

# HR TRENDS FOR 2012

A RESEARCH REPORT FROM  
PEOPLE MATTERS AND THE STRATEGIST

## HR TRENDS FOR 2012

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This report has been generated by the joint effort of The Strategist and *People Matters*



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# Introduction

**I**ncreasingly firms find themselves operating in business environments loaded with a lot of uncertainty. The uncertainty is mainly driven by the unprecedented and unpredictable change.

A complex nexus of forces set off the HR function: pressures to reduce costs, higher expectations of customers, the constant drive to meet global competitive challenges and opportunities offered by advancements in information technology. This complexity heightens when business environments are faced with global economic recessions. 2011 has been no different, and 2012 could be an even more challenging year for HR professionals.

However, HR professionals are always in a constant flux to predict the future and prepare for it. What kind of impact will the economic environment have on the HR strategy of the organization, are there new roles emerging for the HR professionals, what could be some of the important priorities for the HR Managers in 2012?

With so much uncertainty and complexity surrounding corporate India today, this research report predicts some of the upcoming trends and priorities for HR professionals for the year 2012. The research report is based on the data collated from approximately 234 organizations who participated in this study.

# The Study

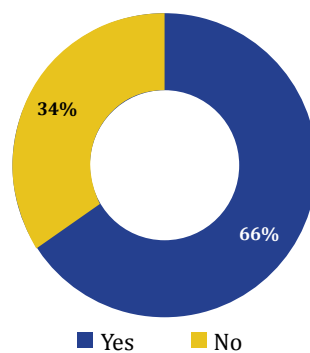
This research study was a combination of an All India survey and in-depth interviews with senior HR leaders from corporate India. In all, there were 234 organizations, which participated in the survey, and there were ten senior HR leaders from leading national and multinational organizations (Fortune 50) who were interviewed on their views for the upcoming HR trends for 2012.

The analysis of this report is based on the empirical evidence derived from the primary data collected through these responses and backed with the experience of The Strategist Research & Advisory team and the eminent editorial panel of *People Matters*.

## 2012 - Apocalypse - Is it true? Perception of the respondents on the economic scenario

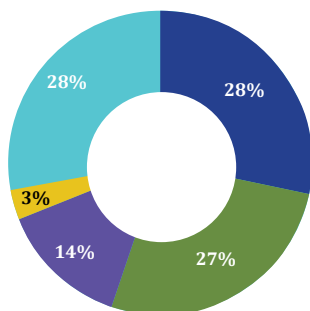
Approximately 66% of the responding organizations believe that there is an economic recession coming soon. 38% of these believe that the impact will be seen in the next six months or so. 39% of the organizations from the manufacturing and infrastructure sectors

### Recession coming?



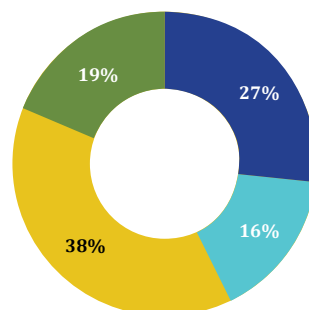
**73%** of the participating organizations perceive that the recessionary mood will have an impact on the HR function

## Industry Based Respondants Details



- IT & ITeS
- Manufacturing/Infrastructure
- Service (Financial/Insurance/Telecom)
- Retail/FMCG
- Others

## When will the Recession Impact?



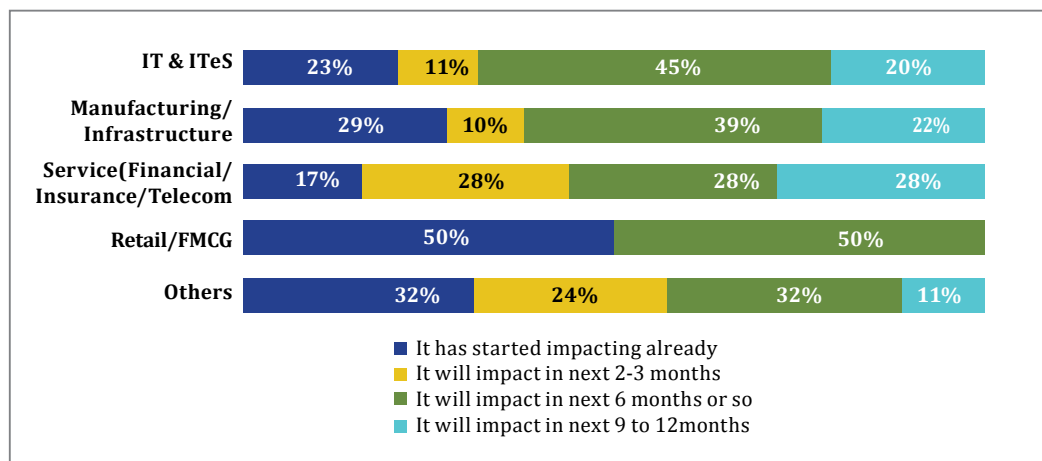
- It has started impacting already
- It will impact in next 2-3 months
- It will impact in next 6 months or so
- It will impact in next 9 to 12 months

see the impact of the recession coming in the next six months, and so do 45% of the organizations from the IT & ITES sector. 50% from the Retail/FMCG sectors opine that the recession has already started showing its impact, and so do 29% from the manufacturing sector. Overall it appears that almost all the sectors see the impact coming mainly within the next six months.

tional crisis management team).

- **Building agility is the key** - The economic scenario is volatile, and it thereby becomes important for organizations to be prepared for the best and worst scenarios at all time.

### When will the recession impact?



Note: Column totals may not add to 100% due to rounding off.

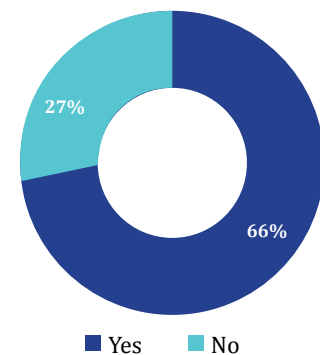
### Implications:

- **Where are our notes** – Did we learn from the past and are we better prepared this time or are we going to still use the ‘trial and error’ methodology. Last time, many of us were forgiven for this as the current generation saw ‘recession’ for the first time in their lives, but the same will not be applicable this time.
- **The SWOT team** – Are we going to handle this crisis again in isolation (each function/department with its own strategies) or together (i.e. building a cross func-

### Honey – I am going to be late again!

**Impact of economic environment on the HR function**

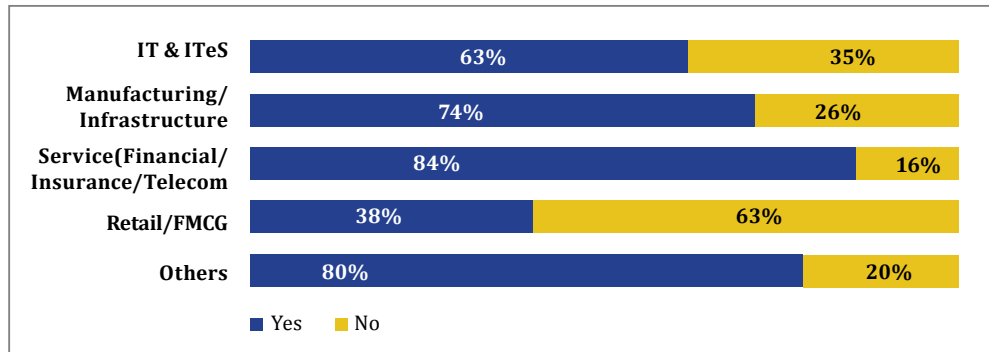
### Recession impacting the -HR function?



73% of the participating organizations perceive that the recessionary mood will have an impact on the HR function.

for the HR functions to start building in the agility in their processes to better deal with the impact. How organiza-

### **Recession impacting the HR function?**



*Note: Column totals may not add to 100% due to rounding off.*

35% of the organizations from IT & ITeS sector think that the recession will not impact the HR function, and so do 63% of the organizations from retail/FMCG sector. The mood in the IT & ITeS sector organizations is not that of anxiety because it seems they have learnt from past experiences of dealing with recession and believe that they will be able to handle it. Many of the senior HR managers from IT & ITeS organizations shared that though there is a perceived recession, the organizations and the employees today are equally matured to deal with the recession. Organizations are taking a conservative approach, and employees are now looking for stability. So in that sense, organizations have to deal mainly with environmental volatility and the rest will fall in place.

#### **Implications:**

- While it appears that recession is going to impact the HR function in the next six months, it will be important

tions will build and implement this will be the key success factor for organizations in 2012.

- It is possible that business may insist that this be included as a 'key metric' in the Director HR's dashboard for 2012.

## **HR strategy for 2012**

### **White boards & black coffee**

#### **Role of HR function in 2012**

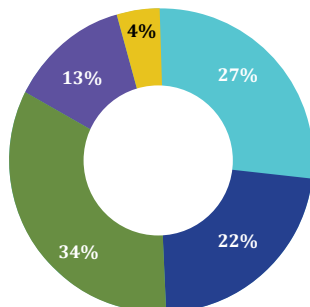
34% of the responding organizations perceive that in 2012, the HR function will have to play the role of a strategic thinker, followed by 27% of organizations who think HR will have to be a business partner, while 22% expect HR to play the role of a change agent.

It is interesting to note that only 4% said that they do not perceive any change in the role in the coming year.

# 35%

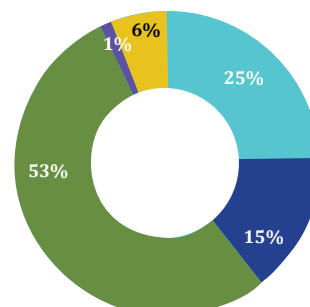
*of the organizations from IT & ITeS sector think that the recession will not impact the HR function*

### Role of HR function for 2012



- HR as business partner
- HR as change agent
- HR as strategic thinker
- HR as employee engager
- No major change

### HR focus for 2012



- Make organizations more competitive
- Make organizations more cost effective
- Make organizations more adaptable to change
- Make organizations more conscious about their brand
- Make organizations more attractive for new hires

*Do our learning & development calendars have focused programs on 'Change Management'*

#### Implications:

- What is our budgetary spend on training our HR team on strategic thinking?
- How many hours do we plan to spend on white boarding (moving from nice-to-do to must-do)
- How many hours do we plan to spend with business & investors (outside-in perspective)

#### The New Bond – License to Change

##### HR focus in 2012

53% of the responding organizations think that the focus of the HR function in 2012 will be on making organizations more adaptable to change. Building competitive organizations will be the next priority focus area, followed by making organizations more cost effective as the third priority focus area.

#### Implications:

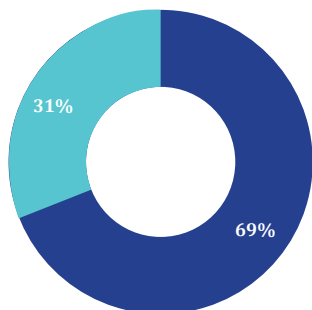
- How do we plan to create awareness of the impending change without causing panic?
- Do our learning & development calendars have focused programs on 'Change Management' or do we assume that our employees will pick up these skills automatically?
- How many 'Rewards & Recognition' programs will enable employees to become competitive & cost effective?

#### The Changing Mood

##### HR practices trend in 2012

Given the volatility in the environment, 69% of the respondents felt that in 2012 the focus of HR practices will be on managing the hard factors like ROI, employee cost, attrition etc., as against the softer aspects of employee engagement, delight, counseling etc.

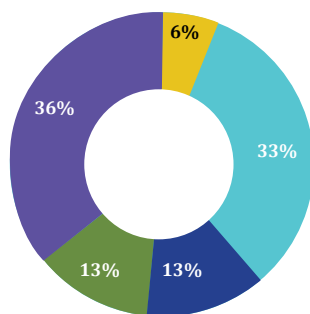
### Focus Areas of HR Practices



- Hard Factors (ROI, employee cost, revenue per employee etc, attrition)
- Soft Factors (counseling, engagement, delight etc.)

Among the outsourcing options, 33% said they would use employee shared services platforms. 12% organizations said they would consider outsourcing its recruitment process, while 13% said they would consider outsourcing learning and development activities. 6% said they would consider outsourcing employee engagement.

### Outsourcing for Cost Optimization



- Employee engagement
- Employee shared services
- Learning & development
- Recruitment process
- No outsourcing plans

### Implications:

- In our enthusiasm to focus on business results let us not dilute or forget the basic ingredient which is the genesis of HR function i.e. human touch.
- How many metrics of Director HRs will focus on hard & soft factors - Lets ensure that the ratio does not dilute from 60 : 40 i.e. 60% measurements on hard and 40% on soft factors.

### Outsourcing – Catching up but a long way to go

#### Outsourcing for cost optimization

While organizations would become more ROI - focused and would like to become strategic partners to the organization on one hand, it appears that 2012 will not see outsourcing as an option to achieve these two goals. 36% of the participating organizations indicated that they had no outsourcing plans for 2012.

### Implications:

- Interestingly learning & development is emerging as a new area of focus for outsourcing
- Employee engagement still seems to be far away but in reality if outsourced, business HR/Line HR would have great deal of time and resources to focus on meaningful employee relations.

**36%** of the participating organizations indicated that they had no outsourcing plans for 2012

# Role of HR Professionals in 2012

In 2012, it appears that HR professionals will have to reinforce and refocus to become strategic business partners in the organizations. 48% of the participating organizations perceive that it is important for HR professionals to have the strategic business partner attitude to deal with the forthcoming challenges. 27% of the participating organizations think that HR professionals will have to become change agents to deal with the forthcoming challenges and another 14% believe that HR professionals will have to be ROI focused to succeed in the volatile environment.

change in the service offerings of HR as a function and re-orientation of HR professionals; how many of us are ready for this and gearing up in terms of re-orientation of our strategy plan and going into classrooms to unlearn and learn?

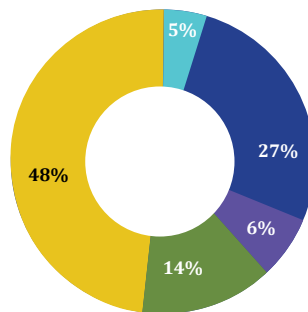
- HR has to build a comfort with NUMBERS, to ensure that it not only justifies the strategic partner role but also builds credibility to validate ROI.

## Investment in Self - Priority 1 Gearing & Equipping HR Professionals

In order to help the HR professionals build the skills to deal with the forthcoming challenges, it is important & critical to train them and equip them. 44% of the participating organizations mentioned that they would be making substantial investments in gearing their HR professionals to deal with the challenges in 2012. However 26% of the organizations were not sure if they would invest, while 26% did not seem keen to make substantial investments on this front.

**27%**  
of the participating organizations think that HR professionals will have to become change agents to deal with the forthcoming challenges

### Skills required of HR professionals in 2012

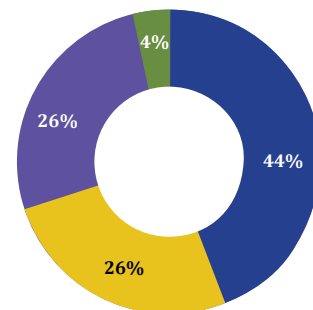


- Brand ambassadors
- Change agents
- PR for HR (making it more human again)
- ROI focused
- Strategic business partner attitude

### Implications:

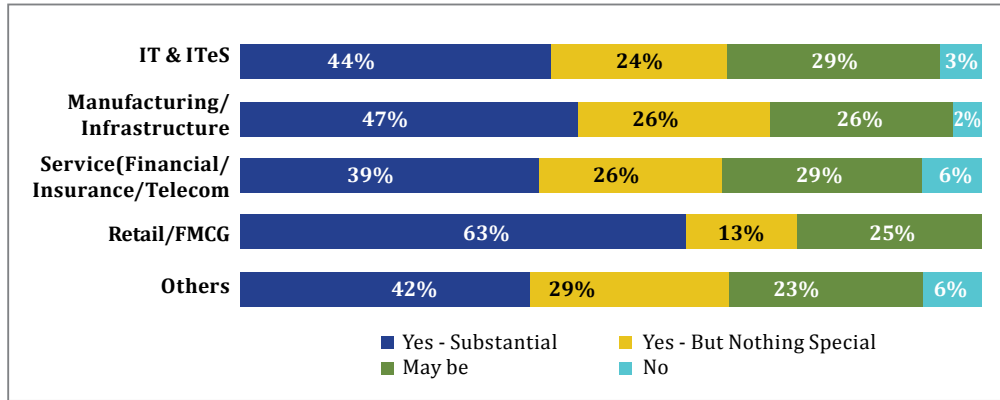
- Strategic business partner would require a great deal of

### Investing in HR professionals



- Yes - Substantial
- Yes - But nothing special
- May be
- No

## Investing in HR professionals?



Note: Column totals may not add to 100% due to rounding off.

### Implications:

- To equip HR professionals, it is imperative that they are sponsored to 'External Training Programs' where in they can interact with expert faculty and gain knowledge.
- Organizational visit and co-sharing of best practices among peer organizations are a good learning forum.

### Talent Custodians

#### Perception of HR department amongst employees

35% of the responding organizations perceived that HR department is a Talent Officer. 20% felt that HR department is the employee's best friend, while 19% perceived the HR

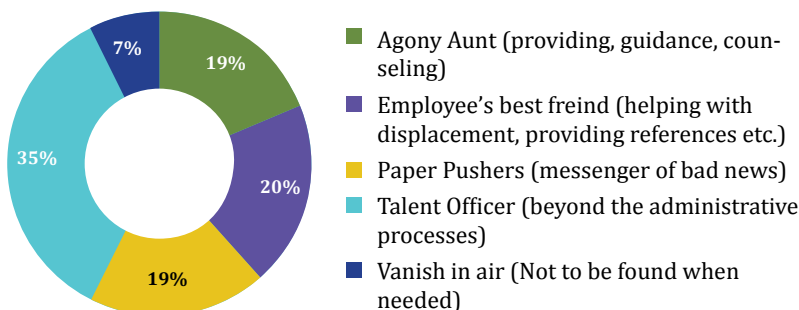
department to be the messenger of bad news, and 19% agreed that HR department was an agony aunt. 7% organizations thought employees perceived HR department as the one which vanishes when actually required.

### Implications:

- To be effective talent officers it is critical that the organizational processes support the same. Also the question is how many of us are geared up to manage the role.
- Almost 50% of employees still feel 'not so great' about HR (agony aunt, paper pushers, vanish) – What do HR leaders and HR professionals intend to do about this?

**20%**  
felt that HR department is the employee's best friend, while 19% perceived the HR department to be the messenger of bad news

### Perception of HR department amongst employees



### The Tipping Point Credibility through metrics

HR metrics and HR analytics is the way to go forward. Using HR metrics and analytics to their full potential will turnaround the game in favor of HR. HR metrics will not only help in building the credibility of the HR function, but it will also help HR function to build more sustainable processes and make informed decisions. 95% of responding organizations agreed to this viewpoint.

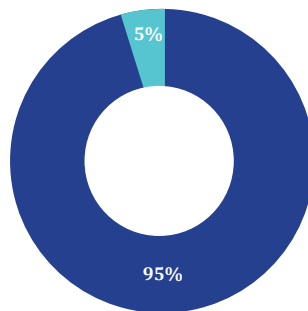
## Trends for Attracting Talent in 2012

### All is not lost till now Employer brand

In spite of some unpopular decisions by business and HR during the uncertain and complex environment, 40% of the participating organizations felt that the employer brand of their organization has not been impacted, while 26% thought that the employer brand was slightly diluted due to the economic environment. 14% believed that though there was a dent on the employer brand image, prospective employees would understand the situation and hence, it would not affect their joining decisions. Only 14% believed that brand had

**14%**  
believed that though there was a dent on the employer brand image, prospective employees would understand the situation and hence, it would not affect their joining decisions

### Building credibility through metrics

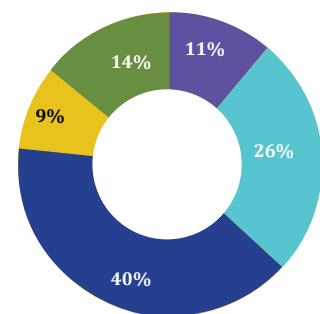


■ Yes ■ No

### Implications:

- Are we aware of the top 25 metrics which business wants HR to focus on?
- Have we aligned the HR metrics to business objectives and goals?
- Are process owners accountable with key metrics aligned to HR Directors' key metrics?
- Are HR team members' appraisals/KRA linked to metrics performance?

### Employer Brand & Economic Environment



- Yes, the brand has suffered to a large extent
- Yes, the brand has been slightly diluted
- No, the brand has not been impacted
- Yes, the brand has suffered but it was bound to happen
- Yes, the brand has been diluted, however, prospective employees will understand & join

suffered to a large extent, and 9% believed that this was bound to happen.

**Implications:**

- Is employer brand a priority for us and are we monitoring it from time-to-time ?
- Have we assessed our 'Employer Brand Equity' in the new environment?
- What are the plans to reinforce the employer brand for filling in the dilution?

**Advertisements Goodbye – Welcome Social Media & More**

**Investing in employer brand**

Though most participating organizations perceived that the employer brand was not impacted, 18% of the participating organizations believed that they would be making big investments in building their employer brand and the employee value proposition (EVP). 63% of the organizations indicated that they would invest in building their employer brand

and the EVP mainly through the non-advertising route.

**Implications:**

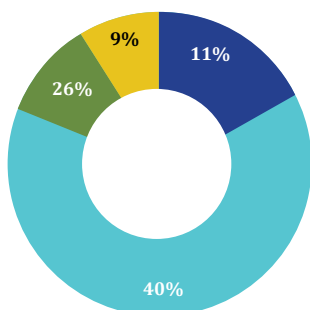
- Have we articulated our EVP based on research & scientific logic or do we still believe in gut feel?
- Are our existing employees and prospects aware of this EVP and understand the true spirit and meaning of it?
- Non advertising avenues will see a rise which could be in the avenues like social media etc – Are we, as organizations geared up to utilize social media and its potential.

**Number is the Name of the Game**

**Hiring Decisions**

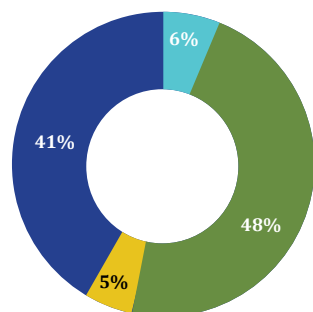
48% of the participating organizations indicated that there was a limited freeze on hiring in their organizations , while 41% indicated that there was no freeze on hiring decisions in their organizations.

**Investing in Employer Branding/EVP**



- Yes, in a big way
- Yes, but will mostly be non advertising
- No, it will not be needed
- No plans for brand building

**Hiring Decisions**



- Complete freeze
- Limited freeze (replacements allowed, positions budgeted)
- Limited freeze (replacements allowed, but on contract)
- No freeze at all

*Non advertising avenues will see a rise which could be in the avenues like social media etc – Are we, as organizations geared up to utilize social media and its potential*

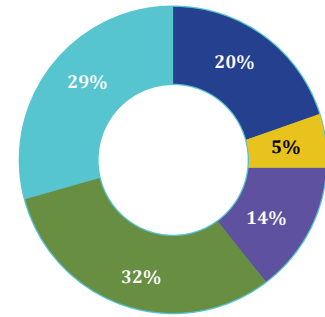
## Talent Landscaping & EVP emerge as focus areas

### Attraction Challenges for 2012

While organizations do not seem to be bogged down by the economic environment, and would continue hiring based on their requirements, at the same time, the challenges in attracting talent to their organizations are also changing.

32% of the participating organizations indicated that unavailability of skilled talent will be the key challenge for their organization, while 29% of the organizations perceived that lack of focused employee value proposition will be the biggest challenge for them in terms of attracting talent. 20% of the participating organizations perceived competitive compensation levels to be a challenge, while 14% attributed tighter cycle times for resource fulfillment as a key challenge. Only 5% of the

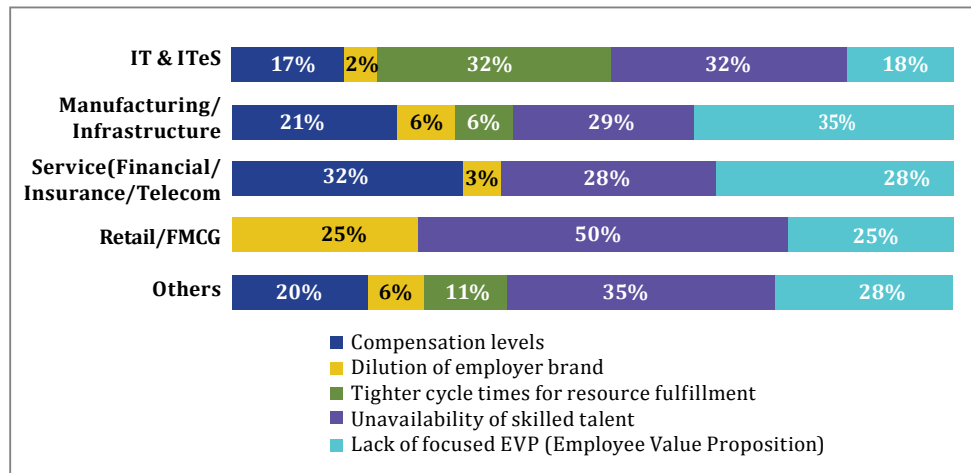
### Attraction Challenges for 2012



- Compensation levels
- Dilution of employer brand
- Tighter cycle times for resource fulfillment
- Unavailability of skilled talent
- Lack of focussed EVP (Employee Value Proposition)

participating organizations indicated dilution of employer brand as a key challenge.

### Attraction challenges



Note: Column totals may not add to 100% due to rounding off.

*For the IT& ITes sector the major challenge appears to be in tighter cycle times for resource fulfillment and unavailability of skilled talent, while for manufacturing and infrastructure sector and the services sector it appears to be lack of focused EVP*

**Implications:**

- How many of us are investing in talent landscaping (identify talent high spots) across markets to ensure ease of recruitment – Are we going to keep going to the already offered 20% or identify the possible potential 80% who are untapped?
- Have we assessed our employer brand equity/EVP and have a clear plan to put into execution?

**Employer Branding - 2012 Agenda**

**Hiring Practices**

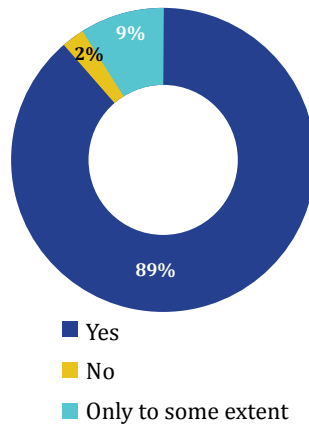
While organizations would continue to hire in 2012, we asked organizations to rate the hiring practices that are expected to be used in 2012 in order to deal with the volatility in the environment. Using cost effective employer branding practices would lead the show in 2012, followed by organizations trying to increase their floating workforce. Outsourcing the recruitment process was ranked third. Organizations would take a more liberal view on layoff in 2012. Re-hiring was the last priority in hiring practices at the back of their minds.

# Employee Engagement

## Line managers are key to employee engagement

89% of the participating organizations agreed to the fact that employee engagement is not just in the purview of HR managers, but it is largely in the purview of line managers. The general belief is that line managers can break or make employee engagement. Only around 9% of the organizations indicated that line managers can only influence the employee engagement to an extent.

**Line managers can make or break employee engagement?**



**89%**  
*of the participating organizations agreed to the fact that employee engagement is not just in the purview of HR managers, but it is largely in the purview of line managers*

## Hiring Practices



*Provide challenging opportunities for growth & advancement is the primary mantra for successful employee engagement*

**Implications:**

- Are line managers involved in major HR policies and processes framing
- How much of the training calendar is devoted to equipping line managers to evolve into people managers?
- Is people metrics a key KRA for line managers?

**Growth & Direction – Mantras for Engagement**

**Successful mantras for employee engagement**

When probed on what are the key mantras in order of priority on what organizations believed was the mantra to successful employee engagement, providing challenging opportunities for growth and advancement stood first, followed by leaders talking about corporate direction and being accessible. Providing non-monetary perks stood third, followed by providing training and development opportunities at number four. Abundance of communication was the last priority on the minds of the organizations.

**Implications:**

- How many business leaders have time to share with their employees the future direction of the organization and erase the ambiguity
- Are we ready to explore non conventional methods in non monetary perks to engage employees even if this means more administrative hassles in the beginning
- What is the priority for practices like career planning and growth enablers for high potential and other talent categories.

**Retention Trends**

**Ying & Yang is the secret of smiles**

**Employee priorities for stickiness in organization**

The survey data indicated that in 2012, providing work-life balance and higher growth opportunities will prove to be crucial for organizations in

**Mantra for successful Employee Engagement**

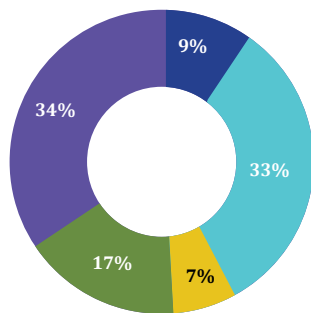


terms of retaining employees. 34% of the organizations indicated that providing work-life balance will be the priority for employees in 2012, and 33% said higher growth opportunities will be the priority for employees. Interestingly, 17% of the participating organizations thought that greater stability will be a priority for employees as compared to only 9% of organizations that thought higher compensation will be crucial.

**Implications:**

- Work-life balance is key priority for HR professionals, it is not anymore nice-to-do fashionable program, but something which is a MUST. One of the possible reasons for this being the increasing distance between workplace and office, and the other being intrusion of technology into personal life.
- Interestingly stability is emerging as a priority for employees – Are we, as professionals geared up to realize this and communicate the same to employees who are good & valuable contributors.

**Employee Priorities in 2012**



- Higher compensation
- Higher growth
- Higher learning
- Greater stability
- Work life balance (Commuting/Distance/Work from home)

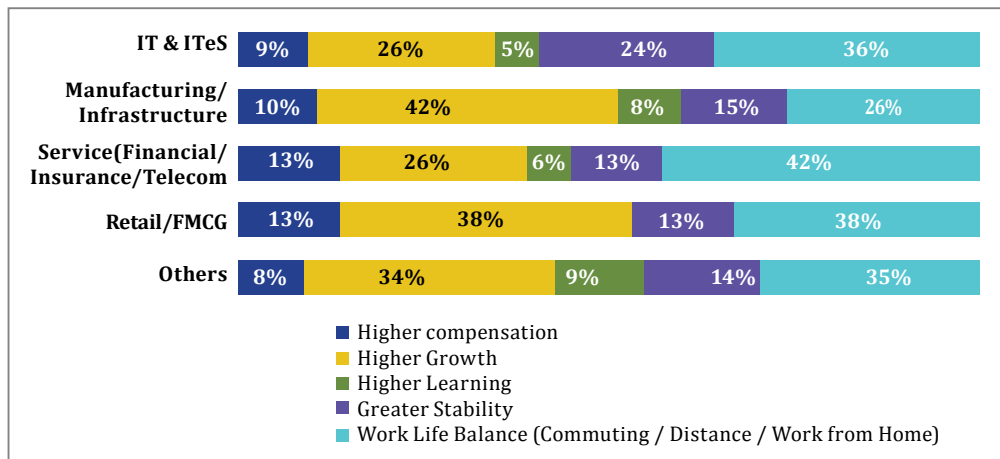
**Learning a good value provider for retention**

**Is there a role for L&D in retention of employees?-**

68% of the participating organizations indicated that L&D will only play an influential role in employee retention, and 21% felt that L&D will be the most important tool in retention of employees. 10% of respond-

**68%**  
of the participating organizations indicated that L&D will only play an influential role in employee retention

**Employee Priorities**



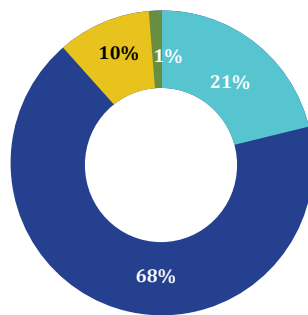
Note: Column totals may not add to 100% due to rounding off.

ing organizations indicated that L&D is losing its advantage to other factors, and 1% organizations felt L&D was not relevant to retention at all.

## Conclusion

Clearly, the economic environment will impact HR in 2012. HR professionals will have to build agility in their systems such that they are prepared to deal with the best and the worst at all times. Organizations will have to focus on getting their HR metrics right and making the most out of it to be able to better predict and make informed decisions. While outsourcing does not seem to be a priority, it appears to be catching up and will act as a major cost optimizer in the future. Organizations will have to focus on building their employer brand and EVP to better attract talent. Compensation alone will not be a good retention tool. Today, employees are looking for greater stability as well as flexibility. 2012 will be a year for HR professionals to pull up their sleeves and come up with innovative practices to deal with the challenges that they would face due to the economic instability and thereby build agile HR organizations. It is time for HR professionals to pull up their socks and take stock of how well equipped they are to don the role of 'Strategic Thinker', 'business partners and change agents'. If they think they are not geared, then it is time for them to start- Better late than never!

### Is there a role of L&D in retention of employees?



- L&D is going to be the most important tool
- L&D will still remain a big influence
- L&D is slowly losing its advantage to other factors
- L&D is not relevant at all

### Implications:

- Learning has a great potential to act as a retention strategy and seems to be greatly under-utilized-efforts need to be made to propagate the same.

*“Organizations will have to focus on getting their HR metrics right and making the most out of it to be able to better predict and make informed decisions”*

# Researcher Profiles



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