The Futurum Group



Market Insight Report:

Employee Experience Technology Provides Stability Amid Uncertainties

Fluctuating Labor Trends, Economic Ups and Downs, and the Human Resources Phrase of the Month Create a Chaotic Environment for Companies and Employees

AUTHOR **SHERRIL HANSON**
Senior Analyst | The Futurum Group

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Market Description

Employee experience (EX) is a term that lacks concrete definition among both technology vendors and end users. The Futurum Group takes a broad view of the market and its encompassing technologies, defining EX as an employee's feelings and perceptions of their experience with a company along their total journey – from job application to exit and beyond. EX can be viewed as a sum total, including not just milestones but also the day-to-day aspect of an employee-employer relationship.

Employee engagement is also used often when speaking about EX. Employee engagement is a result of good or poor EX, and is a measurement of many different feelings, including commitment, enthusiasm, and connection to a company. Each company might measure employee engagement a bit differently. EX drives employee engagement.

There is a broad range of technologies that shape EX, some in a very direct way and others a bit tangential to the core experience. As part of an employee's day-to-day experience, these technologies can either remove barriers and friction or cause dissatisfaction.

Executive Summary

It would be an understatement to say the past few years have been a time of great volatility for both employers and employees. Although we are more solidly in the post-pandemic period, there is still quite a bit of instability when it comes to the employee-employer relationship. Some industries have seen high merger and acquisition (M&A) activity, causing leadership transitions and lots of change. Managers are in a tough position of needing to be not only strategists but also coaches while trying to meet the high expectations of a changing workforce. Hiring and retention are at the top, or near the top, of the list of concerns of almost every human resources (HR) professional, with economic consequences for turnover. On the other side, mass layoffs have resulted in a lot of institutional knowledge heading out the corporate door.

All this change is hard to navigate, but we see EX technologies as a strong support in both calm and turbulent times. The market is being shaped by:

- Growth in the expectations of multiple generations in the workforce
- A move to hybrid work environments and increased needs for communication and connection
- An increased focus on supporting all organization levels and employee types
- Heightened interest in the EX to customer experience (CX) link
- The rise of AI for internal purposes
- Acknowledgement of burnout and the need for support

However, barriers, such as a lack of understanding of EX, labor trend volatility, and a lack of commitment and ownership, might be slowing EX efforts. There are also technological barriers such as outdated systems and siloed data.

Coming out of the pandemic, we saw a pretty rosy picture regarding the appetite to look holistically at an employee's journey, with a focus on becoming more human-centered with an eye toward overall experience, employee health, and wellbeing. 2023 is proving to be a challenging year for many companies with many

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competing priorities for time and money. Although we are still seeing acknowledgement of the benefits of EX, when it comes to the battle of experience dollars, a greater number of proof points are required for investment. The good news is that those proof points are developing and EX is a growing part of C-level strategy discussions. The wide range of technologies now available, which include solutions such as feedback management, recognition and reward, performance and development, and communications, are proving worthy additions to internal tech stacks.

Top EX Market Shapers

This section identifies the top market shapers that are driving the investigation and adoption of EX technologies.

Rising Expectations and Multiple Generations In the Workforce

Employees have been reassessing what they want in an employer and a work environment. Employees not only want the basics met, and met well, such as compensation and benefits, but also many desire more intangible factors, such as personal fulfillment. And a sizeable proportion of workers are willing to leave for other companies that offer an EX more in line with what they are seeking.

These heightened expectations are colliding with employers seeing five generations in the workforce: Traditionalist (76 to 99 years old), Baby Boomer (57 to 75 years old), Generation X (41 to 56 years old), Millennial (26 to 40 years old), and Generation Z (25 years old and younger). This generational range adds up to an enormous range of needs and wants that employers are trying to meet. It is a big ask for employers to be able to meet each hope and desire of their employees, However, good faith efforts must be made, or employers risk high churn.

What Are Employees Seeking?



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The Move to Hybrid Work Leads to an Increased Need for Communication and Connection
The enormous move out of the office and to remote or hybrid arrangements has had many effects on EX. With a dispersed workforce, employers face challenges in communication and community building. Employee engagement levels can be strongly tied to a feeling of belonging, and this feeling of being part of a group can be harder to develop with less opportunities for social interactions, impromptu chats, and in-person events.

Similar to the growth in communication channels for CX, companies are turning to a variety of channels to reach employees where they are, with important messaging and outreach to help build this connection, provide transparency, and offer opportunity for two-way communication.

Increased Focus on Support to all Organization Levels and Employee Types
The past few years have shifted the spotlight away from office/professional workers to workers of all types, many of whom kept businesses going during the depths of the pandemic. A renewed focus on the importance of frontline workers in healthcare, retail, travel, hospitality, and contact centers around the world has spurred interest in a wide range of technology investments.

Similarly, there is increasing recognition of the tie between manager performance and employee satisfaction, giving rise to technology usage to lessen administrative burdens of managers and to provide coaching to improve manager effectiveness and tools to help avoid burnout.

Heightened Interest in the EX to CX Link
The relationship between EX and CX is getting a lot of attention. The balance between excellent CX and excellent EX is important because it is difficult for one to be optimal without the other. A good EX can support and enhance CX in a multitude of ways.

When companies have technologies or processes that allow employees to offer their perspectives, opinions, and suggestions, employee engagement increases, and workers view themselves as partners in driving improved CX. Tapping into employees' inside-out view can uncover blind spots or customer friction points. When companies can break down data silos between EX and CX, the result can be further benefit.

The Rise of AI for Internal Purposes
AI and automation capabilities are becoming more important to EX, both for the employees accessing these technologies and the teams who are being relieved of some work. AI has long been used in EX to sift through employee feedback and listening data and tie together the various incoming information flows. However, there is an increased need for automation and technologies such as chatbots and self-service technologies to help with employee touchpoints that might not need initial human contact. These technologies can help ease HR and IT workloads, as well as provide employees with the ability to solve their problems faster.

Acknowledgement of Burnout and the Need for Support
The past few years have shined a spotlight on a problem that has long existed in many workplaces, particularly frontline occupations – burnout. **According to recent Gallup research**, employee stress is at a high and has consequences not just for the employee but for businesses as well.

A focus on wellbeing is no longer a nice-to-have but a need-to-have and has evolved beyond the historic wellness programs that focused on things like weight loss and gym memberships. The concept of wellbeing is broad and includes not just physical wellbeing but other factors such as emotional, financial, and social wellbeing.

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Top Challenges in the Market

This section provides a brief overview of what we see are the common challenges that are affecting the market.

Outdated Technology Stacks

Sometimes with EX solutions, a new technology must be layered into outdated communications, portals, or human capital management (HCM) software, which makes integration difficult. Further, IT teams are often stretched to take on new technology implementations and sometimes HR staff do not have the level of technological sophistication needed to research and choose technology or oversee a rollout.

This situation makes technology updates a difficult and, to some, overwhelming task that results in some companies making do or taking a piecemeal approach, which creates a further disjointed technology. It can also cause a heavier dependance on services and extended consulting, which can add to the cost of the deployment.

Siloed Data and Lack of Analysis Expertise and Automated Workflows Delay Insights to Action

Depending on the EX maturity level of the organization, there can be a lack of knowledge or sophistication when it comes to analysis and data management. This situation is further hindered by the same problem companies have with CX data, which is a combination of siloed data and sub-par analytics tools and expertise. Employees typically touch dozens of tools, many of which do not "talk" to each other, and the data is unstructured. Disparate data sets can be challenging to combine to get to the full employee view that is needed to see the trends, both positive and negative, so that action can be taken.

EX programs are doomed to failure if action is not taken on any of the data collected. Companies often lack the appropriate (and fast) workflows that get the information where it needs to go so that issues raised can be acknowledged and addressed.

For companies to invest more deeply and continuously in EX technologies, the analysis must be there to support the benefit to the employees and to the bottom line. Such is not just the case for feedback and voice of employee (VoE) programs but also for other EX investment types such as rewards and recognition programs that do not get used, social communities that languish, and volunteer or giving efforts that fall short after initial rollout.

Lack of Definition, Commitment, and Ownership

EX can mean different things to different companies. Organizations that take a narrow view risk missing important touchpoints in an employee journey.

The EX market is in its early stages of development. Although some areas of EX, such as employee surveying and listening, have deeper levels of maturity and are well understand, other important aspects, such as difficulties in analysis and taking action, as well as the adoption of "softer" supporting technologies, have led to a somewhat fragmented and disorganized internal development that lacks strong ownership.

The fluctuating and distracting labor trends are another factor. The pandemic was marked by an extremely turbulent time in the labor market, some of it spurred by market conditions and some caused by workers reassessing what they want from work/life balance. The focus on comings and goings led to a deluge of terms coined to illustrate the ever-changing picture of labor trends.

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Source: The Futurum Group

It is not just the labor trend "phrase of the month" that is causing angst, but the labor stats themselves. The beginning of 2023 saw low unemployment and high job openings. The most recent labor report, published in August, suggests a slowdown in hiring activity and job creation. Organizations have been faced with the pendulum swinging back and forth between "employees need us" to "we need employees," which is happening over short periods of time. This quick turn can be distracting and a barrier to committing to longer term strategies. Labor trends look to be moving toward stabilization, hopefully allowing companies to settle into a period of proactivity rather than being in a constant state of reactivity.

Solutions to Support EX

This section highlights more specifically the solutions that are addressing challenges and driving market trends.

A vast technology ecosystem supports EX, some directly and some indirectly with overlap among the categories. For instance, employee listening is strongly tied to wellbeing and culture, as any activity that allows an employee to be heard enhances their feeling of connectedness and belonging. Such is also the case with communication technologies, which can enhance connection, highlight successes, and increase transparency.

EX Technology Ecosystem



Source: The Futurum Group

Feedback Management: This segment includes technologies such as surveying and feedback tools, employee listening, and VoE programs as well as the analytics that help to make sense of the data. It could also include crowdsourcing, as employees give their voice to process and product improvements. As mentioned earlier, this category is a crucial tool to support EX, eliminating the guesswork of the process and providing the hard data needed to identify and prioritize initiatives so that appropriate action can be taken.

Recognition and Reward: This segment includes technologies such as mobile apps, platform modules, or intranet addons that provide a way for recognition to occur between and among all levels in an organization and for rewards to be given. These technologies also help HR track reward programs so that they can be kept equitable and relevant. Gamification could also be included here and is often used in contact centers and retail settings. Recognition and reward technologies as well as those that focus on community, wellbeing, and culture building help support an employee's sense of belonging.

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Wellbeing, Community, and Culture: This category includes software and solutions to increase positive wellbeing, which could encompass wellness tools and apps that provide "nudges" and customized wellness coaching. Environmental, social, and governance solutions (ESG); employee resource groups (ERGs); diversity, equity, inclusion, and belonging (DEIB); giving and volunteering solutions, and community building tools are also included in this segment.

Performance and Development: This segment is shifting to a real-time and continuous model, moving away from the traditional annual review toward a more collaborative model that allows employees to better engage with and more clearly see the ties between goals, performance, learning, and feedback.

Communications: This segment includes a broad range of apps and tools to keep employees informed and connected. These solutions have been leveraged with frontline and non-desk workers for quite some time but have increased in importance since the pandemic. These tools now go beyond the basics such as scheduling to include access to features such as communities, company information, announcements, and alerts.

Digital EX and Supporting Technologies: Technologies that help monitor, automate, and smooth out technology interactions fit in this category. These include digital EX platforms and supporting technologies such as conversational AI and enterprise-wide search technologies.

Top Five Trends to Watch

1. **Expanding VoE programs:** Companies have been expanding past surveying to a broader listening strategy that includes crowdsourcing, communities, video feedback, and social media listening. Using AI to quickly sort through unstructured feedback is a solid use case and is seeing traction.

2. **Focus on frontline and contact center:** The pandemic exposed some (large) gaps in frontline EX across myriad industry segments such as retail, healthcare, and travel and hospitality. And of course, those on the front lines of customer support in contact centers. The pace of innovation and product rollouts has been fast in this area and is expected to continue.

3. **Broadening view of the employee journey:** The moments that matter are not necessarily the ones when someone is at their work location, on task, and companies are beginning to understand that micro moments are important. These include interactions from when employees are a candidate, to onboarding, through their entire time with a company. Recognition moments, performance conversations, and efforts to build community are all touchpoints. An employee journey also includes those daily frictions that occur (such as poor digital EX) that add up and cause decreases in productivity and employee dissatisfaction. This broadening does not equate to a company attempting to tackle each interaction, but instead having a growing awareness for the value of an overall, 360-degree view of an employee's experience.

4. **Training, skills, and coaching:** There has been a lot of movement in the current labor market, partially spurred from The Great Resignation, the exploration of new career paths, retirements, mergers and acquisitions, and layoffs. This movement has resulted in institutional and company-specific training walking out the door, and the market is experiencing a real skills gap. Aside from the pain point this reality is causing employers, training and capability development is a critical component of an employee's experience. People want to be supported in building or deepening skill sets that they can use for personal and career development. Such is the case for all levels in an organization, including managers who have had to weather an enormous amount of change.

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5. **The move to just being X (experience):** This trend is a bit nebulous and hard to put a finger on, but we are seeing the very beginnings of convergence around both the notion of experience and the technologies that support it. Whether EX, CX, or patient experience (PX), experience can really be tagged on to a multitude of categories and touchpoints. Keeping tabs on all the product announcements across all experience segments, we are beginning to see action taken on this notion of the interconnectedness between them and movement in product solutions that encompass both CX and EX.

Conclusions

EX is not one-size-fits-all when it comes to technology, both for the company implementing it and for employees. The market is still in early stages of maturity, and some companies will (and should) be tackling their primary focus areas with select tools rather than end-to-end solutions. Good EX leads to lower turnover and absenteeism resulting in reduced costs. Demonstrating solid ROI and the connection to CX will continue to be important until the market matures.

We continue to feel that investments in EX technologies should be part of any company's strategic and operational planning, and these solutions can provide a buffer to the fluctuating economic and labor trends. Although macro forces cannot be ignored, it seems prudent for companies to look inward at their own workforce and not get too twisted up in the latest stats of the month. Companies need to do the work to understand the factors most important to their organization and then prioritize, communicate, and act using the wide range of options available.



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