CIPD

*Championing better
work and working lives*

HR
OUTLOOK

VIEWS OF OUR PROFESSION

Winter 2016–17

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

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Foreword from the CIPD

Welcome to the winter 2016–17 edition of *HR Outlook: Views of the profession* survey report, in association with Workday. This report is designed to provide commentary and insight about the trends and challenges facing our profession, highlighting where attention and action is needed.

We asked HR professionals at all levels of seniority to tell us about their organisation's priorities, both now and in three years, and, most importantly, how aligned they feel their HR activities are to achieving them. We also consider the external trends shaping the world of work, asking what the biggest drivers of change are. In this report we also have focus sections on leadership and people management, HR data, technology and employee voice.

As well as presenting the overall findings, we highlight where there are notable distinctions between the public and private sectors, size of organisation and differences in opinion between those in junior and senior HR roles.

One of the headline findings is that many HR professionals believe leaders in their organisation don't have the behaviours and skills needed to get the best from their people. Their technical, financial and operational competence is high, but many leaders are deemed ineffective at performance management, people management and developing people. Further examination reveals that training and support for line managers when they take on new people management responsibilities isn't there in a significant number of organisations. In fact, just 44% of employers provide formal training, and 60% provide tailored support for managers.

Unsurprisingly, given the significant events of 2016, economic change (including globalisation and Brexit) was reported to be the biggest driver of change, with respondents also predicting it the most likely to hinder the achievement of organisational objectives. This survey was conducted in October 2016, during a period of uncertainty following the Brexit decision and in anticipation of a US election result. This time of uncertainty serves as an additional reminder to employers of the importance of having a workplace that embraces equality and inclusion and where people's contribution is valued, for an engaged and productive workforce.

A further stand-out finding concerns HR analytics, with significant scope for HR to strengthen capability in this area. The possibilities of sophisticated analytics are receiving a lot of interest, but it's clear HR has work to do in overcoming barriers to their successful application. The data and technology itself, the organisation culture and the workforce's analytic skills were reported to be the top three barriers. There is a further question mark about whether businesses are reaping the full benefit of HR's work in this area, as many decision-makers don't have access to HR dashboards or reports. In order for managers to make evidence-based people decisions, HR needs to share its workforce insight. Ultimately, it's our unique understanding of people, the cornerstone of any business, which sets us apart as a profession.

So what do the survey findings mean for HR? This report has covered a wide range of issues, but there are six key insights which we believe HR needs to act on. We must:

- demonstrate the value of the HR agenda

- use HR data to strengthen evidence-based decision-making

- harness the benefits of technology

- prepare for economic uncertainty (for example globalisation and Brexit)

- adapt to the changing needs and desires of the workforce

- strengthen the capability of people managers.

At the end of this report, we pose some provocative questions, rooted in the insight from our findings. We hope these are useful in appraising HR's current impact in your organisation, and driving change where needed.

Dr Jill Miller, Research Adviser, CIPD

Foreword from Workday

Workday is pleased to partner with the CIPD to produce the *HR Outlook* report for winter 2016–17. The report provides expert insight from human resources professionals, focusing on the priorities and challenges facing the function, both today and as we move into a business landscape which is anything but clear.

2016 has been a year of great change, with both global political and economic factors creating a climate of uncertainty for HR leaders – all during a period of unparalleled business disruption. Yet, despite concerns around what the future holds, this year's report reveals that it's very much business as usual when it comes to the HR priority list. As with last year's report, cost management is HR's current and future priority, although HR respondents believe that today's second and third priorities – talent management and organisational agility and productivity – will remain important in the future.

Given the impact of Brexit, it felt pertinent to ask HR leaders about their vision of the future and how external factors are influencing tomorrow's world of work. Economic change, including globalisation and the UK's impending departure from the EU, were cited as the leading drivers of change and the area HR believes will most negatively impact business objectives. Nearly two-thirds (59%) of senior HR professionals believe they are in a position to have a positive influence and safeguard their organisation against these challenges.

From Workday's own market insights we know that business leaders are increasingly asking for more from their managers, and the role of technology, particularly in terms of the use of data and analytics to strengthen evidence-based decision-making, is becoming particularly significant. Respondents told us that HR analytics are being used to tackle a number of crucial areas, including managing workforce costs (60%), handling workforce composition and diversity (51%), performance management (48%), attraction, recruitment and selection (47%), and learning and development (44%).

The report found that technology capability (36%) and business culture (29%) are two of the main barriers to the adoption of HR analytics. Meanwhile, of those organisations that have adopted HR analytics, many have yet to fully engage other business stakeholders, with a third (37%) of finance managers and half (51%) of risk and compliance professionals having no access to HR dashboards and reports.

HR still has a great deal of work to do if it is to reap the full benefits of HR analytics, and our survey found that many respondents do not believe their existing legacy technology is capable of flexing with the changing needs of their business. Just 38% said they are somewhat or very confident. Similarly, just 41% said they are somewhat or very satisfied that their existing HR technology is enabling them to do their role effectively.

Readers of this year's report will leave with six key takeaways and insights, including how to prepare for economic uncertainty, using HR data to strengthen evidence-based decision-making, and harnessing the benefits of technology.

We hope that this year's report provides readers with valuable insight and new ways of thinking about the role of HR within their organisation, particularly as we head into 2017 with a great number of questions still to be answered.

Chano Fernandez, President of EMEA and APJ, Workday

The report structure

We surveyed 629 HR professionals, across all levels of seniority, about the topics, trends and challenges currently affecting the HR profession. This report presents the findings from the survey as well as discusses the implications of those findings for HR.

The report is split into seven areas of focus:

1 Current and future organisational priorities
We start by examining organisational priorities, as they stand now and what HR professionals think they'll be in three years' time. Cost management remains the most common current and future priority, followed by talent management and increasing organisational agility and productivity. Most HR professionals feel their team's activities are at least somewhat aligned with achieving their organisation's top current and future priorities. Senior HR professionals perceive that alignment to be stronger than junior professionals.

2 The future of work
Here we consider external trends shaping the world of work. We ask HR professionals which are the biggest drivers of change for their organisations, and whether these help or hinder the achievement of organisational objectives. Economic change, including globalisation and Brexit, is thought to be the biggest driver of change and is the trend HR professionals are most negative about in terms of its impact on organisational objectives. There is some variation among HR professionals in the extent to which they are able to work with others in their organisation to respond to the trends that are driving change. Those in more-senior roles tend to feel they have more input and influence.

3 People management
This section asks HR which leadership behaviours and skills will be most needed by their organisations over the next three years, as well as what the current effectiveness of leaders in demonstrating those skills is. Our findings suggest that most organisations would benefit from targeted investment in their leadership capability, particularly on people issues. We also examine changes in the size of the HR function and the trend for transferring HR responsibilities to line managers, with half of organisations requiring line managers to take on responsibilities previously undertaken by HR professionals in the last 12 months. In just 44% of organisations, line managers receive formal training when they take on these responsibilities. In 60% of organisations they get tailored support. Just 25% of employers offer both formal training and ongoing support.

4 HR data
Effective decision-making is integral to organisational performance. We start this section by exploring the sources of evidence HR professionals use to inform their business decisions. We also look at whether and how organisations are using analytics and the barriers and enablers they face in implementation. Data and technology (including systems) and organisational culture are most commonly rated as barriers to implementation. This study shows that organisations remain broadly distributed across the maturity scale in terms of their analytics capability, which suggests that many would benefit from improving the access of key stakeholders (for example finance managers, line managers, and risk and compliance professionals) to HR data and analytical insights.

5 Technology
We examine HR's views about their current HR technology and its importance for employee engagement. We look at how well it enables them to do their work effectively and their confidence in its ability to flex to the changing needs of the business. We find considerable variation in their views. Those surveyed believe the most important attributes of good HR technology are the user interface, having a single system for all HR needs and the flexibility to adapt to changing requirements.

6 Employee voice

Over half of HR professionals report their organisation has taken steps to improve employee voice over the last 12 months. We look at the steps they have taken and find that the most common barriers they experience centre on the attitudes of senior management and the fears of employees.

7 What do the findings mean for HR?

In this final section of the report we present six key insights that have emerged from the survey data:

- Demonstrate the value of the HR agenda.
- Use HR data to strengthen evidence-based decision-making.
- Harness the benefits of technology.
- Prepare for economic uncertainty (for example globalisation and Brexit).
- Adapt to the changing needs of the workforce.
- Strengthen the capability of people managers.

We hope that this report acts as a starting point for discussion about the current and future challenges for the profession and how HR can further increase its impact on long-term business performance.

Further reading

At the end of the report we recommend some other CIPD resources which you may find useful to turn the insights into practice.

The research

The survey was conducted online by YouGov using the CIPD membership database and the YouGov panel of HR professionals. The survey was carried out between 5 and 30 October 2016.

The target sample for this survey was HR professionals at all levels of seniority, with responsibilities in the UK who are employed by an organisation. Self-employed professionals, those who work less than eight hours a week and those who only have HR responsibilities outside the UK were screened out of the survey. In total, 629 responses were received within the target sample. The sample characteristics are shown in the Appendix.

Throughout the report we highlight interesting differences between the public and private sectors, organisations of different sizes and HR professionals at different levels of seniority, where these are significantly different than could be expected by chance (p<0.05).

There are two versions of the *HR Outlook* survey which are run in alternate years. This current survey gathers the views of HR professionals at all levels, whereas its sister report compares the views of HR and non-HR business leaders and focuses on HR's current and future contribution to business performance. In this report, we draw comparisons with the leaders'

version of the *HR Outlook* report which ran last year (winter 2015–16).

This *HR Outlook* survey is part of the CIPD's wider Outlook series, which includes the *Employee Outlook*, produced in partnership with Halogen, and the *Labour Market Outlook*, produced in partnership with Adecco. Drawing on a range of perspectives (and with the opportunity to compare data across our regular surveys), this triad of research enables the CIPD to offer unique insight and commentary on workplace issues in the UK.

Acknowledgements

1 Current and future organisational priorities

We start by examining organisations' priorities now and what they are predicted to be in three years' time. Cost management remains the most common current and future priority, followed by talent management and increasing organisational agility and productivity. Most HR professionals feel their team's activities are at least somewhat aligned with achieving their organisation's top current and future priorities.

Current priorities

The fact that cost management has remained top of the list of current organisational priorities echoes our findings from the HR leaders' version of this *HR Outlook* survey

conducted in 2015. While UK economic growth was better than expected after the Brexit vote, it is projected to slow over the next year as organisations put off business investment decisions because of the political and economic uncertainty surrounding Brexit. In such a climate, managing cost efficiencies remains important.

Talent management and increasing the agility/flexibility of the organisation also remain among the most common priorities, as viewed by HR, although the latter is more common in the public sector than the private (Table 1). In contrast, the private sector is more likely than the public to focus on productivity

'Cost management remains the most common current and future priority.'

Table 1: **Current organisation priorities, by sector (%)**

Current priority	All (base: 629)	Private (base: 347)	Public (base: 189)
Cost management	52	52	58
Talent management	40	43	39
Increasing agility/flexibility of organisation	40	31	*51*
Productivity	35	*41*	29
Increasing customer focus	32	34	29
Adopting new technology	28	28	28
Innovation	21	21	22
Risk management	21	15	*28*
Growing the domestic market	21	*29*	4
Significant refocus of business direction	17	19	19
Growth through merger and/or acquisition	17	*22*	11
Entering new markets	17	*22*	6
Corporate responsibility	14	11	*20*
Increasing global presence	11	*15*	7
Other	4	3	5

Q. From the list below, which, if any, of the following are key CURRENT priorities for your organisation? Please tick up to FIVE options. (***Bold italic*** signifies a statistically significant difference between sectors.)

Table 2: Future organisation priorities, by sector (%)

Future priority (in 3 years)	All (base: 629)	Private (base: 347)	Public (base: 189)
Cost management	45	37	*62*
Increasing agility/flexibility of organisation	42	38	*48*
Talent management	41	*45*	35
Productivity	34	37	33
Adopting new technology	30	33	28
Innovation	30	32	27
Increasing customer focus	27	26	27
Growing the domestic market	21	*29*	5
Growth through merger and/or acquisition	19	*23*	14
Entering new markets	17	*23*	6
Risk management	15	13	*20*
Increasing global presence	14	*20*	6
Significant refocus of business direction	13	10	*17*
Corporate responsibility	11	9	15
Other	2	1	*3*

Q. Looking to the future, which, if any, of the following do you think will be key priorities for your organisation in THREE YEARS' TIME? Please tick up to FIVE options. (**Bold italic** signifies a statistically significant difference between sectors.)

and growth (through new markets, expanding domestic or global presence or through mergers and acquisitions). Private sector organisations are less likely than those in the public sector to include risk management or corporate responsibility among their top five organisation priorities, according to our respondents.

Future priorities

Table 2 suggests that HR professionals anticipate their organisations' future priorities will be similar to their current ones. Cost management, increasing organisational agility/flexibility, talent management and productivity still top the list. The main difference is that innovation has moved up the agenda somewhat (30% include it as a future priority, 21% as a current priority).

Nevertheless, these overall findings mask changes in priorities within sectors. HR professionals in the private sector are less likely to include cost management as a future priority than as a current one. The reverse is true in the public sector (albeit to a smaller extent), where many anticipate a further round of belt-tightening. Managing cuts and increasing agility will remain areas of focus for many public sector organisations, while the private sector anticipates its focus will centre on talent management and growth over the next three years.

Figure 1   HR's alignment with their organisation's current and future priorities, by role level (%)

All

Current priorities
(base: 597)

Future priorities
(base: 585)

Senior*

Current priorities
(base: 158)

Future priorities
(base: 158)

Mid*

Current priorities
(base: 296)

Future priorities
(base: 295)

Junior*

Current priorities
(base: 100)

Future priorities
(base: 107)

- ■ Very aligned
- ■ Somewhat aligned
- ■ Not very aligned
- ■ Not at all aligned
- ■ Don't know
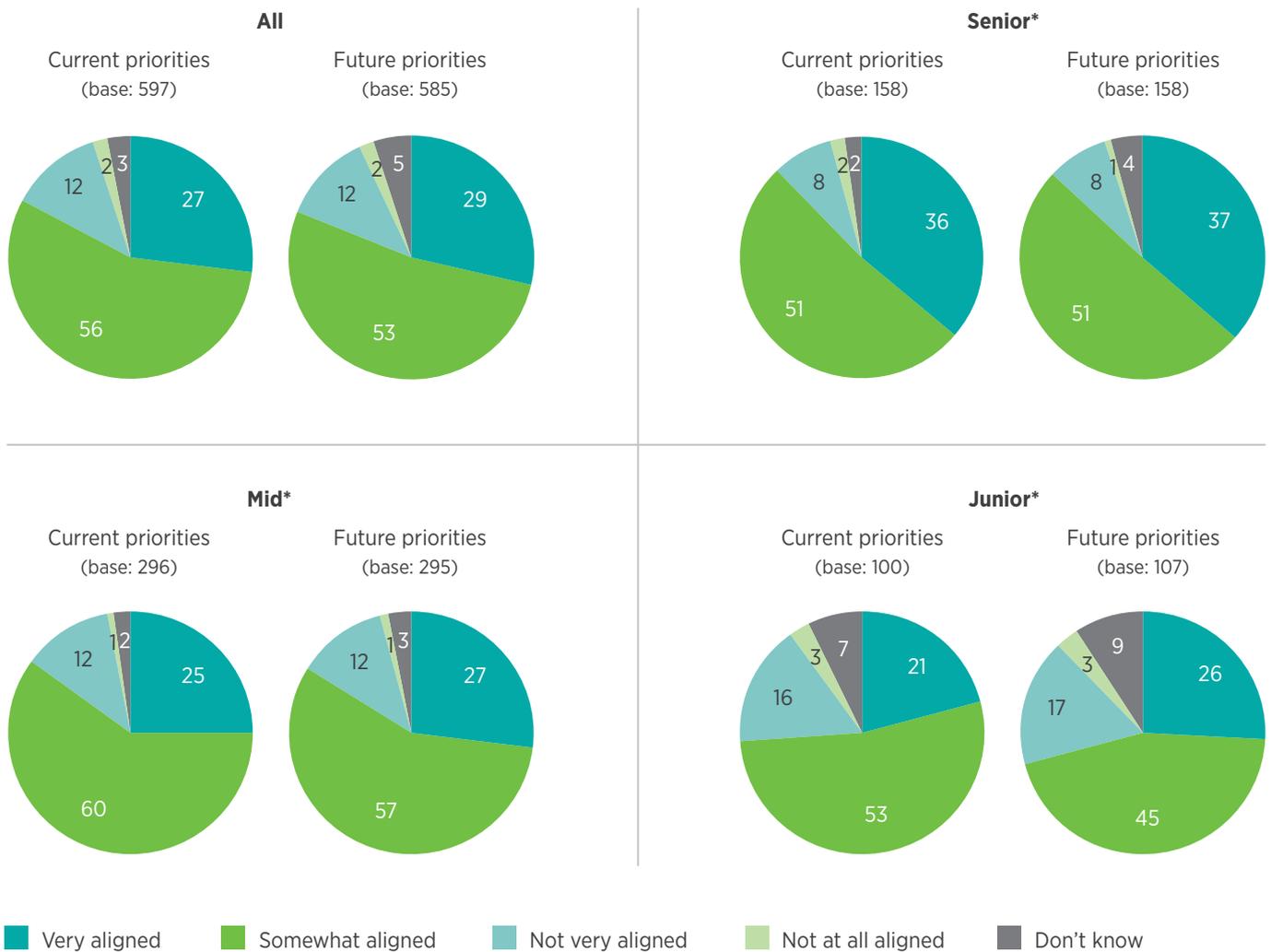
Q. To what extent do you feel your HR team's activities are aligned or not aligned to achieving each of your organisation's top current/future priorities?

* Senior = director, senior executive/group role, head of functional area; mid = HR business partner, manager, senior officer; junior = officer, administrator/assistant, HR trainee

HR's alignment with organisational priorities

Most HR professionals feel their team's activities are at least somewhat aligned with achieving their organisation's top current and future priorities (Figure 1). Those in more-junior positions, however, are less positive than their more-senior colleagues. This is not surprising given that more-senior professionals are likely to have a better overview of organisational priorities and more input in developing and directing HR strategy and activities to meet those priorities. Nevertheless, there is also a danger that those in senior roles are not always aware of operational challenges experienced by more-junior colleagues.

2 The future of work

'The demand for flexible working and changing demographics are among the top drivers of change, particularly in the public sector.'

Here we consider external trends shaping the world of work. We ask HR professionals which trends are the biggest drivers of change in their organisations and whether these help or hinder organisational objectives. We then look at HR's involvement in helping their organisation respond to these trends.

Trends driving change

Table 3 shows that economic change, including globalisation and Brexit, is currently the most common driver of change in organisations. This is a time of considerable uncertainty for many organisations as they grapple with questions of relocation, access to markets, suppliers and talent, potential changes to regulations and employment law, unstable exchange rates and increased investment volatility. Navigating this uncertainty to reduce threats and take advantage of opportunities poses considerable challenges for many organisations.

The demand for flexible working and changing demographics are also among the top drivers of change, particularly in the public sector. Organisations recognise the need to respond to the changing desires and needs of the workforce, critical for sustainable productivity, but also perhaps enforced by the strong employment situation.

Table 3: Trends shaping the world of work: which, if any, are the three biggest drivers of change in your organisation? (%)	All (base: 629)	Private (base: 347)	Public (base: 189)
Economic change – for example globalisation and Brexit	43	45	42
Demand for flexible working – for example where and when we work	34	29	*39*
Changing demographics – for example the four-generation workforce, increase in caring responsibilities, and the ageing workforce	33	26	*42*
Industrial change – for example more services provided 24/7, change in business operating models, and increase in knowledge work	25	27	25
Mobile technologies – for example making it possible to work remotely and improving connectivity	22	22	21
Social media – for example the way we communicate, receive and digest information	19	18	15
Automation, advanced technologies and artificial intelligence	15	*20*	12
Demand for social responsibility – for example greater alignment between society and business agendas	13	11	14
Changing employer–employee relationships – for example rise in portfolio careers, self-employment and the 'gig' economy	11	11	11
Globalisation – for example integrating international talent and offshoring	9	*13*	3

Note: **Bold italic** signifies a statistically significant difference between sectors.

The impact on organisational objectives

For each of the main trends driving change in their organisation, HR professionals were asked whether it would help or hinder the achievement of organisational objectives over the next three years (Figure 2). They were most negative regarding the impact of economic change, perhaps to be expected given the uncertainty surrounding the impact of Brexit. The survey took place the month before the US election result, which may further increase volatility in some global markets.

Other key drivers of change, particularly those related to advances in technology (mobile technologies, social media, automation, advanced technologies and artificial intelligence) and the demand for social responsibility are overwhelmingly viewed as positive for organisational objectives where they are a big driver of change.

HR professionals are more divided, however, regarding the impact of changing demographics. Further analysis shows the private sector is more positive about this (49% positive, 33% negative) and the public sector more negative (49% negative, 23% positive). This may be a consequence of demographic differences in the private and public sector workforce. The latter has a higher proportion of female employees and a lower proportion of older (60+) employees. It may, therefore, face particular challenges, for example, in managing and supporting employee carers (who are more likely to be female) and benefit less from the retained institutional knowledge that can accompany retention of older workers.

Figure 2 **The impact of trends (% of those that reported the trend is one of the three biggest drivers of change in their organisation)**

	Positive	Negative
Economic change – for example globalisation and Brexit (base: 268)	17%	55%
Demand for flexible working – for example where and when we work (base: 215)	68%	14%
Changing demographics – for example the four-generation workforce, increase in caring responsibilities, and the ageing workforce (base: 208)	40%	38%
Industrial change – for example more services provided 24/7, change in business operating models, and increase in knowledge work (base: 156)	68%	13%
Mobile technologies – for example making it possible to work remotely and improving connectivity (base: 138)	92%	0%
Social media – for example the way we communicate, receive and digest information (base: 120)	80%	3%
Automation, advanced technologies and artificial intelligence (base: 95)	88%	2%
Demand for social responsibility – for example greater alignment between society and business agendas (base: 82)	85%	5%
Changing employer–employee relationships – for example rise in portfolio careers, self-employment and the 'gig' economy (base: 70)	60%	17%
Globalisation – for example integrating international talent and offshoring (base: 54)	72%	9%

Q. For those trends you've said are driving change in your organisation, do you think overall they will have a positive or negative impact on your organisation meeting its objectives over the next three years? (Percentages do not equal 100 because respondents could also select 'neither positive nor negative' or 'don't know'.)

HR's involvement in responding to key trends

Table 4 shows there is some variation among HR practitioners in the extent to which they are able to work with others to respond to the key trends that are driving change. The majority of *senior* HR professionals report they are taking action, although a considerable proportion also say they are doing so despite push-back or inaction from others in the organisation, particularly regarding changing demographics and industrial change. Moreover, just over a fifth of senior HR professionals report they are unable to influence change in their organisation's people management approach in response to economic change, including globalisation and Brexit. The uncertainty surrounding the Brexit process may be contributing to their current inaction.

Table 4: HR's involvement with key trends that are driving organisational change (% of those that report the trend is one of the three biggest drivers of change in their organisation)

	All			
	I am helping my organisation respond to this trend in our people approach.	I'm taking action and adapting our people approach, despite push-back or inaction from others in the organisation.	I'm not able to influence change to our people approach in my organisation.	Addressing this trend is not on my organisation's agenda or mine at this time.
Changing employer–employee relationships – for example rise in portfolio careers, self-employment and the 'gig' economy (base: 70)*	46	23	23	6
Social media – for example the way we communicate, receive and digest information (base: 120)	44	28	25	2
Changing demographics – for example the four-generation workforce, increase in caring responsibilities, and the ageing workforce (base: 208)	42	25	24	6
Demand for social responsibility – for example greater alignment between society and business agendas (base: 82)*	41	29	23	2
Demand for flexible working – for example where and when we work (base: 215)	39	38	17	4
Globalisation – for example integrating international talent and offshoring (base: 54)*	37	20	35	2
Industrial change – for example more services provided 24/7, change in business operating models, and increase in knowledge work (base: 156)	37	28	27	4
Mobile technologies – for example making it possible to work remotely and improving connectivity (base: 138)	36	27	33	1
Automation, advanced technologies and artificial intelligence (base: 95)	27	26	36	3
Economic change – for example globalisation and Brexit (base: 268)	25	16	41	6

Q. Which of the following, if any, best describes how you personally are working within your organisation to respond to each of the trends you said are driving change in your organisation?

(Percentages do not equal 100 because respondents could also select 'none of these' or 'don't know'.)

*Base is less than 30 for senior and/or mid-level roles. The responses of junior HR professionals are not shown separately because of the small number of respondents in this category.

Less senior HR practitioners are also less likely to report they are helping their organisation respond to the major trends affecting HR, and more likely to report they don't have the ability to influence change to their people management approach. Our findings suggest that HR's influence and authority varies considerably across organisations, particularly for mid-level HR professionals.

Overall, the trends HR professionals are most likely to help their organisations with include:

- changing employer–employee relationships
- social media
- changing demographics
- the demand for social responsibility.

HR professionals are also likely to be actively trying to incorporate flexible working into their people approach, but nearly two-fifths report this is despite push-back or inaction from others in the organisation.

Senior HR professionals				Mid-level HR professionals			
I am helping my organisation respond to this trend in our people approach.	I'm taking action and adapting our people approach, despite push-back or inaction from others in the organisation.	I'm not able to influence change to our people approach in my organisation.	Addressing this trend is not on my organisation's agenda or mine at this time.	I am helping my organisation respond to this trend in our people approach.	I'm taking action and adapting our people approach, despite push-back or inaction from others in the organisation.	I'm not able to influence change to our people approach in my organisation.	Addressing this trend is not on my organisation's agenda or mine at this time.
52	33	4	7	56	15	30	0
63	26	8	0	36	36	27	2
43	45	4	2	46	20	24	7
48	35	17	0	47	29	21	0
54	36	4	6	35	46	14	4
50	38	0	0	42	8	46	4
44	40	12	5	37	27	29	2
63	29	5	0	28	26	43	1
52	29	6	6	13	29	50	2
31	28	22	8	26	14	44	5

3 People management

In this section we report on the leadership behaviours and skills that HR believe will be most needed by their organisations over the next three years. We also look at the current effectiveness of leaders in demonstrating these skills. We then examine the trend for transferring HR responsibilities to line managers and changes in the size of HR departments.

Required leadership behaviours and skills

Figure 3 shows that HR professionals believe the main leadership behaviours and skills needed by their organisation over the next three years concern the management of performance, people, staff development and engagement. The UK's poor productivity record supports the case for improving performance through a better managed, skilled and engaged workforce.

Change management is also among the top leadership skills required, particularly in the public sector, where it tops the list. HR professionals in the public sector are also more likely to include 'managing difficult conversations' and 'budgeting and financial management' among the top leadership skills required, reflecting the challenges of managing within considerable cost restraints.

Figure 3 **Top ten leadership behaviours and skills needed over the next three years (%)**

	All (base: 629)	Private (base: 347)	Public (base: 189)
Performance management	46	46	42
People management	45	41	48
Developing staff	44	49	33
Engagement/motivation	40	40	40
Change management	39	33	50
Managing difficult conversations	34	30	39
Communicating the strategy and what it means in practice	28	29	25
Budgeting and financial management	26	19	35
Inspiring trust	26	25	27
Promoting innovation and creativity	23	23	23

Q. Which of the following, if any, are the top leadership behaviours and skills needed by your organisation over the *next three years*? (Please select up to five.)

Technical, financial and operational competence is higher than people management skills

For each of the leadership skills they identified as most needed over the next three years, HR professionals were asked how effectively senior leaders currently demonstrate them (Figure 4). Only a minority view their leadership as 'very effective' at any of the key skills/behaviours required, although the majority

of those who include technical skills, budgeting and financial management, and operational management among the leadership skills most needed feel that leaders are at least somewhat effective in these areas (in both the private and public sectors).

Views are considerably more mixed regarding leaders' current effectiveness at managing people and change and are more negative

than positive regarding their ability to empower and engage others, manage performance, communicate the strategy and what it means, inspire trust and manage conflict (where these are among the top five future leadership skills requirements). These findings suggest that most organisations would benefit from targeted investment in their leadership capability, particularly on people issues. Last year's survey (*HR*

Figure 4   Current effectiveness of senior leaders at demonstrating the following (% of those who identified the leadership behaviour as being needed by their organisation over the next three years)
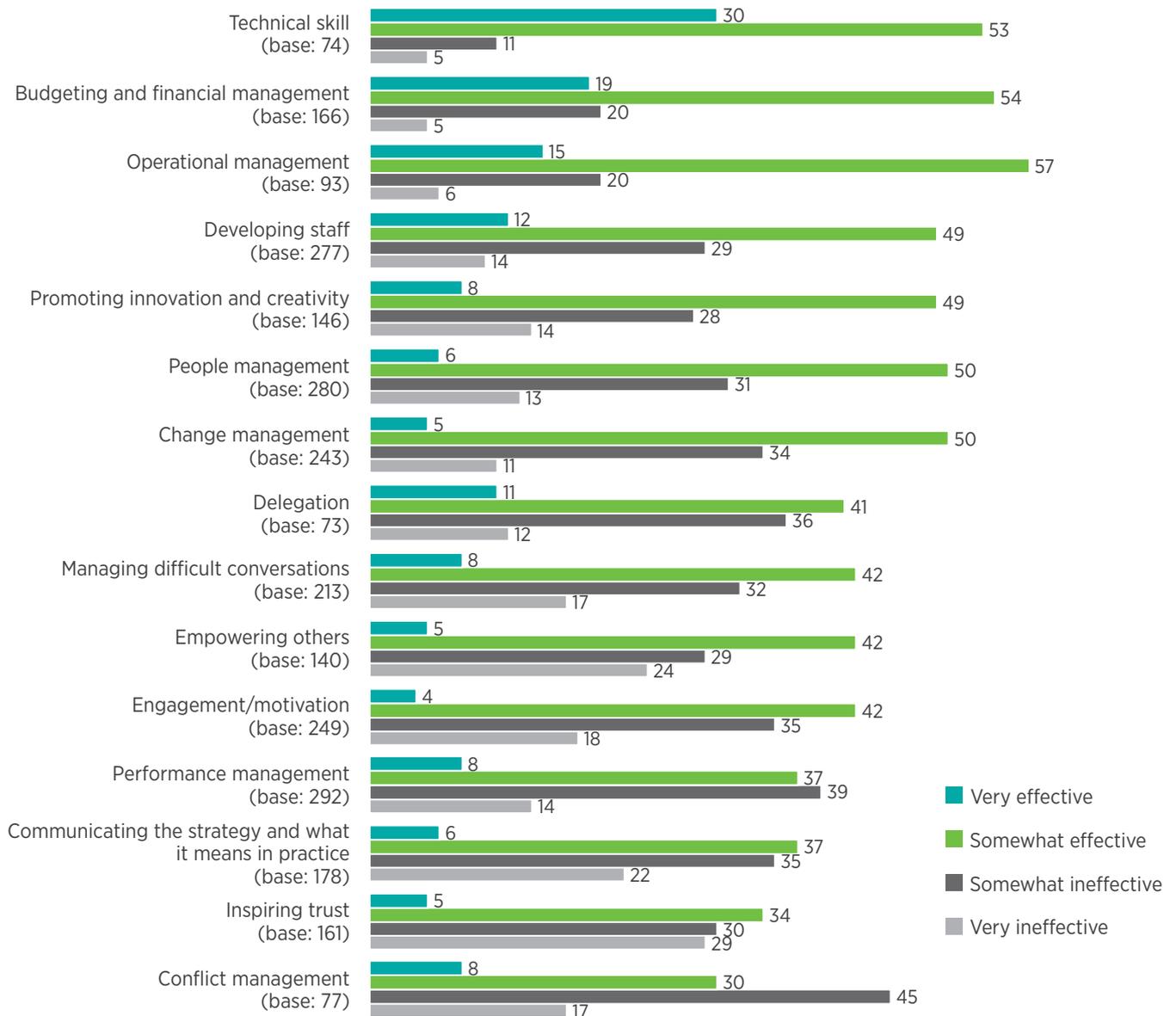
Percentages may not equal 100 as there was also a 'don't know' option.

Outlook 2015–16) suggests that HR is not alone in its assessment of leadership effectiveness. Leadership capability was among the top challenges that both HR and non-HR leaders reported 'keeps them awake at night'.

Transferring HR responsibilities to line managers

In the last 12 months, half of organisations (regardless of sector) have required line managers to take on responsibilities previously undertaken by HR professionals (for example performance management, absence management and recruitment). This has been particularly common in larger organisations (Figure 5).

One in six HR professionals report that line managers get neither formal training nor tailored support when they take on new HR responsibilities (Figure 6). Overall, more organisations provide tailored support (60%) than formal training (44%), although the latter is more common in larger organisations than in SMEs (54% of larger organisations offer formal training, 25% of SMEs).

Size of the HR function

The size of HR departments is strongly related to organisation size (Figure 7). Overall, 16% report their HR department has decreased in the last 12 months, while a similar proportion report it has increased (Figure 8). Organisations that have handed HR responsibilities to the line in the last 12 months are more likely than those who haven't to report a decrease in the size of HR (Figure 9). However, cuts to the size of the HR department are also more common in larger organisations and particularly the budget-constrained public sector (Figure 9).

Figure 5 The percentage of organisations where, over the last 12 months, line managers have been required to take on responsibilities previously undertaken by HR, by organisation size (%)

All
(base: 629)
50

1–99 employees
(base: 147)
31

100–999 employees
(base: 222)
51

1,000–9,999 employees
(base: 162)
59

10,000+ employees
(base: 92)
66
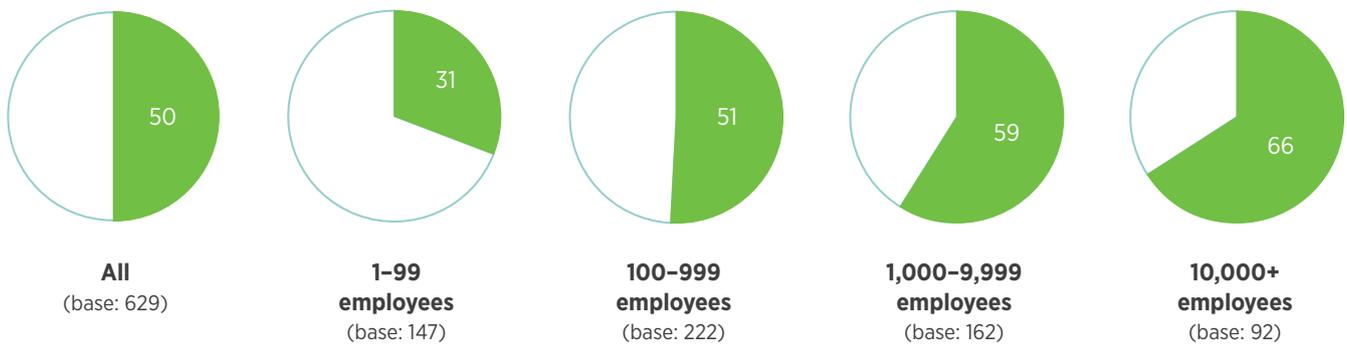
Figure 6 The level of training/support line managers are given when assuming new responsibilities previously undertaken by HR professionals (% of those who report line managers have been required to take on HR responsibilities in the last 12 months)

Tailored support 35%
Both 25%
Formal training 19%
Neither 17%
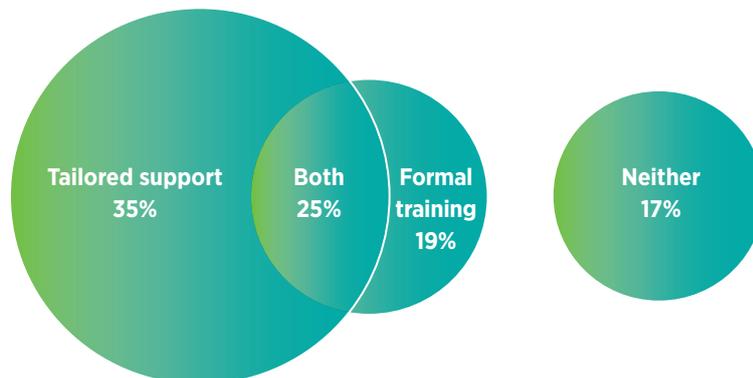
Base: 317

Figure 7 Size of HR function, by organisation size (%)

Number of employees

Number of employees	1	2–9	10–49	50+	Don't know
1–49	47	47	4		2
50–99	36	64			
100–249	12	79	7		2
250–999	1	61	33	4	2
1,000–9,999	1	9	55	31	4
10,000+	1	8		73	18
All	12	39	23	20	5

Size of HR department
- ■ 1
- ■ 2–9
- ■ 10–49
- ■ 50+
- ■ Don't know

Size of organisation and HR department: ρ (rho) = 0.83, p<0.001, n=595
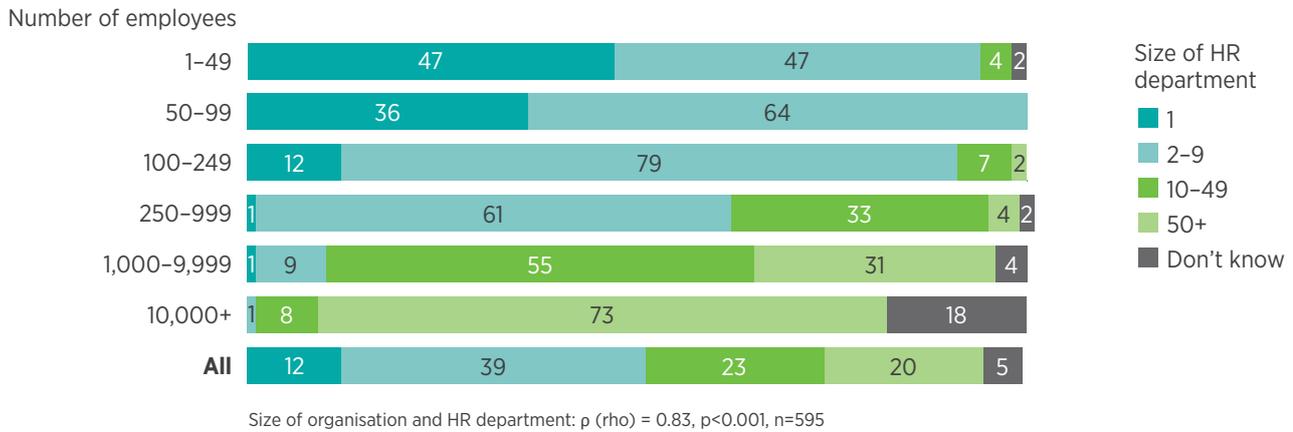
Figure 8 Changes in the size of HR departments over the last 12 months (%)

All (base: 629)   **Private** (base: 347)   **Public** (base: 189)

Increase

17%
(on average by 29%)

18%
(on average by 31%)

12%
(on average by 24%)

Decrease

16%
(on average by 20%)

12%
(on average by 21%)

26%
(on average by 18%)

8% Don't know

Figure 9 Percentage reporting a DECREASE in size of HR department (%)

Line managers have taken on HR responsibilities over last 12 months

All (base: 629)	24
Private 1–249 employees (base: 150)	7
Private 250+ employees (base: 153)	26
Public 1–249 employees (base: 22)	20
Public 250+ employees (base: 141)	44
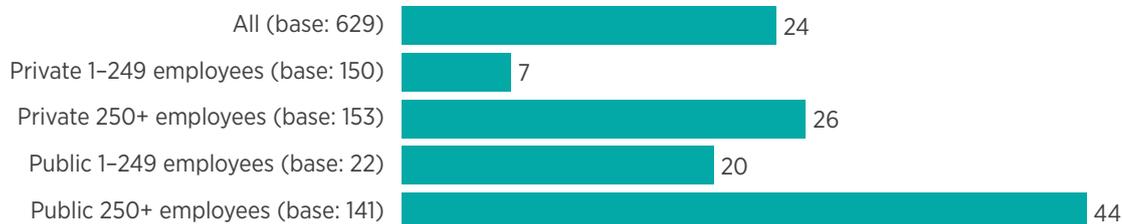
Line managers have not been required to take on HR responsibilities over last 12 months

All (base: 629)	7
Private 1–249 employees (base: 150)	3
Private 250+ employees (base: 153)	15
Public 1–249 employees (base: 22)	0
Public 250+ employees (base: 141)	14
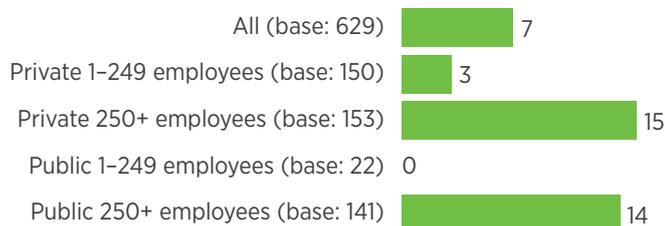
Note: Don't know responses are excluded from sector/size comparison.

4 HR data

Effective evidence-based decision-making is reliant on good-quality and readily available data. We start this section by exploring the sources of evidence HR professionals use to inform their business decisions. We then look at whether and how organisations are using analytics and the barriers and enablers they face when implementing analytics processes and systems. We suggest that many organisations would benefit from improving the access of key stakeholders to HR analytics.

The types of data used in decision-making

Figure 10 suggests that HR professionals use a range of sources of evidence to inform their business decisions. Most commonly they use their own experience, the judgement of experienced professionals within their organisation and/or data, facts and figures gathered from their organisation to inform decisions. They are least likely to turn to external sources, such as external experts, management literature and scientific research.

The sources of evidence most commonly used are also the most highly rated sources of evidence in terms of quality, although for each source more than half report it is of mixed value (Figure 11). More-senior professionals are particularly likely to rank their personal experience highly in terms of quality (senior: 52%; mid-level: 48%; junior level: 32%). Far fewer, regardless of role, consider intuition to be a high-quality source of evidence for decision-making.

Just under two-thirds report they always or often consider the values and concerns of people affected by the decision, although 67% of those who ever consider this report the quality of this evidence is mixed. The judgement of experienced professionals is ranked more highly than the values and concerns of those affected by the decision.

Figure 10 **How frequently do you use these types of evidence to inform business decisions? (%)**

|	Always	Often	Sometimes	Rarely	Never
Personal experience	19	58	17	2	1
The judgement of experienced professionals within my organisation	15	56	21	5	1
Data, facts and figures I or my colleagues have gathered from my organisation	21	48	21	5	2
Values and concerns of people affected by the decision	13	50	28	4	2
Advice from a colleague	7	48	36	5	1
Intuition	7	38	40	9	2
Knowledge acquired through formal education	8	35	37	14	2
Insights provided by external experts	3	30	41	19	4
Management literature	4	25	41	20	6
Results from scientific research	2	20	30	30	12

Base: 629 (Percentages don't equal 100 because some respondents selected 'don't know'.)

The use of HR analytics

HR analytics is the application of analysis and data processing procedures to HR/people data in order to provide information and insights about the nature of individuals in organisations and the value that they contribute. Smaller organisations are less likely than medium or larger-sized organisations to use HR analytics. Those with more than 250 employees are most likely to do so (Figure 12). Nevertheless,

Figure 11   Quality of evidence (% of those who use at least one type of evidence)

	High quality	Mixed quality	Low quality
Personal experience (base: 606)	45	52	1
The judgement of experienced professionals within my organisation (base: 606)	37	59	3
Data, facts and figures I or my colleagues have gathered from my organisation (base: 598)	37	57	4
Values and concerns of people affected by the decision (base: 598)	25	67	5
Advice from a colleague (base: 604)	23	73	4
Intuition (base: 595)	23	64	9
Knowledge acquired through formal education (base: 587)	29	61	6
Insights provided by external experts (base: 580)	24	64	7
Management literature (base: 564)	16	65	12
Results from scientific research (base: 517)	20	62	9

■ High quality   ■ Mixed quality   ■ Low quality

Percentages don't equal 100 because some respondents selected 'don't know'.

Figure 12   Percentage of organisations that don't use HR analytics, by size (%)

46%	28%	15%	9%
1–49 employees	50–99 employees	100–249 employees	250+ employees
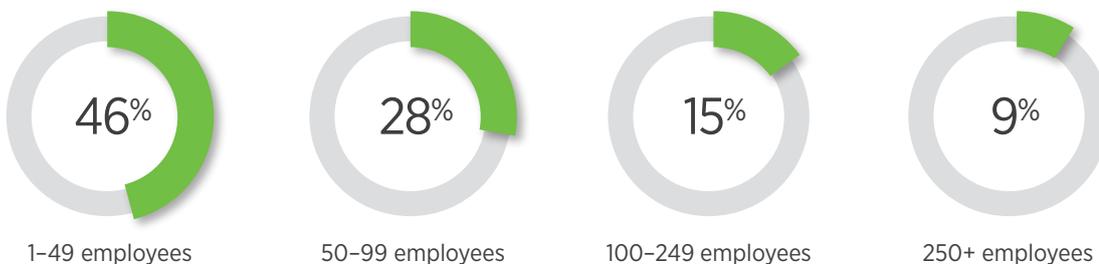
Base: 623. 7% didn't know if, or how, they used HR analytics.

echoing findings from last year, the practice is still in its early stages in many organisations (Figure 13). Just over a fifth take a 'managed' approach to ensure analytics is focused and robust, and only 5% are optimising their use of analytics, using predictive analytics to inform HR and business strategy and drive business performance (although this is more common in organisations with larger HR departments: 13% of those with 100+ HR employees). Larger organisations with bigger HR departments tend to be more advanced in their use of analytics.

HR analytics are most commonly applied to workforce costs (Table 5). Just over half use HR analytics for workforce composition and diversity, although this is particularly in the public sector (64% vs. 44% of the private) and larger organisations (SMEs 34%; larger organisations 61%). Indeed, larger organisations are more likely to apply HR analytics to a range of business issues.

Figure 13   **Which statement best describes how your HR function runs analytics? (% of those who use analytics)**

Initial: The HR teams answer one-off queries as and when they happen, or to 'fix' something with HR data, but no process is documented. The terms analytics or data probably aren't used, and there are no specific data or analytics capabilities embedded in the HR teams. — 20

Repeatable: The HR team has a process in place to run analytics, and documents queries so they can be repeated. No specific analyst role exists; it is something that is done by members of the HR team. — 27

Defined: HR analytics is a role and/or activity in the HR team, and the process of developing and running analytics is well documented and standardised. There aren't standardised metrics across the business, but HR is able to use its own data to answer queries and run analytics. — 20

Managed: The HR analytics team has developed standard measures and metrics which have been agreed internally. A management and governance role is in place to ensure that analytics is business-focused and robust. — 20

Optimising: Analytics is increasingly predictive, and is being used to inform both HR and business strategy, including the optimisation of business and people/HR processes. HR data is used to drive business performance. — 4

Don't know — 8

Base: 518

Table 5: The business issues that HR analytics are being applied to (% of those who use HR analytics) and the level of sophistication that is being used for each (% of those who use for each)

	% that use HR analytics for this issue	Level of sophistication used			
		Basic	Intermediate	Advanced	Don't know
Workforce costs	**60**	43	38	13	7
Workforce composition and diversity	**51**	49	38	8	6
Performance management	**48**	41	41	11	8
Attraction, recruitment and selection	**47**	52	35	8	5
Learning and development	**44**	41	41	10	8
Workforce planning	**38**	44	39	9	8
Regulatory compliance	**36**	42	34	16	9
Reward and recognition	**34**	43	44	8	5
Employee relations	**27**	42	40	12	6
Employee welfare (for example health and safety provision)	**26**	37	38	17	8
Engagement and well-being	**25**	44	39	13	4
Workforce potential (workforce knowledge, skills and capability)	**24**	33	46	11	10
Organisation performance	**23**	34	36	19	11
Workforce performance and productivity	**22**	34	37	21	8
Leadership capability/management development	**20**	33	40	15	11
Organisational design and development	**19**	37	38	16	8
Organisation culture	**16**	26	51	17	6
Change management	**15**	28	42	22	8
Knowledge management	**10**	30	43	13	13

Base: 477

Table 5 shows, however, that the level of HR analytics applied is often basic, particularly for the business issues where they are most commonly used. Correlation analyses show that organisations that apply analytics to a wider range of business issues tend to use more advanced levels of HR analytics.[1] Organisations may start by applying HR analytics to one or two business issues at a basic level and then advance by both applying analytics to more business issues and increasing the level of sophistication used.

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[1] ρ (rho) = 0.17 to 0.42, p<0.05

According to HR professionals, the barriers and enablers to applying HR analytics successfully vary considerably across organisations (Figure 14). The most common barrier for respondents is data and technology. Organisation culture is the second most common barrier overall, although this is more the case in the public sector, where 34% report it is a barrier and 20% an enabler, than in the private (27% report it is a barrier and 30% an enabler). The public sector are also

Figure 14 Organisational enablers and barriers to the successful application of HR analytics (% of those who use HR analytics)
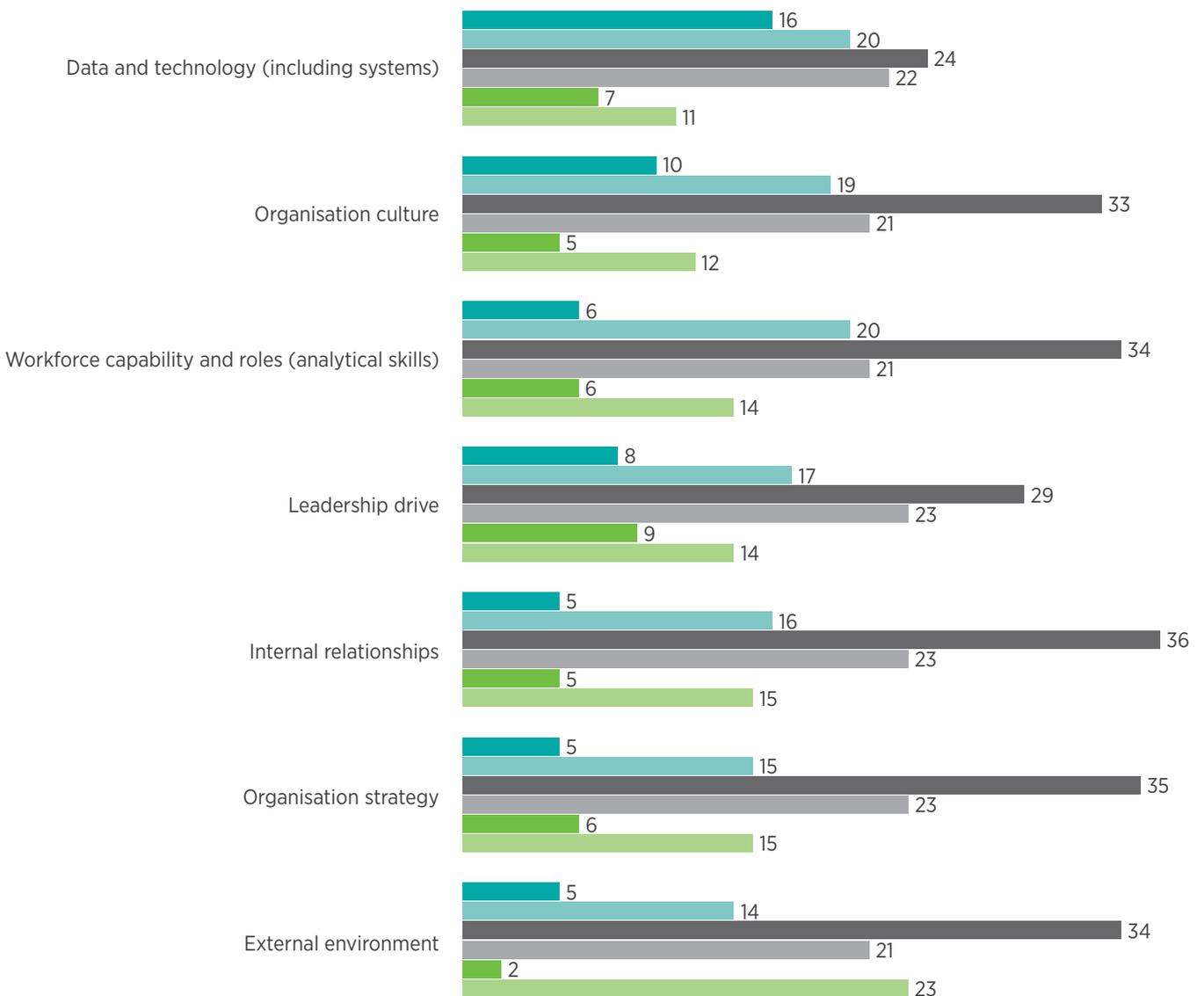
Q. Please rate on a scale of 1 to 5, where 1 is a significant barrier and 5 is a significant enabler, whether you believe the following attributes of your organisation are enabling or acting as a barrier to you applying HR analytics successfully.

- Significant barrier
- 2
- Neither preventing nor enabling
- 4
- Significant enabler
- Not sure

more likely than the private to report the external environment is a barrier (26% vs. 15% of the private sector). This may reflect government-imposed budget restrictions and cost-cutting measures.

Access to HR analytics

The 2015–16 *HR Outlook* survey found that 12% of HR leaders and almost three in ten non-HR business leaders report HR analytics are not shared with key stakeholders. This year we explored this finding more by asking HR professionals at all levels to tell us who does have access to HR dashboards and reports. Outside HR, business leaders are most likely to have access, but over a quarter report this isn't the case within their organisation (Figure 15). Over a third of finance managers and half of risk and compliance professionals do not have access.

Access at line manager level should be noted, as the low degree of access here demonstrates that transparency and access to HR data dashboards is yet to become widespread. For many organisations, improving access to HR analytics among key stakeholders may help evidence-based decision-making and drive value in the business, as well as demonstrate the value HR adds.

Figure 15 Who, if anyone, in your organisation is able to access HR dashboards and reports? (% of those who use HR analytics and have the job role in their organisation)

|	Yes	No
HR team (base: 451)	95%	5%
Business leaders (base: 415)	74%	26%
Finance managers (base: 438)	63%	37%
Line managers (base: 441)	55%	45%
Risk and compliance professionals (base: 336)	49%	51%
Data analysts/scientists (base: 270)	44%	56%
Individual contributors (base: 398)	36%	64%
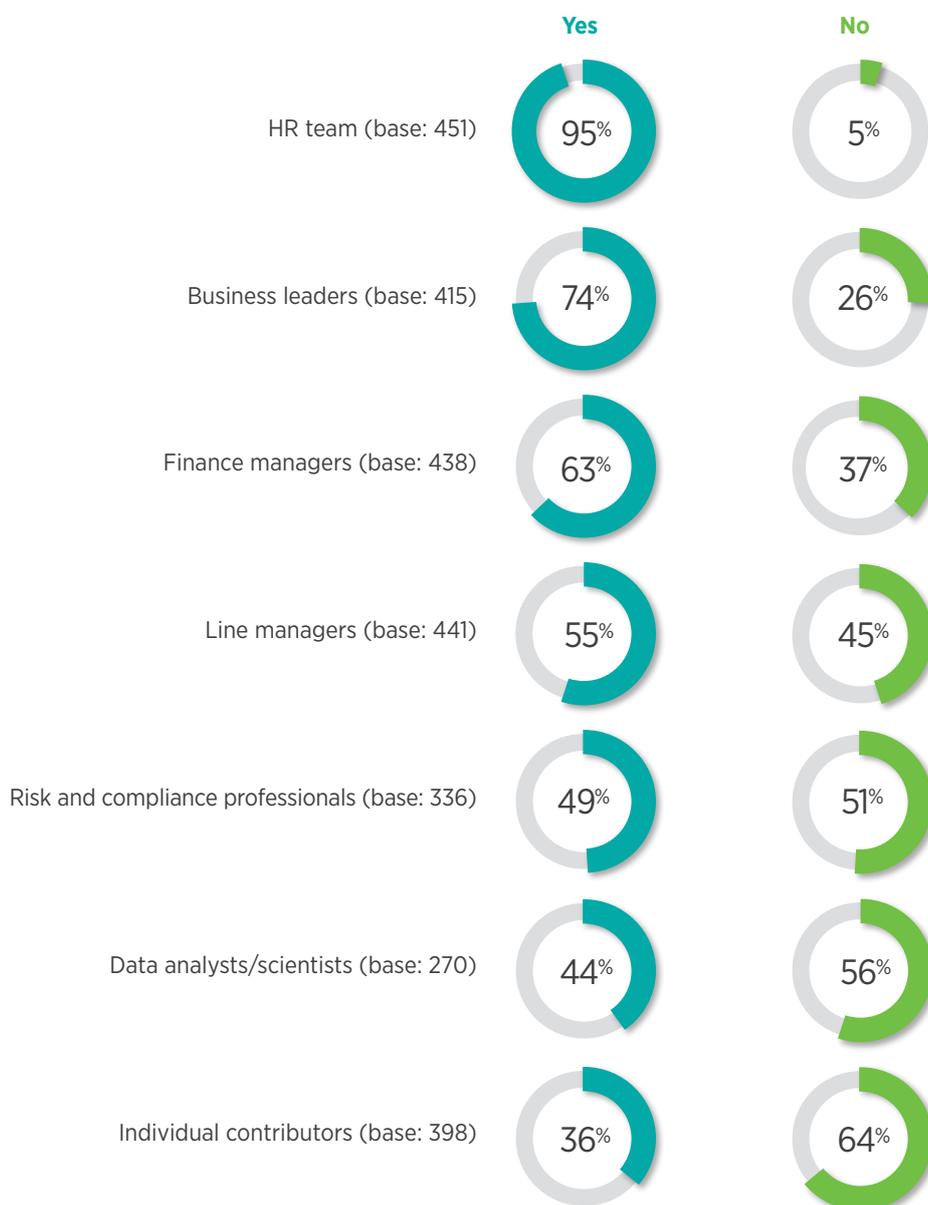
5 Technology

In this section we examine HR's views regarding their current HR technology and its importance for employee engagement. We look at how well it enables them to do their work effectively and their confidence in its ability to flex to the changing needs of the business. We find considerable variation in their views. Finally we consider the most important attributes of good HR technology.

The effectiveness of current HR technology

HR professionals in organisations that use HR technology are divided in their satisfaction with how well it enables them to do their job effectively (regardless of role level): 41% are at least somewhat satisfied, while the same proportion are at least somewhat dissatisfied. They are even less positive regarding the ability of their current HR technology to flex to the changing needs/priorities of their business

(38% are at least somewhat confident, 55% not very or not at all confident).

Those in smaller organisations tend to be both more satisfied with their current HR technology in helping them do their jobs effectively and more confident in the ability of their technology to adapt to changing needs (Figure 16). Implementing and managing effective and flexible HR technology is likely to be more complex in larger organisations.

Figure 16   **Views on current HR technology, by organisation size (% of those with HR technology)**

Satisfaction with current HR technology in enabling you to do your role effectively

Confidence in current HR technology to flex to the changing needs of the business
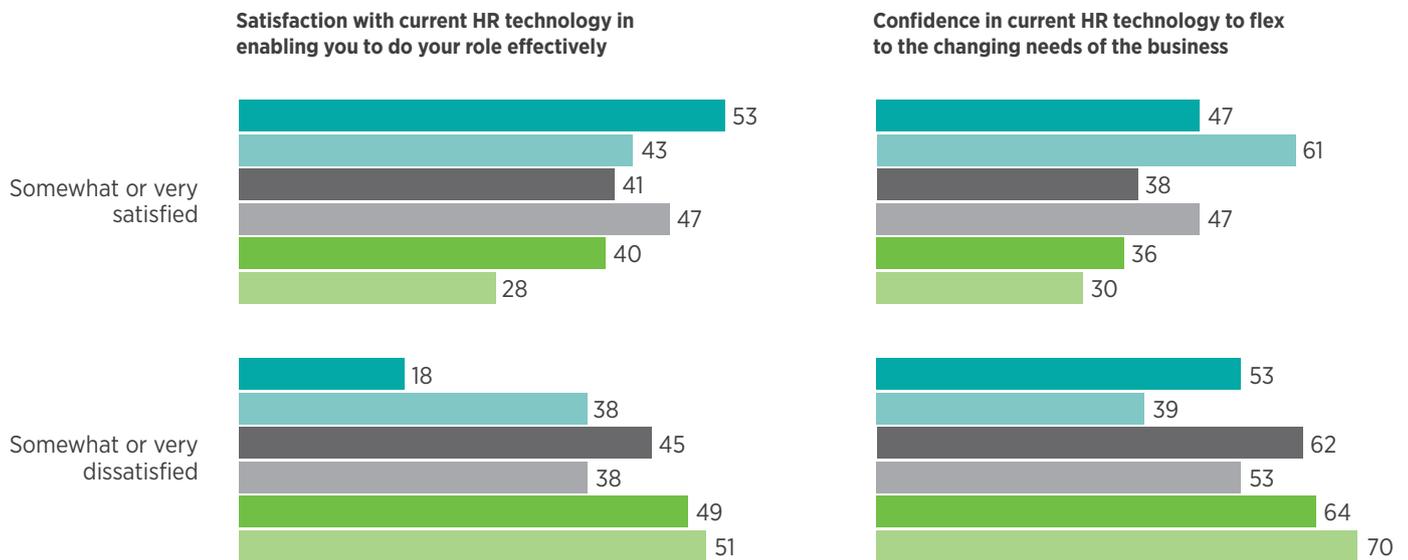
Q. How satisfied or dissatisfied are you with your current HR technology in enabling you to do your role effectively? Base: 566 ('Don't know' responses excluded)

Q. How confident or unconfident are you that your current HR technology is able to flex to the changing needs/priorities of your business? Base: 530 ('Don't know' responses excluded)

■ 1–49   ■ 50–99   ■ 100–249   ■ 250–999   ■ 1,000–9,999   ■ 10,000+

## The importance of HR technology for employee engagement

Over three-quarters believe that HR technology is important in driving employee engagement, with 31% reporting it is very important (Figure 17). HR professionals in smaller organisations, where direct contact with employees is more manageable, are less likely to report that HR technology is important.

The most important attributes of good HR technology

The most important attributes of good HR technology according to our HR professionals are the user interface (particularly in larger organisations), having a single system for all HR needs (particularly in the private sector) and the flexibility to adapt to changing needs (Figure 18).

Figure 17 The importance of HR technology for employee engagement (% of those whose organisations use HR technology)

	Very important	Fairly important	Not very important	Not at all important	Don't know
All (base: 570)	31	45	19	2	4
SMEs (1–249 employees) (base: 201)	22	45	24	3	5
Large organisations (250+ employees) (base: 365)	36	46	15	1	2

■ Very important ■ Fairly important ■ Not very important ■ Not at all important ■ Don't know
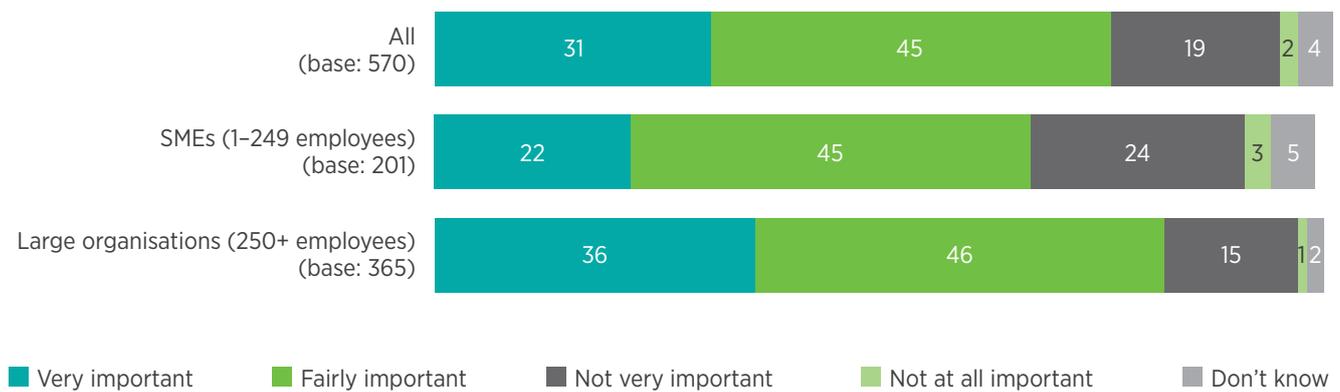
Figure 18 The most important attributes of good HR technology (% of those whose organisations use HR technology) (Respondents were asked to select up to three attributes)

63%	60%	59%	27%	23%	8%	2%
User interface	Single system for all HR needs	Flexibility to adapt to changing needs	Embedded analytics	Mobile capability	Delivered in the Cloud	Other
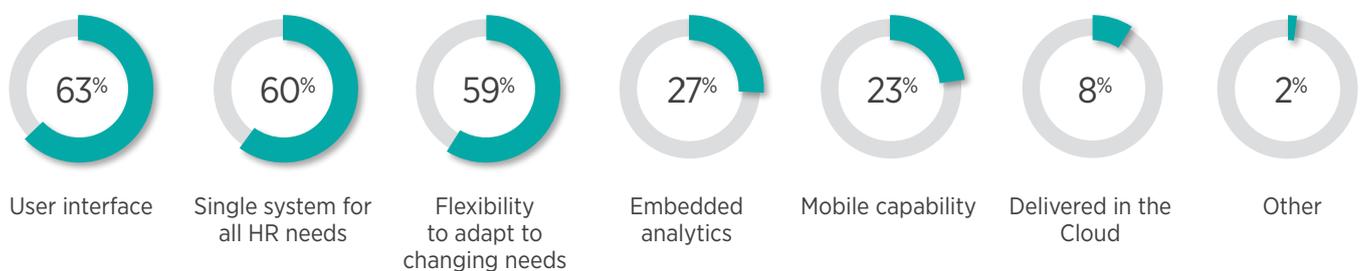
Base: 570

6 Employee voice

'The most common step taken to improve employee voice has been to improve organisation-wide communications.'

Employee voice is the means by which employees communicate their views on employment and organisational issues to their employers, either through formal channels (for example employee surveys, HR focus groups) or informally (for example in conversations with line managers). It's the main way employees can influence matters that affect them. Here we look at efforts organisations are making to improve employee voice and the barriers they experience.

Over half of HR professionals (55%) report their organisation has taken steps to improve employee voice over the last 12 months (8% don't know, 7% report their organisation does not have any processes in place for employee voice). Those in larger organisations are also most likely to report they have taken steps to encourage employee voice in the last 12 months (250+ employees: 62%; 1–249 employees: 44%).

Two-fifths (39%) report their organisation is currently encouraging a particular employee group to have a voice in the organisation. Again, larger organisations are more likely to be taking action on this compared with SMEs (250+ employees: 45%; 1–249 employees: 30%).

The most common step taken to improve employee voice has been to improve organisation-wide communications (Figure 19). In addition, just over half have set up

or improved working groups and/ or all-staff briefing sessions which invite employee voice. Several processes, including the use of digital/social media to seek and discuss questions or ideas, regular employee forums and attitude surveys, are more common in larger organisations, while an open-door policy tends to be more common in smaller ones.

Barriers to employee voice

We asked HR professionals what, if anything, are the barriers to employee voice in their organisations. Most of the comments focus on the attitude of senior management (they do not value it, prioritise it, listen or act on it) and the fears of employees (of reprisals, of managers, of being identified, of being judged, that their voice does not matter). Several also refer to employee apathy and lack of engagement. Other common barriers include time and resources. For organisations with people working at different sites, remotely, in different languages, and so on, logistics is also an issue. For some the size and structure of the organisation is a barrier to employee voice, both in large organisations, where there are many voices to be heard, and in small ones, where confidentiality or 'standing out' is an issue.

Figure 19 Which of the following mechanisms or processes of employee voice have you introduced, improved or kept the same over the last 12 months? (% of those who have taken steps to improve employee voice)

Mechanism	Introduced	Improved	Kept the same	None of these
Organisation-wide communications	5	58	33	4
Working groups – employees brought together on a regular or ad hoc basis to discuss specific organisational issues	15	36	33	16
All-staff briefing sessions which invite employee voice	11	40	35	14
Attitude surveys	13	31	37	18
Employee forums where employee representatives meet managers on a regular basis	10	34	35	21
Digital/social media to seek and discuss questions or ideas	12	26	23	39
Open-door policy	5	27	60	8
Suggestion schemes	12	19	41	28

■ Introduced   ■ Improved   ■ Kept the same   ■ None of these – we do not use this process

Base: 344

7 What do the findings mean for HR?

'High levels of employment and uncertainty regarding access to talent post-Brexit increase the importance of effective talent management.'

HR professionals report the main trends currently affecting their organisations are economic change, the demand for flexible working and changing demographics. Many believe that economic change will have a negative impact on their organisation, so it is little surprise that cost management still tops the list of current priorities. For many, the next few years will be characterised by uncertainty as the UK negotiates its exit from the EU. Increasing agility and flexibility to respond to the changing environment remains high among organisations' priorities.

Talent management also remains a firm priority. High levels of employment and uncertainty regarding access to talent post-Brexit increase the importance of effective talent management. The public sector in particular will need to ensure that effective talent management is not sacrificed in their efforts to reduce costs. There is a real risk that the additional strain on public sector employees from ongoing budget restraints, coupled with wage stagnation, will lead to a talent drain.

Moreover, while HR believes talent management is a top priority, our previous research (*HR Outlook 2015–16*) has found that talent management is not prioritised as highly by non-HR leaders (although it was among their top five current and future organisational priorities). It seems likely that HR gives more importance to effective talent management as a precursor for improving productivity and achieving organisational goals than non-HR leaders.

So what does this mean for HR? This report has covered a wide range of issues, but there are six key insights which we believe HR needs to act on. We must:

- Demonstrate the value of the HR agenda.
- Use HR data to strengthen evidence-based decision-making.
- Harness the benefits of technology.
- Prepare for economic uncertainty (for example globalisation and Brexit).
- Adapt to the changing needs and desires of the workforce.
- Strengthen the capability of people managers.

Demonstrate the value of the HR agenda

Several of our findings suggest that HR professionals feel they are not working in harmony with senior leaders and others in their organisation, or that they have different priorities or beliefs. At its worst, they feel the attitudes of senior leaders hinder their efforts. Many HR professionals, for example, report they experience push-back or inaction from others in their efforts to adapt their people approach in response to the key trends that are driving change, including those in senior roles (Table 4). This is further demonstrated in our findings regarding employee voice, where the attitude of senior management (not listening to, prioritising or valuing employee voice) is seen to be the most common barrier to it.

Many HR professionals believe that senior leaders lack the employee-focused skills (including managing performance, people and engagement) that are most needed by their organisation. Our findings suggest it is not just the skill development that is important, but ensuring leaders appreciate

the value of these skills to enable them to more effectively lead the organisation.

HR needs to make the case for improving productivity and achieving organisational goals through a better managed, skilled and engaged workforce – as well as demonstrate their critical role in making this a reality. Demonstrating the value of the HR agenda in terms of organisational goals is key in gaining the support of others, which is critical to moving forward on these issues.

> *'HR needs to make the case for improving productivity and achieving organisational goals through a better managed, skilled and engaged workforce.'*

Questions for you to consider

- Do you explicitly link your HR initiatives with specific organisational needs? Can you then demonstrate clear impact of your people approach in the language of your business?
- How confident are others in your understanding of their business objectives? Do you confirm your understanding of their goals and what aids/impedes their achievement before presenting HR solutions? Are they tailored to the specific requirements, culture and challenges of their part of the organisation?
- If you are getting push-back on your initiatives, do you try to find out why?
- Do you have the skills to challenge detrimental leadership behaviours in a constructive way?

Use HR data to strengthen evidence-based decision-making

HR can improve its credibility, as well as the quality of its decision-making, through demonstrating valid evidence for its initiatives. It can do this by making better use of the data at its disposal. For example, while it is easy to assume that investing in engagement will improve retention, what is the evidence? Is retention and engagement a particular issue for your organisation and how do you know? Data analytics is one way through which HR can understand the effect of its activities, such as engagement, and importantly can prove or disprove for the sake of more effective management decisions. Evidence that demonstrates these links, together with data regarding the costs of recruiting new staff, absence, presenteeism, and so on, can help make a persuasive argument to a cost-focused senior executive. These types of measures, which can be used as evidence, are explored in more detail in the CIPD's work with CIMA: Valuing your Talent.[2]

Our findings show that HR professionals do use a range of sources of evidence to inform their business decisions, but their perception of the quality of this evidence is often mixed. Evidence from any source – personal experience, organisational facts and figures, key stakeholders, external research – may be anywhere on the spectrum from highly relevant and valid to highly irrelevant, biased and invalid. This illustrates the importance of critical assessment of the quality of data, and an understanding of any assumptions regarding its veracity. Validating through comparing different sources of evidence and views can be helpful in overcoming different biases and limitations.

Our findings show more than half of organisations have taken steps to improve employee voice over the last 12 months. Employee voice is an important source of information for identifying issues, challenges and obstacles that can contribute to effective decision-making and implementation. Our findings also suggest that many could improve their use of HR analytics. Most use these at a fairly basic level, and key stakeholders (senior leaders, finance managers, line managers, and risk and compliance professionals, for example) do not always have access to the data.

Evaluating decisions and their outcomes is an important part of the process, not only to assert HR's credibility, but to gather evidence for future decision-making. Piloting a practice or initiative in one part of the organisation and evaluating its impact by comparing with other similar activities can also be a helpful way of gathering evidence and demonstrating a case for wider investment.

Questions for you to consider

- Do you routinely use your critical judgement to assess the reliability and validity of evidence, including that based on your previous experience? What assumptions are being made? What is the evidence for those assumptions?
- Do you systematically and routinely gather high-quality data about the issues your organisation faces? Do you critically assess the quality of this data?
- Is the data used to analyse problems and inform decisions? Do key decision-makers have access to it?

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[2] CIPD. (2016) *Valuing your talent*. Available at: www.valuingyourtalent.com [Accessed 28 November 16].

Harness the benefits of technology

Our findings emphasise the benefits of technological advances on organisational goals where they are big drivers of change (including mobile technologies, social media, automation, advanced technologies and artificial intelligence). HR professionals also highlight the importance of HR technology for employee engagement, especially those working in larger organisations. HR technology can offer a way to help engage employees with the wider organisation in an efficient, consistent and personalised way, for example helping employees to manage their careers and providing managers with the relevant information to do their jobs more effectively.

At the same time we find that many HR professionals question both the effectiveness of their existing HR technology and the ability of the HR technology to adapt to the changing needs of their organisations. Interestingly, as organisations get larger, levels of dissatisfaction with HR technology tend to increase, as do doubts

on its flexibility. This highlights the importance of choosing HR technology that not only meets organisational needs today, but also offers the flexibility to meet yet unknown needs in the future.

Furthermore, HR professionals told us that the most common barrier to applying HR analytics successfully in their organisation is data and technology. Improving access to HR analytics among stakeholders (including leaders, finance managers and line managers) may help promote evidence-based decision-making and drive value in the business, as well as demonstrate the value HR adds.

'As organisations get larger, levels of dissatisfaction with HR technology tend to increase, as do doubts on its flexibility.'

Questions for you to consider

- How do employees and managers interact with your HR technology? Do they see it as a recording system that they use because they have to, or is it seen as delivering value to teams and individuals, offering a more personalised experience?
- Do you have the technological systems and capability to harness the potential of HR analytics to drive business performance now and in the future? What obstacles, if any, do you face? What are the implications for the business?
- Do you have the skills and capability to harness the benefits of new and developing technological advances to enhance HR and business performance? How prepared are you to take advantage of new technologies? How is HR developing its skills and capacity in this area?

> *'Over a fifth of senior HR leaders (two-fifths of HR as a whole) feel unable to influence change in their people approach to respond to economic change.'*

Prepare for economic uncertainty

Economic change, including globalisation and Brexit, is currently the biggest driver of change in organisations and one that many HR professionals feel will have a negative impact on their organisation. Yet our findings show that it is the area of change where HR professionals are least likely to be taking action. Over a fifth of senior HR leaders (two-fifths of HR as a whole) feel unable to influence change in their people approach to respond to economic change.

The uncertainty surrounding the Brexit process may be contributing to their current inaction. The CIPD's latest *Labour Market Outlook* (autumn 2016) found that just 15% of organisations had started to prepare for the impact of restrictions on EU labour – despite 42% of employers expecting such restrictions to damage their UK operations. The uncertainty clearly makes planning difficult, but HR needs to be prepared for the potential reduction in freedom of movement and take immediate steps to manage any concerns among employees within their own organisations.

Questions for you to consider

- What steps are you taking to communicate clearly and consistently with employees regarding changes or potential changes to EU immigration policy?
- Are managers equipped to respond to employees' concerns regarding the implications of Brexit or other key economic trends affecting the organisation?
- Do you have a strategy to fill any labour shortages which may occur if EU employees leave or it becomes harder to recruit from abroad? How might your recruitment, employee development and retention strategies be affected?
- Do you have a process in place to monitor economic and Brexit developments and consider the implications for HR and your business?

Adapt to the changing needs of the workforce

The demand for flexible working and changing demographics are among the top drivers of change in organisations. Most HR professionals feel the demand for flexible working has a positive impact on their organisation. Yet a considerable proportion experience push-back or inaction from others in this area. Views are mixed regarding the impact of changing demographics, with the public sector more negative than the private.

In many ways the demand for flexible working and changing demographics are interrelated. For example, the ageing population is resulting in an increasing number of carers in the workforce. Flexible working options are one way organisations can support and encourage carers to stay in the workforce. Many younger workers also value flexible working because of the improved work–life balance it enables.

Managing a multigenerational workforce adds additional complexity and challenge. Nevertheless, organisations can achieve a strategic advantage by embracing the diversity of skills and perspectives among employees. Creating a culture that values all people and encourages effective collaboration between them can bring significant benefits, for example increased innovation and more effective problem-solving in the organisation.

'Flexible working options are one way organisations can support and encourage carers to stay in the workforce.'

Questions for you to consider

- What are the implications of changing demographics? What are the skills and training requirements for new generations? What skills will managers need?
- How do your communication strategies, incentives, benefits policies and retention strategies reflect the changing needs and desires of your workforce? How do you know what your employees need to perform at their best?
- Do your processes, technology and workforce mindset support flexible working options?
- What will the needs and expectations of your future workforce be? How will your talent management strategy help your organisation attract, develop and retain the workforce it needs for future success?

> *'Line managers have a critical role in organisations, being the link between the senior team and the wider workforce.'*

Strengthen the capability of people managers

Line managers have a critical role in organisations, being the link between the senior team and the wider workforce. Their responsibilities can be vast, including identifying and resolving workplace issues and keeping employees engaged and supported. We know from other research that management style has an impact on staff well-being and on people's decision to stay with their organisation. Unfortunately, the survey findings show that despite half of organisations surveyed saying that over the last 12 months they have given line managers responsibilities previously undertaken by HR, in just 44% of those organisations line managers have been given formal training to do so. Encouragingly, 60% provide tailored support to managers to help them with their new responsibilities, but the training and support for them to do their role most effectively is missing in many cases.

In last year's *HR Outlook* survey, HR leaders told us that leadership was one of the top challenges that 'keeps them awake at night'. Furthermore, this year's survey found that only a minority of organisations view their leadership as 'very effective' at any of the key skills/behaviours required. However, views are more positive about leaders' technical skills.

Organisations and HR need to provide the training and support for line managers so that they have the competence and confidence to manage both the technical and people management aspects of their role, particularly in areas such as employee engagement, change and well-being. Both training and ongoing support are important, both to refresh skills and because there may be a time lag between receiving training and encountering an issue, or a problem that emerges may be complex.

Questions for you to consider

- On what criteria do you appoint people managers? Are the criteria weighted towards technical skill or is potential for people management skill also important?
- Are managers encouraged and given the time required to attend the training on offer? Do they know how to access ad hoc support when they need it? Do you ask managers what more support they need to do their job more effectively?
- How do managers perceive the people dimension to their role? Is it seen as integral or an add-on? How do you know?

Further reading

Here are some CIPD resources which may be useful to help you turn the insights into practice. All of these can be accessed from the CIPD website.

HR Outlook: Leaders' views of our profession 2015/16
This report compares the views of HR and non-HR business leaders about HR's priorities and organisation contribution to highlight emerging trends, provoke discussion and move on the debate about HR's role. We examine the extent to which HR and other business leaders are aligned on business priorities for both today and tomorrow, and compare views about how the HR function contributes to achieving them. We then examine specific prominent topics for the HR profession, namely HR analytics, talent management and organisation ethics, well-being, performance management and technology.

Valuing your Talent
A research and engagement programme that we've been working on in collaboration with the UKCES, Investors in People, the CMI, the CIMA and the RSA to help give employers a clearer understanding of, and common means of describing, the way in which people impact the performance of their organisation. You can read reports of our key findings, take a look at the blogs and listen to the podcast.

Employee Voice factsheet
This factsheet explores what constitutes employee voice and the different perspectives and purposes of voice initiatives in an organisation. It looks at the legislative background to employee voice and the UK's position in relation to its European neighbours. It also outlines the different mechanisms by which voice initiatives can be implemented in an organisation through upward problem-solving and representative participation. Finally, it takes a closer look at the benefits effective employee voice can bring to an organisation and its workforce.

CIPD blogs on employee voice
A collection of CIPD blogs on various issues and questions related to employee voice, including the effects of technology, and the power and value of voice.

Social Media and Employee Voice
The report examines the impact and implications of using social media in organisations, reviewing existing literature on the opportunities that social media opens up for employee voice. It tracks how social media is changing the way people interact and argues that it stands to change the nature of the employment relationship.

Leadership
Visit the CIPD leadership hub page to explore our resources on leadership. You'll find information on leadership styles and skills, effective leaders, transformational leadership, and leading teams. There is a factsheet, podcasts and a wealth of practice-focused research reports.

The Role of Line Managers in HR and L&D
This factsheet examines the roles and responsibilities of line managers and explores the relationship between HR and line management, including opportunities to work together to support business strategy. It also stresses the importance of positive relationships between line managers and the employees they manage, and highlights key considerations for supporting line managers in developing vital people management skills.

Developing Managers for Engagement and Well-being
This report contains a review of the evidence for what makes a difference when developing managers to support employee engagement, health and well-being. Developed with IOSH and the Affinity Health at Work Research Consortium, the report looks at both academic and practitioner literature, including input from experts, practitioners and organisations, and presents a framework bringing all of the evidence together.

Appendix: Sample profile

A1: Organisation sector

Sector	Percentage	Count
Private sector firm or company	55	347
Public sector	30	189
Charity/voluntary sector	13	81
Other	2	12

A2: Organisation size

Number of employees	Percentage	Count
1–49	16	100
50–99	7	47
100–249	16	99
250–499	10	61
500–999	10	62
1,000–4,999	18	114
5,000–9,999	8	48
10,000–19,999	5	30
20,000 and over	10	62

A3: Job role

Job role	Percentage	Count
Director – top executive with overall responsibility for own function with board membership or equivalent	8	51
Senior executive/group role – top executive with overall responsibility for HR but without board membership or equivalent	7	45
Head of functional area – individual with responsibility for running a particular area of HR, for example reward, learning and development	11	67
HR business partner – individual in a role defined as being a strategic partner to a particular area of the organisation	11	67
Manager – individual with responsibility for an activity within the overall function – may be a senior HR specialist or in a broader HR role; makes a significant contribution to policy formulation	28	177
Senior officer – individual in senior position with strong professional role – may have supervisory responsibilities for departmental work and/or manage a small team	11	67
Officer – an experienced officer with first level of professional responsibility but with more than two years' experience as an officer	11	67
Administrator/assistant – a less experienced officer with less than two years' experience in function	9	58
In-house consultant/adviser – individual working within an organisation on a programme/project, possibly working cross-functionally	4	27
HR trainee – for example graduate trainee, intern, apprentice	0	3

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