

Winter 2012-13



**100**  
**YEARS**  
OF LEADING HR  
INTO THE FUTURE

# HR Outlook

A variety of leader perspectives

## 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 their help in developing this report
- interviewees for sharing their insight and experiences with us
- 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](mailto:research@cipd.co.uk)

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# Introduction

Welcome to the 2012 edition of our *HR Outlook: A variety of leader perspectives* survey report. This report is aimed at HR and wider business leaders and is designed to provide insight and expert commentary about HR's current and future contribution to business performance. We compare the views of HR and non-HR business leaders (referred to in this report as business leaders) to highlight emerging trends, provoke discussion and move on the debate about HR's role.

We examine the extent to which HR and business leaders are aligned on business priorities both for today and tomorrow, and compare views about how the HR function contributes to achieving them. We also look at the capabilities required of HR and how the function demonstrates its impact on business performance.

We have also conducted a survey of the HR profession more widely, examining emerging trends and future priorities. *HR Outlook: Views of our profession* can be accessed at [cipd.co.uk/hroutlook](http://cipd.co.uk/hroutlook)

These *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.

## The research

We surveyed 107 HR leaders, who are defined as people who have ultimate responsibility for the HR function within businesses that employ over 250 people. We excluded those working in smaller organisations from the sample as we have a separate report and tool focused on SMEs, *Achieving Sustainable Organisation Performance through HR in SMEs*.

We also surveyed 369 senior decision-makers about the same issues to see whether HR's view of itself is aligned with the views of the rest of the business. It should be noted that we have not interviewed business leaders and HR leaders from the same organisations.

Ten HR leaders and ten leaders from the wider business were interviewed to examine the issues in more depth. Within this report we highlight some of the current good practice that emerged from these interviews about the role of HR in driving business performance.

### The report structure

The report is divided into three parts:

#### 1 We prioritise the same things

In this section we highlight the broad agreement between HR and business leaders on current and future business priorities. It shows that managing the cost base is the key priority. We look at what HR is doing operationally to meet this and the other top priorities identified, and examine how this compares with what business leaders think HR should do.

#### 2 We are not always connected

In this section we demonstrate that although there are good examples of HR and the rest of the business working together, there can be a disconnect in perceptions of HR's role. For example, the survey reveals differences in views about HR's involvement in strategy, having the ear of the board and CEO, and being an agile, proactive, horizon-scanning function. The findings suggest there may be a tension between what HR leaders want to contribute and the demands placed on them in the current economic context in terms of the immediate business imperatives they need to address.

#### 3 What happens now?

In this final section of the report we draw out six insights that HR needs to act on. These insights have emerged from the survey research and we illustrate each with quotes from the interviews:

- Increase visibility and impact.
- Have the courage (and skills) to challenge and influence.
- Use data-based evidence to support business (not HR) agenda.
- Be curious. Be credible.
- Keep an eye on the long term – don't forget to invest in the talent and leaders of the future.
- See the current economic climate as an opportunity.

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

#### Further reading

In this section we recommend some other CIPD resources which you may find useful in turning the insights into practice.

#### Delve into the data

If you would like to look at the data behind the headline findings in more depth, we have published a separate appendix to this report, which can be downloaded with the report at [cipd.co.uk/hroutlook](http://cipd.co.uk/hroutlook)

# 1 We prioritise the same things

**Cost** management prevails as the top priority for organisations.

## Introduction

In this section we examine organisations' priorities for both now and the future and show how closely HR and business leaders are aligned on these issues. We also demonstrate that both are 'kept awake at night' by the same challenges. Finally, we look at whether HR is doing what the rest of the business needs it to do to address these priorities.

## Today's priorities

Looking first at the current priorities of business leaders gives us insight into the context within which HR operates (Figure 1).

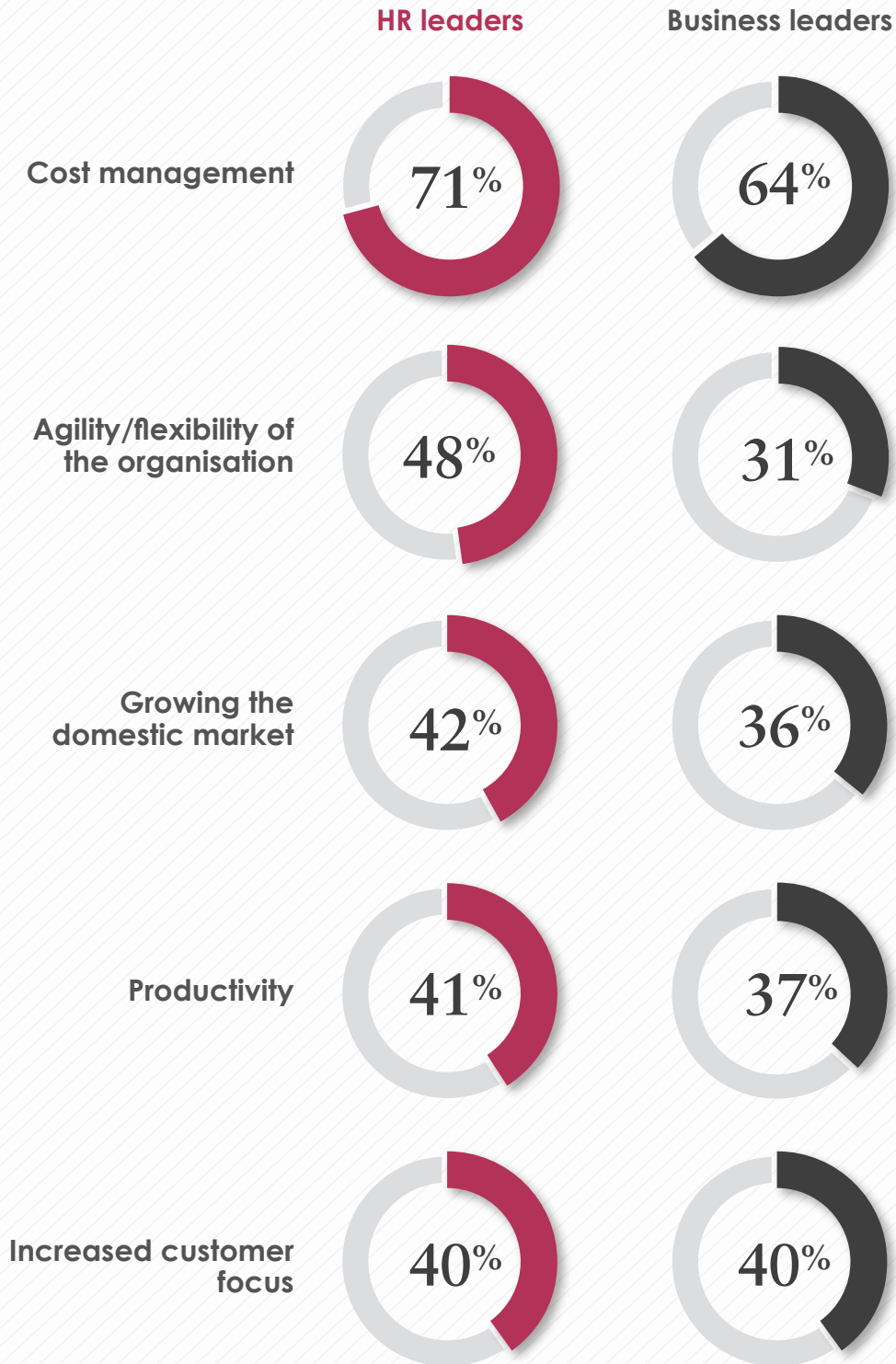
The ongoing focus on cost management reflects the uncertainty facing most businesses about future revenues or budgets.

Businesses have clearly been bearing down on costs and we expect more of this to come, as in the main, businesses continue to see difficulties in the short term and are therefore being cautious in planning for recovery.

This is important because it has implications for the wider business's expectations of HR. HR need to consider the extent to which their activity is dictated by the focus on cost management, or whether they are, at the same time, taking the opportunity to put in place what the organisation needs to meet longer-term aspirations.

**Figure 1**

The top priorities for today: alignment between HR and business views (%)



## Organisations

talked about how people now have to work in a more flexible and agile way and achieve higher or similar outputs with a smaller number of employees, which often translates into employees having to work outside their comfort zone.

Figure 1 shows that HR and business are aligned on the top five priorities for business today. There is little doubt that HR leaders are in tune with the current business priorities, understanding the economic environment in which business operates.

Jane Cotton, HR Director of Oxfam GB, for example, is very much aware of having to place HR in the wider context of the business agenda and is used to putting on different hats based on the context in which she is interacting:

*‘Sometimes I almost think that I’m being a bit like the finance director. That’s fine you know, and sometimes I can behave more like the HR director. I think it’s really important that we don’t sit in our separate silos, so [everyone] really driving cost-effectiveness, cost-efficiency, really challenging people around that.’*

### Tomorrow’s priorities

When asked to specify the top business priorities for the next three years, the pattern of close alignment between business and HR is repeated. Both HR leaders and business leaders recognise the same top five issues, although HR puts more emphasis on each than business leaders. Both groups identify cost management as the number one future priority by a noticeable margin (Figure 2).

The leaders we interviewed talked about how people now have to work in a more flexible and agile way and achieve higher or similar outputs with a smaller number of employees, which often translates into employees having to work outside their comfort zone. There are potential implications for the job roles and skills required of the workforce in the future.

*‘How do we equip our staff to be able to do a broader range of duties than they did before? Given the aspirations of our organisations what that means is our staff have to think in a more commercial way than they have done previously. So it’s actually getting that shift of culture from being a very public sector organisation to having more of a private sector ethos about it.’*

**Gavin Wright, Director of HR, Hampshire County Council**

In the final section of this report we consider how HR can balance the tension it’s facing between responding to the immediate issue of cost control with keeping an eye on what the organisation needs for long-term sustainability. For example, although innovation fell outside of the top five ranking of priorities, this doesn’t mean it’s not important to organisations. The challenge is how to keep attention focused on such issues rather than being totally engulfed by immediate concerns.



**Figure 2**

The top priorities for tomorrow: alignment between HR and business views on business priorities for the next three years (%)

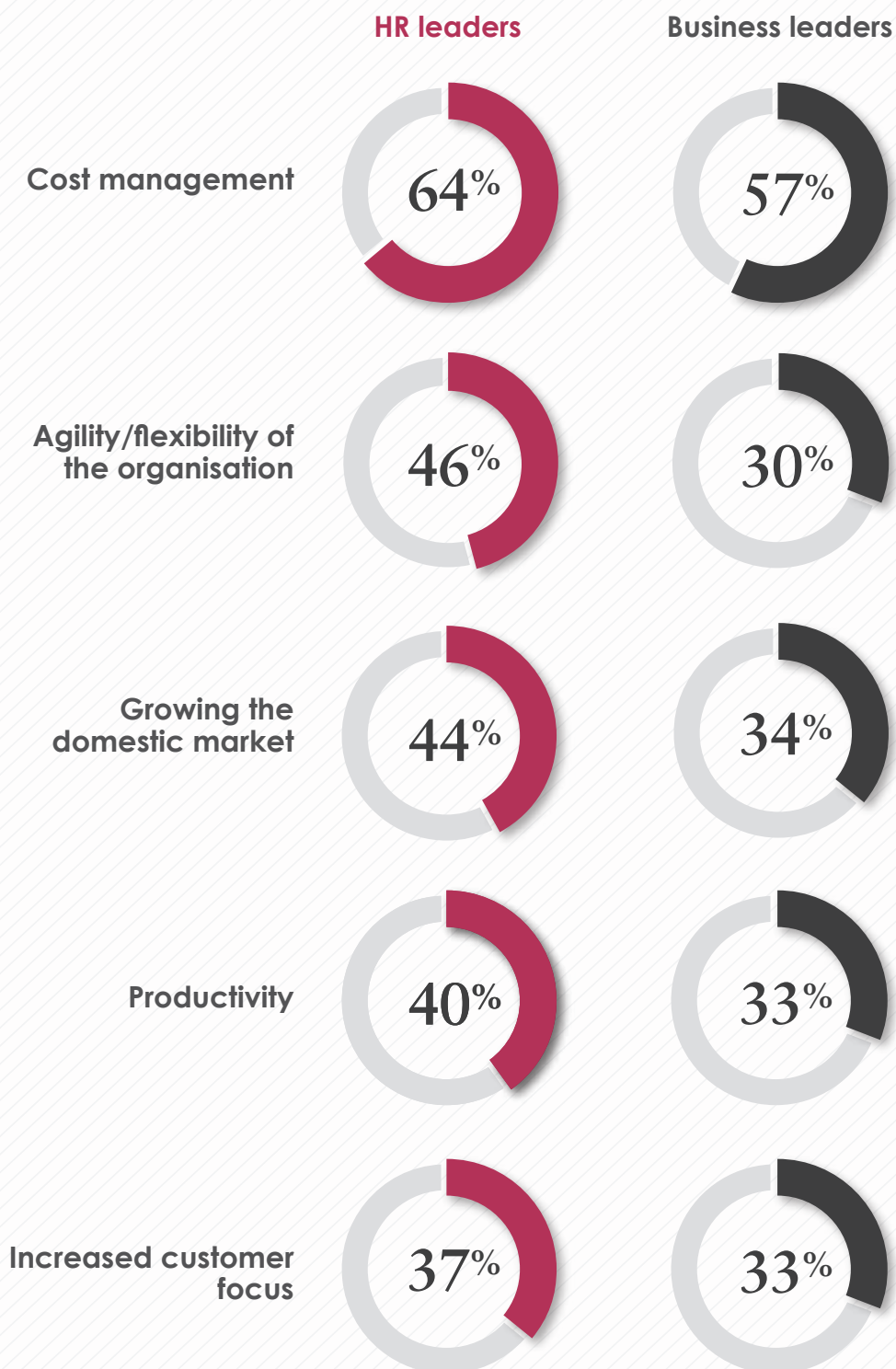


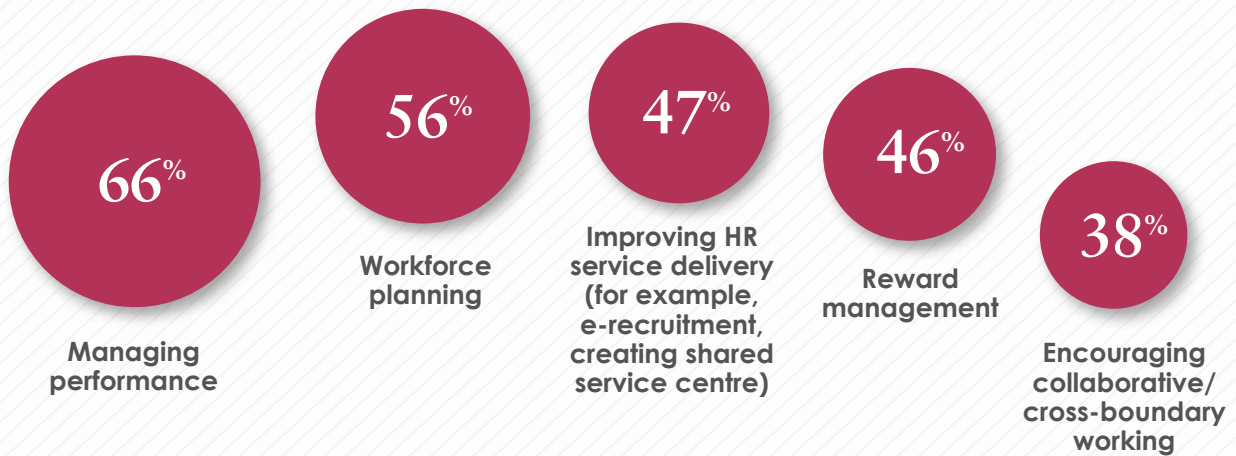
Figure 3

What does business want HR to do, and what will HR be focusing on, to meet the top business priority of cost management?

### Business leaders want HR to focus on...



### HR leaders are focusing on...



#### What do business leaders want HR to do to help them meet their priorities?

Having seen what the five key future priorities are according to both business and HR leaders, we were keen to understand what business leaders think HR should be focusing on to achieve each priority, and compare that with what HR leaders say the HR function will be focusing on.

Figure 3 shows that business and HR leaders agree about three areas HR should be focusing on to achieve the top priority of cost management, albeit they feature in a different order. There are a few points of difference in terms of what the other areas of focus should be. HR appears to be wearing two hats, not just looking at how cost management can be achieved in the wider business, but also at necessary changes in their own function.

Focusing on how they can improve service delivery suggests they recognise they are a cost centre and need to have their own house in order.

It is interesting to note that although leadership development/capability doesn't feature in the top five areas of focus for

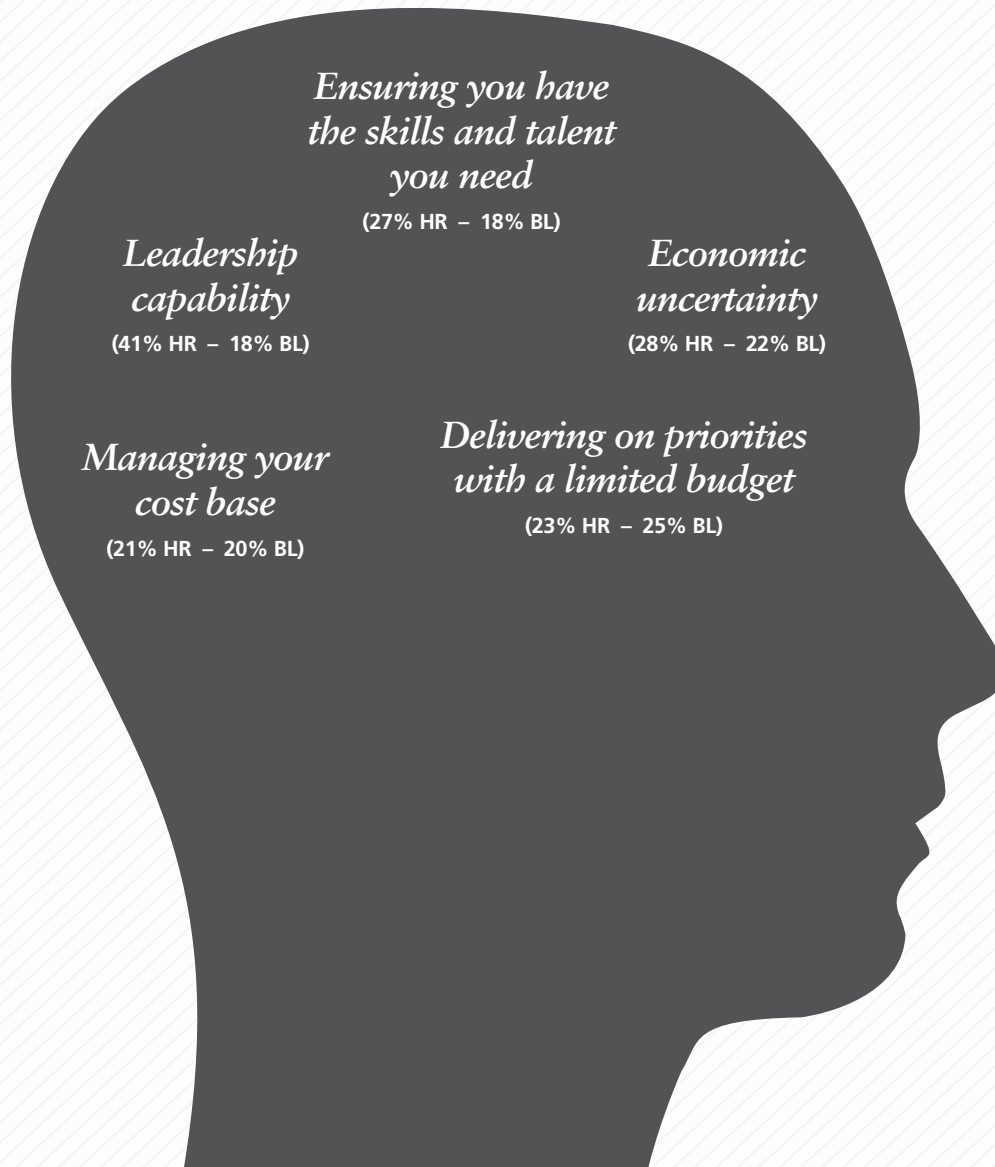
managing costs, it does feature in the top five areas for achievement of most of the other key business priorities, as does engagement. The findings therefore suggest leadership development and engagement are pivotal levers available to HR to drive the business agenda.

### What organisational challenges keep HR and business leaders awake at night?

In the same way that priorities are aligned, our findings show there is also a match between the top five challenges identified by HR leaders and the top five identified by business leaders (Figure 4).

*Figure 4*

What keeps you awake at night? The top five organisational challenges identified by HR leaders (HR) and business leaders (BL)



**HR is looking at leadership development and considering whether they have the capabilities needed for the workplace of the future as organisations will require different skill sets than have been needed before.**

HR leaders and business leaders lose sleep over the same things. Economic uncertainties and managing costs as well as delivering priorities on a limited budget are shared challenges identified by similar proportions of business and HR leaders.

Both sets of leaders also lose sleep over leadership capability and ensuring that the right skills and talent are in place, although to different extents. HR leaders put a much stronger emphasis on leadership capability and talent management, reflecting, perhaps, core people agenda values.

When we also look at the themes from the interviews with both HR and other business leaders, it appears that HR is focused not just on what needs to be in place now, in a time of belt-tightening and frugality, but what the organisation needs to face future scenarios. For example, HR is looking at leadership development and considering whether they have the capabilities needed for the workplace of the future as organisations will require different skill sets than have been needed before.

*'[We have] people who are very good technically, however to continue to enhance both our individual brand and overall organisation performance we have a requirement to further enhance our leadership capability with particular focus on the areas of developing the best and having a future focus.'*

**Lara Collins, Group Talent Director, Arcadia Group**

A key issue for HR here is its ability to challenge and influence the board to think beyond the short term, and encourage it to plan for the future. For example, continuing to invest in leadership of the future, even when attention is largely focused on immediate cost management priorities. This is discussed more fully in the next section.

## 2 We are not always connected

### Introduction

In this section we demonstrate that although there are good examples of HR and business working together, there can be a disconnect in perceptions of HR’s strategic involvement. For HR to maximise its contribution to business performance there needs to be a stronger connection between HR leaders and business leaders in terms of what they view HR’s current and potential role to be. The findings also suggest there may be a tension between what HR leaders want to contribute and the immediate demands placed on them by the rest of the business. This is something we consider further in section 3.

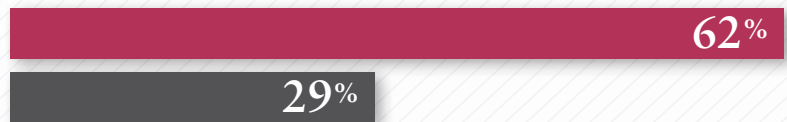
### HR leaders’ connection to strategy

HR leaders are clear that they are integral to setting the strategy and also involved in its implementation. Business leaders, on the other hand, are less likely to identify HR as being integral to the strategy. From a business perspective, HR is more involved in implementing strategy than devising it, as shown in Figure 5.

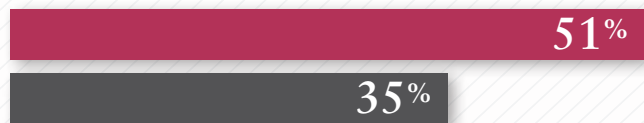
Figure 5

To what extent are senior HR people in your organisation involved in business strategy?

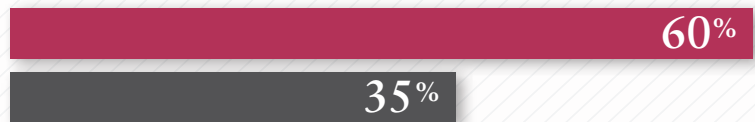
#### Integral in setting the strategy



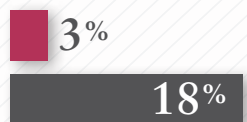
#### Involved in communicating the strategy



#### Involved in implementing the strategy



#### Don't know



#### Senior HR people have NO involvement



■ HR leaders ■ Business leaders

### Why do HR leaders and business leaders think differently about HR's involvement in strategy?

This is an interesting question to consider given that the survey data found that HR leaders and business leaders are closely aligned on organisational priorities and challenges.

First, it is worth noting that the survey data actually shows that there are a notable number of business leaders who do not know the extent of HR's involvement with the strategy.

Second, context is again important when assessing why there is a gap between what HR leaders believe their contribution to strategy to be and what those business leaders who have an opinion say it is. As was seen earlier, the agenda for many businesses is focused on cost management and productivity issues. It could be argued that there is limited scope for HR to be involved in devising the strategy when the strategy itself is of limited scope. In essence, there is not currently the demand for HR to act in a more strategic way and devise and influence strategy.

A challenge for HR in such a scenario is to examine where their contribution can be best made and then how to most effectively demonstrate the value of their contribution to business sustainability. The strategic focus of HR's attention may change over time, perhaps dependent on the organisation context, the

make-up of the HR team and the characteristics of the external environment. Our wider CIPD research has shown that there is no 'one size fits all' best practice guide.

Third, due to the administrative and bureaucratic nature of (some of) the current demands placed on HR, and the resulting processes in which HR are involved (for example aspects of employment law), business leaders can get the impression that HR is a slow, reactive part of the organisation – something that some HR leaders recognise as a challenge within their organisation and that they are actively looking to address.

*'We've started something here which is very much about busting bureaucracy. It's like more of a spring clean. I've challenged my HR team as everything we do should be improving the flow of the organisation. It shouldn't be causing friction... I think the people in my team are generally very good at making things happen and cutting through the bureaucracy to actually make it happen. I want to be feeling that we are go-getters.'*

**Andrew Powles, Director of HR, Highways Agency**

While in most cases this is more of an image issue than an actual reality, in some organisations the administrative side of things can absorb so much of HR leaders' time that it goes at the expense of their strategic involvement. It's a balancing act for HR.



*‘Clearly, there will be an ongoing need for some of the transactional stuff, some of the keeping the organisation safe and its reputation maintained. It’s balancing that and a greater need for any HR to set a high level of ambition around excellence and innovation and doing what it takes to achieve business success. That is still a challenge, I think, for HR, in difficult times, you know.’*

**Kersten England, Chief Executive, York City Council**

An enabling environment where HR leaders are able to play to their strengths to truly add long-term value to their organisation is crucial.

### **HR’s role in scanning, advising, challenging**

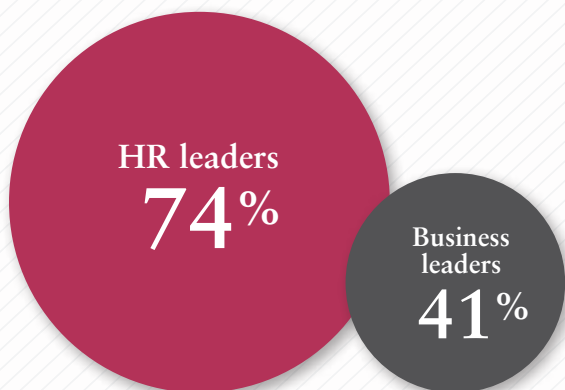
Much of the debate on the recent business crises has been around organisation practices, governance and leadership. HR has a huge role to play in developing better cultures through the processes they are responsible for. For example, an organisation’s culture, values and purpose are reinforced through processes of performance management and reward, and learning and training programmes. HR needs to not just advise on organisation decisions, but challenge what is inappropriate or incongruent to the desired culture. For example, having the courage to confront and challenge inappropriate behaviours and actions.

**HR** needs to not just advise on organisation decisions, but challenge what is inappropriate or incongruent to the desired culture.

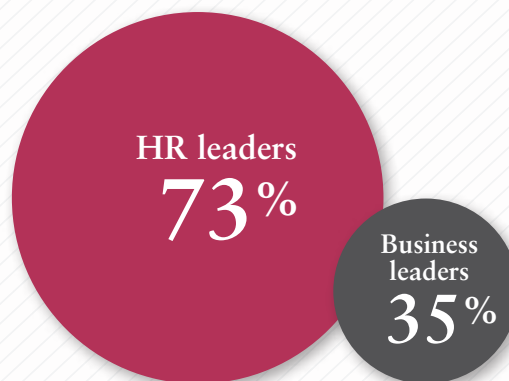
*Figure 6*

The relationship between the HR leader, the CEO and the board

The HR director is a trusted adviser to the CEO and challenges him or her.



The HR director is a trusted adviser to the board and challenges them.





**Challenging the CEO or the board is difficult and requires mutual respect and trust on both sides. There also needs to be an environment where both parties can be frank with each other.**

In the survey we wanted to look at whether HR leaders are assuming this role at an executive level, so we asked about the HR director's relationship with the CEO and the board. The proportion of business leaders who think that HR leaders are challenging the CEO and the board is noticeably lower than what HR report they are doing (Figure 6).

Several HR leaders pointed out that challenging the CEO or the board is difficult and requires mutual respect and trust on both sides. There also needs to be an environment where both parties can be frank with each other. What seems clear from the interviews is that HR needs to ensure that their contribution has visibility across all key stakeholder groups. We consider this more in the next section of the report.

*'I think I have earned the right to be honest and direct with the CEO. He expects me to be. We share the same goals so that even if it is a difficult conversation there is no suspicion about why I might be saying it. It [challenging] helps to quickly get to the heart of the problem rather than agonising on why you are saying it or what it means, it's very pragmatic I think – but it is quite combustible sometimes. Senior people often say that they like and want to be challenged but experience tells you that people can still find this a challenge in itself.'*

**Matt Huckin, Group HR Director, IMI**

*'I think where in my organisation it's slightly lacking is at the senior end near the HR director, in that sometimes I think he's swayed by the other directors on the board, rather than standing firm with the advice that he's been given elsewhere for HR.'*

**Anonymous**

To effectively advise and challenge the leadership team, the CIPD believes there are some key behaviours that HR needs to display, which we explored in the survey. These behaviours are part of our HR Profession Map, which sets out the activities, knowledge and behaviours needed for success. Here we consider HR and business leaders' views as to how well HR displays a number of these behaviours.

One key behaviour is that HR needs to act with integrity, impartiality and independence (Figure 7). Business leaders' perceptions of HR displaying this behaviour are not as positive as HR's perceptions of what they are doing.

We asked whether HR is curious to seek out innovative solutions which add value to the organisation (Figure 8). We believe that curiosity is a behaviour which underpins the ability to challenge and influence as it's about being inquisitive, asking 'why?', reflecting on issues and developing insight about how things could be done differently for organisation benefit.

Of the 43% of business leaders who said they don't think HR are curious to seek out innovative solutions to organisation issues, almost a quarter (24%) said they would like to see their HR function doing this.



We also asked whether HR struggles to debate and challenge organisational issues with sound reasoning (Figure 9) and again some differences in perceptions can be seen. In fact, just over a third of business leaders don't know or have no opinion about whether HR displays any of these behaviours.

The interviews provide us with some additional insight into this disconnect of views about HR's ability to advise and challenge the rest of the organisation. Several HR leaders we interviewed who have worked outside the profession mentioned that this experience has helped them understand the commercial realities of business and has also ensured that executive decision-makers take the HR leader's view more seriously.

*'This is an exceptionally commercial business and as such every role in our organisation needs to understand the key components of our business, how to contribute to profit of the business and be able to measure true return on investment for any business initiative undertaken.'*

**Lara Collins, Group Talent Director, Arcadia Group Ltd**

*'I would recommend to HR professionals to strategically get out of HR for a period of time and work in operations, or work in sales or customer service or in the core part of the business because that gives them an understanding of what the business issues are and through that when you repatriate to HR I think that it actually also boosts your credibility.'*

**John Duncan, HR Director, Royal Mail Group**

Interviews also indicate that wider business experience should not come at the expense of core HR competencies and the ability to lead the people agenda in line with organisation need.

*'HR is a profession and you do need that professional training and experience. I don't believe in bringing in somebody with 20 years' line management experience just because they feel they should work in HR and are "good" with people. In my experience, they don't have the same depth and degree of the full HR skill set.'*

**Catherine Taylor, UK HR Director, Mercedes**

The survey identifies that nearly nine in ten HR leaders have worked outside of HR in areas such as production, finance and customer services. Although this might well explain the strength of the alignment between HR and wider business leaders on business priorities, it seems to be counter-intuitive in relation to the perceived lack of influence HR has on strategy. We consider this more in section 3.

### **What impact does HR have on the business?**

HR also struggles to get across to business leaders the full impact it has on different parts of the business (Figure 10). Across various measures of impact, business leaders rate HR's contribution less favourably. In particular, a much smaller proportion of business leaders (26%) than HR leaders (55%) believe that HR delivers competitive advantage through people.

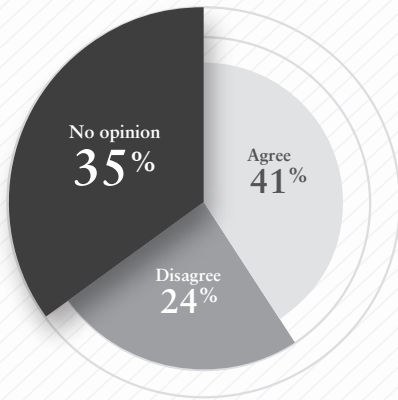


**9 out of 10**

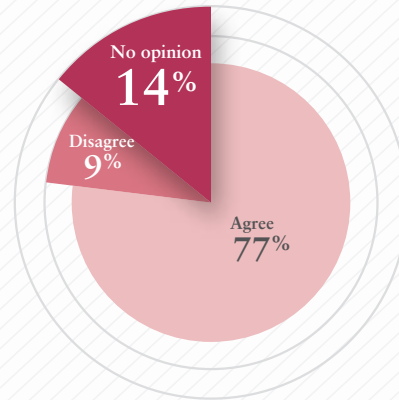
**HR leaders have worked outside of HR in their career.**

**Figure 7**

**Do HR act with integrity, impartiality and independence?**



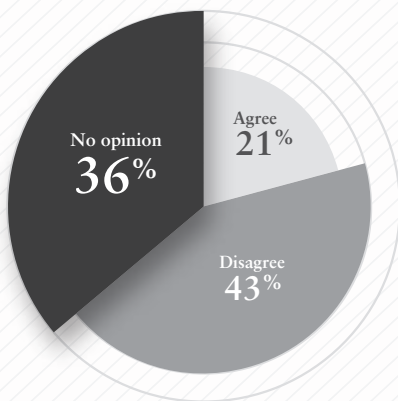
**Business leaders**



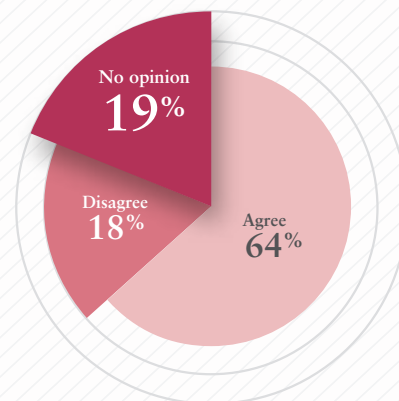
**HR leaders**

**Figure 8**

**Is HR curious to seek out innovative solutions which add value to the organisation?**



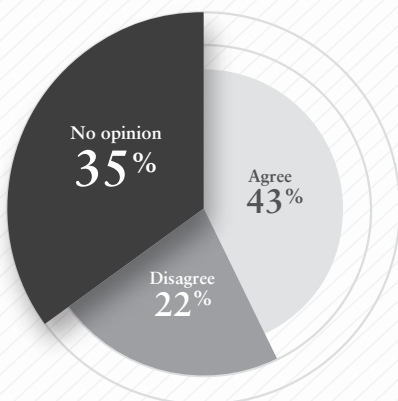
**Business leaders**



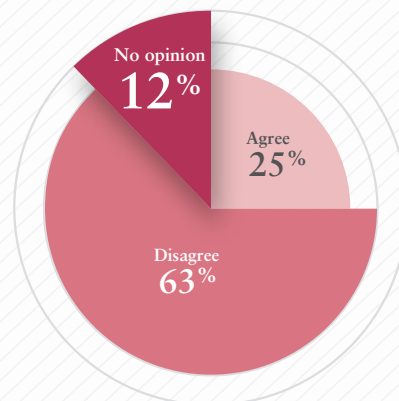
**HR leaders**

**Figure 9**

**Do you agree or disagree that HR struggles to debate and challenge organisational issues with sound reasoning?**



**Business leaders**



**HR leaders**

And again, in the same way that many business leaders are unaware of HR's involvement in strategy, there is a large proportion of business leaders who either have no opinion about HR's contribution to the business or do not know one way or the other. Figure 10 shows that for each business attribute there are at least three in ten business leaders who have not formed an opinion.

We then asked business leaders which of these areas they would like to see HR doing more about. Of the 52% of business leaders who think HR prioritises what matters to HR over wider organisation issues, 43% say they would like to see HR prioritising organisation issues. Of the 44% of business leaders who said HR fails to address the operational issues facing the organisation, 31% said this is something they'd like to see HR doing more of. These findings highlight potential areas for attention for HR.

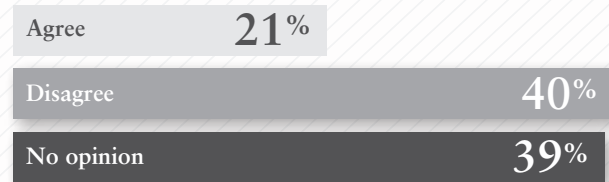
Matt Huckin, Group HR Director of IMI, explains how HR activity is tightly tied to business goals:

*'We are kind of a no-frills organisation in the way that we manage ourselves. Everything that we do is geared to delivering on those (the business's) three drivers. All the results, all the promises and all the HR activities, if they don't start adding to and supporting those objectives, then we just don't do it – again no traction, no support and no budget.'*

**Figure 10**

**Percentage of business leaders who agree or disagree with statements about HR's contribution to the business**

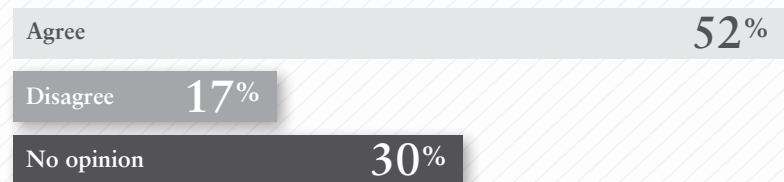
**HR combines commercial and HR expertise**



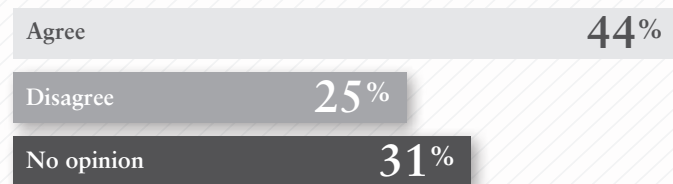
**HR helps organisation to become more flexible and agile**



**HR prioritises what matters to HR over wider organisation issues**



**HR fails to address the operational issues facing the organisation**



**HR's use of metrics to demonstrate impact**

There is a similar disconnect between HR and business leaders in relation to views on how HR uses metrics to demonstrate impact (Figure 11).

Just over half of business leaders have no opinion about HR's use of metrics. Once again, HR needs to ask why this is the case. Is it because HR does not contribute, because it does not have sufficient visibility, or could it be that HR does not always speak the

language of the business? Whichever of these it might be, there is a good case for HR to be seen to be more proactive in all of these areas. We consider this further in section 3.

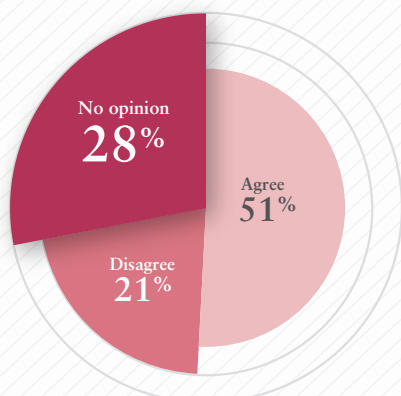
### What does business see as the priorities for developing HR capability?

Turning to the future, our survey addresses this important final question. As Figures 12 and 13 show, HR and business leaders largely agree on what the top three areas of focus for HR capability-

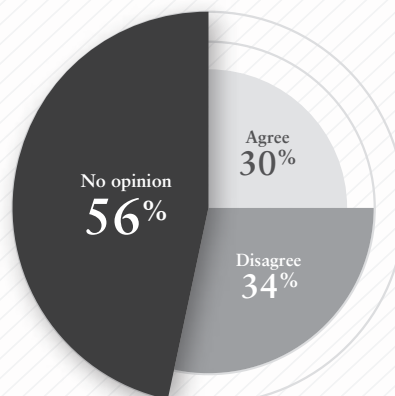
building should be, although the ordering and emphasis on each differs between the two groups. There is a difference of opinion about the other areas that complete the top five, which may signal areas for attention for HR, either for development or in better demonstrating their capability.

**Figure 11** Views on HR's use of metrics

#### HR data informs business decision-making

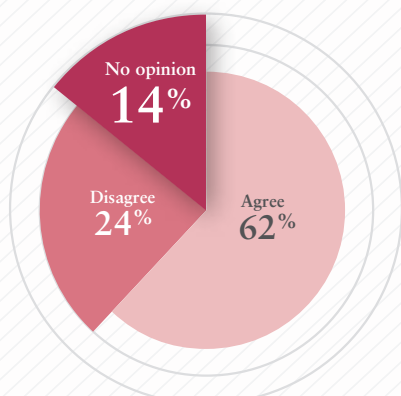


HR leaders

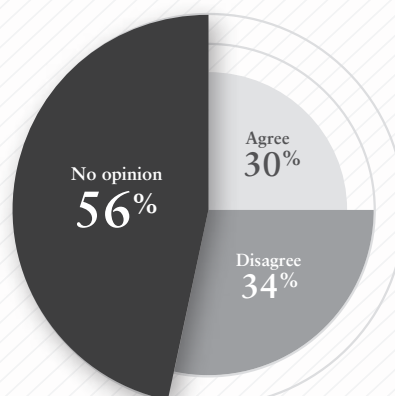


Business leaders

#### HR use people measures which are aligned with strategic priority areas



HR leaders



Business leaders

**Figure 12**

Top five priority areas for building HR capability, according to business leaders.



**Figure 13**

Top five priority areas for building HR capability, according to HR leaders



Having considered the extent to which HR and business leaders are aligned on business priorities, both for today and tomorrow, and having compared views about how the HR function contributes to achieving them in detail in the last two

sections, we have identified a number of areas of both alignment and disconnect between HR and business leaders. In light of these findings, the final section now considers what HR might do to become more influential and impactful.

# 3 What happens now?

## Introduction

In this final section of the report we draw out six key insights which we believe HR needs to act upon. These insights have emerged from the research and we illustrate each with quotes from the interviews, showing what others have done to make HR more business-focused and to overcome challenges.

The six insights that have emerged that HR needs to act upon are:

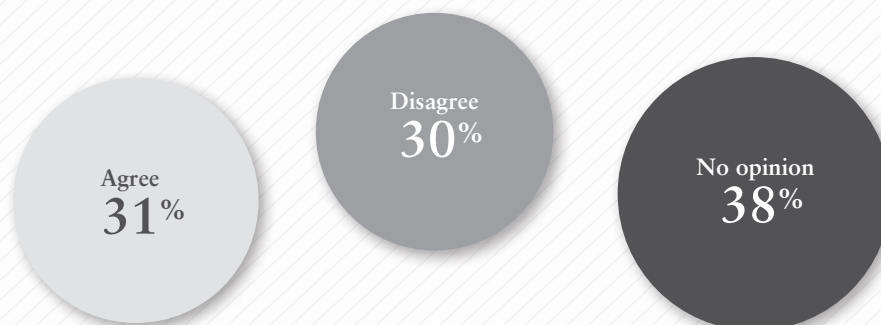
- Increase visibility and impact.
  - Have the courage (and skills) to challenge and influence.
  - Use data-based evidence to support business (not HR) agenda.
  - Be curious. Be credible.
  - Keep an eye on the long term – don't forget to invest in the talent and leaders of the future.
- See the current economic climate as an opportunity (to be creative and demonstrate the strategic contribution that HR can make).

## Increase visibility and impact

One of the clear messages from this report is that the current economic conditions do not make it easy for HR to influence strategy and drive the business agenda. It is, however, important for it to do so, and at the same time attend to stakeholders' perceptions of the function's contribution (Figure 14). Our survey data identifies mismatches between perceptions of HR and business leaders about HR's contribution, including high proportions of business leaders who are simply unaware of HR's role in strategy and its impact on the business.

Figure 14

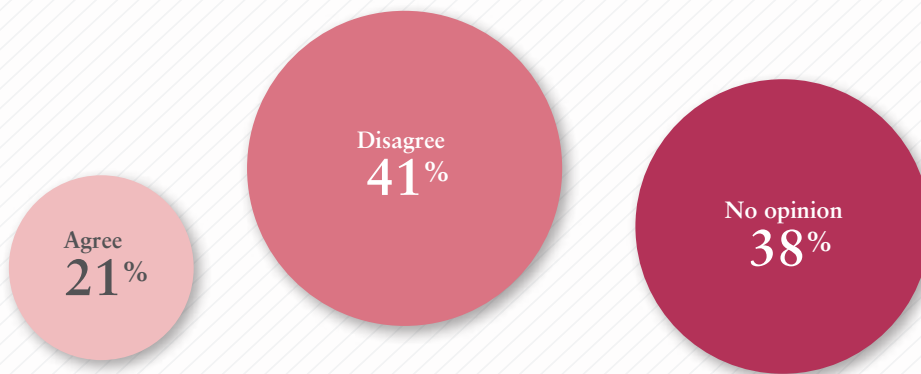
Business leaders' views on whether HR work collaboratively with internal and external stakeholders to drive organisational value





**Figure 15**

**Business leaders' views on whether HR effectively communicates and interprets the people measures to relevant stakeholders in pursuit of competitive advantage**



The findings suggest that HR needs to find innovative ways to reach out to its colleagues and stakeholders and educate them of its role. Figure 15 suggests that effectively communicating and interpreting the people measures to relevant stakeholders in pursuit of competitive advantage is an area requiring HR's attention.

*'We do workforce analysis for where we think we are going and we do analysis of what skills and behaviours we want to achieve. If we are seeking to influence the board, then we give the data and we will look for comparative data, across government and private sector analyses. We will look into the CIPD's studies and ONS data.'*

**Carol Carpenter, formerly Head of HR, Department for Culture, Media and Sport**

### **Have the courage (and skills) to challenge and influence**

It is vital that HR demonstrates it is able to effectively challenge and influence business decisions, with a sound appreciation of the business and its issues, if it is to play a greater role in influencing strategy and helping drive the business agenda.

*'When I am hiring HR people I try to take people who are tuned in to business issues, are focused on meeting the needs of the people we need to influence, and can make things happen. Staying true to the business objective and finding ways to persuade and influence positive outcomes is essential.'*

**Matt Huckin, Group HR Director, IMI**

**'With some senior teams in the organisation, encouraging them to really make use of that data, and apply it in their management context and so on can be quite challenging.'**

**Jane Cotton, HR Director, Oxfam**

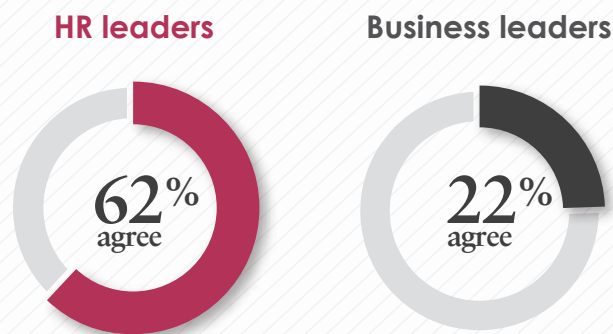
**Of those business leaders who thought HR doesn't challenge and influence the rest of the business, one-third did identify this as a priority area for building HR capability in the coming 12 months.**

The survey data indicates that a large proportion of HR leaders believe they currently do challenge both organisational issues and inappropriate behaviours and actions. However, Figures 16 and 17 show that the percentage of business leaders who think HR challenges is much lower.

Approximately one-quarter of the business leaders said that they do not know the extent to which HR challenges on these areas. Of those business leaders who thought HR doesn't challenge and influence the rest of the business, one-third identified this as a priority area for building HR capability in the coming 12 months.

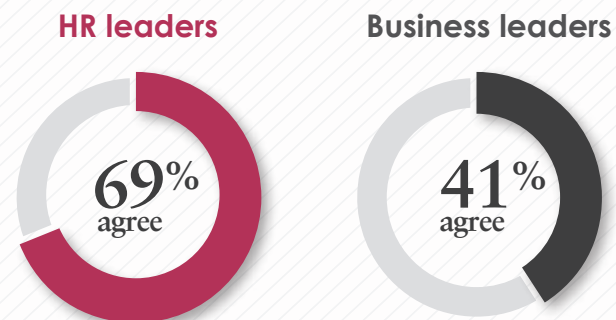
**Figure 16**

**Does HR debate and challenge organisation issues with sound reasoning?**



**Figure 17**

**Does HR challenge inappropriate behaviours and actions?**





Interviews with HR leaders illustrate some of the ways in which HR needs to increase its voice in this area.

*'It [HR] has got to keep itself up to date and integrated and credible with the business. It has to avoid being too theoretical, too abstract, too removed. It needs to remain very close to the business partner and therefore at the same time able to challenge the business.'*

**Catherine Taylor, UK HR Director, Mercedes**

*'They [HR leaders] must have the interpersonal skills to make sure that they can communicate at all levels and be very articulate when advising the board as to what the decision should be. With so much employment legislative implications, expert, clear and concise advice is critical in safeguarding the business interests which should prevent any unwarranted "complications" arising.'*

**Arif Kamal, Finance Director, GL Hearn Ltd**

### **Use data-based evidence to support business (not HR) agenda**

To keep challenging business leaders in relation to the people agenda, it is crucial that the HR leader makes their case for any HR-related issue by positioning it into the wider business agenda. HR must also use data to support the business case, demonstrating their impact on the organisation.

*'I have to say, it depends on how you sell what you're doing to the organisation, and you have to make certain that you present it in a commercial light. That, 'We're doing this because it will help you to achieve your objectives'/ That way, you do get buy in from the organisation.'*

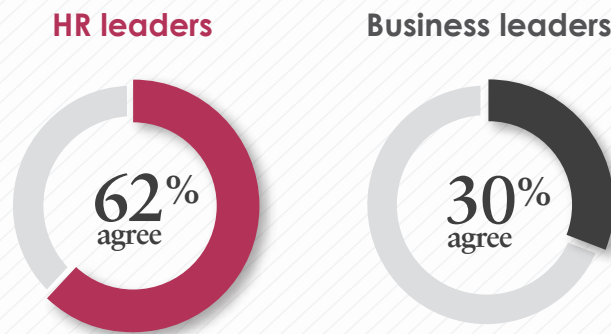
**Carolyn Beech, HR Director, Westminster City Council**

Highlighting an area for attention for many HR teams, the survey findings indicate that both HR and business leaders think that HR's use of metrics is in support of the HR function, rather than to support the business agenda.

**In order** to keep challenging business leaders in relation to the people agenda, it is crucial that the HR leader makes their case for any HR-related issue by positioning it into the wider business agenda and uses data to support the business case, thereby demonstrating impact on the organisation.

Figure 18

HR uses people measures which are aligned with the strategic priority areas for the organisation



**‘Rather than “oh here comes the HR person and he is only going to talk on people issues”, they will rightly expect me to contribute views about a road building project or on other business issues.’**

**Andrew Powles, Director of HR, Highways Agency**

Both the survey data and the interviews indicate that business leaders feel that HR leaders are not currently using data enough to shape strategic decision-making. Interestingly, the findings show that HR leaders think the function’s use of metrics is an important area for capability development. There is a consensus that it is important that metrics are used to look forward, although some organisations that operate in fast-moving markets (for example retail) admit they are currently using metrics more reactively than proactively. In addition, as some HR leaders pointed out, it is important that the right balance is found to avoid overkill by numbers.

*‘I think we can get better focused with metrics as they are one of the most powerful weapons in the HR armoury. You can show there is a problem and it allows the debate*

*to be taken at a much higher level. However you have to avoid drilling down to the nth degree, as a tendency can exist for people to ask for more metrics to avoid taking a decision about doing anything. I think there can be a danger of paralysis by analysis.’*

**Andrew Powles, Director of HR, Highways Agency**

**Be curious. Be credible.**

Previous CIPD research (for example our recent Business Savvy research) has identified curiosity as a key attribute for HR people to have to be able to generate insight and hence improve both the organisational value from HR and the profile and positioning of the profession. Curiosity on its own is not enough; we mean curiosity about why and how the business operates with the purpose of improvement.

*‘As budgets get tighter, and tighter, that is a key part of your role to go out there, to talk to people, to get the intelligence. To find out what they do, and how they do it, and do that regularly. You’ve really got to immerse yourself.’*

**Carol Carpenter, formerly Head of HR, Department for Culture, Media and Sport**

The survey identified that 42% of business leaders do not think HR are curious to seek out innovative solutions which add value to the organisation (compared with just 18% of HR leaders). However, from the interviews, HR leaders confirmed curiosity is a key desirable attribute which helps the organisation to be agile. A curious mindset can help to further enhance both HR and commercial expertise.

Nine out of ten of the HR leaders we surveyed said they have worked outside of HR at some point in their career, which suggests they bring a wider business appreciation and operational credibility with them when they come into the HR profession. As we noted earlier, this might well explain the strength of the alignment between business and HR leaders on business priorities. However, this data seems to be counter-intuitive in relation to the influence HR has on strategy.

This finding builds on our suggestion above that HR needs to increase its visibility and impact, indicating that attention needs to be directed at how the HR function uses its organisation knowledge and translates it into business solutions, as well as how HR then demonstrates its credibility through the impact of its actions to the rest of the business.

### **Keep an eye on the long term – don’t forget to invest in the talent and leaders of the future**

We have seen that cost management is overwhelmingly at the top of the priority list of many organisations both now and over the next three years. As the survey data identifies, HR’s focus on addressing this priority can mean that other business priority areas, such as talent or leadership development and capability-building, fall down the priority list. However, it is important for HR to keep an eye on these, not letting the focus dilute or even disappear. Continually championing these areas will stand organisations in good stead when economic circumstances pick up.

The good news is that the survey data indicates that HR does realise this. When we asked HR leaders about the organisational challenges that keep them awake at night, talent management and leadership development are among the top five issues. It is important they hold onto this tension between immediate and future business needs, striking the appropriate balance, even if this requires examining cost-effective ways of looking at talent and leadership.

**‘As budgets get tighter, and tighter, that is a key part of your role to go out there, to talk to people, to get the intelligence. To find out what they do, and how they do it, and do that regularly. You’ve really got to immerse yourself.’**

**Carol Carpenter, formerly Head of HR at Department for Culture, Media and Sport**

**Finding** and holding onto talent is a big challenge for many HR leaders. Retaining good staff is seen as just as important as attracting new staff.

*'In terms of people priorities, the two key things for this organisation would be, one, having the right leaders in situ for now, and for the future. And secondly, understanding what people capability we need for the future, being able to identify that talent early on, and accelerating the development that this talent population requires to fulfil those roles.'*

**Lara Collins, Group Talent Director, Arcadia Group**

Our interviews with senior leaders also alluded to this tension. Finding and holding onto talent is a big challenge for many HR leaders. Retaining good staff is seen as just as important as attracting new staff. Putting retention policies in place now will mean fewer talented staff leaving when the economy starts to improve.

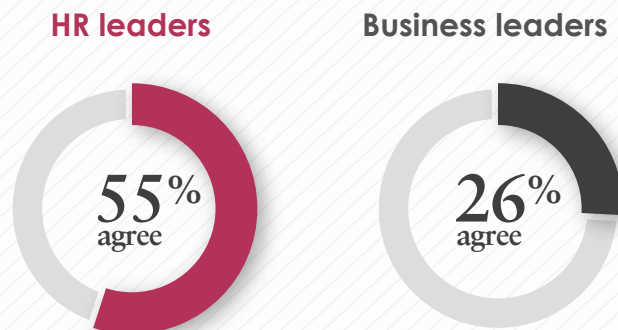
HR leaders also stress that it has become increasingly important to have a proactive rather than a reactive hiring scheme in place to ensure that when new projects are won, the right people are already in place to take on the task.

*[A challenge is] 'recruiting the right calibre of people and then it's actually keeping them. We've spent a lot of time and money training them and developing them, and if we've lost contracts then they've actually moved out of the company, which is quite a risk. We [...] keep the feelers out for quality people, that will be available as and when we win new business.'*

**Pamela Howard, Account Director, Europa Facilities Management Ltd**

**Figure 19**

**Does HR deliver competitive advantage through people?**



### See the current economic climate as an opportunity (to be creative and demonstrate the strategic contribution HR can make)

The current climate of economic uncertainty should be seen as an opportunity for HR leaders to demonstrate their impact and the competitive advantage that people can deliver. However, the survey data shows that around half as many business leaders as HR think that HR delivers competitive advantage through people (Figure 19)

*'I think there are a lot of conflicting priorities that actually, on a great platform, put HR at the heart of the business agenda. In the civil service there are real challenges to people's pensions and base pay, and yet you [the board] want more, and better engagement levels. I think it's not undoable, it's just really hard to think through how you're going to achieve that.'*

**Carol Carpenter, formerly Head of HR at Department for Culture, Media and Sport**

In times of cuts, business leaders can become more receptive to creative ideas (from all angles), whether that's to meet ambitious goals or targets, or simply to kick-start growth. This is confirmed by interviews with HR leaders.

*'I think the [strategic relationship] has got better, because I think we needed a bit of a burning platform to get the HR strategic agenda well and truly on the table. I think the burning platform has been the need to find £100 million savings, and recognising that that's*

*going to require a very different approach for the organisation and how we deliver services [...] Inevitably, the HR agenda shot up the [business] agenda given the financial investment we make in our workforce.'*

**Gavin Wright, HR Director, Hampshire County Council**

However, in some instances business leaders can be less receptive to HR directors' messages when attention is focused on cutting costs. Our survey data points to the need for HR to construct and communicate a strong business case for key aspects of the people agenda that need attention. 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.

*'In local government, the senior roles in HR need to be filled by people who understand their role as enabling high performance and success for the business and therefore contain people with a very sophisticated and well-developed understanding of the nature of the business, not just of the HR profession, and who can make the imaginative leap between their professional background and experience and what that brings to the table in terms of organisational success.'*

**Kersten England, Chief Executive, York City Council**

**The current climate of economic uncertainty should be seen as an opportunity for HR leaders to demonstrate their impact and the competitive advantage that people can deliver.**

This final insight is an overarching one, and builds on the previous five. To be able to truly take the opportunity to be creative and demonstrate the strategic contribution that HR can make, it's important to first address the first five insights. Without the previous insights being in place, it will be harder for HR to be given licence to take the lead.

**HR** needs a detailed understanding of how the business operates, the key stakeholders, the future vision and the external environment.

## Summary

The survey and the interviews demonstrate that HR and business leaders are aligned on the current and future business priorities. However, there are other areas where there is a disconnect in their views, such as perceptions of HR's involvement with strategy, their relationship with the board, and how HR demonstrates their impact on business performance.

In this report we have proposed various reasons for this misalignment, but whatever the reason, we believe that through acting on the six insights presented in section 3, HR can more effectively demonstrate their contribution to business sustainability. In the next section we make reference to some other CIPD resources that might help build HR's capability to deliver on these insights.



## Further reading

Here are some CIPD resources, organised in terms of the six insights which emerged from the *HR Outlook* survey findings, which may be useful to help you to turn the insights into practice. All of these can be accessed from the CIPD website.

### **Increase visibility and impact**

#### **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, it 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.

### **Have the courage (and skills) to challenge and influence**

#### **CIPD HR Profession Map**

As described above, our HR Profession Map sets out the activities, knowledge and behaviours that HR professionals need to display to operate effectively. ‘Courage to challenge’ and ‘skilled influencer’ are two of the eight key behaviours in the HR Profession Map.

#### **Next Generation HR**

Download our Next Generation HR research report, which looks at the changing nature of HR and some of the best and emergent next practice work that HR functions are engaged in. It is intended to stimulate debate about how HR will develop over the next five to ten years. HR needs to be calling out and challenging behaviour which goes against the organisation’s values. The report addresses how HR can take on this role of partner and provocateur.

#### **Where has all the trust gone?**

HR has a critical role to play in building and/or repairing trust in an organisation. HR policies and processes touch the lives of every employee and signal the organisation’s competence, integrity and genuine interest in the well-being of its employees. The report concludes that HR professionals need to be able to engage in difficult conversations about trust, amongst other matters, and be seen as being ‘worth listening to’ by both employers and employees. We examine how the HR function can act as a trust custodian, including taking on an active stewardship role by challenging other executives where an organisation’s future reputation is called into question.

### **Use data-based evidence to support business (not HR) agenda**

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

This practical tool builds on our leading-edge Shaping the Future research, looking at what drives sustainable performance, to provide 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**

Generating insight through evidence and data is one of the four foundations of being ‘business savvy’. Our impact as HR professionals is governed by how we use data, and not just numbers, but information of all kinds. This report discusses how we can effectively get meaning from data, use data and evidence to drive our HR approach, and demonstrate the impact of interventions.

### **Be curious. Be credible.**

#### **CIPD HR Profession Map**

As described above, our HR Profession Map sets out the activities, knowledge and behaviours that HR professionals need to display to operate effectively. ‘Curious’ is one of the eight key behaviours in the map. A curious HR professional is future-focused, inquisitive and open-minded and they seek out evolving and innovative ways to add value to the organisation.

### **Business savvy: giving HR the edge**

If we are curious to understand and engage with the business model at depth, we can demonstrate our credibility through our solutions being informed by the business realities. This means that as HR professionals, 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 HR. *Business savvy: giving HR the edge* explores how we can do this effectively.

### **Keep an eye on the long term – don't forget to invest in the talent and leaders of the future**

#### **Talent forward**

This series of thought pieces, produced in collaboration with a range of experts and thought leaders in the field, aims to start the debate about future talent strategies and identify some of the macro and micro challenges that are likely to determine our approaches. There are a range of developments that should be prompting us to pause, rethink and reshape our approaches to talent. Each of the six thought pieces in this series addresses areas that we believe organisations need to attend to, to ensure a sustainable next generation workforce.

#### **Shaping the Future**

Our leading-edge Shaping the Future research examines what drives sustainable organisation performance. Talent and capability-building were key themes in this three-year programme of work.

#### **Sustainable organisation performance: what really makes the difference?**

In this full report of the Shaping the Future findings, we present ten insights that emerged from the case study research as important for long-term performance. One of the insights focuses on talent and capability-building, of the workforce as a whole as well as leaders at all levels, not forgetting middle managers. There are case study examples of how organisations are balancing the need to focus on developing people's operational skills for today, with investing in the talent needs of tomorrow.



### **Practical tool: building capability and talent**

Building on the Shaping the Future research findings, we have developed a practical tool on building capability and talent. This tool helps you to balance current and future capability issues, examine whether your approach to capability and talent aligns with the future direction of the organisation, and consider how you are developing the leaders and managers of the future.

### **Perspectives on leadership in 2012: implications for HR**

This research report explores leadership perspectives in 2012, taking into account how the economic and political environment since 2008 may have affected conceptualisations of leadership theory and expectations, and suggesting both current and future directions in leadership.

### **See the current economic climate as an opportunity to be creative and demonstrate the strategic contribution HR can make**

### **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 insights 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.

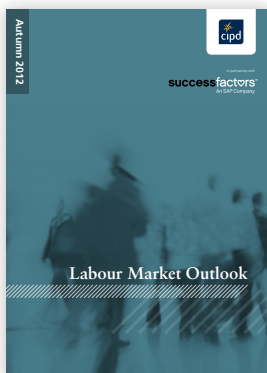
### **Leading culture change: employee engagement and public service transformation**

This report examines how public sector organisations are balancing the twin pressures of cost reduction and transforming service delivery. The key opportunity, and necessity, for HR and effective people management to add value to the transformation of public service delivery is explored. Furthermore, we highlight the critical relationship between the chief executive and the HR director, which is needed to make required culture changes a reality.

# 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.

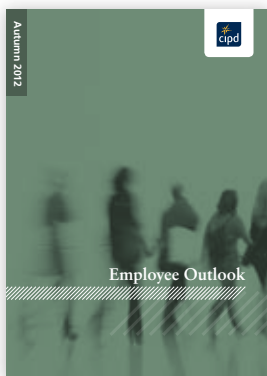
## Others in the series



### 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](http://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](http://cipd.co.uk/employeeoutlook)





Chartered Institute of Personnel and Development  
151 The Broadway London SW19 1JQ UK  
Tel: +44 (0)20 8612 6200 Fax: +44 (0)20 8612 6201  
Email: [cipd@cipd.co.uk](mailto:cipd@cipd.co.uk) Website: [cipd.co.uk](http://cipd.co.uk)  
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