

IB / A-Level Business Studies

2.1 Foundations of Human Resource Management (HRM)

Complete exam preparation notes: core theory, case studies, model answers, mind map, and flashcards.

How to use this pack

- **Learn** the key terms and HR planning process.
- **Apply** the frameworks (STEEPLE, SWOT, Force Field Analysis) to a real business context.
- **Evaluate** by weighing short vs long run, different stakeholders, and the strength of organisational culture.

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- 1. What HRM is (and why it matters)
- 2. Core functions of HRM
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1. What HRM is (and why it matters)

Human Resource Management (HRM) is the strategic management of people so that the organisation achieves its objectives. It includes planning workforce needs, recruiting and selecting staff, developing skills, motivating employees, rewarding performance, and creating a safe and supportive working environment.

Modern organisations treat employees as a **long-term investment** (human capital) rather than a short-term cost. When staff feel valued and treated fairly, motivation and productivity tend to rise, improving competitiveness.

Personnel management vs modern HRM

- **Traditional personnel management:** focuses on contracts, pay, basic administration, and legal compliance.
- **Modern HRM:** links recruitment, training, appraisal, rewards, and culture to long-term strategy (growth, innovation, service quality).
- **Example:** launching a new product may require hiring specialists, training teams, and using performance pay linked to results.

Key terms to memorise

- **Recruitment:** attracting applicants. **Selection:** choosing the best candidate.
- **Training:** short-term skill building for current role. **Development:** long-term capability for future roles.
- **Appraisal/performance management:** assessing performance and setting targets.
- **Retention:** keeping employees. **Labour turnover:** % of staff leaving over a period.
- **Workforce planning (HR planning):** forecasting future labour numbers and skills needed.

2. Core functions of HRM

In exams, explain how each function supports business objectives (profit, growth, efficiency, service quality).

HRM function	What it involves	Why it matters (links to objectives)
Workforce planning	Forecast demand and supply of labour; identify skill gaps.	Right people and skills available when needed; avoids shortages or costly overstaffing.
Recruitment and selection	Job analysis, job descriptions, advertising, interviewing, testing.	Improves productivity and reduces turnover by hiring the right 'fit'.
Training and development	Induction, on-the-job training, mentoring, qualifications, leadership programmes.	Boosts efficiency, quality, innovation; supports succession planning.
Motivation and engagement	Communication, empowerment, teamwork, recognition, job design.	Higher commitment, better customer service, lower absenteeism.
Rewards	Pay, bonuses, benefits, non-financial rewards, performance-related pay.	Attracts and retains talent; aligns performance with goals.
Employee relations and culture	Managing conflict, unions, grievance procedures, wellbeing, diversity and inclusion.	Reduces disruption; improves employer brand and long-run performance.
Managing change	Communication, training, consultation, support; reducing resistance.	Successful change implementation; protects morale and service quality.

Case link: HRM is not just the HR department

- Line managers (store managers, team leaders, project managers) often handle daily motivation, discipline, and appraisals.
- HR specialists design policies and systems (e.g., appraisal forms, pay structures), but implementation happens day-to-day.

3. Human resource planning (workforce planning)

Workforce planning is about forecasting **numbers** of employees and the **skills** they need in the future, then creating actions to close any gaps.

Workforce planning process (6 steps)

- **1. Start with corporate objectives** (growth, new markets, product changes, cost reduction).
- **2. Forecast labour demand** (how many people and what skills are needed).
- **3. Forecast labour supply** (internal supply: current staff, promotions; external supply: labour market).
- **4. Identify gaps:** shortages (need to hire/train) or surpluses (need redeploy/reduce).
- **5. Action plan:** recruit, train, redeploy, outsource, use flexible workers, or make redundancies.
- **6. Monitor and review:** update forecasts as strategy and the environment changes.

Useful tools in HR planning

- **Skills inventory:** audit current employee skills and qualifications.
- **Succession planning:** identify and prepare future leaders for key roles.
- **Flexible staffing:** part-time, seasonal, and project-based workers to match demand.
- **Internal mobility:** transfers and promotions to fill skill gaps and improve retention.

Mini examples you can use:

- A hospital introducing electronic health records must train staff to use new systems accurately.
- A software business expecting growth in AI services may fund employee certifications and recruit specialist developers.
- A university expecting more international students may hire more admissions and language-support staff.

4. Internal and external factors affecting HR planning

Workforce planning is influenced by internal business decisions and external environment forces.

Internal factors	External factors
<p>Finance (budget for hiring and training)</p> <p>Business strategy (growth, cost leadership, differentiation)</p> <p>Productivity levels and performance data</p> <p>Technology (automation changes job design)</p> <p>Organisational structure (centralised vs decentralised)</p> <p>Culture and leadership style (affects motivation and turnover)</p> <p>Labour turnover and absenteeism rates</p>	<p>Labour market conditions (skill shortages, wage levels)</p> <p>Demographics (ageing population, birth rates)</p> <p>Education/training system (availability of graduates/apprentices)</p> <p>Migration and visa rules (access to international talent)</p> <p>Economic cycle (recession vs growth affects demand)</p> <p>Legislation (minimum wage, working time, data protection, H&S)</p> <p>Social trends (remote work expectations, work-life balance)</p>

Economic conditions and staffing

- During growth: firms expand output, recruit more staff, and invest in training.
- During downturns: hiring freezes, reduced hours, restructuring, or redundancies may occur.
- Some sectors are income-sensitive (luxury goods), while discount retailers may be more resilient.

5. STEEPLE analysis and SWOT in workforce planning

STEEPLE helps organisations analyse external forces that affect labour demand, labour supply, and HR policies.

Factor	How it affects HR planning	Example
Social	Expectations for flexibility, diversity, wellbeing; changing customer needs.	Work-life balance expectations increase demand for hybrid working policies.
Technological	Automation changes job roles; new skills required.	AI reduces routine tasks but increases demand for data analysts/cybersecurity.
Economic	Boom/recession affects demand and hiring budgets.	Rising interest rates reduce luxury spending, so firms slow recruitment.
Environmental	Sustainability policies create new roles and training needs.	Construction firms hire sustainability and compliance specialists.
Political	Government priorities and stability influence investment and labour markets.	New trade tariffs can shift production plans and staffing levels.
Legal	Employment law affects contracts, pay, safety, data protection.	Stricter workplace safety rules increase training and compliance roles.
Ethical	CSR expectations shape recruitment and culture.	Hiring CSR specialists to manage supply chain transparency.

Using SWOT to predict staffing needs

How SWOT links to HR planning

- **Strengths/Weaknesses:** internal capability (skills, culture, leadership) and gaps.
- **Opportunities/Threats:** external changes that create new labour needs or risks.
- **HR link:** translate SWOT into actions (recruit, train, restructure, outsource).

Example: regional airline expanding into long-haul routes

- **Strength:** strong domestic brand and service culture.
- **Weakness:** limited international experience and fewer staff with language skills.
- **Opportunity:** growing tourism demand.
- **Threat:** established global carriers and strong competition.
- **Workforce plan:** recruit experienced long-haul pilots, multilingual cabin crew, and specialist maintenance engineers.

6. Employees as agents of change

People drive innovation and organisational renewal. Hiring and developing the right employees can be a strategic tool for change.

How employees create change

- Diverse backgrounds bring new ideas and challenge existing routines.
- Cross-industry recruitment transfers best practice (e.g., lean methods from automotive to other manufacturing).
- Creative employees support product innovation and better customer experience.

Labour mobility and workforce strategy

Two types of labour mobility

- **Geographical mobility:** willingness/ability to relocate (impacts regional skill shortages).
- **Occupational mobility:** ability to change careers (improves supply of transferable skills).
- Higher mobility can reduce recruitment difficulties; low mobility may force firms to invest more in training.

Platform-based work and flexible employment

Benefits and challenges of gig/freelance work

- **Benefits for firms:** flexibility, lower fixed labour costs, ability to scale during peak demand.
- **Challenges:** weaker commitment, quality control, coordination issues, and uncertainty over legal employment status.
- **Example:** publishers using freelance editors during busy periods; tourism operators hiring seasonal guides.

7. Managing change and limiting resistance

Change (technology, restructuring, mergers, new regulations) can create uncertainty. HRM helps reduce disruption and maintain trust.

7.1 Why employees resist change

Common causes of resistance

- Fear of redundancy or reduced hours (job security).
- Skill obsolescence (worry they cannot use new technology).
- Loss of status, power, or familiar routines.
- Poor communication and rumours.
- Disagreement with management decisions or lack of trust.
- Concern about increased monitoring and pressure.

7.2 HR methods to handle change

Method	How it reduces resistance	Limitation / evaluation
Communication and education	Explains reasons and benefits; reduces rumours.	Takes time; requires consistent messaging.
Training and support	Builds confidence; provides skills and emotional support.	Costly; needs planning and time.
Participation and involvement	Employees help design change; increases ownership.	Can slow decisions; may cause conflict.
Negotiation and incentives	Compensates for perceived losses (pay, time off).	May set precedent; increases costs.
Use key influencers	Respected staff endorse change and influence others.	May be seen as manipulation if not genuine.
Directive/urgent action	Fast implementation when necessary (e.g., safety compliance).	Can damage morale and trust if overused.

7.3 Force Field Analysis (Lewin)

How to use Force Field Analysis

- **Step 1:** Define the change (e.g., self-checkout or AI editing tools).
- **Step 2:** List **driving forces** (why change should happen).
- **Step 3:** List **restraining forces** (why people resist).
- **Step 4:** Plan actions to strengthen drivers and weaken restrainers (training, incentives, consultation).

Example: four-day workweek pilot

- **Driving forces:** better work-life balance, improved retention, employer branding, potential productivity gains.
- **Restraining forces:** client availability, scheduling complexity, fear output will fall.
- **HR response:** trial period, performance measures, rota planning, and employee consultation.

8. Integrated case study examples

Use these as application in essays (AO2) and to support evaluation (AO3/AO4).

Meridian Airlines (HR digital platform + leadership development)

- **Change:** introduced an integrated digital HR system for scheduling, training records, and performance feedback across 18,000 employees.
- **HRM benefit:** reduced paperwork and improved visibility of workforce capabilities for managers.
- **Development:** leadership workshops prepared cabin crew and ground staff for supervisor roles.
- **How to use:** shows HR technology + talent development linked to service quality and efficiency.

Hospital introducing electronic health records (EHR)

- **Issue:** staff must use new digital systems accurately to avoid errors.
- **HR response:** training needs analysis, workshops, support, and monitoring competence.
- **Evaluation:** training cost is high, but errors and delays are more costly in healthcare.

Supermarket self-checkout technology

- **Resistance:** cashiers fear fewer hours and job insecurity.
- **HR response:** clear communication, retraining for new roles, reassurance about redeployment.
- **Evaluation:** success depends on trust and whether alternative jobs are available.

Hybrid working in professional services

- **HR challenge:** setting clear performance standards and communication for teams across regions.
- **HR advantage:** flexible schedules can improve retention of talented employees.
- **Evaluation:** requires strong culture, technology, and fair appraisal systems.

9. Exam technique for 15/20-mark answers

Command terms

- **Explain:** clear cause and effect (because -> therefore).
- **Analyse:** develop links to business objectives and stakeholders.
- **Evaluate:** weigh advantages and disadvantages, consider context, and make a judgement.

High-scoring structure (15/20 marks)

- **Introduction:** define HRM or HR planning; show your line of argument.
- **Develop 2-3 points:** use PEEL (Point, Explain, Example, Link to objectives).
- **Balance:** include limitations/costs and alternative views.
- **Evaluation:** use 'depends on' (culture, leadership, skill level, external labour market).
- **Conclusion:** final judgement using a clear criterion (short vs long run, stakeholder impact).

Practice questions (self-test)

- Assess how workforce planning can help a business respond to technological change. (15)
- Evaluate the view that flexible working is the most effective way to improve employee retention. (20)
- Discuss the effectiveness of Force Field Analysis for managing organisational change. (15)

Common mistakes (easy marks lost)

- No definition of the key term (HRM, workforce planning, flexibility).
- Generic points with no business context or example (AO2 missing).
- One-sided answer with no evaluation or judgement.
- Forgetting costs, time lags, and operational constraints (e.g., flexibility not possible in all roles).

10. Model answers

Model 15-mark answer

Question: Assess how workforce planning can help a business respond to technological change. (15)

Workforce planning helps a business respond to technological change by ensuring it has the right number of employees with the right skills at the right time.

First, a clear forecast of future skill needs allows the firm to identify shortages early. For example, if a hospital introduces electronic health records, it must plan training so staff can use the system accurately and efficiently.

Second, workforce planning supports cost control. Rather than recruiting urgently at higher wages, the business can upskill existing staff, use internal transfers, or recruit gradually.

Third, planning improves employee confidence and retention. When people are offered training and development, they are less likely to fear skill obsolescence and more likely to stay.

However, workforce planning is not always accurate. Rapid technological change can make forecasts outdated, and training programmes are expensive and take time.

Therefore, workforce planning is most effective when it is reviewed regularly and combined with flexible staffing, ongoing training, and good communication so employees understand how change affects them.

Model 20-mark answer

Question: Evaluate the view that flexible working is the most effective way to improve employee retention. (20)

Flexible working can be a powerful retention strategy because it matches modern employee expectations for work-life balance, autonomy, and wellbeing.

For example, professional services firms may retain talented staff by offering hybrid work and flexible schedules, reducing burnout and making roles more attractive.

Flexible work can also widen the labour pool by allowing businesses to recruit beyond local regions, which is valuable when labour markets are tight.

However, flexible working is not always the most effective approach. In some roles (e.g., frontline retail, manufacturing, healthcare), flexibility may be limited by operational requirements and customer demand.

Retention also depends on other HR factors, such as pay and benefits, career development, leadership quality, job design, and organisational culture.

If appraisal systems are weak, remote workers may feel overlooked for promotion, which can reduce motivation and increase turnover.

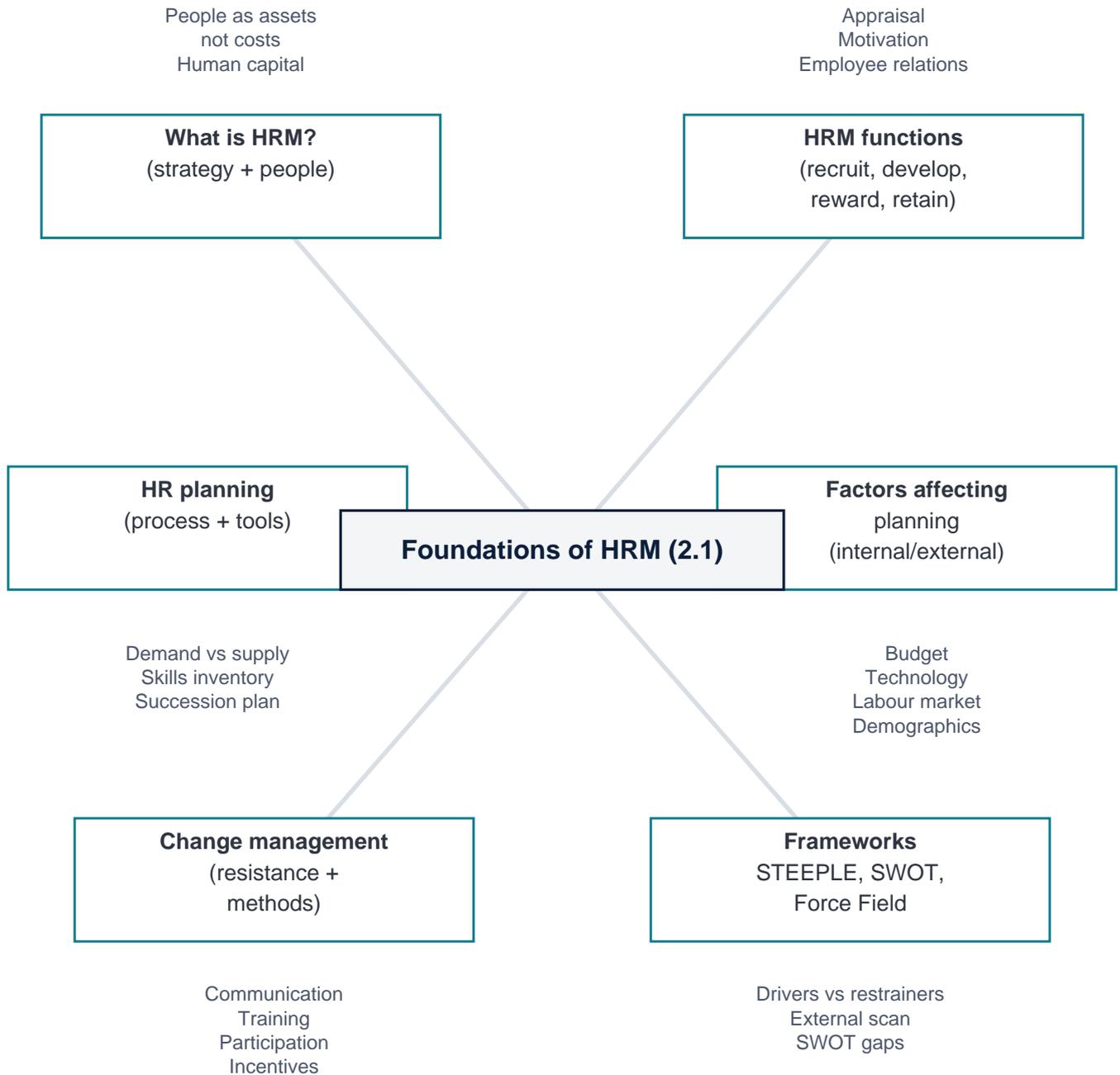
In addition, not all employees value flexibility equally, so a single policy may not solve retention issues across the workforce.

Overall, flexible working can significantly improve retention in suitable industries, but it is rarely sufficient on its own.

The most effective retention strategy is a balanced HR approach: fair rewards, meaningful development opportunities, supportive leadership, and flexible arrangements where operationally possible.

11. One-page revision mind map

Use this page to recall the whole topic in 60 seconds.



12. Flashcards and last-minute checklist

Cover the answers and test yourself. Aim for speed and accuracy.

Question	Answer
Define HRM.	Strategic management of people to achieve organisational objectives.
Traditional personnel management vs HRM?	Personnel: admin/compliance; HRM: strategic link to objectives and culture.
What is workforce planning?	Forecasting future labour numbers and skills, then closing gaps.
Two types of labour mobility?	Geographical (relocation) and occupational (career change).
Give 3 HRM functions.	Recruitment/selection; training/development; rewards; appraisal; employee relations; change management.
What is training vs development?	Training: short-term for current role; development: long-term capability for future roles.
Name 3 internal factors affecting HR planning.	Finance, strategy, productivity, technology, structure, culture, turnover.
Name 3 external factors affecting HR planning.	Labour market, demographics, legislation, economic cycle, social trends, migration.
What does STEEPLE stand for?	Social, Technological, Economic, Environmental, Political, Legal, Ethical.
What is Force Field Analysis?	Lists driving and restraining forces for change; plan actions to strengthen drivers and weaken restrainers.
Give 2 causes of resistance to change.	Fear of job loss; uncertainty; habit; skill obsolescence; poor communication.
Give 2 HR methods to reduce resistance.	Communication; training/support; participation; negotiation/incentives.
Example of HR tech improving performance?	Meridian Airlines digital HR system for scheduling, training, and feedback.
Why can flexible work improve retention?	Improves work-life balance, autonomy, wellbeing, and employer attractiveness.

Last-minute checklist (before the exam)

- Can I define HRM and explain why it is strategic?
- Can I describe the workforce planning process (demand, supply, gap, action, review)?
- Can I explain internal vs external factors and apply STEEPLE to a real business?
- Can I explain why employees resist change and how HR reduces resistance?
- Can I use Force Field Analysis with a real example (drivers vs restrainers)?
- Can I include a case study example (Meridian Airlines, hospital EHR, self-checkout)?
- Can I evaluate using context: culture, skills, leadership, and the external labour market?