



Princeton HR Insight LLC

A multi-faceted complement to in-house resourcing

Market Pulse Check: HR Consulting Trends Analysis

A pulse check to examine the potential market shifts affecting small- to mid-size HR consulting firms.

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INTRODUCTION

During the summer of 2023, we engaged in discussions with approximately twenty companies purchasing services and small to mid-size companies selling services to identify emerging trends to help HR consulting firms prepare for a changing landscape as the economy constricts and budgets tighten at many companies.

This pulse check builds on our more extensive 2022 report from interviews with CEOs, CHROs, senior leaders, and surveys from crowdsourcing 1,800 individuals exploring the impact of Covid-era work changes, shifts in the social justice movement, politics, the economy, and other factors affecting the demand for leadership development programs (click [here](#) to read).

DEVELOPMENT PROGRAMS

The current economic climate has led to smaller budgets at many companies in 2023 compared to 2020-2022. Consequently, overall HR budgets are smaller as well. However, as companies recognize the importance of attracting and retaining employees, they have redirected funds within their HR budgets towards leadership development programs to help ensure that they have ‘the right people in the right role at the right time.’ Trends in spend vary by level:



C-Suite & Top Executives



Vice Presidents & Directors



Front-Line Supervisors & Emerging Leaders

C-SUITE & TOP EXECUTIVES:



- Companies are starting to host annual in-person summits and retreats again, a practice that was absent at many companies between 2020-2022.
- Most top leader meetings have a few hours dedicated to culture, leadership, and future work trends.

VICE PRESIDENTS & DIRECTORS

- Leadership development programs have increased as a key retention lever.
- Delivery has shifted largely towards virtual formats. For a while, this was due to Covid concerns, but now budget and time constraints seem to be the main drivers.
- Virtual programs can be efficient, but engagement can be a challenge. Here are the best practices we have observed:
 - Host 1-2 sessions in-person to support cohesion.
 - Ask participant managers to play a bigger role in ensuring employees do not have business conflicts and are pulling the learnings through with their teams.
 - Encourage employees within a site to join from a conference room together.
 - Limit sessions to 2 hours.

What best practices have you seen to ensure engagement during virtual programs? Please share at shea@princetonhrinsight.com.

VICE PRESIDENTS & DIRECTORS CONT'D.

- One exception where in-person training has returned is companies where all the employees work out of the same location.
- Full 6–12-month leadership development programs are primarily offered to Director-level leaders.
- Companies are willing to invest in external support, particularly for areas such as building skills in change management and inclusion.



FRONT-LINE SUPERVISORS & EMERGING LEADERS



- Some companies are starting to increase investment in development programs at lower levels to help ensure a ready bench of future leaders, mitigate turnover and advance diversity equity & inclusion efforts. However, many companies have turned to course aggregators such as [OpenSesame](#) and LinkedIn Learning. These are less expensive, digital platforms that allow employees to self-pace.
- In particular, an increased focus on new manager training has emerged in response to employee turnover, caused by inadequate managerial skills, and to address the lack of training for existing managers.
- Quarterly training sessions of 2-3 hours for new managers have become prevalent.

FINAL THOUGHTS ON DEVELOPMENT PROGRAMS

Some companies have increasingly adopted an in-house model for leadership development. This approach often stems from budgetary limitations.



External consultants may be hired to assist with design and provide training for the in-house team.



They may also hire external consultants as keynote speakers, subject matter experts or panel discussion guests.

COACHING

While coaching for executives has remained steady, coaching for mid-level and emerging leader groups has been reduced. Notable points include:

- Historically, coaching was sold in months (e.g., six-month engagement) but the trend is shifting towards companies buying blocks of time (e.g., 10-12 hours).
- On average, there are longer intervals between sessions.
- Interviewees found at the emerging and mid-level leader level, there is an increase in competition from platforms such as [BetterUp](#), primarily because these platforms are cheaper alternatives.
- There is also an increasing trend of facilitated group coaching.

ASSESSMENTS

Assessments play a significant role in talent selection and development strategies. Key findings include increases in the following areas:

- Using of 360s- interview and online surveys- for leaders at all levels as they adjust to new ways of working post-Covid, new roles and changes in their teams.
- Incorporating assessments, such as Hogan, into their selection processes.
- Leveraging talent assessment strategies during restructuring efforts.
- Identifying skill gaps to customize development programs, especially at the front-line supervisor & emerging leader level.

OTHER NOTABLE TRENDS

Although the trend is slowing, there has been a notable shift in focus towards early career development, diversity, equity, and inclusion (DEI), and technical employees over the past few years. Noteworthy insights include:

- Companies are rolling out mentoring platforms and implementing programs to support women leaders, people of color (POC), and employee resource groups.
- Employees, especially early career talent, are noting social, cultural, and environmental issues as important factors and are seeking employers open to taking a stance.
- Employees are increasingly pursuing their own entrepreneurial ventures, resulting in talent shortages, especially in customer-facing industries.
- Some companies have redirected their focus towards technical employees, leveraging government funds to establish programs and ensure connectivity to underserved communities.

BUSINESS DEVELOPMENT ACTIVITIES

- Referrals, testimonials, and word of mouth continue to play a significant role in the business development activities of the interviewed HR consulting firms. Small to mid-size consulting firms rely on their reputation and the quality of their work to generate recurring business and referrals.
- Partnerships executing work sold by other firms contributes 10-20% of their revenue.
- While social media is used to establish thought leadership and maintain visibility, it is not a major source of new business for most firms.
- As budgets tighten, spending on large consulting firms is increasingly scrutinized. Smaller firms generally offer services at a notably lower price point. In addition, small consulting firms have an opportunity to differentiate themselves by offering customizable programs, providing personalized attention to clients, and adapting quickly to market shifts.

CONCLUSION

Based on our market pulse check, it is evident that leadership development programs, coaching, and assessments have experienced shifts in demand and approach over the past year. We predict these trends will last through 2024.

- 1 Development programs for vice presidents and directors, through virtual training formats have become a key engagement lever for many companies. Activities for front-line supervisors and emerging leaders have also increased leveraging learning aggregators.
- 2 Coaching has remained steady for senior leaders, but the approach has shifted. Budget constraints have led to less investment in mid- and lower-level leaders than in past years with a move towards platforms like BetterUp and group coaching.
- 3 Assessments have shifted as well with a notable increase in 360 surveys. Assessments are increasingly being used for selection and restructurings while remaining consistent where development programs and coaching are offered.

Adapting to these trends will enable HR consulting firms to navigate the evolving market landscape effectively and provide tailored solutions to their clients.