

CHAPTER 3

Environmental Influences on HRM

Chapter Learning Outcomes

After reading this chapter, you should be able to:

- Identify the sources that HR planners use to keep current with business and HR trends.
- Understand how environmental scanning is practised.
- Discuss the challenges in scanning the environment.
- Delineate the environmental factors, such as the economic climate, the political and regulatory context, and the social and cultural climate, that influence the practice of HRM.
- Describe the role of the stakeholder, and list several examples.

Chapter Summary

HRM strategy is determined primarily by organizational strategy. However, there are environmental factors that shape HRM strategy, so HR managers and planners must continually monitor the environment. Typically, they monitor by reading publications, retaining memberships in professional associations, attending conferences, or using professional scanners. A number of methods, such as trend and impact analyses, scenario planning, and the Delphi technique, are used to identify future trends. The environmental factors that are monitored include economic climate and social norms. Stakeholders such as shareholders, unions, customers, and executives contribute strongly to the formulation and implementation of strategy.

Class Outline

Comments	Activity
<p><i>A. Environmental Scanning Sources and Methods, pp. 56–60</i></p> <p><i>Environmental scanning, p. 56:</i> The systematic monitoring of trends affecting the organization. The goal of environmental scanning is to identify trends in the external environment that might affect the formulation and implementation of both organizational and HR strategies.</p> <ul style="list-style-type: none"> • <i>Scanning, p. 56:</i> An attempt to identify early signals of changes and trends in the environment. This 	<p><i>Discussion Question:</i> Read the chapter-opening vignette “Environmental Scanning at GM” on p. 55 of the textbook.</p> <p>1) Why did GM not identify changes to the external environment?</p> <p><i>Ans.:</i></p> <ul style="list-style-type: none"> • GM did not understand how factors interact; e.g., high demand for fuel can increase the price of gas, causing consumers to want smaller, fuel-efficient cars.

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<p>information is ambiguous, incomplete, and unconnected.</p> <ul style="list-style-type: none"> • <i>Monitoring, p. 56:</i> A systematic approach to following key indicators that may affect the organization, such as legislative changes. • <i>Forecasting, p. 57:</i> After monitoring a trend, an attempt is made to project the possible impact on the organization. • <i>Assessing, p. 57:</i> An attempt to describe the impact of the monitored trend on the organization, and make a judgment of the probability of each of several possible outcomes. <p><i>Sources of Information, pp. 57–59</i></p> <p>HR professionals can rely on many sources of information including</p> <ul style="list-style-type: none"> • Publications • Professional associations • Conferences and seminars • Professional consultants <p>Note: Canadian HR managers can benefit strategically by reading U.S. publications and attending U.S. conferences. Many HR trends are seen in the United States one to two years before they are present in Canada.</p> <p><i>B. Methods of Forecasting, p. 60</i></p> <p><i>Competitive intelligence, p. 60:</i> A formal approach to obtain information about competitors.</p>	<ul style="list-style-type: none"> • GM did not anticipate the increase in retiree benefits. The company needs to keep up to date with industry trends. <p>2) How can HR professionals monitor these trends?</p> <p><i>Ans.:</i> By keeping up with publications; professional associations, conferences, and seminars; and professional consultants.</p> <p><i>If students are interested in exploring further, discuss:</i> How the corporation moved from 50 percent market share in the 1930s to 21 percent in 2008.</p> <p><i>Learning Activity:</i> Ask the students to prepare a comprehensive list of all of the elements that need to be considered in the external environment.</p> <p><i>Ans.:</i></p> <ul style="list-style-type: none"> • Competition • Socio-economic factors • Legal and ethical factors • Political climate • Technological advances • Labour market situation <p><i>Review “HR Planning Notebook 3.2 – Associations of Interest to HR Professionals” on p. 59 to see a list of relevant associations and affiliations.</i></p> <p><i>Have a business librarian</i> visit the class with a range of resources similar to those listed on p. 59 in “HR Planning Today 3.1 – The Experts Predict the Future of HRM.”</p> <p><i>Learning Activity, p. 60:</i> Cite the example of Avon searching the dumpsters of Mary Kay corporate offices. Ask the students to determine how far and by what means</p>

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<p><i>C. Challenges in Environmental Scanning, p. 61</i></p> <p>Environmental scanning needs to consider the potential impact on the organization and its strategy and how HRM should be adapted as a result.</p> <p><i>Isolating the Critical from the Significant, p. 61</i></p> <p>Identifying significant trends:</p> <ol style="list-style-type: none"> 1) Are there ripple effects for both friendships and professional relationships? 2) How profound are the impacts on people's priorities, roles, and expectations? 3) How large is the impact scope (number of people impacted)? 4) Will there be changes over time? <p><i>D. Environmental Factors, pp. 61-72</i></p> <p><i>Economic climate, p. 62:</i> Anything to do with the economy affects HR management, such as unemployment, globalization, and the strength of the Canadian dollar.</p> <p><i>Globalization, pp. 62–63:</i> The growth in the flow of trade and financial capital across the border. It affects sovereignty, prosperity, jobs, wages, and social legislation.</p> <p><i>Political and Legislative Factors, pp. 63–64</i></p> <p><i>Technological factors, pp. 64–65:</i> The process by which inputs from an organization's environment are transformed into outputs. Some new issues include online HR functions, information privacy, identity theft, and e-learning. Every HR function can potentially be managed electronically. There is a trend to increased virtual work.</p>	<p>organizations should go to obtain competitors' information through competitive intelligence. Is there an important ethical line that should not be crossed?</p> <p><i>Learning Activity:</i> Refer to “HR Planning Notebook 3.3 – Scenario-Based HR Planning” on p. 60 and present this to the class as an in-class activity, choosing three distinct business scenarios for one business.</p> <p><i>Learning Activity:</i> Ask students to brainstorm the major challenges involved in environmental scanning for the effects of globalization on the labour market in Canada.</p> <p><i>Ans.:</i> Relevant factors include</p> <ul style="list-style-type: none"> • Unemployment rates • Fuel cost • Strength of Canadian dollar • Public debt and deficit • Interest rates <p><i>Learning Activity:</i> Environment factors can be reviewed by initiating “six stations” in the classroom. A large piece of flip chart paper and markers should be available at each station.</p> <p>Divide the class into groups of six. Have each group go to one of the stations. Without using the text as a reference, give each group ten minutes to identify as many as possible of the factors within the six environmental influences (economic climate, globalization, political and legislative, etc.).</p> <p>Have half of the group rotate to the next station, while the other half of the group remains to clarify to the next group the points that have been made. Continue this rotation. This is a great method to provide a review and get a high level of interaction among the class members.</p>

Comments	Activity
<p><i>Demographic Factors, pp. 65–67</i></p> <p><i>Demographics, pp. 65:</i> The study of population statistics.</p> <p><i>Labour market, pp. 65–66:</i> Most important demographic factor that influences an organization’s strategy.</p> <p><i>Diversity, p. 66</i></p> <ul style="list-style-type: none"> • Disconnect between actions and words. Many organizations acknowledge the importance of diversity but do not work toward it. • Companies must tap into underutilized pools of educated workers • Many organizations find they hire more new employees (50 percent from ethnic groups, but only 17 percent for leadership roles). <p><i>Generational differences, pp. 66–67:</i> Greatest trend is the huge impact of retiring baby boomers on job vacancies and the resulting workplace.</p> <p><i>Social and Cultural Factors, pp. 67-69</i></p> <ul style="list-style-type: none"> • <i>Right to privacy, p. 67</i> • <i>Work–life balance, p. 67:</i> Desire to have better quality of life; related to elder care, child care, flextime, wellness, telecommuting and reduced hours. • <i>Contingent workers, p. 69:</i> Aimed at part-time, seasonal, temporary and contract employees; however, the ratio of contingent to permanent jobs continues to increase as they are viewed as costs rather than assets (human capital). Issues of employee commitment, loyalty, and productivity are apparent. <p><i>Stakeholders, p. 69:</i> Groups of people who have an interest in the projects, policies, or outcomes of an organization’s decisions. They are also known as <i>constituent groups</i>.</p>	<p><i>Review “HR Planning Notebook 3.4 – Impact of Technology on Organizations” on p. 65.</i> This short article highlights the skills gap that will be created with technology and also the impact technology will have on recruitment, selection, communications, and organizational structure.</p> <p><i>Review “HR Planning Today 3.2 – Workforce Strategies for Different Generations” on p. 68</i> to see a current list of new trends in technology, such as virtual personal assistants, smart robots, electronic networking, etc.</p>

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<p>Powerful stakeholders affect strategy formulation, such as</p> <ul style="list-style-type: none"> • Boards of directors and senior executives • Senior management • Supervisors • Employees • Unions <p>Other stakeholders include</p> <ul style="list-style-type: none"> • Customers • Suppliers • Governments • Regulatory agencies • The public • NGOs – non-governmental organizations • Anyone who can influence or be affected by management decision making <p><i>Responding to External Factors, p. 71</i></p> <ol style="list-style-type: none"> 1) The probability of these trends actually occurring. 2) The likely impact of each of these trends on the organization. <p><i>A Proactive Approach</i></p> <p>HR is no longer a passive function. It must take a proactive, strategic role using information from environmental scanning and determining organizational impact and future actions.</p>	<p><i>See "Table 3.1 – Issues Priority Matrix" on p. 71, which is an example of how to determine which important trends might affect an organization.</i></p> <p><i>Review “HR Planning Today 3.3 – The Global Wood Group” on pp. 72–74. This is a good example of how one company has structured its human resources to be able to scan the external environment and identify threats and opportunities.</i></p> <p><i>Learning Activity:</i> Brainstorm with the students to generate potential issues that might plague HRM in the next 10 to 20 years.</p> <p><i>Ans.:</i></p> <ul style="list-style-type: none"> • The trend of greater numbers of workers in the service industry will continue. • Employment in computer design and professional services will be healthy. • Two-thirds of jobs will require a postsecondary education. • Immigration will make up new growth in the labour force. • There will likely be pressure due to a shortage in management and healthcare workers. <p><i>Review “Figure 3.1 – The Environmental Analysis Process” on p. 72 to determine the comprehensiveness of this model.</i></p> <p><i>Web Links, p. 75</i></p> <p><i>Discussion Questions, p. 75</i></p>

Case: Work–Life Family Balance, p. 76

Question: Continue the research started by Magda. Prepare a report summarizing your findings and recommending policies that will help your employees cope with work–family balance issues.

Suggested Ans.:

Refer students to the following websites:

Linda Duxbury and Chris Higgins, *Work–Life Conflict in Canada in the New Millennium*, Ottawa: Carleton University, <http://publications.gc.ca/collections/Collection/H72-21-186-2003E.pdf>.

Public Health Agency of Canada, *Report 3: Exploring the Link between Work–Life Conflict and Demands on Canada’s Health Care System*, <http://publications.gc.ca/collections/Collection/H72-21-192-2004E.pdf>.

Some of the highlights from these reports include the following findings:

- The majority of Canadians struggle to maintain work–life balance and experience work–life conflict.
- Various work environments as well as demographic, social, and economic contributors have made this issue prevalent.
- Work–life conflict affects employers, employees, and families.
- Work–life conflict is a crucial issue for HR professionals because it affects decisions related to programs and policies.
- HR professionals must assist in reducing demands or increasing employee control over work–life interface.
- This challenge will require professionals with the skills and know-how to address it.

Strategies needed to address work–life family balance issues:

Employer strategies:

- 1) Train employees on work–life balance issues.
- 2) Identify ways of reducing employee workloads.
- 3) Identify ways to reduce the amount of job-related travel.
- 4) Tangibly reward and recognize overtime work.
- 5) Develop an etiquette related to the use of office technologies.
- 6) Make alternative work arrangements more widely available.
- 7) Let employees participate in decisions/actions affecting their jobs.
- 8) Give employees the opportunity to say “no” when asked to work overtime.
- 9) Provide paid leave for child care, elder care, and so on.
- 10) Foster an environment where employees don’t have to choose between having a family and career advancement.

Employee strategies:

- 1) Work to achieve individual balance.
- 2) Say “no” to overtime hours if unreasonable.
- 3) Try to limit the amount of work that is taken home.
- 4) Make every effort to separate work time from family time.
- 5) Reduce the amount of time spent in job-related travel.
- 6) Take advantage of flexible work arrangements.

Governmental/political strategies:

- 1) Implement legislation.
- 2) Determine how to best help Canadians with respect to child care and elder care.
- 3) “Lead by example” with respect to flexible work arrangements and supportive policies.
- 4) Increase Canadians’ awareness of social roles and responsibilities, what changes still need to happen, and why.
- 5) Examine how they can reduce the “financial penalties” associated with parenthood.

Union strategies:

- 1) Become advocates of employee work–life balance by undertaking public campaigns to raise awareness of work–life issues.
- 2) Include work–life provisions in negotiations during the collective bargaining process.
- 3) Set up educational campaigns to increase individual workers’ knowledge of work–life balance issues.
- 4) Give employees the tools they need to effectively deal with situations as these arise.

Additional Suggested Exercises***A. Learning Activity: Who should come first: employees, customers, or stakeholders?*****Purpose:**

To understand the role of the stakeholder, and list several examples. Identify several considerations that must be made when managing HR within a multi-constituent organization.

Instructions:

Drawing from your own value system and business philosophy, rank employees, customers, and stakeholders first, second, and third in terms of managerial priority. What is the rationale for your ranking?

Read the two brief quotes below. Based on the opinions of these two respected business leaders, would you change your initial priority ranking? Why? With whom do you agree more, Iacocca or Kelleher? Why?

1) Lee Iacocca, former president of Ford and retired CEO of Chrysler:

Just be sure to take care of your customers. You have to go eyeball to eyeball with them and say, “Do I have a deal for you!” and then stand behind your product or services. Don’t worry about stockholders or employees. If you take care of your customers, everything else will fall into place. (As quoted in L. McCauley and C. Canabou, eds. “Unit of One: The Voice of Experience,” *Fast Company*, May 2001, p. 82.)

2) Herb Kelleher, co-founder and chairman of Southwest Airlines:

In the old days, my mother told me that in business school they’d say, “This is a real conundrum: Who comes first, your employees, your shareholders, or your customers?” My mother taught me that your employees come first. If you treat them well, then they treat the customers well; that means your customers come back and your shareholders are happy. (As quoted in J. Huey, “Outlaw Flyboy CEOs,” *Fortune*, November 13, 2002, p. 246.)

B. Visit the website of one of the Professional Associations identified in “HR Planning Notebook 3.2 – Associations of Interest to HR Professionals” on p. 59.

Describe the mandate of this organization and identify three trends of current interest to the association.

C. Obtain an article from one of the professional publications listed in “HR Planning Notebook 3.1 – Publications of Interest to HR Professionals” on p. 58.

Summarize the key findings in this article and identify how these are relevant to environmental impacts on HRM.

D. Most experts predict labour shortages, resulting in a war for talent. Many companies will be needed for workers under the age of thirty. Various articles have described this cohort in both negative and positive terms. They are criticized for being slackers, being bored quickly, wanting too much quality time with their bosses, impatient with their career progress, and wanting high pay, impressive titles, and fancy offices. On the other hand, many view them as flexible, technically literate, a truly green generation (i.e., concerned with environmental issues), entrepreneurial, loyal to their profession, and concerned with future marketability.

In groups, develop a list of characteristics of this cohort. Then determine how an organization could change to be an “employer of choice” for this group.

URLs and References

Used for Case Study:

Linda Duxbury and Chris Higgins, *Work–Life Conflict in Canada in the New Millennium*, Ottawa: Carleton University, <http://publications.gc.ca/collections/Collection/H72-21-186-2003E.pdf>.

Public Health Agency of Canada, *Report 3: Exploring the Link between Work–Life Family Conflict and Demands on Canada’s Health Care System*, <http://publications.gc.ca/collections/Collection/H72-21-192-2004E.pdf>.