



2022

# VELOCITY MARKET RESEARCH REPORT

## Smart Businesses are Preparing for Recession

Velocity recently conducted research of 1000 UK business leaders on their views about the upcoming recession and how they plan to respond.



### Ready for Recession

The turmoil within the UK financial markets during 2022 combined with global inflationary pressures has led many UK business leaders to believe recession is inevitable. As a result, companies are ready for the downturn. Not only do 96% of UK firms have plans in place to respond to a recession but they are also upbeat about the opportunities that could arise.

Almost two thirds (64%) said looking for new markets would be a priority, while 61% are planning to diversify products and services and over half (54%) are preparing to acquire other businesses.

All of these aggressive, market growth strategies significantly outweigh the more negative approach of cutting Opex (51%) and Capex (50%) budgets. The fact that businesses are not seeing this as a time to retrench and step back underlines the vastly different financial and socio-economic factors that have led up to the current downturn compared to previous recessions. Demand is still strong in many markets as companies look to build back up after the pandemic. Plus, of course, staff and skills are still in huge demand – with the UK currently experiencing the lowest level of unemployment in 50 years.

Firms not only recognise the importance of attaining and retaining talent to meet new business objectives but also know there is minimal flexibility around staff reduction or pay cuts to alleviate rising costs. Indeed, staff costs remain one of the key challenges – with 31% planning to increase salaries to tackle the rising cost of living to help improve how employees work in the future. Almost half (49%) plan to offset that cost by subletting unused office space as a result of staff working remotely.

### Key Findings

- 96% of firms are preparing for recession
- Growth is the priority to counter the recession, including new markets (64%), diversification (61%) and acquisition (54%).
- Nurturing employees is also vital – in addition to offering flexible working hours (72%) and home / remote working (53%), companies are prioritising the investment in digital workplace technology (64%) to transform productivity and morale.

## Valuing the Workforce

Good, motivated and productive people are key to riding out this recession. If firms are to successfully add new business areas and identify new product and service opportunities, it is vital to minimise the cost and disruption associated with staff churn. Nurturing employees is a priority – with almost three quarters (72%) of businesses saying staff can work flexible hours that suit their lifestyle if it doesn't affect productivity. Over half (53%) say that staff should be allowed to work from home/ remotely.

There is still a notable minority of business leaders, however, committed to getting staff back into the office. Over a third (39%) said that even if there is a UK recession, employees should still be made to work at the office. To reinforce the commitment to office working, 35% said employers should also contribute towards the commuting costs if employees are made to work at the office.

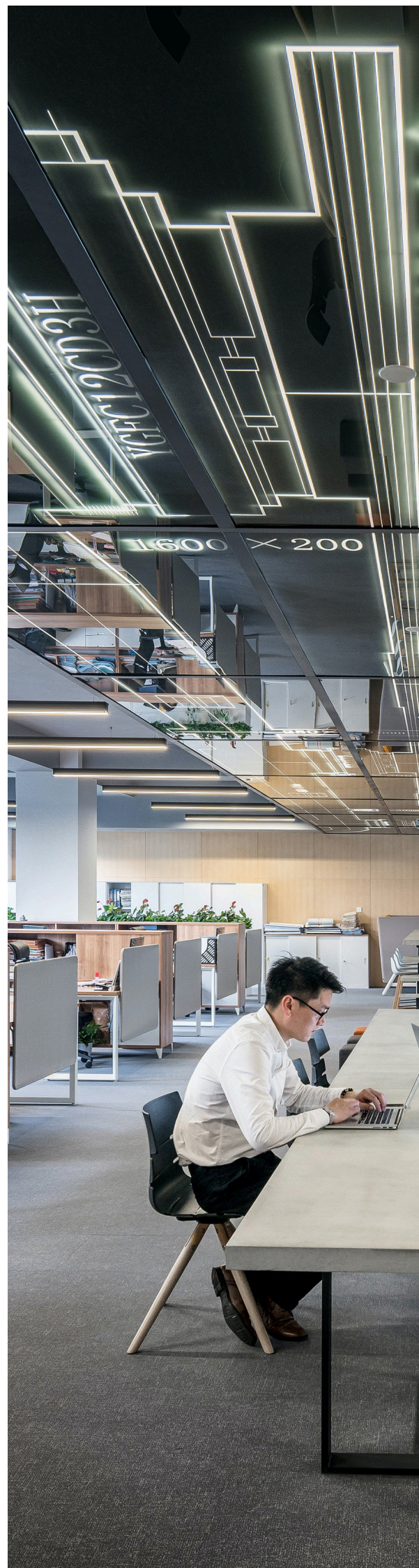
Furthermore, 1 in 10 (10%) said they would decrease the salary of permanent home workers – a policy that has been questioned by many businesses since the announcement that workers at UK law firm face a 20% pay cut to work from home full-time (cnbc.com).

Why would firms plan to pursue this approach – especially when employees are facing ever rising energy costs to work from home? From charging laptops to heating, working from home is not necessarily cheaper than commuting. The issue for businesses is to consider how best to make employees productive and happy, not second guess their financial positions. The research is pretty conclusive: people who have the opportunity to work remotely at least monthly are 24% more likely to feel happy and productive in their roles.

Despite the enormous change in working practices over the past few years, there is still a gap between what employees want and the thinking of some business leaders. This research indicates the gap is set to increase: while the majority of companies recognise the importance of productive, motivated staff in driving the business through a recession, others are still adhering to outdated working models. How will this impact their recessionary resilience?

## Investing in People

This small sector of business leaders aside, however, there is real commitment from the majority of organisations to create a working environment that empowers staff to work effectively and productively from any location. When asked about plans to improve how employees work in the future, the top response from UK business leaders was investing in Digital Workplace technology (to improve collaboration, hybrid working etc.) (64%).

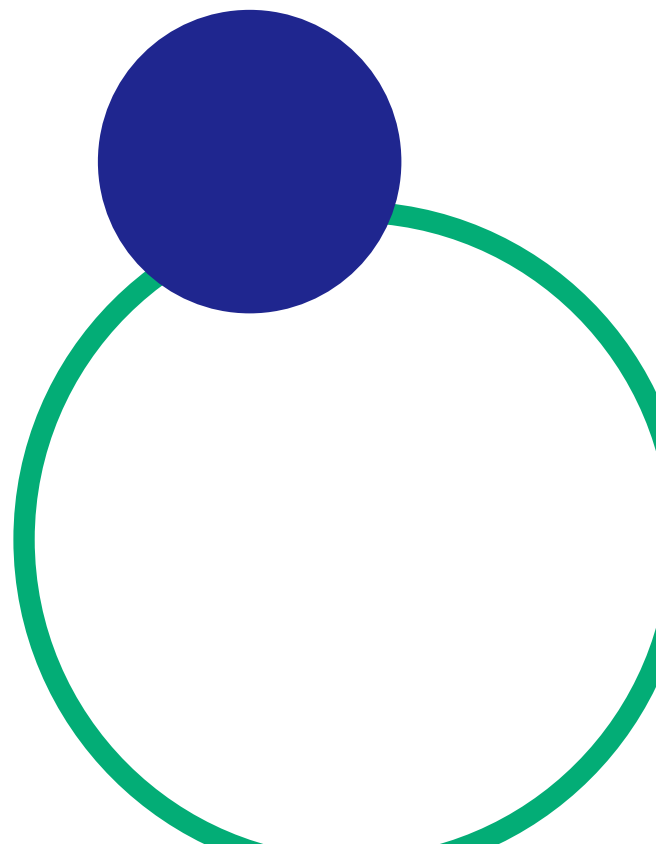




Over a third plan to introduce Smart Lockers or Smart Vending Machines for IT Asset Management/ Delivery to ensure staff can gain access to IT support services, including equipment repair and replacement, at a time and place that works for them. 36% also plan to introduce collaborative workspaces, such as pods and videoconferencing.

Investing now in digital technology is a key step not only in protecting a business against the devastating impact of recession but also preparing the business to thrive once it has passed. Creating a productive and settled workforce should be a priority – especially after the turmoil created by wholesale staff changes over the past 12 months.

Digital technologies are key to creating that collaborative, productive environment. For example, we know that IT failures cost workers around 545 hours of lost productivity every year and more than half of workers (56%) report regularly waiting up to three hours to resolve IT issues in the last few years due to remote working. Investing in tools such as Digital Lockers to rapidly provide replacement equipment to individuals irrespective of location can dramatically improve their productivity – and morale.



## Conclusion

Not all businesses suffer in a recession – and the aggressive approach planned by UK companies to the economic challenges ahead suggests business leaders are wholeheartedly embracing that thinking. Companies recognise that investment to improve productivity and reducing operating costs is important. The majority also accept that this recession is different – employees are not expendable and innovative thinking is vital to create happy, productive and motivated staff.

While many companies have made home working the default as a result of the pandemic, too many have failed to embed this way of working within the core operational model. They have lurched from government enforced home working to pushing employees hard to get them back into the office for fear of losing productivity.

But as the top performers increasingly show, with the right systems in place, the right approach to working, effective remote IT support and a way to check staff performance, a flexible employee base can be incredibly motivated and productive.

In 12 months' time, working practices will be very different between those companies that have been proactive in investing in technology, providing the tools and services, such as Smart Lockers, which enable staff to be productive wherever they want to work – and the rest. The recessionary trend could exaggerate the differences between the top and worst performers – and that will affect their chances of bouncing back once the economy improves.

Firms may be facing the recession head on, with aggressive plans to expand into new markets but it is those that have made that investment in their people that will be best placed to realise these goals and provide a solid foundation for growth once the economy improves.



**Companies need to think innovatively to ensure the working model both supports staff preferences for location and optimises integrated digital technologies to create an efficient and collaborative environment.**