of circumstances.

On one hand, we're only one month into 2019, and employers have reportedly added 304,000 jobs to the U.S. economy. On the other hand, reports say "the economy's momentum is fading," and despite employment levels, wage growth isn't increasing rapidly enough to counter inflation. To top it all off, the recent government shut-down also threw the economy off-kilter.

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 intensely on hiring and retention in 2019 now that there are more jobs to go around, but not always the funds expected to go with them.

There are two sides of the coin when it comes to recruiting, retention and the lower unemployment rate. Americans may have an easier time finding a job, but that also means that those who are unsatisfied with their current job may be less afraid to hunt for a new one.

This makes retaining a high-quality team a challenge. Employers will have to sweeten the deal to keep their talent around, and that can get expensive depending on the incentives that 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.

Approximately 40% of the US workforce consists of millennials, and that number is only expected to increase.

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 Rentention

The good news amid all of this social and economic change is that there are a variety of helpful ways to help meet the challenges of the new year. Technology is available to help you save money and closely monitor what's working for your team, and what isn't.

For example, Prodoscore can help retain employees in a variety of ways. 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.

First off, thanks to Prodoscore, you can feel confident in providing a remote work option for your employees. Being able

to work from home for part of the week is a highly desired perk for employees with long commutes or young children. The chance to better balance their life or save on childcare can be a huge incentive for retaining talented employees. Prodoscore helps you stay confident that work is still being done efficiently outside of the office.

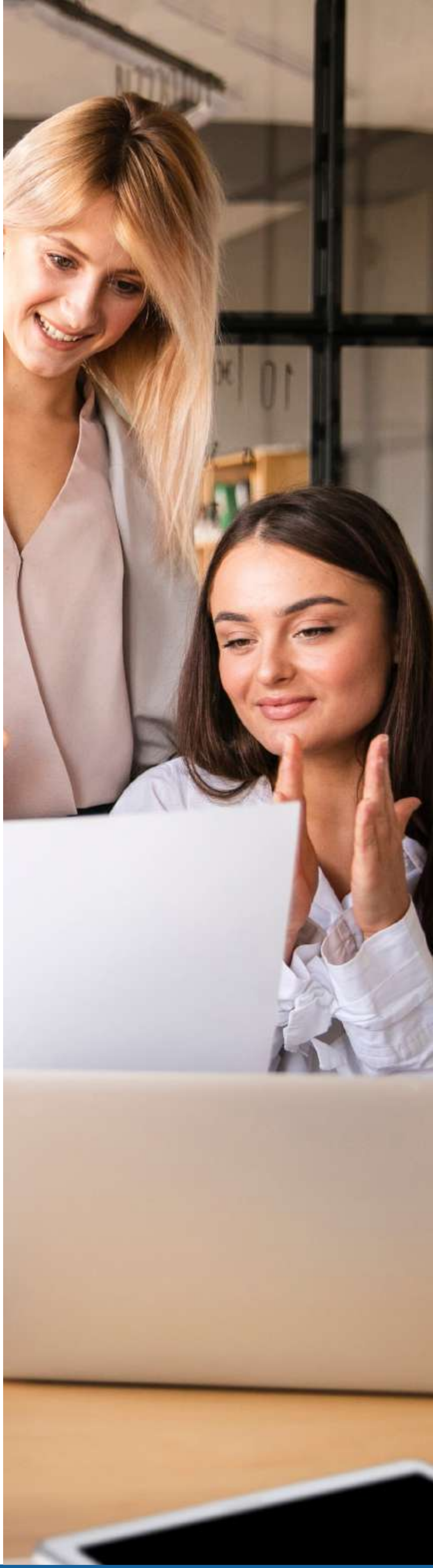
Second, Prodoscore can both help you know who is a top priority to retain and who is showing early warning signs of leaving. Prodoscore accurately helps you realize which workers are giving strong, daily contributions and should be acknowledged and rewarded instead of just who is a favorite. Prodoscore helps managers give fair assessments of their teams and makes them feel appreciated.

If someone is starting to slip in their daily activities and productivity, this is a strong sign that something is off and management should step-in to improve conditions and retain that worker. Maybe there is dissatisfaction with current job processes or salary which can then be addressed to retain the worker instead of being blindsided when they leave.

Employees rarely want to shake the boat when they're having issues or may feel like management is unlikely to take them seriously. By having Prodoscore to help focus your attention on where you can be proactive, managers can both know and retain their top talent.

Read 'em and Don't Weep

Employers will definitely have to step up their game to keep up with the unpredictable economy in 2019. 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. Unemployment may be low, but wages are about the same, which means talented recruits have more options than ever if they're dissatisfied with their current position. Instructure's survey released earlier this month shows that 70% of US employees say they're somewhat likely to leave their current company and not because of the cash flow.

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

Instructure and the Harris Poll teamed up to survey 310 employers and 1,443 full-time employees about satisfaction, retention, and career development. The results reveal a striking disconnect between employers and their talent when it comes to investing in employees.

98% of the employers surveyed said that they offer career development tools, and 69% expressed that they feel development is important to retention. However, only 26% of employees rated the career development tools being offered as effective. That's

right, Instructure reminds readers that "employees give an F to their employers for employee development."

Career development is one of the leading reasons that people leave jobs, second to compensation, of course.

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 with current unemployment rates, won't hesitate to look for better opportunities elsewhere. Three out of four employees told Instructure they "feel like they're on their own" when it comes to career development and are forced to take it into their own hands.

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 average cost to fill a position can range anywhere from $3,000 to $18,000 and up, and if recent research is any indication, the cost is only going to grow. Last year's National Retention Report showed that turnover costs will increase to $680 billion overall by 2020.

That's why, 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.

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 are large changes of culture that 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.

The Warning Signs of Recession & Responding Accordingly

Over three-quarters of CFOs recently surveyed by Bloomberg said they expect a recession by the end of 2020. However, this fall, unemployment rates fell below 4% while wages grew rapidly. Unemployment is still at record lows as we break in our business shoes for 2019.

So, what's all the fuss about? Well, economists are stepping in to remind us that economics is, in fact, a cycle, and it would serve us well to be wary of such supposedly excellent conditions.

Nicole Smith, Chief Economist at the Georgetown University Center on Education and the Workforce, explains that those historically low unemployment rates are actually symptomatic of upcoming economic strife. This has been exhibited throughout history, where "at other times when the unemployment rate has fallen below 4 percent, it's times where it was the boom phase just before recession," and occasionally, just after war.

Researching the signs of recession leads to an onslaught of familiar looking, yet difficult to decipher charts and graphs. The one thing we can all take away from those graphs? Right after a major peak comes a pretty raggedy looking valley, which we see looming in the distance as the Federal Reserve continues to hike interest rates, which have followed a similar pattern.

The cyclical nature of it all makes a recession more predictable, though never

completely so. It can also make us incredibly cynical if we're not careful. The good news is that you too can prevent forest fires among the encroaching shadowy valleys of recession, looking out for signs in your industry and taking meaningful actions.

Be Mindful of Global Context

Unsurprisingly, slowing global growth is bound to affect the U.S. economy. Goldman Sachs researchers came up with a way to determine the extent of this ripple effect. According to their research, for every one percent decline in growth outside of the US, there's a decline of at least half a point for US growth.

There's already a 14% chance of US recession over the next year, but when you add a three percent decline in global growth, that increases those odds all the way to 46%. So it turns out that paying attention to current events around the world could give some strong indicators.

When it comes to looking out for a potential recession, don't discount the influence of economic strife, even if it's at a geographic distance.

Survey Sentiments With Your Industry

Investor Jeffrey Gundlach "tracks confidence as a leading indicator of recession," and it makes sense for the confidence of both consumers and businesses to decrease during an economic slowdown. What Gundlach draws attention to currently is that even though expectations are employment are high, the confidence of business owners and consumers alike is starting to wane.

According to Gundlach, the Conference Board's most recent survey in January showed the widest gap between current sentiment and expectations since March 2001. He even tweeted that this was "the most recessionary signal at present," stating that "It's one of the worst readings ever."

So apart from economic expectations, keep a close eye on the sentiments of your customers, competitors, and even your own business. A discrepancy between the conditions of the market and the confidence of those involved should raise some flags.

Retain Your Top Talent

It's easy to feel helpless in the face of such an involved economic system. 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 doing what is in your power 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 to appreciate and incentivize to ensure that whatever the economic weather, you'll still have their strong performance to help you fend off the flames of encroaching downturn.

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 was just released, offering 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.

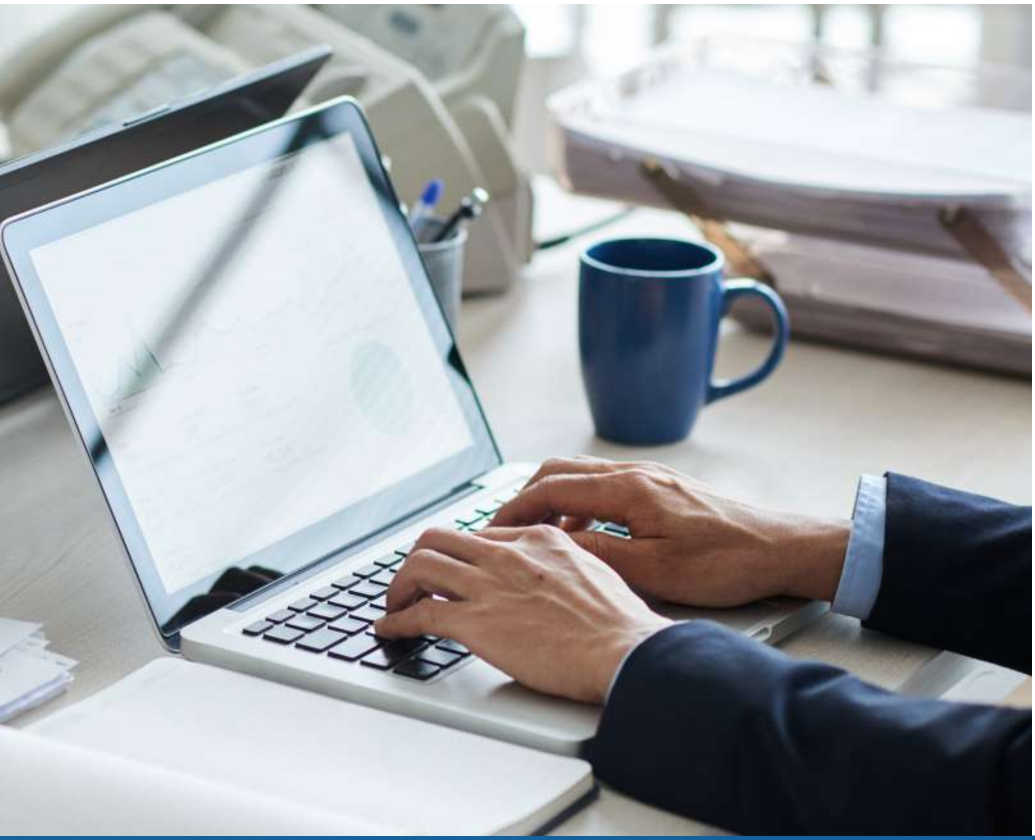
These abounding criticisms of traditional methods are nothing new. Yet in 2018, Reflektive surveyed businesses and found that 70% of them still run annual or biannual reviews. Natalie Baumgartner of the employee engagement company Achievers laments the general sense that "performance management is broken."

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.

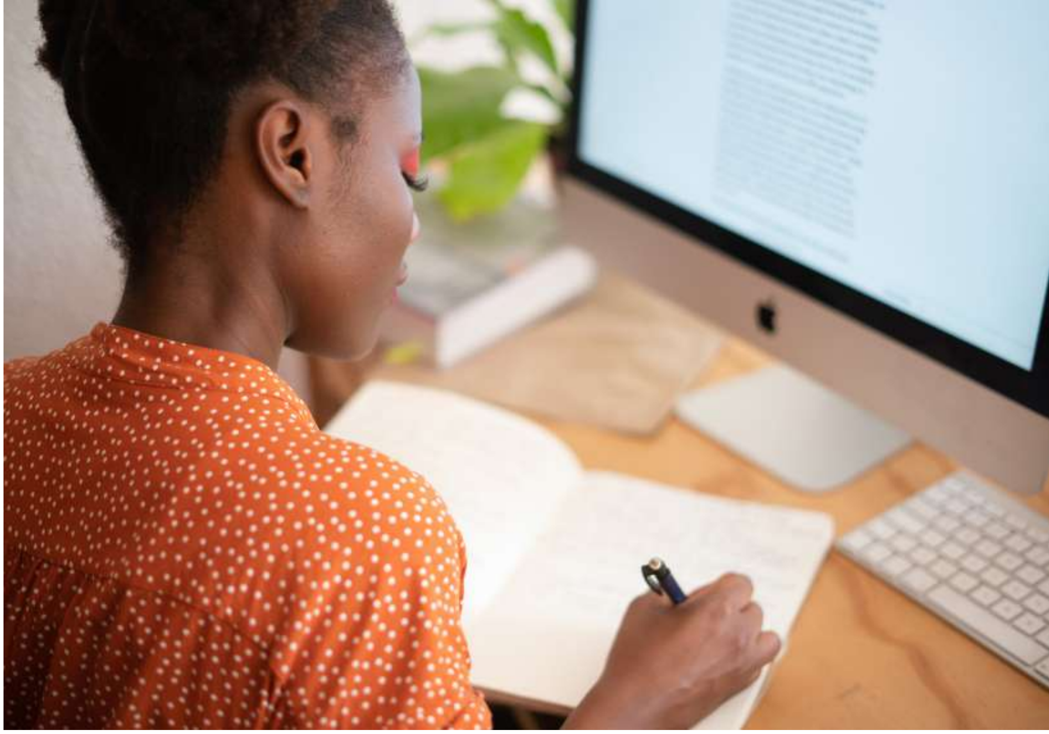


Flexible and Continuous Evaluation

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.

Donna Morris, chief human resources officer and executive vice president of human resources at Adobe, describes this as a "rear view mirror approach" that doesn't work well in a world where change happens on a rapid and real-time basis. She and many other HR executives agree that "the approach to how you look at people's objectives needs to be more real-time and agile."

This agility involves ditching the regular review method and instead checking in and coaching more actively and frequently. [Morris explains](#) that this is because no one's work is fully reflected in a single skill, as "people are working in different locations, with different teams, and 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.

Diane Gherson is the chief human resources officer and senior vice president of human resources at IBM.

He has been at the company since before the complete restructuring of their performance management system. Gherson explains that "we need everyone to reinvent their skills on a consistent basis," meaning that going forward, skills development should be an essential criterion not just for recruiting, but also performance management.

Gherson says that "you can't hire someone because they have a particular skill." Instead, "you have to hire someone because they have the capacity to continue to learn." 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.

77% of Americans work more than 40 hours a week. 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 recent 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.

It's suggested that a successful day starts the night before. HBR recommends that each evening you revise and prioritize your schedule for the next day. How you choose to do this is up to you, whether it's an app or a good old-fashioned paper calendar. Personally, I prefer a whiteboard.

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, MIT's research showed that productive workers also leave spaces in their schedules. These are spaces for emergencies, but also just to make sure that you have time for your regular routines.

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

HBR finds that the productive worker "should understand the needs of your colleagues for short meetings, responsive communications, and clear directions." This conciseness and clarity benefits everyone involved.

Limit meeting times to 90 minutes if at all possible. 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.

Interested in more productivity related insights?

Check out some of our latest research