Don't forget your people: Building workforce resilience

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Building workforce resilience

Let's face it, organizations—and their people—are stressed about unpredictable economic pressures and talent management issues. The looming economic downturn has imposed fear among American workers that the market is headed into recession—and economists agree, predicting in a recent Bloomberg survey that there is **70 percent chance of recession** within the next year.[1]

KPMG research found that these "issues will exert the biggest impact on organizations over the next three years."[1] On top of that, KPMG uncovered that today, **73 percent of chief executive officers (CEOs) are most concerned about their ability to retain talent.**[2] To effectively mitigate these impacts and reduce stress on the business, organizations should put their people first and invest in building workforce resilience.

While some believe that building resilience means that organizations should restructure and trim down their operations, expenses, and workforce, we believe that building resilience means shoring up your people's ability to navigate and adapt to evolving circumstances.

By building workforce resilience, organizations will be equipped to support and empower their people. They will also be better positioned to drive and sustain better business results.

This white paper explores:

[1] "Recession Fears 2023: What Lies Ahead?," Forbes, January 10, 2023.

[2] CEO Outlook | People and talent trends, KPMG 2022.

Why organizations should prioritize their people when building resiliency strategies

The benefits of building workforce resilience

How organizations can diagnose gaps in their workforce's resilience

Business value-adds

Can building workforce resilience bring value to your organization?

Stronger business results

Research suggests that "highly resilient" workers—individuals with an ability to emerge from struggle without harm or who bounce back from adversity—were 31 percent more productive than their counterparts during the pandemic.[4] Whether through a "been there, done that" mentality or through a sense of earned "grit," these **highly resilient individuals help organizations deliver results by remaining engaged, agile, and creative** in times of difficulty, ultimately driving profitability.

To weather the uncertainty that lies ahead and drive results, organizations need to invest in workforce resilience now. Organizations can use different avenues, such as providing workers with greater flexibility and simplifying work to also build agility.

How can organizations catalyze resiliency and maximize its benefits?

Engage the workforce

One of the primary drivers of profitability, employee engagement, declined among U.S. workers in 2021, noting the first decline in more than a decade.[5] Since **companies with the highest rates of employee engagement are 21 percent more profitable than their peers**,[4] organizations should consistently "pulse check" engagement metrics in order to proactively combat any potential negative impacts.

Leaders must continually build workforce resilience by fostering a strong and engaging workplace culture and providing their workforce with the support, information, tools, and experiences they need to succeed in a dynamic environment.

Drive adaptability

Finally, building workforce resilience drives adaptability and innovation within an organization. Research shows that resilient workers out perform their peers—they are 22 percent more innovative, have 20 percent higher cognitive flexibility, and drive 18 percent higher team creativity.[3] This is especially true when partnered with **an investment strategy that equips employees with the skills, education, tools, and experiences that they need to upskill and prepare for the future.**

Part of the battle, however, lies in employee perception. **Employees must feel confident in their skills and abilities as they relate to the future of work and should feel empowered to drive innovation.**

[3] "Resilience in the Age of Uncertainty," BetterUp Labs, 2020.

[4] Jim Harter, "U.S. Employee Engagement Drops for First Year in a Decade," Gallup Workplace, January 7, 2022.

[5] Jim Harter, "Employee Engagement on the Rise in the U.S.," Gallup Workplace, August 26, 2018.

Developing an engaged workforce

How can organizations drive resiliency through developing and maintaining an engaged workforce?

Understanding your workforce's current state

While leaders might believe that "quiet quitting" is a myth, a recent 2022 Gallup survey showed that over half of the U.S. workforce consists of quiet quitters.[6] Investopedia defines "quiet quitting" as "doing the minimum of one's job and putting in no more time, effort, or enthusiasm than absolutely necessary." [7] The term, popularized through social media virality, can be viewed as a trendy new name to depict employee disengagement.

Employee disengagement hurts companies' bottom lines, as studies show that employee engagement **improves productivity by 17 percent**. Companies with the highest rates of employee engagement are **21 percent more profitable** than their peers.[5]

The phenomenon of quiet quitting not only limits an organization's profitability, but also destabilizes the workforce. As a result, employees may be less resilient in the face of business and other economic disruption. In a potentially fluid economy, there tends to be a lot of fear around the workforce. To mitigate the impacts of economic disruption, organizations need to act now to engage and bolster their talent.

Leveraging leadership to drive engagement and build resilience

Employees argue that quiet quitting is a response to an accompanying trend—"quiet firing"—which is defined by Gallup as the failure to provide "coaching, support, and career development" to employees.[8] Employees are putting in the bare minimum because they do not feel they are recognized for giving more effort.

Organizations can proactively address issues related to quiet quitting and build workforce resiliency through driving greater engagement. Leaders can build bridges between themselves and workforce, using mentorship and sponsorship programs to reintegrate quiet quitters into the productive workforce. According to a KPMG study, "when it comes to gaining career or moral support at work, just over half of the respondents, 53 percent, somewhat or strongly agree that they have adequate access to sponsors or advocates at their organization."[9]

As shown, organizations have room to grow their mentorship initiatives to better engage employees and build resilience. An engaged workforce yields many benefits, including increased innovation.

[6] Jim Harter, "Is Quiet Quitting Real?, Gallup Workplace, September 6, 2022.

[7] Greg Daugherty, "What is Quiet Quitting – and Is It a Real Trend," Investopedia, November 2, 2022.

[5] Jim Harter, "Employee Engagement on the Rise in the U.S.," Gallup Workplace, August 26, 2018.

[8] Ben Wigert, "Quiet Firing: What It Is and How to Stop Doing It," Gallup Workplace, November 18, 2022.

[9] "Looking for more: Employee expectations are on the rise," KPMG, August 2022.

Fostering adaptability through upskilling

How can organizations drive resiliency through developing and maintaining an engaged workforce?

Invest in retaining and upskilling existing, engaged talent

Employee turnover is expensive for employers. The **cost of employee turnover ranges** from **25 percent** to **200 percent** of employees' **salaries.**[10] On top of that, the average cost of hiring a new employee is **$4,425.**[11]

Organizations that fail to invest in building resilient workforces are even more susceptible to the high costs of employee turnover. Research indicates that 78 percent of employees are concerned they lack the required skills to advance their career and **70 percent feel they are unprepared** for the future of work.[12]

In other words, these employees lack the resiliency needed to navigate ambiguous futures and unexpected pressures. Upskilling employees can increase retention and reduce voluntary attrition—20 percent of employees who left their companies voluntarily did so because of lack of career development opportunities.[13] Upskilling talent is critical in the path to retain employees and avoid costs associated with turnover.

Business benefits of upskilling talent

Upskilling talent engages employees and creates an adaptable workforce. Employees who have the opportunity to upskill themselves to advance their career and prepare for the future of work will be more resilient and provide benefits to the business:

- Soft skills training resulted in a **250 percent return** on investment within eight months.[8]
- More than half **(51 percent)** of nonresilient workers are likely to stay with their employer but only 22 percent feel they can reach their potential.[15]
- Employee resilience led to higher innovation (+**22 percent**), higher cognitive flexibility (+**20 percent**), and more novelty of ideas (+**20 percent**).[3]
- **Ninety percent** of employees agreed or strongly agreed that training and development programs improved their job performance.[13]

[10] "The Costs of Turnover," University of Minnesota Libraries.
[11] "SHRM Customized Talent Acquisition Benchmarking Report," Society for Human Resource Management, 2017.
[12] "Upskilling Study," Workplace Intelligence.
[13] "Importance of Training and Development for Employees," Maryville University.
[14] "Soft Skills Training Brings Substantial Returns on Investment," MIT Sloan, 2017.
[15] "The Rising Resilient," AON, 2020.
[3] "Resilience in an Age of Uncertainty," BetterUp, 2020.

AT&T: Upskilling employees to adapt for the future

Case study:

In 2008, an analysis of AT&T's workforce uncovered that only about half of 250,000 employees had the necessary science, technology, engineering, and math skills the business required. Moreover, they discovered that 100,000 employees had jobs related to hardware that was expected to become obsolete over the next decade.

Retraining employees is significantly less costly than replacement. The median cost of replacement is 21 percent of an employee's salary. Moreover, "retraining workers for new, or more high skilled, jobs also allows a company to keep valuable institutional knowledge in-place." [16]

AT&T's $1 billion "reskilling" program provided employees with access to online courses as well as a career center portal, which "lets workers see what jobs are available, the skills required for each, the potential salary range and whether that particular area is projected to grow or shrink in the years ahead. In short, it gives them a roadmap to get from where they are today to where the company needs them to be in the future." [16]

Ten years after launching this program, more than half of AT&T's employees have completed online courses with a value of $2.7 million. Employees who are retraining are two times more likely to be hired into new, mission-critical, in-demand jobs such as data scientist, computer analytics, app developers, or cloud computing. These employees are also four times more likely to make career advancements. The company is using significantly fewer outside contractors for jobs with technical skills. CEO John Donovan explained, "We're shifting to employees, because we're starting to see the talent inside." [16]

[16] "AT&T's $1 billion gambit: Retraining nearly half its workforce for jobs of the future," CNBC, 2018.

Human capital diagnostic: Identify where to build resiliency

Getting started

Overview

The KPMG Human Capital Diagnostic (HCD) enables clients to **discover talent opportunities and risks** across **six areas** that impact employees the most: Culture and Work Environment, Organizational Effectiveness, Total Rewards, Employee Enablement, Talent Attraction and Development, and Leadership. These insights better equip organizations to **build workforce resiliency** and **capitalize on the business value** of a more **adaptable**, **engaged**, **upskilled**, and **innovative workforce**.

Human Capital Diagnostic utilizes a broad understanding of the talent lifecycle to assess clients' current state, determine key focus areas, and develop actionable recommendations towards achieving a data and insight-driven talent strategy that drives momentum across the organization.

Focus

Through the Human Capital Diagnostic, KPMG applies a propriety model to asses the client's maturity across the six areas. The assessment begins with the **Human Capital Diagnostic Survey**, which contains **tailored questions** related to the six areas of impact and their related subareas. Each subarea is assigned a **maturity rating** based on responses.

Through an interactive tool, the **Human Capital Diagnostic Survey** engages participants and analyzes responses in real time to assess the maturity of the **organizational enablers**. Results are then combined and averaged, providing an overall maturity rating for each of the areas.

Key activities and impacts

- **External assessment**—Assess talent landscape opportunities and risks, deriving insights via the KPMG People Analytics Dashboard
- **Focus groups and/or interviews**—Develop employee personas to capture the workforce's wants, unmet needs, and biggest challenges
- **Visioning workshop**—Obtain leadership alignment on priorities to address gaps driven by quantitative and qualitative data collected
- **Final report**—Outline key findings and provide actionable recommendations with quick wins and longer-term efforts

Why invest in building workforce resiliency?

- Employee resilience led to higher innovation **(+22 percent)**, higher cognitive flexibility **(+20 percent)**, and more novelty of ideas **(+20 percent)**[2]
- Companies with the highest rates of employee engagement are **21 percent** more profitable than their peers.[3]

Why act now?

- **91 percent of** U.S. executives believe there will be a recession in the next 12 months, stressing the importance of keeping regretful attrition to a minimum.[1]
- **73 percent** of organizations are concerned about their ability to retain talent due to inflation and increased in cost of living.[1]
- **31 percent** of the workforce reported that they are actively thinking of leaving their organization.[1]

[1] "Recession Fears 2023: What Lies Ahead?," Forbes, January 10, 2023.

[2] CEO Outlook | People and talent trends, KPMG 2022.

[3] "Resilience in the Age of Uncertainty," BetterUp Labs, 2020.

[4] Jim Harter, "U.S. Employee Engagement Drops for First Year in a Decade", Gallup Workplace, January 7, 2022.

How can KPMG help you with your future workforce resiliency strategy?

Backed by deep experience across all industries, KPMG helps organizations develop strategies that embrace new technologies and new ways of working to build more resilient organizations. We know how to leverage people analytics and the latest digital technology to develop a culture of innovation that supports effective leadership, upskilling, inclusion, high performance, career mobility, and talent acquisition.

For more information on the KPMG Human Capital Diagnostic, click here.

Let us help you

Organizational Strategies

Organization Design | Organization Architecture

Talent Strategies

Leadership Development |Talent Assessment | People Analytics

Learning Services

Learning Strategy and Transformation | Learning Enablement and Analytics Platform

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