

Winter 2012-13



100
YEARS
OF LEADING HR
INTO THE FUTURE

HR Outlook

Views of our profession

Acknowledgements

The CIPD is very grateful to those organisations and individuals who gave their time to take part in this research. They include:

- YouGov for assisting with the survey questions, conducting the data analysis and writing this report.
- all those who completed the survey.

We hope that you find the research useful when considering your own HR approach.

Please contact us if you have any questions or ideas based on our findings: research@cipd.co.uk

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Foreword

Welcome to the 2012 *HR Outlook* survey report. This report provides useful benchmarking data and highlights current issues and emerging trends within HR. We asked 1,152 HR professionals questions about the size and structure of their HR departments, priority areas of focus for their HR team, areas for personal development, and how HR uses metrics to demonstrate its impact on business performance.

Our findings are likely to interest all those working in HR to:

- take stock of the issues and challenges facing your HR team and organisation
- understand more about HR in your own sector
- consider how your HR department uses data and metrics to demonstrate HR's contribution to business performance
- determine your own areas of focus for personal development
- reflect on how best to operate and organise as a function moving forward.

The findings reflect the challenges and opportunities we faced in 2012 and it is important to view the findings within that context. Throughout the report we highlight interesting sector differences, and we also highlight the significant differences which emerged between SMEs (up to 250 staff) and larger organisations.

In addition to this report, we have also conducted a survey of HR and non-HR business leaders. Through comparing their views about HR's current and future contribution to business performance, we provide insight and expert commentary about the HR profession, provoke discussion and move on the debate about HR's role. *HR Outlook: A variety of leader perspectives* can be accessed at cipd.co.uk/research

The *HR Outlook* surveys are part of the CIPD's wider Outlook series, which also includes the *Labour Market Outlook* and *Employee Outlook* surveys. 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.

We hope you find the findings useful when considering both your organisation's HR approach and your own personal development.

Dr Jill Miller
Research Adviser, CIPD

Summary of key findings

This report sets out the findings of the CIPD's 2012 HR Outlook: Views of our profession survey of trends and practice in the HR profession. The analysis is based on replies from 1,152 HR professionals across all levels of seniority from organisations across the UK.

The profile of HR departments

Nearly half of HR departments have remained the same size over the last 12 months, with around a quarter of HR departments getting smaller and around a quarter increasing in size.

The downsizing of HR departments has been much more likely in the public sector than the private sector. Only 15% of private sector organisations have seen their HR department decline in size compared with 49% of public sector organisations.

The main reasons given for reducing the size of HR departments have been simply not replacing employees (54%) or making redundancies (47%).

Four out of five HR professionals (79%) are generalists and 21% consider themselves HR specialists. Three-quarters of respondents reported they had worked outside of HR previously.

The most popular structure adopted by HR departments is a single team with a mixture of expertise. The public sector and larger organisations are more likely to favour the three-legged model.

The majority (55%) of HR departments have seen structural changes in the last two years. The public sector (68%) has experienced more structural change than the private sector (50%).

Structural changes to HR departments in the public sector are in the main to reduce costs whereas in the private sector the main driver for restructuring is to become a more strategic contributor.

Just over half of HR professionals (54%) reported that their departments outsource some activities and this is more likely in larger than smaller organisations.

How HR contributes to business performance

There is very strong agreement from the vast majority of HR professionals that they act with integrity, impartiality and independence (98% agree) and that they challenge inappropriate behaviour (93%).

HR professionals see their focus as mostly being on HR-specific actions and less on wider organisational issues. Less than half (47%) of survey respondents say they prioritise business issues over what matters to HR and just under two-fifths of HR professionals (37%) said they spot opportunities to drive revenue.

In terms of HR priorities, managing performance is currently a strong area of focus for the majority of HR departments (68%). But the public sector is more likely to be focusing on managing change and cultural transformation, workforce planning, employee well-being and organisation restructuring than the private sector, which is more focused on engagement, staff retention and talent management.

Developing HR capability

Regardless of which sector HR professionals work in, the most important personal development area cited is ‘building relationships with colleagues throughout the organisation and understanding their priorities’ (53% of HR professionals cited this).

Building an understanding of the wider business context that their organisation operates in is also an important development area for 47% of HR professionals.

HR professionals identified that the area of least importance for their personal development is ‘seeking experience outside the HR function to broaden their career options beyond the HR function’ (25% reported this as a priority). Other development areas of lower priority are ‘improving ability to communicate effectively with all stakeholders in the language of the organisation’ (35%) and building specialist HR expertise, for example reward, learning and development (35%).

As salary level increases, HR professionals are significantly more likely to report that a personal development priority is developing understanding of what drives business value/competitive advantage for their organisation (44% of those earning £50,000 to £99,000 reported this compared with 34% of those earning up to £30,000).

HR’s use of data and metrics to demonstrate impact

The majority of HR professionals (66%) agree that HR data informs business decision-making. This is the case across both the private and public sector and all sizes of organisation.

There is also strong agreement from HR professionals that HR uses measures to review and improve the HR function’s effectiveness (65% agreed), that HR draws insight from data to stimulate change and improvement in the organisation (63% agreed) and that HR uses people measures which are aligned with strategic priority areas for the organisation (62% agreed).

There is opportunity for improvement around how HR communicates and interprets people measures for relevant stakeholders in pursuit of competitive advantage, with only 49% of HR professionals saying they do this effectively.

1 The profile of HR departments

The majority (55%) of HR departments have seen structural changes in the last two years, with the most structural change being in the public sector. However, around half of HR departments have remained the same size over the last 12 months, with around a quarter increasing and a quarter decreasing in size.

Size of the HR function

We asked the HR professionals we surveyed how many people were employed in their HR department. The first bar of Figure 1 shows the spread of responses overall.

When we compare the public and private sectors, we see that public sector organisations have significantly larger departments, with over three-quarters (78%) of them having more than ten HR employees. This finding appears to be in line with the fact that the public sector has a consistently higher number of employees in total.

Unsurprisingly, 97% of SMEs (defined as under 250 employees in total) have HR departments of nine employees or fewer. Correspondingly, 55% of large businesses have more than 20 HR employees. We can see in Figure 1 that a quarter of large businesses have fewer than nine HR employees – it is important to note that the majority of these have 1,000 or fewer employees overall.

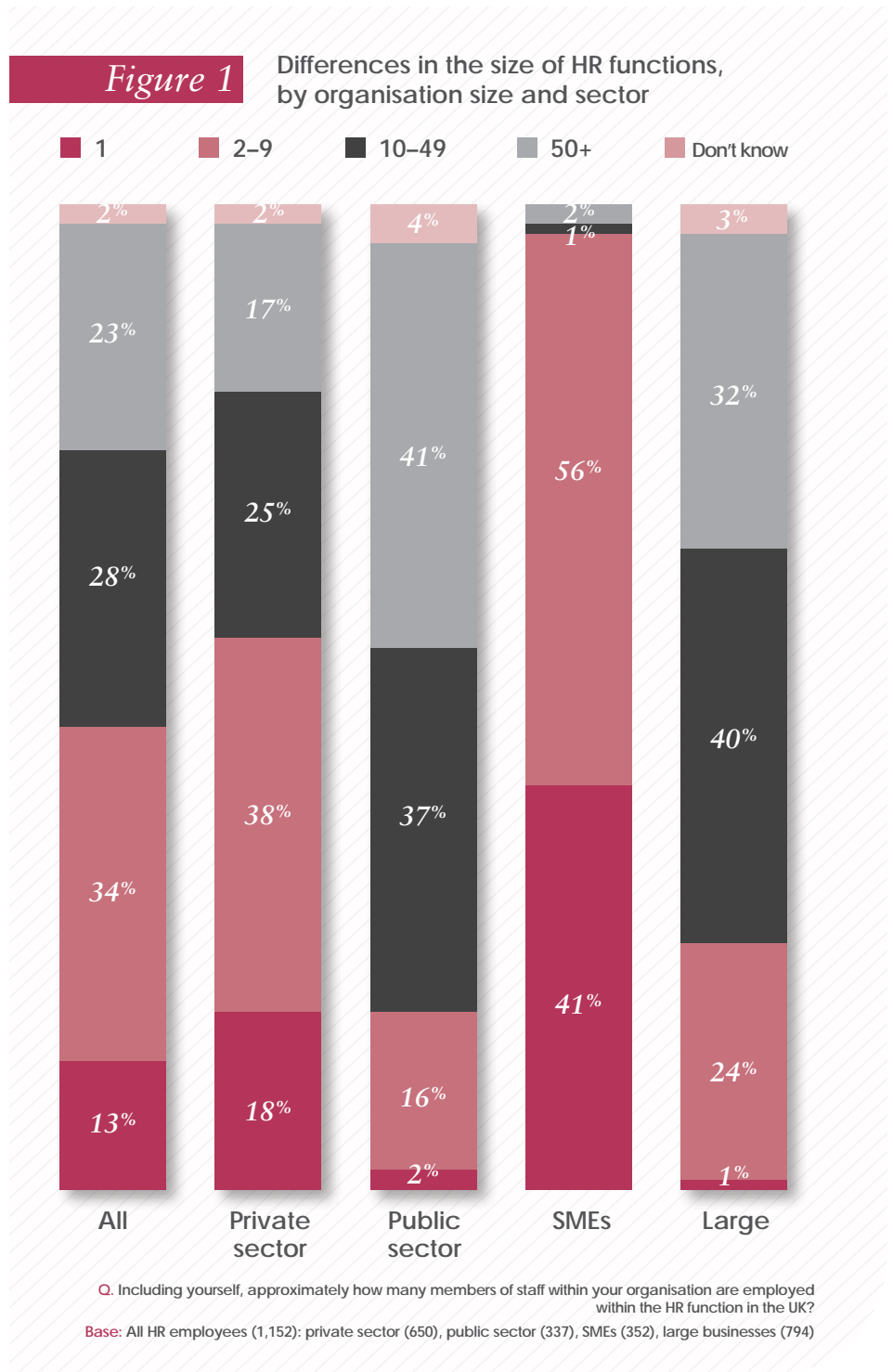
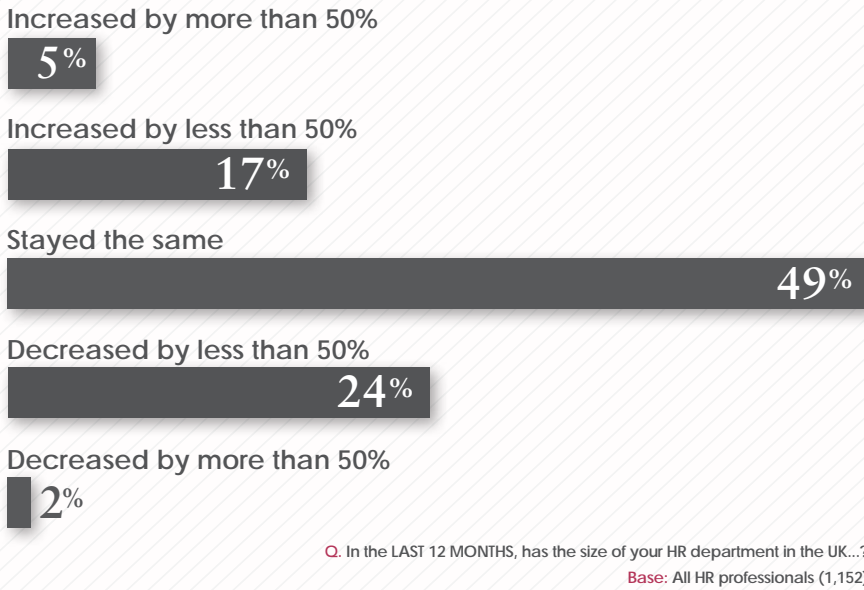


Figure 2

Changes in the size of HR functions over the last 12 months



Changes in the size of HR functions

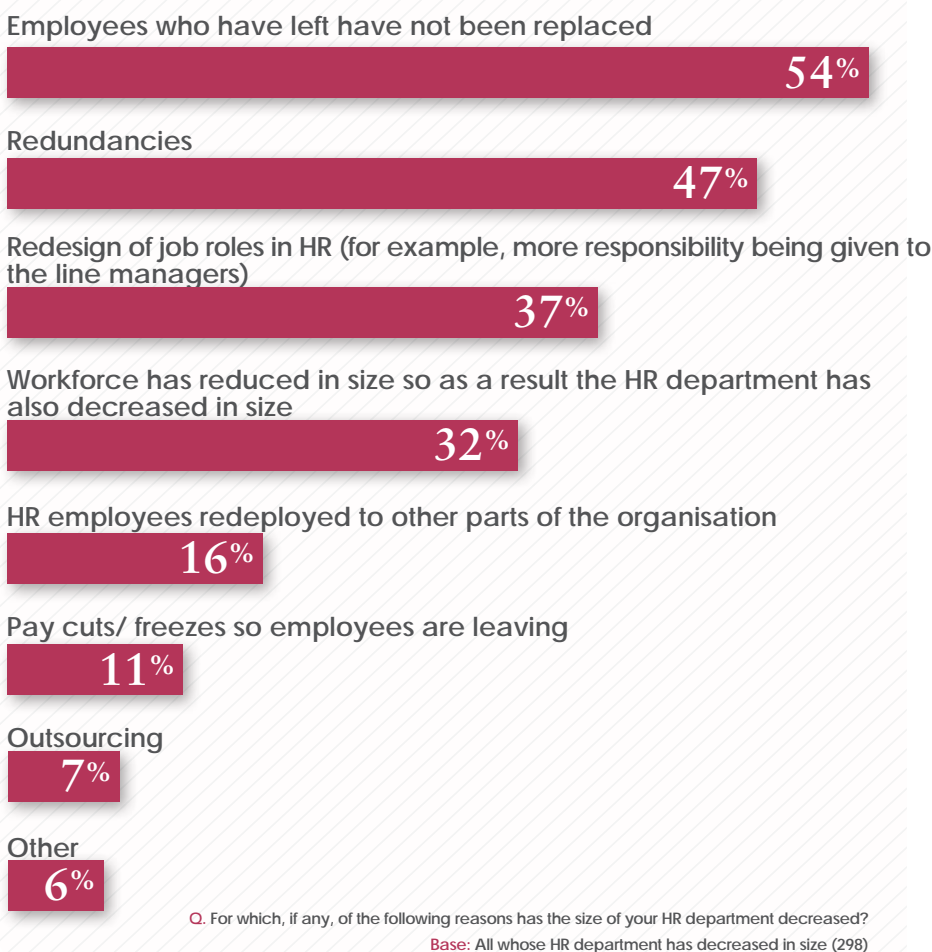
Figure 2 shows that almost half of HR departments remain the same size as a year ago. However, a quarter of HR departments (26%) have decreased in size over the last 12 months. Although only 22% of HR departments have increased in size, this compares with just 17% in 2010.

A third of large businesses (34%) have seen reductions in their HR departments compared with only 8% of SMEs. The downsizing of HR departments over the last 12 months has been much more likely in the public than the private sector. Only 15% of private sector bodies have seen a reduction in the size of their HR function compared with 49% of public sector organisations, demonstrating that HR has not escaped the public sector cuts over the last few years.

Reasons given for the reduction in size of HR departments (Figure 3) include: employees leaving and not being replaced (54%), redundancies (47%) and redesign of job roles in HR (37%).

Figure 3

Reasons given for the reduction in size of HR departments



The specialism and previous experience of HR professionals

The mix of generalist and specialist HR professionals

The survey findings reveal that four in five HR employees (79%) are ‘generalists’, with the remainder being classed as ‘specialists’. This has changed little since the 2010 *HR Outlook* survey. Specialists are more often found in head of functional area roles, where their responsibility is focused on a particular aspect of HR (31%). Specialists are also significantly more likely to be working in the public sector (26%) as opposed to private business (18%).

Larger organisations have more opportunity to employ specialists, with 25% of HR professionals working in organisations of 250 or more employees being specialists compared with just 7% in SMEs.

Learning and development is the most common specialism (Figure 4). Around one in ten HR specialists focus on each of employee relations, reward, and recruitment and resourcing.

Although generalist HR professionals are most common across all salary levels, the percentage of specialist HR employees increases when looking at the higher end of the salary spectrum. Specialists account for 13% of all those earning up to £30,000, but they make up 28% of those earning greater than £50,000.

Figure 4

Areas of specialism within HR roles



Q. You describe yourself as a specialist: which ONE of the following areas best describes your role?

Base: All HR specialists (229)

83%

of HR professionals who work in SMEs have worked outside of HR

What experience outside of HR do HR professionals have?

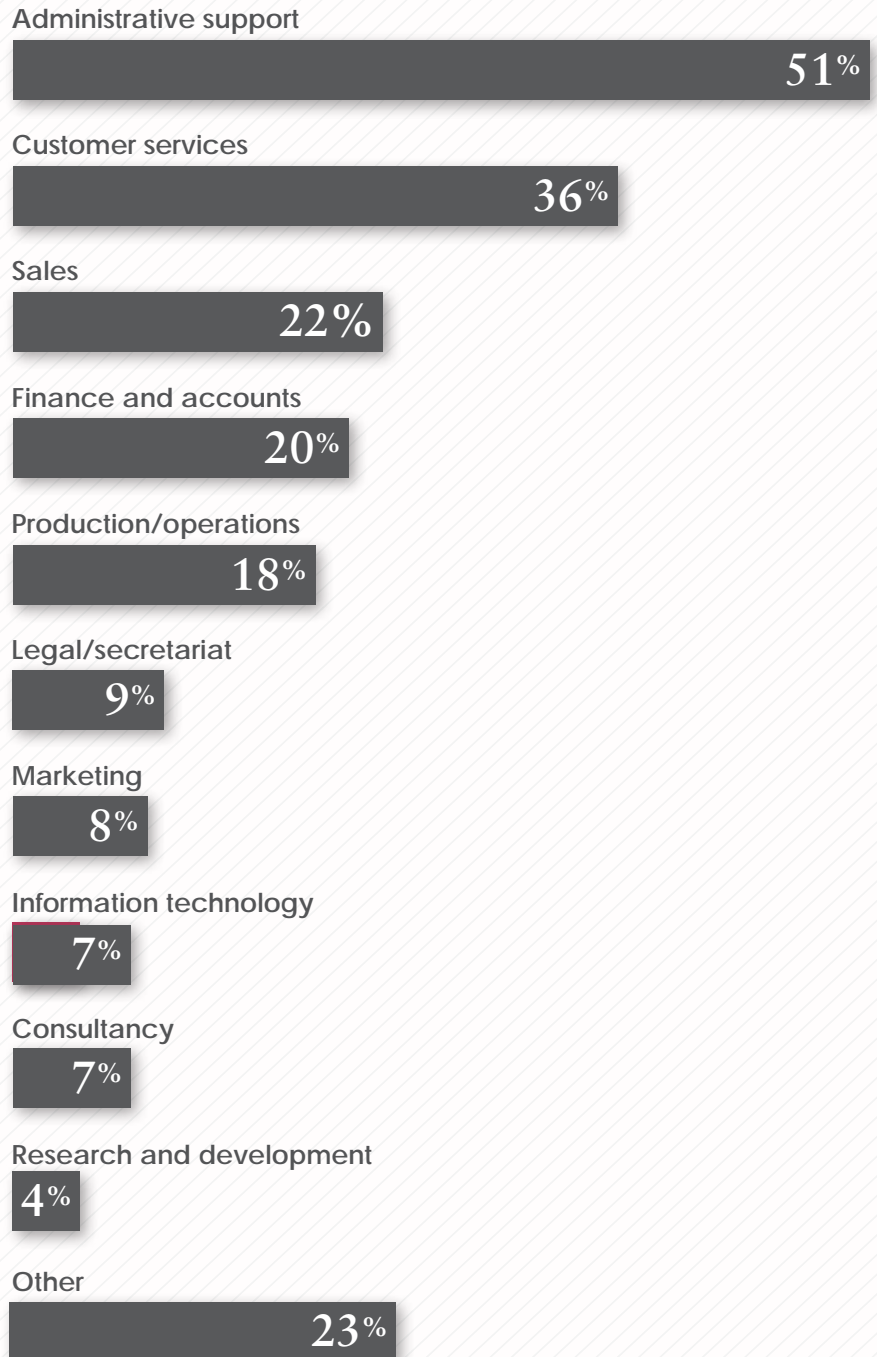
HR departments are largely characterised by individuals who have worked outside of HR and gained wider business experience, with 75% reporting they have worked outside of HR previously and only a quarter reporting they have no experience outside of HR.

Whether HR professionals have worked outside of HR was found to vary by size of organisation and salary level. Eighty-three per cent of HR professionals who work in SMEs have worked outside of HR in comparison with 71% of HR professionals in large organisations. It is also the case that lower-paid HR professionals (79% of those earning up to £30,000) are significantly more likely than those who are higher paid (68% of those earning £50,000 to £99,000) to have previously worked outside of the HR function.

Where HR professionals have previously worked outside of the HR function, they are most likely to have worked in administrative support or customer services positions.

Figure 5

Functions in which HR professionals have previously worked



Q. Please indicate in which of the following areas you have worked.
Base: All HR professionals who have worked outside HR (863)

Table 1: Different types of HR model adopted, by sector and size of organisation (%)

	All	Private	Public	SME	Large
The three-legged model	28	24	40	4	39
A single HR team with generalists, specialists and administration together	41	44	28	64	32
A corporate HR strategy team with operational teams providing all HR services, aligned to business units	12	10	17	5	14
A corporate HR strategy team with operational teams providing all HR services, aligned by location	5	6	3	2	6
A set of specialist services provided centrally, with business unit HR teams providing the rest of HR services	5	4	7	1	6
A small, central HR Function with largely outsourced HR activity	2	3	1	7	1
Other	6	7	2	14	2

Q. Which ONE of the following structures best describes your organisation's HR model?

Base: All HR professionals (1,152); private sector (650), public sector (337), SMEs (352) and large (794)

HR structures

Table 1 shows the different types of HR structures that are adopted within UK organisations. The most popular model is a single HR team with a mixture of expertise, which is employed by four in ten businesses (41%). Interestingly, this option is far more common amongst SMEs than large businesses, which prefer to employ the three-legged model. The use of the three-legged model also appears to be on the increase; in the 2010 *HR Outlook* survey, 22% of HR professionals reported they worked in a three-legged structure; this figure has risen to 28% in the 2012 *HR Outlook*.

The private sector favours the single HR team structure whereas the public sector is more likely to adopt the three-legged model. It is also significantly more likely to find that public sector bodies have adopted a model whereby HR services are aligned to business units.

The private sector favours the single HR team structure whereas the public sector is more likely to adopt the three-legged model.

Changes in HR structures

Over half (55%) of HR departments have undergone a structural change in the last two years, a slight increase from 51% in 2010. The change is significantly more likely in the public sector, with 68% having changed the HR department's structure, compared with 50% in the private sector.

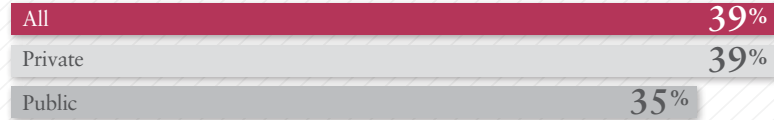
The two main reasons given for changes in HR structures are: to aid HR to become a more strategic contributor (39%) and due to changes in the wider organisational structure (36%). Given the current economic circumstances in the UK, it is not entirely surprising to discover that, in the public sector, a key motivation for structural change is to reduce costs. Cost reduction is cited by 44% of HR professionals in the public sector, but only 18% in the private sector. This gap of 26 percentage points is double the gap found in the 2010 survey.

However, in the private sector, the most common reasons for structural change are to reposition HR as a more strategic contributor (39%) or to make changes to the wider organisational structure (34%), which itself is a significant increase from 25% in 2010.

Figure 6

Reasons for changes in HR structures

HR becoming a more strategic contributor



Change in wider organisational structure



Cost reduction



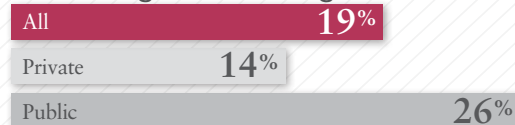
A need to improve service standards



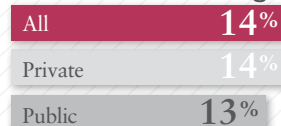
Organisation growth



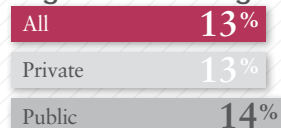
Downsizing within the organisation



To meet line managers' changing needs



Organisation merger or acquisition



Q. Which of the following best describe why you changed your structure? (Please tick up to three responses)
 Base: All whose HR function has changed structure (633)

Outsourcing and resourcing

Nearly half of HR professionals (46%) in the UK reported that their HR function does not outsource any work. Interestingly, outsourcing of HR work is more prevalent in larger organisations than smaller ones. Twice as many organisations with 1–9 employees (51%) do not outsource any work compared with organisations of over 100 employees (25%).

Among the 54% of HR departments who use outsourcing to support their work, the majority (68%) say that they are using as much outsourcing now as they were 12 months ago. The picture is pretty much the same across all sectors and business sizes. A fifth (18%) reported that their use of outsourcing has increased and 7% that it has decreased.

Use of graduate schemes

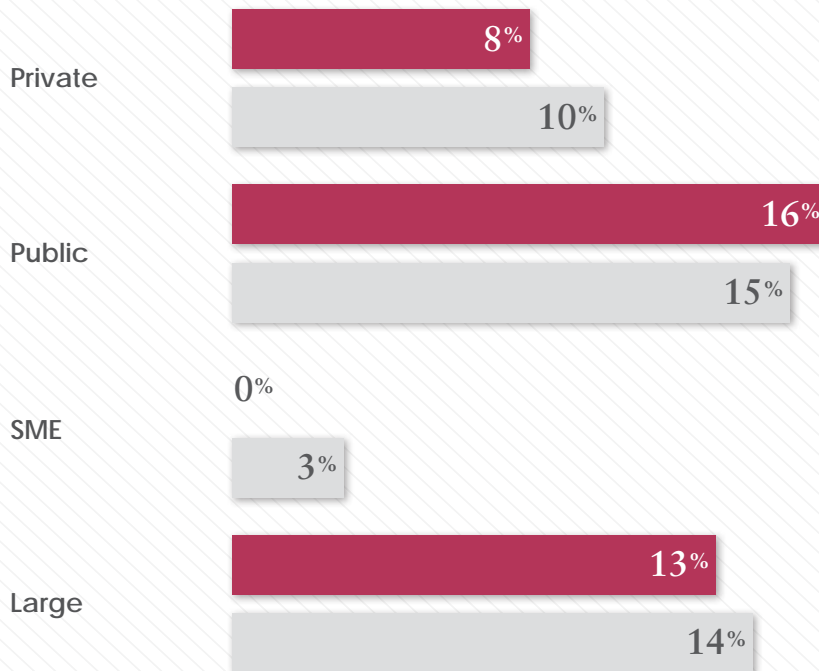
One in five HR departments have access to a pool of graduates via a formal scheme, with 9% having a HR-specific scheme and a further 11% of organisations having a graduate scheme which includes a rotation into HR.

As Figure 7 shows, the use of HR-specific graduate schemes is higher in the public sector than in the private sector. Also, as may be expected, large employers are significantly more likely to have either type of graduate scheme than SMEs.

Figure 7

Existence of graduate schemes, by organisation sector and size

- Graduate scheme – specifically for HR
- Graduate scheme – a wider graduate scheme with rotation into HR



Base: Private sector (650), public sector (337), SMEs (352) and large (794)

2 How HR contributes to business performance

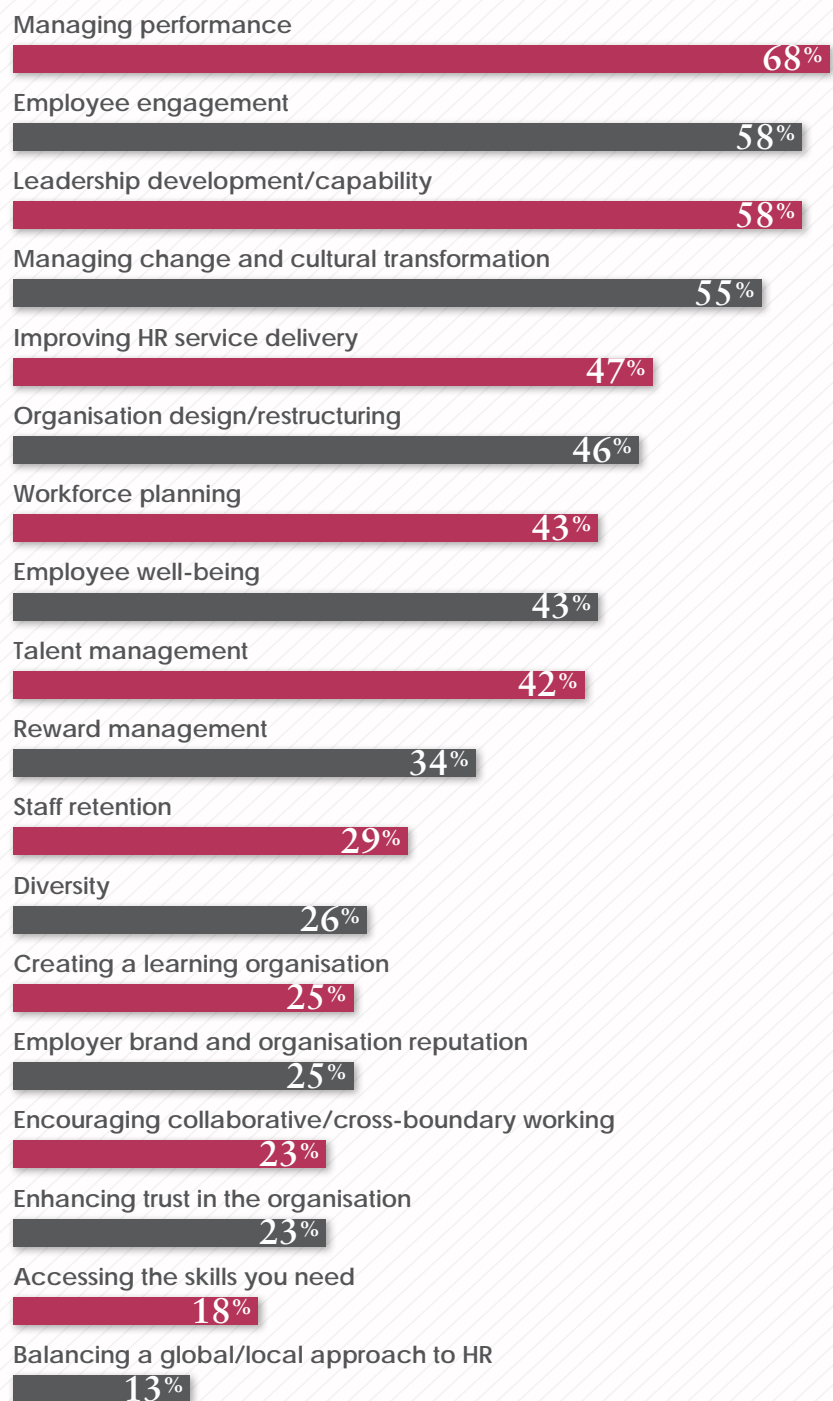
Managing performance is currently a strong area of focus for the majority of HR departments. The public sector is more likely to be focusing on managing change and cultural transformation, workforce planning, employee well-being and organisation restructuring. The private sector is more likely to be focused on engagement, staff retention and talent management.

Priorities of HR functions

Managing performance is the area that HR departments are currently most focused on, with 68% citing it (Figure 8). Employee engagement and leadership development are the priority areas which complete the top three. Unexpectedly, only one in five HR departments (18%) are concentrating on accessing the skills their organisation needs, and staff retention is only currently focused on by 29%. This is surprising given that losing skilled staff in a downturn, to have to replace them later on, can involve significant financial and productivity costs.

Figure 8

Areas of focus of HR functions

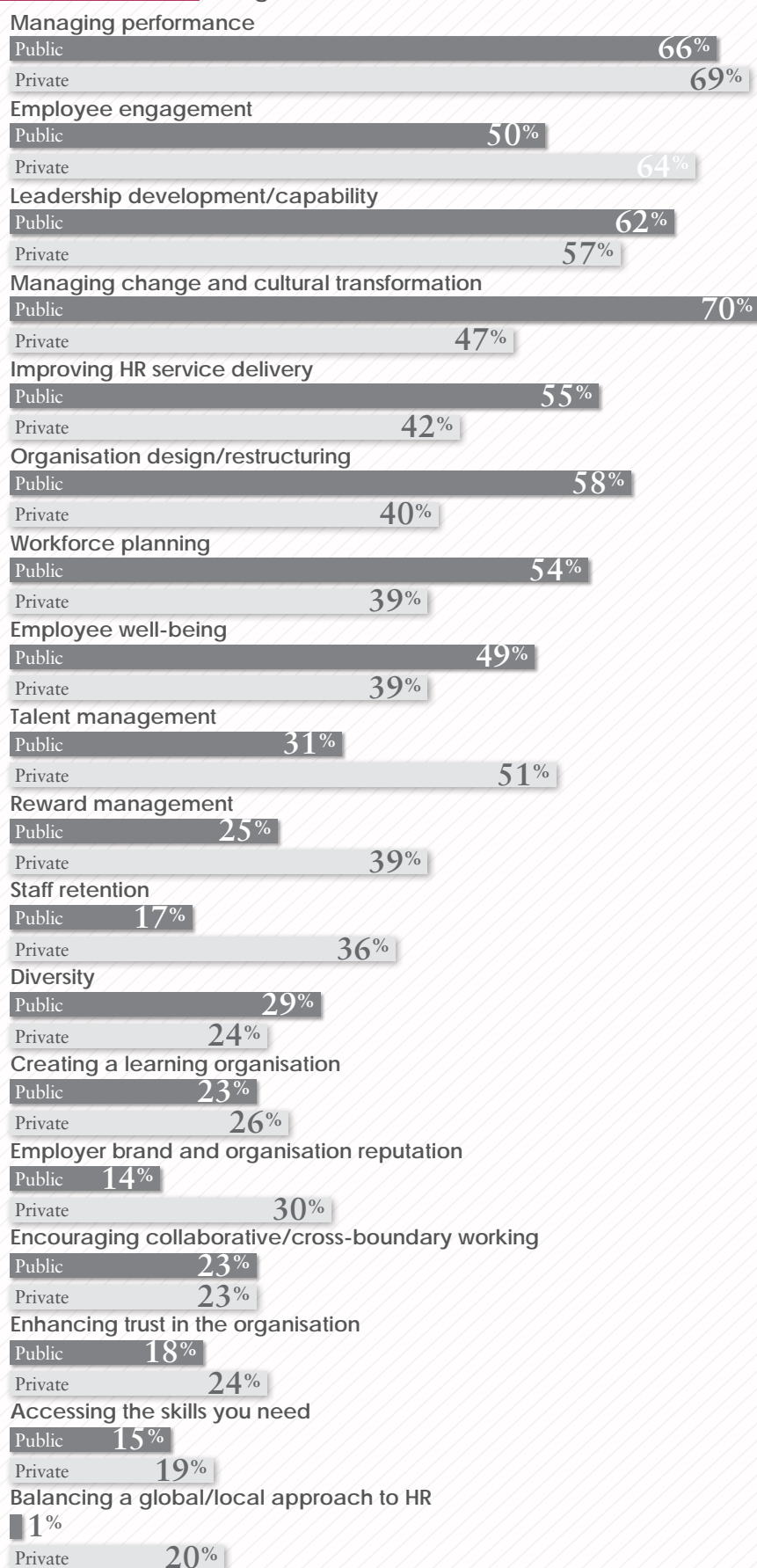


Q. From the list below, which, if any, of the following HR areas is your HR function currently focusing on? (Please tick all options that apply)

Base: All HR professionals (1,152)

Figure 9

Areas of focus of HR functions, by organisation sector



Q. From the list below, which, if any, of the following HR areas is your HR function currently focusing on? (Please tick all options that apply)

Base: All HR professionals working in private sector (650) or public sector organisations (337)

When comparing private and public sector organisations, there are noticeable differences (Figure 9). In the private sector, there is significantly greater focus on employee engagement, staff retention and talent management, whereas the public sector favours managing change and cultural transformation, workforce planning, employee well-being and organisation restructuring. In these austere times, this is not surprising, as maintaining an optimum workforce through large-scale change is essential for long-term performance.

The public sector favours managing change and cultural transformation, workforce planning, employee well-being and organisation restructuring.

Figure 10 compares the areas of focus of HR departments within SMEs and larger organisations. Managing performance remains integral in both business types. However, while SMEs look to avoid the expenses associated with recruiting new people by aiming greater focus on staff retention, larger organisations prefer to work on improving HR service delivery, talent management, leadership development, and managing change, amongst others.

How HR professionals operate

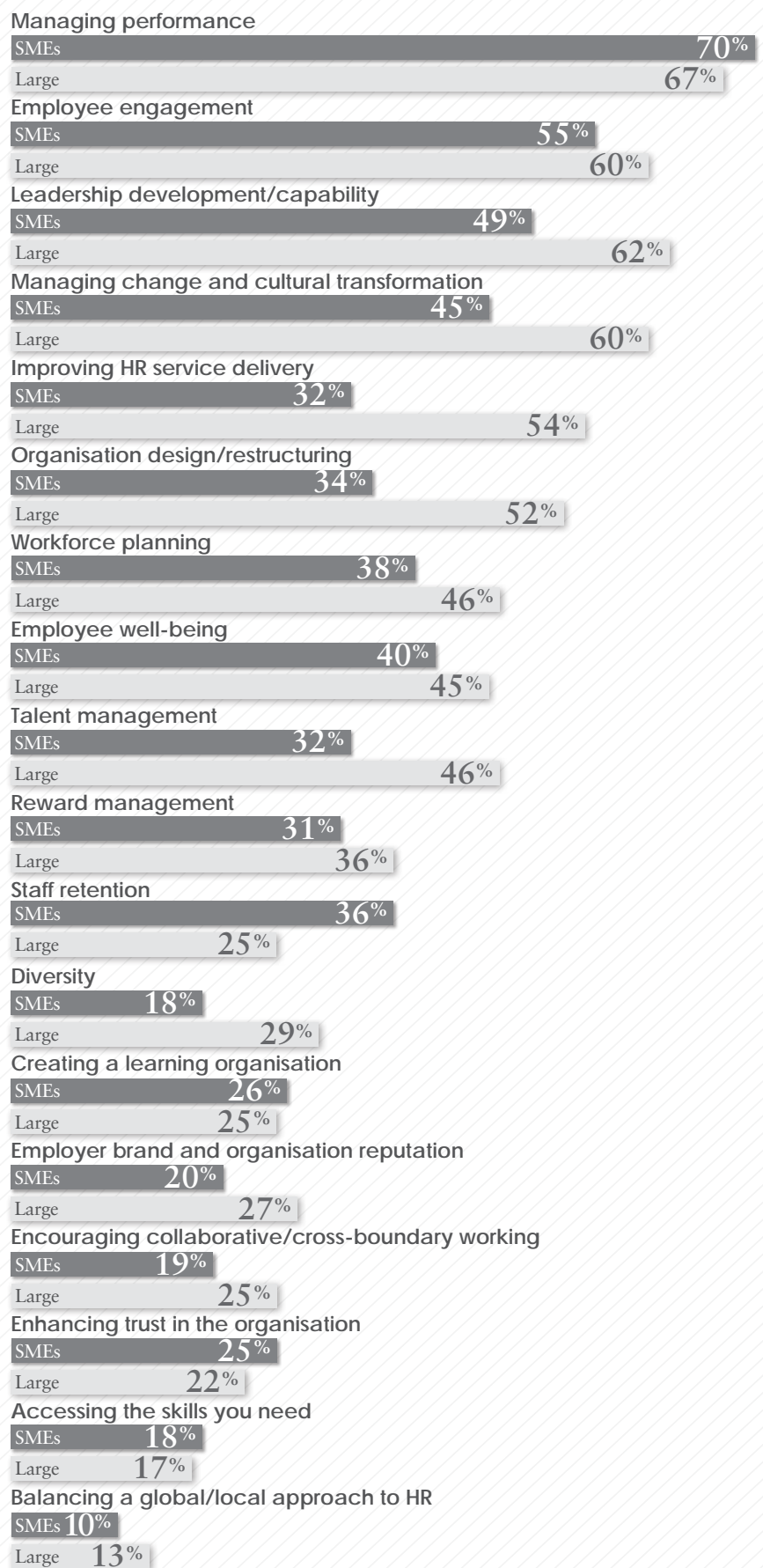
As well as examining what HR departments are focusing on, we also included questions in the survey about how HR professionals operate. We asked respondents if they display the key behaviours in our CIPD HR Profession Map. This map sets out the activities, knowledge and behaviours that HR professionals need to display to operate effectively.

Ninety-eight per cent say they ‘act with integrity, impartiality and independence’; 93% state that they ‘challenge inappropriate behaviours and actions’. (Figure 11)

62% of large organisations focus on leadership development and capability

Figure 10

Areas of focus of HR functions, by organisation size



Q. From the list below, which, if any, of the following HR areas is your HR function currently focusing on? (Please tick all options that apply)

Base: All HR professionals working for SMEs (352) or large organisations (794)

Furthermore, the majority said they are prepared to voice their opinions in the interests of the organisation that they work for, with 88% agreeing that they ‘provide a balanced view of the risks and benefits of managers’ decisions’.

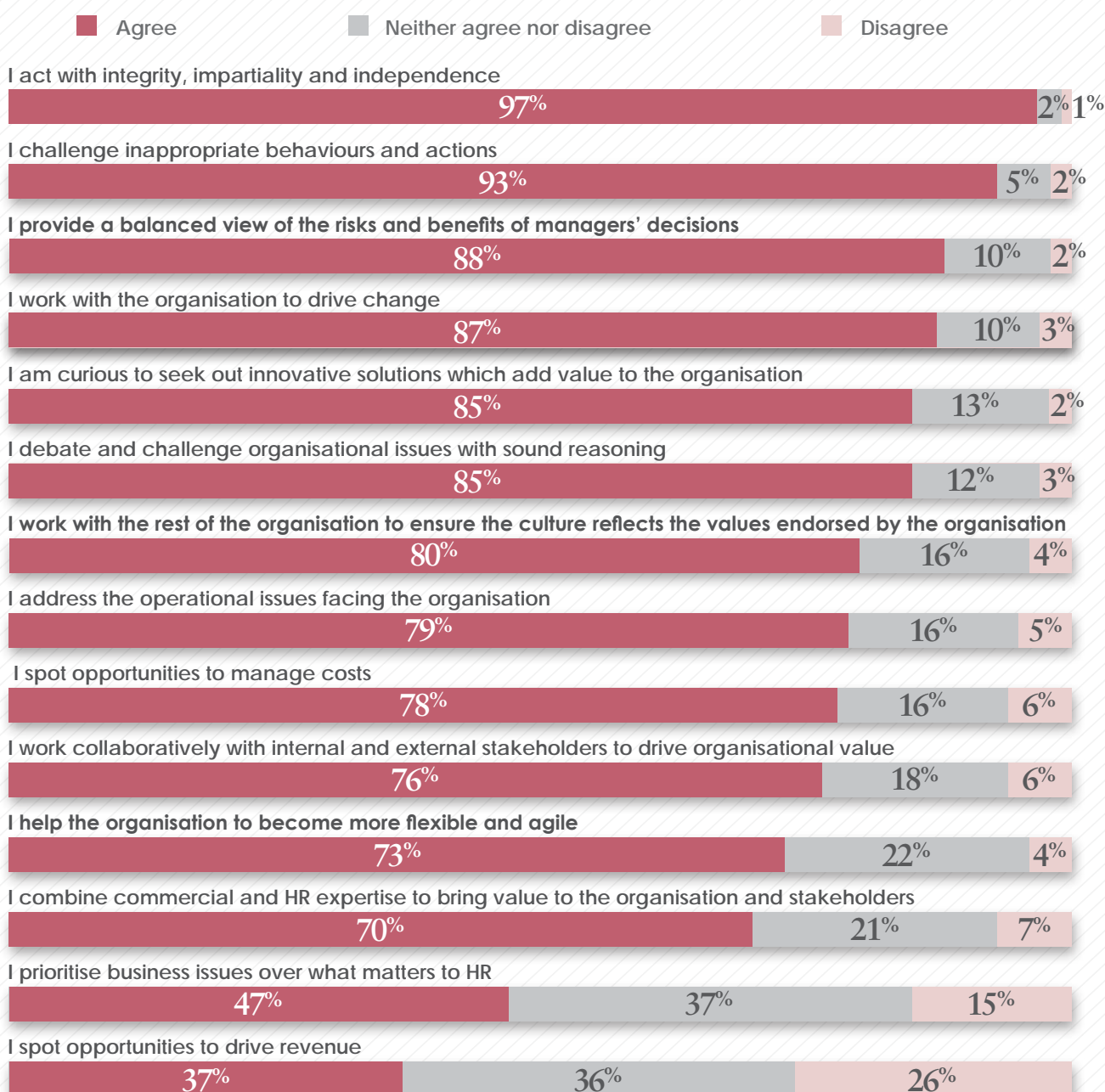
HR professionals are also confident that they proactively engage in helping to improve their

organisations, with 87% agreeing that they ‘work with the organisation to drive change’ and 85% highlight that they search for innovative solutions to add value to their business.

However, areas for improvement are also highlighted as it is clear that HR professionals, on the whole, see their focus as being on HR issues, with less focus on driving revenue (37%)

and wider business issues. Fewer than half of respondents (47%) ‘prioritise business issues over HR matters’. It is interesting to note that this figure rises when looking at HR business partners (59%) and heads of functional areas (65%), whose roles typically involve working closely with particular departments within their organisations.

Figure 11 Attitudes of HR professionals on how they operate



Q. The following statements relate to actions that you may/may not be undertaking as an HR practitioner. To what extent do you agree or disagree with the following statements?

Base: All HR professionals (1,152)

Table 2: Attitudes of HR professionals on how they operate, by salary

	Up to £30k	£30k to £49k	£50k to £99k
I act with integrity, impartiality and independence	96	98	97
I challenge inappropriate behaviours and actions	90	95	93
I provide a balanced view of the risks and benefits of managers' decisions	79	91	91
I work with the organisation to drive change	78	88	91
I am curious to seek out innovative solutions which add value to the organisation	79	85	87
I debate and challenge organisational issues with sound reasoning	76	87	90
I work with the rest of the organisation to ensure the culture reflects the values endorsed by the organisation	78	80	80
I address the operational issues facing the organisation	70	81	83
I spot opportunities to manage costs	72	79	82
I work collaboratively with internal and external stakeholders to drive organisational value	68	79	81
I help the organisation to become more flexible and agile	66	75	76
I combine commercial and HR expertise to bring value to the organisation and stakeholders	57	73	83
I prioritise business issues over what matters to HR	35	49	59
I spot opportunities to drive revenue	28	38	42

Q. The following statements relate to actions that you may/may not be undertaking as an HR practitioner. To what extent do you agree or disagree with the following statements? (% agree)

Base: All HR professionals earning up to £30,000 (302); £30,000–49,000 (594); £50,000–99,000 (222)

Seventy-eight per cent of HR professionals agree that they 'spot opportunities to manage costs'. Interestingly, this figure is higher when looking at those who have previously worked in a non-HR role (80% vs. 70% of those who have always worked in HR).

If we make the assumption that salary demonstrates a level of seniority, Table 2 suggests that more senior HR professionals are generally more involved in the wider organisation. This is demonstrated

by three in five of those earning £50,000+ saying they 'prioritise business issues over what matters to HR', compared with fewer than half of those earning under £50,000.

Around nine in ten of those earning more than £30,000 agree that they 'work with the organisation to drive change'. Again, this is significantly higher than the lower earners.

In a couple of areas, salary does not influence the actions of HR professionals. These specifically

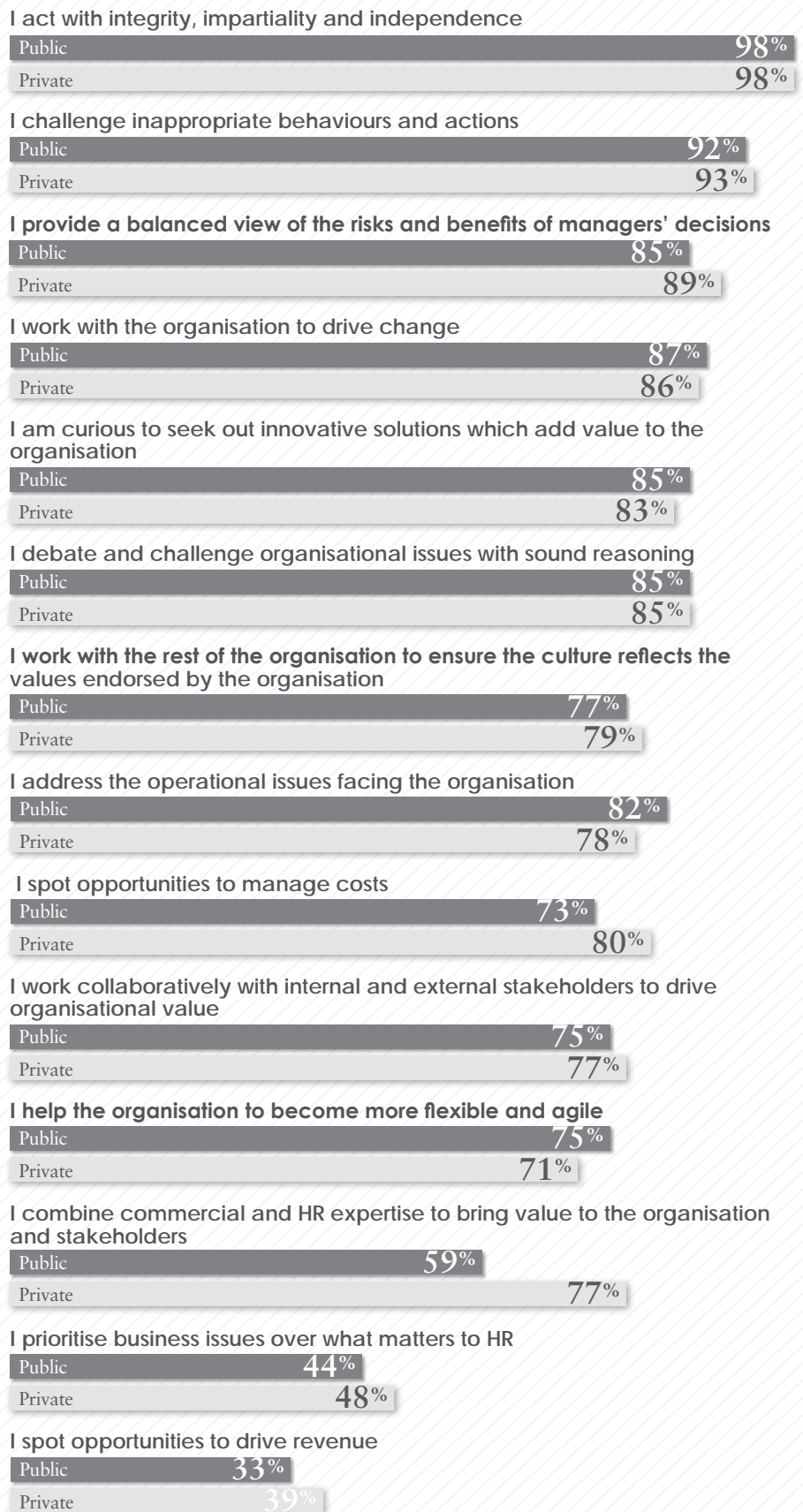
involve behaviour around the workplace including 'acting with integrity, impartiality and independence', 'challenging inappropriate behaviour' and 'ensuring the culture reflects the values of the organisation'.

Figure 12

Attitudes of HR professionals on how they operate, by organisation sector

Figure 12 shows there are some noticeable differences between the way HR professionals operate in the private and public sectors. Thirty-nine percent of those in the private sector agree with the statement ‘I spot opportunities to drive revenue’, compared with 33% in the public sector. Furthermore, there is a significant gap when looking at the statement ‘I combine commercial and HR expertise to bring value to the organisation and stakeholders’ (77% of private versus 59% of public). A little surprisingly, more private sector workers (80%) than public (73%) ‘spot opportunities to manage costs’. Considering the need for the public sector to control their spending and reduce costs, perhaps we will see this gap close in the short term.

Thirty-nine per cent of those in the private sector agree with the statement ‘I spot opportunities to drive revenue’.



Q. The following statements relate to actions that you may/may not be undertaking as an HR practitioner. To what extent do you agree or disagree with the following statements? (% agree)

Base: All HR professionals in private sector (650); public sector (337)

3 Developing HR capability

The most important areas for personal development concern HR professionals' business understanding. Building relationships with colleagues throughout the organisation and understanding their priorities is the most cited area for personal development, followed by building an understanding of the wider business context that their organisation operates in.

Areas of personal development

We asked HR professionals to tell us what their priorities for personal development are (Figure 13). Regardless of which sector HR professionals work in, there is agreement that 'building relationships with colleagues throughout the organisation and understanding their priorities' is the most important development area (53% of HR professionals citing this).

A further important personal development priority is to build an understanding of the wider business context that their organisation works in, with 47% of HR professionals reporting this. HR professionals in the private sector (49%) are significantly more likely to say this is a personal development priority than public sector HR professionals (41%).

There are also sectoral differences in terms of whether HR professionals say they need to 'develop an understanding of what drives business value/competitive advantage for the organisation'. This is significantly more likely to be a development priority for private sector HR professionals (45%) than HR professionals in the public sector (33%), reflecting the different objectives of the sectors.

HR professionals identified that the area of least importance for their personal development is 'seeking experience outside the HR function to broaden their career options beyond the HR function' (25% reported as a priority). This finding may reflect the fact that 75% of HR professionals already have experience of working in other functions. Other development areas of lower priority are 'improving ability to communicate effectively with all stakeholders in the language of the organisation' (35%) and 'building specialist HR expertise, for example reward, learning and development' (35%).

How personal development priorities differ by salary and job role level

If we again make the assumption that salary represents level of seniority, analysing personal development priorities by reported salary level shows the difference in areas of focus across the HR profession (Table 3). Those on lower salaries are significantly more likely than those on the highest salaries to report that it is a priority for them to build their ability to coach line managers on people management issues, build courage and confidence to debate and challenge issues, build specialist expertise and be looking to seek experience outside of the HR function to enhance their abilities as an HR professional.

As salary level increases, HR professionals are significantly more likely to report that a personal development priority is developing understanding of what drives business value/competitive advantage for their organisation (44% of those earning £50,000 to £99,000 reporting this compared with 34% of those earning up to £30,000).

Regardless

of which sector HR professionals work in, there is agreement that 'building relationships with colleagues throughout the organisation and understanding their priorities' is the most important development area.

Figure 13

Areas of personal development for HR professionals, by organisation sector



Q. Which, if any, of the following are important development areas for YOU personally? (Please tick all options that apply)

Base: All HR professionals in private sector (650); public sector (337)

Table 3: Areas of personal development for HR professionals, by salary (%)

	Up to £30k [a]	£30k to £49k [b]	£50k to £99k [c]
Building relationships with colleagues throughout the organisation and understanding their priorities	59	53	46
Building ability to coach line managers on people management issues	51 [c]	45 [c]	30
Building courage and confidence to debate and challenge issues for the benefit of the organisation	47 [c]	42 [c]	31
Building specialist HR expertise, for example reward, learning and development	46 [b,c]	32	27
Seeking experience outside the HR function to enhance my abilities as an HR professional	46 [c]	39 [c]	30
Building understanding of the wider business context your organisation operates in	45	45	52
Developing influencing skills to gain stakeholder support and commitment	44	48	41
Organisational development and change management skills	42	51 [a,b]	42
Developing the ability to use data to improve the quality of business decisions	39	39	41
Improving ability to communicate effectively with all stakeholders in the language of the organisation	36	36	30
Developing understanding of what drives business value/competitive advantage for the organisation	34	42 [a]	44 [a]
Seeking experience outside the HR function to broaden my career options beyond the HR function	27	24	27
Other	2	2	1
Not applicable – no identified key priority areas for building HR capability	1	2	1
Don't know	1	0	0

Q. Which, if any, of the following are important development areas for YOU personally? (Please tick all options that apply)

Base: All HR professionals earning up to £30k (302), £30k to £49k (594) or £50k to £99k (222)

Figures in red and the letter underneath figures represent a statistically significant difference to the figure in the column represented by the letter.

Those on lower salaries are significantly more likely to seek experience outside of the HR function to enhance their abilities as an HR professional.

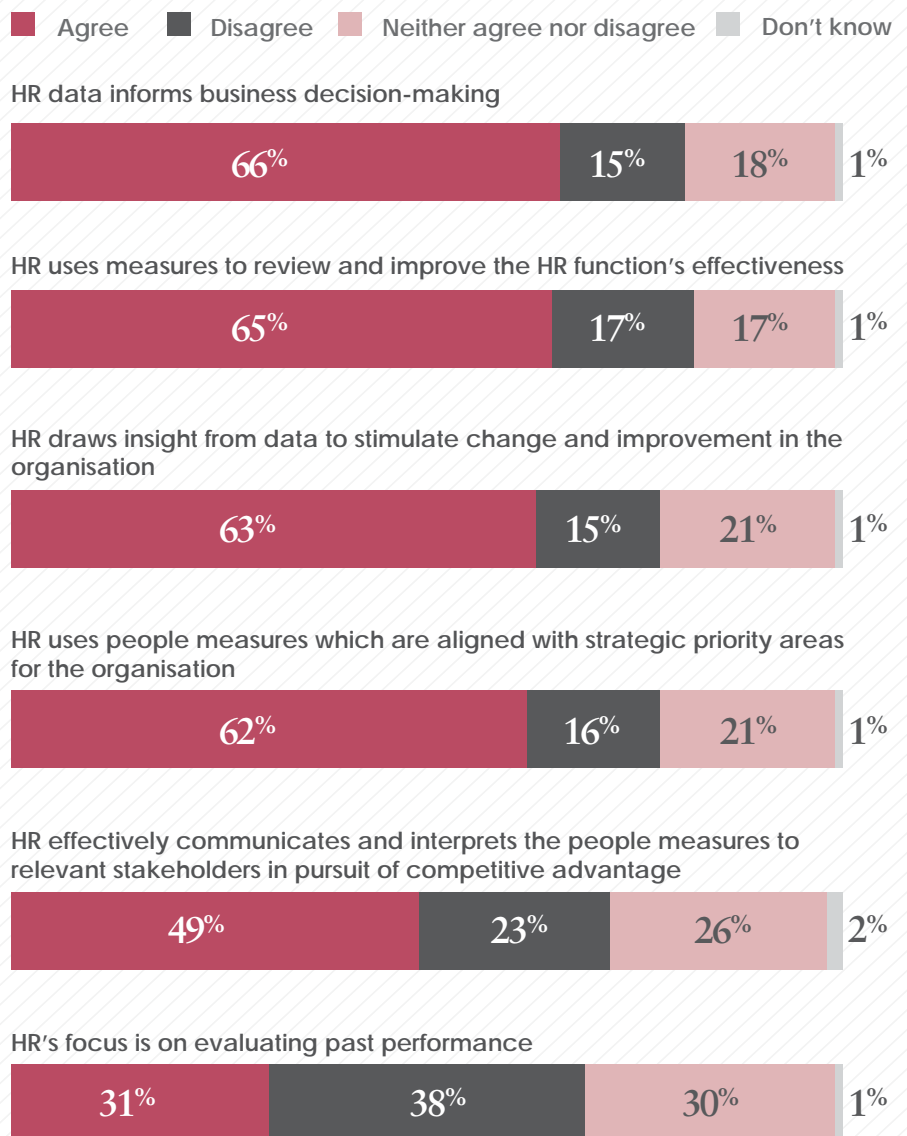
4 HR's use of data and metrics to demonstrate impact

The majority of HR professionals (66%) agree that HR data informs business decision-making. This is the case across both the private and public sector and all sizes of organisation.

There is also strong agreement from HR professionals that HR uses measures to review and improve the HR function's effectiveness (65% agreed), that HR draws insight from data to stimulate change and improvement in the organisation (63% agreed) and that HR uses people measures which are aligned with strategic priority areas for the organisation (62% agreed).

Figure 14

Views of HR professionals about the use of data in their organisations

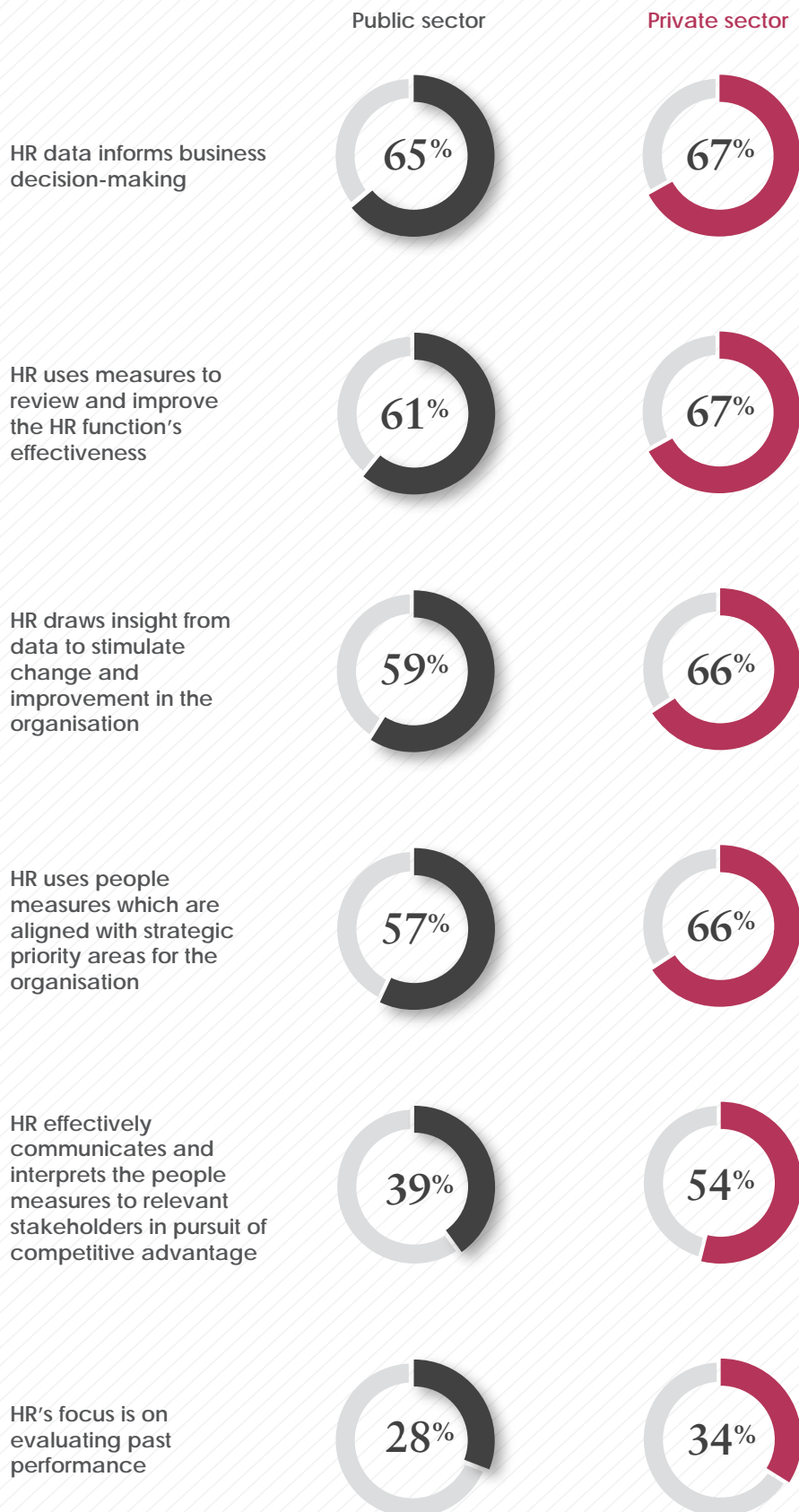


Q. Thinking about the HR function within your organisation, to what extent do you agree or disagree with the following statements?

Base: All HR professionals (1,152)

Figure 15

Views on the use of data in HR, by organisation sector (strongly agree plus agree scores shown)



There is opportunity for improvement around the effective communication and interpretation of people measures to relevant stakeholders in pursuit of competitive advantage. Nearly half (49%) of HR professionals agree that they currently do this well, but 23% disagree.

When asked if HR's focus is on evaluating past performance, HR professionals are more likely to disagree than agree. This is to some extent a positive result as it suggests more emphasis is given to future planning than measuring the past.

There are sectoral differences in the use of data in HR departments (Figure 15), with HR professionals in the private sector more likely to say they communicate and interpret people measures in pursuit of competitive advantage (54% agreeing) than in the public sector (39%). The same is true of HR drawing insight from data to stimulate change and improvement in the organisation (66% in the private sector agreeing compared with 59% in the public sector) and whether or not HR departments use people measures which are aligned to the organisation's strategic priorities.

Q. Thinking about the HR function within your organisation, to what extent do you agree or disagree with the following statements?

Base: All HR professionals in the private sector (650) and the public sector (337)

Conclusions

Through examining current issues and emerging trends within HR, we have constructed a picture of HR today, including the changing profile of HR departments and the main areas of HR focus. We also asked the HR professionals we surveyed about their personal development priorities, and looked at how HR uses data and metrics to demonstrate its impact on business performance and drive change in the business.

The findings reveal interesting sector differences which can largely be seen to reflect the current economic climate we are operating in. For example, given the amount of change and the budget squeezes in the public sector, it is not surprising that public sector organisations are more likely than the private sector to have seen a decrease in the size of their HR function as well as more likely to have undergone an HR structural change.

The survey also reveals interesting differences between SMEs and larger organisations. Although managing performance is the top priority for all organisations, SMEs have a greater focus on staff retention than larger organisations. In comparison, HR departments in larger organisations have a greater focus on areas such as encouraging collaborative and cross-boundary working, managing change and cultural transformation, talent management and leadership development. Although important issues for SMEs to attend to, these may be considered more of an issue when the workforce exceeds a certain size.

What are the key messages from the survey for HR?

The survey has highlighted many areas of positivity for HR but also some areas where HR professionals can make a greater contribution to business performance.

Take a wider organisation view

Most notably the findings point to a need for HR to be looking at the bigger picture, being focused on what matters to the organisation rather than just what

matters to HR. They need to work harder to position HR activity in the context of wider organisation issues through combining commercial and HR expertise.

This change of emphasis requires HR professionals to gain a better understanding of operational issues through developing relationships with colleagues throughout the organisation and having a greater appreciation of the external context their organisation is operating in. When we asked HR professionals about their most important areas for personal development, these two areas came out top.

In the survey we use salary level as a proxy for seniority and found that higher earners report a greater appreciation of wider business issues than those earning lower salaries. Three in five of those earning £50,000+ agree that currently they are ‘prioritising business issues over what matters to HR’, compared with just over a third of those earning less than £30,000. This finding suggests that the culture of thinking more critically about wider organisation issues at the moment doesn’t cut across all levels of HR seniority, making it a necessary area for professional development at lower grades.

- *To what extent do you understand the priorities of your stakeholders?*
- *How is the information gathered from stakeholders used to inform your HR activity?*

Balance immediate business imperatives with a longer-term view

The pressure to focus on the ‘here and now’, resulting from the uncertainty facing most businesses about future revenues and budgets, can affect the wider business’s expectations of HR.

Our findings show that the top current priority for the majority of HR functions is managing the performance of existing staff, which is not surprising given the

caution many businesses have about expanding their workforce until they are convinced the economy is on a path to sustained growth.

However, it is encouraging that employee engagement and leadership development complete the top three priority areas, signalling that in many organisations HR is still paying attention to longer-term issues. Our other CIPD research shows that engagement remains a primary concern for many organisations who want to hang on to existing staff rather than letting people go in a downturn and recruiting again in an upturn, which is the alternative, costly strategy.

The need for organisations to balance the tension between responding to current and future scenarios can put people issues at the heart of the business agenda. For example, organisations reducing pay and pensions at the same time want to increase engagement. HR therefore has a valuable opportunity to demonstrate competitive advantage through excellent people management. Although the current environment is characterised by caution, business leaders can be receptive to creative ideas. But HR will still need to construct and communicate a strong business case for areas that need attention to ensure the longer-term people issues remain on the agenda.

- *To what extent is your activity dictated by the current focus on cost management and productivity?*
- *Are you taking the opportunity to put in place what the organisation needs to meet its longer-term aspirations?*

Clearly demonstrate HR's impact on business performance

The current spotlight on cost management and productivity makes it even more important that HR demonstrates its contribution to business performance. However, as well as proving worth and past accomplishments, HR data needs to inform business planning across the organisation.

However, the survey findings suggest that currently HR is not as effective as it could be in interpreting and communicating people measures to relevant stakeholders. This needs to be an area of attention for HR teams in the public sector in particular, with only 39% of respondents in this sector saying they interpret and communicate people measures effectively. Critically, measures used need to be clearly linked to the organisation's strategic priority areas and in the language of the business.

Doing this effectively requires a high degree of 'business savvy' from HR, including a detailed understanding of how the business operates, the key stakeholders, the future vision and the external environment. It also requires certain behaviours of HR, many of which we have already mentioned in this survey report: curiosity, courage to challenge and being personally credible.

- *Are you collecting and presenting data in a way that is meaningful to others in different parts of the business? How do you know?*
- *Is your focus on measuring past performance, or are you using data to draw insight which can then be used to inform future business activity?*

Summary

The survey findings highlight the areas of strength for HR as well as those areas which require attention if HR is to maximise its visibility and impact on business performance, and hence its reputation as a central business function.

We hope you find the survey findings a useful resource when considering your organisation's HR approach as well as ideas for your own professional development. At the end of this report we make reference to other CIPD resources which you might find useful.

Appendices

Method

On behalf of the CIPD, YouGov undertook the 2012 wave of the *HR Outlook* tracking study looking into views of HR professionals – the survey was conducted online by YouGov using the CIPD membership database consisting of approximately 132,000 members. The survey was carried out 7–28 September 2012.

The target sample for this survey was the ‘HR profession’ and included all levels of seniority. A summary of the sample profile can be seen below. In total, 1,152 responses were received from HR professionals.

Independent sample t-tests have been used to examine whether differences between groups are significantly different than could be expected by chance. We report on statistics at the generally accepted level of significance, $p < 0.05$.

Sample profile

Table 4: Distribution of responses, by organisation sector

Sector	%	Count
Private sector firm or company	56	650
Public	29	337
Charity/voluntary sector	12	141
Other	2	24

Table 5: Distribution of responses, by organisation size

Size	%	Count
1–49	7	86
50–99	8	90
100–249	15	176
250–499	12	137
500–999	11	122
1,000–4,999	23	262
5,000–9,999	10	118
10,000–19,999	5	61
20,000 and over	8	94

Table 6: Job role profile of the survey sample

Job role	%	Count
Director – top executive with overall responsibility for own function with board membership or equivalent	1	16
Senior executive/group role – top executive with overall responsibility for HR but without board membership or equivalent	4	45
Head of functional area – individual with responsibility for running a particular area of HR, for example reward, learning and development	14	156
HR business partner – individual in a role defined as being a strategic partner to a particular area of the organisation	17	198
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	31	357
Senior officer – individual in senior position with strong professional role – may have supervisory responsibilities for departmental work and/or manage a small team	13	148
Officer – an experienced officer with first level of professional responsibility but with more than two years’ experience as an officer	13	147
Administrator/assistant – a less experienced officer with less than two years’ experience in function	4	45
In-house consultant/adviser – individual working within an organisation on a programme/project, possibly working cross-functionally	3	35
HR graduate trainee	0	5

Further sources of information

Here are some other CIPD resources, related to the topics examined in this *HR Outlook: Views of our profession* survey report, which you may find useful.

CIPD HR Profession Map

Our HR Profession Map sets out the activities, knowledge and behaviours that HR professionals need to display to operate effectively, and each behaviour is described across four bands of professional competence. We detail what HR professionals need to do to be truly collaborative, working effectively and inclusively with a range of people, both within and outside of the organisation. In addition, the Map shows what HR professionals are doing to skilfully influence decisions and gain the necessary commitment and support from diverse stakeholders in pursuit of organisation value.

Next Generation HR: Insight-driven

In this report we discuss how HR professionals can maximise their impact on business performance through generating informed and powerful insight about what the organisation needs for the long term. To do this effectively, and act as both a partner and provocateur in the business, HR needs a deep understanding of organisation, business and context.

Shaping the Future: Final report

The Shaping the Future research programme examines what drives sustainable performance during both positive and challenging economic times, with key insights for HR's attention. The report details the findings from our work with six case study organisations over the three years of the programme. We examine the innovative and creative ways they were able to respond to immediate demands to cut costs and make efficiency savings, while still meeting the objectives of their various longer-term change programmes.

Shaping the Future practical tool: Using HR metrics for maximum impact

This practical tool builds on our leading-edge Shaping the Future research, providing practical guidance on how to use metrics for maximum impact. The tool helps you to identify where HR can make a strategic impact, align HR measures with organisation priorities, and how you can communicate metrics and related insights to inform action.

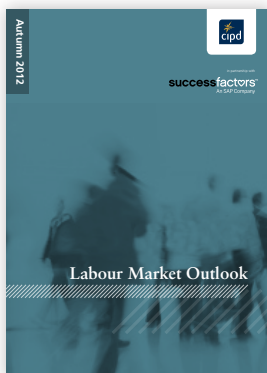
Business Savvy: Giving HR the edge

This report examines what makes HR professionals 'business savvy' and presents four areas for professional development. In short, HR needs to truly understand and engage with the business model to ensure HR solutions are informed by business realities. And as a function they need to be able to interpret data, draw meaning from it and use evidence effectively to inform the HR approach. This report describes how, as well as having deep HR expertise, we need to get outside the HR function, to connect and collaborate with other parts of the organisation. Using HR and wider organisation knowledge in tandem enables us to add organisational value through excellent people management.

CIPD Outlook series

The *HR Outlook* is part of the CIPD Outlook series, which also includes the *Labour Market Outlook* and the *Employee Outlook*. 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.

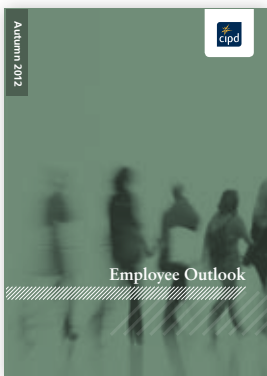
Others in the series



Labour Market Outlook

The *Labour Market Outlook*, published in partnership with SuccessFactors, provides a quarterly update on key HR, economic and labour market statistics. The aim of the survey is to produce an industry-valued benchmark of key HR statistics that can be used by CIPD members, as well as those in government, policy and wider business circles.

cipd.co.uk/labourmarketoutlook



Employee Outlook

The *Employee Outlook* provides a quarterly update on the attitudes of employees in the UK and the HR challenges facing employers. It regularly covers attitudes towards management, work-life balance, workload and pressure, communication, and bullying and harassment.

cipd.co.uk/employeeoutlook



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