
# EXPECTATIONS FOR 2014 AND BEYOND

The Future Forecast.

CMI Chartered Management Institute

Stop Managing. Start Achieving.

## METHODOLOGY

This paper is the latest in CMI's Future Forecast series. This year, 25,000 CMI members were invited to complete an online survey. A total of 767 responses were received from across the UK, drawn from all industry sectors across the economy and all managerial levels, ranging from junior managers to chief executives. For consistency of analysis, the commentary refers primarily to the Future Forecast report of 2012. Previous years are referenced where relevant.

## ACKNOWLEDGEMENTS

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# FOREWORD
# FUTURE FORECAST
# ANN FRANCKE

The tide has turned. The latest economic forecasts show that the economy is on the up after a lengthy and tough recession. There's more cause for optimism now than at any time in the last few years.

On the surface, this *Future Forecast* report reflects a growing sense of optimism among managers about the year ahead. But are we celebrating too soon?

In his recent Autumn Statement, the Chancellor of the Exchequer made clear that he expects increased business investment in the years ahead. But our survey evidence is that most managers do not yet see budgets growing.

They're also yet to be convinced that rosier economic prospects will benefit employees personally. They don't feel more secure in their jobs and they've got real concerns about staff morale – not least because there's no pay rise in sight.

This means that employers need to look at other ways to invest in their staff, so if you're looking for pointers to help navigate the challenges that lie ahead, this paper offers several. Focus on your team. Develop their skills – and your own. Build agile teams, ready for change. After all, motivation is about more than money. Professional development and an accessible, empowering management style are highly prized by employees and will go a long way in the year ahead.

Time will tell if today's optimism is justified by tomorrow's results.

But there's one thing we can say now with complete confidence.

Management and leadership will make all the difference in 2014.

**Ann Francke**
Chief Executive

# EXECUTIVE SUMMARY

- 2013 has been a more successful year for many organisations compared to last year: 41% of managers report moderate or rapid growth, compared to 32% last year.

- Looking at the prospects for the economy as a whole, 55% report that they are optimistic about the year ahead, which is a big increase compared to last year's 25%.

- When it comes to their own organisation's prospects, 63% feel optimistic, up from 53% last year and 43% in 2011. However, this view isn't shared by most managers in the public sector.

- Managers' top priorities for 2014 are controlling costs and managing performance. Increasing turnover is key for business and the charity sector, while managing change will be crucial for public sector managers with restructuring high on the priority list. Developing people is also an important focus for 2014 for 50% of organisations.

- Redundancy levels have fallen over the year, reported by 47% of managers this year compared to 59% a year ago. Nevertheless, more managers expect their employer's headcount to decrease rather than increase in 2014. Predictions of further reductions are most common among public sector managers.

- A more optimistic outlook is reflected by some evidence of budget increases. Key areas where greater investment is expected are Business Development & Sales, IT and Marketing. However, with cost control at the top of the management agenda, the most common expectation is that budgets will remain unchanged into 2014.

- Managers are more confident than last year that their organisation has the right people to fulfil its business objectives (55% vs. 46%). At the same time they are concerned about being able to recruit the skills and talent that the organisation needs (66%).

- Economic optimism isn't matched by personal optimism. Managers are downbeat about staff morale and feel less secure in their jobs than 12 months ago.

# SURVEY FINDINGS

## 2013 shows signs of improvement

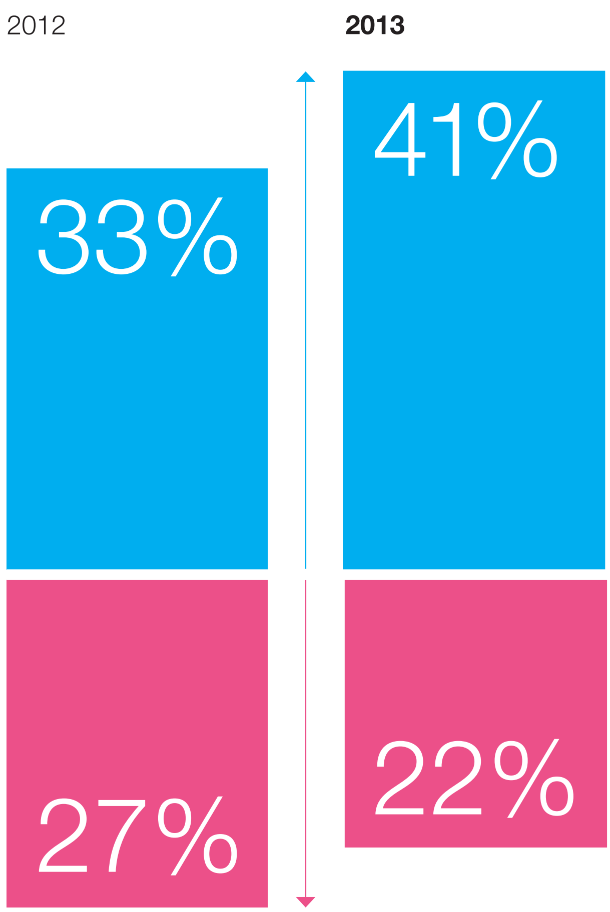
Last year's report showed a modest increase in management optimism, as our respondents considered their prospects for 2013. Twelve months on, it looks like this optimism was justified, with 41% of managers reporting that their organisation grew over the past year – up from 33% in the previous year. Similarly, fewer managers report decline over the last year: 22% compared to 27%.

Growth has been strongest in the private sector, where it is reported by 51%, followed by those in the charity sector (48%).

The public sector stands apart. Almost a third (32%) report decline, compared to 19% and 17% in the private and charity sectors.

The majority of managers (58%) said that their organisation's performance over the year was in line with targets; just under a quarter (24%) said it was worse than predicted, while 19% reported performance that exceeded expectations.

**Figure 1 –** Organisational performance in 2012 and 2013



## Economic optimism

Levels of optimism about next year's overall economic prospects show a very different story compared to 2012. The biggest change is the positivity with which managers look at the economy as a whole – see Figure 2.

This is very much in line with the Chancellor's Autumn Statement, which forecast stronger growth than initially predicted and also promises to help businesses grow.

Managers in all sectors report growing levels of optimism about the economy as a whole – see Figure 3. While private sector managers hold the most optimistic perspectives, public sector managers are also significantly more optimistic than last year – when it comes to the economy as a whole if not their own organisation's prospects.

## Organisational optimism

As Figure 2 showed, 63% of managers are optimistic about the prospects for their own organisations, up from 53% and 43% in the last two years. However, it's once again the private and charity sectors that are largely responsible for this improvement, where the numbers are as high as 76% and 64% respectively. Public sector managers are less optimistic, at 44%.

Interestingly, looking at the overall trend emerging from the past few years, the public sector is showing a move in the right direction – see Figure 4.

**Figure 2 –** Levels of optimism for organisational and economic prospects – 2012 and 2013

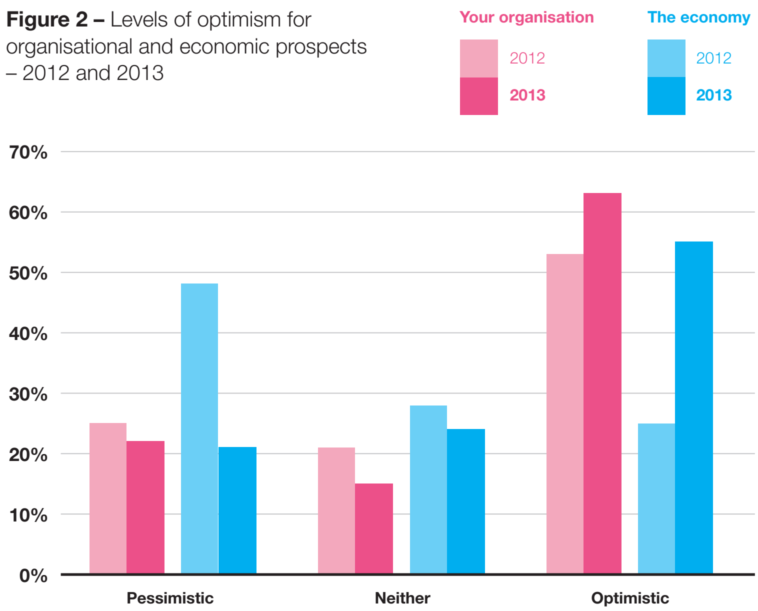



**Figure 3 –** Levels of optimism per sector – 2012 and 2013

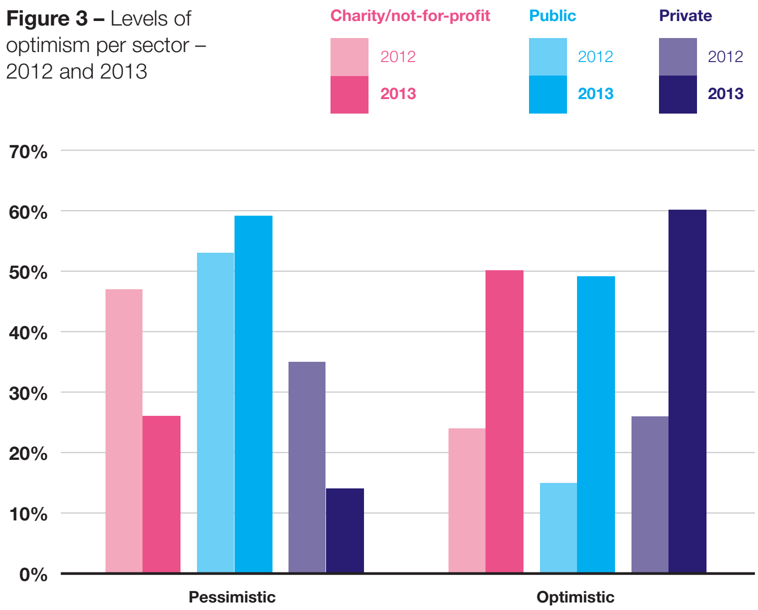
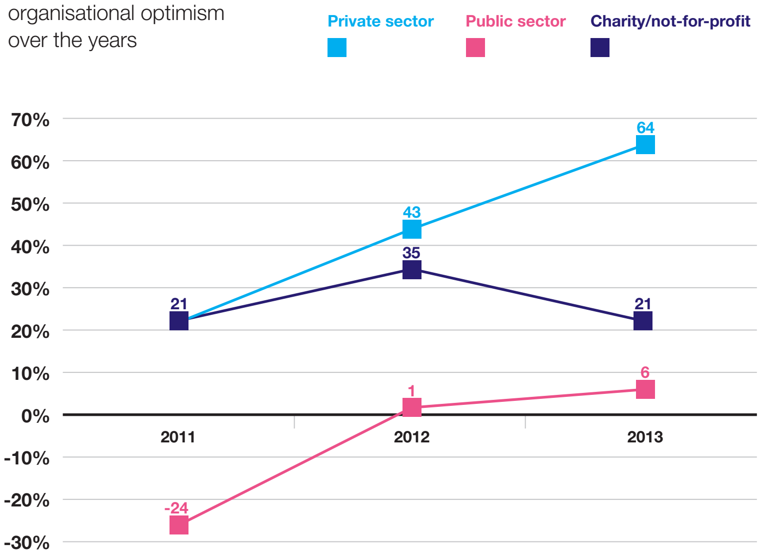



**Figure 4 –** Net scores for organisational optimism over the years



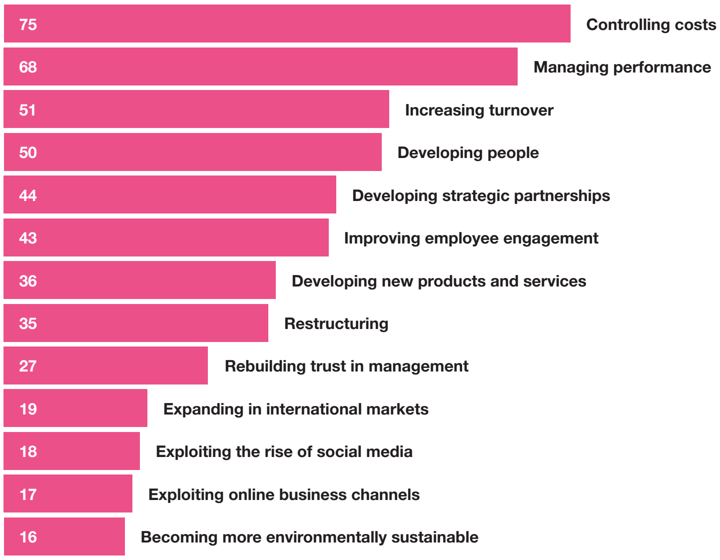
## Management priorities

Managers' top priorities have not changed since last year: controlling costs and managing performance are still highest on the list.

Controlling costs and managing performance are most relevant in the public and private sectors; top of the list in the charity sector are managing performance and developing strategic partnerships.

Also similar to last year are the aspects that feature relatively low on the list. Exploiting online business channels, exploiting the rise of social media and becoming more environmentally sustainable are still relatively low priorities.

**Figure 5 –** Organisational priorities for 2014




### Top organisational priorities by sector

**Charity & NFP**

**67%**
1. Managing performance

**57%**
2. Developing strategic partnerships

**51%**
3. Increasing turnover

**Public sector**

**80%**
1. Controlling costs

**71%**
2. Managing performance

**56%**
3. Restructuring

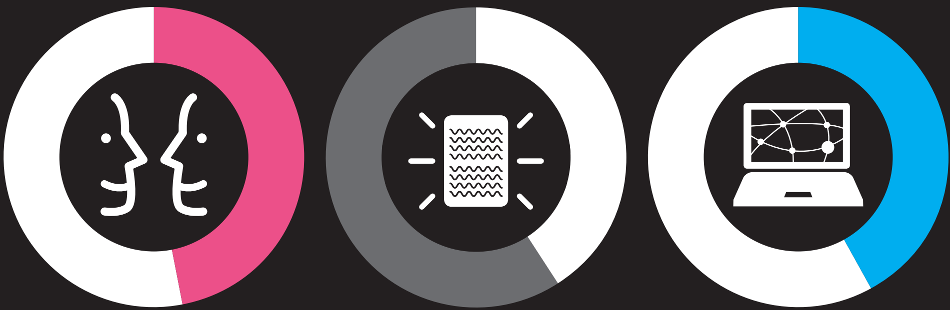
**Private sector**

**73%**
1.Controlling costs

**67%**
2. Increasing turnover

**66%**
3. Managing performance

## Key investment areas for 2014



**Business Development & Sales**

**47%**

**Marketing**

**41%**

**IT**

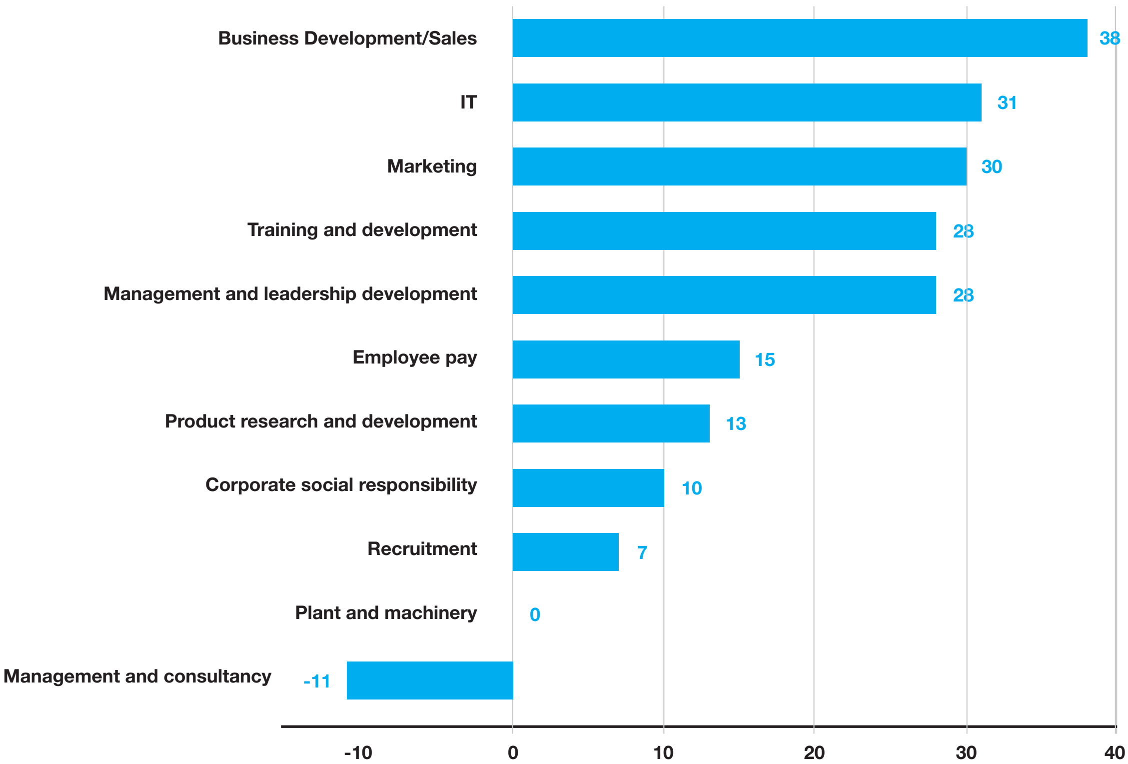
**42%**

## Investment decisions

A more optimistic outlook is reflected by some evidence of budget increases. Key areas where greater investment is expected are Business Development & Sales, IT and Marketing. However, with cost control at the top of the management agenda, the most common expectation for eight out of 11 budget areas is that they will remain unchanged in 2014.

With cost control emerging as the leading priority for managers, it is unsurprising that budgets remain under tight control. The areas benefiting from increased investment reflect a focus on business development, but with negative net scores across other areas, it's clear that many managers remain cautious. This raises a question about how strong optimism about the economy really is – and whether organisations have the confidence to take steps to maximise their opportunities to grow.

**Figure 6** – Net investment (%)



## The right people

Overall, managers are more confident their organisation will grow in 2014 than they were at the same time last year. However, the percentage of managers that believe they have the right people to achieve this growth and fulfil the organisation's objectives still only stands at 55%. While it is a modest increase on the last two years (47% last year, 50% in 2011), it leaves over a third with concern about their teams' preparedness for the year ahead.

Those in the private sector are most convinced that they've got the staff it takes – 63%, compared to 57% and 43% in the charity and public sectors.

Doubt is strongest in the public sector, where 40% of managers are not confident they have the right people.

## Skills needed

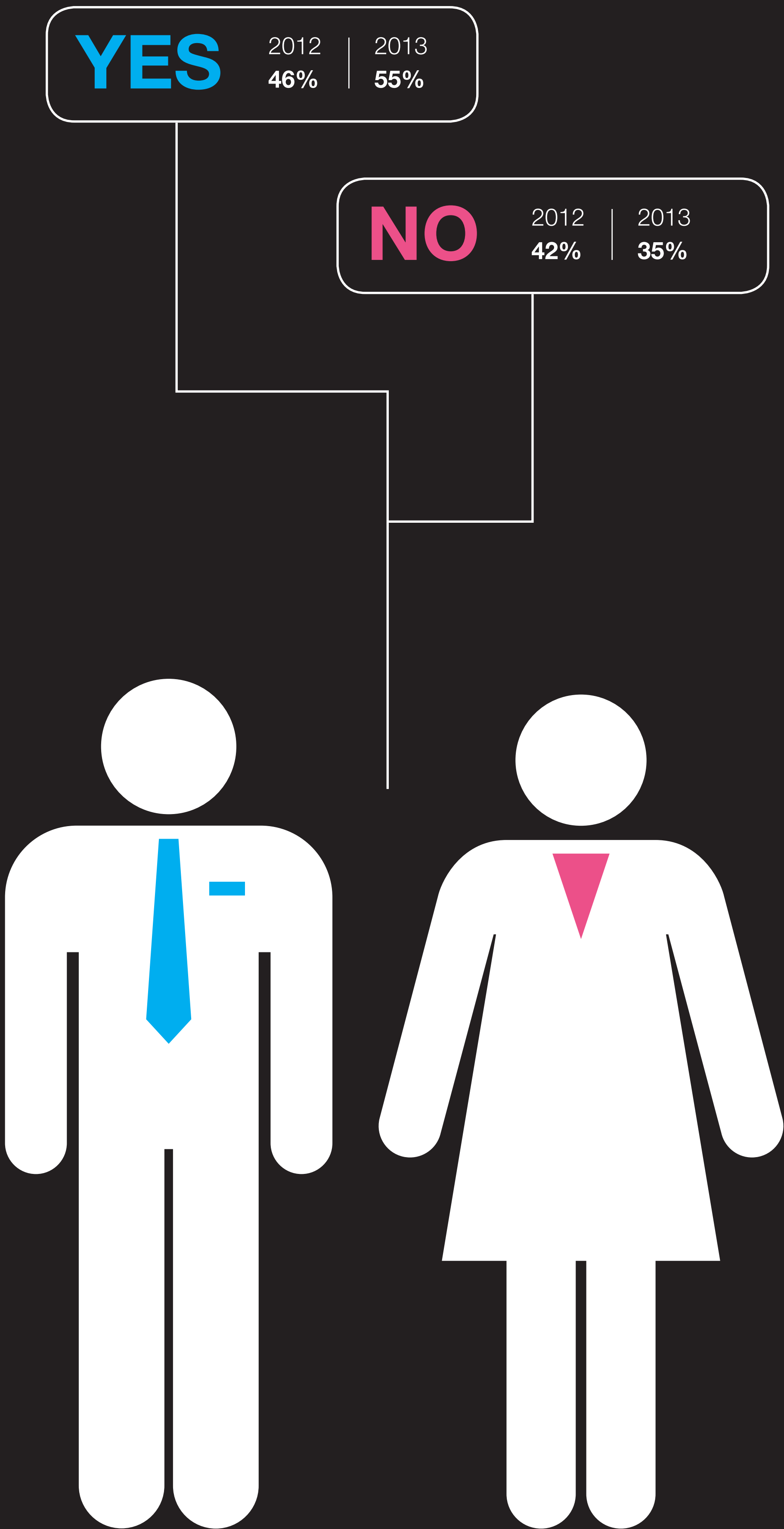
With the economy starting to pick up, it's striking that two thirds of managers (66%) this year said it is quite or very difficult to recruit the skills and talent their organisation needs. This was most prevalent in the charity/not-for-profit sector.

However, restructuring and redundancies evidently remain an important part of the agenda for many organisations. There were fewer compulsory redundancies in 2013 – 27%, 5 percentage points down on last year – but 30% reported voluntary redundancies, up by 4 points. Once again, there were big differences between economic sectors, with 69% of public sector managers reporting redundancies in the past year, compared to 40% and 33% in the charity and private sectors respectively.

What's more, there are still more managers who believe their organisation's headcount will decrease than increase in 2014. They are predominantly public sector managers: 65% of them expect their headcount to decline, compared to 17% and 23% in the private and charity sectors.

On the other hand, 42% of private business managers expect their headcount to grow, which is in line with the overall expected growth figures seen within the sector.

**Does your organisation have the right people for the job?**



Levels of optimism for staff morale

## Overall

2012

31%

46%

2013

36%

42%

Levels of job insecurity

2013

35%

2012

31%

### The personal perspective

While 2013 has certainly been more positive for many managers than the year before, and optimism is more widespread, there are limits. The evidence suggests that the beginning of the economic upturn has not yet produced happier employees who feel more secure in their positions.

### Staff morale

Overall, 36% of managers are pessimistic about the prospects for staff morale in their organisation, compared to 31% last year. Public sector managers are again much more pessimistic than their counterparts elsewhere.

Among the possible reasons for this is that organisations that missed their targets have considerably more downbeat views of employee morale, painting a picture of organisations under pressure.

### Job security

Last year's findings showed that managers were feeling more secure in their jobs than the year before, but this trend has not continued into 2013. Job insecurity has increased from 31% of managers in 2012 to 35% in 2013. This trend is most visible within the public sector.

This, like staff morale, can be related to organisational performance. Underperforming organisations lead to reduced employee job security.

# RECOMMENDATIONS

Last year, our survey told a story of a still volatile business environment: one which was on the verge of emerging from the recession and was beginning to show some cautious optimism for the future. This year's results show a solid belief in a brighter economic future, which is in line with the optimistic Autumn Statement, but this positivity is not yet reflected in managers' expectations in respect to their personal prospects for the year ahead.

The positive growth indicators have yet to be translated into practical benefits for employees in terms of greater job security, pay rises and higher morale. Indeed, for many in the public sector, the full impact of the austerity measures has yet to hit, and the employment outlook remains very bleak.

As the economy does pick up, many employers are already finding it difficult to get the teams in place. Just 55 per cent report having the right people in post to achieve their organisation's objectives and two thirds (66 per cent) have had difficulty recruiting people with the skills and talents they need. But with very few identifying any increases in their training and development budgets, this skills gap will only escalate.

With the majority of managers reporting a continued focus on controlling costs, despite the anticipated growth, the year ahead looks set to be a tough one.  This will mean that managers will need to be creative to capitalise on what they can do to create better and more successful working environments.

### Develop skills

In the same vein, if budgets are to remain tight many organisations cannot afford to take on more staff or invest in the training and development of their teams.

Instead of spending more, focus on developing the skills of existing staff through coaching and supporting career development. Employers should invest more in providing opportunities for developing new skills and also in designing more challenging roles and jobs that will enable personal progression. Look for opportunities for job enhancement and consider different routes for broadening your managers' experiences and skills, through job rotations, shadowing and secondments.

### Build agile teams

An organisation will be better able to cope with external factors in an ever-changing environment if its internal systems are sound, dynamic and adaptable.

Being agile has become increasingly important if an organisation is to stay at a competitive advantage. It is about being able to adapt quickly to change and to juggle people, processes and technology innovatively and creatively to get the most out of them. Ensure that knowledge is shared across the business, employees feel confident in sharing their opinions and ideas, and focus on creating a fluid structure rather than a strict hierarchy.

### Focus on your people

Organisations with high levels of employee engagement score higher on productivity, creativity and, ultimately, performance.

In an environment where controlling costs and making do with existing resources is still key, organisations can't afford to 'buy' their staff's happiness. But equally, they can't afford underperformance. Therefore, organisations have to be creative. They will need to build staff morale through other routes, so what can managers do to boost engagement levels?

**Stick to your strategy**

Stay focused on long-term objectives. Align the workforce behind your strategic vision to make sure that everyone is pulling together and feels part of a team. Employee engagement is often linked to the effectiveness and performance of senior managers, so set an example to be followed.

**Share the news**

Everyone inside the organisation needs to know what is going on, but you need to tell it like it is. Use language that is honest and that everyone can relate to, and avoid the temptation to dress up bad news. And as and when the upturn hits, make sure you celebrate your success!

## Chartered Management Institute

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.

Through in-depth research and policy surveys among our member community of over 100,000 managers, CMI maintains its position as the premier authority on key management and leadership issues.

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