

Future Forecast: Expectations for 2011

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Introduction

This report examines managers' expectations for 2011 and some of the challenges that they anticipate, based on the annual end-of-year survey of UK-based managers carried out by the Chartered Management Institute (CMI) in November 2010.

The survey asked managers to reflect on the year gone by and to assess their prospects for 2011. In addition, we asked managers if they believe that their organisation is in a position to tackle the challenges of the year ahead – and what issues are affecting their teams' ability to meet these challenges.

This year, in recognition of the difficult economic conditions – which have been tracked by CMI in our Economic Outlook series – a section of the survey also assessed perceptions of job security and the impact of redundancies. The report goes on to detail managers' plans for professional development and for improving morale and employee engagement, where it touches on the somewhat lighter issue of Christmas parties.

Methodology Fifteen thousand CMI members were invited to complete an online survey during November 2010. A total of 809 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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Summary of findings

- Three out of four managers are looking forward to new challenges in 2011 and 55 per cent are confident their organisation can exploit new business opportunities.
- Thirty two per cent of managers agree that their organisation is more competitive than before the recession, while 23 per cent disagree – though 44 per cent neither agree nor disagree. In the private sector 42 per cent agree their organisation is more competitive, compared to just 16 per cent in the public sector.
- Despite these findings, managers are split about their organisation's prospects for 2011, with 34 per cent expecting growth, 32 per cent expecting stability and 32 per cent predicting decline.
- Looking across the sectors, the most common expectation among private sector managers is for growth, whereas the not-for-profit sector is expecting stability. In the public sector a majority of managers predict decline.
- 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 2011.
- Skills shortages, poor morale, poor leadership and a lack of manpower are all contributing to managers' concerns about their organisations' ability to achieve business objectives.
- Despite reporting manpower issues, 48 per cent of managers are expecting redundancies in their organisation in 2011. In the public sector, this rises to 86 per cent compared to 26 per cent in the private sector.
- Job insecurity is at high levels, with 39 per cent of managers feeling insecure. Managers are twice as likely to feel insecure in the public sector than the private sector, 61 per cent compared to 30 per cent.
- Encouragingly, many managers remain committed to improving employee engagement, with two out of five planning to increase training and development opportunities and improve internal communication in their team in 2011.
- In terms of professional development, the majority of managers are planning to focus on developing a few key skills in 2011, with strategic decision making, networking, coaching and mentoring, project management and communication amongst the most popular choices.

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Performance in 2010 Before looking ahead to 2011, the survey initially asked managers to reflect on their organisation’s performance in 2010. Managers were divided with 44 per cent of managers describing performance as stable, whilst 29 per cent reported growth and 26 per cent felt their organisation had declined. As could be expected given the Coalition Government’s commitment to reducing public expenditure, public sector managers were more likely to report decline.

Reflecting on the performance of the wider economy, managers were largely negative, with 63 per cent describing it as declining. This compares to 30 per cent who describe it as stable or the 7 per cent who describe it as growing. This is despite official figures showing growth in 2010 and the Office for Budget Responsibility revising up their forecast for annual GDP growth to 1.8 per cent¹. The findings indicate that many managers are yet to feel the positive effects of growth.

Prospects for 2011 Managers are split about their organisation’s prospects for 2011, with 35 per cent expecting growth, 32 per cent expecting stability and 32 per cent predicting decline. Looking across the sectors, the most common expectation among private sector managers is for growth. By comparison, in the not-for-profit sector it is stability, while in the public sector a majority of managers predict decline.

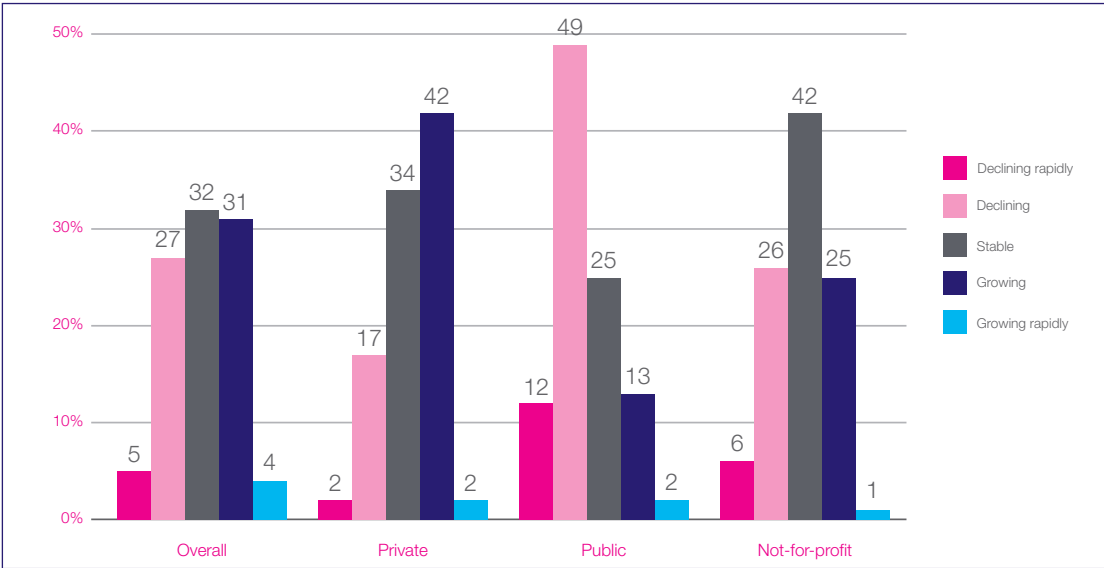


Chart 1 Organisational prospects for 2011 by sector

When asked about the prospects for the economy as a whole, it is concerning that managers remain pessimistic about growth, with 44 per cent expecting a decline and only 19 per cent expecting growth – although 36 per cent expect stability. Whilst the Office for Budget Responsibility has recently reduced its prediction for growth from 2.3 per cent to 2.1 per cent¹, it is widely accepted that the economy is likely to grow in 2011, so it interesting to see that managers’ pessimism remains.

Perhaps more encouragingly though, 74 per cent of managers are looking forward to new challenges in 2011 and 55 per cent are confident their organisation can exploit new business opportunities. It suggests that many managers remain upbeat despite worries about how the economy and their organisation performed in 2010 and their prospects for 2011.

¹ Office for Budget Responsibility (2010). Economic and Fiscal Outlook November 2010. Available at: http://budgetresponsibility.independent.gov.uk/d/econ_fiscal_outlook_291110.pdf

Fulfilling business objectives in 2011

Do managers believe they have the right teams to meet their objectives in 2011? Worryingly, 43 per cent of respondents to this survey report that they do not – which may help explain the pessimism above. Only a little over half of managers (55 per cent) agree that they have the right people in place. In the public sector, those disagreeing that they have the right people actually outweighed those who agree, by 58 per cent to 40 per cent.

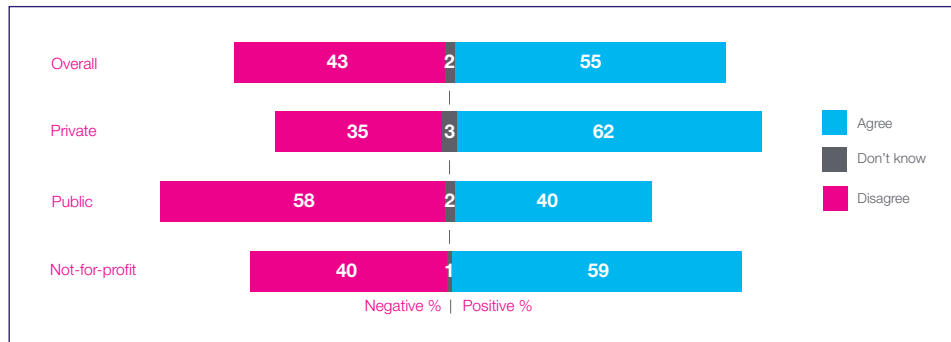


Chart 2 Managers agreeing that their organisation has the right people to fulfil business objectives in 2011 by sector

To help unpick these findings, the survey asked those managers who feel they do not have the right people what specific issues they face. The most common issue faced by managers, reported by 58 per cent of managers overall, is that they have shortages of key skills. This is closely followed by poor morale and poor leadership (45 and 44 per cent respectively), with a shortage of manpower a factor for 40 per cent.

As Table 1 (below) shows, differences emerge between sectors. Morale is viewed as the top challenge in the public sector – albeit with skill shortages just a few points behind. Clearly, while skills shortages are a problem across the economy, public sector managers face a problem with morale which is not found on the same scale in other sectors.

Issue	Overall %	Private %	Public %	Not-for-profit %
Shortages of key skills	58	63	58	41
Poor morale	45	33	65	28
Poor leadership	44	39	53	38
Not enough manpower	40	44	39	31
Lack of experience	31	35	29	23
Lost people through redundancy	28	20	42	15
Personality clashes	20	15	21	31
Too many people	10	7	14	10

Table 1 Issues faced by managers in 2011 by sector (Base: 343 replies)

Compounding the worries about skills shortages and lack of manpower, 35 per cent of managers feel that that their organisation has lost talented people as a result of the recession. Some 42 per cent agree that workload is a concern due to people leaving the organisation. However, the recession may have left some organisations more competitive than before the recession. Thirty two per cent managers agree their organisation is more competitive, while 23 per cent disagree – though 44 per cent neither agree nor disagree. In the private sector 42 per cent agree their organisation is more competitive, compared to just 16 per cent in the public sector.

Job security and redundancy

Looking ahead to 2011, 61 per cent of managers feel secure in their job while 39 per cent feel insecure – meaning job insecurity is slightly higher than it was in September 2010, as reported in CMI’s *Economic Outlook*². Those feeling insecure rise dramatically in the public sector to 61 per cent, compared to around 30 per cent of private sector managers.

Nearly half (46 percent) of managers report that their organisation suffered redundancies in 2010 – 31 per cent compulsory and 28 per cent voluntary³. With such high levels of redundancy, especially in the public sector where 60 per cent of organisations have suffered redundancies, it is unsurprising that team morale is a problem for many managers.

For many, the picture remains downbeat for the year ahead. Unsurprisingly, given the major reform programme being undertaken by the Coalition Government, expectations of redundancies are higher in the public sector (86 per cent). In some organisations, redundancies will risk compounding the issues of skill shortages and lack of manpower that many managers are facing, as reported above.

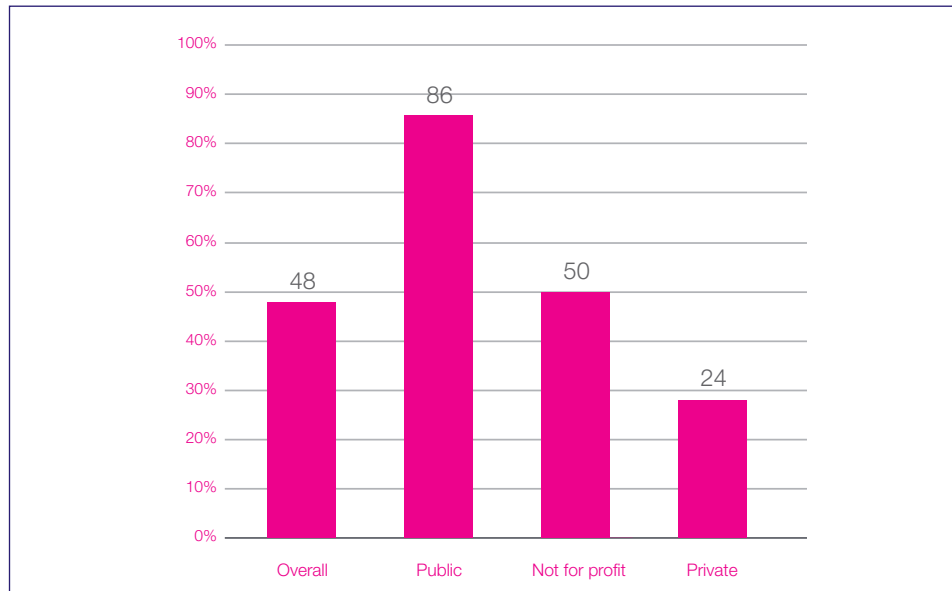


Chart 3 Managers expecting redundancies in 2011 by sector

Managers are split about whether their organisation provides adequate training on managing redundancies – 30 per cent say yes, while 29 per cent say no, with the rest not knowing or saying the question is not applicable to them.

To help support managers likely to face the issue of managing redundancy, the survey asked what information they would find useful. Managers obviously recognise the damaging impact that redundancies can have on morale, with 54 per cent indicating that information on maintaining motivation in the wider team would be useful. Other significant needs include clear information on legal requirements (44 per cent) and advice on handling difficult conversations (37 per cent).

² Chartered Management Institute (2010). *Economic Outlook Issue 4 – October 2010*. Available at: www.managers.org.uk/outlook2010.

³ There is overlap in these figures as some organisations will have experienced both.

Handing difficult elements of the job

As the findings above confirm, many managers have been faced with difficult decisions. Communicating the outcome of these discussions to those affected is one of the more challenging sides of people management. Managers were asked what their least favourite conversations with an employee were in 2010. The top response given was feedback on inadequate performance, closely followed by discussions about redundancy. These two types of discussion also featured at the top of managers' list of conversations that they are least looking forward to having in 2011, with the top response being discussions about redundancy and restructuring (37 per cent).

	Managers' least favourite conversations in 2010	Conversations that managers are least looking forward to having in 2011
	%	%
Giving feedback on inadequate performance	46	24
Talking about redundancy and/or restructuring	44	37
Tackling inappropriate behaviour in the workplace	29	9
Communicating a pay freeze	28	19
Dealing with poor timekeeping	22	7
Addressing an individual's personal appearance and/or hygiene	11	8

Table 2 Difficult conversations in 2010 and 2011

Policies likely to improve employee engagement

With morale suffering in many organisations, the survey also touched on some steps that managers may seek to take to support morale and employee engagement. From a list of measures which may help to improve employee engagement, the most common option among respondents was for making improvements to internal communications. Encouragingly, given the problems being caused by skills shortages as identified above, enhancing the opportunities for training and skills development was the second most common option.

Measures to improve employee engagement in 2011	%
Improve internal communication strategy	42
Enhance opportunities for training and development	38
Increase the amount of face to face time managers spend with staff	29
Have more informal team socialising events (e.g. lunches or after work drinks)	25
Offer pay rises and/or bonuses	24
Hold team building events	24
Improve the working conditions and facilities	22
Implement or expand flexible working practices	20
Improve benefits package	9
Increase holiday allowance	3

Table 3 Managers' plans to implement employee engagement measures in 2011

End of year celebrations

Given the important role that end of year celebrations can have in boosting morale, the survey asked a few short questions on plans for Christmas parties. The results suggest that 57 per cent of organisations are planning to hold a Christmas party this year, slightly down from 65 per cent last year.

Just under half (47 per cent) of public sector organisations are planning a party, compared to 59 per cent in the private sector and a higher 71 per cent in the not-for-profit sector. Of those organisations holding parties 57 per cent are planning to spend the same as last year, 22 per cent less and 11 per cent more, while 10 per cent do not know.

Although one in four managers think managing the impact of the morning after may be a concern, the majority believe that Christmas parties are an important way of recognising hard work (62 per cent) and help to improve employee engagement (52 per cent).

Plans for personal development

With managers facing many challenges in 2011, they will need to be on top of their game to raise performance and ensure their organisation achieves its objectives. As such, it is important they continue to develop and improve their own skills to help them meet these demands.

We asked managers which management skills they are planning to develop in 2011. As shown in Table 2 below, the top five skills they are planning to develop are strategic decision making, networking, coaching and mentoring, project management and communication. On average (mean) each respondent indicated approximately three skills, suggesting that a majority are planning to focus on a few priorities when developing their skills.

Skills	%
Strategic decision making	40
Networking	38
Coaching and mentoring	34
Project management	32
Communication	27
Financial management	27
Team leadership	22
Negotiation	19
Time management	16
Talent management	16
Delegation	15

Table 4 Skill sets which managers are planning to develop in 2011

The highlighting of poor morale and leadership as key reasons why organisations cannot fulfil their business objectives in 2011 suggests that managers may need to focus on their team leadership skills – something which is relatively low down this list of priorities.

Managers were also asked how they plan to develop these skills, with the most popular approaches being CPD programmes, in-house training and informal mentoring. In the context of the Coalition Government’s call for greater voluntary involvement across society, it is encouraging that almost one in five managers plan to use voluntary opportunities. This suggests volunteering is now seen as a recognised route to skills development for a substantial number of managers, although there remains a challenge to further increase its use. The use of professional qualifications is relatively low, but as the sample consists of CMI members many will already have professional qualifications – which may account for its relatively low score.

Approach to skills development	%
Continuous Professional Development (CPD) programme	53
In-house training	40
Informal mentoring	31
Coaching	20
Professional qualification	17
Voluntary opportunity	17
Academic qualification	9
Secondment	3

Table 5 Managers’ approaches to skills development in 2011

Challenges for the year ahead

Managers are at the coal face of UK plc – they are the men and women across the UK charged with driving up personal and organisational performance. The year ahead is likely to bring many challenges outside their control, with sweeping public sector reforms set in motion by the Coalition Government and the potential for continued volatility in the global economy. It is unsurprising that these issues are reflected in the survey results.

There are significant differences between the sectors arising from the major reductions in public spending. The majority of private sector managers expect their organisation to grow in 2011 but those in the public sector expect decline. Similarly, nearly nine out of ten public sector managers expect redundancies in their organisation in 2011, compared to around one in four private sector managers. These differences will lead to particular problems for public sector managers, such as maintaining team morale, that are unlikely to be found on the same scale in other sectors.

However, there are many shared issues that managers face across the sectors. A large proportion of managers doubt whether their organisation has the right people to be successful in 2011. A lack of skills, poor leadership and a lack of manpower are all identified as potentially damaging to the prospects of organisational success. These findings point to a fundamental shortfall in the availability of key skills across the UK.

Many managers recognise the challenge and are taking action. Two out of five already plan to extend development opportunities, which will go some way to addressing skills shortages, but training budgets may remain tight in many organisations. There are also plans to improve employee engagement through a variety of measures. However, high levels of redundancies, as predicted by many managers, risk compounding problems further by reducing the talent and resources available to managers.

Inspiring leadership will be at a premium in 2011 and managers will need a strong skills base to deliver success. Both organisations and managers have a responsibility to continue developing their management and leadership skills. But with most managers planning to develop skills connected to decision-making and networking, some may be neglecting their team leadership skills at a time when they appear to be badly needed.

Despite the many issues discussed in this report, three out of four managers continue to look forward to the New Year. Perhaps most encouragingly, more managers think that their organisation is more competitive now than it was before the recession. So, while 2011 will bring many challenges, some doubtless unforeseen, with the necessary support managers can help lead their organisations to success.

Resources for managers

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- Handling Conflict Situations (Checklist 046)

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