



9 CHRO Actions for Leading Through a Recession

A 2022-2023 Playbook

Gartner research showed that only a very small number of companies broke away from the pack during the Great Recession (end-2007 to mid-2009) and sustained their performance for the subsequent decade.

As the threat of another downturn looms, it's timely to revisit lessons learned — in particular, that outperformers win because of the decisive actions they take at the beginning of contractionary periods.

Outperformers:

- Commit before the downturn to the differentiating elements of their strategy to position themselves to power through uncertain times, not simply respond to them.
- Effectively balance top- and bottom-line growth across business conditions. Focusing only on cost-cutting has historically come at the expense of top-line growth.

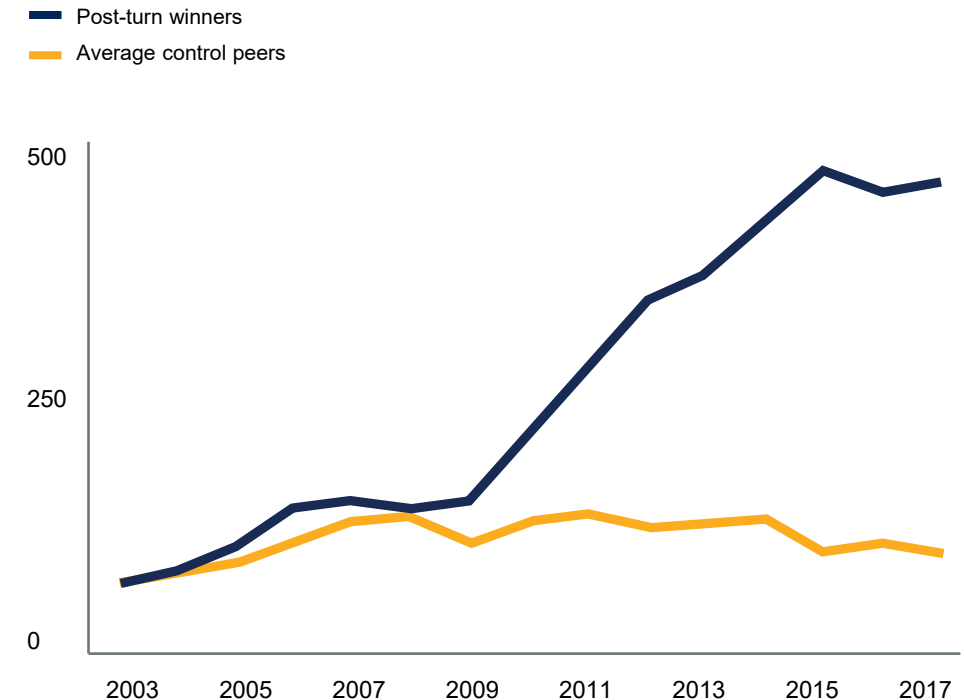
Unique headwinds further complicate today's operating environment, but the differentiating decisions clearly hinge on digital.

Among CEOs, 94% want to maintain or accelerate the already intense pace of digital transformation sparked by the pandemic, and 70% of CFOs expect digital technology to get more funding.

The imperative for organizations is placing the right digital bets at the right cost.

Winners Break Away in the Turns

Earnings before taxes, interest, depreciation and amortization (EBITDA), 2003-2017



n = 60 (30 Post-turn winners* and 30 control peers)

Source: Gartner

*30 companies from the Fortune 1000 that had 1) consistent year-over-year revenue and margin improvement and long-term growth that exceeded their industry peers in the 20 years from 1994-2014, and 2) sustained that outperformance through 2017 (the last year for which full-year data was available at the time of the analysis).

Navigating Recession Now Would Be Much More Difficult Given the Triple Squeeze

The Triple Squeeze

3 compounding pressures that most executives have likely never experienced

1 Persistent high inflation

69% of CFOs still believe nonlabor input costs will rise significantly.

2 Scarce, expensive talent

47% of CFOs find it difficult to find and hire enterprise talent.

50% of CFOs still see a significant wave of workforce resignations.

3 Global supply challenges

48% of CFOs believe supply chain volatility and shortages will last beyond 2022.

Margins

What Failure Sounds Like During Recession

What we hope you don't have to tell the board in 2024:

“We cut costs too far and could not keep pace with demand when it returned.”



“Higher product pricing led to **permanently losing market share.**”

“Our costs kept increasing with inflation; now our margins are unattractive to investors.”



“Competitors out-innovated us with digital products and services.”

“We continued to spend aggressively on digital, but we did not capture the value like competitors.”

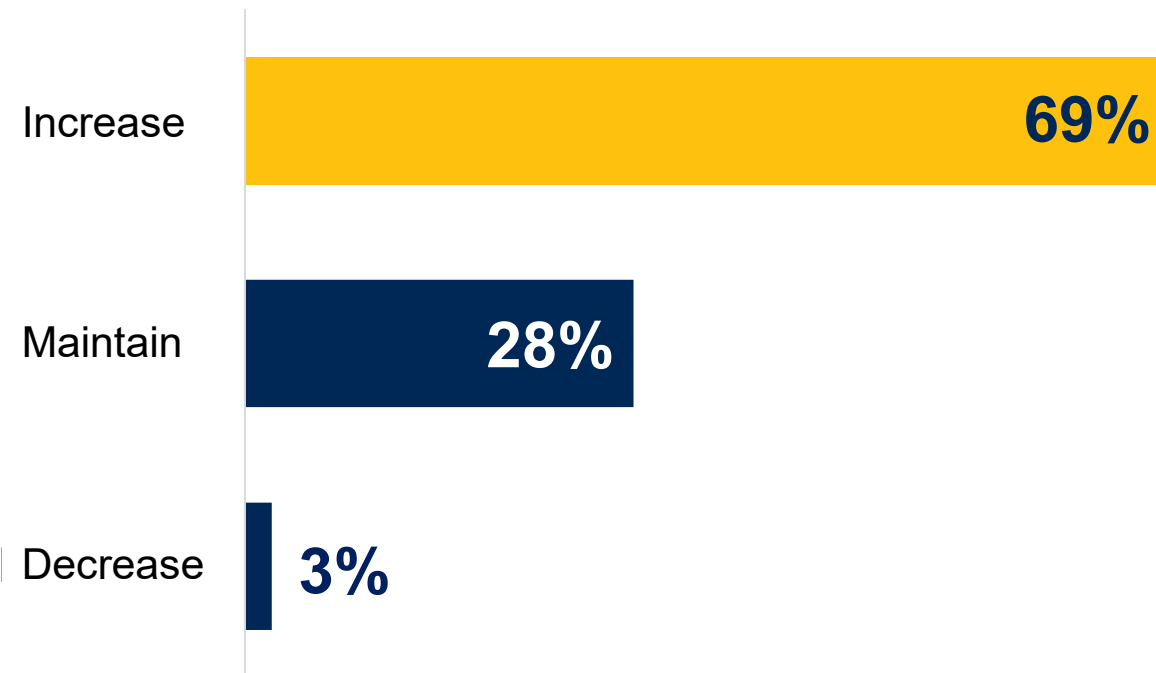


“Other companies secured great digital talent at a discount.”

Goal: Make the Right Trade-Offs to Improve Profitability While Funding Faster Digital Acceleration

CFO Plans for Digital Technology Spend (July 2022)

Percentage of CFOs and finance leaders, cross-industry, \$50M – \$100B in revenue



“I’m telling my teams to fund digital acceleration **by finding savings and inefficiencies.**”



“Our business leaders will need to live in an environment of **trade-offs**, which we haven’t had to do for a while.”

n =154 CFOs and finance leaders

Q: Q8 from CFO Recession Planning Poll: Which spend categories do you plan to decrease/maintain/increase for the next 12 months?

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Top CHRO Questions We're Tackling for Clients

- 1 How much as HR budgets changing in 2023 due to economic volatility?
- 2 How to secure funding for strategic HR investments while optimizing cost?
- 3 How can I overcome trade offs between saving costs and making talent investments?
- 4 What are my non-negotiable talent investments that will enable success across many likely scenarios?
- 5 Which fundamental steps do I need to take to generate efficiencies in HR?

9 Actions for Winning Through a Recession



Manage spend

- 1 Create a **prioritized list of the trade-offs you will make** in your budget, with a story about why.
- 2 **Accelerate movement to the cloud**, while paying attention to **shifting pricing strategies** from software providers as prices rise.
- 3 **Radically challenge workflows and processes** to make them faster, simpler and more agile for the long term.



Secure talent

- 4 **Fundamentally rethink the way your company leverages humans** (locations, hours, part- vs. full-time, in-house vs. outsource).
- 5 **Clarify your employee value proposition (EVP)** so you are positioned to attract and retain the right digital talent.
- 6 **Aggressively source key digital talent** that will shake loose and help accelerate your digital plans.

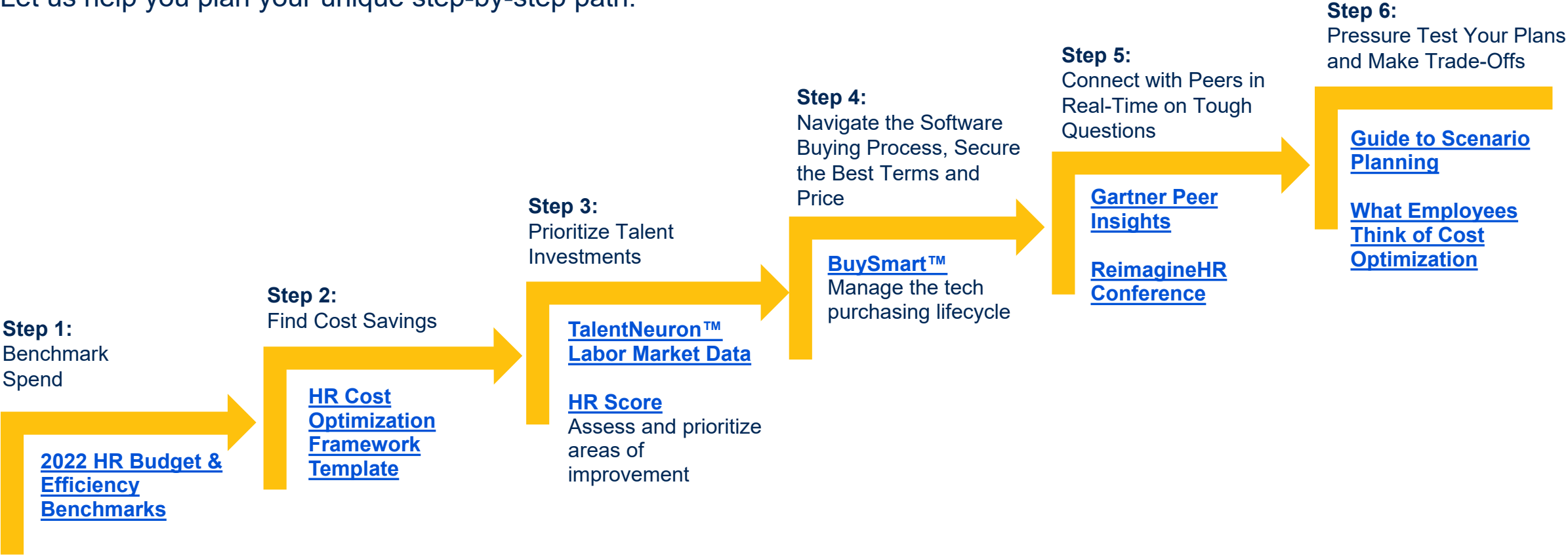


Accelerate digital

- 7 **Develop a future vision of the customer and employee** to accelerate the right digital investments for 2025.
- 8 **Invest in predictive and autonomous digital projects** that will make the organization faster and leaner.
- 9 **Narrow the metrics** you use to measure and manage digital initiatives to the few that align to outcomes.

Gartner CHRO Playbook for Navigating Recession

Sample research, benchmarks and other resources for winning in this period.
Let us help you plan your unique step-by-step path.



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