

The Impact of Environmental Factors on HR Managers' Effectiveness: A PESTLE Analysis of Unilever

Student Name: Charmaine Vickers-Silby

Student Number: 2321095

Lecturer: Fouziya Farheen

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Table of Contents

1. Introduction.....	3
2. Internal and External Environment	4
3. Organization Application: Unilever	6
3.1 Organizational Overview	6
3.2 HR Practices in a Global Context.....	6
4. Application of the PESTLE Model to HR at Unilever	7
Political Factors.....	7
Economic Factors.....	7
Social Factors	7
Technological Factors	7
Legal Factors	8
Environmental Factors.....	8
4.1 Country-Specific Differences and Comparative Evaluation.....	8
5. Conclusion	9
References	10

1. Introduction

Human Resource Management (HRM) is an enabler of organizational sustainability, with strategic management of human capital being a core of continued high performance. Major HR functions are recruitment and selection, training and development, performance management, and employee relations (Bao et al., 2021). Many of these functions taken together shape the competence of the workforce, motivational dynamics, and the dominant organizational culture. Environmental forces such as regulation, technology, labor markets, and culture increasingly challenge how effectively these HR functions can be designed and implemented. Recruitment and selection practices aim at recruiting and retaining individuals whose skills and values resonate with strategic priorities, whereas training and development interventions aim to increase employee competence, flexibility, and longevity. Shawn (2023) describes performance management as the alignment of employee effort with organizational goals by systematically established goals, feedback, and appraisal systems. By contrast, employee relations are concerned with fostering desirable collegiality, involvement, and compliance with the law in the employment environment (Armstrong and Taylor, 2023). All these functions, combined, have a direct impact on productivity, employee commitment, and competitive advantage, which make HRM a strategic partner and not an administrative one.

This report is conducted as a critical investigation of the way the internal and external environmental factors influence the performance of HR managers in modern organizations. It starts with examining the internal and external business environment using a recognized business environment model. Thereafter, the report appraises HR practice in a global organization and determines the degree to which environmental forces influence HR decision making and performance in different national settings. The report ends with a reflective discussion on how the insights will be relevant or not in the future as the business environment becomes more complex and globalized to provide HR managers with work.

2. Internal and External Environment

2.1 Business Environment Model: PESTLE Analysis

PESTLE model presents a suitable analytical model in examining the external and internal environment as far as it provides a systematic methodology of identifying the macro environment forces affecting the organizational decision making. By describing the political, economic, social, technological, legal, and environmental aspects, PESTLE allows organizations to consider those factors that are mostly beyond their control but have a direct influence on organizational strategy and HRM performance (Bruijl, 2025). This model is of immense value, especially in an HR context since people management is extremely sensitive to regulatory change, labor market conditions, and societal expectations. Although PESTLE is primarily an external analysis tool, its relevance in this report lies in examining how external forces shape internal HR systems and practices.

The political factors include the policy of the government, employment policies, immigration policies, and an industrial relations framework. An example would be the changes in minimum wage laws or migration policy after Brexit may have significant impact on availability of workforce and HR planning. Reward strategies, labor market costs, and recruitment viability are guided by economic conditions like inflation, recessionary forces, and labor market competition (Saha and Minz, 2025). The competitive salary and benefits pressure the HR managers to recruit and keep talented employees in tight labor markets (Bilan et al., 2020). Social influences pertain to demographic changes, workforce diversity, employee values, and changing expectations about work life balance, which influence HR priorities of inclusion, flexible working, and employee wellbeing. The technological factors are HR digitalization, artificial intelligence deployed recruitment and learning technologies that alter the way HR functions are provided and measured. Legal issues, which also overlap the political influences, put particular attention on the adherence to the employment law, equality legislation, health and safety regulations, and data protection requirements.

Although the PESTLE model has been useful in description, it has its significant drawbacks. It mainly gives a fixed picture of the environment, which gives limited information on the prioritization or weighting of factors. Furthermore, external conditions tend to be dynamic and interconnected and therefore a pure Descriptive approach proves to be inadequate (Zaurez Afshar

and Hussain Shah, 2025). Therefore, PESTLE is not a tool that should be used as a decision-making framework but rather as a diagnostic tool to be used together with more strategic analysis. PESTLE is best complemented by tools such as Porter's Five Forces for strategic decision-making.

2.2 Linking PESTLE to HR Functions

The PESTLE analysis allows recognizing external environmental factors and their direct and quantifiable impact on the core HR functions. The political and legal issues that significantly influence recruitment and selection strategies include right-to-work laws, equality laws, and national labor employment requirements (Kitonga et al., 2021). Recruitment strategies are also driven by economic factors and skills gaps, which in most cases, force an HR manager to implement international hiring, employer branding, or talent development measures to obtain the necessary critical capabilities. Technological and economic factors especially affect training and development; according to Asiedu and Tenakwah (2025), the high rate of digital change increases the need to constantly train and upgrade on the training side.

Legal and political environments have a strong impact on employee relations, particularly in jurisdictions where a strong trade union is present or collective bargaining is a well-established practice (Schnabel, 2020). HR managers have to work in heterogeneous systems of industrial relations, employment rights, and consultation requirements without losing employee engagement and stability of the organization. For example, multinational firms often adopt recruitment criteria and appraisal methods locally to comply with national labor laws and cultures.

3. Organization Application: Unilever

3.1 Organizational Overview

Unilever is a multinational corporation based in the United Kingdom and it is active in Europe, Asia, Africa, and the Americas where its products are sold in over 190 countries. With a workforce exceeding 125,000 employees across the different countries of the globe, people-management procedures at Unilever form a significant factor of operational consistency and strategic performance in the various national settings (Unilever, 2026a). The business approach of Unilever (2026b) focuses on sustainability, ethical business, and value creation in the long-term, which is most clearly stated in the Sustainable Living and Compass strategies. These priorities have a direct impact on HR policies, as they incorporate the concept of purpose, inclusion, and capability development into the workforce planning and the expectations of leaders.

3.2 HR Practices in a Global Context

Unilever has a combined HRM strategy that combines both global and local sensitivity. Global talent standards and employer branding inform recruitment practice whereas local subsidiaries are allowed to adapt selection practices to both national labor markets, and to national regulatory requirements (Unilever, 2026c). The development of leaders and lifelong learning are instilled through global programs, including future-fit skills programs and leadership pipelines. This makes sure they comply with corporate values, as well as meet the requirements of local capabilities (Unilever, 2023). Goal alignment, constant feedback, and purpose-oriented outcomes are predicted at Unilever (2024a). Hence, performance management is no longer based on strictly hierarchical appraisal schemes. However, Akter (2025) states that there is a variation in implementation as per the different countries to suit the cultural expectation of feedback, authority, and reward. The engagement of employees and the relationship with trade unions are also influenced by the national legal frameworks and trade unions. This compels HR managers to deal with conflicting consultation and collective bargaining practices.

4. Application of the PESTLE Model to HR at Unilever

Political Factors

The political environment plays a significant role in the HR performance of Unilever, especially considering the firm operates in various districts. The HR planning is influenced by government policies on employment, immigration, and industrial relations (Cumming et al., 2020). In the United Kingdom, Mercans (2025) says that the law on equality, the requirement to pay minimum wages and the regulation of health and safety of employees, require standardized HR policies. On the contrary, in emerging markets, political instability and less effective enforcement mechanisms force HR managers to evolve practices without contravening the global ethical standards of Unilever. These political differences are more likely to complicate the administration and demand more of the HR expertise. Political complexity increases administrative burden and reduces HR strategic autonomy.

Economic Factors

The economic conditions directly affect the workforce planning and reward systems, as well as talent retention. The inflationary pressures in the world have increased employee expectations of high pay and benefits particularly in a tight labor market. Unilever (2024b) recorded underground sales growth of 7.0% that was partly driven by pricing strategies implemented in reaction to inflationary pressures. Economic uncertainty constrains reward innovation and limits HR decision-making flexibility.+

Social Factors

The HR practices related to diversity, inclusion, and leadership are greatly influenced by social and cultural aspects. Unilever (2025) made gender balance a promise, with women reported to make up about 55% of management positions around the world in 2022. Cultural diversity challenges standardization and constrains uniform leadership development strategies.

Technological Factors

The change in technology has revolutionized the HR delivery at Unilever, especially in the areas of recruitment, learning, and performance management. Hu (2023) provides that there are more issues associated with relying on technology, such as the risk of data-protection, algorithmic bias,

and digital-skills disparities within HR teams. Technological reliance increases administrative oversight and risks constraining innovative HR judgement.

Legal Factors

The legal environment provides strict compliance requirements towards the HR managers both in employment rights, data protection, and equality laws. Differences in labor legislation in different countries require HR managers to adjust contracts, disciplinary practices, and employee-relations practices to fit the countries (Gupta and Gupta, 2025). Strict legal compliance reduces HR autonomy and prioritizes risk avoidance over innovation.

Environmental Factors

The issue of environmental sustainability is having an increasing impact on the HR practices in the form of employer branding and organizational culture. The sustainability agenda of Unilever (2026d) demands that the HR managers should integrate the environmental responsibility in the leadership development and employee engagement programs. Sustainability expectations expand HR responsibilities, increasing workload and limiting strategic capacity.

4.1 Country-Specific Differences and Comparative Evaluation

Differences between countries also render the practice of human resources in global business within Unilever a complicated issue. The differences in culture have a firm effect on leadership styles, communication behaviors, and performance-management systems. Performance-management systems in individualistic cultures (the United Kingdom and the United States included) are more likely to focus on individual responsibility, goal establishment, and personal feedback (Rhee et al., 2020). On the other hand, Tang (2024) notes that in more collectivist societies and especially in various parts of Asia and Africa; team performance, organization harmony, and reverence to hierarchical organization is highly emphasized.

The labor legislation of the country and the regulation systems also create an elevated level of diversity in the HR practices. The subsidiaries in Europe are governed by the strong employment-protection law, the mandatory collective consultation, and the deeply entrenched works-council involvement, thus, influencing the employee-relations dynamics and change-management processes (Triantafillidou and Koutroukis, 2022). Conversely, labour markets in some developing

economies can typically be more flexible but have lower standards of enforcement of employment standards. In this regard, the HR managers are forced to balance the global ethical promise of Unilever (2026e) against the truths of local regulation, creating a conflict between standardisation and localisation. HR strategies are also differentiated based on the economic level of development and labour-market conditions. In the middle and high-income nations, Chand and Markova (2025) observe that the shortage of skills, as well as ageing population, inevitably requires proactive talent management and succession planning. In comparison, in the emerging economies, the priorities are shifted to workforce growth, skills enhancement, and enhancement of simple working conditions. An example is that investment in training and capacity building is often more common in markets that have inadequate formal education systems to satisfy organisational skills needs.

5. Conclusion

As evidenced in this report, human resource management cannot be effectively conducted without a subtle knowledge of both external and internal business environments. Through the PESTEL analysis, it is seen that the combination of political, economic, social, technological, legal, and environmental factors influence HR policies and practises in complex and dynamic ways. The discussion highlights the fact that HRM has shifted out of its administrative role, to become a strategic driver of organisational success, and that it has a direct impact on workforce capability, employee engagement, compliance, and long-term performance. Business-environment frameworks like PESTLE are valuable in that they allow HR managers to evaluate external forces systematically, forecast, and direct people-management initiatives to organisational goals (especially those of a multinational nature). Moving forward, global organisations are facing increased complexity and uncertainty that the HR managers are facing as a result of increased technological change, more regulation change and global competitiveness.

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