CIPD

*Championing better
work and working lives*

HR
OUTLOOK

LEADERS' VIEWS OF OUR PROFESSION

Winter 2015–16

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

Contents

Foreword from the CIPD

We're delighted to present the winter 2015–16 edition of *HR Outlook: Leaders' views of our profession* survey report, in association with Workday. This report is written for HR and other 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 other business leaders about HR's priorities and organisation contribution to highlight emerging trends, provoke discussion and move on the debate about HR's role. We examine the extent to which HR and other business leaders are aligned on business priorities for both today and tomorrow, and compare views about how the HR function contributes to achieving them. We then examine specific prominent topics for the HR profession, namely HR analytics, talent management and organisation ethics, well-being, performance management and technology.

There are clear areas of alignment of views between HR and non-HR leaders, but also some obvious areas of disconnect. It's these areas where opinions differ that will most likely spark debate and prompt further investigation in your particular organisation context. The highlighted issues raise questions for HR about existing ways of working, the strength of relationships with different stakeholders, the suitability of current capabilities to achieve future priorities and about the visibility of HR's contribution.

Although there's general agreement about what the organisation's strategic priorities are, HR and other business leaders disagree about what HR should be focusing on to achieve them. And our findings suggest further examination is needed about why there is such a notable difference in views about the suitability of HR's current people strategy to achieving the organisation's future goals.

Some areas of disconnect reflect HR's core people remit, and therefore their unique contribution, but others signal the need for action. Achievement of some strategic priorities (that is, innovation and productivity) requires HR to work in a systemic way across the organisation in complement to the traditional alignment with specialist HR areas or best practice. HR needs to have a deep understanding of the business to be able to develop and support new ways of working across the whole organisation system.

Two of the core questions for HR from our findings are how the HR function simultaneously (a) maintains a deep understanding of current organisation issues to identify where they can make most impact, and then (b) feeds back in evidence and insight about their current and potential contribution. Our findings suggest there is significant scope to strengthen capability in both of these areas, particularly around how HR uses analytics. The possibilities of predictive analytics are receiving a lot of interest, but it's clear HR has a lot of work to do to secure wider business investment. In many organisations they need to first cement their basic analytic capabilities to build a firm foundation on which to construct a compelling case of what analytics advances could do for the business as a whole.

At the end of this report we pose some provocative questions, rooted in the insight from our findings. Together with the insights, we hope these are useful to consider in appraising HR's current impact in your organisation and driving action where appropriate.

Dr Jill Miller, Research Adviser, CIPD

Foreword from Workday

Workday is pleased to partner with the CIPD to produce the *HR Outlook* report for winter 2015–16. The report provides expert insight from both human resources and business leaders on HR's role, both now and in the future, and how it is perceived and valued by both HR and non-HR executives.

As the global economy moves towards recovery, business priorities change, and HR leaders have, albeit cautiously, embraced this with a more positive view of the future. This year's report demonstrates that while talent and cost management remain top of the HR priority list, innovation has now moved from a 'consideration for the future' back in 2013 to a top five priority for more than a third of respondents in 2016. This suggests that HR leaders are moving from a 'simply keeping the lights on' mindset to a much more strategic outlook with innovation at the core.

Of course, innovation comes in many forms, and an increased appetite for HR analytics is one clear example of how innovation can help drive better decision-making and increase HR's value to the wider business. The report shows that while organisations are at different stages in terms of HR analytics use, more than 92% of HR leaders are actively engaged with analytics. Despite strong uptake, there remains a great deal of work to do in terms of resourcing HR analytics projects and raising awareness of their value across non-HR business functions.

While it's clear from this year's report that business and HR are mostly aligned on what the key business priorities are, the report does suggest that there is a real disconnect between what HR believes it can do, what the wider business believes HR should focus on and what it is actually capable of delivering. Close to three-quarters of HR leaders surveyed believe they have the right people strategy to help the organisation achieve its future goals. However, this confidence is not shared by non-HR business leaders, with just a quarter agreeing with this statement.

This disconnect is particularly evident in relation to attitudes towards talent management. HR leaders ranked this second in terms of priority, whereas their non-HR counterparts placed increased customer focus as their main priority, with talent management down in fifth. Historically talent management was predominantly about finding and developing future leaders. However, the report suggests that in the post-loyalty world, talent management is a priority for the whole business and can only be truly achieved through better management of HR processes and systems. This includes the extension of talent management to include people enablement, so that every single employee feels empowered and actively engaged with the HR function to shape their own future; this can help the business with its goal of improving customer service through the development of better-motivated, high-performing staff who are not only committed to the organisation but are also highly competent in their roles.

Perhaps one of the most surprising disconnects between HR and other business leaders is around the importance of replacing ageing legacy technology. While 41% of HR leaders said they are paying attention to outdated/inflexible HR systems, the same topic is not a top-five priority for other business leaders. If HR is to better serve the business and place innovation at the heart of improving the customer/employee experience, building a strong business case for replacing these old systems is critical for the transformation of the HR department. This is not only to make it a more strategically valuable resource, but also to improve the employee experience and drive loyalty to the company through a much more transparent approach to HR delivery.

We hope that this year's report provides readers with valuable insight and new ways of thinking about the role of HR within their organisation and how it can increase its impact on the wider business, both now and in the future.

Karen Minicozzi, Vice President, HCM Product Strategy, EMEA, Workday

The report structure

The report is split into eight key areas:

1   Our strategic priorities are aligned
We start by examining organisations' current and future priorities and find HR and the wider business are reasonably aligned on these issues. Cost management remains the most common current and future priority. We also find that both groups are 'kept awake at night' by similar challenges, including leadership capability, managing costs while delivering priorities, and ensuring they have the skills and talent they need.

2   A difference of opinion about HR's strategic contribution
Although there is general agreement between HR and non-HR leaders about what the strategic business priorities are, views are more disconnected when it comes to how HR is contributing to their achievement. In this section we highlight findings that show many non-HR business leaders are unclear regarding whether HR strategy contributes to business priorities. We also highlight areas of both alignment and divergence between what HR is doing to meet business priorities and what other business leaders think they should focus on.

3   HR analytics
In this section we look at whether and how organisations are using HR analytics and find they are at varied stages of development. Our findings also highlight a mismatch between the views of HR and non-HR business leaders on the current and potential value of HR analytics. We outline views on the future of predictive analytics.

4   Employee well-being
Here we examine which aspects of organisational life are being focused on most to improve employee well-being. Non-HR business leaders most commonly report that leadership style and quality of line management is being prioritised, while HR leaders are more likely to say their organisation is focusing on its culture and opportunities for development. We find that although most leaders believe financial well-being is important for job performance, comparatively few make an effort to promote it.

5   Talent management
Organisations often struggle to find and retain particular skills, so we asked leaders how they are attempting to meet their future talent requirements and found both HR and non-HR leaders are most likely to focus on upskilling staff and succession planning. We outline their main considerations when recruiting and retaining people. We also look at the responsibilities they feel to employees and applicants.

Encouragingly, most leaders feel they have a responsibility to treat employees and applicants fairly and well, support development and fulfil promises made.

6   Performance management
In this section we explore how well organisations manage various aspects of performance, the practices they use and how effective these are seen to be. Once again we find that non-HR business leaders are less positive than HR leaders, although there is general agreement on which aspects of performance are managed best and which least well. Both groups rate systematically assessing individual performance and improving individual performance as two aspects they do most well, and dealing with underperformance as an area for substantial improvement.

7   Technology
Rapid advances in technology offer both advantages and risks to organisations. Here we look at which technology-related issues leaders are currently focused on. We highlight functional/business differences between HR and non-HR business leaders, for example HR includes keeping up with mobile technologies that enable employee engagement in its top three, whereas non-HR leaders include those that enable customer engagement. Both groups share concerns about cyber-security and risk to reputation from social media.

8 What do the findings mean for HR?

In this final section of the report we present five key insights for HR which have emerged from the survey data:

- enhance two-way learning and insight-sharing between HR and other business functions to deliver systemic HR
- develop a compelling case showing HR's alignment with the needs of stakeholders across the business
- be realistic – focus on the achievable to establish credibility
- strengthen performance management skills and processes
- prioritise future-focused HR capability development.

Overall, we hope that this report acts as a starting point for discussion about the future challenges for the profession and how HR can further increase its impact on long-term business performance. With this in mind, we conclude by posing some provocative questions, intended to help HR leaders appraise HR's current impact and stimulate thought for action.

Further reading

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

The research

We surveyed 143 senior HR leaders who are typically:

- directors (top executive with overall responsibility for own function with board membership or equivalent)
- those with a senior executive/ group role (top executive with overall responsibility for HR but without board membership or equivalent)
- head of functional area (individual with responsibility for running a particular area of HR, for example reward, learning and development).

We also surveyed 152 non-HR leaders, defined as people who are senior decision-makers in their organisation, outside of the HR function, holding such roles as: owner/proprietor, partner, chairman, managing director, non-executive director, other board-level manager/director,or a senior manager just below board level. We asked them about the same issues as the HR leaders to see whether HR's view of its activities and impact is aligned with the views of the rest of the business. We have not interviewed business leaders and HR leaders from the same organisations.

The research was conducted online between 30 October and 23 November 2015. We focused on leaders working within businesses that employ over 250 people, as we have produced a separate CIPD series of reports and a practical tool focused on SMEs.

These samples can be hard to reach because of their busy schedules and pressing priorities, and it's the CIPD's unique networks that make it possible to survey this number of senior HR and business leaders. So although overall sample sizes in the main do not allow us to provide further breakdowns of the data (for example by sector), the survey provides useful directional data, highlighting trends and viewpoints from a hard-to-reach population. Further, while differences between HR and non-HR leaders are not always statistically significant due to sample sizes, they represent clear and consistent indicative findings.

This *HR Outlook* survey is part of the CIPD's wider Outlook series, which includes the *Employee Outlook*, produced in partnership with Halogen, and the *Labour Market Outlook*. 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.

1 Our strategic priorities are aligned

We start by examining organisations' current and future priorities and find HR and other business leaders are reasonably aligned on these issues. We also find that both are 'kept awake at night' by similar challenges.

Today's priorities

Figure 1 shows that HR and the wider business are largely aligned on the top priorities for business today. Cost management tops the list, as we found when we last conducted this survey in autumn 2013. Although economic growth is projected to continue, there remains considerable uncertainty, and many businesses are still cautious with spending, particularly in much of the public sector, where budgets continue to face cuts.

Particularly interesting this year is that innovation features in the top five current priorities for around a third of organisations. This was predicted in our autumn 2013 survey, where innovation was rated in the top five priorities for three years' time, but not in the list of current priorities. Although cost management is still rated the top strategic priority, the inclusion of innovation in the top five by both groups could reflect the need to think differently and creatively about how to achieve business goals within the cost-focused environment.

Talent management is a higher priority for HR than non-HR leaders. The latter are more likely to prioritise customer focus. This internal/external distinction perhaps reflects the different focus of HR compared with other business leaders, rather than different objectives. HR may emphasise effective engagement of talent as a precursor to increased customer focus.

Tomorrow's priorities

We also asked both groups what the top priorities for their organisation will be in three years' time. Figure 2 suggests that leaders anticipate their future priorities will be similar to their current ones. Cost management remains at the top of the list, signalling that managing costs is not just a temporary state; instead, it's central to operations going forward. There is just one subtle difference in the responses from non-HR leaders. Customer focus has been replaced by a focus on increasing the agility/flexibility of the organisation, although there is only a 2% point difference between these priorities.

Productivity features on both lists of priorities, for today as well as for tomorrow, echoing the wider UK focus. In fact, it moves up the agenda when looking at future priorities. A CIPD policy report published in 2015 stated that the UK has now seen seven years of productivity standstill, with output per hour worked found to be still nearly 2% lower than it was when the recession started in early 2008. But we've seen two years of steady economic growth, and *'now is the right time to invest in improving product and service offerings, business processes and workforce development'*.[1]

> *'Leaders across the business are largely aligned on the top priorities for business today and in the future.'*

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[1] BEATSON, M. (2015) *Productivity: getting the best out of people.* London: CIPD. Available at: http://www.cipd.co.uk/publicpolicy/policy-reports/productivity-getting-best-out-of-people.aspx

Figure 1   The CURRENT priorities for organisations (top 5)

HR leaders (n=143)

Non-HR leaders (n=152)

Cost management — **63%**

Cost management — **61%**

Talent management — **50%**

Increasing customer focus — **39%**

Increasing agility/ flexibility of the organisation — **49%**

Productivity — **32%**

Innovation — **35%**

Innovation — **32%**

Productivity — **33%**

Talent management — **28%**
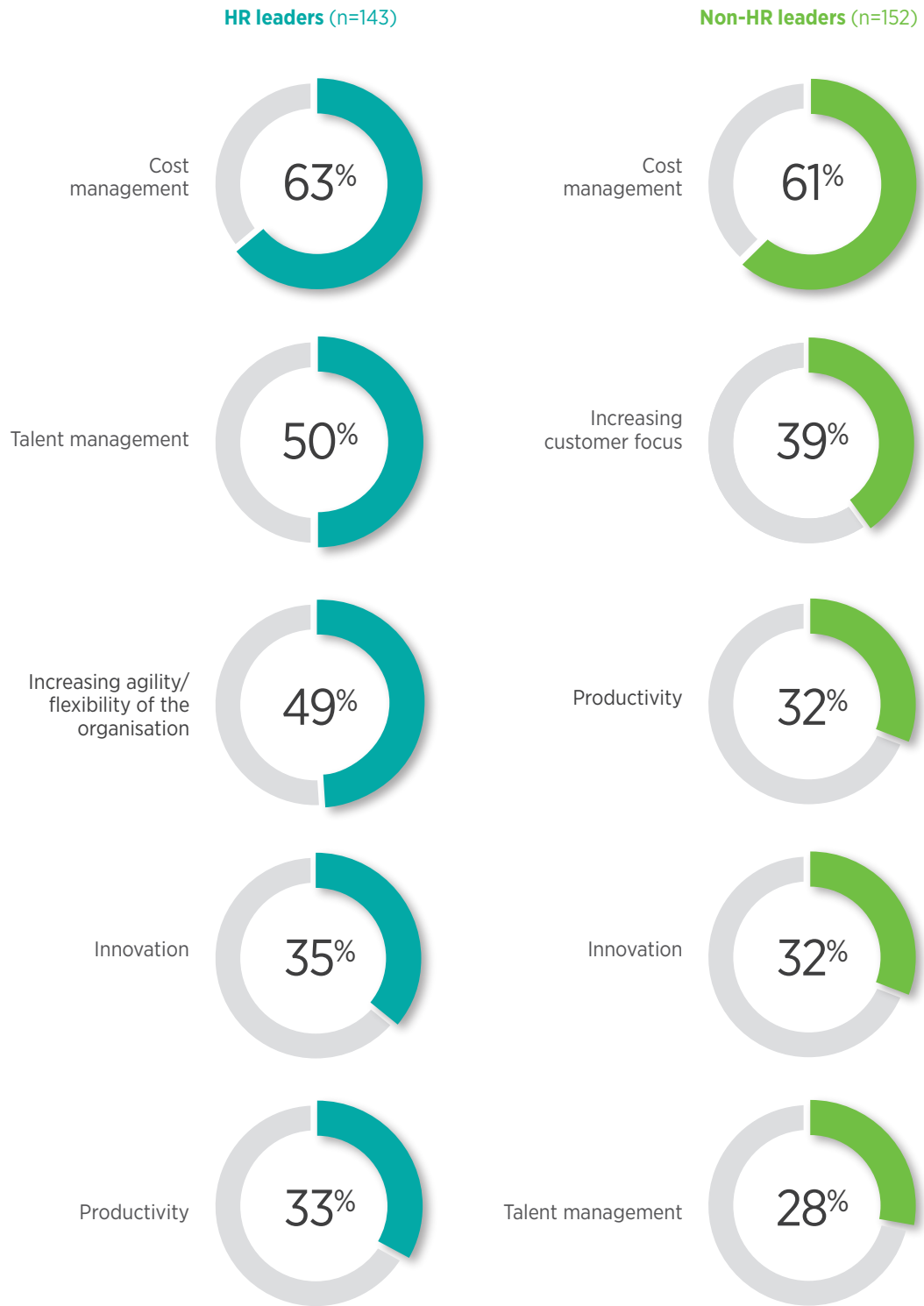
Figure 2   **The FUTURE priorities for organisations (top 5)**

HR leaders (n=143)

Cost management — **54%**

Talent management — **48%**

Innovation — **38%**

Productivity — **36%**

Increasing agility/ flexibility of the organisation — **36%**

Non-HR leaders (n=152)

Cost management — **55%**

Productivity — **34%**

Innovation — **32%**

Increasing agility/ flexibility of the organisation — **27%**

Talent management — **26%**
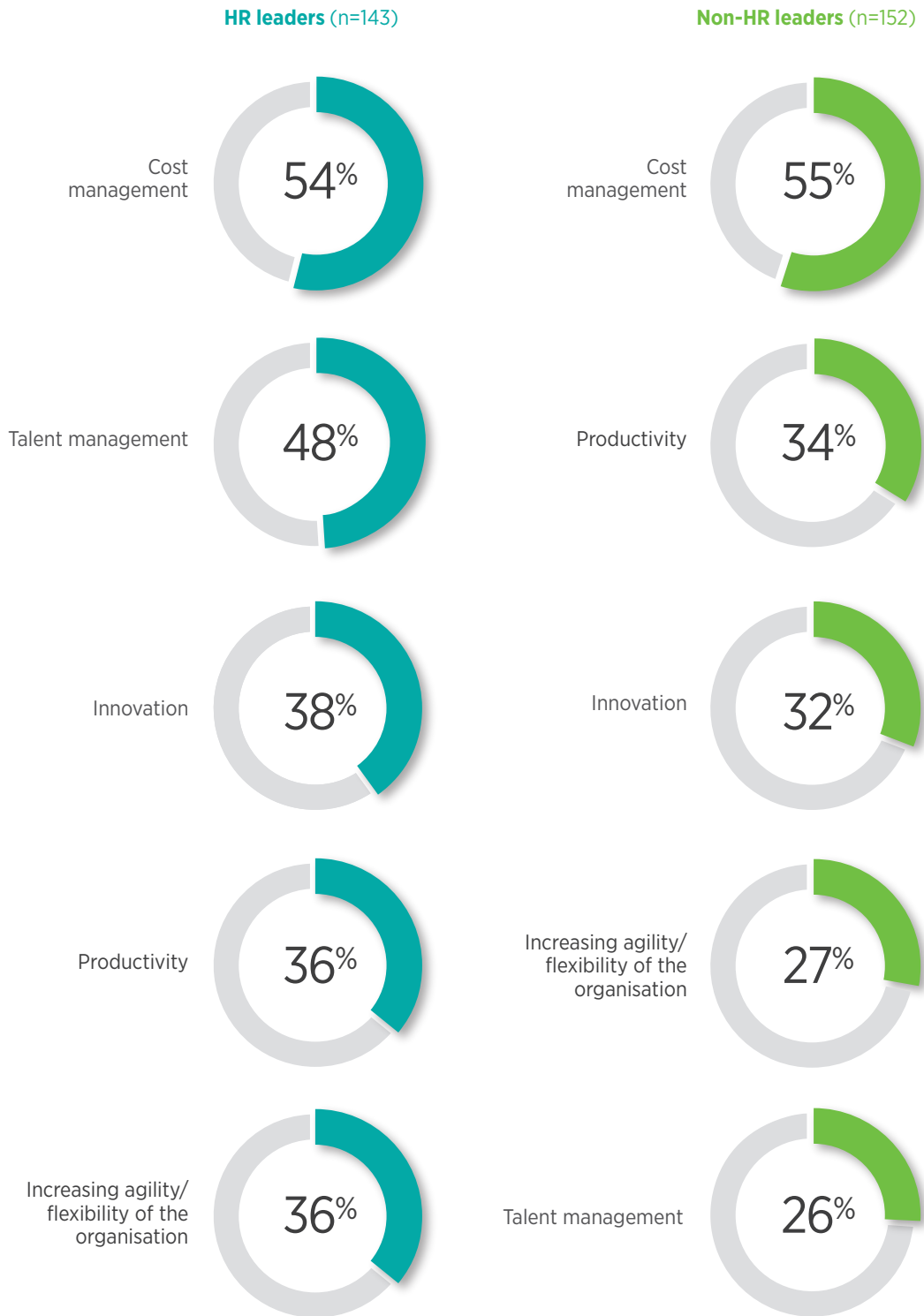
What organisational challenges keep leaders awake at night?

As Figure 3 shows, HR and non-HR leaders have similar challenges on their minds. Both groups identify the same top five challenges when asked what 'keeps them awake at night', although they give them different levels of priority. Leadership capability is given more weight by HR leaders, but is still the second most common challenge for non-HR leaders. More HR leaders report that ensuring they have the skills and talent they need 'keeps them awake at night' compared with non-HR business leaders, perhaps reflecting HR's primary remit.

The need to manage costs and deliver priorities on a limited budget are among the main challenges for both groups. This aligns with cost management being an ongoing priority for many; leaders will need to ensure an appropriate balance with investment in long-term growth.

The main challenges this year echo those reported when we last conducted this survey in autumn 2013. This year, however, lack of employee trust in their organisation is one of the top five challenges of concern to both HR and non-HR business leaders, although there is little actual change in the percentage of leaders reporting this. Our latest *Employee Outlook* findings (autumn 2015), produced in partnership with Halogen, suggest that trust in senior leaders has fallen since spring 2015. The net agreement score for trust in senior leaders sits at +3 (the proportion of employees agreeing that they trust their senior leaders minus those disagreeing). The scores are particularly poor in the public sector, where the net agreement for trust in senior leaders sits at a very low –18.

CIPD research suggests ways of improving trust in senior leaders and organisations, including: developing leadership as service; killing spin, and using open and honest language about the difficulties being experienced by organisations; re-engaging middle and local managers to ensure that the trust chain of the organisation is not broken; and re-examining employment relationships to ensure they have twenty-first-century expectations.[2]

Figure 3   **What 'keeps you awake at night'? The top organisational challenges identified by HR leaders in comparison with non-HR leaders' views (%)**

- Leadership capability — HR leaders: 41; Non-HR leaders: 27
- Ensuring you have the skills and talent you need — HR leaders: 34; Non-HR leaders: 16
- Delivering on priorities with a limited budget — HR leaders: 31; Non-HR leaders: 28
- Managing your cost base — HR leaders: 18; Non-HR leaders: 22
- Lack of employee trust in the organisation — HR leaders: 15; Non-HR leaders: 16

HR leaders (n=143)   **Non-HR leaders** (n=152)

[2] HOPE HAILEY, V., SEARLE, R. and DIETZ, G. (2012) *Where has all the trust gone?* London: CIPD. Available at: http://www.cipd.co.uk/hr-resources/research/where-trust-gone.aspx

2 A difference of opinion about HR's strategic contribution

Introduction

Although there is general agreement between HR and non-HR leaders about what the strategic business priorities are, views are more disconnected when it comes to how HR is contributing to their achievement. Here we compare the views of HR and non-HR business leaders on the contribution of HR strategy, and highlight areas of both alignment and divergence between what HR is doing to meet business priorities and what other leaders think they should focus on.

The contribution of HR strategy

Nearly three-quarters (72%) of HR leaders agree that their current people strategy will help the organisation achieve its future priorities, compared with just a quarter (26%) of other business leaders (Figure 4). Nine per cent of non-HR business leaders report they don't know and a third neither agree nor disagree. This raises questions: do non-HR business leaders think the people strategy will help meet some priorities but not others? Do they lack faith in the strategy itself or in HR's ability to implement it effectively? Or is it a lack of communication and visibility about HR's contribution that means they are unclear about the detail of their people strategy and how it relates to the wider business strategy? These are questions that require further examination.

HR leaders
72%

Non-HR leaders
26%

A quarter of non-HR leaders agree that their current people strategy will help the organisation achieve its future priorities.

Figure 4 To what extent do you agree or disagree that your current HR or people strategy will help your organisation achieve its future key priorities in three years' time? (%)

HR leaders
(n=143)

| 72 | 13 | 14 | 1 |

Agree Neither Disagree Don't know

Non-HR leaders
(n=152)

| 26 | 35 | 30 | 9 |

Agree Neither Disagree Don't know
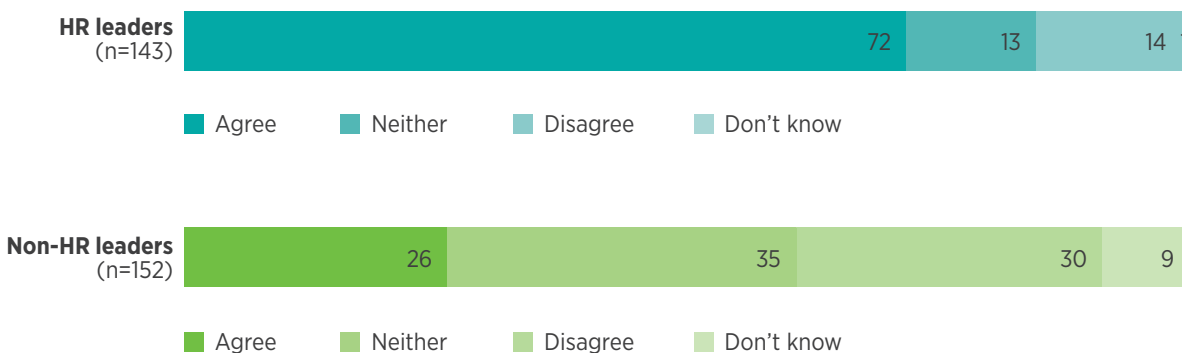
What do business leaders want HR to do to help them meet the business priorities?

We were interested to find out where HR are focusing their attention to help achieve the future business priorities identified in Section 1 of this report. We are able to contrast their responses with what non-HR leaders feel HR should be focusing on to make the most significant contribution to achieving the future business goals.

Cost management

Looking first at the most common organisation priority of cost management, there are distinct differences between what HR say they will be focusing on, and what non-HR leaders think HR should be focusing on, to achieve it (Figure 5). HR service delivery is at the top o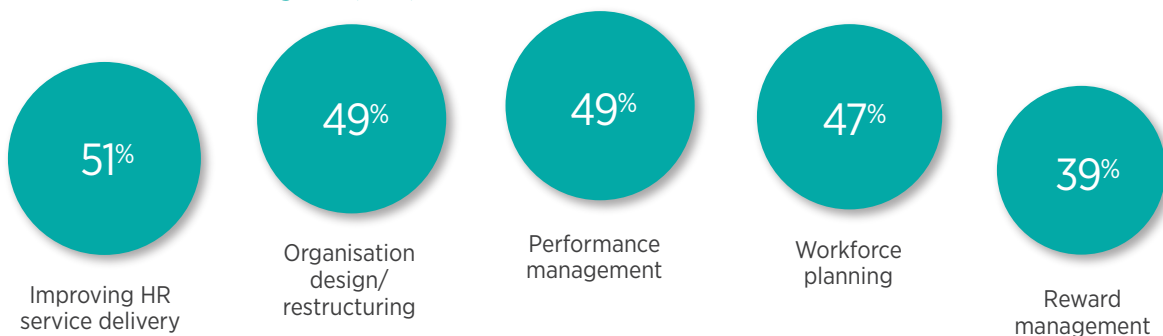f HR leaders' list (51%), while only 26% of non-HR leaders think this should be a priority focus for HR. Improving service delivery, for example through increased use of technology, may be seen as an effective and relatively simple way to reduce HR costs. Business leaders may take a wider perspective, or the findings may reflect a general satisfaction with how HR are delivering their core service to the rest of the business.

Organisation design/restructuring is also rated highly as a priority area of focus in pursuit of cost management by HR, but only 24% of non-HR leaders agree. Restructuring can be costly, but perhaps the strong HR focus on this issue signals the amount of time and resource HR needs to dedicate to effective management of structural change in organisations.

Other business leaders most commonly think HR should be focusing on performance management, retention and reward management. The percentage of HR leaders that think they should focus on these issues is similar, although they do not feature as highly in the ranks. Losing talent clearly carries significant costs, not just direct recruitment costs in a skill-squeezed market, but also in terms of upskilling new recruits and the loss of productivity and knowledge during the recruitment and settling-in period. An emphasis on performance management can help ensure people are focusing on the right things, aligned to overall team and organisation objectives, and working in the desired way. In Section 6 we explore in more detail how well leaders think performance is currently managed in their organisation.

Figure 5   **To achieve the organisation priority of cost management...**
(% of respondents who reported cost management is a priority in three years' time)

HR leaders will be focusing on... (n=77)

51% Improving HR service delivery

49% Organisation design/ restructuring

49% Performance management

47% Workforce planning

39% Reward management

Non-HR business leaders think HR should be focusing on... (n=84)

44% Performance management

38% Staff retention

37% Reward management

33% Workforce planning

31% Employee engagement
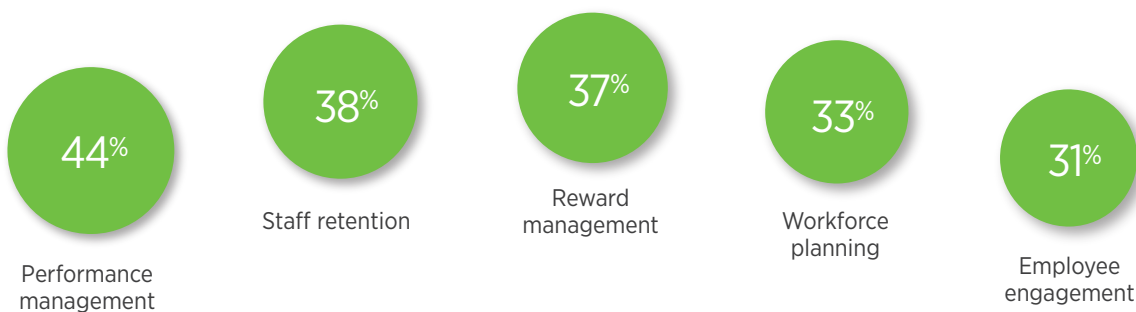
Innovation

Given that innovation has, for the first time, been rated as both a current and a future business priority, in Figure 6 we show both groups' views on how HR can help achieve it. Only those who considered it a top future organisation priority were asked to tell us how HR can best contribute to its achievement.

Although HR and non-HR leaders thought HR should be prioritising different things to achieve the strategic priority of cost management above, positively, both groups agree on what the top three areas of focus for HR should be for innovation. However, non-HR leaders' previous emphasis on retaining and developing existing talent to manage costs is echoed in their responses here. Half of the business leaders think HR should be focusing on creating a learning organisation, and encouraging collaborative/project-based working. Similar proportions of HR leaders report they will be focusing on these areas, but more say they will be concentrating on developing the organisation culture and employee engagement.

A further intriguing finding, not included in Figure 6, concerns HR's focus on diversity. Just 19% of HR leaders who said innovation is in their top organisation priorities said they are focusing on workforce diversity to help achieve this. Given the extent of the evidence linking workforce diversity to improved innovation, this finding seems surprising – even more so given that 31% of non-HR leaders think HR should be focusing on diversity.

HR leaders focusing on workforce diversity

19%

Just 19% of HR leaders who said innovation is in their top organisation priorities said they are focusing on workforce diversity to help achieve this.

Figure 6 **To achieve the organisation priority of innovation…**
(% of respondents who reported innovation is a priority in three years' time)

HR leaders will be focusing on… (n=54)
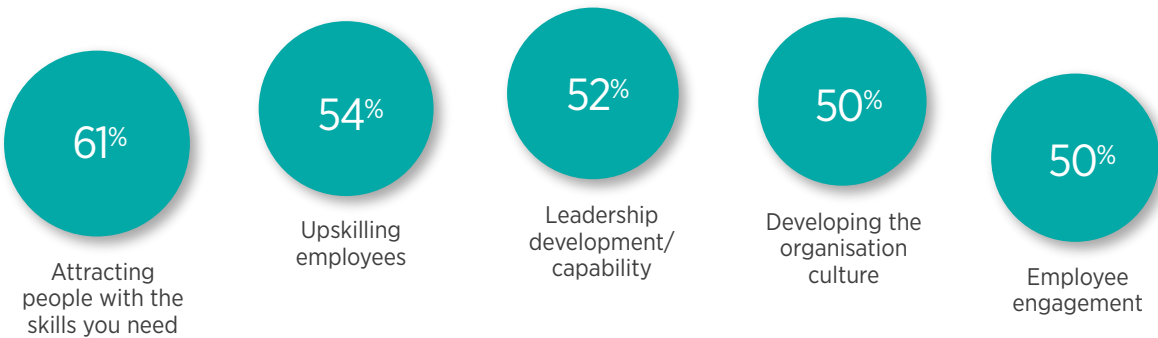
61%	54%	52%	50%	50%
Attracting people with the skills you need	Upskilling employees	Leadership development/ capability	Developing the organisation culture	Employee engagement

Non-HR business leaders think HR should be focusing on… (n=48)

65%	60%	56%	52%	48%
Attracting people with the skills you need	Upskilling employees	Leadership development/ capability	Creating a learning organisation	Encouraging collaborative/ project-based working

Non-HR leaders
68%
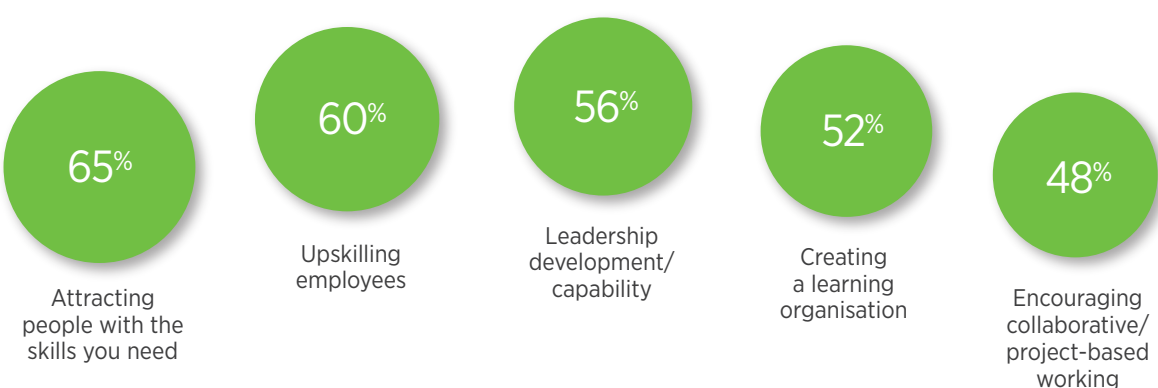
HR leaders
49%

To achieve the organisation priority of talent management, non-HR leaders give more priority to employee well-being (68%) than HR leaders (49%)

Does HR think their organisational culture needs to change before the potential benefits of a more diverse workforce can be achieved?

Talent management
Given the high priority given to talent management by HR leaders, we also compare views on how HR can best deliver on this organisation priority. Although non-HR business leaders were less likely to include talent management among their top organisational priorities compared with HR leaders (Figures 1 and 2), it still ranked in their top five current and future priorities.

There is strong alignment between HR and non-HR leaders on the main areas of focus to achieve this (Figure 7). However, in working towards effective talent management, HR leaders give less priority to employee well-being (49%) than non-HR leaders (68%), as well as to encouraging collaborative/project-based working (24% versus 45% of non-HR leaders). Other business leaders give less priority to performance management (53% compared with 69% of HR leaders).

Figure 7   **To achieve the organisation priority of talent management...
(% of respondents who reported talent management is a priority in three years' time)**

HR leaders will be focusing on... (n=68)

78%
Succession planning

78%
Leadership development/ capability

75%
Staff retention

74%
Employee engagement

72%
Attracting people with the skills you need

Non-HR business leaders think HR should be focusing on... (n=40)

78%
Succession planning

78%
Leadership development/ capability

75%
Staff retention

73%
Attracting people with the skills you need

70%
Employee engagement
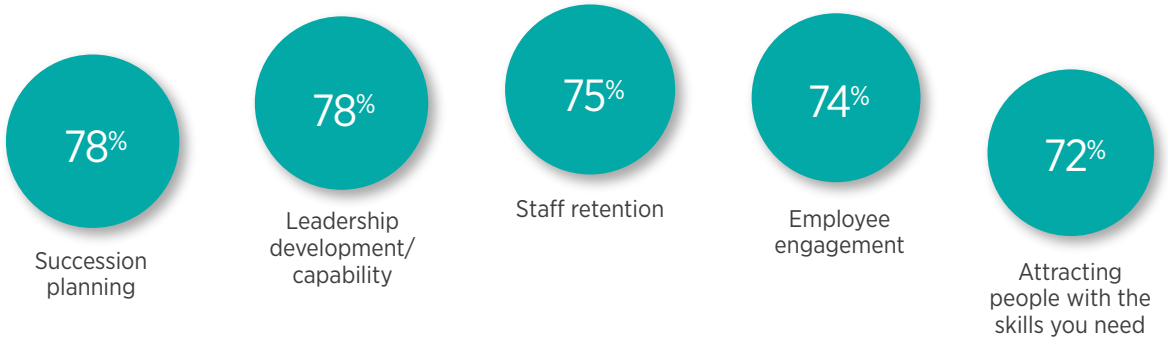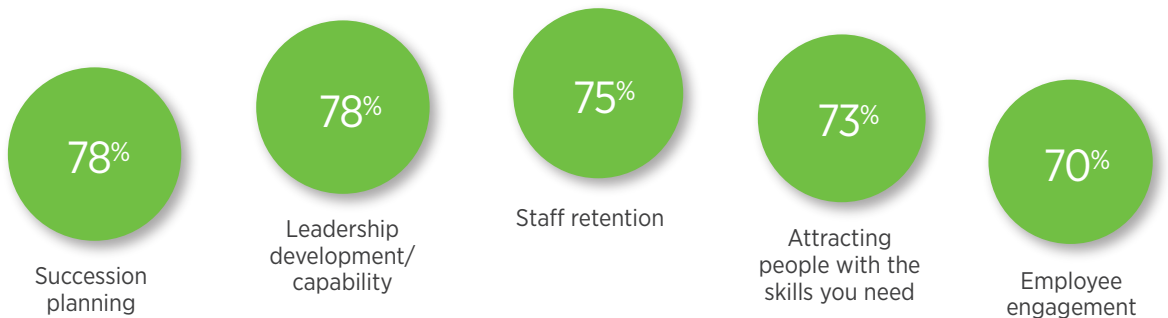
3 HR analytics

Introduction

HR analytics is the application of analysis and data processing procedures to HR/people data to provide information and insights about the nature of individuals in organisations and the value that they add. It is an area attracting significant attention because of the potential for the people insights from analytics to inform strategic HR practice and hence improve productivity and performance. In this section we look at whether and how organisations are using HR analytics. Our findings highlight a mismatch between the views of HR and non-HR business leaders in the value of HR analytics today, and its potential future value.

Organisations are at different stages in their use of HR analytics

Just 8% of HR leaders say they don't use any form of HR analytics, although for many the practice is in its early stages (Figure 8). A quarter, however, have a 'managed' approach to ensure analytics is business focused and robust, and a further 7% are maximising their use of analytics, using predictive analytics to inform HR and business strategy and drive business performance.

Figures 9a and 9b examine views on where HR analytics capability sits in respondents' organisations. HR leaders told us that analytics expertise is usually the responsibility of professionals within the HR function, with around two-fifths (37%) of HR leaders reporting that HR analytics expertise is within the remit of HR professionals. However, the extent of that expertise is not known. Three in ten have quantitative and qualitative analysts, or access to analytic experts outside the department or company. One in five HR leaders report there is little or no sophisticated analytic expertise readily available for the HR function.

The responses of non-HR leaders (Figure 9b) align with those of HR leaders in saying HR analytics is largely carried out by the HR department itself. However, particularly striking is the amount of 'don't know' responses, with 28% of non-HR leaders reporting this, indicating a lack of awareness in non-HR business functions.

Figure 8   **Which statement best describes how your HR function runs analytics? (%)**

Initial: The HR teams answer one-off queries as and when they happen, or to 'fix' something with HR data, but no process is documented. The terms analytics or data probably aren't used, and there are no specific data or analytics capabilities embedded in the HR teams.   **13**

Repeatable: The HR team has a process in place to run analytics, and documents queries so they can be repeated. No specific analyst role exists; it is something that is done by members of the HR team.   **29**

Defined: HR analytics is a role and/or activity in the HR team, and the process of developing and running analytics is well-documented and standardised. There aren't standardised metrics across the business, but HR is able to use its own data to answer queries and run analytics.   **16**

Managed: The HR analytics team has developed standard measures and metrics which have been agreed internally. A management and governance role is in place to ensure that analytics is business-focused and robust.   **23**

Optimising: Analytics is increasingly predictive, and is being used to inform both HR and business strategy, including the optimisation of business and people/HR processes. HR data is used to drive business performance.   **7**

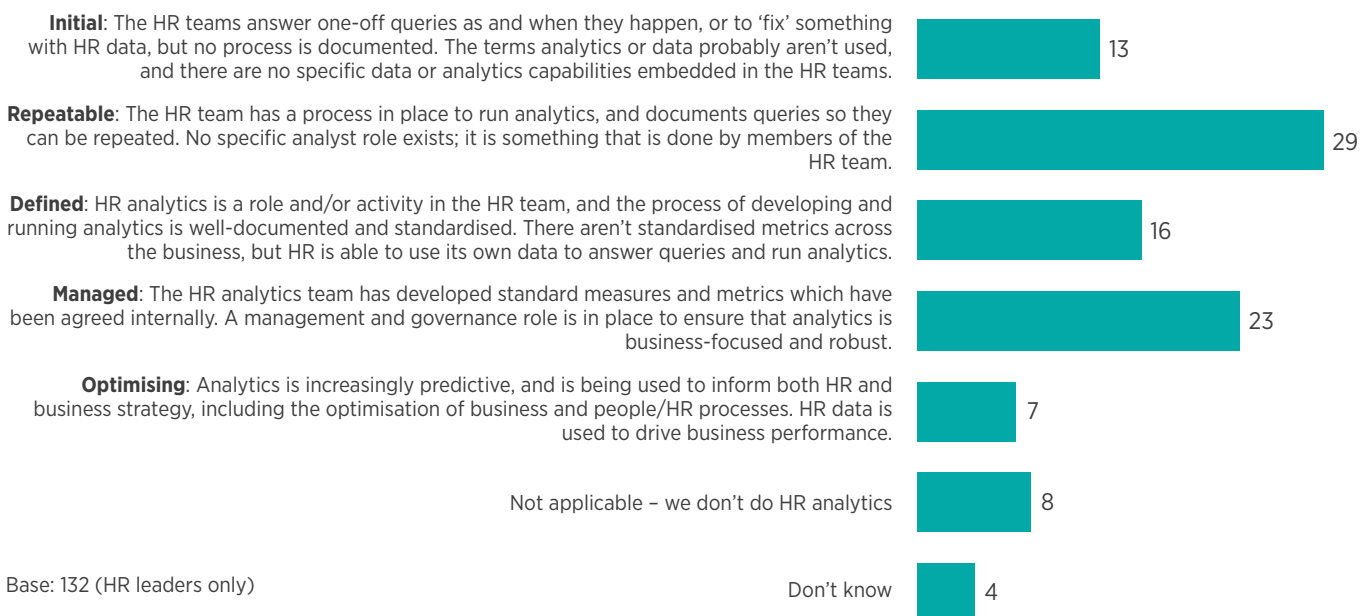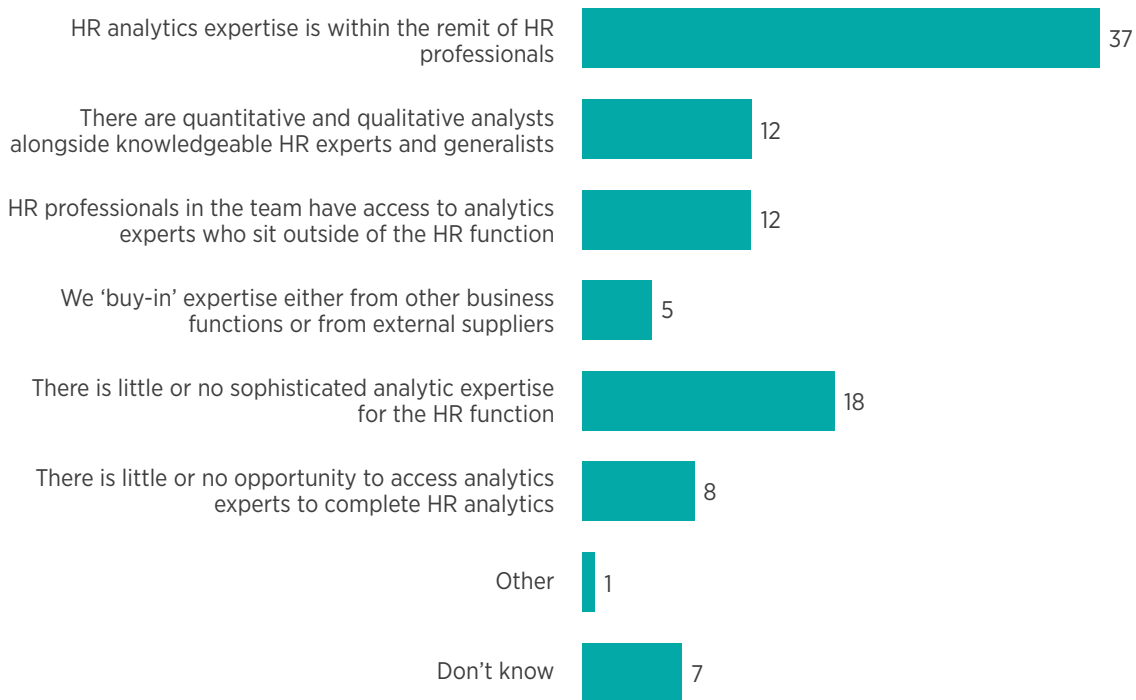Not applicable – we don't do HR analytics   **8**

Don't know   **4**

Base: 132 (HR leaders only)

Figure 9a Which one of the following statements best describes the analytic capability in your HR function? (%)

Statement	Value
HR analytics expertise is within the remit of HR professionals	37
There are quantitative and qualitative analysts alongside knowledgeable HR experts and generalists	12
HR professionals in the team have access to analytics experts who sit outside of the HR function	12
We 'buy-in' expertise either from other business functions or from external suppliers	5
There is little or no sophisticated analytic expertise for the HR function	18
There is little or no opportunity to access analytics experts to complete HR analytics	8
Other	1
Don't know	7

Base: 140 (HR leaders only, excluding those who selected 'not applicable')

Figure 9b Which one of the following statements best describes the analytics capability in your HR department? (%)

Statement	Value
The HR department itself produces HR analytics in my organisation	36
HR works with analysts outside of their department to carry out HR analytics	13
HR analytics are produced, but without involvement from the HR department	5
No HR analytics are produced in my organisation	15
Other	1
Not applicable	2
Don't know	28

Base: 152 (non-HR leaders only)

And it's not clear which level of analytics (from basic analytics to predictive analytics, as described in Figure 8) is being carried out by HR professionals. However, this is an interesting question to consider in your particular organisation context.

**Business leaders are not as satisfied with HR analytics and systems as HR think**

Just two-fifths of HR leaders believe internal stakeholders are satisfied with the HR analytics they are provided with and their current HR systems. Yet the proportion of non-HR business leaders who report satisfaction with either of these is even lower. Figures 10a and 10b show they are more than twice as likely to report they are dissatisfied than satisfied.

Figure 10a How satisfied are internal stakeholders with your current HR systems? (%)

In your view, how satisfied or dissatisfied are your internal stakeholders with your organisation's current HR systems (including your system(s) for core HR, payroll, talent management, recruitment, expenses and so on)? (n=143)

How satisfied or dissatisfied are you as a stakeholder with your organisation's current HR systems (including your system(s) for core HR, payroll, talent management, recruitment, expenses and so on)? (n=152)
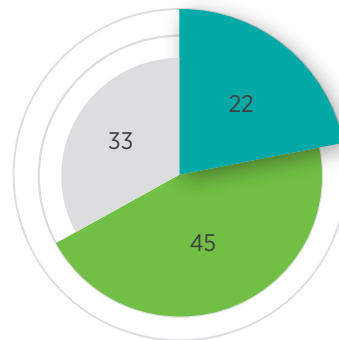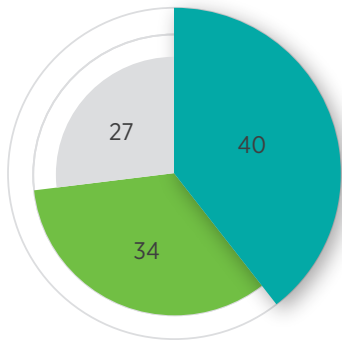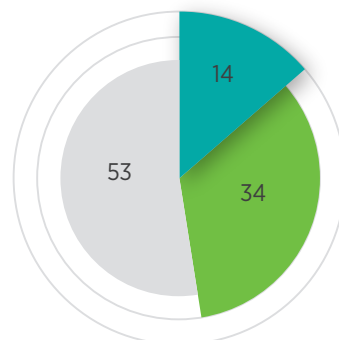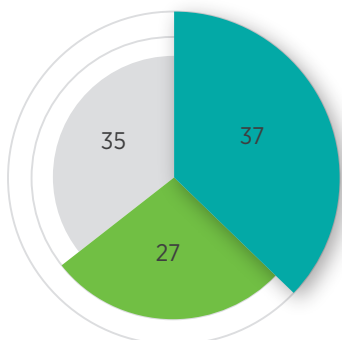

- Satisfied
- Dissatisfied
- No opinion – includes 'neither satisfied nor dissatisfied' and 'don't know/not applicable' responses.

Figure 10b How satisfied are internal stakeholders with the HR analytics provided to them? (%)

In your view, how satisfied or dissatisfied are your internal stakeholders with the HR analytics that are provided to them? (n=143)

How satisfied or dissatisfied are you as a stakeholder with the HR analytics that are provided to you? (n=152)

- Satisfied
- Dissatisfied
- No opinion – includes 'neither satisfied nor dissatisfied' and 'don't know/not applicable' responses.

Views differ on how well analytics are shared

There are wide discrepancies between how well HR and non-HR business leaders think analytics and people insights are communicated. Almost three in ten non-HR business leaders report they have no access to HR reporting or metrics within their organisation.

Twenty-eight per cent say their HR department doesn't share HR analytics with any key stakeholders (compared with 12% of HR leaders). A further 24% don't know how they are shared (compared with just 4% of HR leaders).

HR leaders say analytics are mostly shared via regular internal reports of HR data, with narrative and insight explaining them (Figure 11). Only 15% of non-HR business leaders say this is how analytics are shared. According to them, analytics are mostly shared via bespoke one-off reports on request from the business (for example to answer specific HR queries).

Figure 11 The main ways HR analytics are shared (if at all) with key internal and external stakeholders (%)

HR leaders (n=143)   Non-HR leaders (n=152)
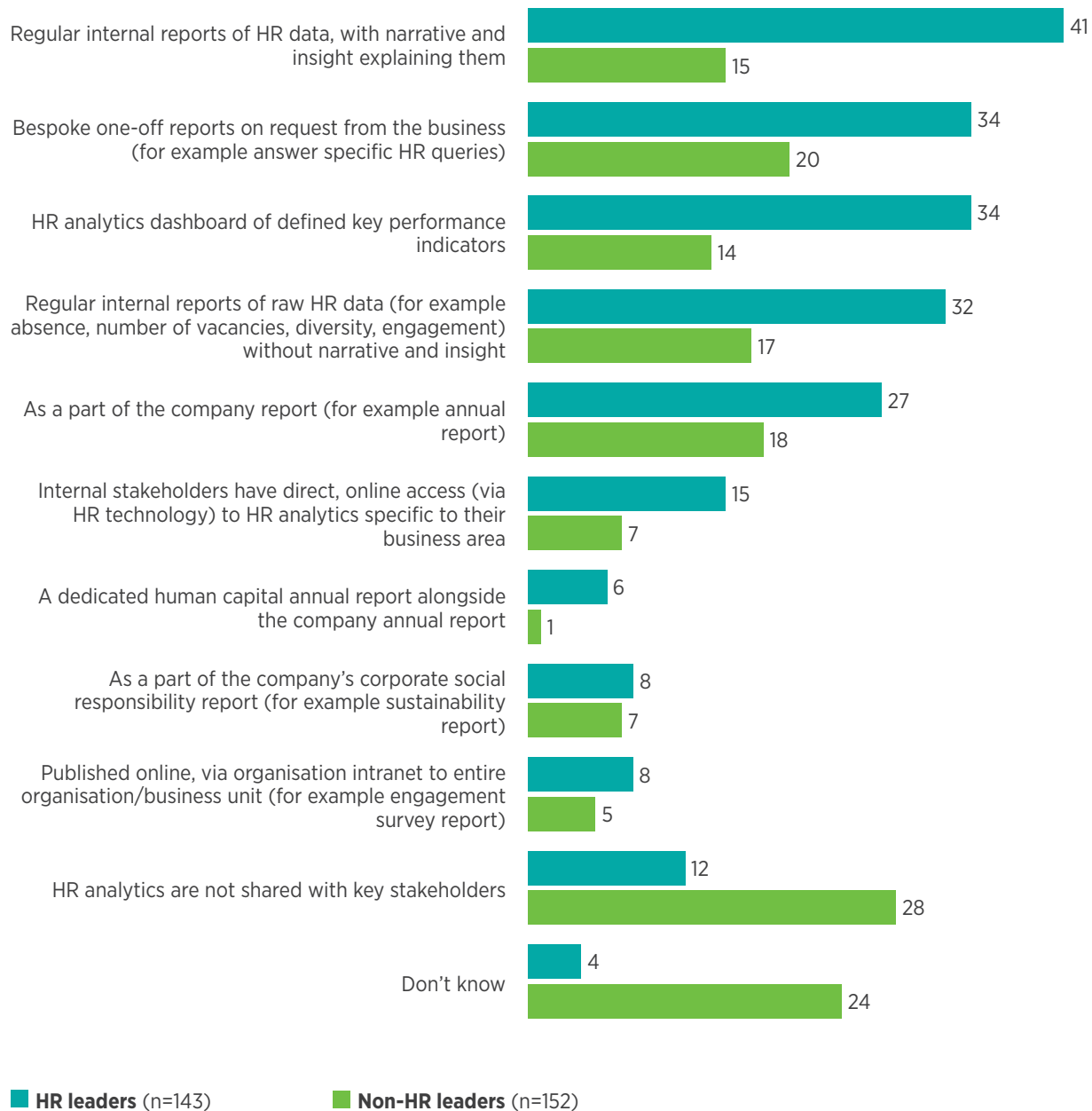
Different views on the strategic value of HR analytics

Over three-quarters (78%) of HR leaders feel HR analytics are important to HR's ability to deliver strategic value to their organisation compared with 49% of non-HR business leaders. It is possible, however, that a sizeable proportion of business leaders remain unclear on the potential contribution of analytics, as a fifth reported they didn't know how important they were, compared with only 7% of HR leaders saying they didn't know.

Both HR and other business leaders agree that the type of analytical insight that would most help the organisation achieve their strategic objectives is predictive analytics (Figure 12). Over two-fifths of HR leaders also agree that key HR metrics

and HR scorecards with industry benchmarking data would be particularly useful, but other business leaders are less inclined to agree.

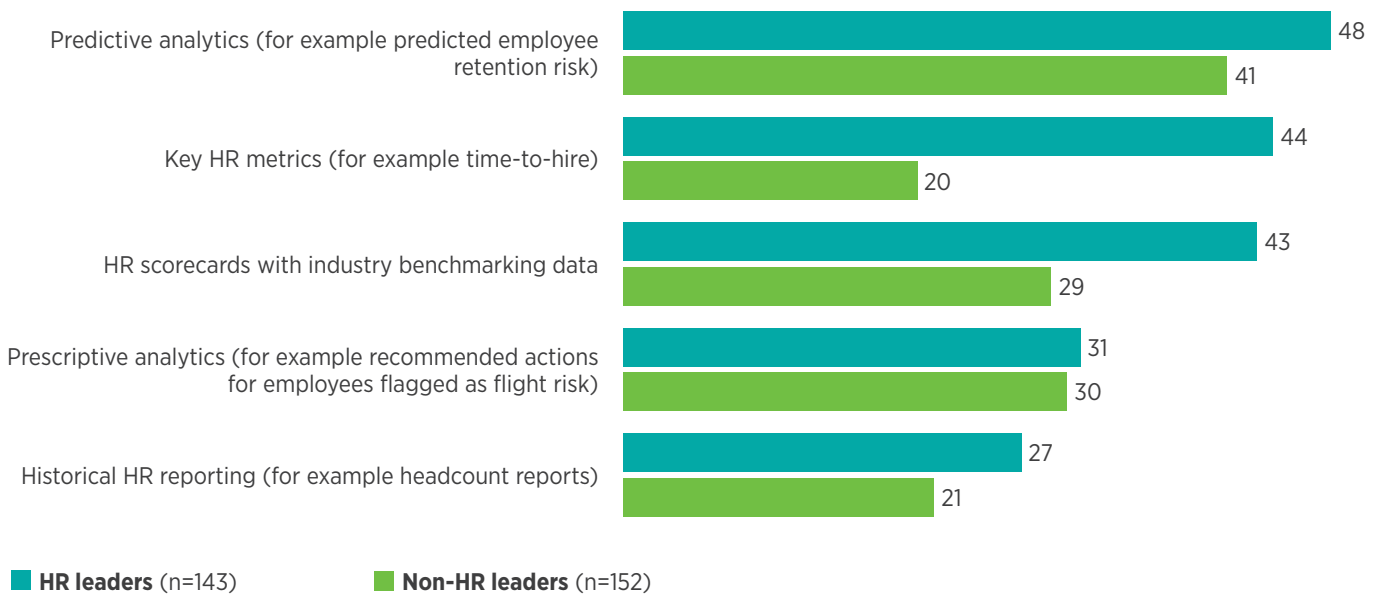## The future for predictive analytics

While predictive analytics are seen to be most helpful for meeting strategic objectives (Figure 12), there is a gap between aspirations and reality in that only a small proportion of organisations have developed their analytics to this degree (Figure 8).

Figure 13 suggests that about half of HR leaders are convinced of the value of predictive analytics (compared with just a third of non-HR business leaders), agreeing that it will provide significant return on investment and that it is required to legitimately drive business performance.

HR leaders
78%

Non-HR leaders
49%

Over three-quarters (78%) of HR leaders feel HR analytics are important to HR's ability to deliver strategic value to their organisation compared with 49% of non-HR leaders.

Figure 12   **The types of HR analytical insight that would be most useful in helping the organisation achieve its strategic objectives (%)**

	HR leaders	Non-HR leaders
Predictive analytics (for example predicted employee retention risk)	48	41
Key HR metrics (for example time-to-hire)	44	20
HR scorecards with industry benchmarking data	43	29
Prescriptive analytics (for example recommended actions for employees flagged as flight risk)	31	30
Historical HR reporting (for example headcount reports)	27	21

■ **HR leaders** (n=143)   ■ **Non-HR leaders** (n=152)

Two-thirds of HR leaders agree that predictive analytics will be a standard HR capability within ten years, although, again, other business leaders are not so sure. About half of both HR and non-HR leaders agree that there are bigger priorities in HR at their organisation than predictive analytics. A third of HR leaders and 28% of non-HR business leaders report the main barrier to predictive analytics is cost.

Our findings suggest that many, particularly non-HR business leaders, remain uncertain regarding the value of analytics. Developing understanding of how HR analytics can drive value in the business is required to bring business leaders on side. Capability may also be an issue for some organisations. Two-fifths of HR leaders and a fifth of business leaders report they aspire to use predictive analytics but are currently unable to complete basic analytics. Clearly the skills and systems need to be in place to ensure the quality of data is fit for purpose.

Many leaders are aware of this need. Two-fifths of HR leaders plan to increase their investment in HR analytics over the next 12 months. The most common reason for the additional investment is to enable different sources or types of data to be combined (53%), but a significant proportion will be training existing HR staff in analytic capabilities (28%), giving them greater access to analytic expertise (35%) or increasing their headcount of analysts (8%). Over a third of those increasing their investment will be acquiring new technology to assist with analytics (37%).

Figure 13 The future of predictive analytics (% agree)

	HR leaders (n=143)	**Non-HR leaders** (n=152)
Predictive analytics will provide significant return on investment over the long term	53%	33%
Without predictive analytics it is hard to legitimately drive business performance	48%	34%
Predictive analytics will be a standard HR capability within ten years	66%	43%
There are bigger priorities in HR at my organisation than predictive analytics	55%	53%
The main barrier to predictive analytics at my organisation is cost	36%	28%
We aspire to utilise predictive analytics at my organisation; however, we are unable to complete basic analytics at present	43%	22%

4 Employee well-being

Non-HR leaders 35%

HR leaders 27%

Non-HR business leaders tend to be more likely to say quality of line management is being prioritised to improve employee well-being (35% compared with 27% of HR leaders)
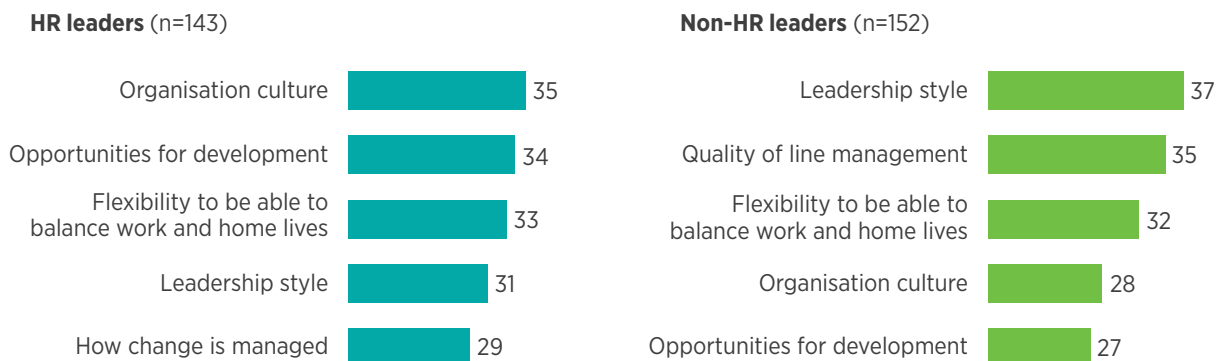
Introduction

Supporting employee well-being is generally viewed as the right thing to do. In addition, there has been increased recognition of the shared value of doing so, with organisations embracing it realising the mutual gains. Here we examine which aspects of organisational life are being focused on to improve employees' well-being. We also explore views on the importance of financial well-being and efforts to promote it.

Improving employee well-being

Figure 14 shows that there is a high degree of similarity in the most common factors HR and other business leaders say their organisations are focusing on most to improve employee well-being. However, non-HR business leaders tend to be more likely to say quality of line management is being prioritised (35% compared with 27% of HR leaders), while HR leaders are particularly likely to report their organisation is focusing most on how change is managed (29% compared with 22% of non-HR leaders). 'Quality of line management' ranking sixth in the HR list of priorities is somewhat of a surprise, but, perhaps in forcing leaders to select their top three factors, 'opportunities for development' was selected by some as a catch-all for leadership, line management and employee development. And of course HR are prioritising organisation culture, which is clearly influenced by leadership style and quality of line management.

Figure 14 Work factors that respondents' organsiations are focusing on most to improve employee well-being (top 5) (%)

HR leaders (n=143)

Organisation culture	35
Opportunities for development	34
Flexibility to be able to balance work and home lives	33
Leadership style	31
How change is managed	29

Non-HR leaders (n=152)

Leadership style	37
Quality of line management	35
Flexibility to be able to balance work and home lives	32
Organisation culture	28
Opportunities for development	27

Financial well-being

We also asked both groups about the impact they think an employee's financial well-being can have on their ability to perform their job. Most non-HR business leaders (85%) feel it has either a fair amount or a significant impact and 73% of HR leaders agree with them. Only a very small minority of HR leaders (1%) and no business leaders feel it has no impact at all.

Despite a common belief in the importance of financial well-being for job performance, a third of HR leaders (31%) and nearly half of business leaders (47%) report their organisation makes little or no effort to promote it. HR leaders are just slightly more likely to believe their organisation makes a good effort to promote financial well-being (Figure 15). The priority that has been placed on managing costs since the 2008 financial crisis may be taking its toll here.
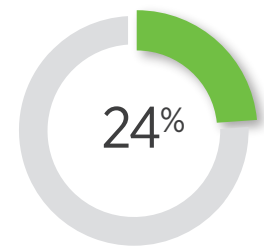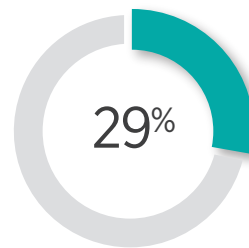
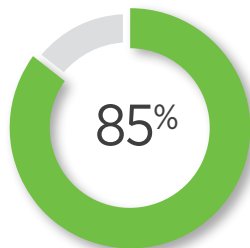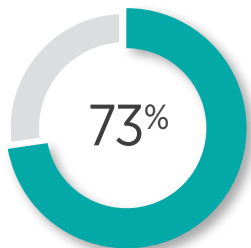*Figure 15*   **The discrepancy between views on the importance of financial well-being and efforts to promote it**

Financial well-being has a fair amount or a significant impact on employees' ability to do their job

(% agree)

My organisation makes a fair or a lot of effort to promote the financial well-being of employees

(% agree)

■ **HR leaders** (n=143)   ■ **Non-HR leaders** (n=152)

5 Talent management

Introduction

CIPD research shows that competition for talented employees is very much alive and organisations often struggle to find and retain particular skills. Talent management featured in both HR and non-HR's top five lists of current and future strategic priorities, although it was given more significance by HR.

In this section we examine how leaders are attempting to meet their future talent requirements, their main considerations when recruiting and retaining people and also the ethical responsibilities they feel to employees and applicants.

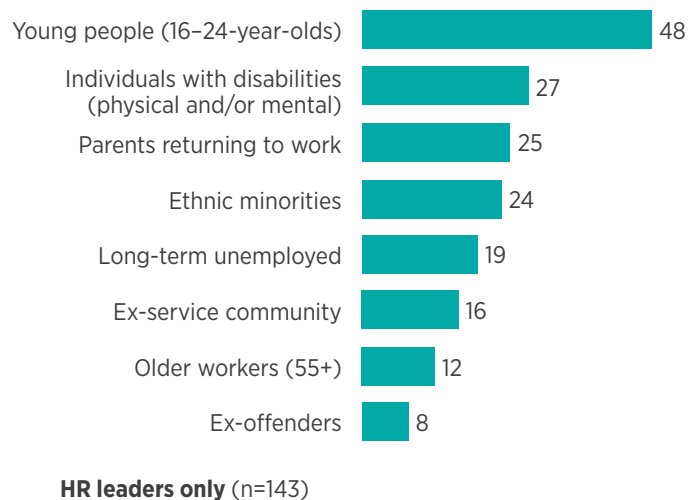## HR and business leaders prioritise similar areas in meeting future talent requirements

Leaders were asked how they are ensuring that their organisation has the talent it needs for the future. The top five priorities are identical for HR and other business leaders (Figure 16). The most common focus for both groups is on upskilling existing staff. There is also a notable focus from HR leaders on investing in young people to 'grow our own' talent. Figure 17 shows that HR leaders are much more likely to proactively reach out to young people than to other workforce groups.

In contrast, business leaders tend to be more focused on retention than HR leaders. This focus on retention was also apparent in their views on what HR should be focusing on to achieve the strategic priority of cost management (Figure 5). The CIPD's 2015 *Resourcing and Talent Planning* survey, in partnership with Hays, found that three-quarters of organisations had challenges retaining staff. Business leaders may be more closely connected to the business implications of losing particular individuals. With the current focus on managing costs, it may make sense to couple investments in existing staff with a corresponding focus on retention, so that the organisation benefits from the investment and retains as well as develops the skills it needs for the future.

Figure 16 Areas of focus to ensure your organisation has the talent it needs for the future (%)

	HR leaders	Non-HR leaders
Upskilling existing staff with the skills we will need	48	42
Focusing on succession planning	33	36
Investing in young people to 'grow our own' talent	31	24
Recruiting/hiring for the skills we need	30	31
Focusing on retention	29	38

■ **HR leaders** (n=143)   ■ **Non-HR leaders** (n=152)

Figure 17 Do you proactively reach out to any of the following groups? (%)

	HR leaders
Young people (16–24-year-olds)	48
Individuals with disabilities (physical and/or mental)	27
Parents returning to work	25
Ethnic minorities	24
Long-term unemployed	19
Ex-service community	16
Older workers (55+)	12
Ex-offenders	8

HR leaders only (n=143)

Considerations in recruiting and retaining talent

The most common considerations for both HR and non-HR business leaders when acquiring new talent are skills/competence, attitudes and behaviours and potential for future high performance (Figure 18). With the focus on cost management, value for money is important for half of HR leaders and 44% of non-HR business leaders.

While leaders are more likely to consider potential than actual high performance when acquiring new talent, the order is reversed when it comes to retaining existing talent (Figures 18 and 19). High performance tops the list for both HR and non-HR business leaders, closely followed by skills/competence. Nevertheless, nearly half of HR and non-HR business leaders report future potential is one of their main considerations in retaining employees, echoing the focus on advancement and succession planning seen in Figure 16.

Despite differences in rankings, the top considerations for retaining existing talent are very similar to those for acquiring new talent. The exception is, not surprisingly, that loyalty/commitment to the organisation is much more commonly emphasised when it comes to retaining talent, particularly by non-HR business leaders, and value for money in the labour market is more commonly considered when recruiting.

Figure 18 **What are your most important considerations when acquiring new talent? (top 5) (%)**
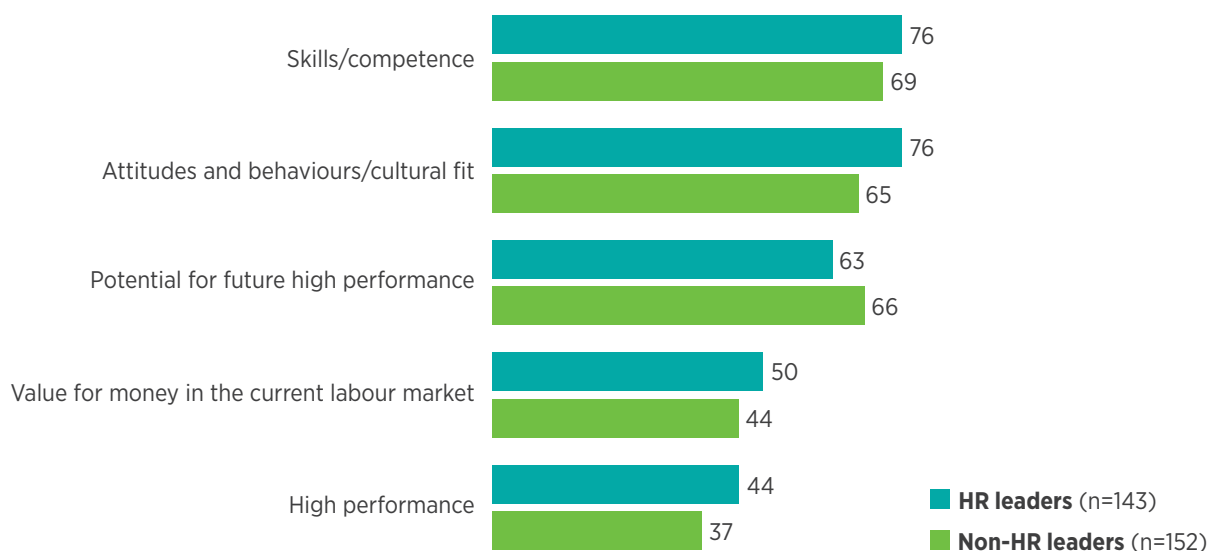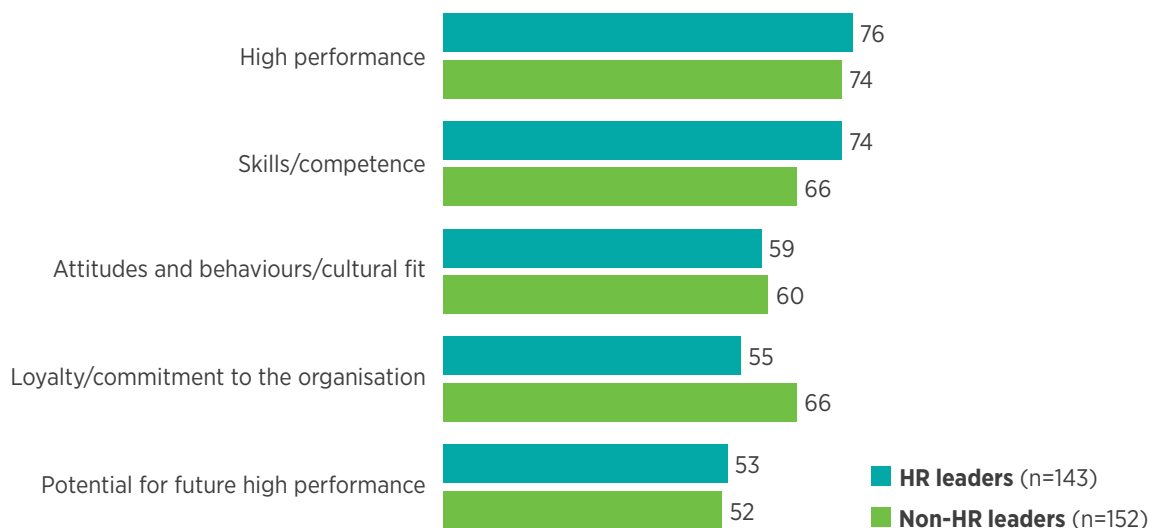
Consideration	HR leaders	Non-HR leaders
Skills/competence	76	69
Attitudes and behaviours/cultural fit	76	65
Potential for future high performance	63	66
Value for money in the current labour market	50	44
High performance	44	37

■ **HR leaders** (n=143)
■ **Non-HR leaders** (n=152)

Figure 19 **What are your most important considerations when retaining existing talent? (top 5) (%)**

Consideration	HR leaders	Non-HR leaders
High performance	76	74
Skills/competence	74	66
Attitudes and behaviours/cultural fit	59	60
Loyalty/commitment to the organisation	55	66
Potential for future high performance	53	52

■ **HR leaders** (n=143)
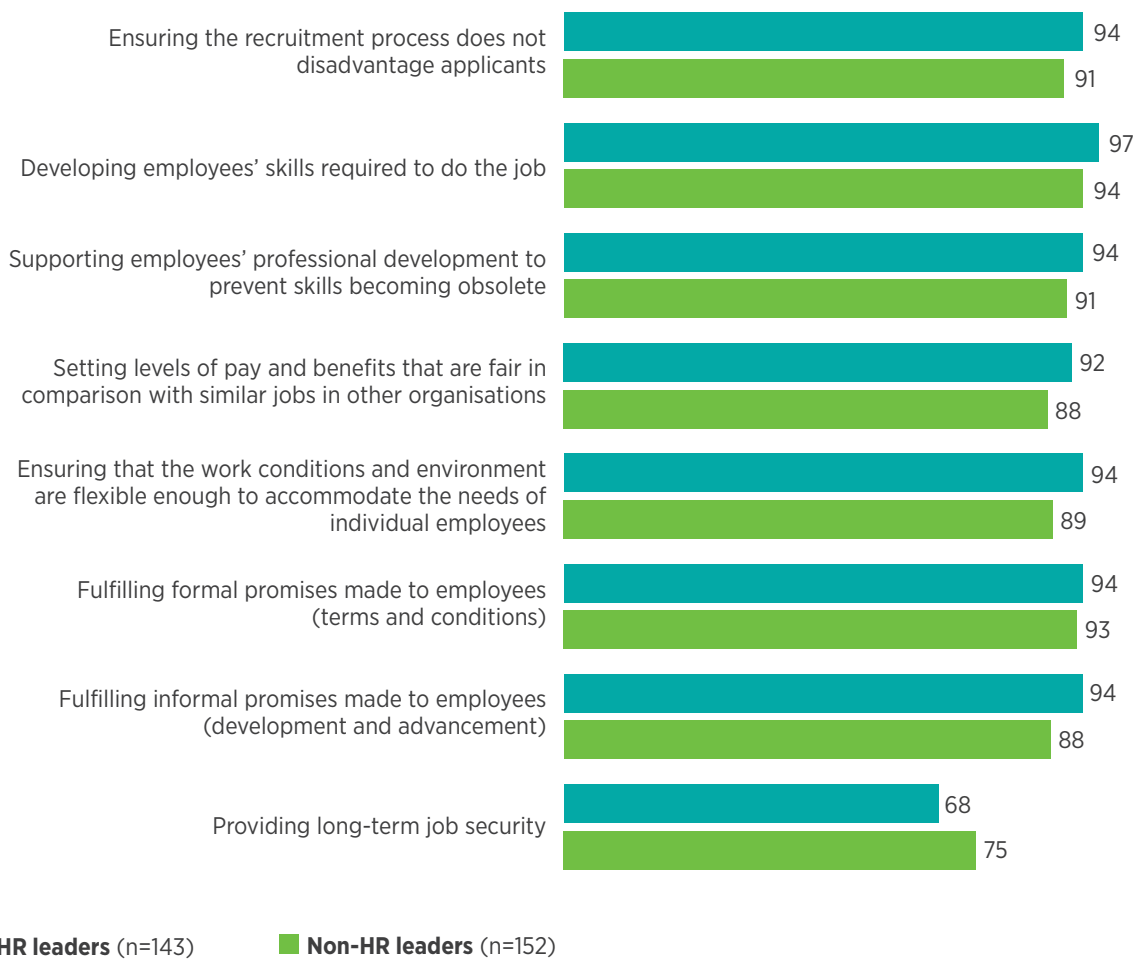■ **Non-HR leaders** (n=152)

Ethical responsibilities

The vast majority of both HR and other business leaders believe, as an employer, they have a responsibility to treat their employees fairly, fulfil formal and informal promises and support their development (Figure 20). Fewer, however, particularly HR leaders, feel they have a responsibility to provide long-term job security.

Moreover, while most agree that they have a responsibility to develop employees to do their job and prevent their skills becoming obsolete, 55% of non-HR business leaders and 42% of HR leaders believe employers should only support development of individuals that can add value to the organisation (Figure 21). With the focus on cost management, many organisations will want to ensure there is a return on investment.

Figure 20   As an employer, we have a responsibility to our permanent staff for... (%)

	HR leaders	Non-HR leaders
Ensuring the recruitment process does not disadvantage applicants	94	91
Developing employees' skills required to do the job	97	94
Supporting employees' professional development to prevent skills becoming obsolete	94	91
Setting levels of pay and benefits that are fair in comparison with similar jobs in other organisations	92	88
Ensuring that the work conditions and environment are flexible enough to accommodate the needs of individual employees	94	89
Fulfilling formal promises made to employees (terms and conditions)	94	93
Fulfilling informal promises made to employees (development and advancement)	94	88
Providing long-term job security	68	75

■ **HR leaders** (n=143)   ■ **Non-HR leaders** (n=152)

Responsibilities of business, individuals and the education system

Business and HR leaders are in strong agreement regarding a dual responsibility for reaching talent (Figure 21). Most agree that employers should proactively reach out to the widest possible pool of talent and just under three-fifths believe employers should take positive action to encourage job applications from groups that are experiencing difficulties in gaining

access to work. Nevertheless, two-thirds believe individuals have primary responsibility for ensuring they can access jobs and progress in work.

Similarly, while most leaders agree that employers should support individuals to progress in work, as noted above, some believe employers should only support development that adds value to the organisation. Just under half feel the education system has the

primary responsibility for ensuring individuals have the skills to access jobs and progress in work.

The ethical responsibility of organisations is a topic explored further through the CIPD's Profession for the Future research, which examines the ethical lenses that can be applied to a range of people dilemmas. You can find out more at **cipd.co.uk/pff**

Figure 21   **Supporting individuals and development (% agree)**

HR leaders (n=143)   **Non-HR leaders** (n=152)
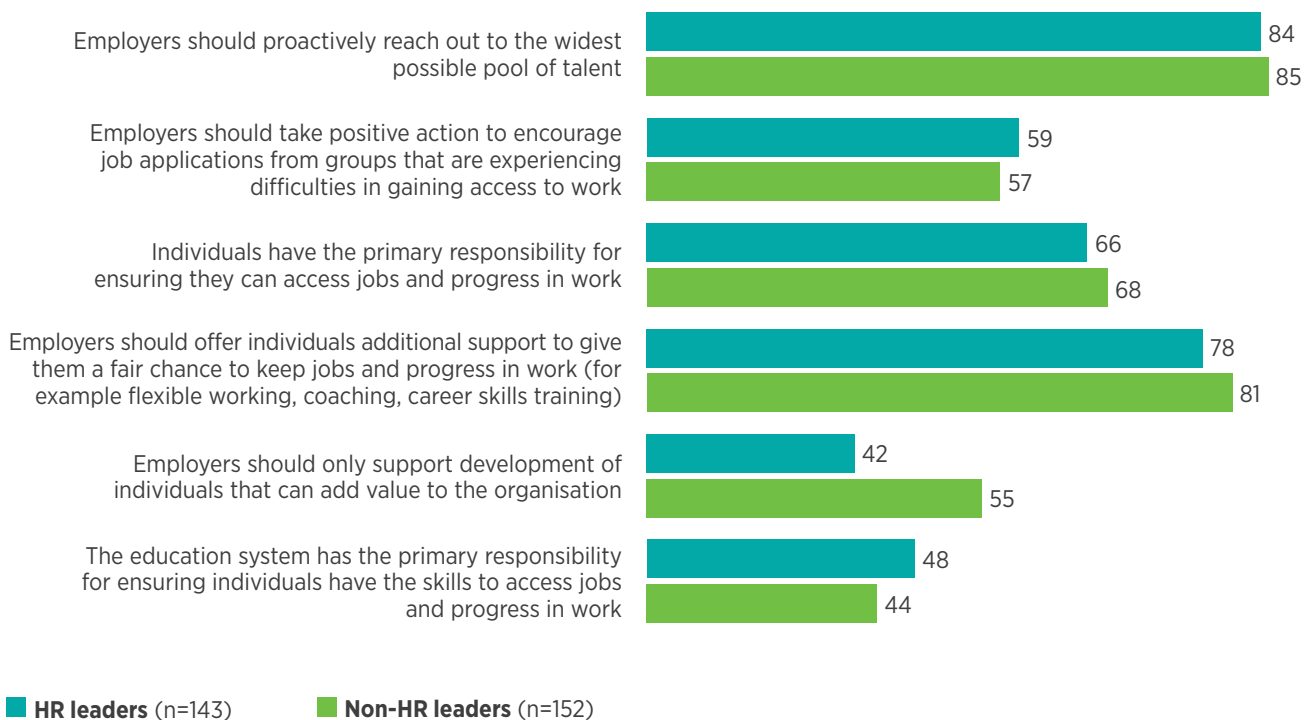
6 Performance management

Introduction

Performance management has a significant role to play in enhancing organisational success, by ensuring all employees understand their expected contribution to business objectives and are motivated and equipped with the skills and support to achieve this. In this section we explore how well organisations manage various aspects of performance, the practices they use and how effective these are seen to be.

HR have a more positive view of how well performance is managed

Overall, HR leaders believe their organisation is better at managing all aspects of performance compared with non-HR leaders (Figure 22). Nevertheless, over half of non-HR leaders believe their organisation is doing well at systematically assessing and improving individual performance. Views are less positive with regards to improving and assessing team performance, rewarding performance and, in particular, dealing with underperformance.

Figure 22 Percentage of leaders who believe their organisation manages the following aspects of performance well (%)

Systematically assessing individual performance — HR leaders: 66, Non-HR leaders: 53

Improving individual performance — HR leaders: 62, Non-HR leaders: 51

Appropriately rewarding performance — HR leaders: 52, Non-HR leaders: 31

Systematically assessing team performance — HR leaders: 47, Non-HR leaders: 32

Improving team performance — HR leaders: 45, Non-HR leaders: 34

Dealing with underperformance — HR leaders: 44, Non-HR leaders: 29

HR leaders (n=113)   **Non-HR leaders** (n=116)

HR and non-HR business leaders are in strong agreement regarding which performance management practices are standard practice in their organisations (Figure 23). One-to-one meetings between reports and line managers are commonplace, other practices less so.

Separately we asked survey respondents about appraisals.

According to both HR and non-HR business leaders, the vast majority of organisations conduct appraisals. In nearly half of organisations these are conducted annually, while in approximately two-fifths they are conducted every six months.

While leaders agree on which performance management practices are used in their organisation and

how often, there are considerable differences in their views on how effective practices are (Figure 24). HR leaders are considerably more positive than non-HR business leaders, particularly with regards to 360-degree feedback, annual appraisals, and one-to-one meetings. Both groups are most likely to report that formal coaching or mentoring is effective. They are least likely to believe that annual appraisals are effective, although more rate six-monthly appraisals as effective. More regular appraisals not only enable more timely feedback to be provided but also allow changes in business priorities to be incorporated.

Figure 23   **Which of the following performance management practices, if any, are standard practice at your organisation? (% of HR leaders)**
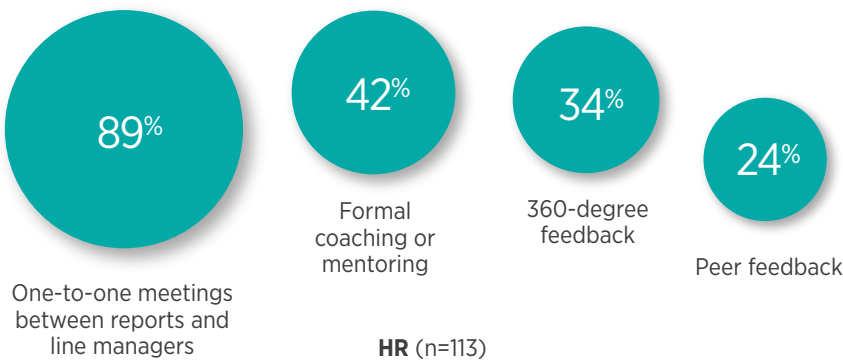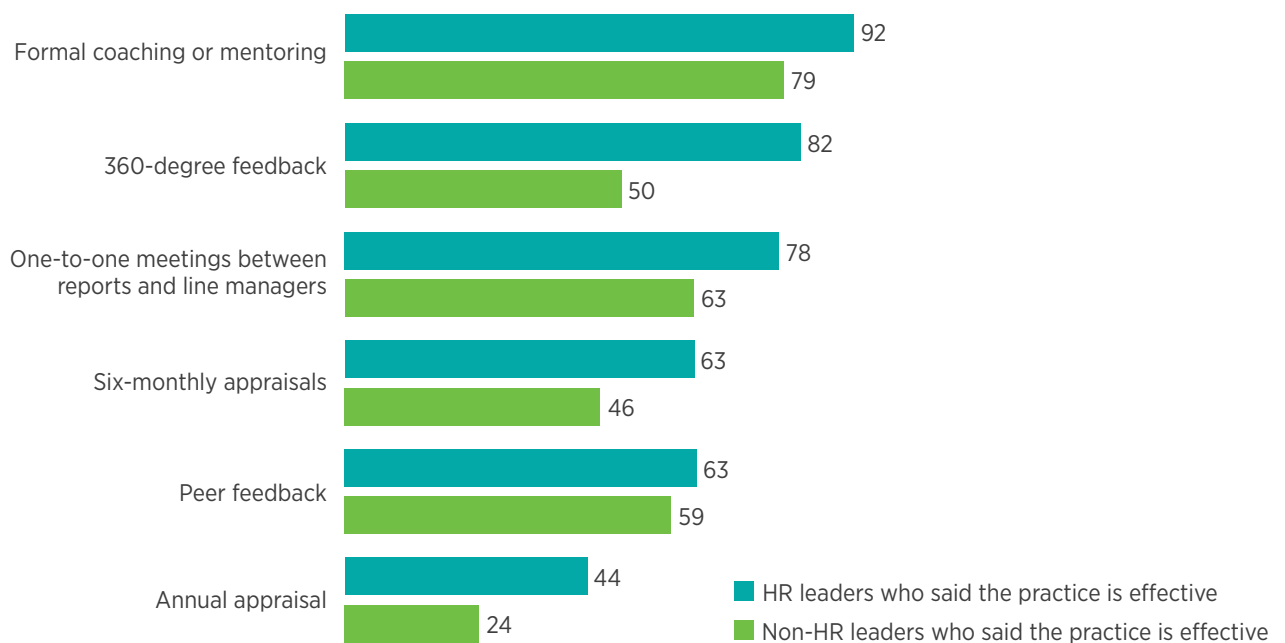
89%
One-to-one meetings between reports and line managers

42%
Formal coaching or mentoring

34%
360-degree feedback

24%
Peer feedback

HR (n=113)

Figure 24   **How effective are the following management practices? (% of those in organisations where they are standard practice)**

Practice	HR leaders	Non-HR leaders
Formal coaching or mentoring	92	79
360-degree feedback	82	50
One-to-one meetings between reports and line managers	78	63
Six-monthly appraisals	63	46
Peer feedback	63	59
Annual appraisal	44	24

■ HR leaders who said the practice is effective
■ Non-HR leaders who said the practice is effective

*Caution: low base in some cases, base varies from 27 (HR leaders, peer feedback) to 106 (one-to-one meetings, non-HR)

7 Technology

Introduction

Rapid advances in technology offer both advantages and risks to organisations that cannot be ignored in today's hyper-connected environment. Here we look at which technology-related issues HR and other business leaders are currently focused on.

Technology-related issues

There are key differences in the technology-related issues that occupy HR leaders compared with non-HR leaders. As would be expected, HR are more focused on issues that fall directly within their remit. Their most common issue is outdated/inflexible HR systems, but a quarter include lack of real-time insight into workforce data and analytics among the issues they are paying attention to, which is positive given our findings in Section 3 (HR analytics).

Nevertheless, HR and non-HR business leaders share some of the same concerns. Over a quarter of both groups are currently paying attention to the risk to their reputation via social media. Both also include keeping up with mobile technologies among their main issues, but HR leaders are more likely to be paying attention to those that enable employee engagement and non-HR leaders those that enable customer engagement (although a fifth of non-HR leaders are also paying attention to mobile technologies that enable employee engagement).

The most common issue non-HR leaders are paying attention to is the risk to cyber security from external sources. This is an increasingly notorious issue for organisations. Nearly half of non-HR leaders and two-fifths of HR leaders include risks to cyber security of one form or another among their top three technology-related issues.

Figure 25 **Which of the following technology-related issues, if any, are you paying attention to at the moment? (top 5) (%)**

HR leaders n=143)

Non-HR leaders (n=152)

Outdated/inflexible HR systems

41%

Risks of cyber security – from external sources (for example hacking)

32%

Risk to reputation via social media

27%

Risk to reputation via social media

26%

Keeping up with mobile technologies that enable employee engagement

25%

Keeping up with mobile technologies that enable customer engagement

25%

Risks of cyber security – from external sources (for example hacking)

25%

Risks of cyber security – from internal sources non-intentionally (for example leaving discs or devices on a train, or losing a device containing passwords for cloud storage services or HR systems)

22%

Lack of real-time insight into workforce data and HR analytics

24%

Keeping up with mobile technologies that enable employee engagement

19%

8 What do the findings mean for HR?

This survey has covered significant ground, first looking at the overall strategic priorities for organisations, both now and in the future, before looking more closely at HR's role in achieving those. We highlight areas of alignment between the views of HR and non-HR leaders as well as areas of disconnect.

We then focused on specific topics which are attracting much debate within the HR profession and for which further insight is useful in informing discussion, steering practice and moving the debate on.

As well as showing areas of strength, our findings also signal challenges for the HR profession. Five key insights emerge that we believe HR needs to act on:

- Enhance two-way learning and insight-sharing between HR and other business functions to deliver systemic HR.
- Develop a compelling case showing HR's alignment with the needs of stakeholders across the business.
- Be realistic – focus on the achievable and relevant to establish credibility.
- Strengthen performance management skills and processes.
- Prioritise future-focused HR capability development.

Enhance two-way learning and insight-sharing between HR and other business functions to deliver systemic HR

Our findings highlight several areas of disconnect between HR and other business leaders. Although they agree on the organisation's current and future priorities, they have different views on what HR should be focusing on to achieve them, and they are not satisfied with HR's current use of analytics and people data.

There has been a strong emphasis in recent years on the need for HR to focus on specific business priorities and challenges. This approach to HR requires systemic thinking and action which must complement the traditional focus on specialist HR areas or best practice. For example, business priorities of innovation and productivity are unlikely to be solved by purely focusing on discrete HR areas, but may instead be achieved by developing a deep understanding of the business so to cultivate and support new ways of working across the whole organisation system.

The capability for systemic HR relies on having great stakeholder relationships. It requires two-way insight-sharing to develop a more robust understanding between HR and other business leaders of the changing needs of the business and how HR can contribute to those needs. Business leaders can provide a deeper understanding of wider business and operational concerns, and as users of HR policies and practices they will have useful insights and feedback that could help HR better meet the business needs. In complement, HR sharing its insight more readily and effectively can not only inform and shape the organisation strategy, but also increase the visibility of HR's contribution to value-creation for the organisation.

Develop a compelling case showing HR's alignment with the needs of stakeholders across the business

Closely linked to the need for greater collaboration highlighted above is the need for HR to communicate a credible case for how their HR strategy links directly with the business strategy. Our findings suggest there needs to be a more visible line of sight between HR's contribution and business goals communicated across the business. Most HR leaders believe their HR strategy helps their organisation achieve its future key priorities, but other business leaders are not convinced.

We outlined various possibilities for these differences, one being the need for HR to demonstrate a broader external view of key issues impacting organisations. Another is the need for HR to communicate more clearly and effectively with different stakeholder groups, demonstrating the range of their value-add to the business, for example fulfilling the people needs of the business as well as the needs of commercial stakeholders. They need to ensure they provide enough detail to tell a credible and compelling story of how their strategy and initiatives can and do contribute to achievement of different stakeholder demands. The growth of HR analytics may itself provide HR leaders with the data to form persuasive evidence-based arguments for their approach.

However, our findings suggest that HR may need to first make a strong business case for increasing HR's analytical capability (including the systems, skills and communication strategies needed) to produce and effectively share data, including convincing other business leaders of the value of HR analytics.

Be realistic – focus on the achievable and relevant to establish credibility

In many organisations, HR, like the rest of the business, is faced with the challenge of achieving the organisation's strategic priority of cost management while also demonstrating the value they are adding, for example through operating in a more innovative way.

Therefore HR needs to balance an aspirational agenda for how the function can contribute to strategic goals with ensuring a firm foundation on which to build. A strong foundation helps build and maintain credibility as well as set realistic expectations to others in the business about what is achievable within both a short- and a long-term timescale.

In the field of analytics, for example, prescriptive analytics are believed to have most potential for helping HR contribute towards strategy, but few organisations currently have the capability to produce these. Starting with smaller goals and existing capability, HR can make a clear case, through tangible examples, of how their existing metrics are helping make effective business decisions and adding value through business-relevant analytics. Through developing their credibility in this way they can make a more convincing case for what more might be achieved with targeted investment in analytic capability.

Strengthen performance management skills and processes

Both HR and non-HR leaders rank performance management among the key areas that HR should be focusing on for effective cost management. It is easy to understand why. Effective performance management enables the efficient targeting of development budgets, aids succession planning and drives engagement and retention.

However, our findings indicate mixed views on the effectiveness of existing performance management systems. Most notably, just 44% of HR leaders and 24% of non-HR leaders rated annual appraisals as an effective practice in their organisation. Our findings suggest more regular conversations with timely feedback are more beneficial, with formal coaching and mentoring seen as the most effective practice. Organisations are better at managing some aspects of performance (that is, assessing and improving individual performance) than others (such as managing underperformance).

Cost management is set to remain a key imperative for organisations as they move into the future, so the demand for well-designed performance management systems and interventions will continue to grow. Perhaps the increased level of discussion we've seen over the past year about the most effective ways of managing performance is leading employers to take a closer look at their current approach and critically assess its suitability for their particular organisation context. We are hearing about organisations that are moving away from the traditional annual performance review – this is a topic that the CIPD will be conducting further research into during 2016.

Prioritise future-focused HR capability development

Rapid changes in technology, which have facilitated the rise of mobile technologies as well as increased the risks to cyber security, are changing the face of business and how HR operates. Technology also offers solutions that free HR resources for more strategic work and, encouragingly, as we saw in the technology section of this report, HR is already looking at how technology can be leveraged for employee engagement, mirroring the wider business's focus on enhancing the external customer experience. In addition, the growing recognition of the potential of HR analytics is also changing the capabilities required of HR.

Our past research has signalled that often HR's primary focus is on talent development of the wider business, sometimes neglecting the function's own longer-term needs. HR needs to ensure it has the skills to meet the future requirements of the profession, shaped by the changing nature of work, the workforce and the workplace. The demand for technological and analytical capabilities will grow. To increase their effectiveness and credibility within the business, HR will also need to ensure the career development plans of those who wish to advance within the department focus on developing an understanding of the wider business agenda and the external context in which the business operates. Our previous *HR Outlook* report, *Views of our Profession* (winter 2014–15), highlighted key questions and different approaches to consider when planning HR capability-building.

Ten points for reflection

Here we pose some provocative questions, rooted in the five insights, intended to help HR leaders appraise HR's current impact and drive action where appropriate.

1 How do you build relationships and networks within the organisation to develop and maintain a solid understanding of business requirements? In which areas of the business do you have strong relationships? Which areas do you need to work on?

2 Who contributes to the development of the HR strategy? Are there opportunities for other business leaders to contribute to or provide feedback on HR strategy or systems?

3 How do you ensure the HR strategy meets the changing needs of the business? How can you check? Do you collect feedback about HR strategy from across the business?

4 Is your HR or people strategy clearly and directly aligned with the business strategy? Is it communicated in a way that enables others to understand the links? How do you know?

5 Do you communicate and demonstrate the contribution HR makes to the business in a tangible way? Do you share 'evidence' of the progress or otherwise of HR plans and initiatives? Do others find it credible?

6 Are performance management processes and systems meeting the current and future needs of employees and the organisation? Where could improvements and efficiencies be made?

7 Do line managers in your organisation have the skills and confidence to tackle underperformance? What support is provided to help them take a firm stand where appropriate? And is there tailored support for line managers to help them take action if a team member requires additional support or work adjustments to enable them to perform at their best?

8 How are you developing the capacity of your team to exploit technology to enhance HR and business performance?

9 Do you have the expertise and systems to harness the potential of analytics to drive business performance over the short and long term? If not, how can you upskill?

10 In what ways can you encourage more professionals within the HR function to gain a broader understanding of the business and the environment it operates in?

Further reading

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

Enhance two-way learning and insight-sharing between HR and other business functions to deliver systemic HR

From Best to Good Practice HR: Developing principles for the profession https://www.cipd.co.uk/hr-resources/research/best-good-practice-hr-developing-principles-profession.aspx

We know that improving practices in people and organisation development will be central to ensuring that work creates sustainable and shared value for everyone. But, the rapidly changing world of work means so-called 'best practice' is increasingly irrelevant in many contexts. We have collaborated with a wide range of stakeholders within and outside HR to define and test a new set of principles that will help HR professionals make good decisions and advise business leaders on what to do, no matter what the context and no matter what the future may hold.

Megatrends https://www.cipd.co.uk/research/megatrends/default.aspx

Discover the biggest changes of recent times in work, the workforce and the workplace, and explore the trends that will shape the future. The purpose of this report is to highlight some of the key trends that have been shaping our economies and the world of work in order to prompt a debate among practitioners, academics and policy-makers on the implications of change and what the HR profession can do to adapt to change and help shape the future.

Develop a compelling case showing HR's alignment with the needs of stakeholders across the business

Business Savvy: Giving HR the edge http://www.cipd.co.uk/hr-resources/research/business-savvy-giving-hr-edge.aspx

This report explores what business savvy is and identifies four 'foundations' to embed business savvy as an everyday competence. Each foundation is accompanied by insights, indicators and inspiration. The four foundations are: understanding the business model at depth; generating insight through evidence and data; connecting with curiosity, purpose and impact; and leading with integrity, consideration and challenge.

Be realistic – focus on the achievable to establish credibility

Valuing your Talent http://www.cipd.co.uk/research/valuing-your-talent/default.aspx

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

Managing the Value of Your Talent: Key findings and conclusions http://www.cipd.co.uk/hr-resources/research/managing-value-talent-conclusions.aspx

Through the Valuing your Talent research we have developed a common framework for the range of human capital information and measures that organisations might use. We also want to promote further discussion on what might be critical common metrics for more consistent external reporting. Based on a wide range of input, including from members of the investment community, four primary human capital measures were identified which we believe organisations should report externally in their annual reports.

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Employee Outlook: Spring 2014 http://www.cipd.co.uk/hr-resources/survey-reports/employee-outlook-spring-2014.aspx

The *Employee Outlook* survey, produced in partnership with Halogen, is a twice-yearly survey of around 2,500 UK employees (including sole traders) to identify their opinions of and attitudes towards working life today. This issue includes a section on performance management, including employees' perceptions of fairness relating to their performance management processes, their communication with line managers around objectives, whether employee pay is linked to performance review processes and ultimately how achievable employees perceive career progression to be.

Prioritise future-focused HR capability development

HR Outlook: Winter 2014–15: Views of our profession http://www.cipd.co.uk/hr-resources/survey-reports/hr-outlook-winter-2014-15-views-profession.aspx

In contrast to this year's *HR Outlook* survey of leaders, the 2014–15 survey asked HR professionals at all stages of their career about current prominent issues for the profession.

Sections particularly relevant here include: developing HR capability; career paths; HR's use of data and metrics to demonstrate impact; and how HR contributes to business performance.

CIPD Career hub http://www.cipd.co.uk/careerhub/login.aspx

The CIPD Career hub is an online gateway to a host of information, tools and advice that will support HR and development professionals at every stage of their career. The CIPD Career hub is tailored to your career stage and membership level, designed to build key employability skills and enable you to make the most of your own career development opportunities. CIPD members have free access to the hub to explore different resources, such as a career planner to help set career plans and goals.

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