



The Major Environmental Factors Affecting Organisations

HUMAN RESOURCE MANAGEMENT IN
CONTEXT

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Word Count: 2192

Qualification: CIPD Postgraduate Diploma in HRM

Module Name: Human Resource Management in
Context

Module Code: BMHR7004

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CIPD Membership Number: 5339341X

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Date: 05/04/202

Executive Summary

This report provides a critical analysis of the PESTLE framework, as a method to analyse the external environment and how organisations should consider potential future risks when planning HR and organisational strategy.

The two external micro-factors analysed are Technology and Social. The literature and findings highlight hybrid working, artificial technology, ageing workforce and lifelong learning as some factors impacting organisations at present, and in the future.

The report provides recommendations for Coleg Ceredigion to consider, which include, implementing a policy that supports hybrid working, providing tailored training to maintain a high standard of skills and abilities, and to revise existing employee benefits, to ensure appropriateness and relevance to the current workforce demographic and desires within the college.

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1. Introduction

This report examines the PESTLE tool and the advantages and disadvantages of using this model when analysing the external environment for the purpose of strategic planning.

Using the PESTLE model (CIPD, 2020a) an in-depth analysis of two factors impacting on organisations' and Coleg Ceredigion's corporate and HR strategic direction will be undertaken. Following this, suitable conclusion and recommendations will be devised relating to the future corporate and HR strategies.

Coleg Ceredigion (CC) is a Further Education college with campuses based in Aberystwyth and Cardigan. Since the integration with Coleg Sir Gar (CSG) in 2017, there are now five additional campuses based in the county of Carmarthenshire (Coleg Ceredigion, 2022), and the college continues to adopt a hierarchical approach whereby authority and instructions are distributed down from senior management.

The college currently employs around 850 staff on varying contracts from full time, part-time and hourly paid. CC and CSG's main stakeholders are the students, which is why attracting and retaining the best candidates and employees across all roles is a vision within the HR Strategy (2020).

2. Literature Review

HR professionals continue to practice in complex and changing organisational contexts. To effectively undertake work as an HR professional it is important to consider the external environments, and to therefore implement HR strategies and practices to deal with external forces (Berger and Luckman, 1967).

2.1 PESTLE

A popular model to undertake an in-depth analysis of the external environment is known as PESTLE. The CIPD (2020a) describes PESTLE as a fact-finding activity that can influence organisational strategic decisions. The analysis focuses on 6 key areas within the external environment, Political, Economic, Social, Technological, Legal and Environmental. However, Ethical has recently been added to the acronym known as STEEPLE (Farnham, 2015).

By undertaking a PESTLE analysis regularly, HR professionals can spot trends early as well as detecting long term trends in 'social attitudes, behaviours and in government regulations' (Taylor, and Wilkinson, 2016). The analysis provides contextual information to support organisations with strategic and workforce planning, organisational change and people strategies (CIPD, 2020a).

2.2 Advantages and Disadvantages

As with all models and frameworks, there are many advantages and disadvantages to the PESTLE analysis. Table 1.1 highlights the positives and negatives of using a PESTLE analysis (CIPD, 2020a)

Advantages	Disadvantages
• It is a simple framework to use for analysis • The framework can be applied during periods of change to gain a greater understanding of the external environment e.g. during Covid-19 • PESTLE can enable organisations to anticipate future business opportunities and threats and plan action to take advantage or minimise impact • It supports the process for strategic thinking and planning	• Some individuals using PESTLE can oversimplify the data collected when using to form decisions • PESTLE analyses cannot always keep up with the rapid speed that change can occur. This can negatively impact the future of organisations. • This external analysis must be undertaken regularly in order to be effective.

As well as assisting with strategic planning, there are many advantages outweighing the disadvantages as to why PESTLE is an effective framework to provide an analysis of the external environment (CIPD, 2020a).

For the purpose of this report, two factors have been chosen for analysis on how they are impacting on HR Function and Strategy.

2.3 Technology

The first factor is Technology. Developments in technology have increased in recent years which have impacted on organisations, managers and employees (Farnham, 2015).

2.3.1 Remote Working

At CC, the use of remote working has slowly been increasing due to the requirement of employees, albeit mainly managers, having to increase their presence on all campuses. To support this, the transition from PC's to laptops began, however these were set up to only work on one of the 7 campuses, and not off campus. The lack of preparation to agile working lead to increasing purchasing and distribution of equipment such as laptops, mobile phones and headsets when the national lockdown hit.

This experience supports the statement made by McKinsey (2020a) whereby the rate of which technology is being developed and embedded within organisational processes has expedited as a result of Covid-19.

According to Morgans (2016), technology is one of many trends formulating the world of work, and expands to say that as a result, employees have the freedom to be able to work at any suitable location.

As a result of the national lockdown, 75% of CC's workforce worked remotely, whilst the remaining employees were furloughed. The ONS (2020) reported that 86% of the 46.4% employees that were homeworking were doing so as a result of the pandemic.

Allowing employees, the opportunity to work remotely impacts on recruitment and selection processes. The offering of hybrid working widens the candidate pool and enables applicants to apply worldwide (CIPD, 2018). Microsoft adopted a hybrid working model since the pandemic with the option of 100% remote working (HRD, 2021). They have also produced a guide on hiring across geographies, claiming that 'Talent is everywhere in a hybrid world' (WTI, 2021).

At CC, staff have returned to on site working as there is no hybrid model in place. On occasion staff can work from home, however, this must be agreed with management and is usually only on an ad hoc basis. The lack of flexibility can affect candidate attraction (CIPD, 2018) and has impacted the turnover of staff at the college; internal data collected during exit interviews has highlighted one of the main reason staff have resigned is to commence employment on a hybrid model elsewhere. This supports the findings published in the 2021 Work Trend Index, where it was predicted that 40% of the global workforce are considering leaving employment, and offering hybrid working could attract and retain diverse talent.

2.3.2 Artificial Intelligence

The development of Artificial Intelligence (AI) has resulted in 50% of organisations introducing AI into at least one of their business functions (McKinsey, 2020b). The benefit of introducing AI into organisations is to streamline processes and allow the AI to undertake administrative tasks, allowing individuals to focus on strategic responsibilities.

Taylor (2019) predicts that 30% of jobs will be replaced by AI by 2030. Similarly, Forbes (2018) anticipates that the involvement of AI will increase within Educational settings. AI's role will not replace in class teacher, but instead have responsibility for teaching specific subjects, allowing teachers time to focus on aspects of their role that AI cannot accomplish. The possibility of introducing AI into Educational settings is something to consider, to ensure this is taken into consideration when planning and devising HR Strategies.

2.4 Social

The second factor analysed is social.

2.4.1 Ageing Workforce

The ONS (2018) predict by 2030, there will be 1.4 billion people aged 60 years and over, representing 16.4% of the population. Their studies believe the statistics will continue to grow to 2.1 billion by 2050.

At CC and CSG, one of the largest age profiles is those aged 55 years and over.

Currently, there are over 170 employees within this category and there are individuals working at the college in their late seventies.

It is reported that the main reasons for ageing population is the reduction in death and birth rates, increase in immigrants and longer life expectancies. These contribute to people working within the labour market for longer (Farnham, 2015).

Ageing population leads to economic, public service and social consequences (ONS, 2018), such as pensions, care and wellbeing; organisations are having to make amendments to practices and benefit packages (CIPD, 2021a), in order to accommodate changing demographics (QS, 2020). Whilst considering the implications of an ageing workforce, organisations must be mindful of policies and procedures (ACAS, 2019), focusing on family friendly policies, flexible working, working hours, job design, recruitment and selection and physical and mental wellbeing of staff (CIPD, 2018).

To ensure inclusion, organisations must consider the 5-generation workforce within all aspects of organisational and strategic planning (Forbes, 2019). To assist with this, Age UK (2021) and GOV (2021) have published a guide for employers on how to create an age friendly workplace.

At CC and CSG, although there are family friendly and flexible working policies in place, with a menopause policy in progress, the college operates in a very traditional, 9-5 working way. Therefore, it could be argued that the organisational and HR strategies and policies, need to have greater focus on the workforce demographics.

2.4.2 Lifelong Learning

Creating a culture of lifelong learning is crucial in maintaining a developed workforce that are equipped with the skills and abilities to reach the organisational goal. It is also reported that learning can positively impact mental and physical health, increase wellbeing levels and individual resilience (GOS, 2016). With individuals continuing to work for longer (ONS, 2018), organisations must acknowledge the needs of the workforce and arrange for measures to be in place to meet those needs.

Given that the college is an Educational establishment, there is great focus and encouragement for staff to continue developing and offer various pathways of self-development. An example of support provided is shown with the recent change to becoming a 'Google College'. Staff now use google platforms to undertake work, such as Google Drive, Google Docs and Google Sheets. The transition has been slow, as many employees are having to learn and adapt to using platforms they may have never come across. To assist with this the Teaching and Learning team within the college have arranged for tutorial sessions as well as video demonstrations to

familiarise staff with the platforms. Staff can also enrol onto an internal course whereby they must complete modules and undertake an assessment on their abilities.

Another prominent factor identified from exit interviews is that many of those aged over 60, are leaving CC due to the growing use of technology and digital platforms (Coleg Ceredigion, 2022).

To conclude, the ageing population and workforce, and the considerations that come with this, has highlighted that CC and CSG have areas within their policies and practices that they need to focus on to ensure inclusion and equal opportunity for its workforce. The college has already established a culture for lifelong learning, however, it could be improved by offering more tailored development packages.

3. Conclusion

In conclusion, literature identifies that the PESTLE framework is an effective analysis tool used by organisations to predict how the external environment may impact the organisation. Organisations can use the predicted threats when strategically planning (CIPD, 2020a).

This PESTLE undertaken focused on the technological and social micro-environmental factors and emphasised that remote working, artificial intelligence, ageing workforce and lifelong learning are elements organisations must consider to

compete with their competitors, attract and retain employees and maintain an inclusive workforce.

Contemporary organisations have embraced hybrid working policies (HRD, 2021) in order to attract and reach a wider talent pool, this also support flexible working requirements of employees. As well as adopting new policies, organisations are introducing advanced technology to enhance internal procedures, highlighting the growing presence of Artificial Intelligence (Taylor, 2019).

The social factors have identified ageing workforce and lifelong learning as priority areas for organisations to take into consideration when planning for future HR and organisational strategies.

4. Recommendations

In order for CC to remain competitive within the labour market, the organisation should consider new ways of working or make changes to existing practices, when planning HR and Organisational Strategy. A detailed breakdown of these recommendations can be seen in Appendix 1.

As technology has progressed, for many roles can be undertaken remotely. Enabling employees to work on a hybrid basis, coincides with the increase desire of flexible ways of working. If CC adapts to the needs of the employees and potential future

candidates, this will widen the attraction and candidate pool CIPD, 2018), which is a priority in CC's current (2020) and future HR strategies.

Establishing a new policy and procedure is not necessarily a costly process, however, to create a purposeful policy, time must be dedicated into researching and writing documentation that meets the needs of the people and organisation. Once produced, the HR department will consult with the Unions, and present to the Executive board and Governors. Finalising this policy could take up to 6 months, meaning it could be implemented in readiness for the new academic year, 2022/2023. The policy would need to be clearly published on the staff intranet, and ensure that all management are familiar with the content and scope of the policy.

A second recommendation would be bespoke training to ensure the knowledge, skills and capability of the workforce remain relevant to the needs and progression of the organisation, specifically focusing on the ageing workforce.

In line with the current HR Strategy (2020), CC undertake skill gap analyses, which leads to providing academic staff with regular training. However, considering the data gathered from exit interviews, CC could develop staff development days for the entire workforce which focus solely on the development of internal technology packages, such as the google suite, learner tracking and monitoring system, and the digital timetable and contract system.

As well as IT skills, it is important to raise awareness on matters such as the menopause, dementia, and unconscious bias for managers. Together, these elements will ensure that CC is an inclusive, diverse and fair organisation (ACAS, 2019).

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Appendix

Appendix 1

Action	Provider	Training Type and Location	Participants	Cost	Completed by	Additional
Implement Hybrid working policy	Internal – HR department in collaboration with the Union, Executive Team and the Board of Governors	Publication of policy on the staff intranet. Training to middle management to ensure understanding of the policy.	25 managers, consisting of Faculty Managers and Head of Sections attending from each campus. Training can occur online via Google Meet to reduce travel time and costs.	No financial cost. However, the HR department will need to devote considerable amount of time into the implementation.	1 September 2022	To continuously review the policy to ensure CC stay relevant to the needs of the workforce, and adapt the policy as and when appropriate. The vision of the HR Strategy (2020) is to support and enable people and operations. This vision can be met by adopting contemporary flexible ways of working.
Teaching and Learning team to provide bespoke training to all staff	CC's internal Teaching and Learning Team to provide training on internal systems and packages. External providers to provide in-	On campus or online training	To be conducted in groups either in person or via google meet	For the internal training, these sessions will be free of charge. However, external professionals will charge for their expert training. Unison (2022) can provide 1-hour sessions for free, to social care and	Regular and reoccurring training.	As the cost for the dementia training is costly, in the first instance it would be more practical for line management to receive the training and pass on the knowledge obtained until all staff can attend. This recommendation supports the People Learning and Development vision of the current HR Strategy (2020).

	depth training on the menopause, dementia, inclusivity etc			teachers on menopause awareness. Training 2 Care (2022) can provide dementia awareness training as a mobile virtual experience. The cost for 36 people totals £980.		
Amend benefits to stay relevant and to accommodate changing demographics (2021a)	HR department and Wellbeing team	No training required	N/A	The cost will vary depending on the benefits offered. For example, offering flexible working may not cost CC any money, however, offering healthcare benefits such as employee assistance plans, discounted gym memberships, death in service and eye care vouchers will have variant costs to the college.	As soon as possible to ensure appropriate benefits are available to the college's demographics.	What attracts candidates to an organisation, varies as more generations enter the workplace. It is important that organisations offer benefits that attract all ages and demographics (CIPD, 2021a). This recommendation meets the aim of developing best candidate attraction in the 2020 HR Strategy.

