



The Business Owner Imperative:

AI, EX & HR Optimization

isolved®

Owning, operating and optimizing a business is as challenging as ever.

A slowing economic environment has forced business owners to rein in costs, while cybersecurity risks and recruiting top talent are complicated, ongoing challenges. On the one hand, business owners need to prioritize employee wellness; on the other, they face constantly evolving employee experience (EX) expectations. All the while, artificial intelligence (AI) has taken the world by storm, threatening to disrupt entire industries.

We surveyed over 1,000 business owners of varying sizes in the United States to understand how they're leading their organizations and navigating modern business challenges. Respondents range from businesses that employ under 500 employees (86% of respondents), which makes up [most of the U.S. economy](#), to businesses of over 500 employees (14%).

The resulting survey data provides insights into how business owners think about EX, human resources (HR) and the rise of AI.

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Top Challenges of Business Owners

Much has happened in the past five years: a global pandemic, shifts to remote and hybrid workplaces, the rise of AI and wars in Europe and the Middle East. As a result, there have been disruptions in the global supply chain and high levels of inflation.

Owning a business got (more) complicated

Fifty-two percent of business owners say that owning a business has become more complicated in the last five years. The top reasons include increased employee relations challenges, difficulty recruiting top talent, the challenging economic environment and the threat of cybersecurity risks.

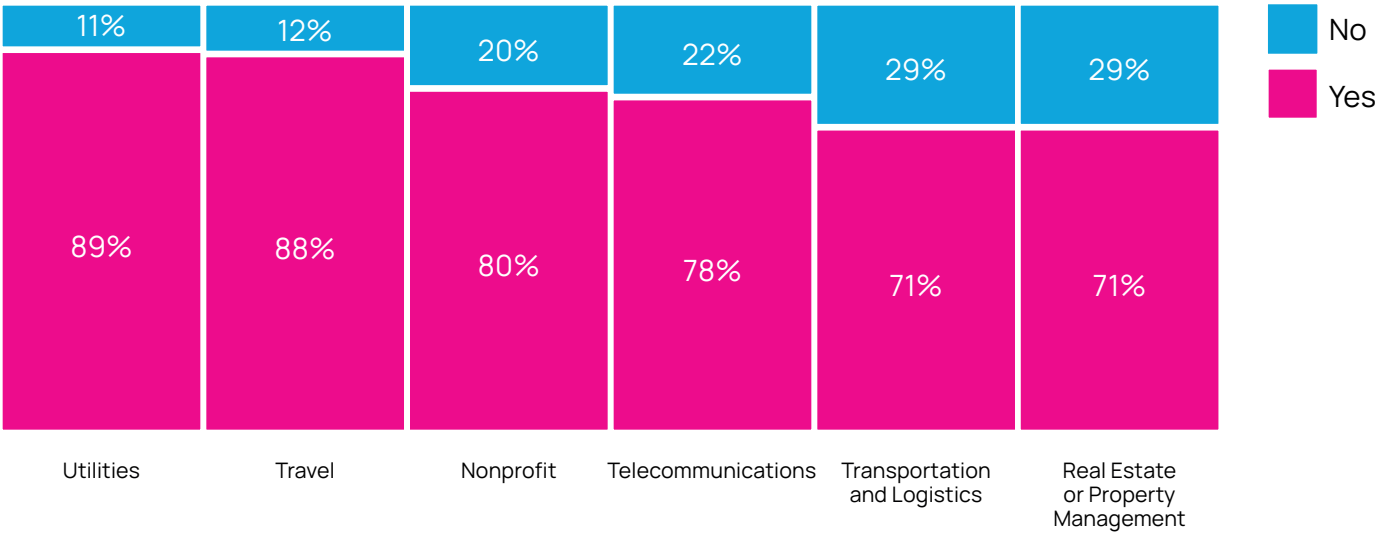


Why has owning a business become more complicated in the last five years?



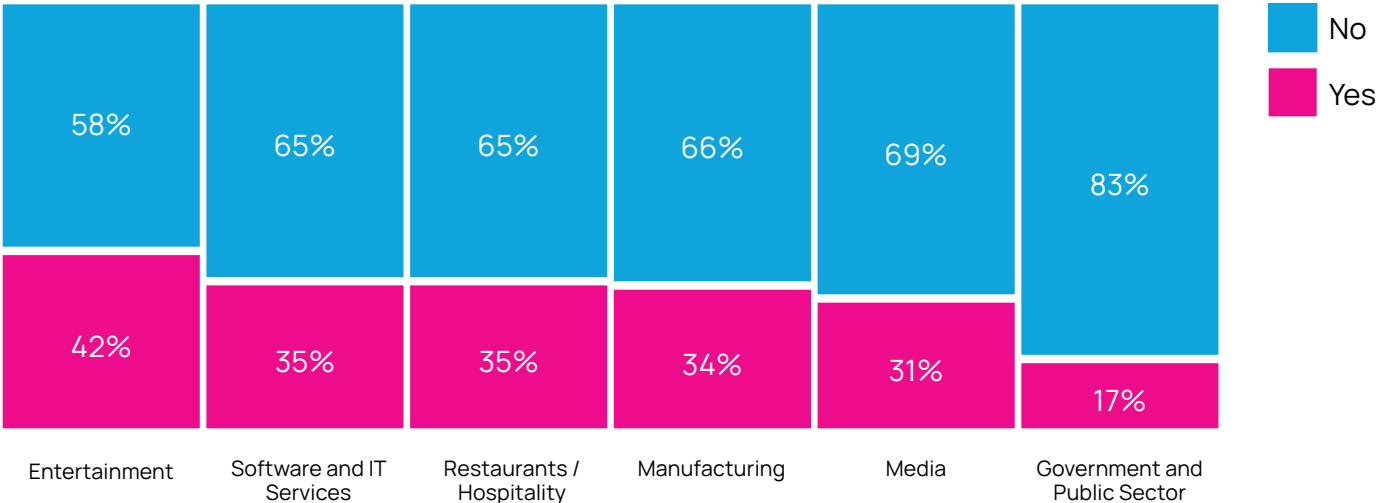
The complexities for business owners are due to new laws and regulations, the after-effects of the pandemic and the budgetary concerns of end customers. As such, the likelihood of business becoming more complicated can differ based on the industry a business operates in. Owners from the utilities, travel and nonprofit industries, for example, are most frequently facing complicated business conditions according to those respondents.

Has owning a business become more complicated?



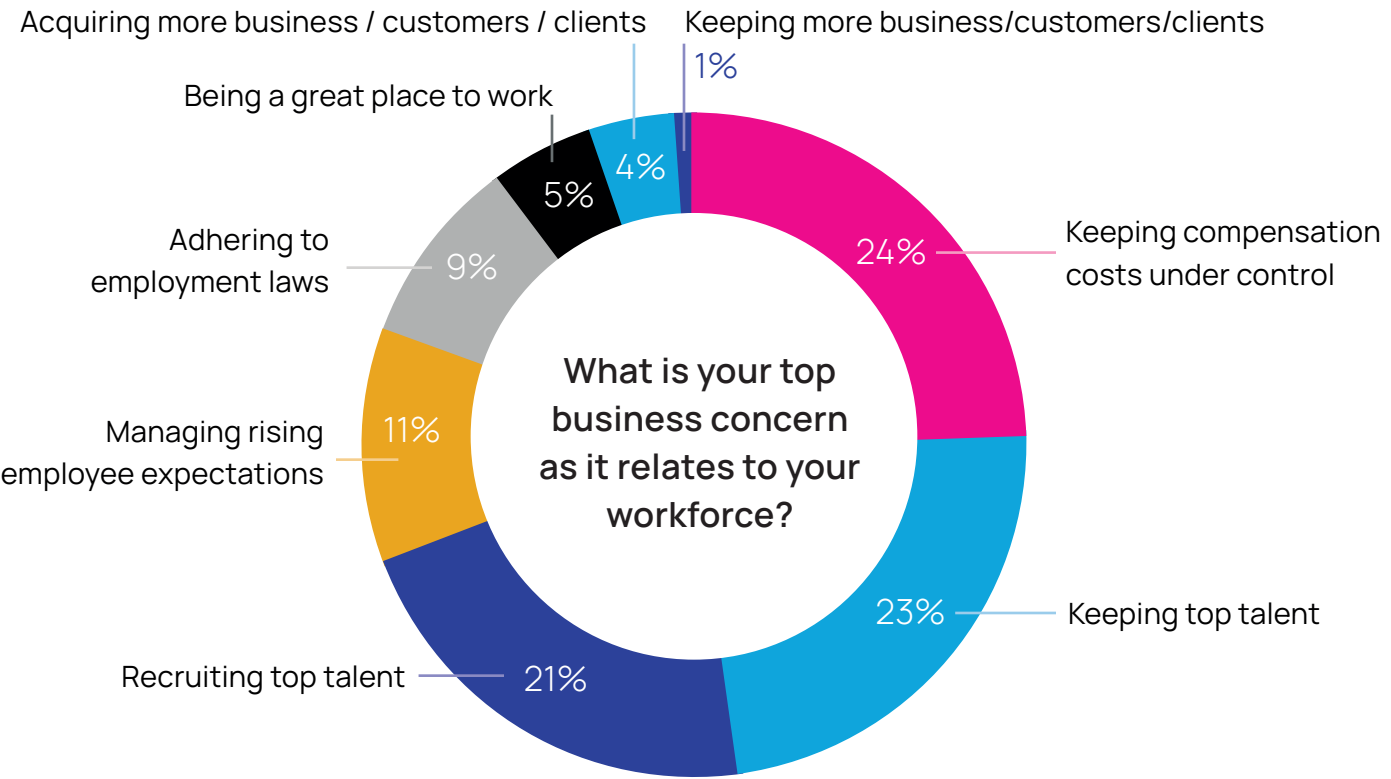
On the other hand, business owners from government, media and manufacturing had the lowest rates of business complications. A relatively low percentage (35%) from the restaurant and hospitality industry may indicate that dining and lodging has rebounded from pandemic lows.

Has owning a business become more complicated?



Top concerns related to the workforce

When asked to identify the single biggest concern about their workforce, business owners focused on compensation and retaining top talent. The top concern was keeping compensation costs under control (24%), followed by keeping top talent (23%) and recruiting top talent (21%).

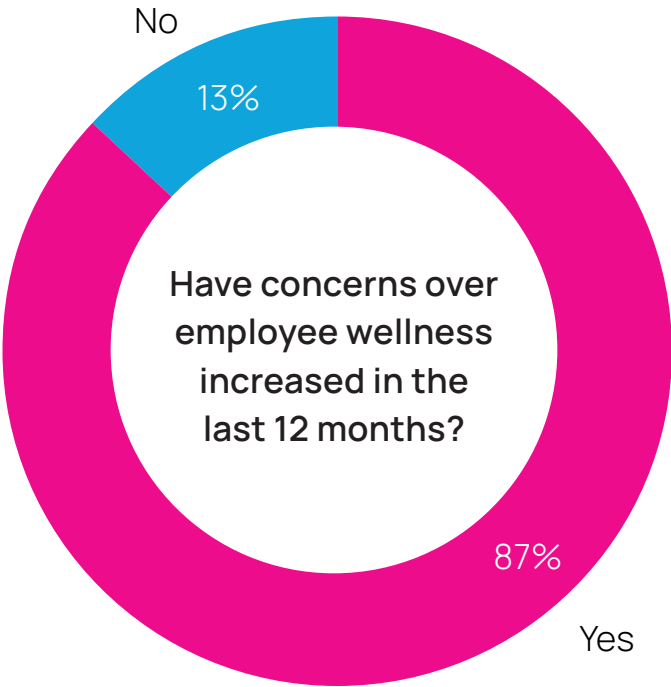


Increasing concern over employees' well-being

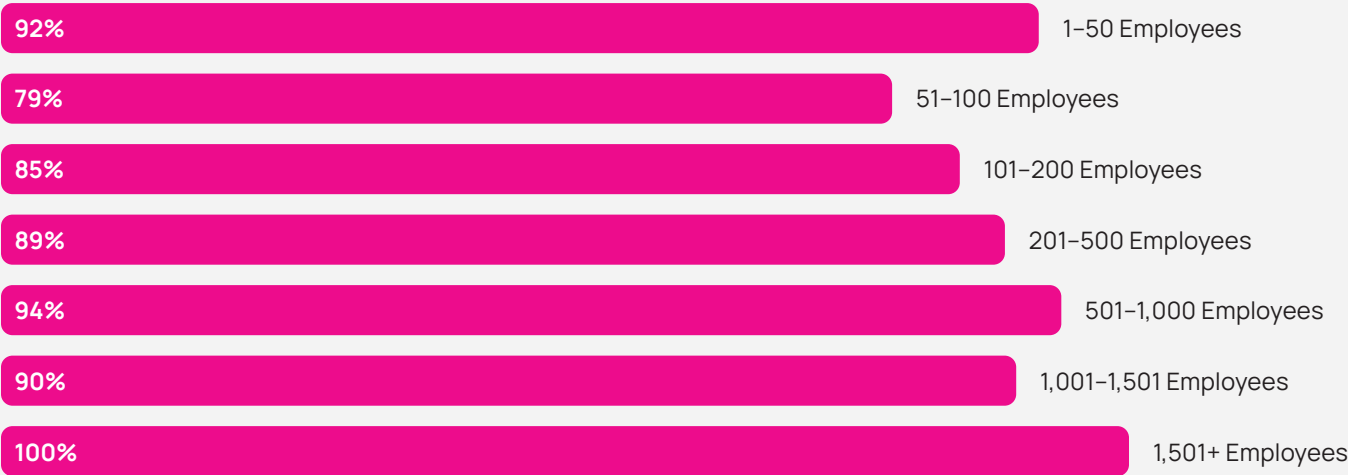
An overwhelming 87% of business owners report that concerns over their employees' wellness (e.g., financial, emotional, social, occupational, spiritual, intellectual, environmental) have increased over the last 12 months.

These concerns are particularly prevalent in the nonprofit, personal services and software/IT services industries. In those three industries, 100% of business owners report heightened concern over employee wellness.

Concerns over employee wellness are particularly high at companies with 1-50 employees (92%), 501-1,000 employees (94%) and 1,501+ employees (100%).



Have concerns over employee wellness increased in the last 12 months?





Quick Tip for Business Owners

Employee wellness is much more than a workplace buzz phrase. Employers have been discovering advantages of helping employees take important steps toward maintaining optimum physical and mental health through programs designed to boost overall well-being.

What is an employee wellness program?

Wellness programs are typically organized, employer-sponsored plans or activities designed to educate, support and encourage employees to adopt and maintain behaviors that can reduce health risks and health care costs while improving quality of life.

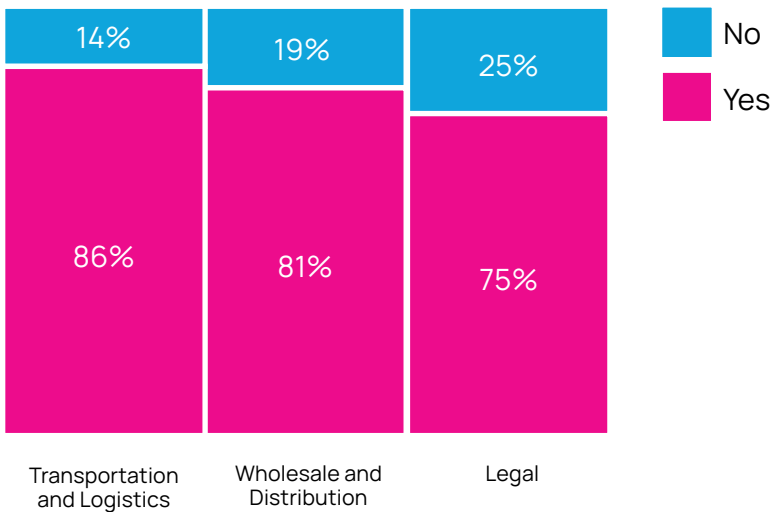
Activities consist of health education and coaching, weight management programs, medical screenings, on-site fitness programs, smoking cessation and much more. With so many employees spending most of their days sitting at desks, implementing programs inside the workplace has become vital to encouraging a healthy lifestyle.



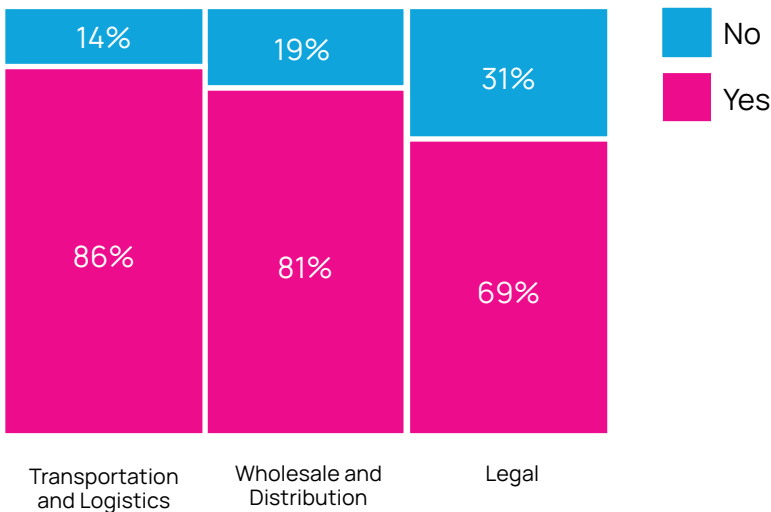
Lost business due to staffing factors

In the last 12 months, **57% of business owners have lost business or customers due to being understaffed and 57% have lost business due to not having the employees with the needed skills.** Some industries have faced more challenges in this area, including transportation and logistics businesses, wholesale and distribution businesses, and legal businesses. What's more, those same industries lost business due to employees not having the needed skills (see charts).

Did being understaffed cause you to lose business?



Did employees' lack of skills cause you to lose business?



Business Owners' Plans for Staffing Reductions

Business owners implement staffing reductions to streamline operations and cut costs in response to economic downturns or financial pressures. In the next year, **59% of business owners plan to reduce non-employee (i.e., contractor and freelance) spending and 51% plan to reduce full-time employee headcount.**

In the next year, do you expect to make cuts to your company's headcount/staff numbers?



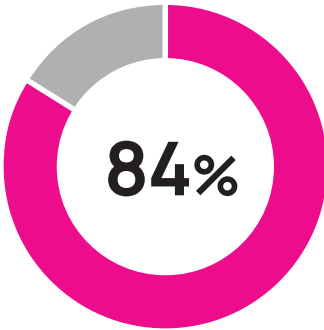
More than 80% of transportation and logistics, agriculture, wholesale and distribution, and nonprofit organizations plan to reduce their employee headcount. On the other hand, business owners in the restaurant and hospitality, media and manufacturing industries all track in the 30-40% range. This is likely due to the fact that these industries have more job openings than they can fill. The hospitality industry, in particular, faces higher turnover than many other industries at 40% versus the average of 17% [based on this workforce snapshot](#).



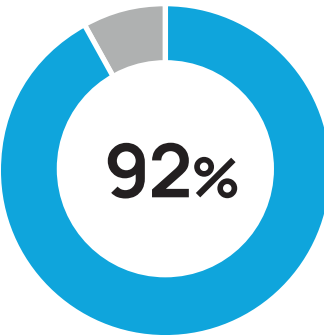
Business Owners' Plans for Flexible Pay Arrangements

Nearly 84% of business owners believe that the majority of their employees live paycheck to paycheck. In response, 92% are willing to offer more flexible pay arrangements, such as earned-wage access or on-demand pay. This enables employees to access their compensation as they earn it rather than wait for payday. **On-demand pay can reduce fees associated with cash-advance loans and overall debt** (see business tip on page 12).

For businesses with 1-50 employees, 79% of owners believe that the majority of employees live paycheck to paycheck. That percentage rises to 88% for businesses with 101-200 and 1,500+ employees.



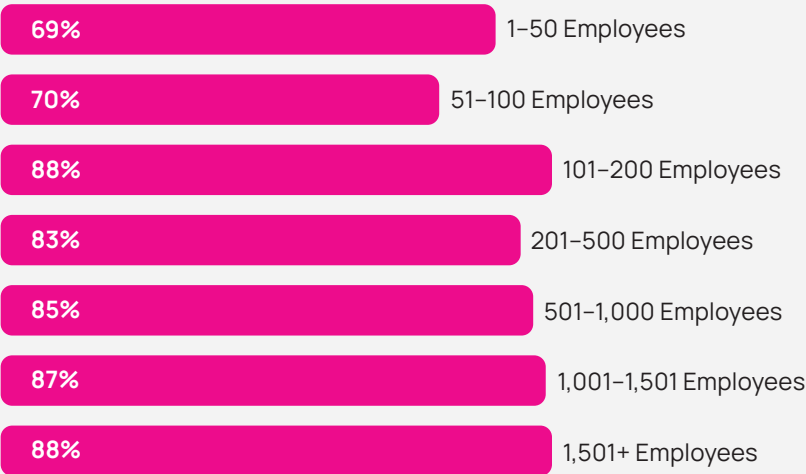
84% believe the majority of employees live paycheck to paycheck



92% are willing to offer flexible pay arrangements



Business owners who say the majority of their employees live paycheck-to-paycheck.



A willingness to offer flexible pay arrangements, ranged from 88% of businesses with 201-500 employees on the low end to 100% of businesses with 1,501+ employees on the high end.

Are you willing to offer more flexible pay arrangements such as earned-wage access or on-demand pay?



Quick Tip for Business Owners

On-demand pay can boost experience for employees in a variety of ways.

Greater Financial Flexibility: Employees can control when to access money they've earned and better align their pay dates with their personal financial commitments.

Improved Financial Stability and Security: Employees can access emergency funds if a sudden bill or expense arrives, without incurring more debt and pay bills on time to avoid late or overdraft fees. Plus, those that do not have access to a bank account will have an alternative method to access their funds.

Increased Savings: Employees have more visibility into their wages and spending, helping them monitor their spending and increase savings.

Boosted Satisfaction: When employees feel valued at work, they tend to be more productive, happier and more reliable. In fact, a Mercer Advisory Group study found employees feel the benefits of flexible pay and stay in their jobs for 27% longer.

For employers, on-demand pay can improve business outcomes.

Attract Employees: On-demand pay is a differentiator in a competitive labor market, with the potential to increase the pool of applicants and speed of hiring.

Retain Employees: Reduce turnover as employees who take advantage of on-demand pay may be less likely to leave and seek other opportunities as they will feel more secure with reduced financial stress.

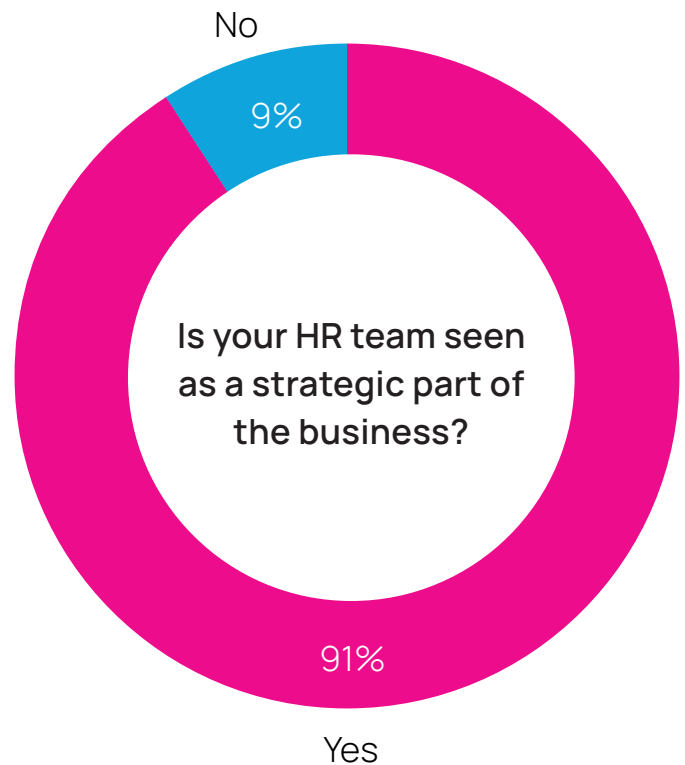
Increase Employee Productivity: Eliminating financial burdens can boost employee focus and productivity and help employees feel more valued.

How Business Owners Perceive Their HR Function

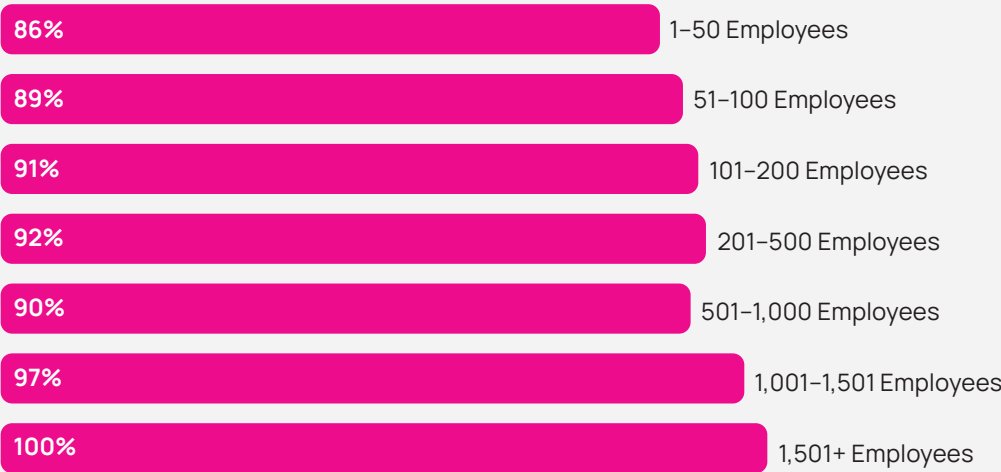
Some business owners believe that the HR function plays an essential role in maintaining employee satisfaction. **By focusing on effective talent management and fostering a strong organizational culture, HR can improve EX, which can drive higher retention.**

Is HR a strategic part of the business?

Ninety-one percent of business owners see their HR teams as a strategic part of their business. Overall, the larger the workforce, the more likely the business owner is to see their HR teams as strategic. Smaller businesses, on the other hand, came in below the 91% average—with 86% of businesses with 1-50 employees and 89% of businesses with 51-100 employees saying the same of their HR team. This could be due to limited resources including budgets and manpower, the prioritization of core HR needs (like payroll and scheduling) over strategic needs (like development and engagement) or even the business owner's limited background and expertise in HR. In any case, these averages are far higher than other reports where HR practitioners themselves report not being seen as a strategic part of the business.

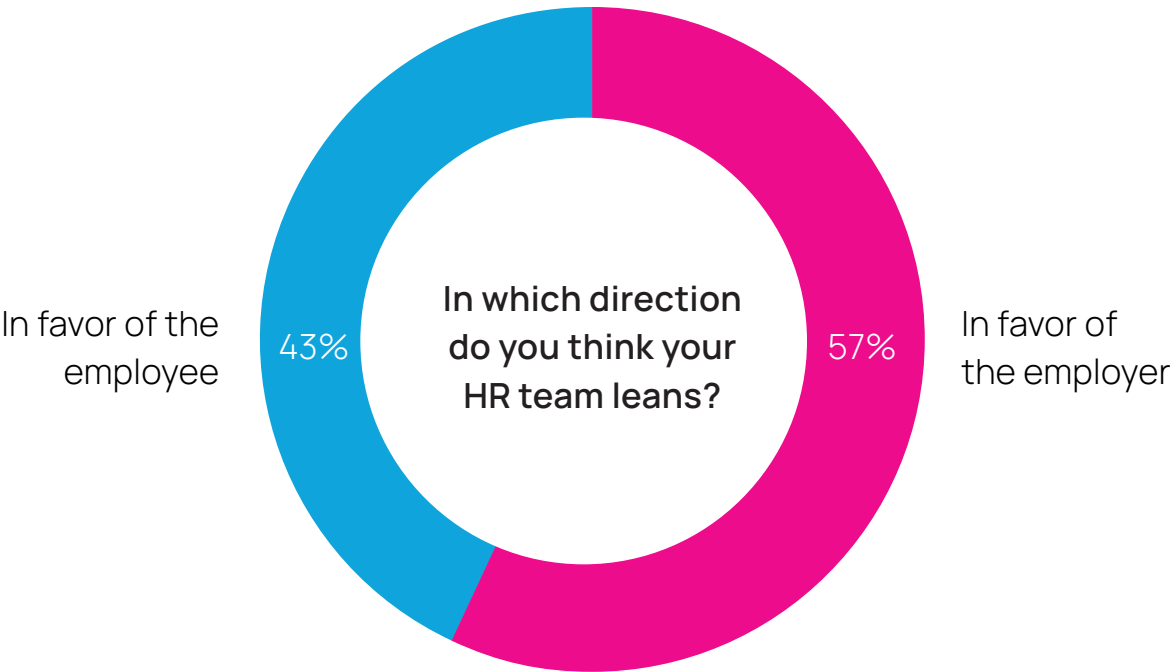


Is your HR team seen as a strategic part of the business?

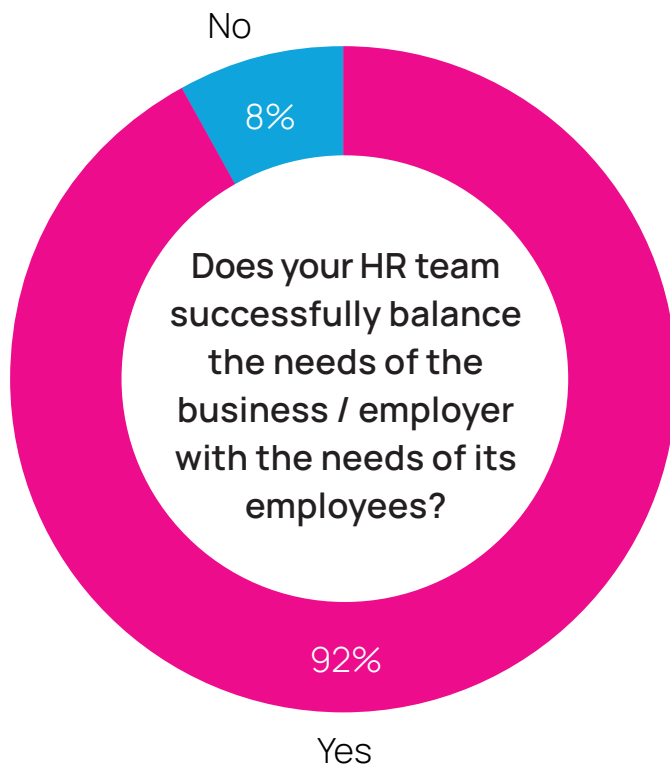


Does HR serve the employer, the employees or both?

Business owners were asked to make a choice: do their HR teams favor the employer or the employees? Fifty-seven percent believe that HR favors the employer, while 43% think it favors the employees. If you think this might concern employees, don't worry: **92% of business owners believe that HR successfully balances the needs of the employer with the needs of its employees.**



The need to find the right balance is important. If we think about these workforce dynamics on a pendulum, employers on the left and employees on the right, we can visualize how workforce trends can dynamically set a pendulum swing in motion—at times, favoring one “side” over the other. What we’re finding in interactions with thousands of HR, benefits and payroll practitioners, the industry’s top thought leaders and the research detailed within, is people professionals are becoming change champions to stabilize this dynamic pendulum. **They’re doing this by creating employee experiences that matter for all stakeholders.**

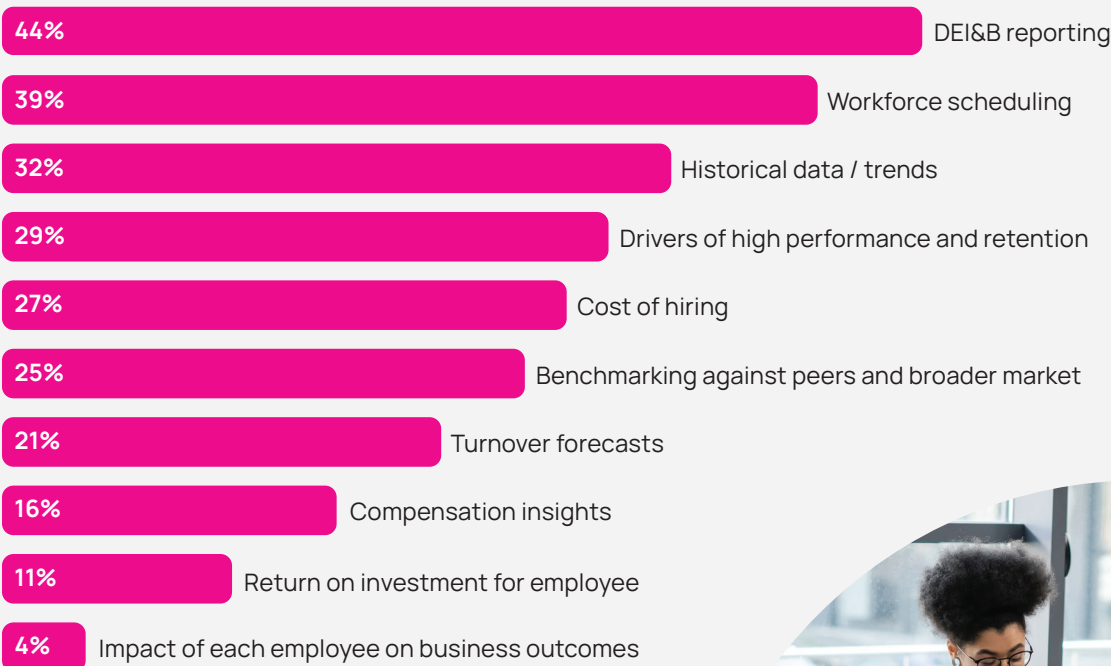


What KPIs would business owners like to see from HR?

HR leaders may measure and track key performance indicators (KPIs) to gauge the effectiveness of their EX, employee retention, productivity and engagement. By closely monitoring these metrics, they can make data-driven decisions to enhance HR programs and align HR initiatives with broader business goals.

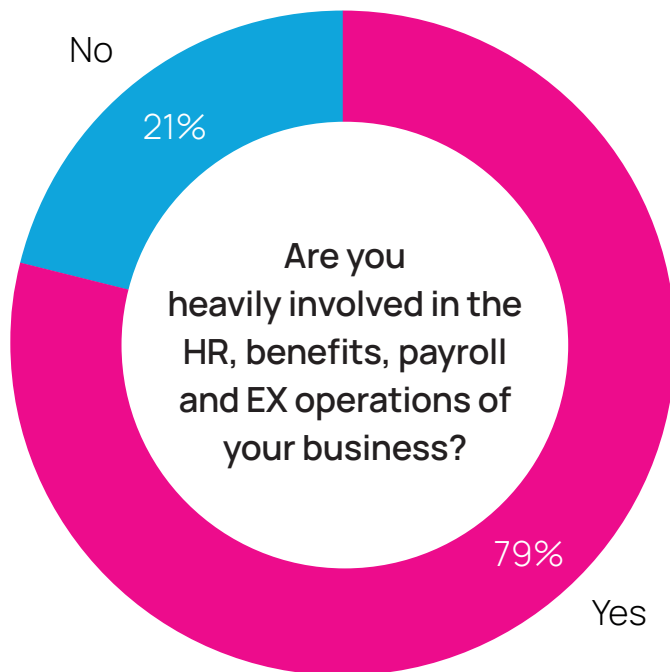
When business owners were asked which KPIs they wished their HR team reported to them, **the top two were diversity, equity, inclusion and belonging (DEI&B) reporting (44%), and workforce scheduling (39%)**. Low on the list were return on investment (ROI) for EX (11%) and impact of each employee on business outcomes (4%).

Which key performance indicators do you wish your HR team reported to you?



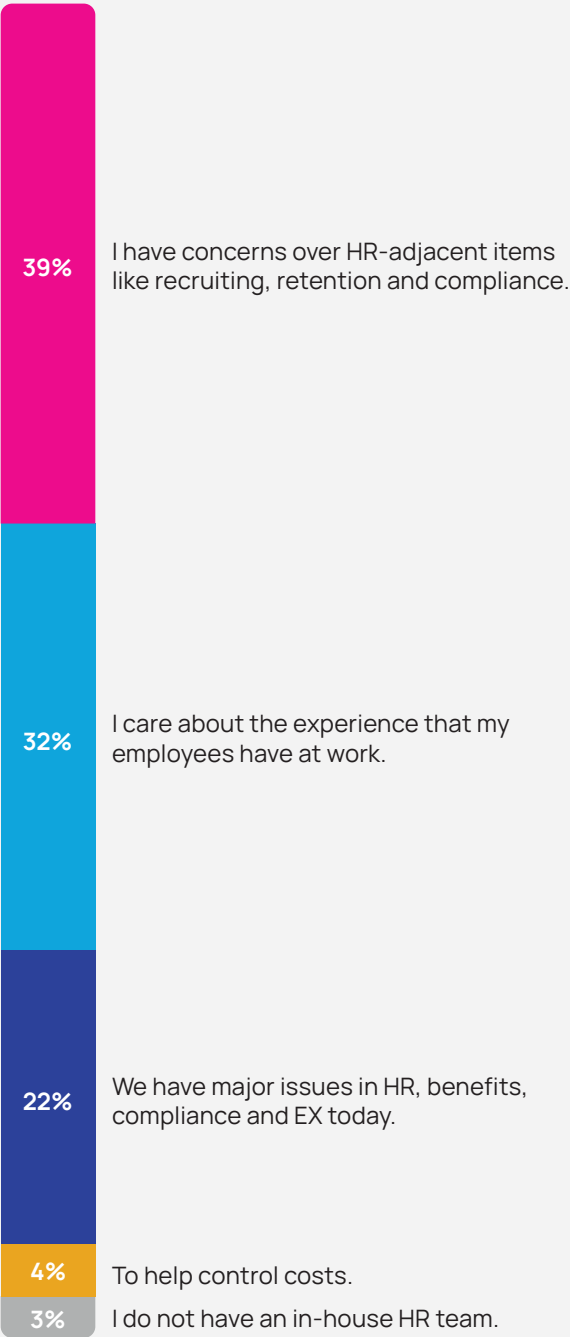
The Involvement of Business Owners in HR Functions

To ensure that certain functions run smoothly, some business owners get directly involved in HR, benefits, payroll and EX operations. Hands-on involvement allows them to address issues quickly, maintain a personal connection with employees and ensure that essential functions operate as expected. Seventy-nine percent of business owners are directly involved in one or more of these functions, while 21% are not.

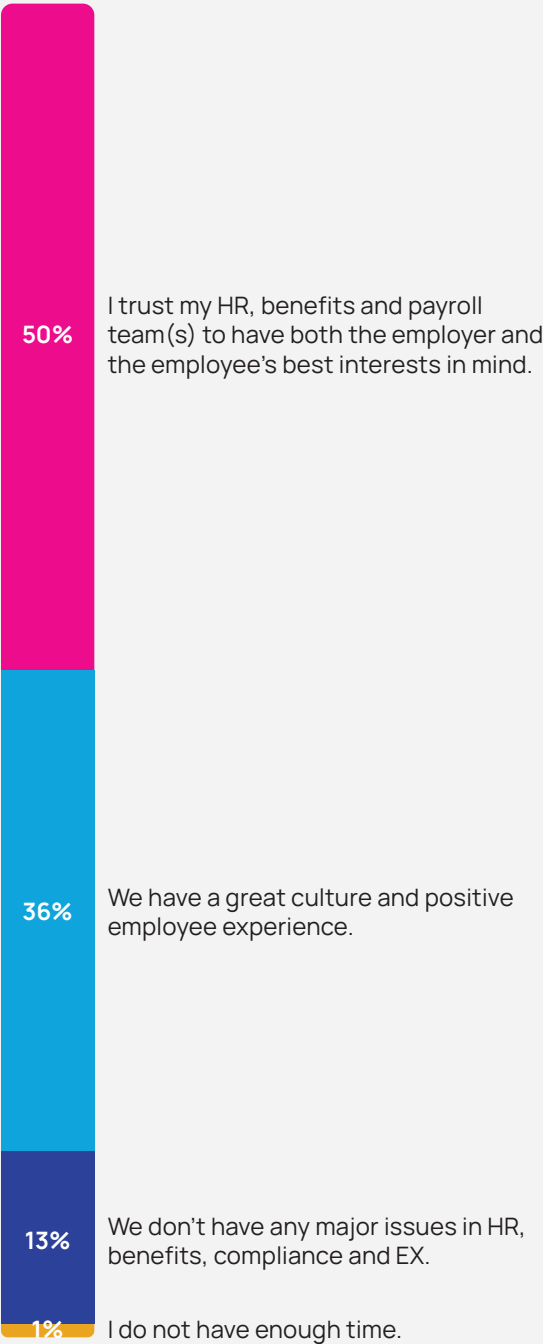


When asked about why they get involved, the top two reasons were concerns over HR-adjacent items like recruiting, retention and compliance (39%) and a concern about the experience employees have at work (32%).

What is the top reason you are heavily involved in the HR, benefits, payroll and employee experience operations of your business?



What is the top reason you are not involved in the HR, benefits, payroll and employee experience operations of your business?





Quick Tip for Business Owners

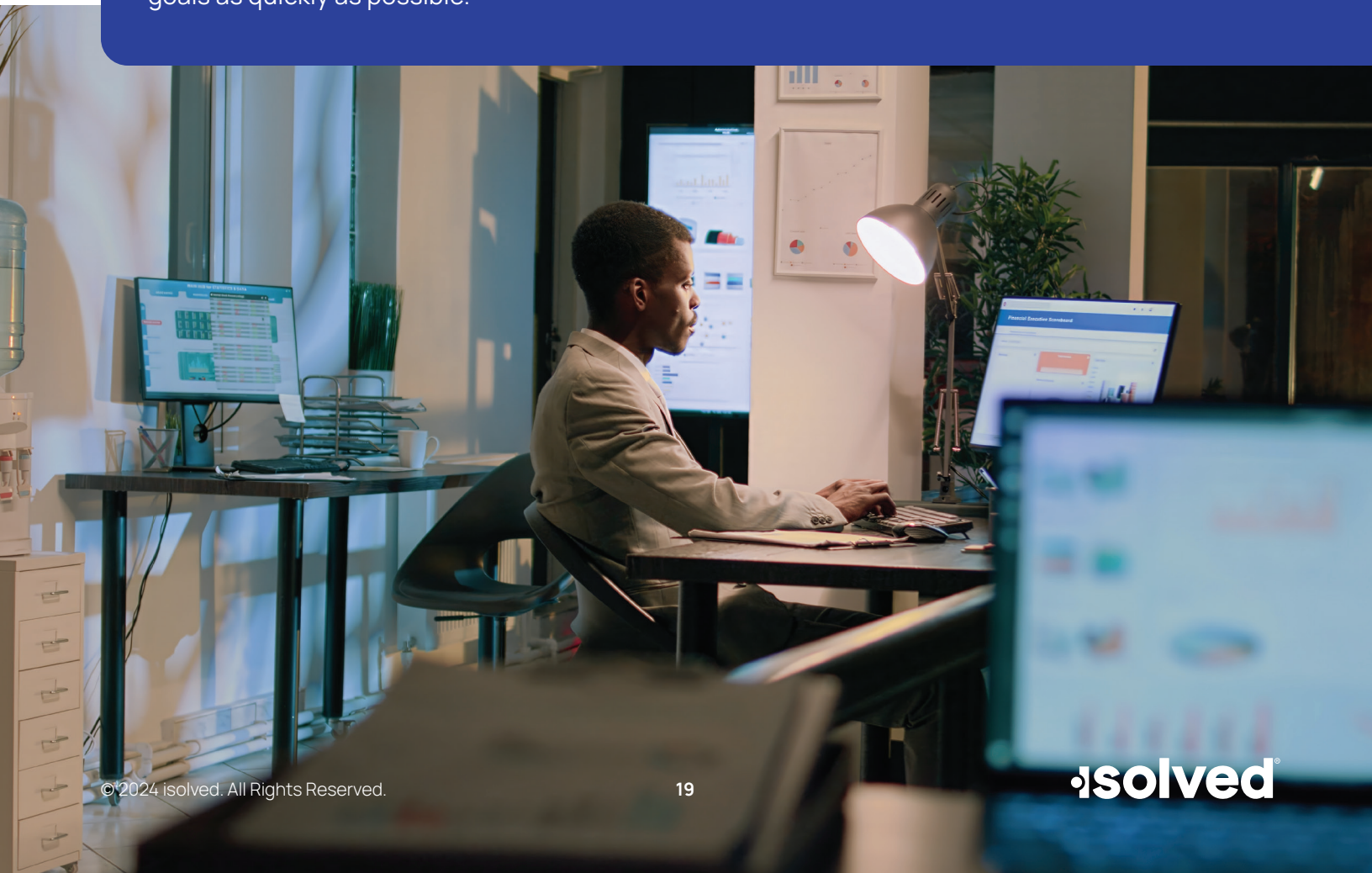
Payroll is a complex task for businesses of all sizes and challenges in payroll can be especially time-consuming. Business owners often manage several different employee categories and schedules. Some may not have a dedicated HR team or staff member, leaving the administrative burden on management or business leaders.

Despite these challenges, accurate and timely payroll is one of the most critical HR functions to keep businesses running smoothly and provide excellent EX. **Fifty-five percent** of employees say that mistakes in payroll would prompt them to look for a new job.

Easy Implementation

With a smaller team, every second counts. Once a decision is made to look for payroll assistance, it's important to find a provider that will simplify processes starting at the very beginning with implementation processes. Payroll is just one function of a business, and business owners often don't have the time to devote to a lengthy software implementation and launch.

When selecting a payroll solution, a streamlined approach with a dedicated, knowledgeable implementation team will help businesses save time, ensure accuracy with historical data and get software up and running efficiently, allowing leadership and management to focus on business goals as quickly as possible.



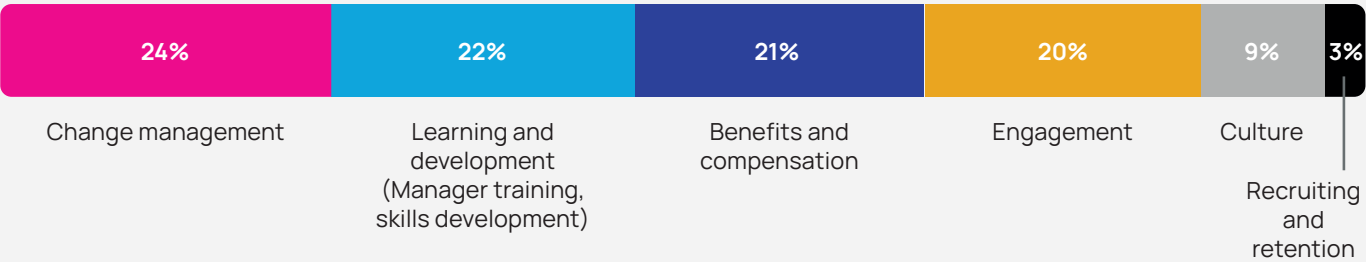
How Business Owners Think About EX

EX can be a driving factor in employee satisfaction, productivity and loyalty. A positive EX helps reduce turnover and build a cohesive team. Employees typically expect a company's EX to include clear communication, opportunities for professional growth and a supportive work environment.

Top EX initiatives

When business owners were asked to select the top EX initiative for their team to focus on, their answers were spread quite evenly across change management (24%), learning and development (22%), benefits and compensation (21%), and engagement (20%). Culture was surprisingly low at 9%. Business owners probably don't consider recruiting and retention to be part of EX, as it came in at only 3%.

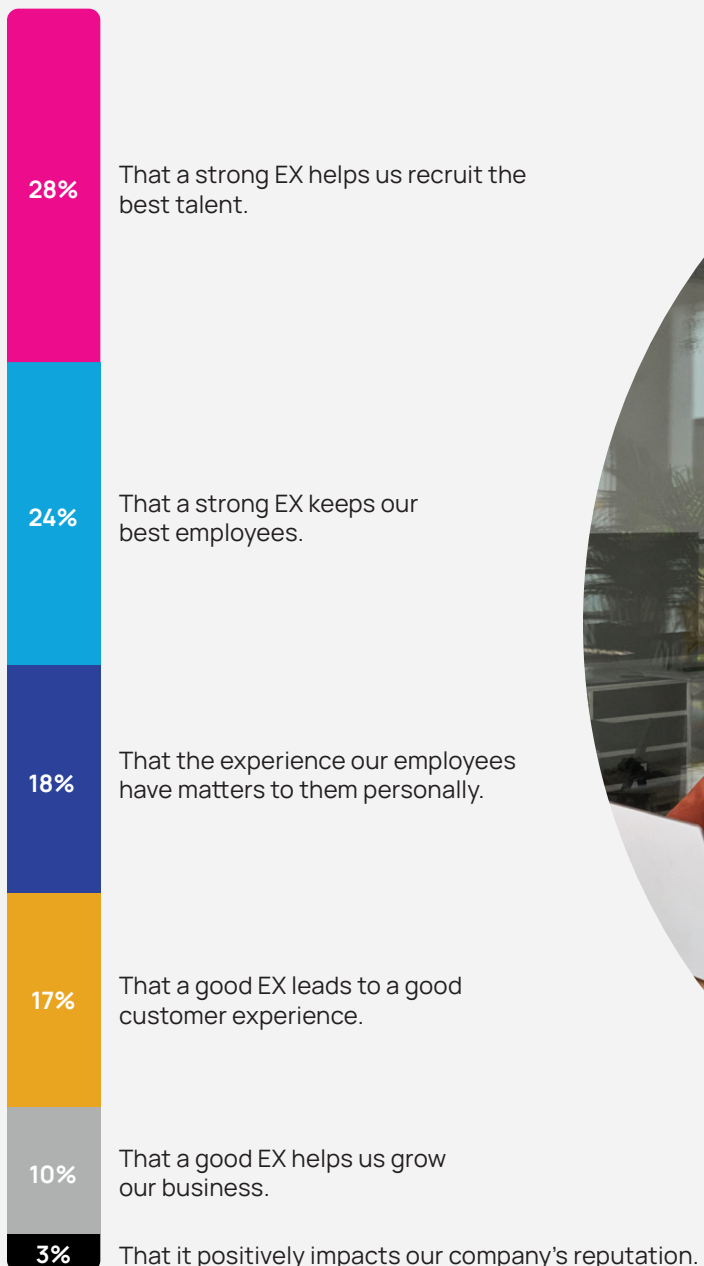
When it comes to the experience your employees have at work, what would you like your team to focus on?



Biggest hopes for EX

Business owners are hopeful that a positive EX can lead to desired business outcomes. The outcomes relate to recruiting talent, retaining employees, providing good customer experience and growing the business. The top two outcomes selected by business owners were recruiting the best talent (28%) and retaining employees (24%).

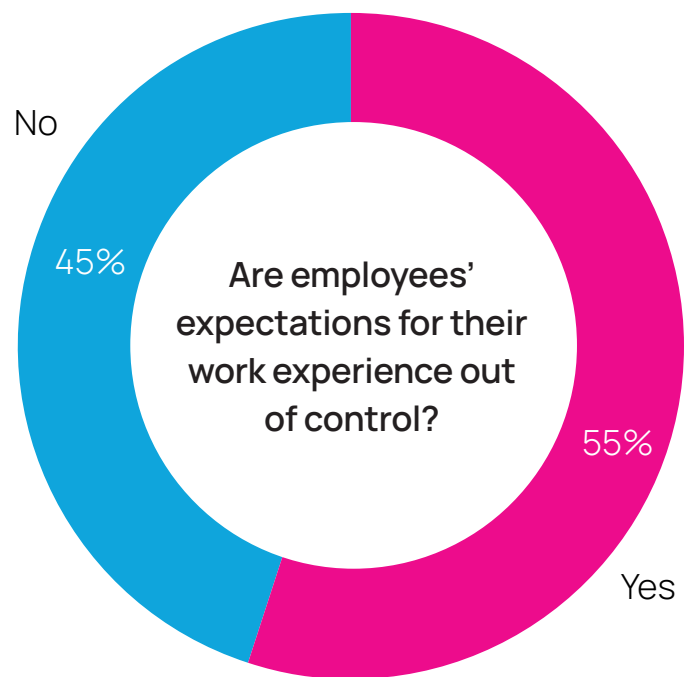
What is the biggest hope for EX at your company?



Have EX expectations gotten out of control?

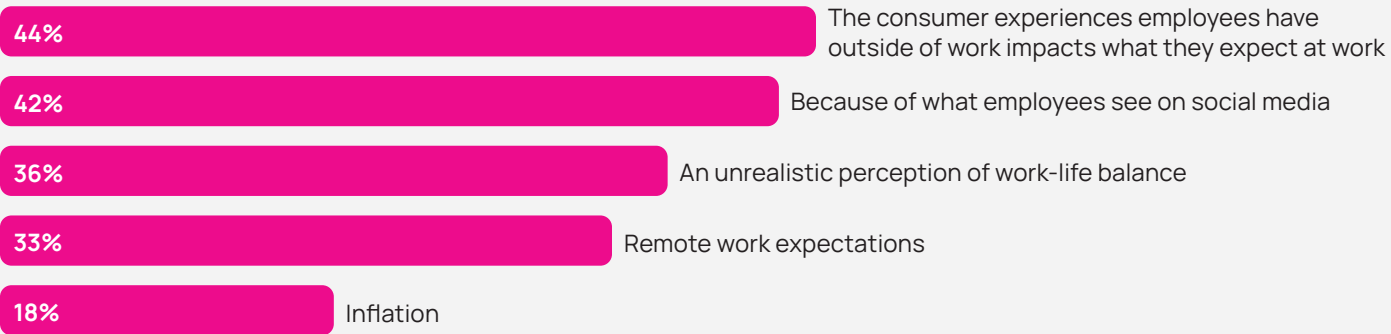
As businesses place a greater emphasis on EX, employee expectations have become more demanding. But are they out of control? If so, those expectations could exceed what businesses can realistically provide. This can create challenges for business owners wanting to balance high employee expectations with the practical constraints of resources and capacity. Business owners reported close to an even split. Fifty-five percent believe that employee expectations of EX have gotten out of control, while 45% believe that they are not out of control.

This belief of business owners contrasts sharply with the opinion of HR leaders. Our report, ["Champions of Change: How HR Decision-Makers Are Delivering Employee Experiences That Matter"](#) surveyed more than 1,000 business leaders in HR decision-making roles. It found that for HR leaders, only 24% believe that employee expectations for EX have gotten out of control. The main reason why most HR decision-makers don't think employee expectations have gotten out of control is because they think employees deserve a good experience at work.



Forty-four percent of business owners believe that these out-of-control expectations are due to the consumer experiences that employees have outside of work. They carry those experiences to their job, where they expect those experiences to be similar. Take the example of the smartphone. On this device that everyone carries in their pocket, employees can access hundreds of mobile apps and download many more. They can do just about anything with these apps, from paying bills to reading news to doing video calls with friends and family. Along the same lines, 42% of business owners say that these expectations come from what employees see and experience on social media.

Why do you think employees' expectations have gotten out of control?



The 45% of business owners who think employee expectations are reasonable selected a wide range of reasons. These owners believe, for example, that employees deserve a good experience at work, should have access to intuitive, consumer-like technology and deserve fair compensation at market rates.

Why don't you think employees' expectations have gotten out of control?



EX Trends to Expect

The advantages of having a positive EX are beneficial today and will be in the future. Here's what we can expect:

- Future workers will want to engage in meaningful work where they feel appreciated and have work-life balance.
- Integration of AI will automate repetitive or tedious tasks to streamline engagement.
- Personalized and holistic wellness programs offering access to resources for mental, physical and emotional health will rise in popularity.
- Companies that can champion ethical conduct, sustainability and salary transparency will be successful in attracting job seekers and retaining top talent.

The key to business success is a thriving workforce achieved by developing a positive EX.

How Business Owners Think About AI

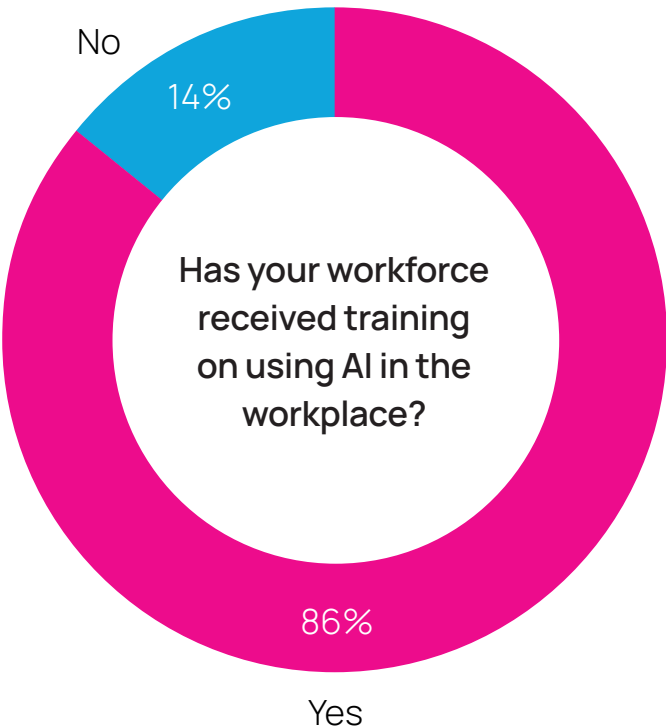
Some businesses use AI to enhance efficiency by automating routine tasks and analyzing large datasets for actionable insights. **AI can be an opportunity to streamline operations, reduce costs and improve decision-making processes across business functions.** Are business owners adopting AI tools and practices today? And if not now, then when?

Despite the fact that OpenAI released ChatGPT in 2022, the majority of business owners are not using AI to create a substantial impact on their business. Only 15% of business owners report that it's already made an impact, with 21% expecting a substantial impact in 1-2 years. A surprisingly high 65% of business owners think that AI won't make a substantial impact on their business until another 3-15 years.

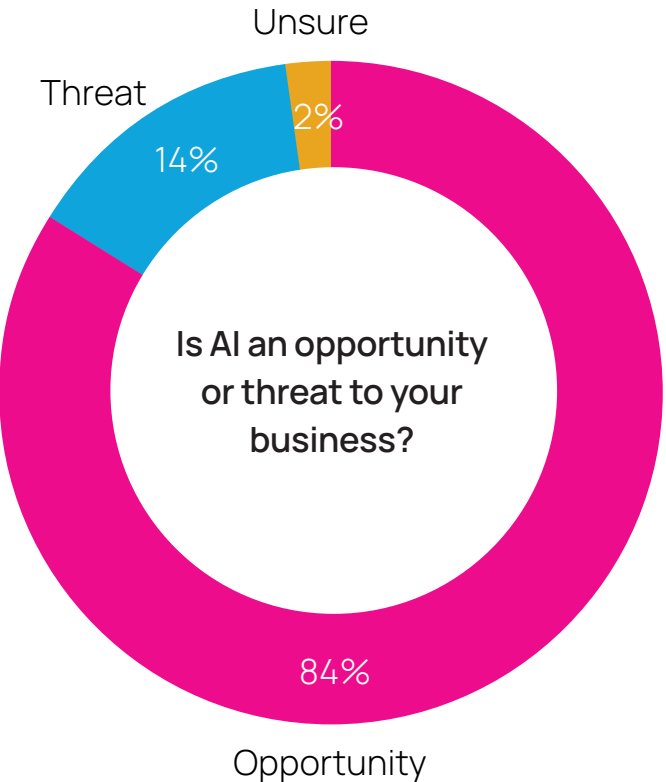
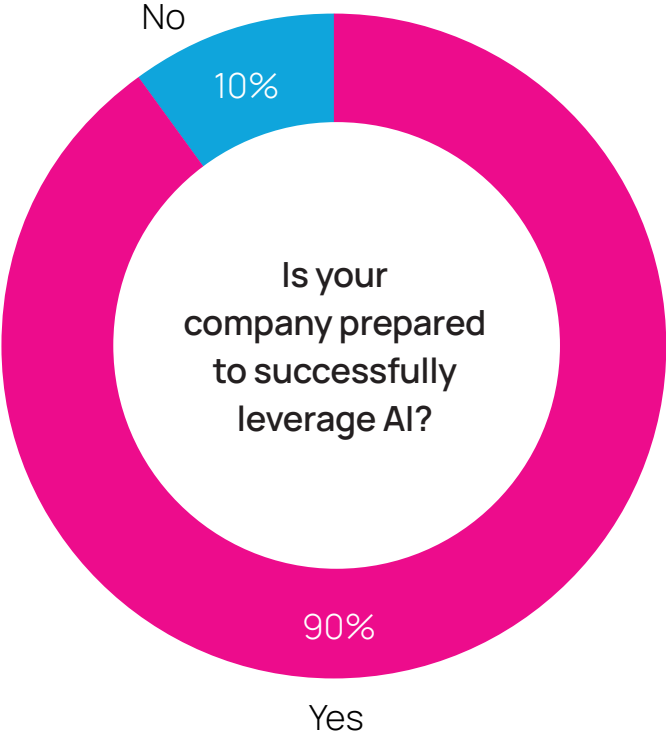
How long will it take for AI to have a substantial impact on your business?



When the time comes, however, businesses are ready. Ninety percent of business owners believe that their companies are prepared to successfully leverage AI. This result stands at odds with the previous data point. If businesses are prepared to leverage AI, then why do 65% believe that a substantial business impact won't happen for another 3-15 years?



The time to make an impact is now, and businesses seem to be ready. **Eighty-four percent of business owners see AI as an opportunity, not a threat, and 86% of businesses have implemented training on using AI in the workplace.**



Finding The Right Balance

Business owners have a complex landscape to navigate. They need to balance challenging macroeconomics, a highly competitive recruiting environment, a need to focus on employee well-being and sky-high expectations of EX. They also need to consider when and how AI will make a significant impact on their business. On the bright side, businesses are ready to embrace the opportunities. Over 80% of business owners see AI as an opportunity and have provided training on AI in the workplace. **The strategic use of AI provides businesses with an opportunity to differentiate themselves from the competition by automating routine tasks, gaining deeper insights from customer data and improving customer experiences with personalization.** Business owners can leverage AI to position their companies for long-term success and growth.



Methodology

This Business Owners report analyzes the responses of 1,002 owners and founders. Each respondent is based in the United States. For any questions about the survey or our findings, please contact brand@isolvedhcm.com. The survey was conducted in June 2024, with the demographics broken down as follows:

Company Size

1-50	13%
51-100	12%
101-200	46%
201-500	15%
501-1000	7%
1001-1500	6%
1501 or more	1%

Industry

Agriculture	1%
Construction & Engineering	3%
Education	5%
Entertainment	2%
Financial Services	4%
Government & Public Sector	1%
Healthcare	35%
Legal	2%
Manufacturing	13%
Media	3%
Nonprofit Organization	0%
Personal Services	1%
Professional & Business Services	3%
Real Estate or Property Management	1%
Restaurants / Hospitality	2%
Retail	18%
Software & IT Services	2%
Telecommunications	2%
Transportation & Logistics	1%
Travel	2%
Utilities	2%
Wholesale & Distribution	2%

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