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Human Resource Management (LCMB7000)

Assessment 1

EXTERNAL AND INTERNAL ENVIRONMENTAL FACTORS AFFECTING HRM WITHIN THE ORGANISATION

LEVEL 7 MBA

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1. Abstract

This paper is going to critically analyse the managerial decisions and strategies of a Swiss company called Nespresso, as well as it will consider the internal and external business environments in relation with the human resource practices. The purpose of this paper is to firstly review the managerial attitude towards current issues in HRM and IHRM within Nespresso UK Ltd and secondly, it will critically analyse the implementation of fair, efficient and effective policies and procedures enabled within the organisation. Additionally, the findings show that external factors such as “Economic conditions”, “Legislation and Regulations”, “Technology Development” and “Equality and Diversity” influence significantly the HRM decisions and operations. Moreover, by conducting a survey, it was found that internal and external factors affect the HRM activities within the business environment. Therefore, these factors are crucial to be considered.

2. Table of Contents

1. <u>Abstract.....</u>	<u>2</u>
2. <u>Table of Contents</u>	<u>2</u>
3. <u>Introduction</u>	<u>3</u>
4. <u>Literature Review.....</u>	<u>3</u>
5. <u>Methodology.....</u>	<u>6</u>
6. <u>Analysis of HRM within Nespresso UK LTD</u>	<u>6</u>
7. <u>Conclusion and Recommendations</u>	<u>9</u>
8. <u>References.....</u>	<u>10</u>
9. <u>Appendices.....</u>	<u>12</u>

3. Introduction

In the current era, due to unpredictable changes in a globalised market, the business environment has become an important factor to consider for every organisation. Every business embeds the Human Resource department besides other important departments like Finance, Logistics, Marketing, etc. Agarwal (2018) states that globalised markets expose businesses to the challenges occurring in the human resource domain. According to the Office for National Statistics (Oguz, 2019), external factors associated with the company's location can also influence the productivity output of the firm, such as different labour markets and the local economy. This report firstly investigates the internal and external environment of Human Resource Management (HRM) and what impacts they have on the labour market and secondly, it considers the impact of these changes on a particular UK operating company; A survey on the perception of HRM practices and changes within Nespresso Selfridges Boutique was conducted in order to find out whether the internal factors affect the company's performance and working ethics. Importantly, note that only few external, respectively internal factors are analysed and further research should be considered. Finally, a general conclusion and recommendations are presented.

4. Literature Review

According to Armstrong (2012), HRM is the approach to the employment and development of people in order to satisfy the company's fulfilment. In other words, HRM deals with important strategic aspects of the organisation, such as recruitment process, training, performance and reward, equality and diversity, implementation of policies and practices in regards to organisation development and performance. There are numerous studies that have analysed the environmental factors in relation to HRM practices. According to Bratton and Gold (2012), the HRM decisions are influenced by different external aspects such as economic factors, national government policies, EU policies and trade unions, technology development, equality and diversity and other factors. Some of these external aspects are analysed to better understand the importance of the company's operation within the external environment.

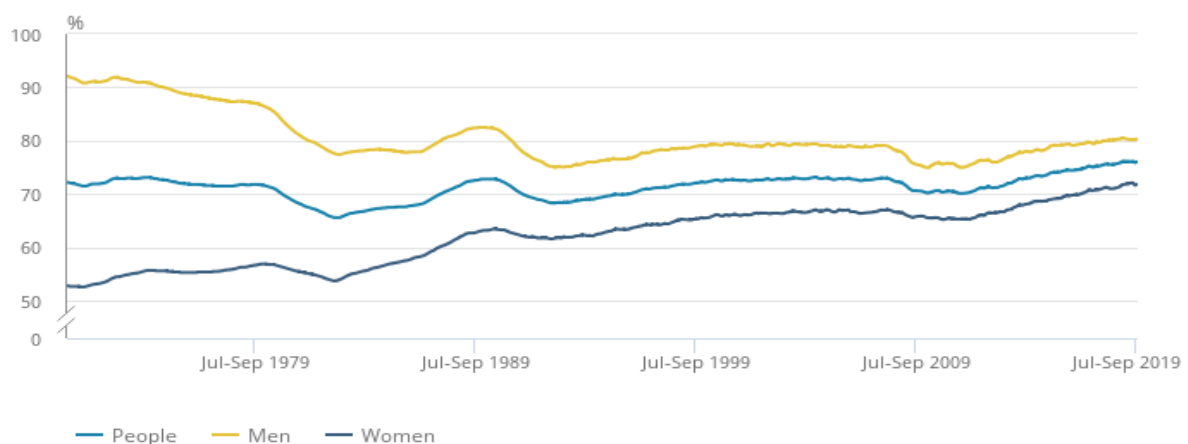
1. Economic conditions

The economic conditions are one of the most important external influences as the economy is dynamic due to globalisation and continuous changes in the business environment (Passaris, 2006). Accordingly, a stable economy within a developed country can sustain other growing

economies and, therefore, the global economy would evolve and stabilise, hence, leading to a lower unemployment rate, increasing revenues and higher wages (DFID). In fact, during the last six years, there has been a decrease in the unemployment rate in the UK. According to the ONS (Leaker, 2019) an estimated 1.31 million people were unemployed from July to September 2019, 72,000 less than a year earlier, and 656,000 less than five years earlier (See Figure 1). Meaning that there is a tight labour market, employers need to figure out how to attract great candidates in this context. According to Pickering (2019), there are many techniques to do so, most of them very popular among big companies, like paying higher wages and investing in people's productivity, however, some employers are not willing to increase wages for an already skilled employee, so they need to figure out whether it is necessary to search more broadly or invest in people's training.

Figure 1: Employment rate for all people increased 0.5 percentage points on the year, to just below the record high employment rate

UK employment rates (aged 16 to 64 years), seasonally adjusted, January to March 1971 to July to September 2019



Source: Office for National Statistics – Labour Force Survey

Likewise, the economy within the country might have a significant effect on the demand of skilled and flexible workers, since the stabilisation of economy increases the competition in the labour market and the demand for qualified personnel. Moreover, a wealthy economy attracts workforce from different countries, and importantly, “migrants are a key part of the UK’s flexible labour market, help meet skills shortages and help UK businesses grow and compete” (CIPD, 2014). Therefore, HR policies and practices would change in contrast to the

growing economy, these may include the recruitment and selection process, equality and diversity.

Conversely, any recession within a developed country may lead to spreading it in other economies around the world. Thus, employment rates and sales may decrease and the workforce would have to suffer. In this case, management would have to implement several initiatives to cut off unnecessary costs or to save on budgets to overcome the crisis.

2. Legislation

The Government regulations are crucial for companies to the extent that they should comply with the law and follow the legislation accordingly. The objective is to understand the effect of external regulation in shaping policies, practices and employment relationship approaches to human resources. Employment rights are a critical factor in the development of human resource policies and contribute to radical changes in the employment practice. For instance, there are many employers in the UK that make use of non-permanent employment contracts, such as “zero hours contract”, and the use of subcontracting. Such approaches enable operational flexibility to deal with potential challenges and uncertainties, even though at the risk of reduced employee commitment. Hence, these practices benefit employers to minimise the cost and increase productivity (Leopold et al, 2005). However, employers should adopt regulations and practices such as providing equal opportunities, fair pay rate and training to their employees. According to CIPD, all employment, working hours, health and safety, pensions and migration are regulated and anti-discrimination legislation on grounds of sex, race and disability has been strengthened in the UK during the last decade. Nevertheless, it was found that other areas where the UK seems to do not so well are the extent of low pay, employment insecurity and unemployment amongst young people. In fact, “many of the indicators suggest that at least a third of all jobs are poor quality (CIPD, 2015, p31)”. Therefore, there is a lack of regulation on working conditions, job security and fair pay rate within the workplace, especially for the young people.

3. Technology development

The technology advancement may result in a more effective and efficient outcome of the organisations and improvement of working conditions. The implementation of a new technology within a business may attract more customers, as well as saving time and increasing sales. Modern technology is based on job descriptions, venue, recruitment, selection and retention of skilled employees through media advertising, broadcasting, face-to-face interviews, and historical background checks based on past performance of individuals and future business needs (Cascio and Montealegre, 2016).

On the other hand, changes in technology may have negative impacts on human resource policies. In this way, it may affect the employment rate negatively, as it can decrease the demand for employees since machines can substitute people's work and be more efficient. These changes could be the social costs of technological developments such as reduction of jobs due to replacement of computers, robots, machines and other modern technology. Additionally, the demand of skilled labour may increase and the cost of highly qualified personnel would rise at the same time (IFR, 2017). Thus, the HRM needs to adapt to the technology changes in the current era and make the right decisions regarding the number of personnel and the demand for tech skills employees within the company.

4. Diversity

Nowadays it is very important to consider the diverse workforce as we live in a multicultural world. Diversity refers to gender, age, race, ethnicity, disability, etc. Every employee carries their background to the organisation they join. Cultural characteristics can therefore be significant factors influencing HRM practice as tendencies to be a hard worker, adaptable, self-oriented or cooperative. Likewise, feelings of belonging and loyalty are essential dimensions or indicators as assuming an organisational environment like a home could improve personal and organisational efficiency. As cultural characteristics are different, firms make use of training and educating foreign workers in order to achieve a unified organisational culture through which motivates members to accomplish the organisation's aims and objectives. Thus, the diverse workforce within a business may contribute to the organisation's success and development (Konrad et al, 2006).

5. Methodology

The data for this paper were obtained by using quantitative research methods. The study that analysed Nespresso's Employees attitude toward HRM decisions within the Selfridges Oxford St Boutique was conducted by online questionnaire (see Appendix 1) that was based on Likert scale methodology. The responses of the questionnaire were gathered through an online survey and the response rate was 100%. A total of 15 questionnaires were distributed and answered by current employees from different backgrounds. The survey was voluntary and anonymous.

6. Analysis of HRM within Nespresso UK LTD

Nespresso is an autonomous globally managed business of the Nestle Group. It operates in 76 countries with corporate headquarters in Lausanne, Switzerland and has over 13,500 employees worldwide, compared to 331 in 2000 (Facts and Figures Nestle-Nespresso).

Nespresso UK Ltd was founded in 1919 and it has its head office in Gatwick, UK. It has Boutiques all over the UK and it deals with the provision of distribution of Nespresso coffee capsules, machines and other related products. The Nespresso Selfridges Boutique consists of 16 employees: One regional Manager that is in charge of 3 Boutiques in Central London (Selfridges, John Lewis, St. Paul's), an Assistant Manager vacancy, three Seniors (Supervisors), one full-time employee and eleven part-timers.

According to the HRM strategic approach, the internal factors contribute hiring process, company's productivity, learning and development, and payroll. An organization's internal environment refers to activities, causes, individuals, processes, structures, and circumstances that are typically under the company's control within the organisation. As such, it is the internal level of the environment that influences the behaviour and attitudes of the organisation, decisions, and employees. Changes in management style, mission or culture of the company could have a significant impact on the organisation (Armstrong, 2012).

As the collected data shows (Appendix 2), the internal decisions play an important role in the Nespresso UK employees' life. However, the results show that the majority of the employees are not fully satisfied with the management decisions and actions.

Regarding the recruitment process, Nespresso UK is using online websites advertising for jobs, Mobile Apps like LinkedIn, recommendations from employees and other procedures. Actually, it sustains the recommendation method by offering a prize of £200 to encourage current employees to recommend someone who would be a good fit for the organisation and if they pass the interview successfully, they would get a £200 bonus. According to the Nespresso management, the suitable candidate should have an interest in offering an exceptional customer service, utilising strong communication and interpersonal skills for selling their products. It seems that this organisation does not require already skilled workers for all positions as it provides weekly training and learning material regarding new coffee, limited edition coffee, new coffee machines and health and safety procedures. However, they do require someone with a strong experience in costumer service and retail, preferably with a luxury background experience. The HR recruitment and selection procedure is slightly flexible as candidates apply online with their CV and Cover Letter and if successful, they are invited for the interview. If they pass the interview stage, they are asked to attend one day of induction and they can start the job immediately in the Boutique that they are allocated. Recently, they require employees to be flexible and work across different boutiques in Central London when needed. This method refers to the Management priorities and the company's needs in concordance with the employee's requirements.

The company has a favourable organisational structure regarding the employee's wage and benefits as it offers a fair wage, more than the minimum London wage, and a lot of generous bonuses like quarterly and annual bonuses, plus, if the employee passes the probation period (3 months), they are allocated a free Nespresso machine and free coffee allowance every month. Moreover, the company offers full-time and part-time contracts, with many employee benefits such as pension scheme, 25 days of annually paid holiday for full-timers and 12.5 days for part-timers respectively. Also, if employees work on Bank Holidays, they are given a Lieu day. There are many incentives that the HRM is using in order to keep the existing employees and attract more people to the organisation, such as generous bonuses, salary increases every year, weekly training, maternity and paternity pay, free monthly coffee allowance, free coffee machine, Christmas hamper and Easter gifts. It also has different incentives to show employees they appreciate their hard work like "Sunday recognition", which is the first Sunday of the month when the company pays for food for the staff, and they organise a meeting where they give different prizes like the "Star of the month" for the employee who had the best number of sales in coffee orders, machines or accessories.

However, there are some cons internally, for instance, the company does not pay double rate on Bank Holidays, sickness pay is only for employees with selected contracts, namely people who were employed before 2018, and there is a lack in promotion and career progression. Moreover, the targets are sometimes unreachable and consequently the employee does not get the bonus.

It is important to consider the economic changes within an organisation. In this case, after the summer 2019, the company has implemented few strategies in order to reduce the costs of the company. They have taken few economic decisions regarding the Managers available positions. Upper HRM decided to cut off the Manager positions in Boutiques in the UK, and instead of having a Manager for each Boutique, they agreed on having one Regional Manager to manage three Boutiques at the same time. This strategy led to savings on costs of salaries, however, it also led to a clutter and staff shortage among the internal organisation of the boutique, as the employees could not take the decisions and responsibilities of a manager when they were working in a different boutique. Due to this change, employees have suffered by having extra duties and more responsibility to handle and they were not supported by the management team. According to the survey results (Appendix 2), there is no work-life balance, no career progression incentives and no support from the management.

Another important factor to consider when referring to company's internal operations is the technology approach and how it affects the working structure inside the organisation. For instance, after Nespresso Selfridges introduced the new self-service machines that scan and

weight the coffee sleeves in seconds, they have improved the service by eliminating the queues and saving the time of customers. This had an impact on people's purchasing behaviour and increasing sales. On the other hand, this change had an impact on the structure of the business in relation to the number of the employees they need, the type of contract they offer and the necessity of skilled employees. Therefore, they offered more part-time contracts rather than full-time, and they employed more students and young people that are more familiar with using the new technology, and those who were flexible.

It is essential to consider the gender gap within an organisation and also the equality and diversity factor that can have an impact on the business. Employees carry their background to the organisation and this might be considered an internal factor. It is important to consider employees' cultural characteristics as propensity to be hard-working, adaptable, flexible or cooperative can influence the HRM practice. Within Nespresso Selfridges there is a diverse workforce with people coming from different backgrounds. This method helps the organisation to better understand the customers' needs and preferences and how to adapt to the customers' demands.

7. Conclusion and recommendations

This paper has analysed some of the external as well as internal factors that are affecting the HRM policies and practices, illustrating with examples from the business of a Swiss company with familiar situations and current challenges. The findings show that Nespresso UK considers these internal and external factors to a high degree on HRM strategies, policies and implementations. Additionally, these findings show the current situation of companies that need to take into account the business internal and external complex environments that may affect their business.

The management should focus on improving communication with the HR recruitment department and address the current demand of skilled employees and importantly, they should sort out the current issue on short-staff. There should be equal treatment between the staff and fair pay. Moreover, they should improve the employees' work-life balance and working environment should be less stressful in regards to management decisions. They should also focus on the constant need of innovation and they should consider better the changes in the business environment, thus, managers should continuously monitor and adapt to the external environment.

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9. Appendices

1. Nespresso's Employees attitude towards HRM decisions within the Selfridges Oxford St Boutique

Questionnaire

Nespresso's Employees attitude towards HRM decisions within the Selfridges Oxford St Boutique

Instructions: The statements below refer to your motivation and experience about working within Nespresso UK LTD. If you strongly agree with the statement circle **SA**; if you agree, circle **A**; if you disagree, circle **D**; if you strongly disagree, circle **SD**.

1. Jobs in the UK are easily accessible.

SA A D SD

2. Nespresso Jobs are advertised on the online platforms and this makes it easy to apply.

SA A D SD

3. Employees who see a clear progression path are more likely to be engaged and committed to their jobs.

SA A D SD

4. I feel valued for the work I do.

SA A D SD

5. I am satisfied with the balance between work and my personal life.

SA A D SD

2. Survey Results

