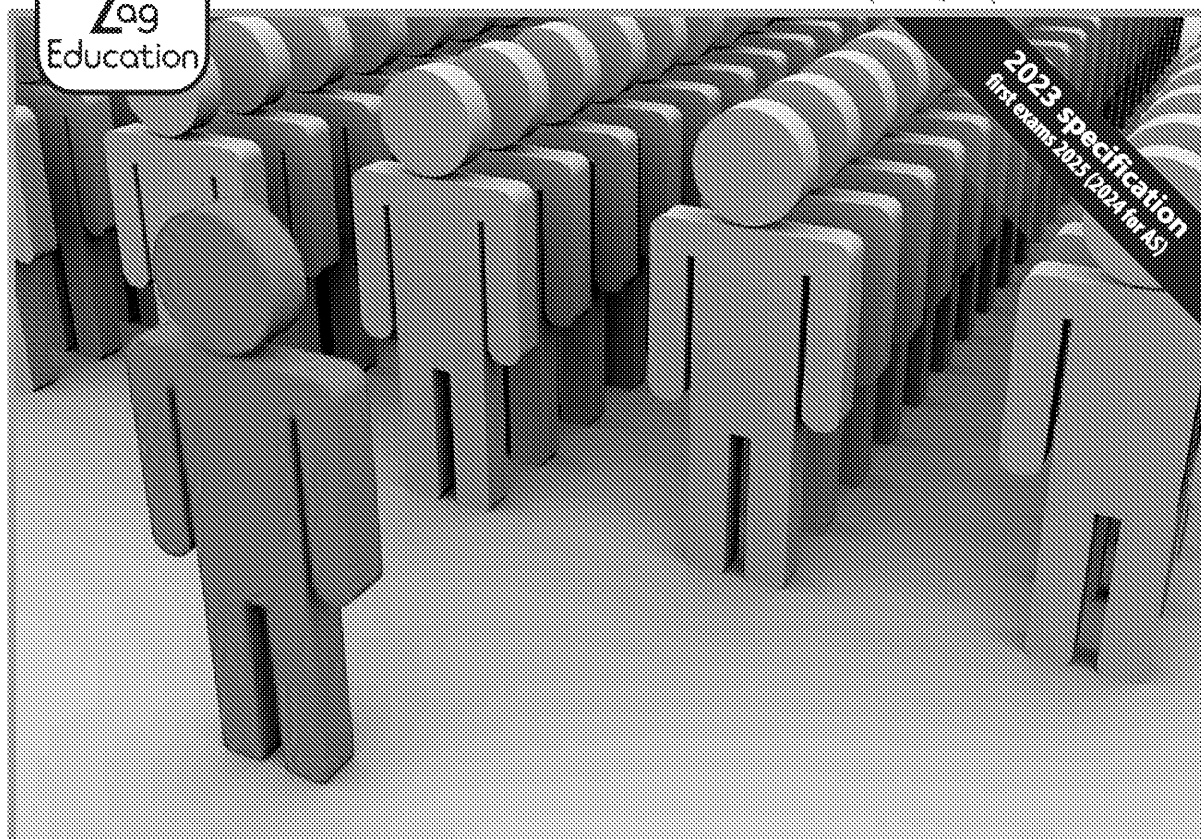




Business

AS / A Level | AQA | 7131/7132



AS / A Level Year 1 AQA Business Course Companion

3.6: Human Resource Management

2nd Edition – August 2023

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Teacher's Introduction

This resource has been written to support the learning of Unit 6: Human Resource Management, which forms part of the AQA Advanced Level GCE in Business. It gives an in-depth view of the new qualification, presenting what specification points students need to know, plus extras along the way for extended learning.

At the beginning of this resource you will find a list of contents showing every specification point that is covered. There are also questions and answers at the end of the resource to help students apply their knowledge to real-life business contexts. Any key terms are revised as a glossary at the end of the resource.

Students get plenty of chance to practise their quantitative skills in this resource, including:

- Calculate, use and understand percentages and percentage changes (Chapter 3.6.2.)
- Use and understand averages (Chapter 3.6.2.)
- Construct and interpret a range of standard graphical forms (Chapters 3.6.3. to 3.6.5.)
- Calculate cost, revenue and profit (Chapter 3.6.2.)
- Use and interpret quantitative and non-quantitative information in order to make decisions (Chapters 3.6.1. to 3.6.5.)
- Interpret, apply and analyse information in written, graphical and numerical forms (Chapters 3.6.1. to 3.6.5.)

While extremely valuable to a student's revision, this resource should be treated as a companion to the many other textbooks and activity guides available. As with any subject, it is good to read as widely as possible!

The subjects covered in this resource include everything from calculating and interpreting human resource data to job design, organisational design and theories of motivation. The notes included in this resource can be given to students before a lesson as preparation for a topic, afterwards in order to help solidify their knowledge, or can be used by teachers as a supplement to in-class exercises and activities.

It is hoped that this resource, as well as offering support for teaching the essential elements of the AQA examination, will help students build on their research and dissemination skills. The business world is a constantly changing one full of fascinating stories. This resource attempts to utilise some of these stories as a basis for teaching in the most interesting way possible, meanwhile encouraging further study from the next generation of business analysts!

Happy teaching!

August 2023

2nd edition – August 2023

- p.2 – section heading changed to '3.6: Human Resource Management'
- p.2 – 'Employee engagement and involvement' changed to 'employee engagement'
- p.4 – Retention rates section removed
- p.7 – 'Hackman and Oldman model' section removed
- p.12 – section renamed: 'Delegation, Centralisation and Decentralisation'
- p.12 – 'Job design' paragraph removed
- p.20 – Title added: 'How to Improve Employee Engagement and Motivation'

3.6. Human Resource Management

3.6.1. Setting Human Resource Objectives



Key Points Covered

- Setting Human Resource Objectives
- Soft and Hard HR

Companies can hold many different types of resources, from equipment and local resources management (etc.) focuses on a company's people. Firms set human resource objectives to ensure that they get the most out of their workforces.

Employee Motivation

Motivation is one of the most effective ways in which a firm can increase its efficiency. The more motivated employees have, the more motivated they are likely to become. However, many companies focus on their bottom lines (i.e. net profit) than with how motivated their employees are. Profit does not necessarily generate higher sales (at least not in the short term) and so firms must focus on motivation.

Training

This involves investing in the workforce in order to make the people of the company more efficient. If employees have more skills, they will become more efficient workers for the company in the long run. However, many firms work with the mindset that their employees are only good for a few key tasks. This is because companies fear their workers will move on once they are trained through training.

Talent Development

Rather than training the whole staff, some firms choose to focus on their development of talents, i.e. the shining stars of the organisation. This method is often put in place to allow people to take over once they are ready to go on down. This method also allows the company to focus on a select few, rather than trying to inform every member of the team. The message eventually dilutes. There are issues with this objective, however, such as that the talent may decide to leave once he or she has learned enough. This can cause disruption in the ranks of the business due to other workers who feel they have been left out in favour of a select few *bright sparks*.

Diversity

This is an important part of any business. Much like how the police force should reflect the neighbourhood they protect, so should the management of a company reflect the customers they sell to. This objective, therefore, concentrates on ensuring that a company has a diverse workforce as possible, with people from all walks of life – everyone deserves a place in the company regardless of their background.

Alignment of Values

When considering business decisions, many companies focus on their missions and vision statements such as 'If we hire this person, will it help us achieve our mission?' or 'Does a decision align with our key vision?' There is another way, however, in which the HR department can align the business to identify its core values (such as where it stands on ethical, moral or environmental issues).

Once the company has agreed its core values, it can use these to inform every business decision, whether strategic or tactical. It can also include them in employee induction and training to ensure every member of the workforce is striving towards the same goal.

Number, Skills and Location of Employees

This final objective ensures that a company has the right number of people with the right skills to achieve its overall objectives. In order to achieve this, HR must have its employees in the right locations. If, for example, a company sets up a new location, it will need a team to run things. It will also need management to lead the team and so it will be the job of HR to fill all of these roles.

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Hard and Soft Approaches to HRM

Staff as an Asset

Businesses that consider their staff as an asset are likely using 'soft' HR methods. Employees are the most valuable assets within the company. Firms that follow 'soft' HR methods view their staff in order to boost their value to the business – this development comes from market changes.

The 'soft' approach to HR views employees as useful assets that contribute to the business either through bringing added value, supporting manufacturing processes or offering a service. 'Soft' HR processes take the view that staff are likely to perform better if given support for their development.

Staff as a Cost

Firms that treat their staff as a cost focus on the amount of money they are spending on each employee. An employee might develop and become a greater asset for the company. There are many costs to employees, too: recruitment, training, payment, welfare and severance being the most obvious.

Businesses that view staff as a cost are likely using 'hard' HR methods, which consider staff as a resource, just like any material or piece of equipment the company uses. 'Hard' HR methods view staff as cheaply as possible and to utilise them efficiently in order to meet corporate targets. Once they have completed their contractual work, they may be discarded.

3.6.1. Questions

Please write your answers on a separate piece of paper or in an exercise book.

1. a. Would a business using 'hard' HR methods be likely to view its employees as an asset?
b. How else does 'hard' HR differ to 'soft' HR?
2. Churn-It-Out Ltd is a large dairy farm. The company employs hundreds of staff who are expected to stay longer than 12 months. The main overall objective for the company is to increase its turnover. Many of Churn-It-Out Ltd's employees leave because of lack of career progression. The company cannot afford to increase pay. Right now, Churn-It-Out Ltd is considering *offering external training or increasing employee engagement* as its main HR strategy.

Explain which of the two objectives would be best for the business's overall staff turnover.

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3.6.2. Analysing Human Resource Performance



Key Points Covered

- Calculating and Interpreting Human Resource Data
- The Use of Data in Decision Making

Calculating and Interpreting Human Resource Data

Labour Turnover

This figure shows the rate at which staff leave a company, either through resignation or terminating contracts. Businesses calculate this figure using the following:

$$\text{Labour Turnover} = \frac{\text{Number of staff leaving per year}}{\text{Average number of staff}}$$

If a firm employs an average of 30 staff and loses 6 members per year, the calculation is:

$$\text{Labour Turnover} = \frac{6 \text{ staff leaving per year}}{30 \text{ staff on average}} \times 100$$

$$\text{Labour Turnover} = 20 \text{ per cent}$$

Labour Productivity

We looked at this calculation in Chapter 3.4.2.

$$\text{Labour Productivity} = \frac{\text{Output over specific period}}{\text{Number of Employees}}$$

Labour productivity shows the number of units that one worker produces per period. An increase in labour productivity shows the business that its workforce is becoming more productive. A decrease in productivity shows the opposite. There are many factors that can influence productivity, including motivation, pay, place of work, health and safety, rival companies and so on.

Employee Costs

Percentage of Turnover

Calculating employee costs as a percentage of turnover gives the business a clear indication of how much impact the workforce has on its revenue. This figure is calculated by comparing the total cost of the workforce with the amount of revenue a company generates (i.e. turnover).

If a firm makes £55 million in revenue per year and spends £10 million, then the calculation is:

$$\text{Employee Costs as Percentage of Turnover} = \frac{\text{Employee costs for the year}}{\text{Revenue for the year}}$$

$$\text{Employee Costs as Percentage of Turnover} = \frac{£10 \text{ million for the year}}{£55 \text{ million for the year}}$$

$$\text{Employee Costs as Percentage of Turnover} = 18.18 \text{ per cent}$$

Labour Cost per Unit

This calculation shows how much it costs for one employee to produce one unit. To calculate this, you need to know the number of units that the average worker produces per day and the average cost of the workforce.

$$\text{Labour Cost per Unit} = \frac{\text{Average pay per worker (per year)}}{\text{Average number of units per worker (per year)}}$$

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If a firm pays its workers £65.00 per day and those workers each produce 12 units

$$\text{Labour Cost per Unit} = \frac{\text{£65.00 (per day)}}{12 \text{ units per worker (per day)}}$$

Labour Cost per Unit = £5.42 (to 2 dp)

A labour cost of £5.42 is quite high and so the business will need to sell its product at a high price. If the firm is selling computer equipment, £5.42 might not be a bad labour cost. However, if the firm is selling furniture, this labour cost may be far too high. Therefore, firms must understand their costs and how consumers are prepared to pay) in order to judge how high their labour costs can be.

The Seed

Human resource data, such as labour turnover and employee costs, can change due to a number of factors, internal and external:

Recruitment and selection: finding the right person for the job takes more than just advertising. Employees need to fit the culture of the business. They also need to want to be there. It is not just about finding an employee who does not suit the business.

Motivation: employee motivation depends on the business's leadership. A strong leader will inspire and challenge his/her workforce. A weak leader will do quite the opposite, leading to a disengaged, loyal, workforce.

Pay: wages matter. Even if employees love what they do, they will become demotivated if they are not being paid enough. If employees feel they are not being paid what they are worth, they will leave the company or will not pay that.

Cultural shifts: whenever society changes, businesses must change too. If not, they will fail. Fast food chains, for instance, are finally seeing a significant decrease in the number of outlets. This is largely down to the increase in awareness of public health. Many people are now choosing more wholesome food options and therefore, businesses workforces are doing similar.

Rival companies: employees may become demotivated if they learn how rival companies are performing. Giving them better pay, shorter hours. There may also be other vacancies opening up from the firm.

Locality: if the business is situated outside of the main town or city, it may be difficult to attract staff to work. One way that a business can improve this, then, is to offer a shuttle bus to the main town or city or to strike a discount with the local transport authority, e.g. get cheaper bus services.

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The Use of Data for Human Resource Decision-making and

Firms use the data from these calculations to inform their future business decisions. The most exhaustive data, is still only data – it gives numbers and figures without telling the story. Therefore, use a variety of methods in order to give their data meaning.

One method is to compare current data against the company's historical data. This allows the company to see whether the company is improving over time or regressing. Comparing with historical data can also pinpoint what changes were most beneficial. If, for example, a company began a graduate scheme which happened to coincide with an increase in employee retention, it would be difficult to say that the graduate scheme had a role in improving employee retention.

Companies can also compare their human resources data to that of rival firms, too. For example, if a company's turnover is similar to a similar firm, it can deduce how well it is performing in comparison (benchmarking). This comparison can be tricky, however. In business, no two firms are identical. Moreover, firms that sell to the same market may have different overall aims (e.g. one may target a higher income market segment than the other) and so a direct comparison is not always possible.

Another method of using this data is to compare against a company's own targets. For example, if a company's overall costs for the year, for example, it will analyse part of this by using employee costs. Companies can set themselves targets, such as bring down employee costs by 10 per cent in two years, which give the entire company something to work towards. If in two years it has reduced its employee costs by 11 per cent, it can confirm that it succeeded in meeting its target. If the company has only managed to reduce employee costs by 3 per cent, it will realise that its target of 10 per cent in two years is actually achievable.

Learn These Calculations:

$$\text{Labour Turnover} = \frac{\text{Number of staff leaving per year}}{\text{Average number of staff}}$$

$$\text{Employee Costs as Percentage of Turnover} = \frac{\text{Employee costs for the year}}{\text{Revenue for the year}}$$

3.6.2. Questions

Please write your answers on a separate piece of paper or in an exercise book.

3. Happy Tuesdays Ltd is a stationery firm that manufactures high-quality notebooks. It employs 24 factory workers who, together, produce 1,200 notebooks per day. The total wages to its workforce of £1,400 per day.

Using the above data, calculate:

- Average pay per worker
- Average number of units per worker
- Labour cost per notebook

4. Happy Tuesday Ltd's notebooks sell on High Street for £15.00 each. Using the data from question 3, explain whether the labour cost per notebook is good or bad for the company.

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3.6.3. Making Human Resource Decisions: Improving Organisational Design and Managing the Human Resource



Key Points Covered

- Organisational Design
- The Value of Changing Job and Organisational Design
- The Human Resource

The Organisational Design of a Business

The design structure of an organisation *must meet its needs*. Some organisations operate in the *global* marketplace, while others are relatively *small*, working in a *local* or *national* market. An organisation's size or structure it must be *fit for purpose*, that is, meet the needs of the organisation and be capable of *responding quickly* to change in a dynamic business environment (i.e. be able to *change its structure* if it needs to). Business structures are demonstrated using organisational charts.

Businesses can be structured or organised using several criteria, the most common are:

1. **Area** – where the business operates geographically
2. **Customer** – the markets where the products are sold
3. **Function** – departments or functional areas within the business
4. **Product** – the type of goods they produce or the service they provide
5. **Process** – the stages involved in making the product or providing the service

Centralised and Decentralised Business

Businesses are generally structured in one of two ways: *centralised* or *decentralised* management.

Centralised: This business has a few *top-level managers* that make decisions and control the entire company. Business decisions, therefore, are centralised to a *main office*, and all other departments or branches must follow the directives for the rest of the company to follow.

Decentralised: This business *delegates responsibilities and decision-making power* to various departments or branches. Decentralised companies allow their various branches to make decisions for themselves, independent of the central head office.

Delegation: How much a business is able to delegate tasks can depend on a variety of factors.

If the directors of a company wanted more tasks to be delegated to less senior management would first need to have faith in its workforce in order to relieve the pressure on the top management. Employees would need to feel confident in their own abilities. Training is also important; if employees have not been trained to the correct level, they may not be able to take on further tasks. Management must also be aware of the company culture: do employees value what they do? If not, they may not be well to delegation.

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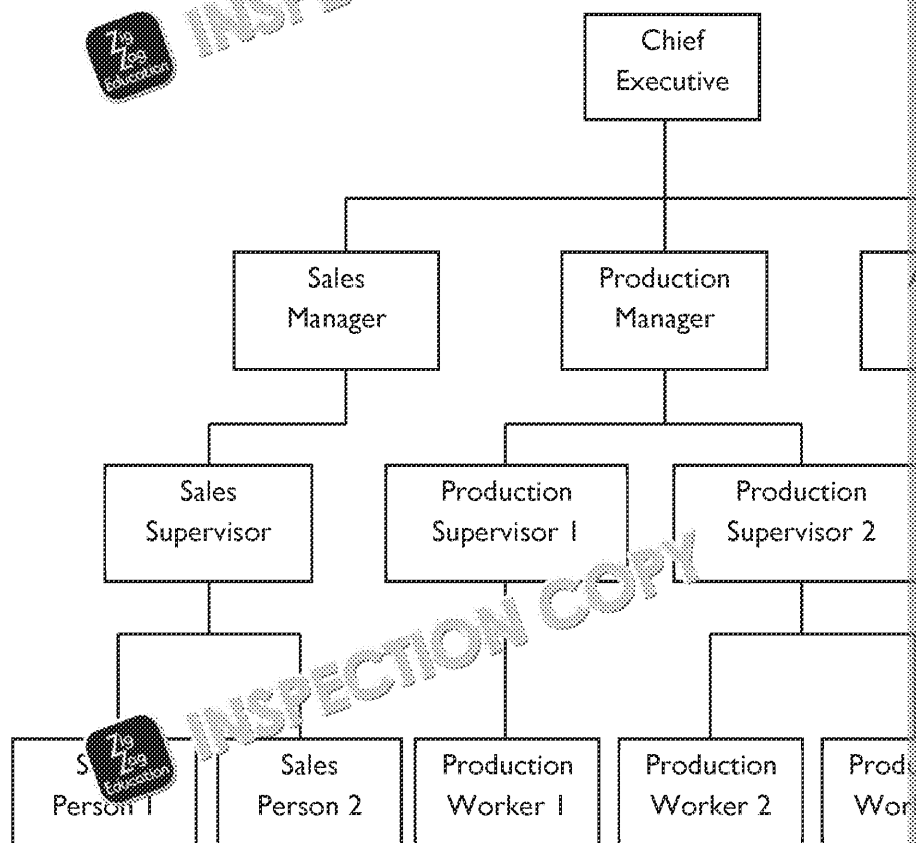


Whether a business is centralised or decentralised relates to the three main hierarchy

Tall

Tall or hierarchical structures are layered, pyramid-like structures that depict the *functional areas*, or departments, of a business. There is a *chain of command*, or pyramid, with the number of employees and span of control increasing. The span of employees that are directly responsible to a manager or supervisor. Such structures are found in *large organisations* such as public limited companies and multinationals.

A typical organisational chart for a hierarchical structure:



In the example of a hierarchical structure, there are four levels, or layers, with each having a different function, workload, job allocation and degree of authority. At the top (*level 1*) is the Chief Executive, with ultimate authority, which is delegated downwards to *level 4*, the 'chalk face' workers, with no authority. The dissemination of information within an organisation should be a two-way process, moving both upwards and downwards.

Spans of control also vary. In the diagram, the sales manager has a *span of control of two*, being sales persons 1 and 2. The production manager has a *span of control of two*, being production supervisors 1 and 2. However, production supervisor 1 has a *span of control of one*, being production worker 1. Production supervisor 2 has a *span of control of two*, being production workers 2 and 3.

Advantages of hierarchical structures:

1. There is an effective *system of command and control*, with every person in the organisation knowing their role, duty, authority and responsibility. Employees know *exactly* what they are doing and, if necessary, how to get to *where they want* (i.e. there is a clear path).
2. The structure *encourages specialisation*: everyone works in the area, and develops specialist skills. There are specialist sales, production, finance and marketing employees and supervisors and managers in those fields.

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❖ Disadvantages of hierarchical (tall) structures:

1. They tend to be *very bureaucratic* with every task being accurately recorded. For this reason, hierarchical structures *respond slowly* to market change. Ideas of efficiency also tend to be slowly communicated and reacted upon. *Horizontal* level are particularly slow!
2. The *slow response time to market change*, coupled with the problems of it encouraged many hierarchical organisations to *over-size, delay and replace* technologies. Such insecurity, along with the large size and impersonal nature, cause employees to become *demotivated* and eventually *less productive*.

How a Tall Structure Affects the Business

Communication is a two-way process in tall-structured businesses. This sharing of business's knowledge, increasing **motivation** and, as a result, efficiency.

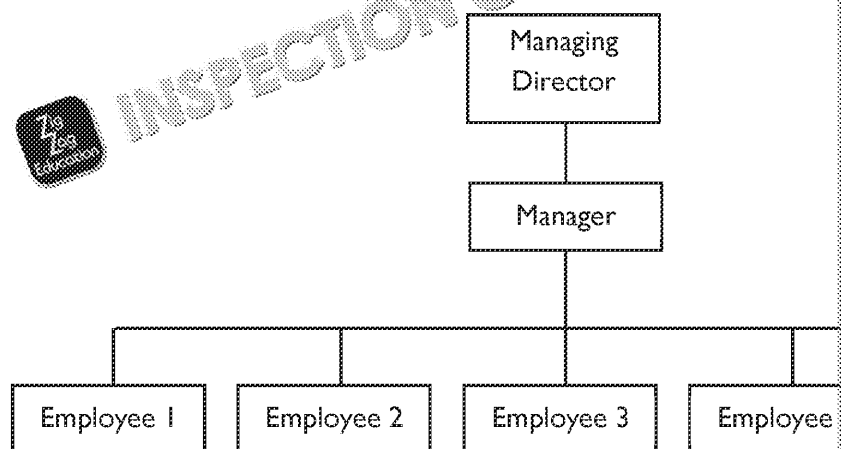
The *operations* of a business are also affected since every department is responsible. This, once again, empowers the workforce as the business values them more highly. **motivation** and **efficiency**.

Nevertheless, the bureaucracy involved in tall-structured businesses means that a motivated workforce may be, business decisions still take a long time to implement.

Flat

Flat structures, unlike the hierarchical organisation structure, will have *relatively few levels* of management. Consequently, they have a *shorter chain of command* but a *wider span of control*. It is usually adopted by *small organisations* such as sole traders, partnerships and private companies.

A typical organisation chart for a flat structure:



✓ Advantages of flat structures:

1. There are *fewer levels* or layers of management. In a flat-structured organisation, there is *less bureaucracy*. This makes the decision-making process much *quicker and easier* to implement. This may assist a business's competitiveness by allowing it to respond more quickly to external business environment changes.
2. In a flat structure, *internal democracy* and innovative potential are encouraged. Employees *feel more valued as an integral part of the organisation*. This is an *effective team spirit*.

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Disadvantages of flat structures:

1. The *span of control* for a manager increases their job allocation and work, having a detrimental effect on their efficiency as they cannot be specialists in every area. Managers can also find it difficult to *get to know* all the employees they are responsible for.
2. The individual employee's functions, tasks and roles could become *blurred* as they take on more responsibilities, which reduces the chance of specialisation.

How a Flat Structure Affects the Business

Since decision-making is a quicker process than in tall-structured businesses, there are few layers to a flat-structured business. Employees have more responsibility; this can lead to higher empowerment and motivation, but also being over-empowered and, potentially, undervalued. Flat-structured businesses, therefore, are caught between streamlined efficiency and expecting too much of their staff.

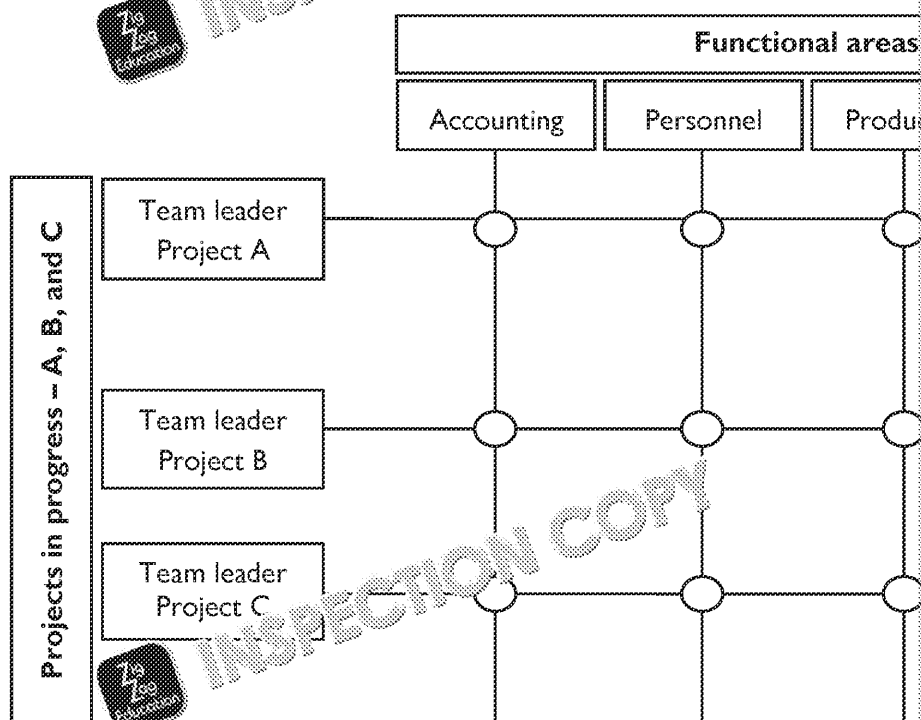
Matrix

Matrix structures encourage *teamwork*, cutting across the traditional idea of individual departments. Human resources, accounting, purchasing, marketing, and research and development employees and functional area managers to '*think outside the box*', have input into the successful implementation of a project for the betterment of the business as a whole, rather than their specific *department*.

For example, senior management may decide to implement a few new projects. They appoint a *project or team leader* and decide on the best employees to be in that team to complete the project. Project team members would be chosen for their *particular expertise* in different *departments* or functional areas.

During the implementation of the project, team members usually report to their functional area manager, as well as the project leader.

The matrix structure diagram



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✓ **Advantages of matrix structures:**

1. The project is staffed and implemented by employees who have been *chosen* for a particular functional area and is, therefore, more likely to be successfully completed.
2. The project takes on board a wide variety of employees with different *specialisms* and different decision-making *thought processes* and so avoids the *narrowness* that can come out of selecting personnel from only one or two functional areas.
3. Projects are *usually time-bound* and must be completed within a specific time frame, *restricted* and must be completed within a specified financial budget. They also have *motivational factors* for both the team leader and the team members.

✗ **Disadvantages of matrix structures:**

1. Project team members report to both their team leader and their department manager, which can cause team members to have a *conflict of interest* or loyalty, especially when allocating scarce resources within the organisation. When a choice has to be made, do resources go to *the project* or to *their department*?
2. It is usual for members of the project team to be given a *degree of independence* when carrying out their tasks. This makes the job of *monitoring* the team *more difficult* as each team member must be individually monitored and held accountable for the overall success of the project.
3. If the business increases the number of projects undertaken, they must *expand* and involve *more employees* from various functional areas. This action will *inevitably* possibly have a negative impact on the efficiency of individual functional areas.

How a Matrix Structure Affects the Business

Operations in matrix-structured businesses come under two main categories: *project work* and *business as usual* (BAU). As we have seen, employees report to both project team leaders and to their department managers. This can slow down *communication channels* and, ultimately, reduce the business's *efficiency*. Matrix-structured businesses can also become too reliant on project work; this is a simple change to BAU roles as they may have achieved the same goal.

Nevertheless, projects are restricted to a certain amount of time (or budget) and can improve the overall business (e.g. updating the IT infrastructure). As such, once completed, it can bring higher levels of efficiency to the entire business. After completion, the project ends and so employees return to their BAU roles, working more effectively as a result of the project's successes.

When it is done well, a matrix structure can **motivate** employees, as they are involved in their work and can see the fruits of their labour in the form of a completed project, as well as other departments involved in the same project. But when matrix structures are not done well, employees may find themselves reporting to two bosses – the project leader and their BAU manager – and so have to reconcile conflicting priorities. Done badly, matrix structures also have potential to cause confusion and inefficiency.

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Delegation, Centralisation and Decentralisation

Businesses have many decisions to make when determining the right organisational structure. Internal, all play a role in how much a firm's management delegates to subordinates. The structure should run in a more centralised or decentralised fashion.

- **Skills of the Workforce:** the knowledge and skills of a company's workforce will determine whether management delegates any responsibilities to subordinate employees.
- **Business Objectives:** the organisation design needs to suit the objectives of the business. If the decision-making process is spread across many departments/personnel will result in a more decentralised organisational structure. A centralised business, on the other hand, will have all the decisions made by the top management. Importantly, a business's organisational design should be able to change within the business.
- **Type of Products/Services:** whether the company sells mainly products or services will determine the level of delegation and centralisation/decentralisation. If the business has a varied product range, it will be more decentralised, with each department/person taking control of a different area.
- **Size of Business:** as a business grows in size, so does its hierarchy. Restaurant chains are businesses that have a lot of hierarchy but also decentralise where they can give managers to change their specific menus depending on the local consumer preferences.
- **Culture:** a large part of a business's culture is whether leaders trust their subordinates. The more spread out a business's decision-making process, the more chance leaders have to delegate.
- **External Factors:** these factors are out of a company's control. Financial recession may force a previously decentralised business to have to remove a layer of management and become more centralised.
- **Stakeholders:** everyone from customers to suppliers to government officials can influence a business. Customers, for example, may want a more personalised experience when making a purchase. A business may decide to change its structure, from centralised to decentralised, to provide a more customisable experience to its customers.

The Value of Change

Changing Organisational Design

Businesses can change their organisational designs in many ways, e.g. moving from centralised to decentralised, delegating more responsibilities, delayering, tightening or widening span of control.

Each change is made with a view to improving the business, whether it is to:

- increase productivity,
- grow the business,
- motivate the workforce,
- improve quality,
- reduce unnecessary blockages in communication,
- make decisions faster, or
- bring down the costs of labour.

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The main issue that most companies find when trying to change organisational design is that the more working lives you affect. This can lead to demotivation with a loss of productivity, rising costs and a negative reputation for the employer. Any change therefore, must be carefully orchestrated. Still, there are no guarantees that organisations will survive. In fact, most companies go through continual renewal of their organisational design.

The Human Resource Flow and How It Relates to Meet Human Resource Plan

A good human resource plan should include everything that a business needs, from equipment, location and working conditions, and should support the business in its strategy to create the plan, firms must do the following:

- Take a stock of what they have, i.e. current employees and skills.
- Analyse the overall corporate objectives, i.e. what people/skills does the firm need?
- Consider any changes over time, such as redundancies, maternity leave, etc.
- Identify any gaps in staff.

Gaps in staff are identified using the following equation:

$$\text{Gaps in Staff} = \text{no. of staff required} - \text{no. current of staff} + \text{no. of staff leaving}$$

Let's use an example:

Lively Promo Ltd is an events company that puts on live concerts across the UK. It currently has 10,000 workers; however, it will need to double this figure in three years (to 20,000) to attract some very high-profile artists. The company is also likely to lose around 6,500 workers due to resignations and redundancies.

The company, therefore, needs 10,000 new workers to reach 20,000 required – 10,000 current + another 6,500 workers to fill in for those who are likely to leave.

$$\text{Gaps in Staff} = \text{no. of staff required} - \text{no. current of staff} + \text{no. of staff leaving}$$

$$\text{Gaps in Staff} = 20,000 - 10,000 + 6,500$$

$$\text{Gaps in Staff for Lively Promo Ltd} = 16,500$$

Once Lively Promo Ltd understands where the gaps are in staff, it will then need to develop a human resource plan. This should be administrators, how many accountants, how many publicists, the number of sales staff, etc. The human resource plan into action requires everything from recruitment and selection to training and making redundancies.

The Recruitment and Selection Process

The outcome of the recruitment process has a significant impact on a business. Whether the impact is positive or negative will depend on the quality of the employee selected. Finding the right person is a time-consuming and drawn-out process, but it will benefit the business in the long run and should be done carefully. Employing the *wrong* person, however, will have a serious detrimental impact on the business.

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1. **A vacancy arises.** This may be due to the creation of a new job or because an existing post has to be filled due to an employee being promoted or leaving the organisation. *Termination of employment is also known as severance.*

2. **A job description and person specification are drawn up.** The job description sets out the duties and responsibilities of the actual job while the person specification details the experience, skills and abilities the employee will need to possess in order to carry out the job effectively.

3. **The post is then advertised in the appropriate media** which, depending on the job, could be local or national newspapers, television, radio or specialist journals and magazines.

4. **Application forms** along with the job description and the person specification are forwarded to those who respond to the advertisement.

5. **Short-listing** takes place based on the contents of the application form and the criteria specified in the job description and person specification. If a large number of *Suitably Qualified* candidates apply, then an *enhanced criterion* may be used. This process *reduces* the number of candidates to be interviewed to a manageable number.

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Internal vs External Recruitment

A business must choose an employee *very* carefully, with a focus on either position (times, both). The business can consider filling a vacant post by advertising *internally* or they can recruit *externally*. Both methods have their drawbacks and advantages.

Internal Recruitment

This involves filling a job vacancy through *a trawl of the existing* workforce. The vacancy is advertised within the organisation using an internal notice, staff magazine or meeting.

✓ Advantages of internal recruitment:

1. Existing employees require *less training* and they know the business's *ethos*.
2. It can *motivate and retain* employees as they can see that loyalty and hard work leads to a successful career path.
3. The business *already knows* the skills, qualities and personality of the employees.
4. Internal recruitment is *relatively cheap* to undertake and usually *quicker* to undertake than external recruitment.

✗ Disadvantages of internal recruitment:

1. The business may *need* to employ *new blood with fresh ideas* in order to change. This *will cost* the business both money and time.
2. An internal appointment may cause *friction* within the business and demotivate those who were *unsuccessful* with their application.
3. Recruiting an existing employee to a vacant post will require that *their post* is filled by *another* recruitment process posing the *same* problems.

External Recruitment

This involves filling a job vacancy by recruiting from sources *outside* the business. This can be done by advertising in local or national newspapers, radio, television and journals. It can also involve recruitment agencies, job centres, headhunting from other businesses or direct recruitment from schools, colleges and universities.

✓ Advantages of external recruitment

1. It brings *new blood with new ideas* into the business.
2. The business has a *bigger pool* from which to choose its employee.
3. It is unlikely that the employee would have already *bonded* with any group within the business and therefore, be *less likely to be unduly influenced* by others.

✗ Disadvantages of external recruitment

1. It can be a *slow and costly* process.
2. It requires a *rigorous selection procedure* as the business does not already know the attitude and personality of the new employee.
3. It could *demotivate* existing employees as they may feel *undervalued* and the business may encourage them to look for alternative employment.

Costs and Benefits of Recruitment and Selection

People are the *most important asset* a business has. This *special asset* can be used to employ *specialist* labour or to *replace* labour. People must be employed to tactically and strategically plan for the future and to work in the *functional areas* of production, marketing, finance, sales and so on. It should, but rather *under what circumstances* should additional staff be employed?

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People are the *human face* of any business. Take, for example, the service sector: insurance companies prefer to *talk directly to people* rather than automated answers. In other businesses, it is the *attitude* of the doctors, nurses, waiters, retailers or hairdressers that affects customers' *perception* of the *quality of service* provided by that business.

A business with good industrial relations and a stable, well-motivated workforce has more objectives than one that does not. For all these reasons, businesses find it necessary to recruit people.

There are drawbacks to recruiting people, however, which include:

1. People *cost money* to employ, train and retain.
2. People *make mistakes and misjudgments* which are costly in terms of money and scarce business resources. Mistakes and misjudgments damage reputation and require retraining.
3. People take *unofficial* time off, breaks, holidays and *are protected* by UK and EU laws, which can be *crippling expenses* for a small-to-medium-sized business.
4. People *need to be trained*, even retrained, and this *costs* the business both time and money. If there is a *high turnover of staff*, this cost will increase even further.
5. People are *individuals* and, therefore, it can be *difficult* for a business to find a way to encourage their employees to be more productive.
6. People can be *very selfish* and are often *reluctant to share ideas* with colleagues. Ideas can be *stolen*, causing them to miss out on promotion. This may lead to a *culture of jealousy* in the workforce and *lack of teamwork*, both of which would reduce the productivity of the business.

Types of Training

Every *new employee* should receive some training, irrespective of the type of job or level of recruitment. Training can *improve* an employee's *loyalty, skills, motivation and efficiency*. Training may also *reduce* labour turnover, *wastage* and absenteeism. Types of training include on-the-job training, off-the-job training and induction training. Each of these has its own merits and disadvantages.

On-the-job Training

This is sometimes referred to as *in-house training*, because it involves the employee learning while *on the job* or *at work*.

✓ Advantages of on-the-job training

1. The employee is still working within the business and is *contributing to its productivity*.
2. It is *less expensive* for the business as they do not have to pay for the training.
3. Employers will find it *easier to assess the progress* of the employee's training.
4. The employee will *learn the job* from experienced workers who he/she will build *good working relationships*.

✗ Disadvantages of on-the-job training

1. During training, the employee may pick up *bad habits* from existing employees, may *cut corners* and not *strictly abide by the rules*.
2. This type of training *does not* easily lend itself to bringing *new ideas and innovation* to the business as the employee is *grounded with existing ideas and practices*.
3. During the training period, *the trainer is distracted from their own work*, which may reduce their *productivity* which would not be good for the business.

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Off-the-job Training

This is sometimes referred to as *formal training* and involves the employee training at colleges of further and higher education, universities or undertaking self-study courses.

✓ Advantages of off-the-job training

1. It gives the employee the chance to *experience new business ideas and ways of working* applied for the benefit of the business.
2. The trainee does *not accidentally damage the business's own equipment*.
3. Training is given by *professionally qualified instructors*.

✗ Disadvantages of off-the-job training

1. The business usually *has to pay* for the employee's training.
2. Skills taught to the trainee *may not be easily transferred* to the workplace.
3. The trainee is away from the business for the training period and, therefore, *loses productivity* during that time.

Induction Training

This is specifically aimed at *new employees* to familiarise them with the business, its health and safety procedures and fellow workers. A *structured* induction programme is usually organised by management, the human resources department or trade unions and can last for a few days.

The Benefits and Costs of Training

Any business should consider the training of employees as *an investment in the future* with the following benefits of:

1. reducing *wastage* in time and materials
2. increasing the *flexibility* of the workforce
3. motivating employees so that they feel *more valued* and so help reduce *staff turnover*
4. reducing *staff turnover* as less people will leave if they see that their career development is being supported by training schemes offered by the business
5. improving productive *efficiency and competitiveness* by having a highly skilled workforce

However, there are *costs* involved in training some of which are:

1. the *loss in productivity* of the on-the-job trainer
2. the cost of external *training resources* such as books and materials
3. the *administrative costs* involved for both in-house and formal training
4. the cost of the *actual tuition* for placement with an external training institute
5. the *transport, insurance and subsistence costs* involved in off-the-job training
6. the cost of *facilities, materials and personnel* necessary for on-the-job training
7. the *hidden costs* that might be incurred if a fully trained employee is *poached* by a rival business

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Redeployment

If a number of employees are on the brink of redundancy, the firm may be able to move them to another part of the business for them to work in. Computer programmers experienced in one language, for example, may find that their language becomes less useful over time. In this instance, the firm may put employees in training in order to learn another language. This opens the employees up to their use to the company.

Companies often choose redeployment over redundancy for many reasons, including:

- training current employees in another business area is cheaper than hiring someone new
- internal recruiting is much quicker than external recruiting
- employees already understand the culture of the business
- it increases employee motivation as the workforce sees there is clear career progression
- hiring from within can be less risky since the business already understands his/her skills
- since motivation improves, so can productivity and also employee turnover

Dismissal and Redundancy

Dismissal is the act of terminating an employee's contract. There are many reasons why a company might do this, including:

- Employee is unable to perform key tasks due to lack of skills or qualifications
- Gross misconduct, such as violence or theft in the workplace
- Long-term illness that is not related to disability
- Exceptional cases, such as refusing reasonable contract changes or a prison sentence

An employee can become *redundant* once his/her job no longer exists. Redundancy can occur when:

- a company has to close down
- technology replaces tasks normally performed by human workers
- a firm moves its production line to overseas

If a company needs to make at least 20 people redundant, it is required to consult with the employees' representatives at least 30 days before any redundancy is made. The company must also consult with each employee, too. Any employee who has been given at least two years of continuous service is entitled to paid redundancy.

Many companies that are faced with having to make redundancies will offer their employees a choice of *redundancies*. This involves giving an employee the choice of whether to resign for the offer of a *severance package* (often a financial incentive, such as several months' pay) or to be dismissed. This can enter into lengthy legal disputes.

3.6.3. Questions

Please write your answers on a separate piece of paper or in an exercise book.

- Identify whether each of the following statements refers to a 'centralised' or 'decentralised' organisation.
 - All business decisions are made by a single group or person, who then instructs others to implement them.
 - Authority is delegated from the head office to employees further down the organisation.
- Give three reasons why a business owner might wish to keep their organisation 'centralised'.

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3.6.4. Making Human Resource Decisions: Improving Employee Engagement



Key Points Covered

- The Benefits of Motivated and Engaged Employees
- Financial and Non-Financial Motivators
- Motivation Theories

The Benefits of Motivated and Engaged Employees

Motivation is a force that *drives individuals* to behave in certain ways. It can be *intrinsic* (the individual does it for themselves as a way to gain personal satisfaction or enjoyment) or *extrinsic* (driven by tangible factors, such as money). Employers use both financial and non-financial motivators to engage their employees.

Money is *probably* regarded as the most *effective motivator* for the *majority* of employees. However, as we are unique individuals with different needs, wants, attitudes and goals. Due to this, other non-financial motivators must be considered, such as job satisfaction, job security, praise, recognition, sense of belonging, job security and trust in the individual.

There is *no one motivator* that suits all employees. For this reason, the manager must *know the individuals* within their *span of control* in order to apply the *appropriate motivators* to increase productivity. It can be quite difficult to motivate staff in large *hierarchical-type* organisations due to the number of workers employed and the usually *impersonal nature* of these businesses.

Motivation Theories

Frederick W. Taylor (1856–1915)

The main points of Taylor's *Scientific Management Theory* are:

1. The *division of labour* or *specialisation and division of labour* to improve the efficiency of the work.
2. The *systematic analysis* of the relationship between the worker and task and the redesign of the way that a task is carried out in order to improve the efficiency of the work.
3. The *formalisation* of the task to be undertaken, which involves developing a set of instructions to be followed for a task's completion.
4. The *direct linking of pay to output* for each worker in order to motivate them to work harder and efficiently.
5. The development of a *rigorous recruitment, selection and training process* to ensure that the best people are employed to do the job.
6. The encouragement of *shared responsibility* between management and the workers.

Elton Mayo (1880–1949)

Elton Mayo was the founder of the *Human Relations Movement* and carried out experiments for Frederick W Taylor, between 1924 and 1932, on human behaviour. These were the *Works of the Western Electric Company* in Chicago. The experiments became widely known as the *Hawthorne Study*.

Initially, the experiments were based on the theory of *Scientific Management*, but over time it was found that changes in working conditions and financial incentives had a *negligible* effect on productivity.

He concluded that productivity *did increase when workers participated in team work* and that management showed interest in what the work employees did, as well as taking into account their needs and wishes.

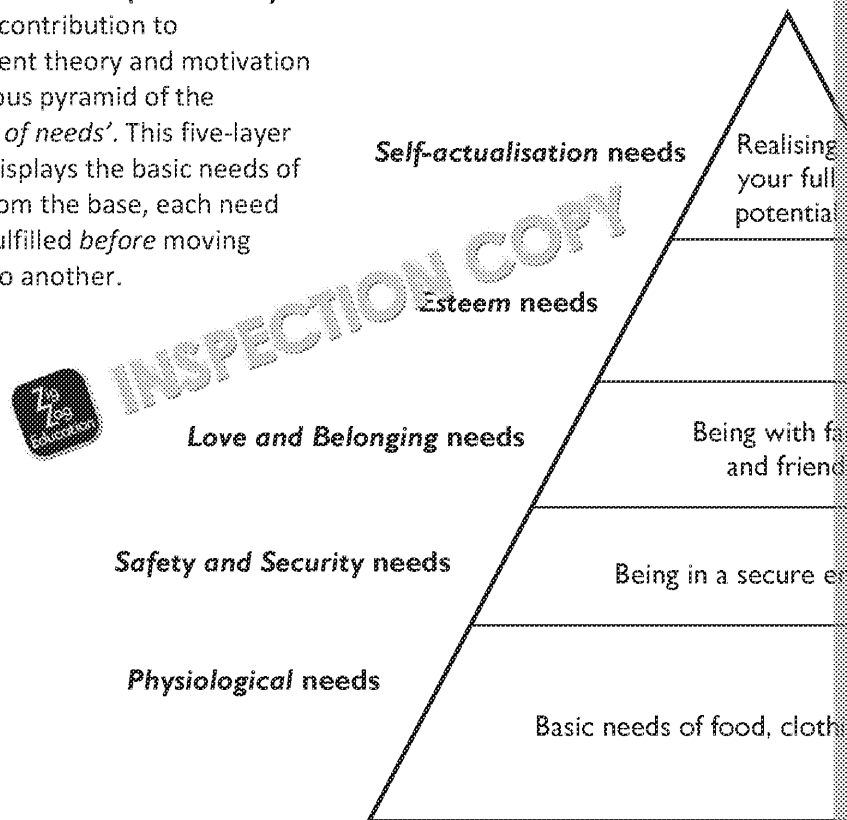
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Abraham H Maslow (1908–1970)

Maslow's contribution to management theory and motivation is his famous pyramid of the 'hierarchy of needs'. This five-layer pyramid displays the basic needs of people: from the base, each need must be fulfilled *before* moving upwards to another.



Frederick Herzberg (1923–2000)

Frederick Herzberg proposed from his research on professional engineers and accountants that job dissatisfaction at work resulted from two distinct categories: *hygiene* and *motivator* factors. Hygiene factors need to be present in order to *ensure* job satisfaction.

1. **Hygiene factors:** These include supervision, working conditions, salary, security and money in general. Hygiene factors need to be present to avoid job dissatisfaction but hygiene factors *by themselves* will not cause job satisfaction.
2. **Motivation factors:** These include recognition, responsibility and advancement. These factors are necessary for job satisfaction, but may not be the only factors that can affect job satisfaction.

How to Improve Employee Engagement and Motivation

Financial motivators

Most management theorists agree that money (or, more precisely, the *lack of money*) is a primary motivator of worker motivation. However, few believe it to be a primary motivator as most workers are motivated by *achieving higher goals*. Frederick Taylor, the founder of the theory of *Scientific Management*, motivated workers by *piece rate* (i.e. by the number of units of output they produced) was a social psychologist Douglas McGregor's Theory X postulated that some managers are *lazy* and needed a *financial incentive* to motivate them.

Financial motivators would include:

- **Piecework:** Paid according to the output of units produced
- **Time rate:** Paid by the number of hours worked
- **Salary:** Paid a set annual amount, which increases over time and service
- **Commission:** An extra payment based on a percentage of sales
- **Bonus:** This is usually an additional, one-off, special payment
- **Fringe benefits:** These are 'perks' such as free health insurance, cars and holidays
- **Performance-related pay:** Payment directly linked to how well workers do their job

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Financial incentives can be very effective when used, for instance, with low-skilled work for sales commission. In both of these cases, the potential for higher pay can drive themselves further than they would if pay stayed the same. These incentives, however, are not suitable for creative environments, where a workforce is usually driven by the prospect of innovation and opportunity to make more money. Financial incentives can also toe a fine line between motivating employees and encouraging competition.

Non-financial motivators

There are management theorists who believe that money is not as strong a motivator as it is often thought to be and that other factors are stronger motivators. *Abraham H Maslow*, considered the father of *Humanistic Psychology*, developed his famous *hierarchy of needs* showing that money is only a *hygiene factor*. *Frederick Herzberg*, the *clinical psychologist* and pioneer of the *Two-Factor Theory*, concluded that *higher motivators* had nothing to do with money but involved *achievement, recognition and responsibility* from their job.

Non-financial motivators include:

- **Job enrichment:** This is the *vertical expansion of an employee's existing duties* to increase the employee's degree of control over their job, or to increase the amount of responsibility for the job. Job enrichment should make work more challenging and rewarding.
- **Job enlargement:** This is the *horizontal expansion of an employee's duties*. It involves moving an employee to a job of the same skill level, to an existing job. The purpose of job enlargement is to make work more varied and less boring.
- **Job rotation:** This involves *moving employees between different jobs* in order to keep them more motivated. It has the benefit of making the employee more *multi-skilled* and saving the business with the *extra costs of training*.
- **Employee empowerment:** This involves encouraging employees to *take more responsibility*. Empowerment encourages employees to get involved in the decision-making process and to do so. It also enables employees to make *independent decisions* about how best to do their work.
- **Empowerment** is an important concept in *Total Quality Management (TQM)*. It involves moving to levels of *total business involvement* and so encourages *bottom-up* participation in decision-making. In business, decision-making should improve motivation and productivity.
- **Team working:** This makes the employee feel *less isolated* and helps stimulate *innovative skills*. It also increases the employee's *sense of belonging* to a business and so their level of *productivity*.
- **Consultation:** This relates to empowerment. Employees are included in the decision-making process and gives them more say over what aspects of the business will affect them.
- **Flexible working:** A positive work-life balance is important to everyone and so is a departure from the traditional 9 to 5. This is especially true with new parents, who require more flexibility with their children and who still need to work.

Non-financial incentives perform well in environments whose focus is innovation and creativity. Apple Inc., for instance, would place more importance on these incentives than a manufacturing company. These incentives do not work so well in low-skilled work where employees may be less willing to take on more responsibility, i.e. where extra work does not lead to a significant increase in pay. If more money, there is little reason to accept an incentive.

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Extend your Knowledge

The following two theories were introduced by Peter Drucker and Tom Peters. They are not essential to your exams, but we have included them in order to give further insight into the subject.

Peter Drucker (1909–2005)

Peter Drucker was the first to outline the theory of *Management by Objectives* in his book *The Practice of Management*. Drucker believed in an 'effective management based approach', which should attempt to reach pre-determined targets by efficiently using the resources already available and should only make decisions based on high-quality information. He emphasised that MBO should involve:

- Setting and communicating organisational objectives and targets that are SMART (Specific, Measurable, Achievable, Relevant and Time-bound).
- Organising the workforce to carry out tasks that help achieve their objectives.
- Devising suitable motivational factors for the workers. These should be a combination of financial and non-financial motivators.
- Developing a method of measuring the output of each employee and comparing it with the target so that a quantifiable performance measure of the worker's efficiency can be established.
- Developing the skills of all employees in the most appropriate way.

Tom Peters (1942–)

Unlike other management gurus, Peters has no one, all-embracing theory of management. He believes that businesses should 'recognise the talents of the individuals'. They should move away from 'one-size-fits-all theory' and concentrate more on the importance of people, customers and being innovative.

In 1982, Peters and Robert Waterman published a book entitled *In Search of Excellence*. They identified the *eight characteristics of business excellence* as being:

- proactive management
- understanding customer requirements
- entrepreneurial spirit
- producing results through people
- hands-on and value-driven management
- doing what you know best
- having a simple structure with lean staff
- having both a centralised and decentralised philosophy

Peters and Waterman, in collaboration with Anthony Athos and Richard Schonberger, developed the *Seven-Ss model*, emphasising a holistic view of an organisation, the Seven-Ss being *Structure, Systems, Staff, Style and Shared values*.

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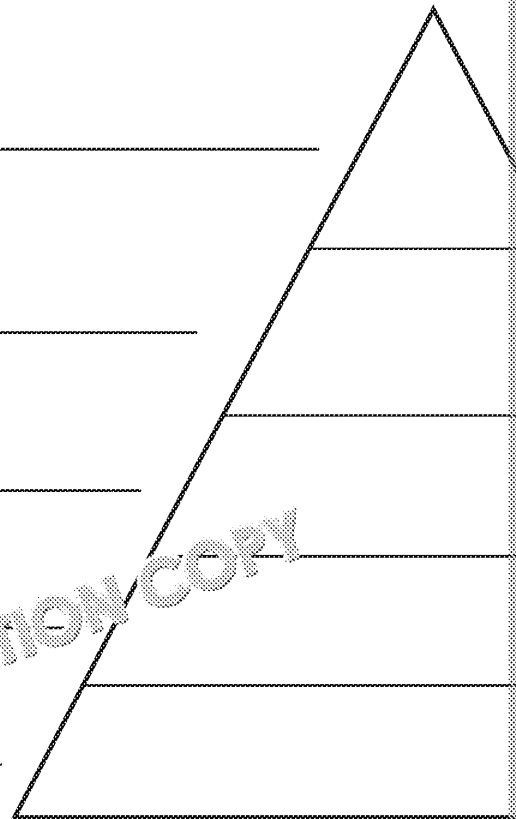


3.6.4. Questions

Please write your answers on a separate piece of paper or in an exercise book.

7. Fill in Maslow's 'hierarchy of needs' pyramid with the following terms:

- Self-actualisation needs
- Safety and security needs
- Physiological needs
- Esteem needs
- Love and belonging needs



8. Explain what Herzberg meant by hygiene and motivation in terms of job satisfaction.



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3.6.5. Making Human Resource Decisions: Improving Employee Relations



Key Points Covered

- Employee Involvement in Decision Making
- Employer-Employee Communication and Relationships

Employee Involvement in Decision-making

Businesses involve their employees into the decision-making process through a variety of methods, ranging from giving responsibility to a single key member of staff to encouraging suggestions from the workforce.

Small group: the business organises a select few staff members into a committee for each area of the business, the group gives a wide variety of values and opinions.

Lead staff member: some businesses give responsibility to one member of staff, who takes suggestions and ultimately is the one to make the decision.

Regular meetings: management meetings, often weekly, give a chance for each manager to discuss issues. Full company meetings, on the other hand, are less discussion-led than management meetings. They are for management to communicate to the rest of the company the decisions they have made. Employees are usually able to raise questions during these meetings, but any decision-making will be left to management.

Team meetings: when a business is split into several departments, it is often good for each department to make decisions for themselves. e.g. holding daily team meetings to discuss progress and action on a task. The team most involved in the task is sometimes the most qualified to make decisions on what is required and how to achieve it.

Presentations: rather than holding a discussion or inviting feedback, management may present the entire company with details of its business plans and decisions. Staff members may be asked for feedback later (e.g. sending an email after the presentation) but not during the presentation.

Trade union: rather than each employee voicing their issues with the company, a trade union represents the entire workforce (at least those who belong to the union). Trade unions help to ensure the voice of the people is clearly heard.

Employer/Employee Relationships

Relations between employer and employee are concerned with preventing and resolving conflicts between individuals which arise out of work situations. Information is provided to employees to give them a better understanding of management goals and policies, to advise employees about applicable laws and regulations. Keeping employees fully informed about policies, procedures and practices helps to avoid unnecessary industrial action such as strike, picket, work-to-rules and picketing.

Some benefits of good employer-employee communication:

- Good exchange of information between workforce and management (such as Kaizen) leads to a more motivated staff and improvement in productivity.
- Better decisions made by management are more likely to be adopted by staff if they have been through a consultation process – less resistance to change.
- Improved relations between management and workers means reduction of industrial action.

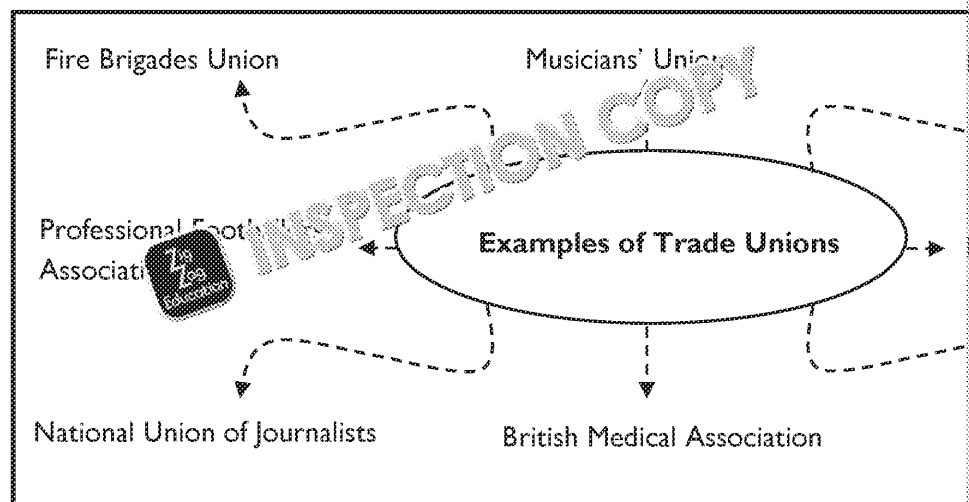
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Approaches to Employee/Employer Relations

Individual approaches involve single workers negotiating with their employers on wages and rates of pay while *collective bargaining* occurs when a trade union or employer negotiates on behalf of many workers.



Resolving issues at work can be all about getting management and employee representatives to talk things over. Essentially, conflict is caused because two sides – the employees and management – do not agree. Conflict resolution, therefore, will involve some method of two-way communication. In one representative talks on behalf of many union members, this is called *collective bargaining*. It would be impossible for the management of Toyota to talk to their thousands of employees. Instead, they meet with the union representatives who have their workforce's interests at heart.

Unions take action in an organisation when either communication has broken down or management communication have closed. Misinformation and poor communication are the main causes of industrial action.

When employees' representatives, such as trade unions, present demands and grievances, matters are discussed and agreed upon. If they reach deadlock, then a third party is called in to break the deadlock. It is then no longer a negotiation and instead becomes a mediation, where an agreement to be reached. If this still does not work, the business may seek to go to the Advisory, Conciliation and Arbitration Service.

Influences on Employee Involvement in Decision-making




All employees are involved in their companies' decision-making processes to a certain extent. A company can determine how much involvement employees have, but there are numerous factors that influence on this, many of which also have impact on a company's organisational structure.

- **Communications:** does communication flow up the hierarchy as well as down? Employees are more likely to have their voices heard and have an influence on company decisions if communication is open.
- **External Factors:** government legislation and the economic climate can shift the balance of power. Changes in industry legislation can force companies to delegate more, while an economic recession could force the same company to centralise decisions and reduce employee involvement.
- **Leadership:** the style of leadership, whether autocratic, democratic or other, can influence employee involvement and the general working culture. Employees that are used to hierarchical decision-making may assume this in all areas of the business that apply to them.
- **Organisation Size:** small organisations are often quite informal when it comes to decision-making. Management discuss the problem, decide on the change and then inform the staff. Larger businesses, on the other hand, are likely to use a formal process of consultation with employees. They are also required to consult with their staff in order to make changes.

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Methods of Employee Representation

Method of employee representation	Advantages	
Trade unions 	<ul style="list-style-type: none"> • Examples are NUT (National Union of Teachers) and MU (Musicians' Union) • Lobby for satisfactory rates of pay • Can secure appropriate working conditions • Negotiate on tariff issues • Negotiate on finance procedures • Engage in bargaining in an attempt to get the best possible pay and conditions for its members' wishes to the employers 	<ul style="list-style-type: none"> • If they represent 63% of unionised industry • If they increase redundancy • Trade unions prevent introduction of technology • Unofficial drop in production on the part of employees
Staff associations	<ul style="list-style-type: none"> • Examples are Society of Radiographers and Chartered Society of Physiotherapy; represent workers but carry out only some of the functions of a union • Provide a common voice for workers • Increase participation and involvement of staff • Sit on management policy group and help to make decisions • Help to control training by giving employees input on what is needed 	<ul style="list-style-type: none"> • Requires a lot of time and organisation • Some advantages • Management from job • Lack of achievement • May be
Professional associations 	<ul style="list-style-type: none"> • Examples are the Police Federation and Professional Football Association • Perform many similar tasks as unions • Responsible for setting and maintaining standards in their industry 	<ul style="list-style-type: none"> • May increase before
Works councils	<ul style="list-style-type: none"> • Legal requirement if the business is part of a multinational company (MNC) that operates in at least two European countries with at least 1,000 employees (at least 150 employees in two member states) • Right to representation by a works council has been an EU directive since 1999 • Employees in different member states have the right to be informed and be consulted about transnational issues via a works council 	<ul style="list-style-type: none"> • Complex • Language • Communication
Employee groups 	<ul style="list-style-type: none"> • Forums made up of employee representatives from selected areas of the business and representatives of the employers • Also known as joint representative forums • Ad hoc committees made up of management, HR and staff representatives from selected parts of the business • Meet up to discuss and raise issues that affect, or are likely to affect, employees • Bridges the gap between management and workers 	<ul style="list-style-type: none"> • May last • Management employees by the • Can lead to making • Employees own in • Possibility as employees sensitive

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3.6.5. Questions

Please write your answers on a separate piece of paper or in an exercise book.

9. Copy out and complete the following table, which explains three ways that employee involvement.

Complete the table using the following terms:

- Company Meetings
- Team Meetings
- Small Group

Best form of Employee Involvement	Type of Employee
Top-down involvement gives senior members of staff the chance to explain business decisions to the rest of the workforce. There is little discussion or decision-making, but employees can raise issues if they wish.	
A select few employees are chosen to discuss an issue and put forward a solution.	
Regular meeting between employees on a similar level. This is generally done on a daily basis as a way to plan for the day-to-day operations.	

10. Tomorrow's Today Ltd is a company that publishes daily newspapers and employs more than 650 staff, many of whom are senior journalists and editors. The company's staff is considering joining the National Union of Journalists (NUJ) to improve pay and working conditions.

Tomorrow's Today Ltd argues that there are benefits to union representation. Senior managers need only to speak to the union representative, simplifying the process and improving motivation (employees often feel more secure and their best interests). There are, however, downsides too.

Identify and explain two reasons why Tomorrow's Today Ltd should be considered for the NUJ.

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3.6. Keywords

Centralisation:	This often means that a few <i>top-level managers</i> retain responsibility for the whole business. All decisions would be made in the <i>central office</i> and then <i>communicated</i> to the business's various departments.
Chain of command:	This is the <i>route</i> in which <i>responsibility and authority</i> are passed through the <i>layers of management</i> .
Decentralisation:	This often involves the process of <i>delegating authority</i> and responsibility <i>lower down</i> the business's chain of command, <i>allowing</i> the business's various <i>branches and outlets</i> to operate <i>independent of head office</i> .
Delegation:	This is the process of transferring authority and power to an employee in a lower management layer. Note that authority goes downwards but responsibility cannot be.
Dismissal:	When an employee is removed from his/her position with the business.
Hierarchy:	The way in which a business is structured, such as flat, vertical or matrix.
Redundancy:	This happens when an employee's position no longer exists in the business.
Span of control:	The amount of control that a manager has, e.g. a sales manager with three sales advisors and so the span of control is three.

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3.6. Answers

1. a. Businesses using 'hard' HR methods often view their staff as a cost. Such firm possible in order to get a task done rather than investing in their development.
- b. Students should show any of the following ways in which 'hard' HR and 'soft' HR differ:
 - Soft HR looks to develop staff rather than just use them for a purpose
 - Soft HR follows market changes to continually attract staff in leading the way
 - Soft HR sees employees as contributing to the output of a firm
 - Hard HR does not focus on development while soft HR sees this as a way to improve company and employee performance

2. Students should show understanding of HR objectives and how they can help/hinder Churn-It-Out Ltd. Examples may include (but are not limited to):

Employee Engagement: by increasing staff involvement in the processes of the company, it can improve levels of motivation and efficiency. Not only does Churn-It-Out Ltd benefit from this, but its processes throughout the company, employees are motivated to stay as there is clear career progression. It is also a much cheaper option than training as employees will still be productive during the days or weeks in potentially expensive training.

External Training: some staff will be motivated by this and, therefore, stay with the company. However, it will likely need to spend a lot on this training. In addition, some employees will stay with the company after the training and then leave once they become more valuable to other employers. Much of the training that could be done in house, e.g. as part of a career-progression programme, would work out much cheaper than external training.

3. a.

$$\text{Labour Cost per Unit} = \frac{\text{Average pay per worker (per day)}}{\text{Average number of units per worker (per day)}}$$

$$\text{Average Pay Per Worker} = \frac{\text{Total Pay}}{\text{Number of Employees}}$$

$$\text{Average Pay Per Worker} = \frac{\text{£1400 per day}}{24 \text{ employees}}$$

$$\text{Average Pay Per Worker} = \text{£58.33 per day (to 2 dp)}$$

- b.

$$\text{Average Number of Units per Worker} = \frac{\text{Total Units per day}}{\text{Number of Employees}}$$

$$\text{Average Number of Units per Worker} = \frac{1200 \text{ units per day}}{24 \text{ Employees}}$$

$$\text{Average Number of Units per Worker} = 50 \text{ units per day}$$

- c.

$$\text{Labour Cost per Unit} = \frac{\text{Average pay per worker (per day)}}{\text{Average number of units per worker (per day)}}$$

$$\text{Labour Cost per Unit} = \frac{\text{£58.33 per worker per day}}{50 \text{ units per worker per day}}$$

$$\text{Labour Cost per Unit} = \text{£1.17 (to 2 dp)}$$

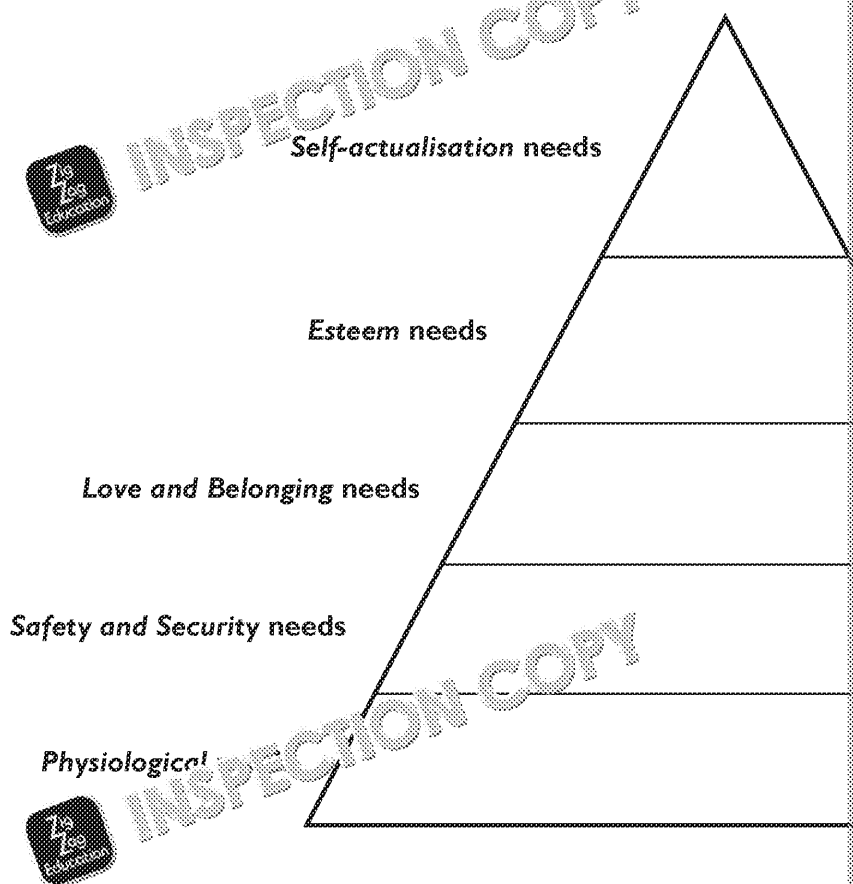
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4. Students should show understanding that the lower a business's labour cost per unit, the higher its profits. Since Happy Tuesdays Ltd charges £15.00 per notebook, the labour cost of a notebook is a major part of profit for the company (after expenses and taxes of course).

An issue may occur, however, with any staff members who learn the selling price of a notebook and demand more pay from the company. In addition, £15.00 is expensive for a notebook. Happy Tuesdays Ltd spends a lot on advertising and promotion in order to maintain the right reputation for its prices, and generate more sales, but then the labour cost per unit would not be as low as it seems.

5. Identify whether each of the following statements refers to a 'centralised' or 'decentralised' organisation.
- Centralised:** All business decisions are made by a single group or person, within the company.
 - Decentralised:** Decision-making is delegated from the head office to employees further down the organisation.
6. Students should identify two reasons for staying flat, such as (but not limited to):
- With fewer layers of management, there is less bureaucracy to contend with, and the decision-making process much quicker
 - Quicker decision-making also means the business can react more quickly to changes in the market
 - A business owner may also wish to keep a tighter grip on more aspects of their business, which allows them to make changes more easily
 - The business's employees can feel more motivated since communications are more direct between the business and, therefore, the owner.
 - With better communications, employees may feel more part of the team and more committed to the good of the business objectives.
7. Fill in Maslow's 'hierarchy of needs' pyramid with the following terms:
- Self-actualisation needs / Safety and security needs / Physiological needs
Esteem needs / Love and belonging needs



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8. Students should explain at least one point for each factor.

Hygiene involves:

- **Security:** making the workforce feel safe in their working environment
- **Salary:** employees require a fair salary in order to feel valued by the firm
- **Relationships:** management and peers must be able to communicate all aspects of the work
- **Supervision:** management needs to be aware of what is happening in the firm so that all work matters to the bigger picture

Motivation involves:

- **Recognition:** a motivated workforce needs to feel valued by its employer
- **Advancement:** if there is no upward mobility in an organisation, employees are less likely to be motivated
- **Responsibility:** employees do not always demand money in return for harder work, but they do want more influence on the company they work for.

9.

Description of Employee Involvement
This involvement gives senior members of staff the chance to explain business decisions to the rest of the workforce. There is little discussion or decision-making, but employees can raise issues if they wish.
A select few employees are chosen to discuss an issue and put forward a solution.
Regular meeting between employees on a similar level. This is generally done on a daily basis as a way to plan for the day-to-day operations.

10. Example answers might include:

- **Wages:** the company may need to make redundancies if wage demands are too high
- **Productivity:** if industrial action is ever called, such as strikes or go-slows, the company's productivity is severely affected.
- **Reputation:** disruption to the company's services can create a very negative image, leading to a loss of sales and, therefore, fewer profits for the company to pay its workforce.
- **Disruption:** making arrangements to the core business can be a slow process with the union.
- **Representation:** if the union does not have enough people enrolled (e.g. only a few members), it has less bargaining power, causing a more demotivated workforce.

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