

MA in Human Resource Management
Human Resource Management in Context
BMHR7004

Assignment:

The major environmental factors affecting organisations

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1. Executive Summary

The purpose of this assignment is to provide a critical analysis of PESTLE framework which is utilised as a tool for analysing major environmental factors that affect business operations, managerial operations and the potential or implemented impacts of these on the business. PESTLE stands for Political, Economic, Social, Technological, Legal and Environmental. The main body of the assignment will focus on three of the tool's aspects; Political, Social and Technological impacts and the impacts on the RBWM department of HSBC Bank PLC UK. There will also be an appendix of action plan provided, focused to the HR team for dealing with the issues discussed and concluded with a recommend strategy of agile HR.

HSBC Bank PLC, UK is one of the world's largest bank's as part of the multinational investment bank HSBC Group and this assignment will focus on the retail and wealth UK entity that is currently providing financial services such as current and savings accounts and lending facilities and more to over 17 million customers. HSBC Bank PLC also provides commercial, corporate and institutional banking services for small to medium businesses. Information has been collated on the potential impacts to the retail and wealth sector by using a source of creditable books, articles, websites, newspaper articles, HSBC's public website and the 2019 SWOT analysis published by HSBC.

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2. Glossary of Terms

HR - Human Resources

HRM - Human Resources

HSBC - Hong Kong and Shanghai Banking Corporation

RBWM – Retail, Branch and Wealth Management Sector of HSBC

PESTLE – Political, Economic, Social, Technological, Legal and Environmental

SWOT – Strengths, Weaknesses, Opportunities and Threats

PFFM – Porter's Five Forces Model

L&TD – Learning and Talent Development

3. Introduction to PESTLE Framework

When an organisation develops a strategy there will be impacting internal and external factors to the implementation of the chosen strategy, moreover, to the businesses' success overall and PESTLE, **figure. 1**, is an analytical tool that can play a role in being the starting point to understand these impacts (Lynch, 2018).

"It offers HR practitioners insight into the external factors impacting their organisation... essential for HR practitioners to have a clear understanding of these external factors"

(CIPD, 2018a, p.1)

Arguing in contrast with CIPD's facts about PESTLE, Porter, Smith, & Fagg (2000) state that over time, depending on internal factors such as the growth position and size of the business, the impacts can develop and alter. Further to this, Lynch (2018) supports this by placing a limited value on PESTLE as a tool, due to the uncontrollability of the factors.

An alternative model an organisation can utilise for analysing the market of the industry they are in is PFFM; **figure. 2**; which, according to Grundy (2006), has been an influential model. It allows organisations to form a critical scope of the competitive advantages and potential profitability required to succeed (Farnham, 2015). Moreover, Dobbs (2014) critiques this by describing PFFM as unbalanced and unsystematic for use in actual organisation but rather a study tool.

A further addition to the tool's organisations can use is that of a SWOT analysis; **figure. 3**. Kew and Stredwick (2016) state it is a tool that in the real organisational world it can be misused by management. Moreover, from this critique, SWOT does not address the increasing dynamic impacts and in-depth analysis that PESTLE can provide (Brandenburger, 2019).

4. PESTLE Framework within HSBC

Employing approximately 40,000 people (HSBC, 2019a) from the UK's 66.4 million population (ONS, 2019a), HSBC Holdings PLC currently hold 17 million customers within its UK entity. Although HSBC is one of the world's largest financial services organisations, this analysis of PESTLE will only focus on the factors impacting RBWM sector of the financial organisation.

Research conducted by Mint Central on HR Professionals regarding threats of productivity in the workplace in the next five years has shown two aspects this assignment will assess of the PESTLE tool - 63% said aging workforce and 21% said Brexit (HSBC.co.uk, no date).

4.1 Political

As a result of a 2016 referendum, Brexit is the action of triggering Article 50 of the Lisbon Treaty, which is the formal process of the departure of the United Kingdom from the European Union that was voted for by 52% of the country (HR Magazine, 2016). Since its confirmation there has been much confusion around Brexit procedures, results and moreover, life for citizens and residents of the United Kingdom as identified in HSBC SWOT analysis (HSBC, 2019b).

HSBC banking services will not be affected by Brexit (HSBC, 2019c). According to their website, all products and services will still be offered however, from an HR perspective within RBWM there could be an impact on the workforce.

Due to potential restrictions on European nationals currently living and working in the UK and their free movement rights as they are now required to apply for settlement status, could affect the talent pool currently available. This could potentially lead to EU nationals that are not accepted then having to leave the UK and contribute to a negative impact on migration to the UK (Deloitte, 2016). Although long term international migration has remained relevantly stable since 2016 and work continues to be the main reason for EU citizens migrating to the UK, this could still result in a lack of talent that will

come to the UK from overseas due to factors such as the treatment of EU nationals in this respect, a potential new immigration policy and the cost of living (ONS, 2019b). If this becomes a reality for the UK business will need to adapt a HR strategy recognising the need for talent already settled in the UK. Organizations and HR departments are thriving to continuity plan for all outcomes – mainly deal and no-deal Brexit scenarios but the implications of both are still vastly unclear. CIPD's (2018b) Workforce planning article also states that once negotiations or the leave date has disclosed the terms of the leave organizations will be enabled to apply more confidence to their response of strategy and HSBC is no different in terms of planning a strategy at this time.

At this time, HSBC's HR team is emailing staff members that they are aware are required to apply for settlement status with a reminder to act with information to the website. There have also been e-learning for staff members to complete and emails to educate staff on Brexit and how to answer questions from customers. Any information on strategy's being developed within HSBC has not been released internally or externally at this time.

4.2 Social

One demographic alteration to the UK in years has been the employment rate of the UK population aged 65 and over, this has over doubled during 2019 already, **see figure. 4** (ONS, 2019c), and in comparison, 5.5% of the population of this age bracket were in the workplace twenty-seven years ago (Marchington et al, 2016). Although it has been viewed in the past that this selection of the workforce was unproductive as they aim for retirement, the viewpoint that this generation can provide a handover of maturity, skills, and knowledge in the workplace has since challenged this (Grobler et al. 2019). Furthermore, it is recognised that a multi-generational workforce is on the rise with a ratio expected of 2:5 by 2030 which will mean an increase in these skills' handover readily available (Marchington et al, 2016).

In terms of HR organisations redefining strategy to this demographical change in the workforce Kesler (1995, cited in Grobler et al, 2019, p. 387), shows the performance capabilities model which distinguishes the requirements in the workplace for either end of the aging spectrum. Kesler describes two roles within a workforce: partnering and transactional. He explains the younger workforce can adopt a partnering role within the organisation, where they have a more cognitive and knowledge-based role compared with the aging workforce being more system and service based. This can be adapted by HR for the roles within the organisation to decide which roles may suit the aging workforce that choose not to promote internally in comparison to the roles that will allow for progression. CIPD (2018c) also identifies the need to redesign roles within the workplace to support the older employees that remain in the workplace.

The viewpoint of a generational workforce can relate to Porter's five forces model because if an organisation can display diversity towards the aging workforce, they can gain a competitive edge to talent pools over other leading financial services organisations. Much like Nationwide Bank which has stated they are keen to have a good balance within the workforce which age has a representation within the communities their 700 branches are in (Roper, 2016). In support of this, Frith (2017) points out the importance of L&TD and shows support of the aging workforce with thriving in such a competitive market.

4.3 Technological

It is essential for HSBC's RBWM sector to understand the importance of becoming increasingly dynamic in strategic change due to emerging technology which could lead to gaining a competitive edge.

With banks closing more branches every year to First Direct, a bank with zero branches worldwide, it is inevitable technology has stepped up to support the finance industry. From the introduction of ATM's in the 1970's to mobile application friendly software that for the consumer preferences is a

technology that is available any place at any time (Eubanks, 2019). HSBC's Global Retail banking transactions are a staggering 87% (HSBC, 2019c) and in 2014, Deloitte.com reported in an article that the average savings in cost for a bank closing a branch is £200,000 and further to this banks have now developed software to allow a cheque to be deposited through mobile apps by the simple task of submitting a picture of the cheque a job which only two years ago was mandatory to be filed by a cashier in the branch.

The introductions of newer technologies are transforming an economically progressing society are changes that have been at the heart of issues linked with HR for several years (Bratton and Gold, 2012). With the impact on the banking industry being the staffing levels no longer required due to the decreasing number of branches and in-branch machines demising the requirement of the jobs done by human employees.

"AI and automation lay waste to jobs and livelihoods: robots will take over, leaving poor quality jobs and perhaps mass unemployment."

(CIPD, 2019, p. 1)

On the contrast to this quote, Frey, and Osbourne (2013), study the impact the introduction of automated technologies such as ATM's had on doing a daily tasks of a bank teller to further argue that just because a computer can perform one's job does not mean that job is then eliminated; it is simply regenerated. Thus, low-skill workers will develop skills to perform tasks that are impossible for computerisation; i.e social interaction and reactive rapport. Also supporting this, Manyika and Sneider at Mckinsey.com (2018) state that by 2030, 10% of new occupations will emerge that would currently not be comprehended as a result of developing technologies and economic growth as an impact of this.

On the contrast with the impact of staff internally, for example; contact center's operating within RBWM; AI can have a positive impact on personal development and internal education. With companies developing their education programs with e-learning available on internal systems; employees will have access to these to take ownership of their personal development. NGA HR (2014)

reporting what successful HR looks like and an example of that being the access to tools for self-development thus maximising productivity and ownership of career direction.

Therefore, although a shift in technology can demise certain types of low skilled jobs it can develop and redesign high skilled jobs and furthermore, for internal employee's it can be a driving tool to self-development with the implementation of efficient instant access to e-learning. Combined this will open opportunities to new talent pool whilst allowing career progression to the current talent pool.

One main concern HSBC presents that they recognise and demonstrate best practice with is security. HSBC state they are aware that these technologies need to be implemented demonstrating in an ethical manner (HSBC, 2019d).

In 2017, HSBC stated that their efforts to implement up to date and exciting technologies are aimed at making the banking experience more efficient and less complex to use. A press release of the '*Trust in Technology – The Facts*' explored the bank's overall strategy as education regarding technology for customers and staff. A further way that HSBC's RBWM HR team can implement the advances of security within their strategy is to ensure their employees are fully communicated in an open and honest manner with regards to job availability and skills required for advancing jobs.

5. Conclusion

The conclusion of all three factors analysed through this assignment are all factors that the organisation cannot predict the future of based the turbulent times of each factor observed. Based on this inability to identify a confirmed strategy for the future of the concerning factors discussed, a recommendation to RBWM's HR team is to ensure they are agile in their strategy development. Faragher (2019) explains agile HR should be quicker to implement new ideas, obtain results and feedback then adapt efficiently as they will need to react quickly to changes in political, technological and social demographic stance. Moreover, Swinger (2017) describes agile HR as having employees of the heart of the organisation and with this at the forefront of the HR team minds, a further plan to the point of HR strategy would be to adopt L&TD within the organisation for knowledge to be kept within and skills to be developed efficiently around the requirements of roles that may require filling. Although Hook and Jenkins (2019) state that L&TD can be implemented for a competitive edge, it will assist HR strategy with regards to the technological, social and political impacting factors as each factor concludes a possible increase of roles required and LT&D can show organisations take care of their employees within the organisation to grow and develop their skills within outsourcing.

Recommendations are presented in, **Appendixes. 1**, specific to each area of PESTLE examined in this assignment, relation to a requirement to be Agile with HR strategy and the impact of L&TD on each factor.

In terms of tools, as important as it is for the organisation to be aware of the impacting factors in regard to all aspects of PESTLE and SWOT, being at the core of the finance sector PFFM would be more recommended to ensure as a bank they are fully aware of their competitive edge and profitability as a business but within HR to priorities' employee's to be competitive within the recruitment pool and attract the best talent to the organisation.

6. **Appendixes**

Appendix. 1, Table regarding an Action Plan of Recommendations

PESTLE Aspect	Impact	Recommendation	Cost
Political	Due to the lack for depth of understanding on the topic, Brexit cannot provide any certainty to any organisation in the country. Deal or no deal can have impact's on staffing levels.	HR team to keep on top on news constantly for any updates. Keep e-learning's up to date to provide require information to employees. Contingency planning with two different strategies for 'deal' or 'no deal' Brexit. Keep ensuring the relevant employees apply for the right to remain. Agility of the department so attendance of courses regarding this to ensure the relevant strategy can be implemented efficiently on impact of leaving the EU.	Approx. 5 hours a week to research news, government website's for updates on dates and potential deals. Costs for the business if any fee's imposed during deal or no deal.
Technological	Uncertainty as HR cannot predict intake recruitment levels, internal recruitment or redundancies at this point, whether technology will take over jobs currently or if it will develop roles and create new jobs.	Recognise the need to be transparent with the workforce to advise them of any changes with new technologies and also to ensure L&TD is available to develop the roles.	No current costs unless news emerges of new technology being produced and bought by HSBC.
Social	The multi-generational workforce in the workplace.	Workforce planning and recommendation of difference between system and knowledge-based roles. Implement L&TD for all levels of staff and all ages within the workforce to ensure skills are plentiful and handed down through the generations.	Potential costing to redefining roles and looking at the more money for cognitive knowledge-based roles compared to the system and service-based roles.

7. Figures

Figure 1. PESTLE (abdo.org.uk, no date)

PESTLE ANALYSIS		
POLITICAL Services Tax policies Regulations Infrastructure	ECONOMIC Staff costs Inflation Growth rate Business cycle and trends	SOCIAL Demographics Income distribution Education Cultural variations/norm
TECHNOLOGICAL Communication Emerging technologies Transfer of technology from other areas Research & Development	LEGAL Laws Regulatory change Guidelines	ENVIRONMENTAL Ecological focus Health in the workplace Energy Resource management

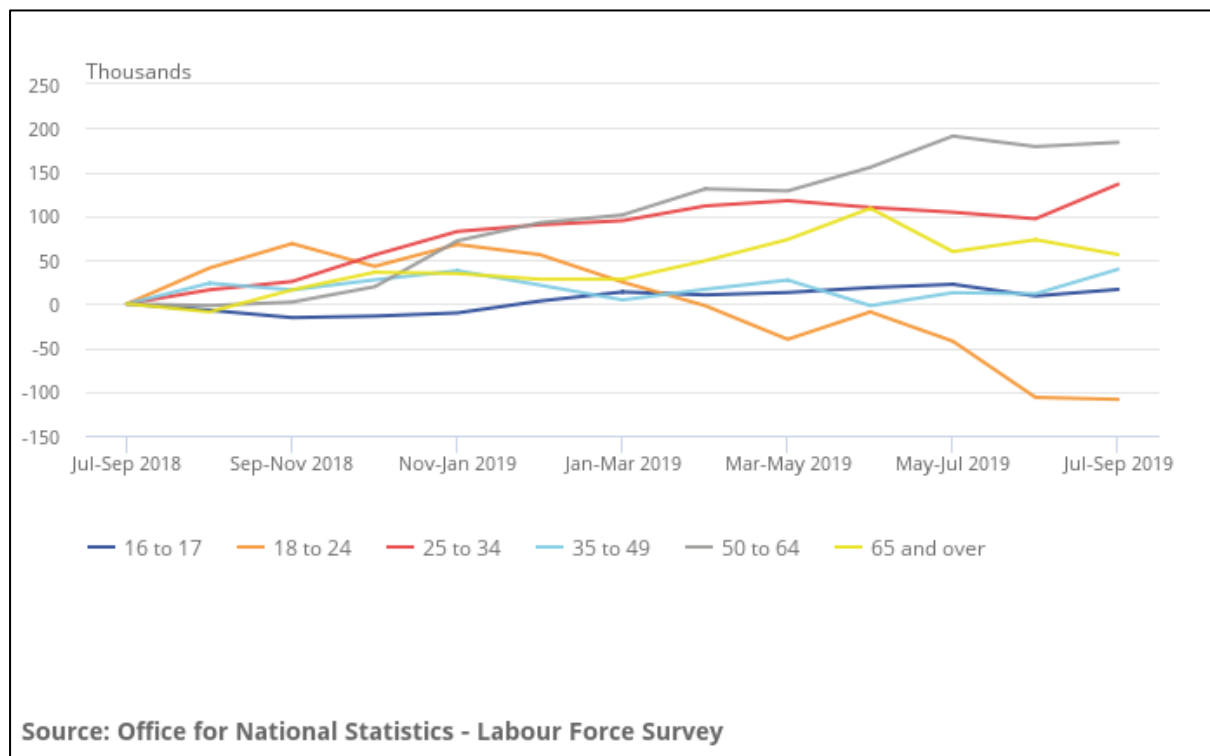
Figure 2. PFFM (Mindtools.com, no date)



Figure 3. SWOT Analysis (Brandenburger, 2019)



Figure 4. UK Employment levels absolute change by age group (ONS, 2019c).



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