



HR Outlook

2011

# Research For HR Professionals

## Executive Summary

The CIPD HR Outlook series is designed to provide expert commentary on the HR profession and the emerging trends within HR. The survey draws on the input and views of 1,543 HR practitioners within UK organisations.

The research took place between 5 August and 13 September 2011. The relevance of this is that while we are in the midst of a constrained economy, at that time there was a glimmer of hope for recovery in the economy. This has subsequently been replaced by further uncertainty.

In terms of the impact of the constrained economy on HR teams, while 56% of respondents overall report their HR function size has remained the same in this wave of the HR Outlook survey, 51% of public sector respondents are reporting a decrease in function size. The top three reasons reported for decrease in function size for both 2011 and 2010 are: not replacing employees who have left, redundancies and redesign of job roles in HR. Interestingly, 2011 has seen the use of redundancies increasing (from 40% in 2010 to 48% in 2011), possibly reflecting the true scale of challenge the public sector and its HR functions are facing. On a brighter note, there has been a 4% rise in respondents from the manufacturing and production sector reporting an increase in overall HR function size.

Finally, by way of context, it is worth noting the profile of those responding to the HR Outlook survey. Sixty per cent of respondents work for organisations that employ fewer than 1,000 employees and 76% have fewer than 50 members of staff working in their overall HR function.

This survey has highlighted that for many of the respondents, the reality and ambition they set themselves in terms of purpose are more limited. Only 22% believe the purpose of the HR function they work in is to drive sustainable performance, and only 43% see this as the purpose of a best-practice HR function. Rather, 29% see their current purpose as 'providing payroll, pensions, learning and administration' and a further 43% believe their current purpose is 'ensuring the organisation has the best people in the right jobs doing the right work'. If HR sets its purpose at these more transactional levels, this will impact on the added value it can deliver.

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HR Outlook

CIPD

A graphic consisting of two overlapping red circles. The larger circle on the left contains the text 'Survey' and the smaller circle on the right contains the text 'Data'.

Survey

Data

A graphic consisting of two overlapping red circles. The larger circle on the left contains the text 'Forecast' and the smaller circle on the right contains the text 'Trends'.

Forecast

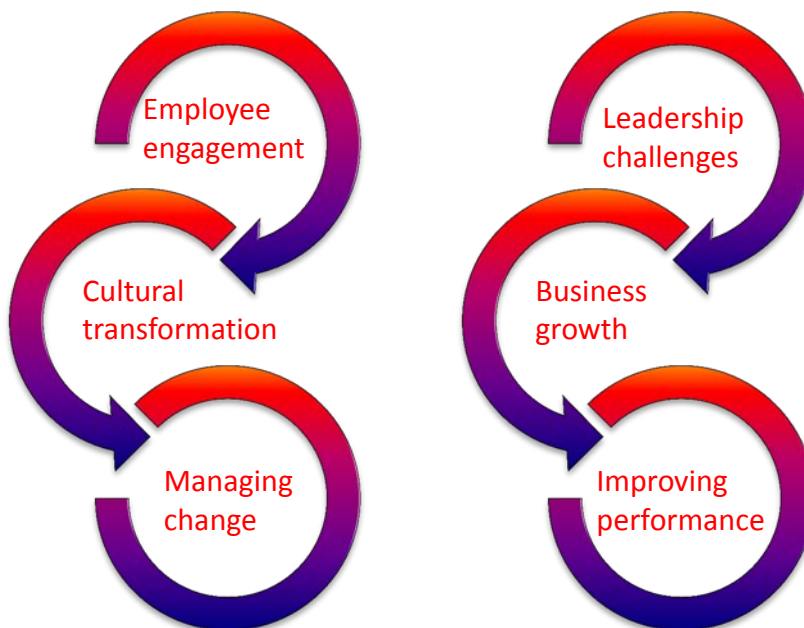
Trends

## Organisation and HR priorities for the coming 12 months: sector differences

The priority of growing the current business has shown a significant increase in the manufacturing and production sector since 2010. It's encouraging that the HR function's top three priorities in this sector are employee engagement, improving performance and reward, and managing change and cultural transformation – all of which would support a growth agenda, suggesting an alignment between HR and the organisation's priorities.

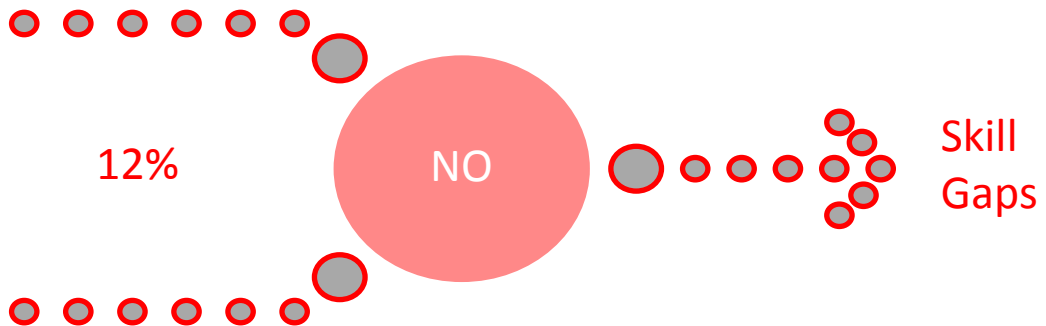
Unfortunately, this alignment is not replicated in the public services sector. Managing costs is considered the top organisation priority, but the top three HR function priorities in this sector focus on the process-heavy activities of managing change, restructuring and strategically planning the organisation, rather than bringing along the workforce, for example through employee engagement activities.

A final sector difference of interest relates to the voluntary sector. Similar to the manufacturing sector, the top organisation priority identified in this sector is growing the current business, showing a significant increase from 2010. In terms of HR's priorities, leadership development appears for the first time in 2011. The funding landscape has changed considerably during the last 12 months and the leadership challenges to deliver business growth in this context are very different from previously. HR in this sector, it would appear, has a good understanding of this changing context and is prioritising an appropriate HR response.



## HR capability

Generally, it seems that HR is upbeat about its capability to achieve its priorities for the next 12 months. One in ten (12%) HR professionals, for example, say skills/capability gaps do not exist within their HR function. However, the findings highlight a couple of areas where capability gaps do exist.

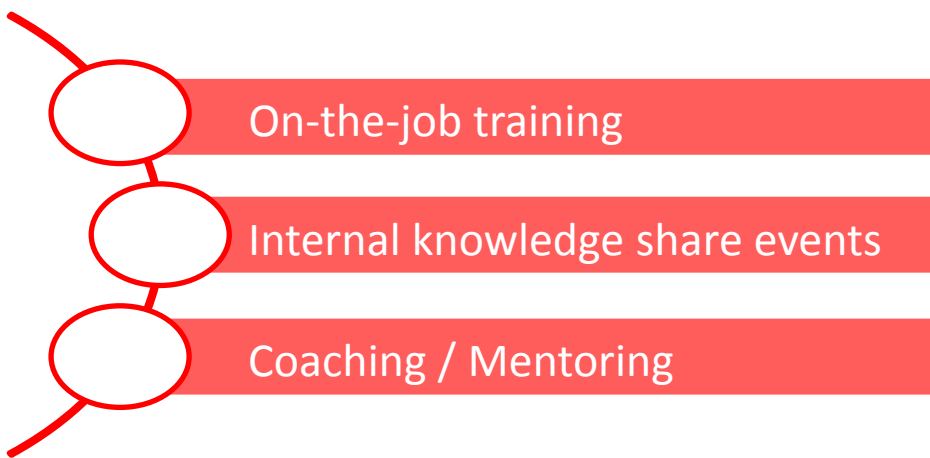


Sixty per cent of respondents think that 'HR needs to build its ability to understand business issues' and only 48% think 'HR is viewed as adding significant value' to their organisation. Smaller organisations seem to be particularly inwardly focused, with only 38% of micro and 50% of small organisations reporting that they 'actively scan the external environment to bring in fresh insight'. Given the opportunity for HR in these smaller organisations to really immerse themselves in the business.

Secondly, and similar to 2010, curiosity has identified as the least displayed (14%) and least encouraged behaviour (12%). In the CIPD's HR Profession Map, we define curiosity as being 'future focused, inquisitive and open minded' and 'seeking out evolving and innovative ways to add value to the organisation'. Curiosity would therefore seem of particular relevance for HR to deliver on the purpose of sustainable organisation performance.

## Capability development: current realities

The survey indicates that HR functions are generally not looking outside their immediate environment to address capability gaps. Rather, there is a predominance of internal activities, such as on-the-job training, coaching and internal knowledge-sharing events. Despite the budget constraints that are no doubt a reality for many in current economic times, the failure to look at external solutions such as internal secondments to commercial or operational roles, externships or external mentoring programmes to close capability gaps is likely to limit their effectiveness in closing gaps in areas such as business savvy and curiosity.



## Capability development: future focus

The top driver of satisfaction reported by the survey respondents is their immediate boss. Given the earlier commentary concerning changes being made to HR functions themselves, many facing decreases in function size, it is important for HR to look inwards to their own development needs. In particular, ongoing development of those responsible for managing the HR function is important to ensure they continue to be able to engage those working for them.

A final related reflection is around future workforce planning of the HR function. With the exception of the public services sector, the survey shows that HR doesn't identify workforce planning as a top business priority. Not only is it important that this stays on their radar from a business perspective, but HR should also look at their own future workforce planning needs and capability gaps. Despite the current economic constraints, HR needs to focus on recruiting and up-skilling themselves, to deliver not just for the short term but also against the organisation's future needs.

## Survey

**What are the top THREE priorities for your  
ORGANISATION in the NEXT 12 MONTHS?**

	All HR Professionals Wave 1	All HR Professionals Wave 3
<b>Manage costs</b>	79%	72%
<b>Improve processes</b>	63%	57%
<b>Focus on customer needs</b>	60%	57%
<b>Grow the current business</b>	46%	53%
<b>Introduce new technology</b>	18%	19%
<b>Diversify products/services</b>	15%	15%
<b>Expand internationally</b>	9%	10%
<b>None of the above</b>	2%	1%
<b>Other</b>	Not applicable	7%
<b>Don't know</b>	2%	2%

## Survey

**What are the top THREE priorities for your ORGANISATION in the NEXT 12 MONTHS?**

<b>Manufacturing and Production</b>		
	<b>Wave 1</b>	<b>Wave 3</b>
<b>Manage Costs</b>	75%	67%
<b>Improve processes</b>	63%	44%
<b>Focus on customer needs</b>	<b>44%</b>	<b>44%</b>
<b>Grow the current business</b>	<b>63%</b>	<b>75%</b>
<b>Introduce new technology</b>	<b>19%</b>	<b>19%</b>
<b>Diversify products services</b>	<b>14%</b>	<b>20%</b>
<b>Expand internationally</b>	18%	19%
<b>None of the above</b>	1%	1%
<b>Don't know</b>	1%	2%

## Survey

**What are the top THREE priorities for your ORGANISATION in the NEXT 12 MONTHS?**

<b>Private Sector Services</b>		
	<b>Wave 1</b>	<b>Wave 3</b>
<b>Manage Costs</b>	72%	67%
<b>Improve processes</b>	47%	48%
<b>Focus on customer needs</b>	<b>58%</b>	<b>53%</b>
<b>Grow the current business</b>	<b>70%</b>	<b>70%</b>
<b>Introduce new technology</b>	<b>16%</b>	<b>18%</b>
<b>Diversify products services</b>	<b>19%</b>	<b>16%</b>
<b>Expand internationally</b>	12%	14%
<b>None of the above</b>	1%	1%
<b>Don't know</b>	1%	2%



## Survey

**What are the top THREE priorities for your ORGANISATION in the NEXT 12 MONTHS?**

<b>Public Sector</b>		
	<b>Wave 1</b>	<b>Wave 3</b>
<b>Manage Costs</b>	89%	85%
<b>Improve processes</b>	78%	75%
<b>Focus on customer needs</b>	69%	69%
<b>Grow the current business</b>	25%	19%
<b>Introduce new technology</b>	18%	19%
<b>Diversify products services</b>	10%	7%
<b>Expand internationally</b>	2%	4%
<b>None of the above</b>	4%	1%
<b>Don't know</b>	2%	3%

## Survey

**What are the top THREE priorities for your ORGANISATION in the NEXT 12 MONTHS?**

<b>Voluntary / not-for-profit</b>		
	<b>Wave 1</b>	<b>Wave 3</b>
<b>Manage Costs</b>	74%	66%
<b>Improve processes</b>	66%	57%
<b>Focus on customer needs</b>	<b>60%</b>	<b>53%</b>
<b>Grow the current business</b>	<b>44%</b>	<b>56%</b>
<b>Introduce new technology</b>	<b>22%</b>	<b>18%</b>
<b>Diversify products services</b>	<b>19%</b>	<b>23%</b>
<b>Expand internationally</b>	5%	6%
<b>None of the above</b>	2%	2%
<b>Don't know</b>	1%	2%

## Survey

### What are the top THREE priorities for your HR FUNCTION in the NEXT 12 MONTHS?

#### HR function's top 3 priorities for next 12 months

	Wave 1 (n=310)	Wave 3 (n=220)
<b>Manufacturing and Production</b>		
Employee engagement	45%	49%
Improving performance management and reward	43%	45%
Managing change and cultural transformation	42%	38%
<b>Private Sector</b>	<b>Wave 1 (n=882)</b>	<b>Wave 3 (n=640)</b>
Employee engagement	49%	48%
Improving performance management and reward	45%	41%
Managing change and cultural transformation	38%	36%
<b>Public Sector</b>	<b>Wave 1 (n=797)</b>	<b>Wave 3 (n=477)</b>
Managing change and cultural transformation	61%	58%
Restructuring the organisation	60%	57%
Strategically planning the workforce	42%	36%
<b>Voluntary, community and not-for-profit</b>	<b>Wave 1 (n=277)</b>	<b>Wave 3 (n=206)</b>
Employee engagement	40% 44%	
Leadership Development	-	42%
Improving performance management and reward	41%	42%
Managing change and cultural transformation	57%	-

## Survey

**Which THREE of the following eight behaviours do you think your HR function displays most frequently?**

All HR professionals who have responsibility for running an HR function in the UK

	Wave 1 (n=1315)	Wave 3 (n=1033)
<b>Personally credible</b>	54%	50%
<b>Collaborative</b>	49%	47%
<b>Courage to challenge</b>	43%	40%
<b>Driven to deliver</b>	40%	39%
<b>Skilled influencer</b>	35%	31%
<b>Role model</b>	23%	26%
<b>Decisive thinker</b>	24%	25%
<b>Curious</b>	12%	14%
<b>None of the above</b>	4%	5%
<b>Don't know</b>	3%	5%



resource  
manage