

HR Market Research Report

August 2022

Conducted 20+ interviews with CEOs, CHROs and other senior leaders, complimented by surveys from crowd sourcing 1800 people.

Our goal is to help small-to-mid-size HR consulting firms understand, and therefore be better prepared for, potential market shifts.

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A multi-faceted complement to in-house resourcing

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Throughout the months of June and July, Princeton HR Insight conducted 20+ interviews with CEOs, CHROs and other senior leaders, complimented by surveys from crowd sourcing 1800 people. This report provides a summary of sentiments expressed by interviewees, as well as an analysis of the implications of the findings.

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Our goal is to help small- to mid-size HR consulting firms understand- and therefore be better prepared for- potential market shifts.

We focused on investigating trends within the HR realm. In particular, we were curious whether leadership development programs, coaching and assessments were seeing any changes in demand due to political, social, and business shifts that have taken place over the past two years. Given the recent spike in turnover and hiring, we also included several senior recruiters to capture their view of market dynamics. From these conversations, interesting insights regarding the effect of the pandemic and social justice movements also emerged.

Throughout the report, we use the term 'client' to refer to companies buying HR consulting services and 'consultant' to mean the external firm providing the service.



The Trajectory of Leadership Development, Coaching, and Assessments

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We asked where interviewees had spent money in the past two years and where they are budgeted to spend in the next two years. In response, most people said that they see the demand for leadership development programs, coaching and assessments rising.

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Historically, demand has come largely out of a need to build leadership skills and succession plans. Today, the discussions also focused on a dire need to engage, retain and attract talent.

Development Programs & Coaching

Whereas in the past, these efforts were focused largely on top-level management, more firms are beginning to incorporate programs deeper into the organization, especially for mid-career, diverse and technical talent. Although retention and engagement are underlying themes, there are differences between the populations:

- Senior-level initiatives have an increased focus on leading during times of rapid change and empowering vs directing to increase the engagement of their teams.
- Mid-career and diverse talent initiatives are intended to accelerate their leadership skills in order to stretch them into larger roles sooner given current or expected vacancies.

- Technical leader programs are designed to support team effectiveness to deliver increasingly complex programs.

Coaching appears to be a critical lever at all levels of leadership to help personalize and embed new skills. Senior leaders are generally supported by 6+ month, one-on-one engagements with an executive coach. Coaching lower in the organization may involve 3-5 meetings and/or group sessions at a lower price per person.

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Many clients are also starting to increase their use of conferences, panels and workshops to share knowledge and create connections. This may be an opportunity for consultants to expand their offerings going forward.

For development and coaching programs, most interviewees work with external consultants.

Assessments

Interviewees expressed that their companies are beginning to adopt assessments on a larger scale. Demand comes from:

- Companies and recruiters offering assessments to help with selection decisions as well as support new hires' integration (e.g. Hogan).
- Development programs and coaching engagements (e.g. 360s, Hogan and/or social styles assessments like DISC, Predictive Index, Insights, Myers-Briggs).
- Teams are leveraging assessments to support hybrid and remote team effectiveness (e.g. social style assessments).

We hypothesize additional demand for assessments comes from the use of development programs deeper in the organization and more frequent use of 360 feedback during times of drastic change to help leaders navigate.

Many assessments are completed internally, although interviewees have enlisted external partners when internal teams:

- don't have capacity
- assessments are bundled with other services (e.g. development programs, coaching, team effectiveness)
- when there are sensitive situations requiring a neutral third party and confidentiality.

Trajectory of Budgets and HR Consultant Pricing

Interviewees note that familiarity with a consultant is a main driver when choosing a partner. Price is also a key consideration. However, companies are beginning to cut down on spending ahead of an anticipated economic constriction or recession. This has been accelerated by the need to spend budgets that could otherwise be used for development to retain or hire talent as part of the 'great resignation' of 2021-2022.

It appears companies are first pulling back spending with larger, name brand HR consulting firms which may create opportunities for small- to mid-size firms who generally operate at a lower price point.

Social, political, and economic shifts over the past two years have drastically transformed the way businesses operate. Two key themes emerged from our research: the impact of the pandemic on remote work and the impact of social justice issues on employee expectations.

Hybrid and Remote Work



Despite believing hybrid and remote work has challenges, 100% of interviewees believe these new models have significant value and are here to stay

The shift to hybrid & remote work is here to stay. All feedback providers expressed that the pandemic has set a new norm for workspaces. The majority of meetings within firms are conducted virtually, regardless of whether employees are in the office. The function of a physical office is becoming more of a social space, to which employees come periodically to interact with one another.

- The biggest challenge that comes with the shift towards hybrid workspaces is developing trust and culture. Colleagues are needing to be intentional in making time to connect and bond given fewer opportunities for simple coffee breaks, lunches, and over-the-desk conversations. This is magnified for new hires who may need additional support to effectively integrate without the opportunity to develop initial relationships in-person.
- For everyone, but especially early career talent, the absence of face-to-face interactions could impact development. Reflecting on their own experiences, interviewees acknowledge that personal and professional growth has historically depended largely on workplace interactions.

- Leaders are still trying to figure out how to conduct meetings without compromising engagement. For larger and collaborative projects, virtual meetings can still feel limited.
- Lastly, from the recruiting perspective, the option to work remotely has become the standard. Companies requiring that employees work on site most of the time may struggle hiring in a market where talent often has multiple offers.

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Our take on the findings related to hybrid and remote work is that the pendulum is continuing to swing. It is evident the power currently leans towards the talent side and most companies are working to adapt. However, there is risk on the talent side if the market tightens and fewer roles are needed. There may also be challenges to internal equity as new employees come in with higher compensations or different work accommodations.

Different companies, even teams within companies, have varying needs and there does not appear to be a defining set of recommendations emerging yet. For additional thought leadership on best practices regarding hybrid and remote work models:

- [What Great Hybrid Cultures Do Differently](#)
- [Sloan Review MIT: Relational Power is the New Currency of Hybrid Work](#)
- [Forbes: The Benefits of Flex Work For People, Families, and the Environment](#)
- [Momentive: From raises to remote work: 5 insights on the employee experience](#)

Impact of Social Justice Issues on Expectations

The past few years have put a spotlight on social justice from #MeToo changing discussions from sexual harassment to pay equity, to Black Lives Matter and the killing of George Floyd leading to a deeper understanding of bias, to mask mandates and vaccine requirements raising questions about individual freedom vs workplace safety, to environmental impact and sustainability initiatives, to more recent discussions on abortion and its impact on companies' health care offerings. To a greater degree than ever, top leadership has found themselves needing to have a clear point of view regarding important and complex issues as their employees look to understand where the company stands.

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In the same way that remote & hybrid accommodations have become a factor for current employee engagement and job-seekers, a company's stance on social issues can now play an important role in potential employment.

For additional thought leadership on best practices regarding social justice topics:

- [MIT Sloane Review: To Have Joy in the Workplace, There Must Be Justice for All](#)
- [Forbes: Transforming Corporate America: The Sustaining Effects Of DEI](#)

The 'Covid Years' have had a major impact on companies and the society in which they operate. The demand for HR services is increasing but shifting focus within leadership development, coaching and assessments. These services continue to be offered to senior leaders and are increasingly also being directed towards earlier career, diverse and technical employees. It appears retention and remote work are the main reasons for the broader focus.

We predict that given companies' tighter budgets, small- to mid-size HR consulting firms who generally operate at lower price points than larger, name-brand consulting firms, will benefit from redirected work through the balance of 2022. In addition, the US Government and government contractors tend to spend money and award contracts through their Sept 30th fiscal year-end and companies do the same through Dec 31st which may temporarily mask a pending slowdown. **Therefore, 2022 should finish strong. However, HR consultants should stay attuned to the potentially smaller market with changing needs that may be present starting in early 2023.**

For further questions regarding the report or the work that we do at PrincetonHRInsight, please do not hesitate to reach out via our [new website](#).