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Student Name: Francesca Deias

Student Number: 1904623

CIPD Membership Number: 55479930

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Signed:



Date: 23rd March 2020

Activity 1: Understanding the Business Context of HR by comparing two different types of organisation

Introduction

The purpose of this report is to demonstrate my understanding of the range of the Business Context of HR. I will explore two very different organisations and assess their differences. There are various types of organisation, for example; private sector, public sector, voluntary sector, small businesses, large organisations, small to midsize enterprise's (SME's), networked, multinational organisations, primary, secondary, tertiary and so on. I have chosen to compare a multinational private sector company and a large, tertiary, public sector NHS Trust. I will also review how business type, business purpose, organisation structure and how management roles can affect the function HR. An explanation of the formation of organisational and HR strategy will conclude this report.

Organisational Purpose

Private sector companies can be owned by private individuals, families, other organisations or by shareholders. As a multinational company activities are located in two or more countries. Private sector companies have the main business purpose of generating profits for its owners, however some of these companies can be non-for profit (Taylor and Wilkinson, 2016, p.44).

Large private sector companies are highly regulated and are also subject to compliance legislation which can vary from country to country. Private companies can choose to have 'limited liability' which means owners are protected so if the owners or the company become bankrupt the person or the business is not affected, essentially they are separate entities. Working across different countries can mean barriers in language and culture with internal and external customers.

NHS trusts in the UK are tertiary organisations which provide services rather than products.

Such trusts have the operational purpose to provide a high level of service to patients whilst meeting targets set by the government. As a regional government organisation it is funded by the taxpayer and so is subject to public scrutiny and accountability (Taylor and Wilkinson, 2016, p.46). Their purpose is to provide emergency and non-emergency support service to millions of people across the region.

NHS Trusts are hierarchical in structure and tend to operate a divisional model. Organisations are specialised with different divisions with their own decision making systems. Trusts can also be seen to be divided by customer group, as the region is divided into areas that serve different customer groups (Roberts, 2016, p.176) ie. Emergency patients (hospitals, etc) and non-emergency patients (GP services, dental, etc). This structure requires a lot of control and can have high running costs in its support functions.

Business Type, Organisational Purpose & The HR Function

The HR function and purpose can differentiate depending on a business type and its purpose. Most organisations fit into 3 main categories; The private sector; public sector and third (voluntary) sector.

In large Private Sector companies there tends to be prominent HR departments that are moving towards SHRM, and are therefore supporting business objectives (Taylor and Wilkinson, 2016, p.45) and delivering transformational HR. In private sector companies the HR function will center around recruitment, performance, employee engagement, absence management, etc. In smaller private organisations there are naturally smaller HR functions, possibly only one or two HR professionals, as they lack a large number of staff. The HR function will mainly carry out recruitment, onboarding and other traditional and transactional admin functions.

Smaller private organisations tend to act more informally in comparison to larger organisations which can help build a positive and open working culture, therefore there is often little requirement for employee engagement initiatives. In an informal setting there can be a lack of clear policies, so the HR may be required to work on a

project to bring them up to standard. These smaller organisations may employ help externally for HR advice or payroll services.

In both the private and public sector stakeholders and unions can have a great influence on the organisation. However, union activities have been greatly reduced in the private sector meaning that the HR function has more influence and purpose. Reduced union activity means that pay can be tied to performance and other conditions set by managers, (Taylor and Wilkinson, 2016, p.46) and overseen by HR. Performance Management and motivating staff are two areas which adeptly work within the role of HR in the private sector. Linking performance to pay has always worked successfully in comparison to the public sector as the private sector has more flexibility unlike the public sector which often has strict grades/scales.

Public sector organisations are still heavily influenced by unions and government stakeholders, performance and appraisals can be neglected in large pressurised organisations, making performance related pay and employee engagement a challenge for the HR function. Public sector organisations have large HR functions with HR directors carrying a huge influence to the board in regards to HR strategy. The function can be made up of departments with a lot of the transactional work being completed by Shared Service Centres (SSCs). The austerity measures of the current government has meant large budget cuts to the sector has led to restructures, redundancies and recruitment freezes, (Taylor and Wilkinson, 2016, p.47) which would heavily employ the HR function and in some cases has left the HR function understaffed. The public sector is under much scrutiny by the government, the press and the public, this means that all HR practice needs to be legal, fair and above board so the HR function in this sector can feel restricted by policy and rules. Unlike the private sector that can be more free flowing in the management of their employees. As public sector organisations rely on Government funding SHRM often has to focus on cost management and promoting a performance-driven culture.

In the third sector, organisations have a non-for-profit purpose and so HR functions can vary hugely by organisation. Charities rely on donations so it can mean that little money is spent on HR professionals or initiatives. For example in smaller charities HR function is basic, providing only transactional administration and having little or no representation on the board. Recent years have seen HR in the third sector adapting to become more commercially focused, yet functions align more closely with the public sector due to the third sector often vying for publicly funded projects (Taylor and Wilkinson, 2016, p.48).

Different organisations have varying cultures which can greatly influence the HR function. Lots of organisations have strong and embedded cultures which may not be positive. Harrison (1972) states that there are 4 models of culture:

- **Role-** This culture is built on rules and regulations. These organisations have formal job descriptions that are focused on the role and not the individual (Dudovskiy, 2014). This culture keeps HR busy with creating and finalising job descriptions and policy and leaves little time for transformational HR.
- **Task-** A culture based on skills and competencies to deal with projects or tasks. All sector organisations can be task orientated. This culture can create conflicts between staff due to not clearly specified roles and responsibilities for team members. This culture may lead the HR to focus on grievance and performance issues.
- **Power-** Large public and also private sector organisations often have an embedded power culture which is top down and can ultimately demotivate staff. Public sector organisations are renowned for having high sickness absence, in most NHS trusts staff would receive full pay for 6 months. Recent reviews of data in line with HR reforms has slowly reduced sickness absence levels.
- **People-** This culture has no formal hierarchy and involves consensual yet slow decision making. This can often be seen in smaller third sector organisations. HR functions may need to be at the forefront in order to form and guide strategy to meet external compliances.

Organisational Structure & Management Roles

The impact on the HR function depends on how an organisation is structured. The evolution of HR means that it has moved away from transactional HR, which can often be outsourced so HR can focus on the strategic and transformational. This includes moving responsibility from HR to line managers by supporting and coaching them to support and develop their teams, so it is essential that HR and Line managers work together to manage people issues effectively and consistently.

According to Kew and Stredwick (2019) there are many different organisational structures:

- Bureaucracy- Specialised by design these organisations have specialist roles and tasks assigned to workers therefore HR will need to recruit for specific roles. Hierarchical in structure the organisation has a clear hierarchy of power with top down management. Strong rules and function can mean that it can be difficult for HR talent planning and to support the development of agile and adaptable teams.
- Divisional- A development of the bureaucracy structure, divisional structure grows from organisational growth. Common in multinational organisations, as an organisation becomes larger it can set up different divisions by market or geography (Kew and Stredwick, 2019, p.20). However HR tends to remain centralised from 'Head Office'. With divisions in different countries it can be harder for HR to function across the organisation, each country may have different rules and legislation it needs to abide by and management styles can vary hugely.
- Matrix- Organisations run short or medium term projects that draw from different specialists and departments who report to a functional and also a project manager. HR are able to suggest appropriate talent to work on these projects. Although there are many benefits including improved communication and quick decision making there can also be power struggles which could lead to HR having to step in to deal with behaviours or grievances.
- Networks- More informal than matrix structure, network builds connections within an organisation to encourage faster diffusion of communication and ideas (Kew and Stredwick, 2019, p.22). HR are able to strategically plan career paths and build good working relationships and morale with managers.
- Virtual organisations- Virtual online networks instead of bricks and mortar leaves reliance on adequate communications technology with most staff working from home. HR need to put in robust policies in place to support managers and employees to make networks a success as there is often little face to face contact.
- Strategic Alliances- Strategic alliances on joint ventures between firms on medium to long term goals (Kew and Stredwick, 2019, p.25). Alliances can tie up HR through organising legal and contractual tasks and other issues such as culture clashing and poor communication between the alliances.

HR and Organisational Strategy

Strategy is a plan designed to achieve a specific purpose or a long term aim (Soanes and Hawker, 2006, p.1025). Armstrong (2020, p. 26) states that there are three characteristics of strategy; forward looking, strategic fit and resource capability. Forward looking is self explanatory, basically deciding where the organisation wants to be and how to get there. The strategic fit relates to the development of functional strategy within the context of internal and external factors (Armstrong, 2020, p.270).

HR needs to support the delivery of organisational strategy and business objectives through effectively managing its people and their performance (Taylor and Wilkinson, 2016, p.22). HR strategy needs to be aligned with the strategy of the organisation as a whole. Strategic Human Resource Management (SHRM) combines business and HR strategy to improve organisational strategy so goals can be achieved.

Organisations form strategies in different ways, based on the type of business, markets they operate in, organisational culture, and so on. Therefore HR also needs to clearly understand the organisation's key objectives in order to help formulate organisational strategy.

In order to contribute to the formulation of organisational strategy HR can first ensure their participation at various different levels such as being an adviser or being on the board of directors, as this can ensure HR's

influence and expertise can be taken on board. HR Business Partnering, where HR professionals work closely with line managers and business leaders to build HR systems, processes and policy in order to support business strategy (Swift, 2016, p.5). There are various ways in which HR can contribute to formulating organisational strategy including providing organisational insights, people analytics and also information on external trends (CIPD, 2018, p.3). Providing information on the potential risks and road blocks such as advice on ethics, employment law, and the potential conflict and any potential negative effects on organisational culture can assist in formulating organisational strategy and managing a change ready workforce. HR are often good at keeping up to date with external factors which can affect potential organisational strategy, for example, changes in the labour market, globalisation and the change of the nature of organisational strategy.

HR Strategy

HR strategy takes the approach of managing people in order to support an organisation's long-term goals within the context of an organisation's goals (CIPD, 2020).

HR practice and policies need to support business goals (Farnham, 2015, p.15) in order to make an organisation successful. HR needs to be proactive to enable the organisation to achieve its strategic goals.

There are different approaches to forming HR strategy:

- Best fit- Also known as vertical and horizontal integration, this is whether HR strategy fits with business strategy. HR needs to fit horizontally with business strategy but also be vertically aligned with it.
- Contingency- Contingency or 'outside in' thinking is used to assist in aligning HR and business strategy (Taylor and Wilkinson, 2016, p.61). Porter's model (1985) focused on three core strategies that organisations can adopt in order to be competitive; Cost leadership; Differentiation; and Focus. Depending on which strategy and organisation chooses will affect how HR strategy is formed. Cost leadership is getting value for money, so HR strategy will be about keeping payroll outgoings as low as possible, which can have an adverse effect on recruitment, retention and staff morale if departments are understaffed. Strategies to ensure productivity is maintained through effective performance management may be important. Differentiation is high quality or innovation, it's what makes an organisation different to its competitors. HR can look to implement strategies to recruit people with specialist skills and create talent management and strong learning and development strategies to support a culture of innovation. The final core strategy is Focus, this is the use of either cost leadership or differentiation in a niche market (Taylor and Wilkinson, 2016, p.61).
- Resource based- Seen as 'inside out' thinking to evaluate what you already have. From auditing all existing resources you HR can then build strategy to reinforce and sustain competitive advantage for the future (Taylor and Wilkinson, 2016, p.62). HR can identify individuals who are linchpins in an organisation and are too valuable to lose, and work to protect these important resources.

Conclusion

The HR function and its strategies is heavily influenced by organisational type, purpose and structure. HR Strategy needs to be strongly aligned with business strategy in order for an organisation to grow and survive in modern times. HR strategies need to consider both internal and external factors as failing to consider external factors could mean missing opportunities and failing to identify potential risks, hence damaging the organisation.

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Activity 2: Understand external factors which impact on the organisation's business and their HR function.

I have chosen to undertake an organisation analysis on the company I currently work for, Ecigarette Direct (ECD). ECD is a small to midsize enterprise (SME) private retail company and is owned by one family, based in the UK and has limited liability. Founded in 2008 with the aim to sell quality vaping products, at reasonable prices, the company grew rapidly through its focus on excellent customer support and service. As vaping continues to be misunderstood ECD uses various media to try and correct misconceptions about vaping while providing tutorials and help for people who want to learn more about e-cigarettes (ECD, 2020). In 2013 the company opened its first shop in Neath, South Wales, and now has a network of 20 shops throughout England and Wales as well as it's Head Office and Warehouse in Swansea. ECD has a wholesale sister company Orderly Distribution, which supplies shops and resellers around the world. Like the majority of private sector companies the main business purpose is to generate profits for its owners (Taylor and Wilkinson, 2016, p.44). However the company has a strong culture and mission of wanting to help people successfully quit smoking through vaping.

ECD can be seen as non-hierarchical in structure, this means that it is agile and able to respond swiftly to external changes (Roberts, 2016, p.176) in comparison with hieracial ones. ECD is a matrix organisation, where there are multiple projects ongoing, there is a functional chain of command the downside of this can be that employees can feel confused and under pressure by the shifting priorities, therefore a strong team leader is required (Roberts, 2016, p.177).

As a retail company operating in a competitive and struggling market the business has had to evolve and adapt in order to survive its competitors.

ECD SWOT Analysis

INTERNAL FACTORS	
STRENGTHS	WEAKNESSES
- Well known trusted brand in the industry. - Quality products at reasonable prices. - Excellent customer service. - Competitive on price. - Popular own brand of e liquid. - Embedded company values. - Ranked 4.9/5 stars for Google reviews which ranks us at the top of search engines. - No company debt. - Wide product range. - Good employee benefits. - Freedom of speech of employees, good culture.	- No clear strategic objectives for the company. - Decline of high streets and the drop in footfall for retail stores is affecting sales. - High running costs of retail stores. - Move towards online stores threatens retail stores. - Poor communication between departments. - Different departments competing against each other- Wholesale, Web and retail stores. - Withdrawal of bonus has affected staff morale. - Lack of positive recognition for staff. - Product development takes too long.
EXTERNAL FACTORS	
OPPORTUNITIES	THREATS
- Online sales are growing so continue to invest in our website. - Could look to spend more time promoting positive press and research to support vaping. - Look to build more alliances with public health service to promote smoking cessation. - BREXIT could mean EU laws could be loosened in relation to restrictions on the volume of e liquid and tank products we can sell. - Upcoming ban on menthol cigarettes could help us sell more menthol vaping products. - England to be smoke free by 2013 could help boost sales. - Look to stock a wider range of smoking cessation product other than vapes.	- Negative press is affecting sales. - Potential new TPD legislation could affect how we sell products. - Potential new tax levies to be introduced. - Lots of competitors. - Competitors undercutting us on price. - Shoplifting in retail stores. - International economic instability could affect supply chain. - Clamp down on single-use plastic could affect how our products are packaged. - Risk of lawsuits for faulty products. - Possible closures due to COVID-19 from absence or new government legislation.

ECD PESTLE Analysis

	External factors to consider	Factors affected within my industry	Importance to organisation
POLITICAL	Government policy Political stability Tax Industry regulations Global trade agreements and or restrictions	Tobacco Products Directive (TPD) sets regulations for sales of tobacco-related products	HIGH- ongoing
		Tax discussions ongoing specifically for vaping products (similar to the tax on tobacco)	HIGH
		Trade with Global companies in China- Corona Virus Outbreak had an adverse effect on some stock ability	MEDIUM- ongoing
		BREXIT- uncertainty in UK business markets and investors	MEDIUM- ongoing
ECONOMIC	Exchange rates Globalisation Economic growth / decline Inflation Interest rates Cost of living Labour costs Consumer spending habits	BREXIT- uncertainty in UK markets affects the exchange rates and the cost of buying in goods from suppliers	MEDIUM- ongoing
		National Minimum wage and living wage increase in April 2020	MEDIUM- HIGH
		More customer spending online so investing and driving to developing and improving web systems.	MEDIUM- HIGH
		Growth has slowed in the industry and in retail sector globally.	MEDIUM- HIGH
		Current poor exchange rates as a result of instability due to COVID-19	MEDIUM-HIGH
		Labour cost and processing SSP will become an issue due to COVID-19	MEDIUM-HIGH
SOCIAL	Consumer trends /tastes, Fashions Consumer buying habits Lifestyle factors Career attitudes Work-life balance Population demographics	New product trends, buyers often want the latest models and the newest devices on the market.	MEDIUM-HIGH
		Negative Press in the UK and America on deaths from vaping have negatively impacted sales.	MEDIUM
		Main demographic is people trying to quit smoking.	MEDIUM-HIGH
		Employees demand more flexibility in order to balance work and life. Lots of flexible working requests but not having a big impact currently.	LOW- to be monitored
		COVID-19 less footfall to our shops increased demand online	HIGH- Ongoing

	External factors to consider	Factors affected within my industry	Importance to organisation
TECHNOLOGY	Automation Innovation Disruptive technologies Social networking Upgrades Robotics Artificial Intelligence Security	Recent upgrade to a new and advanced till system in retail stores has increased productivity and made stock levels more accurate.	HIGH
		Customers moving towards the use of social media to contact us.	HIGH
		Positive impact on reviews help promote is in search engines so customers are more likely to trust and shop with us.	MEDIUM
		Less physical crime and more cybercrime. Continually working on web security.	HIGH
LEGAL	Employment law Common law Local labour law Health and safety regulations	Working Time Regulations	MEDIUM
		Employment Law update in April 2020	HIGH
		TPD Regulations on devices and e-liquid	MEDIUM (Manufactured by other suppliers)
		European Regulation (EC) No 272/2008 on classification, labelling and packaging of chemical substances (CLP).	MEDIUM
		Restrictions on advertising e-cigarettes and refill containers by the Department of Health and Social Care.	MEDIUM
ENVIRONMENTAL	Environmental restrictions imposed by in-country governments Sustainable resources CSR (Corporate social responsibility) Ethical sourcing Transportation Procurement Supply chain management	We offer a battery recycling service for customers.	LOW
		Look into our suppliers to see how ethical the companies are.	LOW- more info required

Internal factors

As a company ECD is a strong and trusted brand in the market. We are competitive on price and provide a high level of customer service. ECD has strong company values and promotes open and honest communication for all staff. HR are working with the Learning & Development manager on new learning programmes to maximise and review customer service skills and other training for our staff.

Financially ECD is in a stable condition, there is no debt assigned to the company, unlike some of our competitors that recently aggressively opened hundreds of new stores using large loans. We decided to consolidate in the current times of market instability. High Street footfall is decreasing and the focus continues to move towards online sales, this is something that HR will need to work with retail management to closely monitor, so staffing and costs can be reviewed.

Being a retail company at its heart, we do, like other retailers, experience a high level of staff turnover and sickness absence in retail stores, in comparison our head office function has a very low staff turnover rate. We continue to support line managers with absence management.

Withdrawal of the retail bonus scheme last year has had an adverse effect on staff morale and may have contributed to staff leaving. We continue to look for new ways to boost morale and work closely with line managers to support all staff. HR recently released a new benefits package to staff which has been very positively received.

Although open and honest communication is encouraged we often experience poor communication between the different teams, this is something we in HR are endeavouring to improve and are looking to launch a new system where staff can communicate better using internal, monitored chat rooms.

External factors

There are many external factors which affect the company, as a SME political and economical climate greatly affects how we operate. Inflation has a big impact on ECD, increased costs can lessen profit so there is less money to invest in the business which can hamper growth.

Employment law has a major effect on the company, in HR we continually monitor any upcoming changes in order to plan future projects that may need implementing, for example we have taken steps to ensure we comply with the employment law updates coming into effect in April 2020.

The speed and efficiency of our technology is an important factor, if we fail to adapt with new technologies, leaving our current systems inadequate, the impact on our customers, profit and reputation would become damaged. In HR we especially need to be agile in order to help implement better ways of working.

Negative press from the USA linked deaths to the use of vaping products, this turned out to be unregulated homemade e liquid that contained harmful chemicals when vaped. This has a big affect on our industry with sales down by over 10%. We endeavour to promote the facts and slowly sales are recovering.

With footfall decreasing we have experienced more online sales, more recently with the COVID-19 outbreak, we did have a brief spike in shops where customers were stockpiling. We have struggled to keep shops adequately staffed due to staff being unwell or self isolating. Web sales have grown exponentially, putting a strain on the warehouse staff. We continue to invest in our web team in order to develop and streamline online sales and improve stock reporting. In HR we are looking at bringing in temporary staff to work in our warehouse and retail stores to keep them open. We in HR are also continuing to support our warehouse staff with morale and any concerns they may have.

As COVID-19 is a respiratory infection, people with reduced lung function as a result of smoking are being encouraged to quit. We hope to gain new customers who may switch to vaping at this time.

New TRPR regulations coming into effect in May 2020 will see a ban on all menthol related tobacco products, meaning menthol tobacco smokers may be encouraged to try vaping menthol e liquid instead. We are hoping to see an increase of menthol related sales and new customers. The Smoke Free Campaign, to make England Smoke Free by 2030 could also help boost the industry as more and more people are encouraged to quit smoking.

BREXIT could also mean the UK creates new laws that benefit the industry and currently the EU has restrictions on the volumes of e liquid we can sell.

Report explaining the analysis techniques & tools used in the above points

Introduction

I used the SWOT and PESTLE tools in order to analyse ECD. The PESTLE analysis is a framework which looks at the Political, Economic, Sociological, Technological, Legal and Environmental factors that can have an impact on an organisation externally (CIPD, 2020). The analysis is flexible and so can be adapted to different scenarios in order to aid the organisation and the HR function to work on strategies to ensure the company can develop and make good business decisions.

The SWOT analysis looks at the Strengths, Weaknesses, Opportunities and Threats, It provides a framework for matching an organisation's goals, capacities to the environment in which it operates (CIPD, 2020). It is essentially both a self assessment and a planning tool to discern the key factors in an organisation, or project in order to plan strategy. Unlike the PESTLE analysis the SWOT looks at both external and internal factors. The SWOT analysis is simple to use but it can be too broad and vague (Kew and Stredwick, 2016, p.18) and focuses only on the past/present and is therefore not effective for future planning.

Globalisation

The effect of Globalisation greatly affects most organisations today. Globalisation is where goods and services are traded internationally to integrate national economies across the world (Taylor and Wilkinson, 2016, p.50). ECD sources the majority of its goods internationally, predominantly from China. China's exponential growth in recent decades has opened up a competitive market in our industry. In the past ECD used to manufacture its own eliquid, until it became more cost effective to outsource globally, HR redeployed manufacturing roles by training staff into warehouse roles rather than loose valued staff. UK companies need to become agile and competitive on price or look to form strategic alliances with competitors in order to compete in the global market or risk being left behind.

Legislation

The impact of current and developing legislation has many implications on how businesses operate. As a company ECD is highly regulated and is also subject to multiple compliance legislation, this affects how the company can sell and market certain products, if at all. Employment legislation impacts how HR functions and creates strategy in relation to projects and tasks. Dealing with employment law and other legislations like the Equality Act can be very time consuming for HR professionals. In our organisation HR work is completed to a high standard to ensure fairness and to avoid unnecessary risk to the business. It is also important for HR to work closely with line managers and departments to ensure compliance and to avoid legal consequences.

Labour Market

The labour market is important to consider as labour markets are based on supply and demand, meaning organisations that offer the best pay, terms and development opportunities get the pick of the talent. This is where a strong company brand and ethical, supportive culture is important for HR to promote to attract prospective candidates and avoid losing talent to competitors. As a result of globalisation and restructure in order to adapt, research points to a growing labour market inequality, as new jobs are becoming higher skilled with less opportunities for low skilled workers (Taylor and Wilkinson, 2016, p.57). This can mean that it becomes harder to recruit for vacancies which can hamper growth. HR may need to look at identifying existing talent and prioritising learning and development programmes to upskill existing employees.

Cultural Diversity

Finally cultural diversity, which ties in with globalisation, means that workers migrate to work in different countries so organisations need to accommodate and build multicultural workforces. Talented individuals often

migrate to other countries for better career opportunities and pay, meaning that the UK loses vital and skilled talent. Multicultural teams may be challenging for HR and need to be managed effectively and sensitively in order to be successful (Taylor and Wilkinson, 2016, p.56). HR induction, socialisation and training should be prominent in order to manage expectations and integrate the workforce effectively.

Conclusion

In conclusion all businesses are greatly influenced by many external factors which need to be taken into consideration in order for an organisation to be successful.

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