People in business

Motivation theories and methods, organisation charts and management, leadership styles and trade unions, recruitment, selection and training, redundancy and employment law, and effective communication.

A business is only as good as its people. This chapter covers how businesses **motivate**, **organise**, **recruit**, **train** and **communicate with** their workforce.

2.1 Motivating employees

Why a well-motivated workforce matters

Motivation is the **desire to work hard**. People work for **money**, but also for **security**, **satisfaction**, **status**, **friendship** and **achievement**.

Benefits of a well-motivated workforce:

- higher **labour productivity** (more output per worker)
- lower **absenteeism** (fewer days missed)
- lower **labour turnover** (fewer staff leaving, so lower recruitment and training costs)
- better **quality** and **customer service**

Theories of motivation

Maslow's hierarchy of needs (a pyramid, from bottom to top):

Level	Need	At work
5	**Self-actualisation**	reaching one's full potential, challenging work
4	**Esteem**	recognition, promotion, status
3	**Social**	friendship, teamwork
2	**Safety**	job security, safe conditions
1	**Physiological**	pay enough for food and shelter

Lower needs must be met before people are motivated by higher ones.

Taylor (scientific management): workers are motivated **mainly by money**. Break work into simple tasks, supervise closely and pay by output (**piece rate**). **Limitation**: ignores other needs; work may be boring.

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Herzberg (two-factor theory):

- **Hygiene factors** (pay, conditions, security, company policy): if poor they **cause dissatisfaction**, but improving them does **not** by itself motivate.
- **Motivators** (achievement, recognition, responsibility, interesting work, promotion): these **actually motivate**.

Methods of motivation

Financial	How it works
Wage	paid per hour or per week
Salary	fixed yearly pay, paid monthly
Bonus	extra payment for meeting a target
Commission	a **percentage of sales** made
Profit sharing	a share of the business's profit

Non-financial	How it works
Job enrichment	giving more **responsibility and challenge**
Job rotation	moving between tasks to reduce boredom
Teamworking	working in groups, giving a sense of belonging
Training	builds skills and shows the business values staff
Promotion opportunities	a career path

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> **Recommend and justify a method: match it to the workers' needs and the business situation. Sales staff respond well to commission; staff in a low-paid, repetitive job may respond to job enrichment or rotation; a business short of cash may use non-financial methods.**

2.2 Organisation and management

Organisation charts

An **organisation chart** shows the **structure** of a business: who is in charge of whom.

- **Levels of hierarchy**: the layers of management from top to bottom.

- **Span of control**: the **number of workers** a manager is directly responsible for.
- **Chain of command**: the **route** through which instructions pass from the top down (and messages up).

Tall structure: many levels, narrow span of control: close supervision and clear promotion path, but **slow communication** and **high costs**. **Short (flat) structure**: few levels, wide span: faster communication and lower cost, but managers may be **overloaded** and there are fewer promotion steps.

Roles: **directors** decide the business's direction and policy; **managers** plan, organise and control departments; **supervisors** oversee day-to-day work; **other employees** carry out tasks. They are linked: directors set objectives, managers turn them into plans, supervisors direct the staff.

The role of management

Fayol's functions: **planning**, **organising**, **coordinating**, **commanding** and **controlling**.

Delegation means passing **authority and tasks** to a subordinate. It frees managers for important work, develops and motivates staff and speeds decisions. **Limitation**: the manager may lose control and, if the worker is not capable, mistakes occur. There is a balance between **trust and control**.

Leadership styles

Style	Features	Suited to
Autocratic	the leader **makes all decisions**, tells workers what to do	emergencies, unskilled workers, tight deadlines
Democratic	the leader **consults** workers, then decides	skilled workers, creativity, long-term motivation
Laissez-faire	the leader gives workers **freedom** to decide	highly skilled, self-motivated teams (designers, researchers)

Autocratic: quick decisions but demotivating. **Democratic**: good motivation but slower. **Laissez-faire**: creative, but can lack direction.

Trade unions

A **trade union** is an organisation of workers that **protects their interests**: negotiating pay and conditions with the employer (**collective bargaining**) and supporting members in disputes.

- **Benefits to employees**: stronger bargaining power, support, safer conditions.
- **Effects on employers**: may bring **higher wages and costs**, possible **strikes**, but better communication and happier workers.

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2.3 Recruitment, selection and training of employees

Recruitment and selection

- **Recruitment**: attracting a pool of applicants. **Selection**: choosing the best.
- **Internal recruitment**: filling the job with an **existing employee** (cheaper, quicker, motivating; but no new ideas, and leaves another vacancy). **External recruitment**: from **outside** the business (wider choice, new ideas, but costly and slower).

Stages:

1. Identify the **vacancy** and write the **job description** (the tasks) and **person specification** (the skills and qualities).
2. **Advertise** (website, newspaper, recruitment agency, job centre).
3. Applicants send a **CV and application form**; **shortlist**.
4. **Interview** (and perhaps tests or references).
5. **Select and appoint**, with a **contract**.

Recommend and justify who to employ: compare candidates' **skills, qualifications and experience** with the job, and consider **cost**.

	Full-time	Part-time
Benefits	committed, more flexible hours, experience	flexibility for the business, lower cost in quiet times, suits those who cannot work full time
Limitations	higher costs, may be underused	less committed, more administration, harder to coordinate

Training

Importance: improves **skills and productivity**, raises **quality**, motivates, helps staff **adapt to new technology**; for employees it brings **promotion and security**. **Cost** and the risk that trained staff **leave** are drawbacks.

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Type	Meaning	Benefits	Limitations
Induction	introduces **new** staff to the business, safety and colleagues	settles people in quickly	takes time, generic
On-the-job	learning while **doing the job**, with a trainer	cheap, relevant, productive	trainer's time, may pass on bad habits
Off-the-job	away from work (college, courses)	expert teaching, new ideas	costly, work is lost while away

Reducing the workforce

- **Dismissal**: an employer **ends a contract because of the employee's behaviour or poor performance** (stealing, constant lateness).
- **Redundancy**: a job **no longer exists**, through no fault of the employee.

Why downsizing may be necessary: **automation** (machines replace workers), **reduced demand**, **closing a branch**, a merger, or the need to cut costs.

Which to make redundant: consider **skills needed**, performance, **length of service**, and the **cost** of redundancy payments, as well as the law.

Legal controls over employment

Laws protect employees and affect employers: **employment contracts**, **unfair dismissal**, **discrimination** (by sex, race, religion or disability), **health and safety**, **minimum wage**. **Employees** are protected and safer; **employers** face **higher costs and more administration**, but legal compliance can improve motivation and reputation.

2.4 Internal and external communication

Why effective communication matters

Communication is the **passing of information** between people. **Internal** is within the business (managers to staff); **external** is with customers, suppliers and others. **Effective** communication gives clear instructions and avoids mistakes, **improves motivation**, speeds decisions and builds customer relationships.

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Methods

Method	Benefit	Limitation
Face to face / meetings	quick feedback, personal	takes time, no record
Telephone	immediate	no written record
Written (letters, memos, notices)	a record, detailed	slow, no immediate feedback
IT-based: email, text, video-conferencing, intranet, social media	**fast**, cheap, reaches many, record kept	information overload, needs equipment and skills, impersonal, security risks

Recommend and justify: match the method to the **message, audience, cost and urgency** (a confidential matter suits face-to-face; a message to 500 staff suits email).

Barriers to communication

How they arise: **jargon**, **language differences**, **too long a chain of command** (messages get distorted or lost), **poor listening**, **noise or distance**, **faulty equipment**, **information overload**, **lack of trust**.

Problems of ineffective communication: mistakes, **wasted time and money**, **demotivated staff**, **lost customers**.

How to reduce or remove barriers: use **simple, clear language**, **shorten the chain of command**, use **feedback** to check understanding, **train** staff, invest in better IT, and choose the right method.

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