HEADS-UP
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Cambridge

IGCSE

Business Studies

0450

CHAPTER TWO: PEOPLE IN BUSINESS

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2.1 Motivating employees

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2.1.1 The importance of a well-motivated workforce

- **Motivation** – Reason why employees want to work hard and effectively for the business.

- Why people work → financial + non-financial rewards:
  - **Money:** For necessities (needs) and some luxuries (wants).
  - **Job satisfaction:** Enjoyment and sense of achievement, non-monetary benefits.
  - **Social needs:** Sense of belonging, meeting new people, making friends at work.
  - **Esteem needs:** Feeling useful/your job is important, having a purpose.
  - **Personal improvement:** Learn new skills and ideas.
  - **Sense of security:** Not likely to lose job.
  - **Provide free labour:** Voluntary work for charities.

- Benefits of a well-motivated workforce:
  - Increased labour productivity → increased output.
  - Reduced absenteeism.
  - Reduced labour turnover.
  - Improved quality of work (take greater pride in their work).
  - More committed to achieve business objectives.

Motivational Theories

- Maslow's hierarchy of human needs:

	Human needs	**Employee needs**
Self-actualization	• Succeed to full potential. • Sense of achievement. • Purpose. • Creativity.	• Taking on more responsibility. • Promotion. • Development.
Esteem needs (self-esteem)	• Feel valued and unique. • Status, recognition, and achievement. • Confident and respected. • Independence.	• Recognized achievements = positive feedback, rewards, celebrations, etc. • Promotion. • Freedom, trust.
Social needs	• Friendship and family. • Sense of connection and belonging. • Intimacy.	• Supportive colleagues. • Teamwork. • Good working relationships and communication.
Safety and security needs	• Personal safety and security. • Protection from harm, danger, and poverty.	• Job security. • Safe working environment. • Fair and ethical treatment.
Physiological needs	• Food, water, clothing, shelter. • Sleep, recreation.	• Reasonable wage/salary, enough to meet needs and weekly bills.

  - To be motivated → higher levels in hierarchy must be available to them. Money alone will not increase productivity.

- o Each lower level in the hierarchy must be satisfied before the employee can be motivated by the next level.
- o When one level is achieved, it will no longer motivate the employee, and they will be motivated by the satisfaction of other needs up in the hierarchy.
- o To maximize labour productivity → satisfy needs higher than physiological needs. This increases motivation which increases productivity.

- Taylor's principles of scientific management:
  - o Workers are only motivated by **money** (personal gain).
  - o Jobs broken down into simple and repetitive tasks → specialization → improve productivity.
  - o Higher output → higher pay → increased productivity.
  - o Disadvantages:
    - Overlooked other factors that motivate.
    - Repetitive tasks → boredom, demotivating.
    - Difficult to measure employee's output.

- Herzberg's motivators and hygiene factors:
  - o Hygiene factors (basic needs):
    - Do not motivate + must be satisfied.
    - If not satisfied → demotivating, reduce job satisfaction and productivity.
  - o Motivators (needs for psychological growth and personal development):
    - If satisfied → increase motivation and productivity.

Hygiene factors	Motivators
• Job security.	• Achievement.
• Job status.	• Recognition for good work.
• Wages/salaries + other rewards.	• Promotion opportunities.
• Work conditions.	• Work that is interesting, varied, challenging, stimulating, etc.
• Relationship with managers/colleagues.	• Trusted with more responsibility.
• Company policies and administration.	• Personal development/growth.
• Work-life balance.	

2.1.2 Methods of motivation
Note: You must be able to recommend and justify appropriate method(s) of motivation in given circumstances.

Financial rewards

- Payment in exchange for labour.

- **Wages:**
  - o Payment for work, usually paid weekly to manual workers in cash or into bank.
  - o Incentive to work additional hours → paid overtime (basic wage + extra).
  - o Disadvantage: calculating wages costs time (every week) and money (wages clerks hired).
  - o **Time rate:** payment by hour.
    - Used when it is difficult to measure output of worker, e.g. bus driver.
    - Advantage: worker knows exactly how much they will be paid for.
    - Disadvantage:

- Good and bad workers get paid the same amount.
- Supervisors needed oversee workers (expensive).
- Clocking-in system required.
  - o **Piece rate:** payment by quantity of products made.
    - Usually basic rate + additional pay when set target achieved.
    - <u>Advantage:</u> encourage workers to work faster and produce more goods.
    - <u>Disadvantage:</u>
      - Workers may focus on quantity rather than quality. This may result in goods not selling well due to poor quality and damaging reputation of the business.
      - Quality control system required (expensive).
      - Workers who are careful will not earn as much as those who rush. This may not be seen as fair and may build tension between employees.
      - If machinery breaks down, workers will earn less money.

- **Salaries:**
  - o Payment for work, usually monthly to office staff (white-collar workers) into bank.
  - o Standard rate – extra work is counted as part of salary.
  - o <u>Advantage:</u> easy to calculate salary costs (only once a month).
  - o More money can be earned through rewards such as commission, profit sharing, bonus, performance-related pay, share ownership.

Commission	• Paid to sales staff – more sales, more pay. • Encouragement to sell more products. • <u>Disadvantage:</u> if staff persuades customers to buy goods they don't want, sales will fall in the long term due to bad reputation.
Profit sharing	• Workers receive a share of profits in addition to basic salary. • Motivate workers to work hard. • Used in service sector where it is difficult to measure output.
Bonus	• Lump sum paid when workers have worked well. • Paid end of year or intervals during the year.
Performance-related pay	• More effectiveness in work, more pay. • Used where output cannot be measured. • System of appraisal used to assess performance – superior observes and interviews employee to discuss progress and identify training needs.
Share ownership	• Employees are given some shares. • Encouragement to work hard as they will receive dividends. • May improve employee loyalty (greater sense of belonging to company).

Non-financial rewards (fringe benefits)

- Vary according to seniority of the job, e.g. workers may get employee discounts while senior manager may get company car and house.
- E.g. health insurance, free accommodation, free trips/holidays, children's education fees paid for, etc.

Job satisfaction

- **Job satisfaction** – Enjoyment derived from feeling that you have done a good job.

- Sources of dissatisfaction must be satisfied before employees can be motivated by factors that give job satisfaction, e.g. employees treated badly won't be motivated by fringe benefits.

- Factors that give job satisfaction thus motivation:
    - **Financial rewards.**
    - **Non-financial rewards.**
    - **Opportunities for promotion and training.**
    - **Working conditions:** Safe and clean, good relationship with colleagues and boss, treated fairly.
    - **Nature of work.**
    - **Working hours:** Reasonable hours.
    - **Empowerment:** Trusted to take new responsibilities, sense of achievement from job, consulted on management decisions, receive feedback on performance.
    - **Job security and job status.**
    - **Location:** Convenience, travelling time, traffic jam.

- 4 ways to increase job satisfaction:
    - **Job rotation:**
        - Workers on production line swap specific task for a limited time then change again.
        - Advantages:
            - Creates a flexible workforce. Workers can cover other jobs.
            - Increase variety in work and reduces monotony/boredom.
            - Develops worker's skills.
        - Disadvantages:
            - Does not make tasks more interesting.
            - Range of tasks given are similar, so boredom might return.
            - Quality and productivity might vary as some workers might be better at certain tasks than other.
    - **Job enlargement:**
        - More similar tasks are added to job description.
        - Advantages:
            - Add variety to work which gives job satisfaction (reduce boredom).
            - Does not increase responsibility.
            - Develop worker's skills.
        - Disadvantages: Employee could feel overwork if the work is more of the same.
    - **Job enrichment:**
        - Adding tasks that require more skill and responsibility (more challenging).
        - Advantages:
            - Develops worker's skills.
            - Reduces boredom.
            - Less supervision needed.
        - Disadvantages:
            - Training might be necessary → increases costs.
            - Worker might want a pay rise.
    - **Teamworking (autonomous work groups):**

- Responsibility for a particular process, product, or development is given to a group of workers.
- Used as part of lean production.
- Leads to job rotation and job enrichment, improved morale, and greater sense of belonging to company.

2.2 Organisation and management

2.2.1 Draw, interpret, and understand simple organisational charts
Note: You should be able to choose a suitable organisation chart for a particular business.

- **Organisational structure** – The levels of management and division of responsibilities within an organisation.

- In sole traders, there is no need for an organisational structure.

- An organisational structure shows the responsibilities of workers and their links with other workers. If tasks are not made clear, two people might do the same work or some work are not done at all.

- The organisational structure is shown in an organisation chart.

- Features of an organisation chart:
  o **Levels of hierarchy:** Each level has different degree of authority.
  o **Departments:** Each department has a particular function.
  o **Chain of command:** How power and authority are passed down from top to lower levels.

- **Chain of command** – The structure in an organisation which allows instructions to be passed down from senior management to lower levels of management.

- Advantages of an organisation chart:
  o Employees are aware of which communication channel is used to reach them.
  o Employees can identify who they are accountable to and who they have authority over.
  o Shows relationship between different departments within organisation.

- **Span of control** – The number of subordinates working directly under a manager.

- The longer the chain of command, the narrower the span of control and vice versa.

- Advantages of short chains of command:
  o Quicker and more accurate communication.
  o Top levels of hierarchy are more in touch with lower levels.
  o Wider span of control:
    - Advantage: Encourage managers to delegate jobs, less direct control of each worker → workers feel more trusted and may obtain more job satisfaction.
    - Disadvantage: Responsible for more people → lose control of subordinates.

- **Line managers** – People who have direct responsibility over people below them in the hierarchy.
- **Staff managers** – Specialists/experts who provide support, information, and assistance to line managers.

- Typical features of a larger organisation chart:
  - o Functional departments: Responsible for one part of work of an organisation. Consists of line managers who directly supervise subordinates.
    - Advantage: Specialized skills → efficient work.
    - Disadvantage: Workers may feel more loyalty to department than organisation.
  - o Regional departments: Responsible for international branches.
  - o Departments which employ specialists in particular areas, e.g. IT department. Consists of staff managers.

2.2.2 The role of management

- Functions of management:
  - o **Planning**: Setting aims for the future of the organization, giving them a purpose/sense of direction, and planning for resources required to achieve the aim.
  - o **Organising**: Organising and delegating people and resources effectively.
  - o **Coordinating**: Bring together all departments in the organization to work together achieve plans set by manager.
  - o **Commanding**: Instructing and guiding to make sure that subordinates carry out their tasks and meet deadlines.
  - o **Controlling**: Controlling and evaluating work to make sure employees are meeting the target.

- A good and effective manager is responsible for all these tasks and they are important because they:
  - o Motivate employees.
  - o Give guidance and advice to subordinates.
  - o Inspire subordinates to achieve more.
  - o Keep costs under control.
  - o Increase profitability of the business.

Importance of delegation

- **Delegation** – Giving a subordinate the authority to perform particular tasks.

- Only the **authority to perform a task** is delegated, not the final responsibility. If the job is done badly, the manager is responsible.

- Advantages of delegation for manager:
  - o Reduces workload. Managers cannot do every job themselves.
  - o Allows managers to give time to more important issues.
  - o Less likely to make mistakes.
  - o Easier to measure the success of their staff.

- Advantages of delegation for the subordinate:

- o Work becomes more interesting and rewarding.
  - o Worker feels important and trusted.
  - o Trains workers and helps them make progress in the organisation. This gives them career opportunities and job satisfaction.

- Reasons why some managers might not delegate:
  - o Afraid that the subordinates might fail.
  - o Want to control everything themselves.
  - o Insecurity of subordinates doing better than them.

- Delegation needs an increase in trust of workers in order to reduce direct control over workers.

2.2.3 Leadership styles
Note: You must be able to recommend and justify an appropriate leadership style in given circumstances.

- **Leadership styles** – The different approaches to dealing with people when in a position of authority.

- Autocratic leadership:
  - o Manager expects to be in charge and have their orders followed. All decisions made by manager.
  - o Keep information to themselves and tell employees only what they need to know.
  - o One-way communication → downward.
  - o Workers have little or no say.

- Democratic leadership:
  - o Employees involved in decision-making process.
  - o Information and future plans openly discussed before final decision made by manager.
  - o Two-way communication → downward and upward.

- Laissez-faire leadership:
  - o Employees know the objectives but are left to make their own decisions.
  - o Communication can be difficult → clear direction not given.

2.2.4 Trade unions

- **Trade union** – A group of workers who have joined together to ensure their interests are protected.
- **Closed shop** – All employees must be a member of the same trade union.

- A trade union is a type of pressure group. They seek to:
  - o Put forward their views and influence government decisions, e.g. minimum wage.
  - o Improve communication between workers and management.

- Benefits of trade union membership:
  - o Strength in numbers.
  - o Improved conditions of employment, e.g. pay rates, work hours.
  - o Improved work environment, e.g. health and safety, noise.

- o Improved job satisfaction by encouraging training.
  - o Improved benefits for retrenchment, the sick, or retired.
  - o Advice or financial support if members are dismissed (unfairly or made redundant) or asked to do something not part of the job.
  - o Benefits such as discounts in certain shops, provision of clubs.
  - o Employment if there is a closed shop.

- Disadvantages of trade union membership:
  - o Costs money.
  - o May be required to take industrial action even if they don't agree.

- What are the advantages and disadvantages of trade union from employees' and employers' viewpoints?

2.3 Recruitment, selection, and training of employees

2.3.1 Recruitment and selecting employees
Note: You should be able to recommend and justify who to employ in given circumstances.

- **Recruitment** – The process from identifying that the business needs to employ someone up to the point at which applications have arrived at the business.

- Roles of Human Resource Department:
  - o **Recruitment and selection:** Attracting and selecting the best candidates for vacancies that arise.
  - o **Training employees:** Assessing and fulfilling training needs of employees. Linked to future plans of the business.
  - o **Wage and salaries:** Sufficiently high to motivate employees.
  - o **Health and safety:** All health and safety laws are followed.
  - o **Industrial relations:** Effective communication between workforce and management to resolve disputes or to put forward suggestions for improvements.
  - o **Redundancy and dismissal:** Dismissing employees due to changes in business or unsatisfaction while making sure to comply to redundancy, dismissal, and disciplinary laws.

- The more important the job is (the more technical and senior the position), the more careful and time-consuming the recruitment process will be and vice versa.

The recruitment process

- Vacancy arises → job analysis → job description → job specification → job advertisement in appropriate media → application forms and short-listing → interviews and selection → vacancy filled.

- **Job analysis** – Identifying and recording the responsibilities and tasks relating to a job.
- **Job description** – An outline of responsibilities and duties to be carried out by someone employed to do a specific job.

- **Job specification** – An outline of requirements, qualifications, expertise, etc. for a specified job.

- **Job analysis:**
  - To study the tasks and duties to be carried out by new employee.
  - Filling existing post → easy to produce outline of duties.
  - New skills → put more thoughts into analysing nature of job.

- **Job description:**
  - List the duties involved.
  - Some contains conditions of employment (salary, work hours, pension scheme, etc.), training that will be offered, and opportunities for promotion.
  - Functions of a job description:
    - Lets candidates know what the job requires.
    - Allows job specification to be drawn up so people with right skills will be employed.
    - Shows whether employee carried out the job effectively.
    - Settles disputes about what the employee is asked to do.

- **Job specification:**
  - Specify desirable qualifications and qualities required to undertake the job.
  - Usually includes:
    - Level of educational qualifications.
    - Amount and type of experience.
    - Special skills, knowledge, or particular aptitude.
    - Personal characteristics, e.g. type of personality.

- What is the difference between job description and job specification? What are they used for?

- **Internal recruitment** – When a vacancy is filled by someone who is an existing employee of the business.
- **External recruitment** – When a vacancy is filled by someone who will be new to the business.

- **Job advertisement:**
  - **Internal recruitment:**
    - Advertised on company noticeboard, etc.
    - Suitable for employees who seek promotion.
  - Advantages of internal recruitment:
    - Saves time and money.
    - The person is already known to the business as well as his reliability, ability, and potential.
    - The person is familiar with the organisation's way of working and what is expected from them.
    - Can be motivating to see colleagues being promoted.
  - Disadvantages of internal recruitment:
    - No new ideas or experience into the business.
    - Jealousy among existing employees.

- o **External recruitment:**
  - ▪ **Local newspapers:** For clerical (office) or manual (factory) positions. Do not require high level of skill.
  - ▪ **National newspapers:** For highly paid senior positions. Require the right experience and skill. Sometimes shows vacancies from abroad.
  - ▪ **Specialist magazines and journals:** For particular technical people, e.g. scientists.
  - ▪ **Recruitment agencies:** Specialists in recruiting employees for companies. Used for temporary contracts in another country. Expensive.
  - ▪ **Job centres:** Run by government usually for unskilled and semi-skilled jobs.
- o Business needs to decide:
  - ▪ **What** the ad should include.
  - ▪ **Where** to place the ad.
  - ▪ **How** much the ad will cost – can afford?

- What are some examples of jobs which could be advertised using each of the different methods?
- What are the advantages and disadvantages of internal and external recruitment?

- • **Application forms and CVs/resumes:**
  - o Applicants → application form or application letter and CV (curriculum vitae)/resume.
  - o CV/resume = summary of a person's qualifications, experience, and qualities written in a standard format.
  - o Application letter should contain:
    - ▪ Why the applicant wants the job.
    - ▪ Why the applicant feels he would be suitable.
  - o CV/resume should contain:
    - ▪ Name.
    - ▪ Address.
    - ▪ Telephone number.
    - ▪ Nationality.
    - ▪ Date of birth.
    - ▪ Education and qualifications.
    - ▪ Work experience.
    - ▪ Positions of responsibility.
    - ▪ Interests.
    - ▪ Names and addresses of referees.
  - o Closest match to job specification → shortlist → interview.

- • **Interview and selection**
  - o <u>Purposes of interview</u> → to assess:
    - ▪ Ability to do the job.
    - ▪ Personal qualities that are an advantage or disadvantage.
    - ▪ Character and personality.
  - o One-to-one, two-to-one, or panel.
  - o Some include tests:
    - ▪ **Skills test:** Show ability to carry out certain tasks.
    - ▪ **Aptitude test:** Show potential to train and gain skills.
    - ▪ **Personality test:** Used when a particular type of person is required.

- **Group situation test:** Completing tasks in group situations. Each applicant assessed on the way they work in a group and tackle the task.
  - o Successful → formal letter of job offer.

Note: Make sure you can explain why particular interview questions might be asked. Don't repeat question.

Note: Make sure you can explain how information from tests might be helpful in choosing applicants.

- **Part-time** – Working between 1 and 30-35 hours a week.
- **Full-time** – Working more than 35 hours a week.
- **Contract of employment** – Legal written agreement between employer and employee listing the rights and responsibilities of workers.

- Contract of employment:
  - o Provided to new employee → legal requirement.
  - o Set out terms of relationship between employer and employee.
  - o States part-time (work between 1 and 30-35 hours a week) or full-time (work more than 35 hours a week).
  - o Usually includes:
    - Name of employer + employee.
    - Job title.
    - Date when employment commences.
    - Working hours.
    - Pay rate and other benefits.
    - When payment will be made.
    - What deductions will be made from wages, e.g. income tax.
    - Holiday entitlement.
    - Amount of notice to be given to end employment.
  - o Advantages of part-time workers:
    - More flexible in work hours.
    - Can ask employees to work only at busy times.
    - Easier to extend operating hours.
    - Less expensive than employing full-time.
  - o Disadvantages of part-time workers:
    - Less likely to be trained.
    - Takes longer to recruit two part-time than one full-time.
    - Less committed to business. More likely to leave for another job.
    - Less likely to be promoted.
    - Difficult to communicate with them when they are not in work.
  - o Advantages and disadvantages of full-time is opposite to part-time, i.e. advantages of part-time = disadvantages of full-time.

2.3.2 The importance of training and the methods of training

- Advantages of training (business):
  - o Introduce new process or equipment.
  - o Improve efficiency of workforce.
  - o Improve quality of output.
  - o Decrease supervision needed.
  - o Decrease chances of accidents.
  - o Increase productivity.

- Disadvantages of training (business):
  - Loss of output while training.
  - May raise expectations of promotion.
  - Cost of training.

- Advantages of training (employee):
  - Improve opportunity for internal promotion.
  - Make unskilled workers more valuable to company.
  - May get increased pay.
  - Easier to apply for jobs at other businesses.

- Disadvantages of training (employee):
  - May be asked to undertake more duties.
  - May have to work in a different way.

- Aim of training:
  - Increase skills and knowledge.
  - Change people's attitudes/raise awareness.

- Training can be short-term (one-day courses) or long-term (MBA programme).

- Make clear benefits of training to employees → or they won't take training seriously.

- **Induction training:**
  - Introduction given to new employees → explaining company's activities and procedures and introducing them to colleagues.
  - Advantages of induction training:
    - Helps new employees settle into their job quickly.
    - Workers less likely to make mistakes.
    - May be legal requirement to give Health and Safety training at the start of job.
  - Disadvantages of induction training:
    - Time-consuming.
    - Wages are paid but no work is done by worker.
    - Delays starting the job.

- **On-the-job training:**
  - Watching a more experienced worker doing the job (shown what to do).
  - Suitable for unskilled and semi-skilled job.
  - Advantages of on-the-job training:
    - Training to specific needs of the business.
    - Costs less than off-the-job training.
    - Ensures some production from worker while training.
    - One-to-one mentoring.
    - Training takes place in workplace. Worker does not need to be sent away for training (travel cost expensive).
  - Disadvantages of on-the-job training:
    - Trainer might not be productive as usual because of time spent training trainee.
    - May not necessarily be a recognised training qualification outside business.
    - Trainer may pass bad habits to trainee.

- **Off-the-job training:**
  - o Worker is trained away from workplace.
  - o Techniques used → classroom learning, lecture, role play, case studies, computer simulations, etc.
  - o Advantages of off-the-job-training:
    - ▪ Variety of skills can be taught → employees become multi-skilled.
    - ▪ High quality training is conducted by experts who have up-to-date knowledge of business practices.
    - ▪ Reduces cost of training if session is held in the evening after work.
    - ▪ Meet people from other organisations → exchange new ideas.
  - o Disadvantages of off-the-job-training:
    - ▪ High cost → expert's fees, transportation, extra space, etc.
    - ▪ Wages are paid but no work is done by worker.
    - ▪ Employee may leave for better job with new skills/qualifications.
    - ▪ Employee may learn new skills for equipment the business doesn't have.

2.3.3 Why reducing the size of the workforce might be necessary
Note: You must be able to recommend and justify which employee to make redundant in given circumstances.

- **Workforce planning** – Establishing the workforce needed by the business for the foreseeable future in terms of number and skills of employees required.

- Reasons for downsizing workforce:
  - o Introduction of automation → manpower unnecessary.
  - o Reduced demand for their goods or services.
  - o Shop/office/factory closure.
  - o Relocating factory abroad.
  - o Some jobs have become surplus to the requirement when businesses are merged/taken over.

- Process of workforce planning includes:
  - o Finding out skills of all present employees.
  - o Counting out anyone who is leaving soon.
  - o Consulting with existing staff → who wants to retrain to fill new jobs.
  - o Preparing recruitment plan → how many new staff needed, how they should be recruited.

- **Dismissal:**
  - o Worker is told to leave job because of unsatisfactory behaviour.
    E.g. Sales staff caught stealing products.

- **Redundancy:**
  - o Employees lose their job because they are no longer needed, not because of unsatisfactory work.
    E.g. Due to economic recession, decrease in sales leads to lower revenues. Business would try to cut costs by making some sales staff redundant.
  - o Factors that help to decide which worker to make redundant or retain:
    - ▪ **Length of employment:** Workers employed for a long time are often retained (most experienced and most expensive to make redundant).

- ▪ **Employment history:** Good or poor attendance, punctuality, appraisal record, etc.
- ▪ Workers with skills needed by business/skills that could be transferred to other departments are often retained.
- ▪ Which departments need or don't need workers.
- ▪ Workers who **retire** (getting older and wants to stop working) or **resign** (leaving because they found another job/wants to start own business).

Note: You must be able to explain the difference between redundancy and dismissal with examples.

2.3.4 Legal controls over employment issues and their impact on employers and employees

- Laws for equal employment opportunities → employees are treated equally in workplace and paid equally for the same work.

- This means that businesses have to:
  - o Be careful when wording an ad for a job.
  - o Treat all applicants equally when selecting employees.
  - o Recruit and promote staff based on merit, not connections.

Legal controls and protection for employees

- **Unfair discrimination:**
  - o Illegal in many countries.
  - o Discrimination against workers and job applicants include:
    - ▪ Different race or colour.
    - ▪ Different religion.
    - ▪ Gender and age.
    - ▪ Disability.
    - ▪ Sexual orientation.

- **Health and safety** laws:
  - o Protect workers from dangerous machinery.
  - o Provide safety equipment and clothing.
  - o Reasonable workplace temperatures.
  - o Hygienic conditions and washing facilities.
  - o Breaks between work and reasonable shift hours.

- **Unfair dismissal:**
  - o E.g. for being pregnant, for joining trade union, no warnings given before dismissal.

- **Wage protection:**
  - o Legal minimum wage → illegal for employers to pay below this minimum amount.
  - o Advantages of legal minimum wage:
    - ▪ Prevents employers from exploiting unskilled workers who couldn't easily find other work.
    - ▪ Encourages employers to train unskilled workers to make them more productive.
    - ▪ Low-paid workers can earn more and afford to spend more.
    - ▪ Encourages more people to work → decrease in unemployment rate.
  - o Disadvantages of legal minimum wage:

- Increase costs → increase in prices.
- Some employers cannot afford minimum wage rates → redundant workers → increase in unemployment rate.
- Other workers may ask for higher wages to keep the differential between them and low-paid workers → increase costs.

Note: Make sure you can explain why governments introduce laws to protect employees and how these laws affect both employers and employees.

2.4 Internal and external communication

2.4.1. Why effective communication is important and the methods used to achieve it

Note: You must be able to recommend and justify which communication method to use in given circumstances.

- **Communication** – Transfer of message from sender to receiver.
- **Effective communication** – Information/message being sent is received, understood, and acted upon in the way intended.

- Effective communication is important for a business to be successful. Communication failure can have serious consequences on the business.

- 4 parts to effective communication:
  o **Transmitter/sender:** Person who wants to send information to others. In order to ensure effective communication, the medium and receiver must be chosen carefully.
  o **Medium of communication:** Method used to send message.
  o **Receiver:** Person who receives message.
  o **Feedback:** Reply from receiver showing whether the message has been received and understood. Ensures that information is received by the right person.

- Importance of effective communication:
  o Improve customer relationships (good customer service).
  o Improve relationship with staff/manager → boost morale and efficiency.
  o Enhanced productivity.
  o Improve coordination and build good teams.
  o Reduce mistakes, e.g. wrong location, wrong people.
  o Prevent misunderstandings.
  o More adaptable/quicker response to market changes.
  o Ensures smooth business operation.

- **Internal communication:**
  o Communication between members of the same organisation.
  o E.g. manager providing feedback on employee's performance, notices about health and safety.
  o Ensure that everyone knows their responsibilities and objectives.
  o Needed for basic management tasks, e.g. instructing, encouraging, planning, etc.

- **External communication:**
  o Communication between the organisation and other organisations/individuals.
  o E.g. order goods from suppliers, advertising goods and prices.

- o Important to the **image** and **efficiency** of a business.
  E.g. wrong info sent to customers → bad first impression/losing them to rival firms.
  E.g. ineffective communication with supplier could result in wrong materials being sent → decrease productivity → loss of revenue.

Note: In questions about communication, state whether you are referring to internal or external communication.

- **One-way communication:**
  - o When the message does not require a response.
  - o Receiver has no chance to provide feedback.
  - o E.g. timetables, advertisements.

- **Two-way communication:**
  - o When receiver responds to the message.
  - o Both parties involved → better and clearer information.
  - o E.g. meetings, conversations.
  - o Advantages of two-way communication:
    - ▪ Receiver can make contribution to the topic discussed → motivate receiver.
    - ▪ Sender will clearly know if receiver understood the message. If not, message can be sent again to ensure that effective communication takes place.

Communication methods

- Different messages require different methods of communication.

- Factors to consider when choosing appropriate communication method:
  - o **Speed:** Is it urgent?
  - o **Cost:** Low costs or effective communication (regardless of cost) more important?
  - o **Message details:** How detailed is the message? If message contains illustrations/plans → more essential to use written or visual communications.
  - o **Leadership style:** Two-way verbal communication is more likely to be used in democratic than autocratic.
  - o **Receiver:** Who is the target receiver? One-to-one communication might be appropriate for a single receiver, but not hundreds of workers.
  - o **Importance of written record:** When written record is needed for future reference.
  - o **Importance of feedback:** Sender requires feedback quickly.

- **Verbal communication:**
  - o Includes:
    - ▪ **One-to-one meetings:** Direct two-way communication between sender and receiver.
    - ▪ **Telephone conversations:** Fixed telephone, mobile telephone, and Skype. Cost of equipment and calls can be expensive but it saves time and money on other forms of communication.
    - ▪ **Video conferencing:** Meetings held in different locations through internet. No need to travel to meet face to face.
    - ▪ **Meetings and team briefings:** Involve few or many people. Can be external or informal.
  - o Advantages of verbal communication:

- Information can be given out instantly to many people at the same time → efficient way of communicating with large group.
- Opportunity for immediate feedback and two-way communication.
- Messages in face-to-face meetings can be reinforced using body language, facial expressions, and posture.
  - o Disadvantages of verbal communication:
    - Can't tell if everybody is listening or understood the message.
    - Both parties must speak the same language well enough to understand each other.
    - Not permanent and accurate.
    - Verbal feedback can take longer than written feedback.
    - Varying internet speed and telephone line quality can make phone calls and video conferencing difficult.

- **Written communication:**
  - o Including those based in information technology (IT):
    - **Business letters:** Most used and important method internally and externally. Follows a set structure.
    - **Memos** (short for memorandum)**:** Used internally only for short, important messages. Sent through internal email system.
    - **Reports:** Detailed documents on a particular issue prepared by experts and sent to managers before meeting to discuss the issue. Reports are so detailed that all employees could not understand.
    - **Notices:** Display information for everyone to read (pinned on boards).
    - **Faxes** (facsimile)**:** Transmit short messages from one fax machine to another via telephone lines.
    - **Text messages:** Used when face-to-face or phone call is not possible. Record exists until it is deleted, but there is no way to gauge tone or mood of sender.
    - **Email, social networking sites, tweeting:** Electronic communication using IT allows messages to be sent using computing facilities. Intranets and internet provide easy and effective communication.
  - o Advantages of written communication:
    - There's physical evidence of message for future reference → reduce disagreements about contents of message.
    - Can be copied and sent to many people.
    - Quick and cheap way to reach large number of people.
    - Useful for messages with complicated details, e.g. safety measures.
  - o Disadvantages of written communication:
    - Direct feedback (two-way communication) is not possible unless electronic communication is used.
    - Difficult to check whether message is received and acted upon as with verbal communication.
    - Language used may be difficult to understand. Long messages may be confusing and boring.
    - Message cannot be reinforced using body language.
    - Message may be copied and leaked to others who are not supposed to receive them.

- **Visual communication:**
  - o Includes:

- **Films, videos:** Powerful and attractive way to combine visual and verbal communications. Used for advertising goods and services, training new staff, or to inform sales staff about new products
- **Microsoft PowerPoint:** Used for internal training, to inform about new products, or to reinforce verbal communications at meetings. Include written points, charts, photographs, etc.
- **Posters:** Using picture or cartoon to explain simple but important message.
- **Charts and diagrams:** Tables, graphs, etc. used in reports or letters to show numerical data or simplify complicated ideas. Use of IT and computers allow wide variety of choices to present data.
- **Photographs and cartoons:** Add variety, color, and humour to the message which increases chance of message being read and understood.
  - o Advantages of visual communication:
    - Presents information in a more interesting and appealing way → people are more prepared to look at videos or posters than read letters.
    - Makes written messages clearer (illustrate/reinforce point being made).
    - Easier to recall points with the help of diagrams or pictures.
  - o Disadvantages of visual communication:
    - Charts and graphs are difficult for some people to interpret, especially if it contains technical and financial info. Message might be misunderstood if receiver could not interpret.
    - No feedback. Sender has to use other forms of communication to make sure message is understood, e.g. written test after training video.
    - Some are expensive, e.g. television advertisements.

- All 3 methods can be combined with the use of electronic devices.

 2.4.2 Demonstrate an awareness of communication barriers

- **Formal communication:**
  - o Messages are sent through established channels using professional language.
  - o E.g. notices, reports, emails, memos.

- **Informal communication:**
  - o Message is sent and received using casual language.
  - o E.g. meetings with friends.
  - o Sometimes used by managers to try out new ideas before introducing it formally.
  - o May spread gossip and rumours.

- **Direction of communication:**
  - o **Downward communication:** Messages are sent from managers to subordinates. If message goes through many levels of hierarchy, the original meaning might become distorted.
  - o **Upward communication:** Feedback are sent from subordinates to managers. Essential for effective communication.
  - o **Horizontal communication:** Communication between people of the same level but different departments. Ideas can be exchanged during formal and informal meetings.

Communication barriers

- **Communication barriers** – Factors that stop effective communication of messages.

- Communication barriers arise when one of the four parts of effective communication does not operate. This causes communication breakdowns (ineffective communication).

- Problems of ineffective communication:
  o Employees don't know what their roles are.
  o Dissatisfied clients → poor sales.
  o Damaged reputation.
  o Poor relationship between workers → poor teamwork.
  o Higher risk of accidents.
  o Incomplete tasks → wastage.
  o Recruitment problems.

	Barrier	How to overcome barrier
Problems with sender	• Using jargon and technical terms. • Using difficult language.	• Use simple and clear language which is understandable. • Avoid use of jargon.
	• Speaking too quickly. • Not speaking clearly enough.	• Make the message as clear as possible. • Ask for feedback to make sure message is understood.
	• Sent wrong message. • Sent message to wrong person.	• Make sure the right person receives the right message.
	• Message is too long. • Too much detail prevents main point from being understood.	• Make the message as brief as possible.
Problems with medium	• Message is lost.	• Insist on feedback. • If no feedback, sender assumes message is lost.
	• Wrong medium used.	• Select appropriate method for each message.
	• Message is distorted after being passed down a long chain of command. .	• Use the shortest possible channel.
	• Breakdown of medium, e.g. computer failure.	• Make other forms of communication available if possible.
Problems with receiver	• Not paying attention. • Not listening.	• Emphasise importance of message. • Ask for feedback to ensure understanding.

	• Unwilling to act upon message. • May not like or trust sender.	• Build trust between sender and receiver. • Use another sender who is respected by receiver.
Problems with feedback	• No feedback.	• No feedback asked for. • Communication method did not allow feedback.
	• Received too slowly. • Distorted due to passing through too many people.	• Direct lines of communication must be available. More effective.