A GUIDE FOR PEOPLE MANAGERS

Environmental analysis tools

Environmental tools help organisations understand the wider external factors that impact the organisation's strategy. For people management, these tools are crucial in proactively planning, adapting and responding to change (Taylor and Perkins, 2021).

SWOT

Definition: CIPD (2024b) describes SWOT analysis as a strategic planning tool used to identify an organisation's *internal* strengths and weaknesses, as well as its *external* opportunities and threats.

Strengths: Internal characteristics that are beneficial to the organisation, e.g. experienced workforce.
Weaknesses: Internal characteristic that are disadvantageous or need improvement, e.g. staff turnover.
Opportunities: External factors that the organisation can use to its advantage, e.g. new L&D funding.
Threats: External factors that could cause concern for the organisation or affect its progress, e.g. new employment regulations.

Consideration: it is a simple model to apply, it is widely used and provides both an internal and external analysis. However, it may offer a restricted, subjective and non-quantitative analysis (Phadermrod et al., 2019)

Porter's 5

Definition: Porter's Five Forces analysis is a framework for analysing the *competitiveness* (Danao, 2024) *within the sector*. This applies to services, service users/customers and market/funding share, with resulting HR impacts on recruitment and retention; and as presented in HR terms by Anastasiu et al., (2020):

1. Supplier Power: Suppliers of HR services (e.g., training providers, recruitment agencies) can influence costs and quality of HR services. Consider improved supplier capacity and developing in-house capability.
2. Buyer Power: Employees have increasing power to demand better working conditions, benefits, and career opportunities. Consider strong development plans and comprehensive benefits offer.
3. Competitive Rivalry: High levels of competition amongst existing organisations can lead to talent being poached and increased employee turnover. Consider frequent benchmarking and offering attractive remuneration.
4. Threat of Substitution: Alternatives to traditional employment (remote working, globalisation) can attract existing or potential employees away from the organisation. Consider building a strong culture and incentive.
5. Threat of New Entrants: Increased competition for talent as new organisations enter the sector. Consider developing strong employer branding to differentiate from new entrants.

Consideration: it provides a comprehensive competitive analysis of the organisation for strategy setting. It may lead to the oversimplification of complex issues (Danao, 2024).

PESTLE

Definition: PESTLE analysis is a strategic tool used to evaluate and analyse *external factors* that may affect the organisation and its operating environment, by examining six key factors: Political, Economic, Social, Technological, Legal, and Environmental (CIPD, 2024a). The factors implications are described by PESTLEanalysis Team (2019) and Masko, J (2022) as:

Political: Government policies, trade regulations which impact demands and funding for services. Changes in compliance impacts employment law and contracts.
Economic: Market trends, economic cycles, inflation, taxation impacts fundraising, budgets and services, thus impacting on recruitment.
Social: Demographic changes, cultural trends increase services need and diversity, requiring a representative diverse workforce.
Technological: Innovations, technological advances improve efficiency and require an upskilled workforce.
Legal: Legislation, compliance requirements, impacts the organisational governance requiring adherence to H&S and employment laws.
Environmental: Sustainability, ecological impacts the reputation, and the ability to attract talent.

Consideration: It provides a broad overview, however, it requires frequent updates in a changing environment, which is time-consuming to review and update (Pathak, 2020).

PESTLE analysis at ACM

Economic

Economic conditions, such as inflation rates, funding availability, cost of living, and overall economic stability, directly impacts Age Connects Morgannwg's budget and resource allocation (Age Connects Morgannwg Limited, 2024). During economic downturns, securing funding from grants and fundraising initiatives become more challenging, potentially leading to budget cuts or reduced services (CFG, 2023).

Consequently, recruitment is affected as HR must plan to manage staffing levels effectively, possibly through hiring and pay freezes, reduced working hours, or even redundancies to maintain financial stability and adapt to cost of living and reduced revenue (NCVO, 2023). Moreover, competitive wages and benefits (CIPD, 2022) must be balanced against budget constraints to attract and retain skilled employees.

Economic factors also affect the demand for Age Connects Morgannwg's services; in difficult economic times, more older people require support due to financial hardships (Babajanian, 2023), requiring the organisation to adapt its service delivery and staffing structure to meet increased demand.

Legal

Legal factors are crucial for Age Connects Morgannwg, impacting its operational strategy and HR practices. The organisation must comply with various laws and regulations (NCVO, 2023), including employment law, health and safety regulations, data protection (GDPR), and safeguarding vulnerable adults (Care Act 2014). Non-compliance is a reputational risk.

HR policies must be designed to align with legal standards, including fair recruitment practices, employee rights, workplace safety, and anti-discrimination laws. Training programs are essential to keep staff and line managers updated on legal obligations, ensuring compliance and protecting the organisation's reputation. Moreover, changes in legislation, such as Right to work, Minimum Wages, Flexible Working, Carers' leave require HR to promptly adapt policies and procedures to maintain legal compliance and support employee welfare (CIPD, 2023). This will impact its contractual obligations, recruitment offer and compliance, such as safer recruitment requirements and onboarding.

Environmental

Environmental factors remain high on the global risks outlook (WEF, 2024), including global warning; with ACM operating within areas at high risks of flooding (RCT, no date). It acknowledges its eco responsibilities aiming to become a Net Zero Organisation (Age Connects Morgannwg Limited, 2024).

With growing awareness and emphasis on sustainability, the organisation needs to incorporate environmentally sustainable practices in its operations to align with regulations, such as the New Workplace Recycling Law in Wales (WG, no date). This might involve adopting energy-efficient technologies, sustainable procurement, waste reduction practices, and low carbon footprint commute (Lakhera, A. and Sharma, P., 2020).

HR can foster a culture of sustainability among employees through training and awareness and having environmental champions (Stobierski, 2021). Being an ecologically conscious organisation promotes its brand, being attractive to new employees, funders and donors.

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