IB Business Management HL

2.1 Introduction to Human Resource Management

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An Introduction to Human Resources

- In common with all resources a businesses **employees** – its human resources need to be managed

- Effective **human resource management** is important as
  - It ensures that the organisation has the **right people** in the **right roles** with the **right support** and with **opportunities to succeed** as well as a **positive work environment**
  - This will lead to **higher productivity**, improved efficiency and a competitive advantage
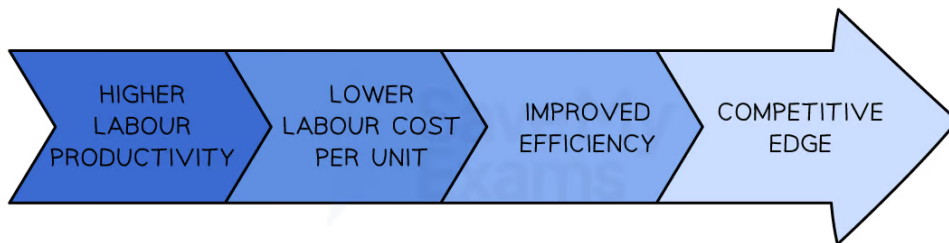
How effective human resource management can provide a competitive advantage

Staff as an asset and a cost

- Staff are an **asset** to a business as they bring knowledge, skills, and expertise to the business
  - Staff can increase productivity, drive innovation and enhance customer service – all of which contribute to the success and profitability of the business
  - Staff can help to **build a positive reputation** for the business through their interactions with customers, suppliers, and other stakeholders

- Staff also generate costs for a business - and for many businesses staffing costs are one of the largest costs they have. These costs include
  - Hiring and training workers
  - Managing workers as managers have to be hired
  - Paying the salaries and wages staff
  - Additional benefits, such as company cars, pensions, healthcare etc
  - Letting workers go often requires (redundancy payments)

Human Resources Planning

- **Human resource planning** focuses on **identifying how many** and **what kind of employees** are needed
  - It looks at how employees will be
    - Recruited and deployed (used)
    - Developed and trained
    - Motivated, managed and led

- Staff costs can make up a large proportion of a businesses costs
  - **Careful planning** and **objective monitoring** of employee performance is a key element of effective **financial** and **operational control**

Human Resources Metrics that are Useful to a Business

Human Resource Metric	Explanation
Labour Productivity	• Labour productivity is a measure of **output per employee** over a specified period of time • Businesses aim to **increase the level** of labour productivity to **improve competitiveness**
Labour Turnover	• Labour turnover measures the **proportion of employees leaving a business** during a **specific time period** • High levels of labour turnover can indicate poor motivation, ineffective recruitment procedures or attractive alternative opportunities for workers
Labour Retention	• Labour retention measures the **proportion of employees remaining with a business** during a **specific time period** • High levels of labour retention can indicate effective motivation and recruitment procedures or few alternative employment opportunities for workers

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Absenteeism	- The absenteeism rate is a measure of the **proportion of staff absent from work** during a **specific period of time** (e.g. a day, week or month) - High levels of absenteeism can cause problems - Sick pay and the hiring of temporary staff to cover for those absent **increases costs** - Output is likely to be temporarily reduced - Other staff may become **demotivated** if they have to cover for absent workers

Internal Factors that Influence Human Resource Planning

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- There are factors **inside and outside of the business** which can impact on the human resources planning process

Factors Within a Business which may Impact Human Resources Planning

| Factor	Explanation
Business Objectives & Strategy	- The bussiness's **goals, objectives, and long-term plans** influence the required workforce skills, competencies and size - E.g. Entering a new market may require changes to be made to the number and type of employees required - UK cafe chain *Prêt à Manger* plans to double the size of its business by **expanding into five new markets** which will require the recruitment of at least 3,000 Team Members and Baristas by the end of 2023
Financial Situation	**Budget constraints** may influence decisions related to hiring, training, pay and benefits - Businesses in financial difficulty may struggle to offer attractive packages **to attract employees** - To raise their salary offer, they may have to **reduce spending on training and development** *Alphabet* plans to make significant savings as a result of slowing sales growth by **reducing its global workforce** by 12,000 and changing how often equipment – such as laptops used by workers – is replaced
Organisational Structure	- The structure of the organisation including its **hierarchy, reporting relationships and departmental divisions** - Changes in the organisational structure may require changes to workforce planning such as redeployment, redundancy or additional recruitment - For example, Consumer goods company *Unilever* announced its intention in January 2022 to **cut 1,500 jobs as part of a restructure** of its global operations

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Labour Relations	• The **relationship between managers and workers**, and whether workers are members of trade unions can have a significant impact upon the workforce planning process • Where **worker organisation is strong**, human resources are more likely to **meet the demands of employees** with regards to pay and conditions ○ In 2022 unionised workers at the *Port of Felixstowe* who had engaged in a series of disruptive strikes were rewarded with a **pay increase of 15.5 per cent** over two years • Where there is little or no worker organisation, human resources are likely to have more flexibility over these changes
Organisational Culture	• The organisational culture may include a strong work life balance resulting in a **higher likelihood that additional workers will be recruited** when the demand is there ○ A recent study by *TalentLMS* of U.S. tech industry employees revealed that 45% of employees who experience a **toxic work environment** plan to quit their job because of it

External Factors that Influence Human Resource Planning

- A range of factors **beyond the control of a business** can also impact the human resources planning process
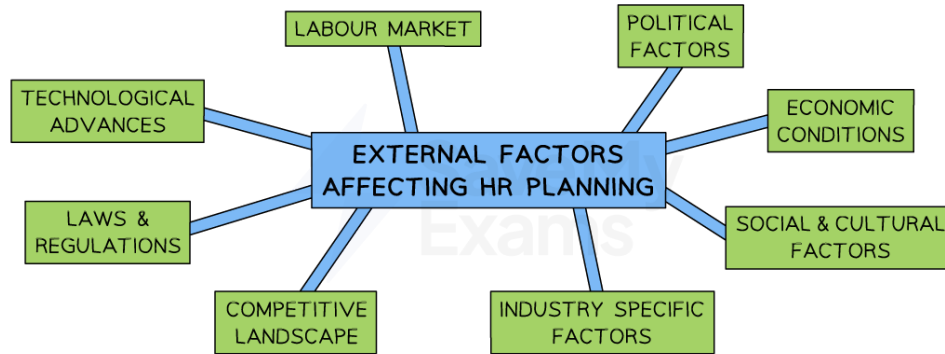
External factors that affect human resources planning

Economic conditions

- The state of the economy, including factors such as **economic growth, inflation, and unemployment** rates
  - During periods of economic growth a business may need to focus on **attracting and retaining staff** to meet increased demand
  - During economic downturns they may need to **implement cost-cutting measures** such as redundancies or hiring freezes

Labour market

- The supply of suitable employees and the impact of factors such as **skills shortages**, labour mobility and immigration

  - Spain recently changed its migration laws to **recruit more foreigners from overseas for industries with labour shortages** and its primary focus for 2023 is to hire carpenters, plumbers, electricians and other workers involved in construction

Technological advancements

- Rapid technological change can disrupt industries and job roles, affecting HR planning
  - Automation, artificial intelligence (AI), and other **emerging technologies can lead to changes** in job requirements, skills needed and workforce composition
  - HR planning must anticipate these shifts and consider re-skilling or up-skilling to meet future workforce needs

Legal and regulatory environment

- Laws and regulations related to employment, labour relations, **health and safety**, immigration
  - In 2021 changes to employment law in Greece provided workers with the **right to flexibility** to the eight-hour working day where employees are allowed to work up to 10 hours on one day and fewer on another or take time off as well as the right to not have to respond to emails after hours

Social and cultural factors

- Social and cultural factors such as societal values and demographic trends
  - Workforce **diversity and inclusion**, flexible work arrangements, work-life balance and employee wellbeing are examples of areas where social and cultural factors are external factors that influence workforce planning
  - French laws recognise the custom for a **long lunch break** and provides for five weeks **paid time off for employees** as well as protecting the a limit of a **35 hour working week** - companies can't force employees to work overtime and if they do they're well-compensated for it

Political factors

- Changes in government policies, political stability and geopolitical factors
  - Shifts in labour laws, changing tax regulations and **immigration policies and cross-border trade agreements** are often political focuses which can impact human resources planning

  - Australia is currently experiencing a **national skills shortage** in a number of occupations and its governments plan to fill this gap with a combination of training local Australians and **recruiting immigrants** - current in-demand skills include construction, civil engineering and nursing

Industry-specific factors

- Different industries may face unique external factors
  - Healthcare organisations need to consider factors such as changing regulations, demographic shifts, and **advancements in medical technology**

Competitive landscape

- The environment in which a business **competes for labour** and the actions and strategies of competitors influence workforce planning
  - HR planning should consider the organisation's position in the market and align recruitment strategies so that the pay and benefits reflect that
  - In the UK businesses recruiting hospitality, health and social care workers and professional services staff and are starting to **seek talent outside traditional sources**

by focusing on candidates' skills and potential rather than qualifications and industry experience to widen the pool of candidates

Recent Trends in Workplace Change

- Both internal and external factors have contributed to a range of developments in the **working arrangements** adopted by businesses around the world
  - **External factors** include the desire amongst workers to achieve a better work-life balance and rapid technological developments
  - **Internal factors** differ from business to business and may include changes in organisational structure, business objectives and attitude to meeting stakeholders' needs
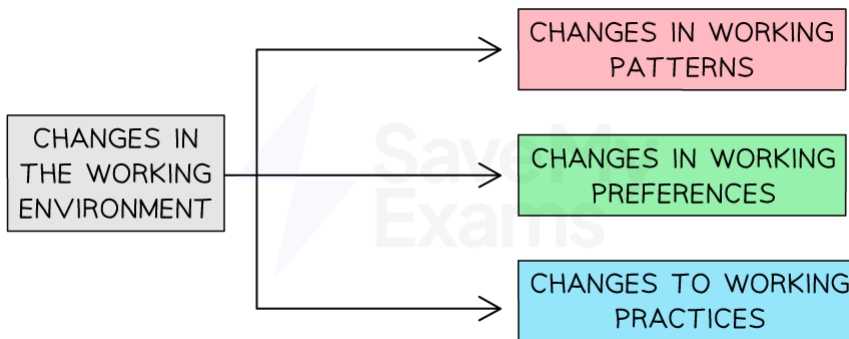
Recent changes in the working environment

Changes in Working Patterns

- For many years, employees were locked into a system of working from the office for the hours of 9–5
- Recently, a number of factors have changed the working patterns of many employees

Reasons for Changes in Working Patterns

| New Trend	Explanation
Remote, Hybrid and Flexible Working	- During the Covid pandemic many organisations moved to **remote** work setups to ensure business continuity and the safety of employees - Employees **worked from home** and many continue to do so **Flexible** work arrangements including flextime and **compressed workweeks** (completing hours in 4 days instead of 5) have also become more common - Employees have greater control over their schedules - Many companies have adopted **hybrid** work models - Employees work remotely for a portion of the week and **come into the office for team meetings** or collaborative projects
Gig Economy and Freelancing	- More individuals are opting for **freelance or contract work** **Digital platforms** have made it easier for people to find freelance opportunities and connect with clients - Workers have **flexibility and autonomy** in choosing projects and working hours
Emphasis on Work–Life Balance	- Employees are seeking more flexible work arrangements to better **integrate their personal and professional lives** - Employers have implemented policies that support work-life balance, such as wellness initiatives, **family-friendly policies** and mental health resources

Changes in occupations	• Rapid technological change has meant that some jobs have experienced **significant reductions in demand** ○ Examples include telephone operators, data and word processing roles and travel agents ○ There is an **increasing demand** for software programmers and digital marketers

Changes in Working Preferences

- Workers are increasingly moving away from the traditional pattern of a **full time, continuous career** with the same employer

- There are numerous ways in which employees are making changes to their working patterns
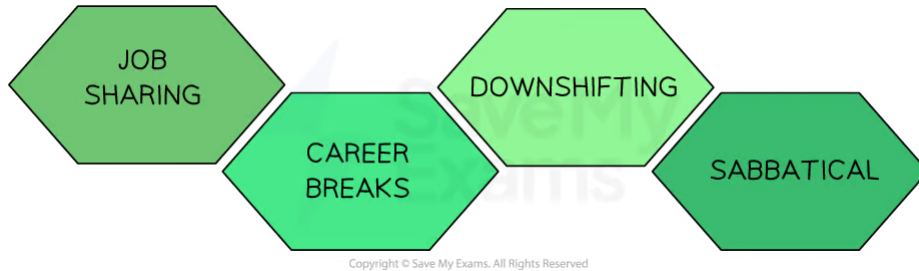
Examples of changes to working patterns

- **Job sharing** involves t**wo or more employees work at different times** to complete the tasks required for one job
  - Work is typically shared on a weekly basis, with job sharers communicating regularly to ensure tasks are not missed
  - This **provides employees with flexibility** whilst the employer benefits from the task being completed

- Employees may take a **career break** where they decide to stop working for a period of time before returning to work in the same career
  - **New parents** often take career breaks until children are old enough to commence formal education
  - A **sabbatical** is a formalised career break, frequently used by employees to study or engage in other developmental activity such as travel

- **Downshifting** involves a senior employee **relinquishing their position** to move to a lower-paid position with fewer responsibilities
  - Downshifting may occur when individuals change career or as workers approach retirement

Changes to Working Practices

- The nature of work routines has changes significantly in recent years
  - Full-time roles with permanent contracts are in decline
  - A range of alternative work routines are growing in popularity
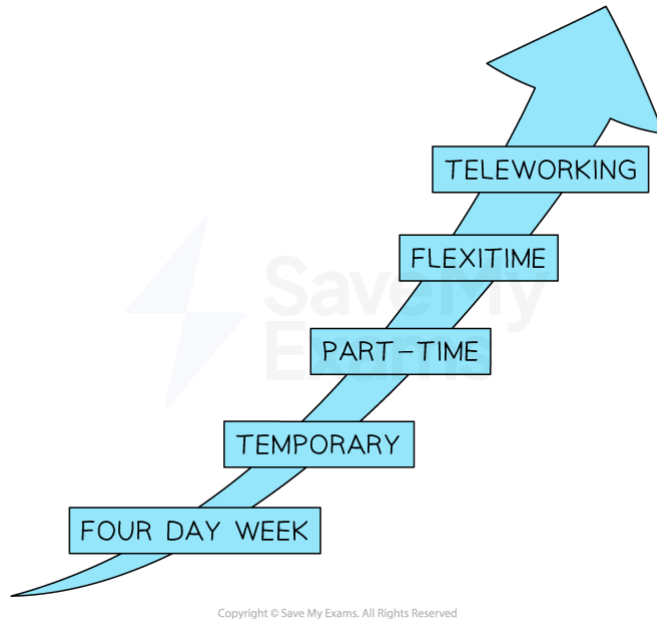
Examples of alternative working routines

- **Teleworking** involves working at home or from any other location **away from the traditional workplace**
  - Advances in communications technologies have allowed workers to work anywhere with a reliable **internet connection**
  - Worker may attend a workplace from time to time for meetings or other essential purposes

- **Flexitime** allows employees to work a specific amount of hours of work **at times of their own choosing**
  - Workers can fit work tasks around their other responsibilities such as childcare

- **Part-time** work is where employers work for fewer hours than those expected in a full time role

- Employees on **temporary contracts** work for a business for a specific period of time, often through an employment agency

- There are increased calls for businesses to offer the opportunity for employees to **fulfil hours of work over four days of the week, rather than five**

- Between 2015 and 2019 Iceland ran a large 4-day workweek pilots with close to 2,500 people participating
- The trial was considered an overwhelming success among researchers, with employees reporting improved well-being, work-life balance and productivity

Reasons for Resistance to Change in the Workplace

- Businesses operate in a **continuously changing business environment**
  - Changing **internal** factors such as business **growth**, new business **ownership** or internal **restructuring**
  - Changing **external** factors such as changes to the **market** or **technological** advancements

- Resistance to change is a common phenomenon in the workplace
  - This is especially true when employees have **little say** in the **design** and **implementation** of the change
  - The existing **organisational culture** can also play a significant role in resistance to change, e.g. if the business culture is deeply rooted in tradition, resistance to change is more likely whereas an **innovative and flexible culture** may mean that employees are more receptive to change

Factors that contribute to employee resistance
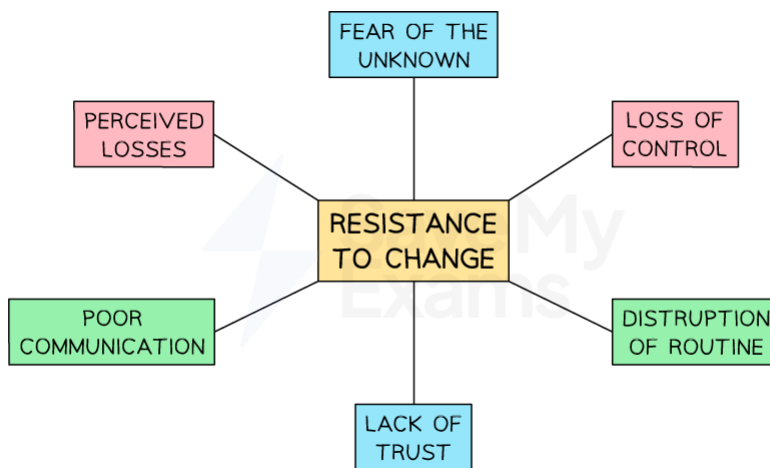
Factors that contribute to employees' resistance to change

Fear of the unknown

- Many individuals find **comfort in familiarity** and could be worried about how the change will affect their roles, responsibilities, and job security
- New technologies, systems or processes often require employees to learn unfamiliar new skills

- Employees may fear that **existing knowledge and skills will become obsolete**, making them less valuable or potentially **leading to job loss**

Loss of control

- Change often involves a **shift in power dynamics** and decision-making processes
- Employees who are accustomed to a certain level of autonomy and control may **feel threatened by the change**
- They may be concerned about how the change will **impact their decision-making authority** or influence within the business

Disruption of routine

- Employees may be comfortable with their current ways of working and are **hesitant to adapt** to new methods
- They may perceive the change as an inconvenience or an added burden that disrupts their working life

Lack of trust

- If employees **doubt the intentions** behind the change or have past experiences of broken promises or inconsistent communication they may be sceptical about the benefits of the proposed change

Lack of communication and inclusion

- When employees feel **excluded or uninformed** about the **reasons for the change,** its implications or how it will be implemented they are more likely to resist it

Perceived losses

- Even if the change brings overall benefits, employees may **focus on what they feel they have lost** such as reduced autonomy, changed job responsibilities or altered relationships with colleagues

The Pace of Change

- It's important to find a **pace for change** that is appropriate for the situation and which takes into account the needs and concerns of employees

    - If the pace of change is **too fast**
        - It can create resistance from overwhelmed workers who feel unprepared and that they don't have enough time to adjust
        - It may **not be properly thought through** or planned, resulting in poor execution
        - It may be difficult to communicate effectively leading to misunderstandings and confusion amongst the workforce

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- If the pace of change is **too slow** it can result in
  - A lack of adaptability and innovation
  - A loss of momentum leading to delays or even the abandonment of the change
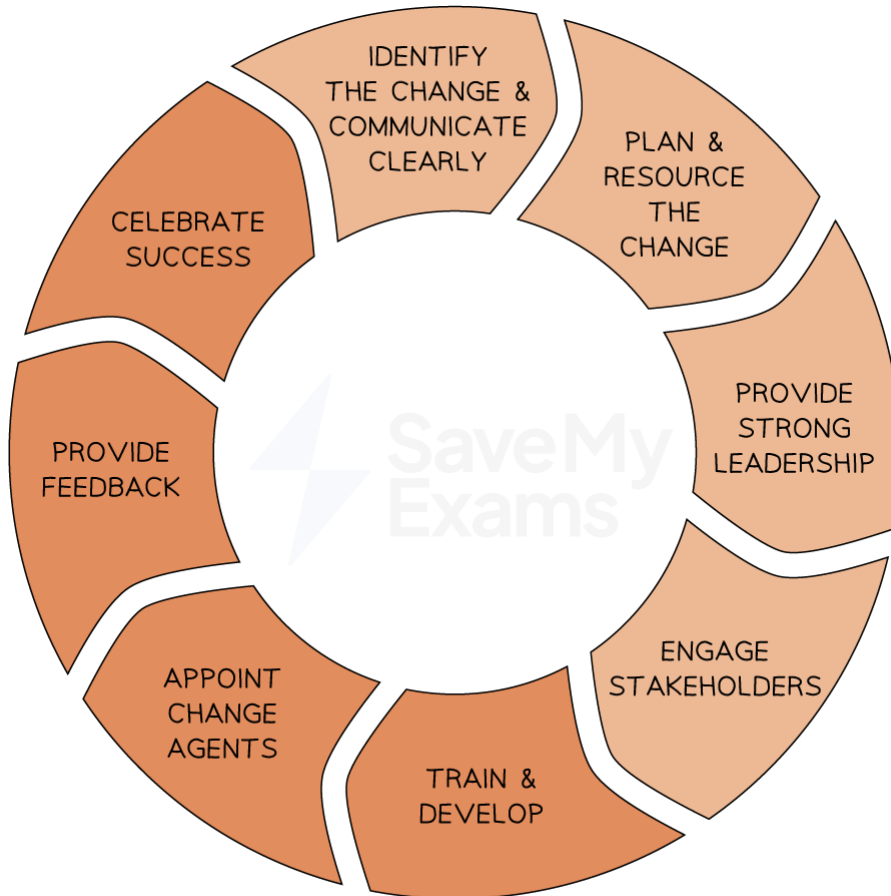 - Communication efforts becoming stagnant leading to **disinterest and disengagement**

Change Management Strategies

- **Change management strategies** refer to the approaches and methods adopted to successfully **navigate and implement change** in a business

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Steps in a change management process

- There are many different types of strategies (e.g. Kotter's Change Management)
  - These strategies all have several steps in common and if a business follows these steps, then it should help to **reduce resistance to change** and **improve the quality of the transition**

Common Steps in a Change Management Process

Steps in Sequence	Explanation

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1. Identify the change & communicate clearly	- Clearly communicate the **vision and reasons** behind the change, its **benefits** and the **expected outcomes** - Regularly update employees at all levels to keep them informed and address any concerns or questions they may have - Provide **support throughout the change process**, recognising that change can be stressful for employees
2. Plan & resource the change	- Ensure that adequate **resources are identified and available** in order to implement the change - A lack of resources is an indicator that the change has not been properly planned which may undermine employees' faith in the proposed change
3. Provide strong leadership	- Leaders should demonstrate their commitment to the change and provide a clear vision that inspires employees to embrace the change - Leaders should also **lead by example** and be visible throughout the process
4. Engage stakeholders	- Identify key stakeholders who will be affected by the change and **involve them early** in the process - Seek their input, address their concerns, and actively engage them in decision-making - This helps build support and ownership for the change.
5. Train & develop	- Provide adequate training and development programs to equip employees with the **skills and knowledge needed to adapt** to the change - This could include workshops, seminars, online courses, or coaching sessions - The goal is to ensure **employees feel confident** and competent in their new roles

6. Appoint change agents	• Appoint change agents or champions within the organisation who can help **drive and facilitate** the change process
	• These individuals should be enthusiastic, influential, and capable of supporting and **encouraging others during the transition**
7. Provide feedback	• Gather **feedback** throughout the change process by regularly assessing progress, identifying any barriers or resistance and making adjustments if needed
	• Collecting and acting on feedback from employees demonstrates that their opinions are valued and helps to **reduce resistance to change**
8. Celebrate success	• Recognise and **celebrate milestones and achievements** along the way
	○ For example, acknowledge individuals and teams for their contributions and share success stories to inspire others
	○ This **boosts morale**, motivates employees, and reinforces the positive aspects of the change

- **Large-scale changes can be overwhelming** so it's often beneficial to break them down into smaller, manageable phases

- This allows employees to **adapt gradually** and build momentum as they experience early successes and can help generate support for further change