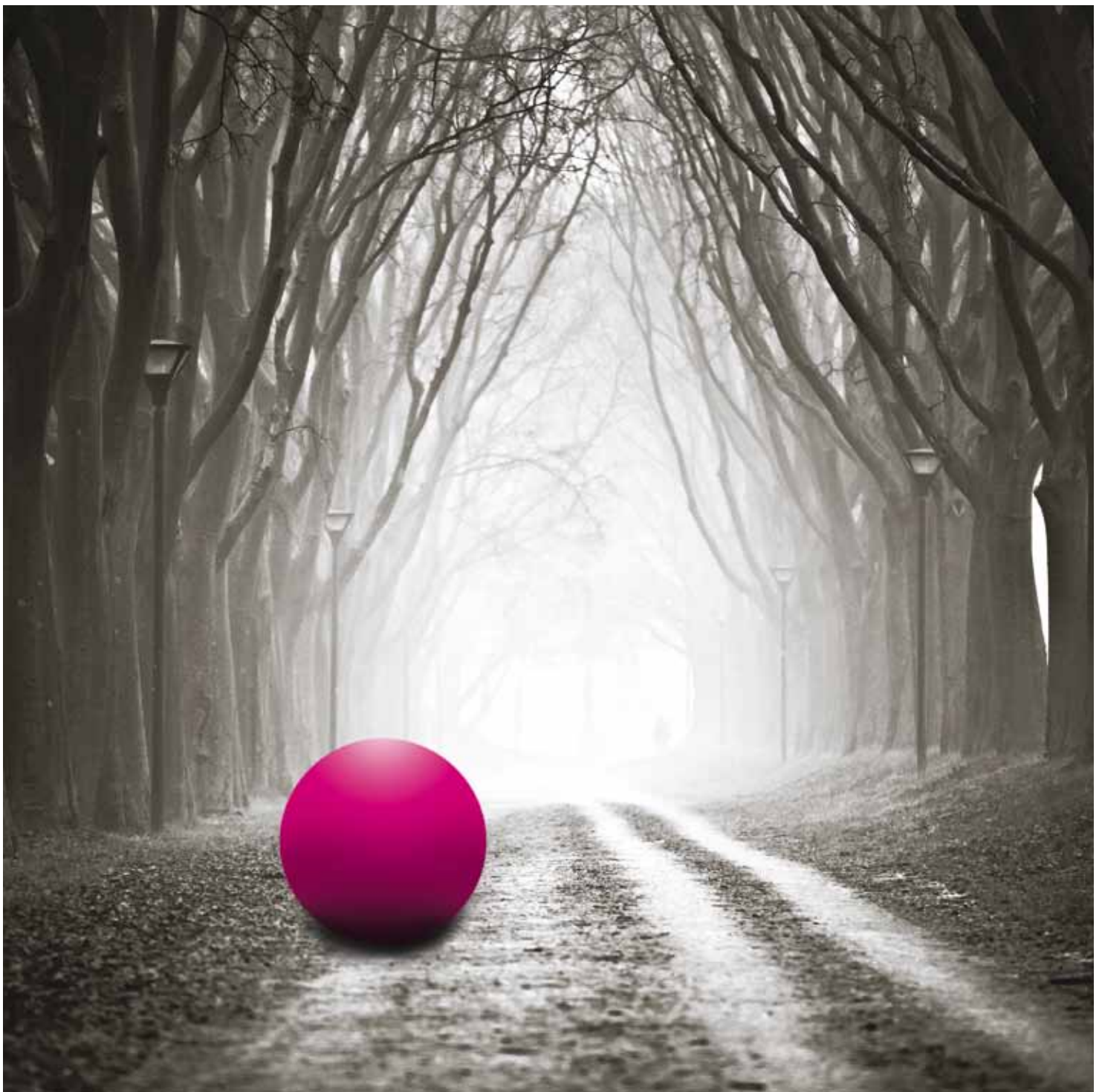


Future Forecast: Expectations for 2012

December 2011



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Introduction

2011 began with high hopes that the economic situation was improving and workplaces would start to feel the effects of recovery. However, as this report shows, it has clearly been another very difficult year for UK managers – and 2012 looks set to be equally challenging.

Despite widespread restructuring and redundancies over the last 12 months, nearly half of UK managers are expecting further redundancies in 2012, and over a third of managers feel insecure in their jobs. As a result, there are increasing concerns about levels of morale and about whether organisations have the people with the skills and experience needed to face another tough year ahead.

The results also shed some light on managers' priorities for 2012 as they work to ensure their organisations are ready to face a range of external factors which threaten to have a negative impact on performance. Operating against a backdrop of European economic instability, rising energy prices and domestic austerity, optimism about the UK's economic performance for 2012 remains low. Looking further ahead, however, there is a more defiant and positive outlook among some managers who believe that their own organisations are still set to prosper. It will be important that these early indicators of business confidence are encouraged and are used to stimulate the much needed investment in a growth agenda.

To face the uncertain times ahead, it is clear that the quality and agility of managers will be vital in 2012. Managers will need to be able to adopt new strategies and lead their teams through the impending changes, if organisations are to survive the tough times and succeed during the coming year.

Methodology

Twenty thousand CMI members were invited to complete an online survey during November 2011. A total of 774 responses were received from across the UK, drawn from industry sectors across the economy and from managers at a range of levels of seniority up to directors and chief executives.

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Executive Summary

- Forty-three per cent of managers feel optimistic about their organisation's prospects for next year – yet optimism about the UK's economic performance as a whole remains low, at just 8 per cent.
- The restructuring of the public finances, the price of energy and the instability of the euro are the top external factors expected to have a damaging impact on organisations in 2012.
- Managers' top priorities for the year ahead include controlling costs, managing performance, increasing turnover, developing strategic partnerships and developing their people.
- The public sector experienced a challenging 2011 and it is clear that difficult circumstances are set to continue, with 69 per cent of managers anticipating redundancies in 2012 and restructuring ranked as the number one management priority in the sector. Poor morale is cited as a concern by 65 per cent of public sector managers, compared to 36 per cent of private sector managers and 38 per cent in the not-for-profit sector.
- Managers have grave concerns over their organisations' people capabilities – 43 per cent do not believe their organisation has the right people to fulfil business objectives in 2012, a figure unchanged from a year ago.
- For organisations that do not have the right people, the biggest problem is a shortage of key skills. Poor leadership, insufficient experience and a general lack of manpower are also substantial concerns.
- Managers' own priorities for professional development include strategic decision making, coaching and mentoring, negotiating and influencing, project management, performance management and change management.
- Job insecurity remains high with 39 per cent of managers feeling insecure. Unsurprisingly, public sector managers are most pessimistic about their continued employment. When asked about their ability to secure a new job in 2012, only 37 per cent of all managers believe they could find comparable employment within three months.

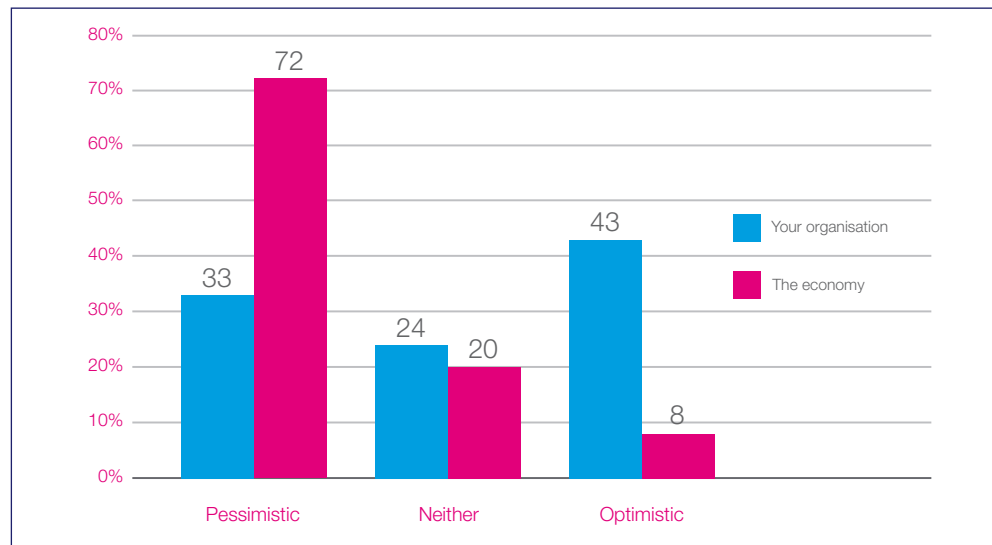


Figure 2 Levels of optimism for organisational and economic prospects in 2012

The causes of this disparity are open to interpretation. It could suggest a disconnect between perceptions of the managers' own organisation and the external environment. However, nearly half of these optimists experienced growth in 2011, so their outlook may be well-founded. Public sector managers are much more pessimistic about their prospects for next year, while optimism in the private and not-for-profit sectors is stronger (49 and 46 per cent). Whatever the reasons for this variation in optimism, the signs of management confidence from the private and not-for-profit sectors are to be welcomed.

External threats to performance

Despite this optimism, it is clear that managers are operating in a tough external environment and could face numerous potential threats in the coming year. We asked which of these factors managers felt would have a negative impact on their organisations' performance.

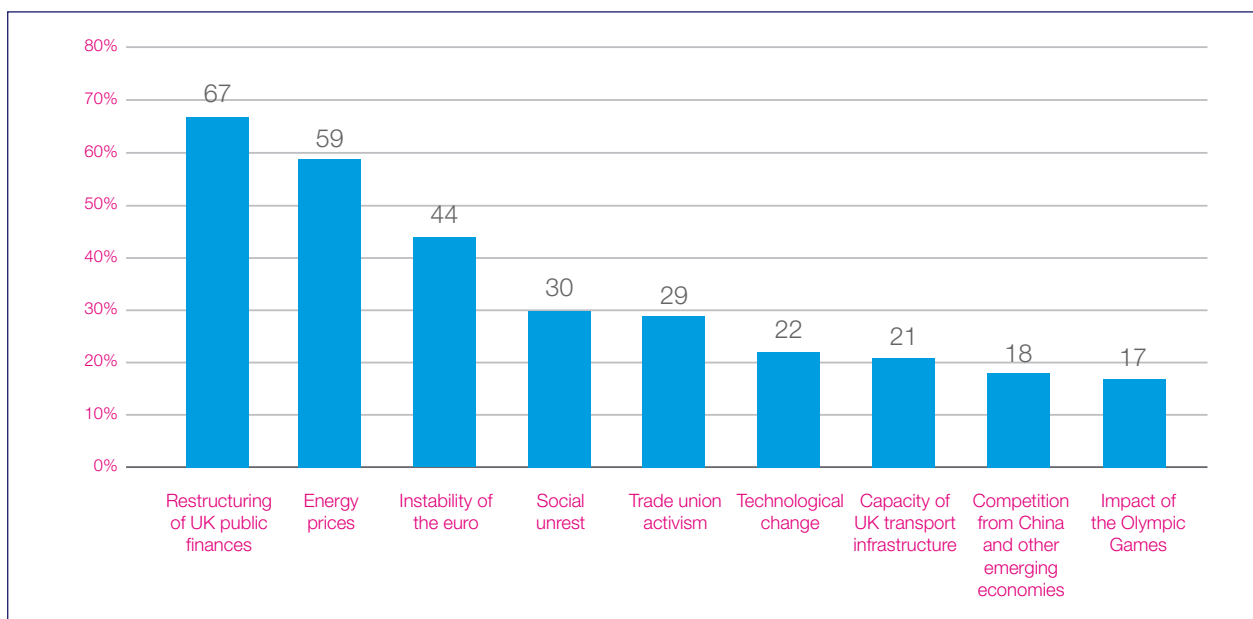


Figure 3 Agreement that factors will have a negative impact on organisational performance

The reforms being made to the UK's public finances are causing concern for managers across all sectors, particularly for those in the public sector – 85 per cent of whom agree that this will have a negative impact on their organisation's performance. Yet it is also the top concern for not-for-profit sector managers (68 per cent) and the second biggest concern for private sector managers (59 per cent), despite the Government's Big Society and public service reform agendas, which will see more services delivered through these sectors.

The cost of energy is the primary concern for private sector respondents (60 per cent agreement) and it is a big concern across all sectors. Just over half of private sector managers expect the instability of the euro to have a negative impact on organisational performance, but this falls to 37 per cent and 36 per cent in the not-for-profit and public sectors respectively. Bigger issues for the public sector include the impact of social unrest (44 per cent), technological change (44 per cent) and trade union activism (42 per cent). See Table 1 below.

Private sector	Public sector	Not-for-profit sector
Energy prices	Restructuring of UK public finances	Restructuring of UK public finances
Restructuring of UK public finances	Energy prices	Energy prices
Instability of the euro	Technological change	Instability of the euro
Technological change	Social unrest	Social unrest
Capacity of UK transport infrastructure	Trade union activism	Technological change

Table 1 Top factors expected to have a negative impact on organisational performance by sector

A relatively low number of managers expect competition from China and other emerging economies to have a negative impact on performance, with only 18 per cent overall agreement.

The Olympic Games is not widely expected to affect organisational performance, but with the majority of Olympic activities taking place in London, there is a great deal of regional differentiation in these perceptions. Despite the benefits to the host city, 36 per cent of managers in London expect there to be a negative impact.

Organisational priorities

Considering the challenges managers expect to face next year, it would appear that for many organisations the focus for the next 12 months will be less on thriving than on surviving in tough conditions. Controlling costs is the number one priority.



Figure 4 Factors seen as a high priority in the next 12 months

Unsurprisingly, these priorities are different for managers in different sectors (see Table 2). The need to develop strategic partnerships is much greater for those in the public and not-for-profit sectors (48 and 55 per cent respectively) than for those in the private sector (39 per cent), reflecting moves towards new models of public service delivery. While restructuring comes third from bottom overall, it is the third highest priority for public sector managers, described as a high priority by 59 per cent.

Private sector	Public sector	Not-for-profit sector
Controlling costs	Controlling costs	Controlling costs
Managing performance	Managing performance	Managing performance
Increasing turnover	Restructuring	Developing strategic partnerships
Developing new products and services	Developing strategic partnerships	Developing our people
Developing our people	Improving employee engagement	Increasing turnover

Table 2 Top organisational priorities by sector

Controlling costs is also the top priority for organisations of all sizes. However, there are some differences between organisations of different sizes. Small organisations (1-50 employees) have a greater focus on increasing turnover and on developing new products and services. Medium and large organisations appear to be more focused on managing performance, developing their people and increasing employee engagement in the coming year. For example, only 36 per cent of managers in small organisations describe people development as a high priority, compared to 48 per cent across medium and large organisations.

1-50 employees	51-250 employees	251-1000 employees	1000+ employees
Controlling costs	Controlling costs	Controlling costs	Controlling costs
Increasing turnover	Managing performance	Managing performance	Managing performance
Managing performance	Developing our people	Increasing turnover	Restructuring
Developing strategic partnerships	Increasing turnover	Developing our people	Improving employee engagement
Developing new products and services	Improving employee engagement	Developing strategic partnerships	Developing strategic partnerships

Table 3 Top organisational priorities by size

Fulfilling business objectives in 2012

Do managers believe they have the right people in place to meet their objectives in 2012? Overall, only half of managers answered yes to this question, five per cent fewer than last year. The majority of private sector respondents (61 per cent) believe they have the right people in place, while a corresponding figure from the public sector disagree. Managers from the not-for-profit sector are more evenly divided on the issue.

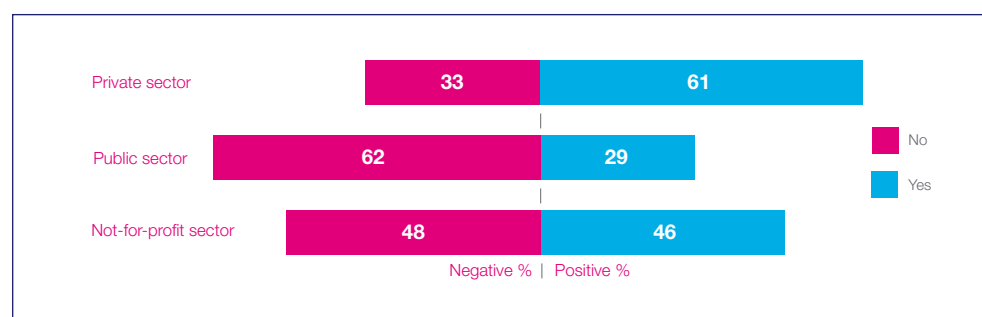


Figure 5 Managers' views on whether their organisation has the right people to fulfil business objectives in 2012 by sector

To help explain these findings, the survey asked what issues they faced. Shortages of key skills are reported by 60 per cent, followed by poor leadership and poor morale.

Issue	Overall %	Private %	Public %	Not-for-profit %
Shortages of key skills	60	66	57	50
Poor leadership	48	38	59	48
Poor morale	47	36	65	38
Lack of experience	41	41	40	43
Not enough manpower	40	37	43	45
Lack of ability to innovate	37	31	45	36
Lost people through redundancy	30	16	51	20
Personality clashes	27	26	26	32
Too many people	6	4	10	4

Table 4 Issues faced through not having the right people (base 359)

As Table 4 shows, there are once again substantial differences between the sectors. Poor morale is the top issue facing managers in the public sector (65 per cent), perhaps in part because of the greater impact of redundancies, reported by 51 per cent.

Lack of experience is a growing concern for managers in all sectors. Forty-one per cent cite this as an issue, 10 per cent higher than this time last year. In addition, insufficient manpower is a concern for 45 per cent of not-for-profit sector managers, up from 31 per cent last year. It would appear that many organisations are struggling to deliver more with less resource, compounded by a need for better quality leadership and more skilled and experienced employees.

Job security and job market confidence

Sixty-two per cent of respondents report feeling secure or very secure in their jobs, a welcome increase on the 52 per cent in our *Economic Outlook*³ report two months ago. However, while the overall number of managers feeling insecure has dropped to 39 per cent, it remains at 51 per cent of public sector respondents, reflecting the continued impact of austerity measures and the Government’s reform programme.

Managers’ confidence in the jobs market is also low. Only 37 per cent believe that they could find comparable employment within three months if they were to lose their job. Public sector managers feel least confident, with only 29 per cent feeling that they could get comparable work within three months – a cause for concern for those facing further restructuring and redundancies.

Yet it is managers from the public and not-for-profit sectors who are most likely to look for a new job in 2012, with 47 and 49 per cent of managers in these sectors indicating that they will seek new employment. This compares to 34 per cent in the private sector. Managers may be preparing to act in anticipation of further redundancies – or it may be that the problems of poor morale and poor leadership reported by managers in those sectors are prompting some to head for the door.

Redundancies and headcount

Feelings of job insecurity among public sector managers look entirely rational given that 69 per cent are expecting redundancies in their organisation in 2012. Although the outlook is gloomy, there may be some comfort to be had from the fact that these figures are an improvement on last year, when 86 per cent of public sector respondents were anticipating redundancies in their organisation. This fall is reflected across all sectors, with 38 per cent in the not-for-profit sector expecting redundancies in the year ahead (down from 50 per cent) and just 18 per cent in the private sector (down from 24 per cent).

This year’s survey confirms that the expectations of redundancies last year were reasonably accurate (see Table 5), suggesting 2012 is likely to be another unsettled year.

Sector	Managers expecting redundancies in 2011⁴ %	Managers whose organisations made redundancies in 2011 %	Managers expecting redundancies in 2012 %
Public	86	76	69
Private	24	29	18
Not-for-profit	50	52	38

Table 5 Expectation and experience of redundancy

This year’s survey also suggests that those looking for new employment next year may struggle. Only a quarter of managers expect their organisation’s headcount to increase in 2012. Even in the private sector, where the Government hopes jobs and growth will be created to counteract losses in the public sector, only 31 per cent of managers expect increased headcount.

3 Pearson, G. et al (2011), *Economic Outlook*, Chartered Management Institute

4 Hutchings, P. & Woodman, P., (2010) *Future Forecast: Expectations for 2011*, Chartered Management Institute

Priorities for professional development

How are managers intending to equip themselves with the skills to meet the challenges they face in the year ahead? The top priority area for managers looking to strengthen their skills is strategic decision making, highlighted by 38 per cent of managers across all sectors. Coaching and mentoring was the second most common area where managers want to improve their abilities, especially true for private sector managers.

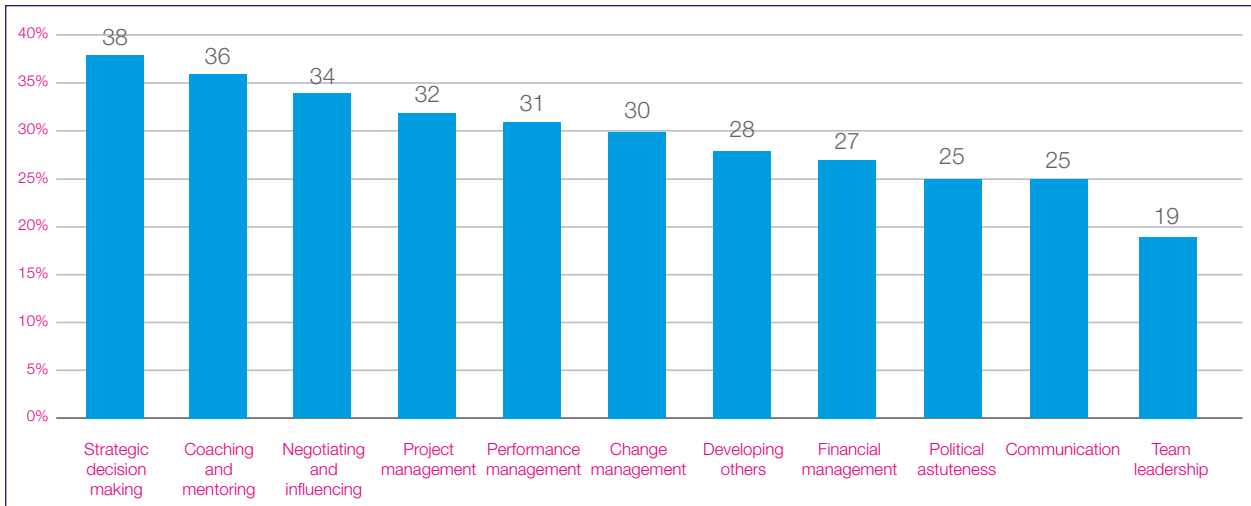


Figure 6 Professional development priorities for 2012

Negotiation and influencing skills scored highly, as did project management which is a particularly common focus for public sector managers (42 per cent). Change management is more of a priority for managers in the public and not-for-profit sectors reflecting the higher levels of restructuring and redundancies that have taken place.

When examining development needs according to management level, strategic decision making is highlighted by all managers from junior roles through to directors. Coaching and mentoring skills become more of a priority from middle management levels upwards while communication and negotiating and influencing are more of a requirement for junior managers.

Approaches to development

The most popular approaches for developing skills in the coming year are set to be CPD programmes, on-the-job learning, in-house training and informal mentoring. This finding is in keeping with trends depicted in the UKCES National Employers Skills Survey which shows a move towards development which is more tailored, integrated and less expensive.

	%
Continuous Professional Development (CPD) programme	55
On the job learning	55
In-house training	34
Informal mentoring	28
Professional qualification	21
Coaching	21
Voluntary opportunity	15
Academic qualification	10
Secondment	3

Table 6 Managers' approaches to skills development

The issues surrounding management and leadership development are the focus of a major new CMI/Penna study which is currently ongoing. It will shed more light on the effectiveness of a range of development methods and findings will be published early in 2012.

Learning from others

With learning from others through coaching, mentoring or on-the-job learning seen as valuable by many respondents, the survey asked our members who they would most like to shadow for a day as part of their development. A range of candidates were identified including some of Britain's best-known business leaders such as Sir Richard Branson, Lord Sugar, Peter Jones and Sir Terry Leahy. Managers were also curious about the lessons they could learn from shadowing key politicians including David Cameron, Boris Johnson and Vince Cable. But many responses were in fact closer to home, with managers keen to shadow their own CEOs or senior managers, as well as individuals with key specialist skills and experience. This suggests an appetite for learning and improvement which organisations should seek to capitalise on.

Public policy in the year ahead

Encouraging economic growth has been at the top of the political agenda and in recognition of the challenges facing organisations, such as those outlined in this report, the Coalition Government has announced a range of proposals designed to encourage businesses to hire more employees. This survey assessed CMI members' support for some of them.

Despite the pressures on businesses to manage their costs, the survey results show there is strong support for the National Minimum Wage for all workers, including those interns who are currently often unpaid, and maintaining its level for young people. National Insurance holidays for new recruits and reduced regulation for small businesses are seen as favourable ways of encouraging growth in employment.

Opinion about replacing the current fair dismissal rules to make it easier to dismiss staff is divided, perhaps because the finer details of how this could be achieved have not been specified amid the controversy sparked by the leaked Beecroft report. The introduction of fees for employment tribunals is only backed by 46 per cent.

Professional managers also remain supportive of moves to increase flexibility, such as extending the right to request flexible working. There is a similar level of support for better relief for childcare costs, a factor sometimes identified as affecting the ability of parents to work. Likewise, reforming the rules on parental leave to enable more sharing between parents is a popular policy, with 65 per cent overall support.

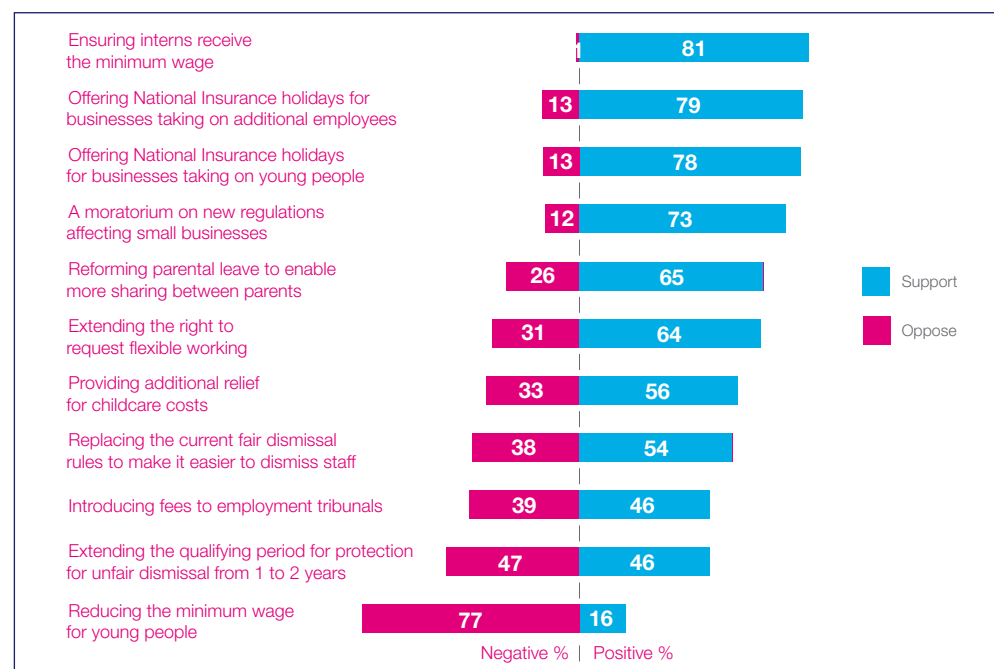


Figure 7 Level of support for workplace law and reform measures

Conclusion: a challenging year ahead

Last year, our survey told a story of insufficient skills, poor leadership and lack of manpower negatively affecting organisational performance. This year is no different. Looking at the challenges facing the UK, there is every reason to believe that these problems will persist into the coming year. Confronted by continued domestic economic gloom, instability in European and global economies, and the news that the UK's structural deficit is bigger than thought, managers face a myriad of challenges in delivering performance in 2012.

Yet despite the problems that exist, some hope may be drawn from the striking level of optimism that many managers feel about their organisations' prospects. If nothing else, managers have a vital role to play in creating a sense of enthusiasm and energy within their teams, generating employee engagement for facing the challenges – and opportunities – that next year may bring. Managers' perseverance and resilience will be put to the test and once again, inspiring leadership will be at a premium in 2012.

To give their managers and leaders the best chance of delivering the levels of performance required, organisations must act to address the problems of insufficient skills, resource and leadership that managers have reported in this survey. They must also help managers to develop the skills which they have identified as key development priorities, notably strategic decision-making, coaching and mentoring, and negotiating and influencing.

It would be easy for managers to feel powerless in the face of the unprecedented uncertainty and instability facing the global economy. Investing in their development needs and in the development of others will help empower managers as they build their strategy for the future.

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The Chartered Management Institute is the only chartered professional body in the UK dedicated to promoting the highest standards of management and leadership excellence. CMI sets the standard that others follow.

As a membership organisation, CMI has been providing forward-thinking advice and support to individuals and businesses for more than 50 years, and continues to give managers and leaders, and the organisations they work in, the tools they need to improve their performance and make an impact. As well as equipping individuals with the skills, knowledge and experience to be excellent managers and leaders, CMI's products and services support the development of management and leadership excellence across both public and private sector organisations.

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