

# How Can HR Win the War of Budgets In 2023?

HR Zone | Pete Cooper | December 7, 2023

HR teams must be prepared to prove their mettle if they want to protect their budgets and ensure productivity in 2023.

As economic conditions get tougher, businesses are feeling the impact on their bottom line – and, understandably, many are looking to make efficiencies.

Their HR teams will, for right or for wrong, be worried that their budget could be the first on the firing line. Recent research found that half (52%) of HR managers believe that their department often loses out most when budgets are trimmed, and a further 55% have already seen or are expecting cuts in the coming months.

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This is a fatal mistake. The people function should be more of a priority now, not less. And so HR teams must be prepared to prove their role as key drivers for productivity and resilience as they fight to protect their budgets.

If they can't, businesses risk damaging their performance and undermining their competitive edge, just when they need these the most.

## **HR has proved its mettle during tough times**

From past recessions and more recent crises, such as the pandemic, we know that successful businesses are the ones that view their people and culture as central to critical business operations – recognising the value these bring to the company in good times and in more challenging ones.

As the rug was pulled from under everyone in March 2020, HR played an essential role, stepping up and supporting businesses with difficult strategic decisions – whether around furlough, redundancies, or new ways of working – and supporting the wellbeing of their teams.

Then, as the 'Great Resignation' or 'Great Evaluation' set in after this, businesses looked again to HR teams to guide them on recruitment and retention strategies. Prioritising the employee experience during the recent pandemic has clearly paid off. In our recent research, 69% of employees feel as though they have a good work/life balance, and 73% rate their company culture as good.

## **HR still not getting the recognition it deserves**

In light of these successes, it's frustrating that HR should find budgets under duress. Contracting HR budgets could significantly limit UK businesses' performance and their ability to remain resilient. Yet our research found that 50% of UK HR managers say their senior leadership team doesn't prioritise their employees and 56% say the business doesn't place enough value on the HR function.

After a period when many invested so heavily in the employee experience and culture, the last thing businesses should do is damage organisational competitiveness, employee morale and productivity – just when businesses need it most.

So, with bosses on the lookout for ways to make efficiencies, HR departments will have to make a compelling case to defend their budget and demonstrate the value they bring.

Yet the function itself may not feel ready for the upcoming hurdles ahead. Perhaps after such an intense period for HR, only just under a quarter (24%) of UK HR managers feel that they are very prepared to help their business remain resilient in an economic downturn.

HR leaders can make the case for why people's experience and strategy are key to improving morale and productivity and making businesses more resilient

### **How can HR protect budget? Make the case for productivity**

Where to look, then, to help protect HR's valuable work and progress over recent years?

First and foremost, HR should put cuts to people and HR into context. Our research found that 61% of HR managers are concerned that budget cuts will negatively affect employees' motivation and productivity.

It stands to reason that if a person no longer feels cared for by their company, they won't care about their company in return – becoming disengaged and unmotivated to work. And as economic conditions worsen, although resignations might become less of a concern, companies could still be blighted by a plague of poor productivity.

Here, HR leaders can make the case for why people's experience and strategy are key to improving morale and productivity and making businesses more resilient. After a period when employers invested so heavily in their teams and people, throwing this all away will send the clearest of messages to their workforce. Their people will understand that it was never really about making their lives better or their business a great place to work – it was simply a cynical attempt to hang on to them when so many were re-evaluating where work sat in their lives.

People will see right through the ruse – leading to lost trust and lower engagement.

### **It's no time to U-turn on people and long-term strategy**

Undoubtedly, HR teams can play a vital role in opening up avenues for discussion and internal communication to reduce disengagement, increasing development opportunities and helping employees find meaning in their work and career.

All this is not to say that HR won't have to flex its approach and focus to suit the times. But they must continue their successes to claim their place at the boardroom table and open up honest conversations with their peers.

Now more than ever, businesses need to foster a sustainable, long-term strategic approach to looking after their talent—one that works in both good times, and more challenging periods.

HR must seize the moment to show its impact on the business. The fight for its future is on

But HR can only achieve this strategic role when it has the technology, data and systems that free HR managers up to focus on the strategic work that matters and when they have access to the insights they need to be effective.

By harnessing data, analytics and automation, HR can also create internal efficiencies, and deliver critical people metrics to the boardroom that work alongside company data to demonstrate the impact of the people experience on wider productivity.

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