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Introduction

The main objective of this book is to provide people who are studying human resource management (HRM) and associated subjects with an introduction to two areas:

- 1 Major contemporary trends in the HR business environment and some debates about these.
- 2 Significant areas of HR activity that derive from or are being given additional prominence as a result of environmental developments.

We have structured our book to reflect the contents of Unit 7CO01 'Work and working lives in a changing business environment' in the Chartered Institute for Personnel and Development's syllabus for Level 7 advanced diplomas in Strategic People Management and Strategic Learning and Development.

The documentation provided by the CIPD is thus a good place to start when introducing the contents and aims of our book. So we will start there. This introductory chapter will then conclude with some observations about employment practice in the contemporary business environment and a brief discussion of two tools that can be used in order to analyse an organisation's external business environment.

The CIPD Advanced Diploma syllabus

The programme documentation starts with some material introducing the unit:

This unit extends understanding of the interaction between the commercial business environment and likely future developments in the world of work, employment and the management of people. It discusses the range of people practices that are growing in importance, including those relating to ethics and sustainability, employee wellbeing, equality, diversity and inclusion.

You will focus on major ways in which leaders and managers working in people practice are responding to globalisation and its significance for work and employment.

You will investigate the current and future thinking within organisations around technological developments and how new agendas are evolving. You will evaluate social, demographic and economic trends and how developments in public policy affect people practice. Effective leadership of change, innovation and creativity, including the key interrelationships between ethics, sustainability, diversity and wellbeing will be covered in this unit. Finally, you will critically analyse policy, practice and corporate social responsibility and the ways in which people professionals can apply and promote them for organisational productivity.

The unit documentation then goes on to identify four learning outcomes, each of which is sub-divided into four further parts:

Learning outcome 1: Understand ways in which major, long-term environmental developments affect employment, work and people management in organisations

- 1.1** Assess globalisation and its long-term significance for work and employment. Impact of globalisation on business and working lives; major developments in the global business environment; industrial restructuring and the changing nature of employment; volatility and competitive intensity.
- 1.2** Critically evaluate organisational vision of the current and future impact of technological trends on working life. AI, advanced robotics, virtual reality, autonomous vehicles; debates about the impact of technological developments on employment, organisational management and the experience of working life; ways in which technological developments affect organisations, management, the experience of work and employment.
- 1.3** Evaluate the impact of long-term social and demographic trends for work and employment. Population ageing; patterns of demographic change; individualism; ethical awareness; attitudes to work and diversity; the role of organisations in shaping society and social change.
- 1.4** Appraise the significance of long-term economic trends for work, employment and management practice in organisations. Affluence and inequality; deindustrialisation and the rise of a service-based, knowledge-based economy; long-term shifts in macro-economic policy.

Learning outcome 2: Understand current and short-term developments in the people management business environment

- 2.1** Evaluate current developments in the media, technological and economic environments and their significance for people management. Debates about current trends in work and working lives; the impact of social media and analytics on people practice; the current prospects for national and international economic development.
- 2.2** Assess developments in public policy which are affecting work, employment and people management in organisations. The significance for people practice work of contemporary economic, industrial, education and employment policy; the impact of government policy on the people practice agenda.

- 2.3 Analyse major legal and regulatory developments in employment and the labour market, including the importance of mitigating risk. Employment policy; major employment rights and their enforcement; health and safety regulation.
- 2.4 Critically discuss current labour market trends in the supply of and demand for skills. Upskilling and down-skilling; undersupply and oversupply of skills; major contemporary labour market developments and their impact on HR work in organisations.

Learning outcome 3: Understand how change, innovation and creativity can promote improvements in organisational productivity

- 3.1 Analyse the effective management and leadership of change in organisations from a people management perspective. Structural and cultural change; leading change effectively; major theories of change management; principles of the psychology of change; effective leadership and communication during periods of change; increasing capability and readiness for change; major theories of effective change management and debates about these.
- 3.2 Examine ways that organisations address resistance to change and recognise the levers that will achieve and sustain change. The role of employee involvement in successful change; encouraging engagement with change agendas; sustaining change; the role played by change consultants and change agents; improving organisational agility. Levers to achieve change; clear rationale for change; timely, meaningful involvement and consultation with affected parties; communication; process alignment; training and development. Mechanisms for sustaining change; monitoring and review; open feedback channels; ongoing training and development, communication of outcomes/benefits realisation.
- 3.3 Evaluate theory and practice in the fields of flexible working and organisational resilience. Different forms of flexible working and debates about these; non-standard contracts and evolving forms of work; promoting organisational resilience.
- 3.4 Assess the contribution of people management aimed at improving organisational productivity, creativity and innovation. Links between people practice interventions and organisational productivity; effective people practice responses to increased competition in product and labour markets; promoting creativity and innovation.

Learning outcome 4: Understand the key interrelationships between organisational commitment to ethics, sustainability, diversity and wellbeing

- 4.1 Propose initiatives aimed at improving an organisation's ethics and values. Major debates about business ethics and organisational values; the business case for ethical and sustainable people practice and policy; ethical dilemmas in people practice work; people practice interventions to improve ethical standards in organisations, and when working with suppliers, contractors and other organisations; debates about the ethics of people analytics.

- 4.2 Evaluate policy and practice aimed at improving employee wellbeing in an organisation. The business case for promoting employee wellbeing; people practice interventions that support improved wellbeing in organisations; debates about safeguarding and bullying at work.
- 4.3 Critically evaluate theory and practice in the fields of corporate social responsibility and sustainable management practices. The principles of corporate social responsibility; stakeholder approaches to management; principles of sustainability and ways in which people professionals can apply them.
- 4.4 Critically discuss how the effective promotion of greater equality, diversity and inclusion in organisations supports people practice. Debates about diversity and inclusion in organisations; approaches to making organisations more equal, diverse and inclusive.



PAUSE AND REFLECT

Which of these learning outcomes do you consider to be the most important for you now in your present role? Which do you think will be most important for you in the future and why?

Each of these learning outcomes is also associated with specific assessment criteria, one for each of the sixteen statements. These are as follows:

- 1.1 Understand, explain and debate globalisation and its long-term significance for work and employment.
- 1.2 Lead discussion and thinking in organisations on the current and future impact of technological trends on working life.
- 1.3 Evaluate the impact of long-term social and demographic trends for work and employment.
- 1.4 Appraise the significance of long-term economic trends for work, employment and management practice in organisations.
- 2.1 Demonstrate understanding of current developments in the media, technological and economic environments and their significance for HR/L&D work.
- 2.2 Understand, explain and debate developments in public policy which are affecting work, employment and HR/L&D practice in organisations.
- 2.3 Review and evaluate major contemporary regulatory developments in the fields of employment and the labour market.
- 2.4 Appraise and explain current trends in the supply of and demand for skills.
- 3.1 Lead and provide sound advice on the effective management and leadership of sustained change in organisations from an HR/L&D perspective.
- 3.2 Review the ways that managers address resistance to change and build agile, change ready organisations.

- 3.3 Debate and evaluate theory and practice in the fields of flexible working and organisational resilience.
- 3.4 Demonstrate understanding and provide advice about the contribution of HRM/L&D practice to improving organisational productivity, creativity and innovation.
- 4.1 Understand, evaluate and lead initiatives aimed at improving an organisation's ethics and values.
- 4.2 Develop policy and practice aimed at improving employee wellbeing in an organisation.
- 4.3 Critically analyse theory and practice in the fields of corporate social responsibility and sustainable management practices.
- 4.4 Review, evaluate and provide sound advice on the effective promotion of greater equality, diversity and inclusion in organisations

Relationships between employing organisations and their environments

There are different ways of thinking about an organisation's relationship with its business environment. For many, for much of the time, the approach taken is essentially reactive. Managers respond to environmental change after it occurs. They have either been unable or unwilling to look ahead and plan to meet the change when it arrives. They are thus obliged to firefight, dealing with issues as they arrive, on the hoof. In a fast changing and unpredictable environment this is often the best way to approach things. However, in more stable environments where change is neither occurring so fast or so unpredictably it makes more sense to plan carefully so that the organisation is well placed when environmental developments occur to meet challenges more effectively. The longer we have to plan for change, the better our response is likely to be.

Some organisations are sufficiently powerful or innovative that they are able not only to respond very effectively to environmental developments but are also in a position to shape aspects of their environments themselves. This could be said, for example, of the big technology companies that have enjoyed such success in recent years like Google, Microsoft, Amazon, Netflix, Uber and Apple. They have developed technologies and business models that have brought change on others. They have also successfully lobbied governments and pioneered new ways of managing people that have proved highly influential. Organisations like this are the movers and shakers of the corporate world. Many public sector organisations are also well placed partly to shape their own business environments. Most employing organisations are not, however, in this position. They are obliged to restrict themselves to responding thoughtfully and effectively when aspects of their business environment change.

In management theory, 'resource dependency thinking' starts with the assumption that the 'natural' state of affairs is one in which organisations are heavily dependent on their environments and are to a significant extent influenced by them. In other words, the norm is for an organisation to have limited control over what happens in its environment. They therefore have a tendency to respond by taking action that

reduces this dependence and allows them greater freedom of manoeuvre. Major 'sources of dependence' are as follows:

- Capital.
- Labour.
- Raw materials.
- Plant/equipment.
- Knowledge.
- A market for products/services.

Some of these resources are *critical* in that they are necessary pre-requisites for the organisation to function. Others are *scarce* in that their supply cannot be guaranteed. It follows that organisations are most dependent on resources that are both critical and scarce. An example would be a major customer who could easily take its business elsewhere or a supplier who has few competitors and with whom the organisation has little choice but to buy from. This is not a comfortable position and is one that managers seek to avoid if they can. No business, if it can avoid it, wants to be in a position where it relies too heavily on a few large customers or a few large suppliers.

For readers of this book it is interesting to note that recent years have seen various environmental trends coming together to create a situation in which, at least compared with the past, some forms of skilled labour have developed into resources that are both more critical and more scarce.

Higher skilled workers are more critical than they were in the past because the nature of the work that we are doing is steadily becoming more professional and technical in nature. More and more of us every decade are employed for the knowledge we carry around in our heads than we are for our manual labour. The more sophisticated and job-specific that knowledge is and the better networked employees are with customers and other professionals, the more it matters to an organisation when someone is hired or leaves to work for another employer. It may take years to find a replacement and for them to make an equivalent contribution. When the preponderance of employees are lower skilled, there is much less dependence of this kind.

Criticality of this kind is best illustrated with an example. If you were to be managing HRM or learning and development (L&D) activity in a large pharmaceutical company and one of your most experienced and senior scientists was to leave to join a rival firm, you would potentially consider this to constitute a major strategic problem. Immediate action would be taken to lure the person back with offers of increased salary, better terms and conditions or potentially more say over how their area of work is managed. Such efforts are made because people like this scientist are critical to the organisation's success. By contrast if one of the security personnel who patrol the organisation's buildings were to leave, it would not be such a problem. This person can readily be replaced by someone with similar skills who could then be trained up to do the job equally well within a few days. These employees carry out valuable and necessary work, but as individuals they are much less critical for the organisation.

The key point is that, over time, more of us are carrying out work that is similar to that of the scientist, while fewer are in roles akin to that of the security guard.

This means that the long-term trend is towards a situation in which employees are more critical.

The same is true of scarcity. As, over time, more and more of us are employed in specialist, knowledge-based, graduate jobs, it is inevitable that we become harder for employers to recruit and retain. The labour markets in which we compete for work, and in which employers compete to employ us, become tighter. The more specialised our knowledge experience, and the more in demand it is from employers, the scarcer we are from the perspective of an organisation.

This long-term trend is sometimes referred to as ‘upskilling’ and while it tends to make recruiting and retaining people more challenging from an employer’s point of view, it is good news for people looking to develop a career in HRM and related professions. The more critical and the more scarce employees become, the more significant and prominent the HR function is likely to be in an organisation. Settings in which labour is critical and scarce are also inevitably those in which HR managers enjoy greater influence and in which their functions are better resourced. The more competitive conditions (and employment regulation too) constrain an organisations freedom of manoeuvre, the more significance HR professionals tend to have in that organisation.



PAUSE AND REFLECT

To what extent do you agree that, over time, labour in your sector or industry is becoming either more critical, more scarce or both?

VUCA

While different sectors and different organisations face a variety of future circumstances in their business environments, for many, the years ahead are likely to be less stable than those in the past. The acronym VUCA is often used nowadays to sum up a future word of work and employment that will be, in comparison with the past, more:

- V – volatile
- U – uncertain
- C – complex
- A – ambiguous

The change is due to the apparently accelerating rate at which new technologies are being developed and brought to the market, at which globalisation is occurring, at which major social and demographic shifts are taking place and at which new regulations are coming into effect. We will be discussing all of the developments in the chapters that follow in the first half of this book.

The impact of a VUCA world is one in which the effective management of change will inevitably become more important. It is one in which it will be harder

for managers to plan ahead effectively and one in which increased pressure will inevitably be put on organisations to cut costs, act opportunistically, deploy staff more flexibly and generally be prepared to make difficult HR decisions quickly and under pressure. Increased occupational stress is thus likely, leading to more problems developing in respect of employee wellbeing. Moreover, when put under pressure, managers inevitably cut corners from time to time, act in ethically questionable ways and may downplay important longer-term agendas such as the need to improve productivity, to promote diversity and inclusion, and to ensure that their businesses conduct themselves in an environmentally sustainable way. These issues will be discussed in the second half of the book.

Tools for environmental analysis

We will finish this chapter by introducing two mental mapping tools that can be used as a means of thinking systematically, if fairly basically, about an organisation's business environment. While no great claims can be made for these in terms of their practical significance, they remain useful as the starting point for discussion that has some strategic relevance for managers.

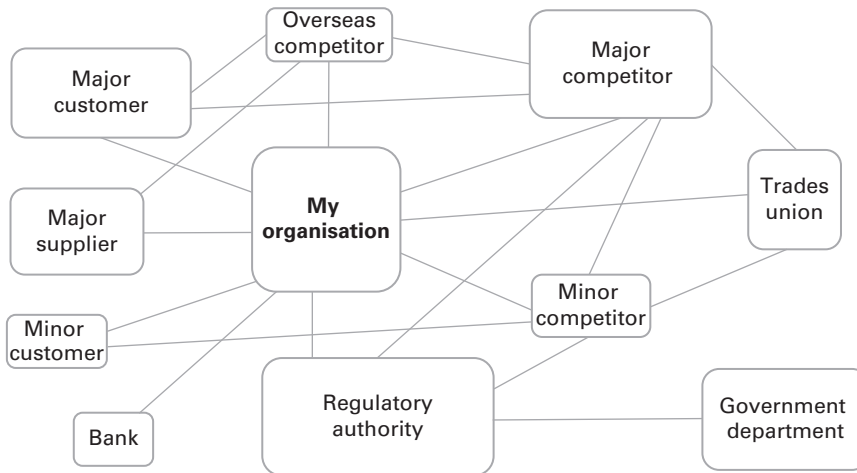
Network analysis

Network analysis focuses on institutions and other organisations with which an organisation interacts regularly, or is otherwise affected by. When carried out in an HRM context it typically includes the following:

- Competitors.
- Major customers.
- Regulatory bodies.
- Suppliers.
- Trade unions.
- Partner organisations.

The analysis is then often represented as a sketch or diagram, circles being used to illustrate the significance of each institution in the network, each linked by lines which signify their shared relationships. The size of each 'circle' represents the relative importance of the institution in the organisation's network.

The main problem with network concerns the drawing of the boundary. The larger an organisation is, the bigger its network and the more complex is its graphical representation. It is therefore necessary to strike a balance between simplicity and the need not to omit an institution that may have an important potential impact. The most common approach involves limiting any analysis to immediate networks of the organisation itself and its major competitors. You will see a simple example of a network analysis in Figure 1.1.

Figure 1.1 Network analysis

PESTLE or STEEPLE analysis

These are well established, simple and straight forward approaches that really constitute no more than a checklist of headings that help to ensure that all relevant factors are taken into consideration when scanning an organisation's business environment.

The tool has evolved over forty years. It started out as a PEST analysis, the letters standing for:

- P – political
- E – economic
- S – social
- T – technological

By the 1990s it was common to read about PESTLE analyses, as two additional categories were added to the original four:

- P – political
- E – economic
- S – social
- T – technological
- L – legal
- E – environmental

The addition of legal factors reflected the growth in business regulation in the years since 1980. 'Environmental' referred to protection of the environment and reflected the growing importance attached to green issues over the previous decade.

The most recent incarnation of the tool is as a STEEPLE analysis, a third 'e' being added at the end to reflect contemporary interest in ethical matters and corporate social responsibility:

- S – socio-cultural
- T – technological
- E – economic
- E – environmental
- P – political
- L – legal
- E – ethical

It could be argued that population ageing, globalisation and the emergence of international labour markets means that further headings now need to be added to the list. Doing this would make it impossible to have a simple, one-word, memorable acronym like STEEPLE.

We would therefore, with tongues firmly in cheeks, like to propose a new acronym – the ELDEST PIG analysis:

- E – economic
- L – legal
- D – demographic
- E – ethical
- S – social
- T – technological
- P – political
- I – international
- G – green



CASE STUDY 1.1

Eldest pig

Here are some key points that could be made if an ELDEST PIG analysis was to be carried out in respect of a budget airline operating from UK airports:

E – economic

Major challenges resulting from the reduced number of flights taken during the Covid-19 pandemic. Collapse of the market. Recovery may be slow and hesitant over time.

L – legal

Continual need to take account of and act on regulatory developments, particularly those

relating to health and safety, working time and airport taxes.

D – demographic

Population ageing in key markets means fewer younger people, who are a very significant target market. Offering needs to be tailored to the needs and preferences of older demographics over time.

E – ethical

Some low-cost airlines have been accused in the media of acting unethically towards some

customer groups (eg disabled persons), to staff, and, in respect of pricing regimes, to customers generally. For reputation protection reasons, all aspects of the operation need to be kept under review in terms of business ethics.

S – social

Greater affluence presents many opportunities to expand the range of services on offer in the future and to add further destinations to the existing portfolio. Low cost may gradually become less of a priority for customers vis-à-vis comfort and service.

T – technology

New, lighter and more energy efficient aircraft are being manufactured. Longer term, there is the prospect of electric aircraft as well as models that require less pilot input due to satellite navigation and evolving drone technologies.

P – political

The potential impact of Brexit on the operation of flights within the European Union. Debates over new runways and the development of high-speed rail services. Potential for government subsidies to be provided for alternative means of transport.

I – international

Very substantial opportunities for global expansion and partnerships with other airlines to take advantage of a growing middle class in many countries with disposable income. Markets for tourism and business travel may grow significantly.

G – green

Increasing proportion of the population, including target markets, is looking to find alternatives to flying. Increased use of social media platforms for business meetings, leading to less long-distance business travel.

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