Break it Down – Business Issues and the Contexts of Human Resources

by Jon Robinson AssocCIPD

BREAK. IT. DOWN.

Unofficial Guide to Completing CIPD Award in Business Issues and the Contexts of Human Resources – 5CHR

Photo by David Clode on Unsplash
Introduction to Business Issues and the Contexts of Human Resources

HR is a significant support function to an organisation. However, it is important that you as an HR professional understand ‘what’ you are supporting. Businesses differ considerably, and this module will help you identify and understand the different types of businesses, sectors and industries out there. You will also learn how HR takes that important role of supporting the business and helps to evolve by being driven by business needs.

The Learning Outcomes for this module are:

1. Understand the key contemporary business issues and main external factors affecting different organisations and the impact on HR.
2. Understand how organisational and HR strategies and practices are shaped and developed.
3. Know how to identify and respond to changes in the business environment.

Evidence to be produced/required

A written paper of approximately 3,000 – 3,300 words in total. This word count is dependent on your learning provider, plus you may also have a buffer of 10% extra words. It is important to relate to academic concepts, theories and professional practice.

All reference sources should be acknowledged correctly (Harvard) and a reference list and bibliography provided where appropriate.

Important Note

The CIPD operates what is known as an ‘Assessment Bank’, which includes a number of different versions of the same assessment. This guide is written using assessment briefs for ICS, which is also used by a number of other learning providers. It is important to know that whilst the questions may be different, the Assessment Criteria will always be the same.

Disclaimer

All guides in my ‘Break it Down’ series are intended to be advice and guidance only; you will not pass the course solely by reading the guides. You will be required to complete a number of hours’ independent study and write up each assignment according to your learning provider’s guidelines.

I am not an employee of CIPD or any learning provider. I am a former level 5 student who has completed the Diploma in Human Resources Management in 2017
**Break it Down – Business Issues and the Contexts of Human Resources**

***Questions 1, 2 & 3: The same, but different.***

Without a shadow of a doubt, the most queries I receive about this module relate to Questions 1 & 3 (also known as ‘Points 1& 3’ in some Assignment Briefs). The questions aren’t worded the best, and there are some key similarities and differences.

It is imperative that you are aware of ‘Point’ 2, as this is a question that effectively ‘links’ 1 & 3.

<table>
<thead>
<tr>
<th><strong>Question 1 (2.1):</strong> This relates to the forces that affect the HR industry as a whole. You can refer to specific organisations, as long as these can be linked to industry issues. It is very wide-ranging and there is lots to talk about. You will have a lot to put into your answer, so keep it specific.</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="HR Industry" /></td>
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<tr>
<td><strong>Question 2 (2.2):</strong> This question looks at the tools you can use to analyse the internal and external factors that affect both the HR industry as a whole, and individual organisations.</td>
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<td><img src="image2" alt="Tools" /></td>
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<tr>
<td><strong>Question 3 (1.1):</strong> You now need to use the tools from Question 2 to narrow down everything you’ve talked about in Question 1 and make it more specific and related to one company in Question 3.</td>
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<td><img src="image3" alt="Amazon" /></td>
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Learning Outcome
Understand how organisational and HR strategies and practices are shaped and developed.

What the Assessment Activity says:
An analysis of some of the key forces which shape the HR agenda e.g. models of the HR function, HR strategies, insights and solutions to support business performance, business ethics and accountability.

What the Assessment Criteria says:
2.1 Analyse the forces shaping the HR agenda.

Break it Down:

I think that this is probably the most difficult question in the entire Level 5 Diploma, yet the Assessment Criteria is probably the simplest. Regardless of what the question is, your qualification gets assessed and verified on meeting the Assessment Criteria. Simple as that.

In order to pass this part, you simply need to write an analysis of WHAT is affecting the HR industry in general these days, probably a page or so, and include any theories or strategies from your module materials that show you are also aware of the academic side of this AC. There’s a lot to fit in, so choose your responses wisely. You really need to do some reading for this question. I’d personally read all of chapter 3 of your Studying Human Resources ‘Lizard’ book.

The forces that you will write about should affect the following:
1. The industry as a whole
2. Individual organisation(s)

Consider the following when writing about factors (I’ve written in more detail below):

- Government policy
- Economy as a whole boom/bust/growth
- General market conditions
- Globalisation

Give some specific examples. Keep referring back to the industry or an organisation and give examples to make your arguments clear. Remember you are leading a discussion as per your assignment brief.

The question asks you to look at models. Think about Ulrich’s model of HRM, the ‘best practice model’ and the ‘best fit model’. Write about how these models have been formulated given the forces and factors that are at play.
Break it Down – Business Issues and the Contexts of Human Resources
So, what is affecting HR?

Firstly, the type of business helps shape the HR agenda. Large private sector businesses have helped pioneer changes to strategic management style in the past decade. This is particularly apparent in the knowledge (Tech) economy, and I think you will see further automation of roles and the use of Artificial Intelligence, which will make a big impact on entry-level roles. The role of HR Administrator will be gone at some point, and HR will be all about strategy, such as the HR Business Partner model. In large organisations there is a big focus on standardisation and structure, with performance appraisals, policies and procedures, and a large focus on training and development. Compare that with a small tech start-up or a small family business, and the rules and procedures are more relaxed and informal, with a larger focus on family-friendly policies and a looser grasp on discipline and grievance procedures. You will also discover that whilst HR certainly holds some clout at senior level, they are not always represented on the board of big companies and even less are managing directors. These are more likely to be people from an accounting background.

In the public sector, however, HR managers will hold considerable power. This could be due to accountability, as public sector roles may have a greater deal of compliance and accountability towards politicians, media and the general public. Austerity, which seems to never end, has meant that HR has been involved at a strategic level when reorganising entire departments, particularly in local authorities, the police and justice sectors.

Now let’s look at Forces and Factors. There are three specific forces that you can talk about here in order to secure a pass. You should write about at least TWO of these; all three if you can get the word count. First up is GLOBALISATION. The UK has changed a lot in the past few decades. Once a manufacturing powerhouse, the cost of labour and regulation has meant that traditional factories no longer exist here and much of this type of work is contracted out to places such as China. This opening up of the markets and trading has also meant more competition in the marketplace, with some local businesses either diversifying or going out of business altogether. The UK also has a big focus on high-tech services, automated manufacturing and the service industry of hospitality, retail and leisure as opposed to mining, shipbuilding and textiles. Walk into Primark, Next or any high street clothes store. You’ll be hard-pressed to find something that is British made. That being said, Brexit is affecting hiring decisions. Businesses are also relocating. Entry-level service sector jobs (catering, hospitality, social care) are becoming harder to fill as some EU citizens are leaving the UK.

TECHNOLOGY – Let’s face it, the role of ‘HR administrator’ is likely only a decade away from disappearing as automation of tasks improves. The role of HR Advisor is also looking like it could be taken over by chatbots (if they improve in quality). So that’s the not-so-very positive outlook for HR, what about industry in general? As we become more aware of social issues, how do they affect businesses? Is HR more strategy aware now? Consumers can now bypass relatively ‘old’ trading sites such
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as eBay and choose to buy direct from Alibaba or Wish. This wouldn’t be possible 10 years ago. So, technology can drive competition in markets, potentially putting people in your market out of work. All is not lost though. There is now a big push on Research and Development departments to push for smarter and leaner ways to operate.

GOVERNMENT policy is the final force to look at. Government strategy has, on the whole, been to look at globalisation (although recently President Trump’s policies have been more protectionist). Whilst industries were previously heavily regulated, and public owned, now the levels of regulation and ownership are more specific. This has a big impact on taxation, however, which benefits the Government. But does the Government’s taxes on green energy hinder growth? Are taxation policies aimed at large companies fair? Ireland has had a traditionally low tax threshold, hence why so many tech and medicine companies are based there and not in the UK. Is this fair, or does it bring highly-paid and skilled jobs to Ireland? Has the abolishment of employment tribunal fees helped employees but hindered businesses, or were businesses ‘getting away with bad practice’ when fees were still in place? It would be fair to say that National Living Wage is pushing up the cost of living and forcing businesses to look at leaner management techniques. Businesses are attempting to merge (think Asda/Sainsbury’s) in order to save costs. So, whilst the news of a rise in wages sounds good, the reality is that businesses just start charging more in order to recoup those costs.

As previously mentioned, the global recession also meant that banks and businesses suffered a great downturn, leading to large scale reorganisation. In many businesses, the senior managers and directors, which would include the HR Business Partner, would have to review the strategic direction of a business in order to respond to the opportunities for growth and expansion that will come as the political and economic cycles revolve.
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Essay Plan

Important Points

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<td>1</td>
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Key Texts and Readings

- Studying Human Resource Management (Lizard Book) - 3.1 HRM in the different sectors
- Human Resource Management (Beardwell et al)

Structure

Other
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## Points to Discuss

### Strategies & Models of HR Function
- The best practice model
- The best fit model
- The HR business partner model
- Ulrich’s model of HRM

### Notes
- (Others): The change agent role
- The service delivery role
- The matching model of HRM
- The Harvard model of HRM
- The contextual model of HRM
- The 5-P model of HRM
- The European model of HRM
- The hard and soft models of HRM

### Theories
- Social exchange theory
- Stakeholder theory
- Motivation theory

### Notes

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### What is affecting HR?

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### How can HR support the business?

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Learning Outcome
Understand how organisational and HR strategies and practices are shaped and developed.

What the Assessment Activity says:
2.2 Compare different tools for analysing the business environment e.g. SWOT, PESTLE, Porter’s 5 Forces etc.

What the Assessment Criteria says:
2.2 Compare different tools for analysing the business environment.

Break it Down:

The question offers you very clear guidance here. They want you to COMPARE different tools. Compare means that you will need to write about at least two tools. When comparing, you might wish to discuss about why you would use one tool over another. There are three really good tools that you can discuss here. Porter’s Five Forces is a HR industry approach. PESTLE and SWOT are generic tools. Most students will compare PESTLE and SWOT.

PESTLE is an acronym that stands for Political, Economic, Sociological, Technological, Legal and Environmental and is used to analyse the current external global environment in which organisations now operate in. It can be used for evaluating market growth or decline, and as such the position, potential and direction for a business.

A SWOT analysis is a straightforward but universally used tool that helps in understanding the strengths, weaknesses, opportunities and threats involved in business activity. It starts by defining the objective of the project or business activity and identifies the internal and external factors that are important to achieving that objective. Strengths and Weaknesses are usually internal to the organisation, while Opportunities and Threats are usually external. Often these are plotted on a straightforward 2x2 matrix.

Break each tool down and describe each letter. You really don’t need to link these to any businesses, as your word count might not allow it, so in the first instance just focus on an explanation of each letter. Example:

Social: (demographics, population shifts, ethical issues, diversity, immigration, attitudes to work, organisation culture)

Threats: Elements in the environment that could cause problems to the business.

As straightforward as that.
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Essay Plan
Important Points

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Key Texts and Readings

<table>
<thead>
<tr>
<th>Structure</th>
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<tbody>
<tr>
<td>Study Human Resource Management (Lizard Book) - 3.1 HRM in the different sectors</td>
</tr>
<tr>
<td>3.2 Developments in the external environment</td>
</tr>
<tr>
<td>3.3 Forming organisational and HR strategies</td>
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<tr>
<td>3.3.1 Contingency Thinking</td>
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<tr>
<td>Other</td>
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</tbody>
</table>
**Points to Discuss**

- Describe PESTLE
- Describe SWOT
- Describe Porters Five Forces
- Compare Two
**Learning Outcome**

Understand the key contemporary business issues and main external factors affecting different organisations and the impact on HR.

**What the Assessment Activity says:**
Assess a range of different factors which impact on an organisation’s business and its HR function. You should include examples of external and internal factors to illustrate the different types of impact.

**What the Assessment Criteria says:**
1.1 Assess a range of different factors which impact on an organisation’s business and its HR function.

**Break it Down:**

Remember that question 3 is similar to question 1. Question 1 is very broad based as it looks at the whole industry, whereas this question is drilling down further to a specific organisation, so what is the specific impact on a business and what is the specific impact on HR? Therefore question 1 is very wide-ranging, question 3 is more specific and to achieve this you utilise the tools in question 2.

The best way to answer this question is by using elements of a PESTLE and a SWOT. Look at the wording: AN ORGANISATION. The Assessment Criteria covers issues such as technological, political, social etc. It just makes sense that PESTLE and SWOT are the best tools to help you answer this. It is also good to use a large business that features in the media quite a bit, as you will need to reference this. You may have a lot of knowledge about your current or a previous employer, but how can you refer to it if it is a small private company? Ensure you can back up your arguments. Here’s an example, using Apple:

- **Political factors** – Apple regularly sets up offices in countries like Ireland that have traditionally low corporate tax, therefore improving their bottom line. This means that Apple only pays minimal tax outside of the US. Although not illegal, it certainly raises ethical issues, and if Apple were to be forced by governments to pay higher taxes, this would mean that HR would be involved in staff restructuring, with potential job losses and the possibility of relocating teams of highly trained staff to different countries to benefit the business.

- **Legal factors** – With constantly changing employment and health & safety law, and a potential major change in employment and business laws post EU Referendum, the HR professional would constantly have to be aware of how these laws impact on the business. HR professionals in the UK and Ireland would have to be checking the CIPD Employment Law updates along with changes in statutory policy and guidance.
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You may find yourself repeating what you have mentioned in question 1, however try and steer clear of this and be more specific to an organisation. For your organisation, look at some (or all) of the following:

- Globalisation
- Use of technology
- UK economy and future
- Government policy (including Brexit)
- Changing society (both age and beliefs)
- Internal factors like budgetary constraints, financial health, downsizing/upsizing, the role of stakeholders (Mike Ashley’s attempts to take over Debenhams for example)

Ensure that you make it clear which factors are internal and which are external.
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Essay Plan
Important Points

<table>
<thead>
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<th>Question</th>
<th>3</th>
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Assessment Criteria 1.1

<table>
<thead>
<tr>
<th>Key Texts and Readings</th>
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</thead>
<tbody>
<tr>
<td>Studying Human Resource Management (Lizard Book): 4.2 The HR Contribution</td>
</tr>
<tr>
<td>2.6.3 The HR Role in Promoting Key Philosophies</td>
</tr>
<tr>
<td>3.2.2 Competitive Intensity And HRM</td>
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<tr>
<td>Human Resource Management (Beardwell et al)</td>
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<tr>
<td>CIPD (Website) - Change management</td>
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<tr>
<td>Other</td>
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</tbody>
</table>

Structure
## Break it Down – Business Issues and the Contexts of Human Resources
### Points to Discuss

<table>
<thead>
<tr>
<th>External Factors that Affect HR</th>
<th>Internal Factors that Affect HR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PEST Analysis</strong>&lt;br&gt;Political, including Government policy, taxation, employment law, political stability (Brexit)&lt;br&gt;Economic - economy and market conditions, growth &amp; decline, import and export</td>
<td><strong>SWOT</strong>&lt;br&gt;Strengths&lt;br&gt;Weaknesses&lt;br&gt;Opportunities&lt;br&gt;Threats&lt;br&gt;Stakeholders in the business&lt;br&gt;Financial Performance&lt;br&gt;Strategy &amp; Policy&lt;br&gt;Employee Relations</td>
</tr>
<tr>
<td>Social – Population changes, career attitudes</td>
<td><strong>Other notes</strong></td>
</tr>
</tbody>
</table>
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Learning Outcome
Understand how organisational and HR strategies and practices are shaped and developed.

What the Assessment Activity says:
2.3, 2.4 Summarise the key stages in strategy formulation and implementation with reference to a model from the literature. You should also refer to the role of HR in each of the stages and in particular, highlight HR’s contribution to business ethics and accountability.

What the Assessment Criteria says:
2.3 Explain the key stages in strategy formulation and implementation and the role of HR.
2.4 Examine HR’s contribution to business ethics and accountability.

Break it Down:

Sometimes I write up a question with two ACs as continuous prose, however for this one I felt that there was so much to discuss individually I separated them and wrote 2.3 as a block, and 2.4 as a block. How you write it is up to you and your typical presentation style.

This question always throws up queries on the Level 5 forum, therefore to help you it really needs to be broken down into manageable chunks. The phrases ‘key stages’ and ‘strategy formulation’ are important to the first part (2.3).

First of all, research HR strategies. Your Taylor and Woodhams book (Section 3.3) highlights that strategy is split into three general approaches:
1. Rational / classical
2. Emergent / logical incrementalism
3. Symbolic / radical.
These all feature in Whittington’s (1993) generic perspective on strategy. Look it up. It may also be worthwhile researching how each of the three general approaches to strategy came about. James Quinn and Henry Mintzberg feature here. All of these features in your Taylor and Woodhams book.

You need to summarise the key stages in strategy formulation, and the example you use should cover the stages of strategy, from setting your goals to evaluation and review.

For 2.4, you need to include the role of HR in promoting business ethics and accountability. Business ethics and accountability affects the whole organisation, however at the heart of managing it professionally and legally is HR. There can be a considerable difference between what society expects from a business, and what the business sees as its own strategic outcomes. An example would be Sports Direct, an incredibly successful business. Society wants Sports Direct to hire and train lots of well-paid staff on permanent contracts and not zero hours, however the business...
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wants to make maximum profits and have high productivity, therefore the two are incompatible with each other.

You should reference the CIPD code of ethics in your answer. You should also look at some of the areas that HR operate in and see how HR can influence ethical behaviour. Example areas/departments include Recruitment, Restructuring, Pay and Reward.
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Essay Plan
Important Points

<table>
<thead>
<tr>
<th>Question</th>
<th>4</th>
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</table>

Key Texts and Readings

Studying Human Resource Management (Lizard Book)
3.3 Forming Organisational and HR Strategies


Structure

Other
## Break it Down – Business Issues and the Contexts of Human Resources

### Points to Discuss

<table>
<thead>
<tr>
<th>Key Stages in strategy formulation</th>
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<tbody>
<tr>
<td>1. Setting the organisational objectives (Clarify your vision)</td>
</tr>
<tr>
<td>2. Gather and analyse information</td>
</tr>
<tr>
<td>3. Setting measurable targets (Formulate your strategy)</td>
</tr>
<tr>
<td>4. Implement your strategy</td>
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<tr>
<td>5. Analysis of performance, Evaluate the strategy and implement control methods</td>
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</table>

### Notes

**Models of strategy from your notes**

(This/they should mirror the key stages in strategy formulation)
(This/They should also give examples of how HR contributes to each stage)

<table>
<thead>
<tr>
<th>How does HR:</th>
<th>How does HR:</th>
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<tr>
<td>Promote business ethics</td>
<td>Promote business accountability</td>
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Learning Outcome
3 Know how to identify and respond to changes in the business environment.

What the Assessment Activity says:
3.1 Give some examples of how business performance can be evaluated, making reference to traditional and modern indicators. You should make particular reference to the role of HR in business planning and change management with some examples to illustrate HR’s key role.

What the Assessment Criteria says:
3.1 Evaluate business performance and the role of HR in business planning and the change management agenda.

Break it Down:

Finding the ideal concept for managing and measuring business performance is a complicated issue and many people in business academia, consulting and business management have led many discussions on it. One of the simplest ways of discussing it is to look at ‘traditional’ indicators of measuring performance which are based on the key objective of the business – profit, and ‘modern’ indicators which are based on value management.

3.1 asks for you to make reference to ‘traditional’ and ‘modern’ indicators. What are they, and why do they exist? Surely if the traditional indicators were great, then there would be no need for modern ones (isn’t broke, don’t fix)? Your module materials should cover this, however in summary, ‘traditional’ covers areas like profit and loss, and ‘modern’ covers the ‘value’ that HRM offers. Covering this should be the first part of your answer.

You should then give some examples of the types of metrics/indicators available. A great metric available is the Balanced Scorecard. It actually covers both traditional and modern, and some further study will explain how. There are plenty of individual examples out there too.

You then need to finish with a good solid 1-2 paragraphs on what HR contributes to the strategy of the business. This is where you ‘brag’ about how great & agile HR is!

How does HR contribute to planning? (Observing trends and acting on them) And the change agenda? (Adjusting staffing levels based on need/profitability) How does HR model and communicate the changes? How does it engage with others in the business? How does it provide support? (Re-skilling, training) Answer these questions and you have a good final paragraph(s).
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### Essay Plan

#### Important Points

<table>
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### Key Texts and Readings

- Kaplan, R, & Norton, D 2007, 'Using the Balanced Scorecard as a Strategic Management System'
- Wilsey, D. (2016) What is the balanced scorecard?

### Structure

Other
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#### Points to Discuss

<table>
<thead>
<tr>
<th>How can business performance be evaluated?</th>
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<tr>
<td><strong>Traditional Indicators</strong></td>
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<table>
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<tr>
<th>HR Metrics that can be used</th>
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<table>
<thead>
<tr>
<th>How does HR contribute to change management?</th>
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<tr>
<td>How does HR contribute to business planning?</td>
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</table>
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Learning Outcome
3 Know how to identify and respond to changes in the business environment.

What the Assessment Activity says:
3.2 Explain how different sources of business and contextual data can be assessed and utilised for planning purposes e.g. internal information within the organisation including HR metrics, industry information e.g. trends in HR, competitive information, government information.

What the Assessment Criteria says:
3.2 Assess and utilise different sources of business and contextual data for planning purposes.

Break it Down:

Business data is very important to the strategic planning of an organisation. Within the workplace, various types of data are utilised to monitor workplace and employee efficiency and also its direction. Internally, data that is collected are for things such as sickness and absence. These figures are collected in what is called a 'balance scorecard' that is broken down quarterly.

Begin with a paragraph discussing why various pieces of data are important to any business, whether commercial or government agencies. Talk about how data is used in HRM for planning and strategy.

Break it down into Internal information and External information. This will help you understand the AC a bit better. Internal information looks at HR Metrics. These include productivity, costs, recruitment, Bradford factor/absence data (People Data) etc. External information includes HR trends (new product development web interaction, sustainability), what are competitors are up to, government information/statistics, business plans for shareholders (Business Data). The ONS offer a great amount of data, should you need to refer to it.

You should then summarise all of the above into a paragraph on how you would use all of this information for planning if you were the strategic HR manager for your/fictional organisation.

Candidates should give an analysis of different examples of sources of business and contextual data e.g. internal information within the organisation including HR metrics such as HR costs, responsiveness, issue management, recruitment, productivity etc and also industry information e.g. trends in HR, competitive information, government information. They should explain how these data can be used for planning.
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**Essay Plan**

**Important Points**

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**Key Texts and Readings**

**Studying Human Resource Management (Lizard Book)**

- 2.4.1 Common Methods and Metrics

- 3.3 Forming Organisational and Hr Strategies


**Structure**

Other

**Points to Discuss**
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<table>
<thead>
<tr>
<th>Internal Information</th>
<th>Industry Information</th>
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<tbody>
<tr>
<td>• HR Metrics</td>
<td>• Trends in HR</td>
</tr>
<tr>
<td>• HR Costs</td>
<td>• Competitor Information (business)</td>
</tr>
<tr>
<td>• Issue Management</td>
<td>• Competitor Information (industry)</td>
</tr>
<tr>
<td>• Recruitment Metrics</td>
<td>• Government information</td>
</tr>
<tr>
<td>• Productivity Metrics</td>
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</tbody>
</table>

How can the above information and data be used for planning?