



Prifysgol Cymru

Y Drindod Dewi Sant

University of Wales

Trinity Saint David

Trawsnewid Addysg, Trawsnewid Bywydau
Transforming Education, Transforming Lives

Understanding the Business Context External environment

Natasha Davies, October 2025

Learning outcomes

Upon the successful completion of this module, the student will be able to understand, analyse and critically evaluate:

How organisations differ in terms of sector, structure, strategy, products and services, as well as customers and how this influences people management strategy.

How external factors influence organisational and people management strategy.

The Political, Economic, Social, Technological, Legal, Environmental and Ethical factors that can influence organisations.

Different approaches to formulating people plans and strategy and how people management strategy relates to organisational strategy.

What good people practice looks like in a range of organisations.

How to critically evaluate your organisation's performance data to inform strategy.

The role and purpose of ethics and governance in organisations.

How your organisation impacts society.

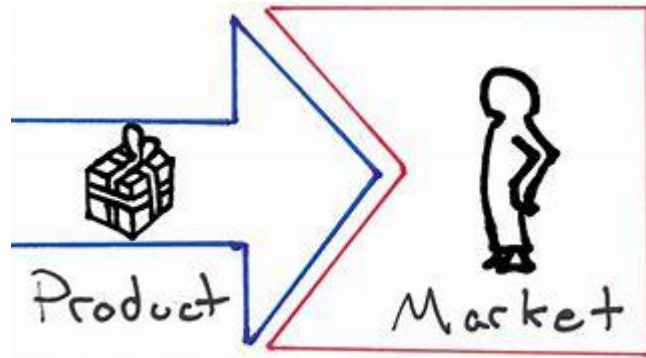


Strategic HRM

"Determining how we are going to win in the period ahead." (Mind Tools, 2014)

‘Strategic HRM, or ‘people strategy’, is about creating a coherent framework for employees to be hired, managed and developed to support an organisation’s long-term goals. It helps ensure that the various aspects of people management work together to drive the behaviour and climate to meet performance targets. It focuses on longer-term people issues, matching resources to future needs, and large-scale concerns about structure, quality, culture, values and commitment.’ (CIPD, 2025)

DEVELOPMENT IN THE EXTERNAL ENVIRONMENT



Development in the Product Market

Some economists now describe the position in some industries as being 'hypercompetitive' in that no single organisation, however large, is able to hold on to a position of competitive advantage for long (McNamara et al, 2003).

[Damien Hirst – Paintings](#)



Activity

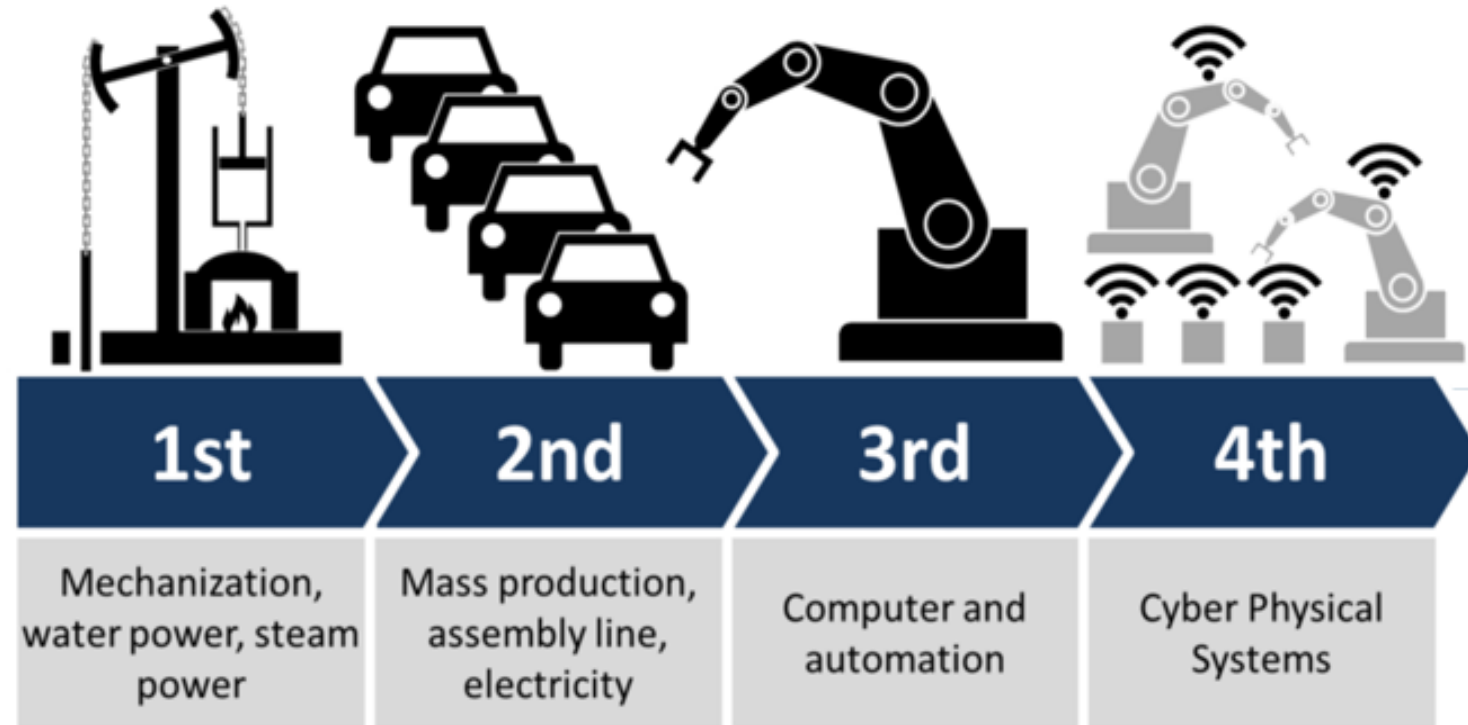
Following on from the art selling as an NFT pretend you own an art gallery and have just heard of this what questions would you be asking, what information would be valuable to you?

Globalisation

What do you understand by
the term?

Is it a good or bad thing?

Fourth Wave of Globalisation



Industrial revolutions and their technologies.

Image: Wikipedia

Features of globalisation

(Ruigrok and van Tulder 1995)

- Globalisation of financial markets
- Internationalisation of corporate strategies
- Diffusion of technology and knowledge world-wide
- Transformation of consumption patterns and worldwide consumer markets
- Internationalisation of national societies into global political economic system
- Diminished role of national governments

Pros and Cons of Globalisation

An economist explains the pro's and con's of globalisation: [click here](#)



Responses to globalisation

Organisations

Improving

- Market share
- New markets
- Alliances
- ICTs
- Quality
- Performance
- Profitability
- Best-practice HR

Governments

Focus on

- Market solutions
- Flexible markets
- Steering economy
- Low tax regime
- Narrower public domain
- Private sector investment
- Reforming welfare state

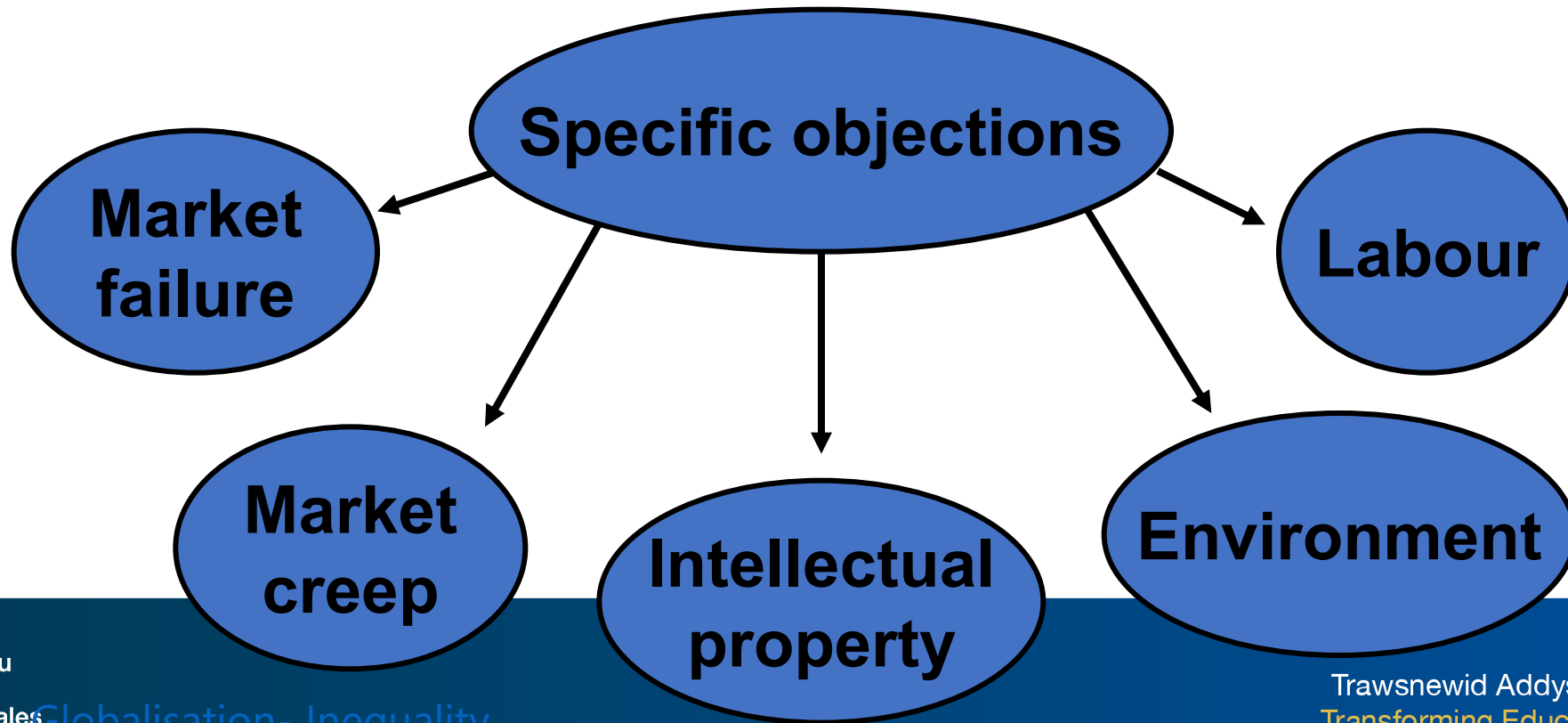
Individuals

Possibilities

- Greater choice
- Greater satisfaction
- Better choices
- Bad choices through marketing
- Decisions with high social costs

Critiques of globalisation

‘The power of finance capital and ideas of market fundamentalism are subverting the principles of inalienable rights’

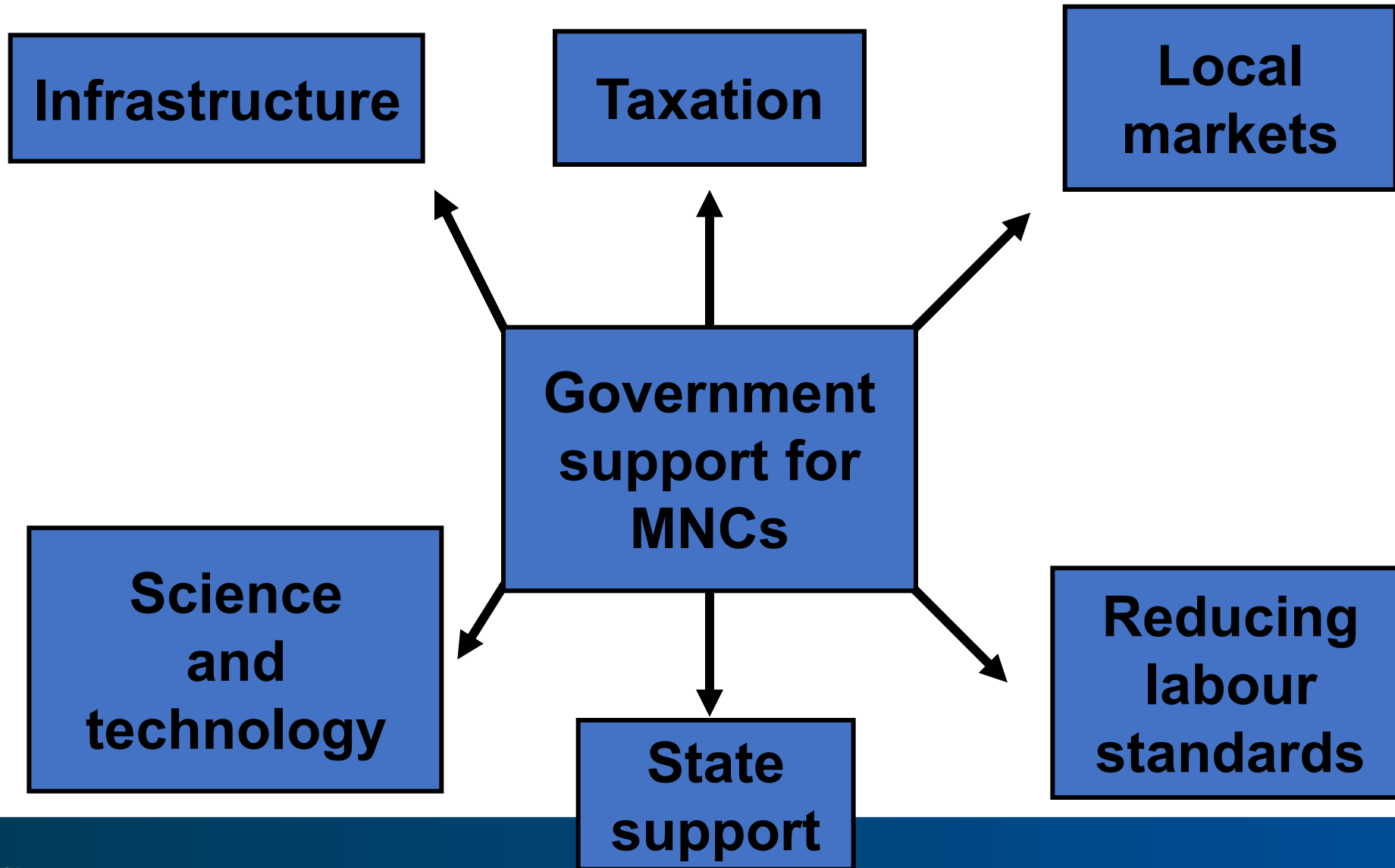


Multi-National Corporations are central agents of Globalisation



Factors promoting growth of MNCs

- More countries embracing free-market ideology
- Shift of economic centre of gravity to developing countries
- Technological advances and decline in real costs
- New opportunities for trade and investment
- Decline in trans-continental transport costs
- Hyper-competition enforcing search for new locations
- Aggressive support for MNCs by OECD etc



International Differences and HR Strategy

- Work of Hofstede and Trompenaar on cultural differences
- HR have to contend with different cultures as well as different legislation

Examples - Mindtools

According to the model, in a high PD country, such as [Malaysia](#) (100), team members will not initiate any action, and they like to be guided and directed to complete a task. If a manager doesn't take charge, they may think that the task isn't important.

Japan has the highest MAS score of 95, whereas Sweden has the lowest measured value of five. Therefore, if you open an office in Japan, you should recognise you are operating in a hierarchical, deferential and traditionally patriarchal society. Long hours are the norm, and this, in turn, can make it harder for female team members to gain advancement, due to family commitments.

The U.S. has a short-term orientation. This is reflected in the importance of short-term gains and quick results (profit and loss statements are quarterly, for example). It is also reflected in the country's strong sense of nationalism and social standards.

Eastern European countries, including Russia, have a low IVR score. Hofstede argues that these countries are characterised by a restrained culture, where there is a tendency towards pessimism. People put little emphasis on leisure time and, as the title suggests, people try to restrain themselves to a high degree.

What are the implications of Globalisation for HR and HR Strategy?

- https://www.youtube.com/watch?v=BiSYoeq_b_VY

Watch the video and discuss the above in groups.

Major international organisations

Organisation



OECD

IMF

The World
Bank

WTO



Main objectives



Commitment to democratic
government / and market economy

International financial stability
and sound macroeconomic
policies

Financial and technical
assistance to developing countries

Promoting globalisation and
international trade

CIPD survey: findings for HR?

Six key insights which CIPD believe HR needs to act. We must:

- demonstrate the value of the HR agenda
- use HR data to strengthen evidence-based decision-making
- harness the benefits of technology
- prepare for economic uncertainty (for example globalisation and Brexit)
- adapt to the changing needs and desires of the workforce
- strengthen the capability of people managers.

To stay ahead, organisations and HR teams should:

- Have clear, principled guidelines on AI usage at work, covering ethical practices, data security and the fair treatment of people.
- Foster a culture of experimentation and shared learning, with cross-team collaboration to help people develop their skills and understand the risks.
- Keep up to date with how AI may impact the business, operating model, and competitive positioning.
- Although AI is already being used in many areas, it can be hard to know where to begin in your organisation. Browse our resources, including reports, guides, and practical tools, to help you stay ahead and make the most of AI in the workplace.

Workforce Trends

[CIPD labour market outlook survey 2025](#)

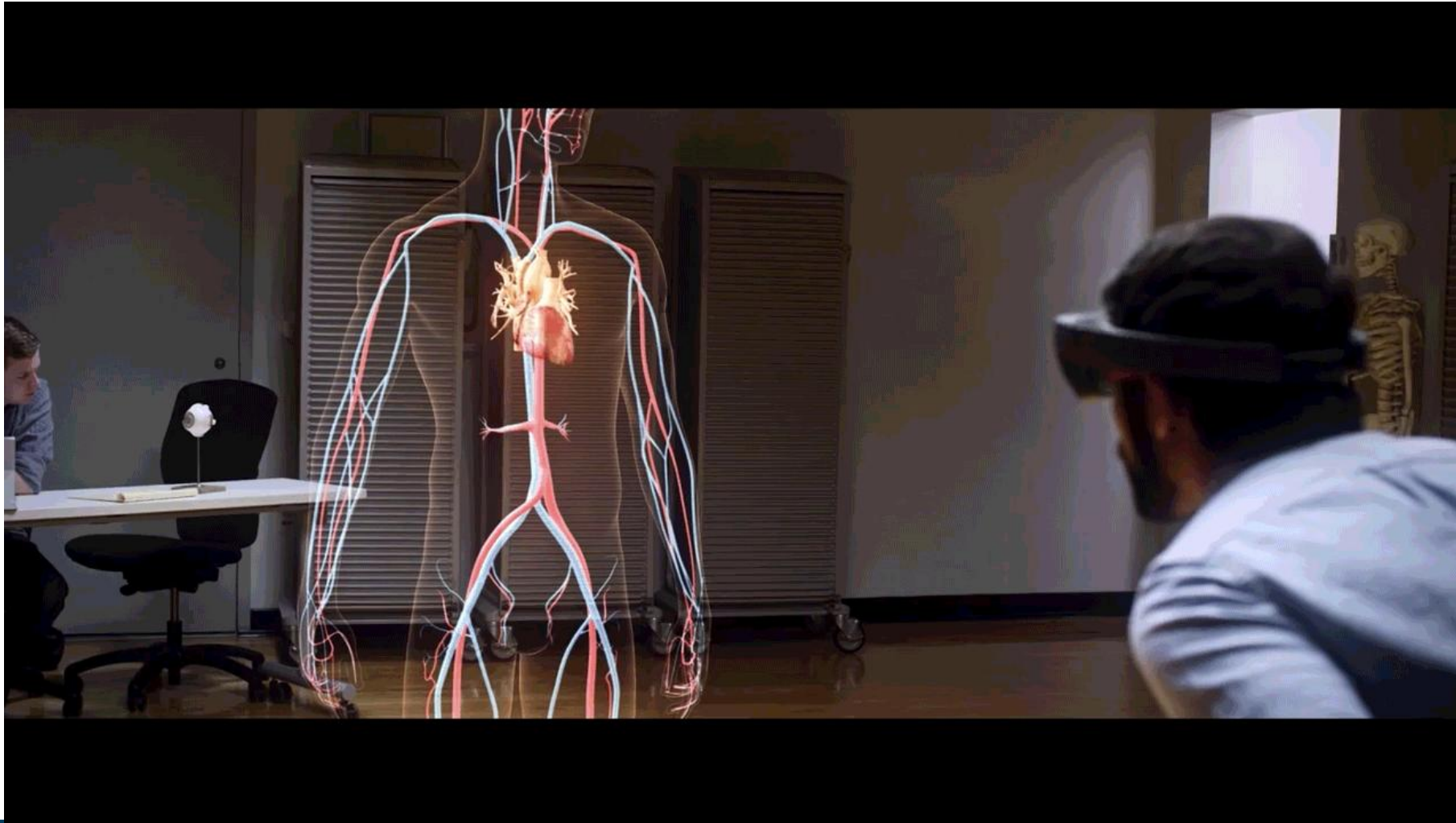
‘Business confidence remains at an unprecedented low, outside of the pandemic. Our net employment balance stands at +9, little changed on the +8 recorded last quarter. Hiring intentions among private sector firms also remain at a record low, outside of the pandemic. Just 57% of private sector employers plan to recruit staff in the next three months, down from 65% in autumn 2024’

Read the CIPD survey and see how your organisation compares with the findings. (CIPD, 2025a)

Considerations for HR:

- Keep workloads manageable amid reduced recruitment With most employers planning to hold staffing levels steady, unfilled roles can increase strain on existing teams. Monitor workloads regularly and ensure staff have the resources and support they need to stay productive, engaged and well.
- Invest in young people as a long-term workforce strategy With youth employment falling, it's vital to maintain access routes for young workers. Offer mentoring, clear development pathways, and early-career support to build your future talent pipeline.
- Strengthen recruitment strategies to overcome hard-to-fill roles Review your employee value proposition and adopt inclusive hiring practices – such as simplifying job requirements, widening outreach and offering flexibility – to access a broader talent pool and improve the chances of successful recruitment.
- Review your workforce plans in light of immigration changes New visa rules introduced in July 2025 have restricted access to many mid- and lower-skilled roles for overseas workers, including the closure of the Social Care Worker route. Assess how this affects your hiring plans and explore alternative sourcing strategies.
- Retain key talent through skills and career development In a cooling labour market, supporting progression can improve retention and reduce pressure to recruit externally. Provide opportunities for reskilling, upskilling and internal mobility to help employees grow with your organisation.

Technology



The Fourth Industrial Revolution

- 2 views – pessimistic/optimistic
- Likely – a time lag between jobs going and jobs being created
- [What does it mean ?](#)

Technological Trends – The Fourth Industrial Revolution

<https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond>

What makes a job susceptible to Automation?

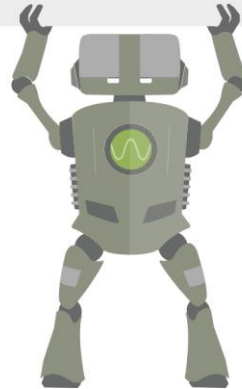
At work, do you need to:

Negotiate?

Help and assist others?

Come up with original ideas?

✓ **Your job is safer
from automation**



Government Action

McKinsey Global Survey results:

‘ Government is likelier to affect companies’ economic value than any other group of stakeholders except customers..’



Privatisation



Competitive Intensity and HRM

‘..As far as HRM is concerned, a key implication is a need to be actively and much more frequently involved in change management than used to be the case...This requires active involvement by HR people, including at the most senior levels, in the planning and communication of change. This has required HR people to acquire more political skills, because change is very often a deeply political process...’ (Taylor and Woodhams 2022)



Development in Labour Market

The term 'labour market' refers to the market for staff and their skills that employers compete in so as to ensure that they can employ the best people in the jobs they have available. Like all markets, labour markets operate according to the rules of supply and demand. Ultimately this means that employers who can offer the best terms and conditions, the best chance of long-term job security, the best career development opportunities – or all three – give themselves the best opportunity of recruiting and retaining the strongest performers. And it is not just employers that compete in labour markets; would-be employees do too, as do existing employees vying with one another for promotion.

There are many contemporary developments in labour markets that are having an impact on HR practice. These include increasing cultural diversity, increasing regulation and increasing inequality in UK labour markets.

Cultural Diversity

‘Long-term net migration is down by almost 50%. The number of people immigrating minus the number of people emigrating is provisionally estimated to be 431,000 in year ending (YE) December 2024, compared with 860,000 a year earlier.

This change is driven by a decrease in immigration from non-EU+ nationals, where we are seeing reductions in people arriving on work- and study-related visas, and an increase in emigration over the 18 months to December 2024, especially people leaving who originally came on study visas once pandemic travel restrictions to the UK were eased.’

(ONS, 2024)



Regulation

‘..A generation ago the UK was highly unusual internationally in having very little employment law. The long-held consensus here was that the state was best staying out of the way as far as the employment relationship was concerned. Strong trade unions and national/industry-level collective agreements helped to protect social justice at work, ensuring that people were not overworked, underpaid or dismissed for no good reason. The situation has now wholly changed, giving the UK one of the most regulated labour markets in the world..’

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