

Chapter Highlights

Introduction, External Environment and HRM, Technological Environment, Social and Cultural Environment, The Political and Legal Environment, Internal Environment and HRM, Environmental Changes and the Future of HRM, Questions to Answer, Indicate True or False.

HR manager has to evaluate the impact of environment upon the human side of management

3.01 Introduction

All managers, whether they operate in a business, a charitable organization, a university, or a government agency, must in varying degrees, take into account the elements and forces of their environment both external and internal. HR manager, like any other manager, has to continuously evaluate the impact and implication of these elements upon the enterprise concerned, but his emphasis is upon the human side of management.

3.02 External Environment and HRM

Since the human resource managers may be able to do little or nothing to change external environmental forces, they have no alternative but to adjust with external environmental forces. They must identify, evaluate, and react to the forces outside the enterprise that may affect its operations.

Human resource managers (like other managers) operate in a pluralistic society, in which many organized groups represent various interests. Each group has an impact upon other groups, but no one group exerts an inordinate amount of power. Many groups exert some power over HRM. They may have divergent goals. It is the task of the HR manager to intergrate their aims.

The external environmental factors that have profound impact upon HRM may be discussed under the following heads :

□ Economic Environmental Elements

Economic environment is of great concern to HRM everywhere. The components of such environment are :

Ensuring proper utilization of resources involves the proper use of capital

(a) Capital : Almost every kind of organization needs capital—machinery, buildings, office equipments, inventories of goods, tools of all kinds, and of course cash. The enterprise which can meet the requirements of such capital, i.e, material objects, can perhaps expect to use HR efficiently. Conversely, it is the job of HR manager to ensure right man at the right place for proper utilization of material resources, being used as capital.

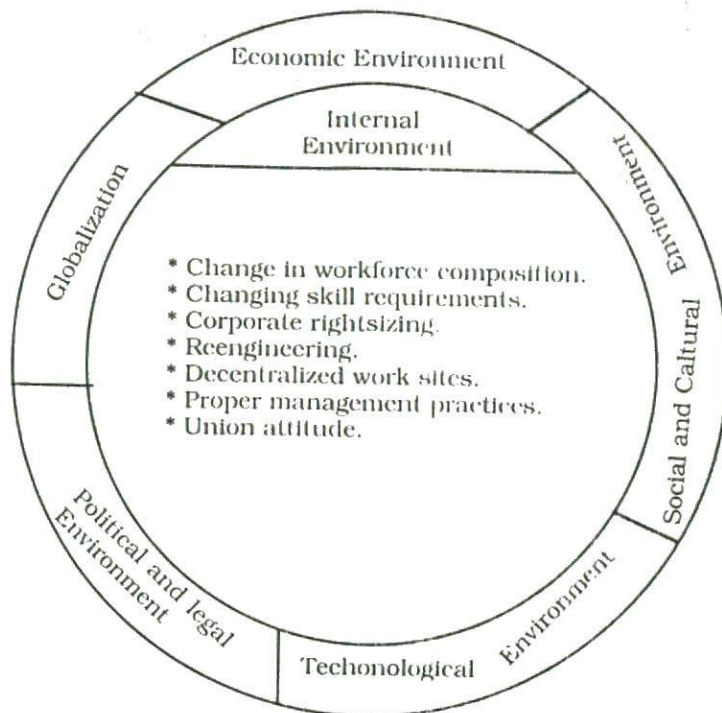


Figure : 3.1 Showing Environmental Elements of HRM.

(b) Labour : Availability of quality labour at reasonable remuneration is of great concern for any organization. This is difficult to be ensured in a society characterised by (i) plentiful supply of untrained labour on one hand and (ii) scarcity of trained labour on the other.

Availability of quality labour at reasonable remuneration is essential.

(c) Price level : The input side of an enterprise is clearly affected by price-level changes. Inflation, for example, may have highly disturbing effects. If however, prices of products are high the HR manager may also keep level of operations high. Price level influences on every kind of organization through its effects on the costs of labour and materials. If costs are too high HR manager may be required to keep level of operations low. On the output side, however, the enterprise is benefitted because of higher prices of products sold.

The input side of an enterprise is clearly affected by price-level changes.

(d) Fiscal and Tax Policy of Government : Although these are, strictly speaking, aspects of the political environment, their impact upon all enterprises, specially in HRM, is tremendous. Government control of the availability of credit through fiscal policy has considerable impact on employment generation. Similar, taxes also affect industrialization and recruitment of new employees.

Fiscal policy has considerable impact on employment generation.

(e) Customers : Customers are 'kings'. They have to be kept satisfied. But in order to satisfy and capture customers, very capable salesmen are required to convince them. Executives and salesmen should be selected, trained, motivated and maintained.

Technological changes have had a profound effect upon the working population.

□ **Technological Environmental Elements**

Technological changes have a profound effect upon the working population. Work was once performed by people manually with the aid of simple tools. Now thousands of workers have been brought into modern factories, offices and distributing units. Operations are increasingly being carried on by complex, integrated, power-driven, automatic, and electronically-controlled equipment.

As might be expected, such technological changes have left their impact upon employees. Where once there were large number of artisans, the working population is now made up largely of mechanics, technologists and service employees. Where once there were opportunities for personal expression, the average job, in and itself, is now often repetitive and restrictive.

As technology advances, the highest skills of people are increasingly required.

Of course, the technological revolution has provided some offsetting gains. For one, there are increased goods and services. And such trends as automation, electronic data processing, and computerization create new and improved job opportunities. Hence, as technology advances, the highest skills of people are increasingly required. The trends are in the direction of a challenging, not a dismal, prospect for the employment of human energies. It is estimated that in advanced societies, the demand for professional and technical workers will be up by about 50%, for clerical workers about 40%, for service workers about 25% and for industrial workers about 10%

HR manager has to cope up with diverse technological changes

Categories of Technological Changes : In a general way, we know that the impact of technology has been wide and pervasive, so much so that we refer to some developments in this area as "revolutions," such as the industrial revolution of the eighteenth century or the computer revolution of the later half of the twentieth century. But we do not always anticipate the precise developments in These areas that make up these revolutions. To better comprehend the wide scope of technological changes, consider the following categories as examples:

- a. *Enhanced ability to master time and distance for the movement of freight and passengers:* railroads, automobiles, trucks and airplanes.
- b. *Improved ability to generate, store, transport, and distribute energy:* electricity, nuclear power, the laser.
- c. *Increased ability to design new materials and change the properties of others so that they better serve needs:* steel alloys, synthetic fiber, elastics, and new drugs.
- d. *Mechanization or automation of certain mental processes:* computer, which greatly expands our ability to store, manipulate, select and supply data.

e. *Extension of the human ability to sense things:* radar, microscope, night-vision instruments.

f. *Increased understanding of diseases and their treatment:* treatment of cancer and heart diseases, inoculation for polio, kidney transplantation, antibiotic treatment of infections.

These and many other technological changes have caused far reaching effects upon the nature of HRM in industries everywhere.

□ Social and Cultural Environmental Elements

The social and cultural environment is made up of the attitudes, desires, expectations, beliefs, degrees of intelligence and education and customs of people in a given group or society.

HR managers of various enterprises have been criticized for not being responsive to the social attitudes, beliefs, and values of particular individuals, groups, or societies. But attitudes and values for example, differ among workers and employees, rich and poor people, college students and alumni, accountants and engineers, Chittagonians and Noakhalians. This variety makes it difficult for managers to design an environment conducive to performance and satisfaction. It is even more difficult to respond to these forces when they are outside the enterprise. Yet managers have no choice but to take them into account in their decision making.

HR managers are to be responsive to the societal needs and cultural values of the people

Over the centuries of global social development, a number of social beliefs have evolved that are of significance to the HR manager. Among the most important of these are the following:

- a. The belief that no culture is good or bad, simply different.
- b. The belief that there are opportunities for people who are willing and able to work to take advantage of them.
- c. A faith in business and a respect for business owners and leaders.
- d. A belief in competition and competitiveness in all aspects of life, particularly in business.
- e. A respect for the individual, regardless of race, religion, or creed.
- f. A respect for authority arising from ownership of property, expert knowledge, and elected or appointed political position.
- g. A faith in logical processes, science, and technology.
- h. A belief in the importance of change and experimentation to find better way of doing things.
- i. A belief in , and respect for, education.

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It is true that these and other major beliefs have tended to erode as the country has become more populous and as social problems have forced more government involvement in everyon's life. It is also true, as usually happens in all cultures, that when people's standard of living improves, their expectations for a better life tend to increase even faster.

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□ The Political and Legal Environmental Factors

The political and legal environment of managers is closely intertwined with the social environment. Laws are ordinarily passed as the result of social pressures and problems. But what is bothersome is that once passed, laws often stay on the books after the socially perceived need for them has disappeared.

Government plays the pivotal role in maintaining political environment

(a) The Political Environment : The political environment is being shaped by the attitudes and actions of political and government leaders and legislators. Government plays the pivotal role in maintaining political environment, although the political leaders outside government and also the legislators play their role in it.

Government, at the same time, promotes and constrains business

Government affects virtually every enterprise and every aspect of life. With respect to business, it acts in two main roles: it promotes and constrains business. For example, it promotes business by stimulating economic expansion and development, by subsidizing selected industries, by giving tax advantages in certain situations, by supporting research and development, and even by protecting some businesses through special tariffs. Finally, government is also the biggest customer, purchasing goods and services.

Every manager is encircled by a web of laws, regulations, and court decisions

(b) The Legal Environment : Every manager is encircled by a web of laws, regulations, and court decisions— not only on the national level but also on the local levels. Some are designed to protect workers, consumers, and communities. Others are designed to make contracts enforceable and to protect property rights. Many are designed to regulate the behavior of managers and their subordinates in business and other enterprises. There is relatively little that a manager can do in any organization that is not in some way concerned with, and often specifically controlled by, a law or regulation.

Managers are expected to know the legal restrictions and requirements applicable to their actions.

Many of our laws and regulations are necessary, even though many become obsolete. But they do present a complex environment for all managers. Managers are expected to know the legal restrictions and requirements applicable to their actions. Thus, it is understandable that managers in all kinds of organizations, especially in business and government, usually have a legal expert close at hand as they make their decisions.

Proper knowledge about labour laws, which are complicated by nature, is essential on the part of HR managers.

Proper knowledge about labour laws, which are complicated by nature, is essential on the part of HR managers. In Bangladesh there are nearly 40 (forty) pieces of labour laws about which they have to have enough knowledge so that no complicity arises out of their improper application. HR managers should also be conversant about state policies in relation to any preferential treatment towards the employment of certain sections of the population.

□ Globalization

Globalization is creating a situation where human resource management must begin to search for mobile and skilled employees capable of successfully performing their job duties anywhere on earth.

3.03 Internal Environment and HRM

Internal factors are controllable. Their impact upon HRM can be discussed as under.

a. Change in work force composition : The work force composition has changed considerably over the past few decades and the most significant simplification of this change to HRM are changing HRM practices to accommodate diverse work groups, dealing with conflict among employees, and providing family-friendly benefits.

b. Changing skill requirements : These necessitate HRM to provide extensive training. This training can be in the form of remedial help for those who have skill deficiencies, to specialized training dealing with technology changes.

c. Corporate rightsizing : Earlier called down-sizing but meaning that the size of the work force be kept equal to organizational requirement—neither more nor less in number. This is a phenomenon that has swept through corporations in an effort toward making the organizations more efficient. In many cases, this has meant eliminating layers of management by increasing the span of control.

d. Re-engineering : This refers to the radical change in the use of technologies. HRM is instrumental in re-engineering by preparing employees to deal with the change and training them in new techniques.

e. Decentralized work-sites : Organizations use decentralised work sites because telecommunicating arrangements enable organizations to find and use qualified employees without having to relocate business facilities. Decentralised work sites also provide cash savings to the organization, as well as fulfilling some special needs of a diversified work force. For HRM decentralised work sites will require training for managers in managing and controlling work, and establishing pay systems to reflect this work arrangement.

f. Proper management practices : This can be best understood as giving each worker more control over his or her job. To do this requires delegation, participative management, employee training etc. If handled properly, involving employees should assist in developing more productive employees who are more loyal and committed to the organization.

g. Union attitude : Unions are representatives of employees. In advanced industrial societies unions work as partners in a joint endeavour to improve efficiency and effectiveness of management. In our industries also unions are to be given proper recognition so that they can form proper attitude towards work and environment.

3.04 Environmental Changes and the Future of HRM

Future is uncertain in many respects but several possibilities in relation to HRM are worth mentioning.

* In the first place it is almost certain that employees will exert more influence on decisions which affect their interests.

* In the second place, it is also evident that the government will take an increasing role in labour-management affairs.

* In the third place, technological changes can be expected to be more striking in their impact upon personnel relations. Technological changes are expected to involve changes in jobs, employees, occupations, industry, and geographic area, as well as movements in and out of the labour force itself.

* In the fourth place, it is certain that new insights and broader attitudes are needed if employees and management are to work together more harmoniously and effectively.

3.05 Conclusion

A human resource manager has to encounter a good under of environmental forces both internal and external, in performing his job efficiently and effectively. The external environmental forces are uncontrollable and the manager, in order to be successful, has only to adjust with them. The manager has to understand the nature and peculiarities of each such factor and act accordingly but he has to be capable of exercising his influence upon the internal environmental forces which are, by and large, controllable. A successful human resource manager is thus like a parent who knows how to control the children at home so that when they grow up as adults are quite fit to meet the challenges of life.

QUESTIONS TO ANSWER

1. What is meant by environment of HRM? Discuss the influence of economic and technological environmental factors on HRM.
2. It is often said that the internal environmental factors do have profound impact upon HRM—Discuss those factors with reference to Bangladesh.
3. Discuss the influence of the following upon HRM :
 - a. Legal environment.
 - b. Technological environment.
 - c. Proper management practices.
 - d. Union attitude.
- Indicate True or false :**
 - a. HR manager has control over political environment.
 - b. HR manager does not require evaluation of environmental influences.
 - c. Product prices do have inverse relationship to level of HR operations.
 - d. Automobiles have helped to master time and distance.
 - e. Changes in social beliefs are significant to HR managers.
 - f. Government may also constrain business.
 - g. HR managers are expected to have knowledge about labour laws.
 - h. Union attitude is to be understood by HR manager.