

**TOPIC 1: MANAGEMENT AND LEADERSHIP**

**1. MANAGEMENT AND MANAGERS**

**The functions of management**

Definition | Management: This is regarded as the art of getting things done through other people.

There are two main approaches to functions of management:

1. Henri Fayol
2. Mintzberg

**1. Henri Fayol**

*Mos Monte Manufacturing Business*

Function	Description
1. Planning	This involves setting aims or targets with the objective of giving the organization the sense of direction and purpose. Furthermore, it also requires to plan for the resources to achieve these aims. For example, if a company's aim is to double the sales of cars in the coming year the resources needed will be better advertising and superior quality cars.
2. Organizing	Managers must assemble the resources that they need to carry out the actions set out in the plan. Jobs need to be organized within sections or departments and authority to be delegated so that jobs are carried out. For example, the goal of a manufacturing business may be to produce and deliver quality goods. The tasks such as manufacturing and packing need to be organized to achieve this goal.
3. Coordinating	It is the bringing together of the activities of people within the business. Individuals and departments may be working in their own specialist area without interacting with the people of the other departments. Managers must make an effort, like by arranging regular meetings or setting up project teams consisting of people from various departments to develop a common approach, so that the company goals can be achieved.
4. Commanding	A manager should lead his workforce in such a way that all his instructions are followed and employees and supervisors are achieving their targets and meeting deadlines.
5. Controlling	To evaluate the performance of workers, a manager should have the ability to keep a check on the performance of his subordinates and identify weak and strong areas and should make his best effort to correct the problems.

## 2. Mintzberg

Functions	Description
1. Interpersonal  <i>connects multiple departments</i>	<p>1. Figurehead: As a figurehead, his job is to act as a symbolic leader and deal with social and legal issues</p> <p>2. Leader: As a leader, his job is to <u>recruit, train and motivate employees</u> so they perform the tasks willingly</p> <p>3. Liaison: Lastly his job is to act as a liaison and ensures that he is well linked with managers and leaders of other departments and organizations.</p>
2. Information  <i>to generate &amp; monitor information between internal &amp; external stakeholders</i>	<p>1. Monitor: Look for information both internal and external that is relevant to the organization and look at their teams performance and welfare.</p> <p>2. Disseminator: Sending information to others in the organization.</p> <p>3. Spokesperson: Acts as a speaker for the organization. This aims to transmit information about organization and its goals to the people outside the organization.</p>
3. Decision  <i>[Take] decisions in the best interest of the company than this person is going to get the best deals for the company OR BUSINESS</i>	<p>1. Entrepreneur: As an entrepreneur, he continuously looks for opportunities and takes calculated risks</p> <p>2. Disturbance handler: This involves dealing with unexpected and circumstances and crises</p> <p>3. Resource allocator: He further allocates the company's financial and human resources such that the objectives are met</p> <p>4. Negotiator: Lastly, he represents the organizations at important negotiations, which can range from discussions over take overs and mergers to discussions with trade unions over worker issues</p>

## 2. LEADERSHIP

**Definition:** Leadership is defined as the art of motivating people so they perform the assigned task willingly and efficiently to achieve a common business objective.

**Leadership roles in business** *(separate definitions)*

Role	Description
1. Directors	They are <u>senior managers of functional departments</u> e.g. Marketing Director, Finance Director etc. Their job is to <u>set goals for their respective department</u> , help in recruitment of senior staff and develop strategies to carry out tasks set by the board of directors.
2. Managers	They are responsible for <u>setting objectives, organizing resources and motivating staff</u> to meet <u>organizational goals</u> . They are answerable to the individual's senior to them and have authority of staff junior to them.
3. Supervisors	They are <u>appointed by managers</u> to <u>overlook the work of other people</u> . They <u>lead teams, act as work colleagues and ensure that the workers achieve their appointed targets</u> .

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BOARD OF DIRECTORS → CEO → Directors → Managers → Supervisors



4. Worker Representatives	They are elected by the workers, either as trade union officials, or representatives on works councils in around to represent workers interest to the managers.
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**Qualities of a Leader**

There are several qualities of an effective leader. Some studies argue that leadership qualities are born, whereas others believe that they can be learned and adopted over time. Some of the key qualities are mentioned below:

Quality	Description
1. Self Confidence	Leaders have a natural drive to succeed and are confident that they will get there. This gives them the motivation to pursue their dreams.
2. Give <u>strategic direction</u>	Leader communicate the strategic direction to their employees. Example: Steve Jobs always stressed on innovation and creating a point of differentiation which became part of the Apple's core as of today.
3. Inspire others	Leaders tend to create better leader than themselves. Example: Tim Cook was inspired by Steve Jobs and was able to succeed him as the CEO.
4. See the big picture, think the big ideas	They tend to see beyond the obvious. Example: When Elon Musk started off with Tesla's electric cars everyone thought it is not possible to create an electric car that is fast enough however he saw that electric will be the future of the car industry.
5. Emotionally intelligent	Leaders tend to be emotionally intelligent, which means they understand their emotions and the emotions of the people around them which helps them in taking better decisions.
6. Willing to make unpopular decisions	They are willing to make unpopular decision that in the best interest of their company. Example can include Steve Jobs and his persistence to start the Lisa Project and the Macintosh.
7. Resilience	They have the capacity to recover quickly from difficulties. Rather than stressing over the problem they focus on finding the solution and persevere in crises.
8. Multitalented	They are multitalented which allows them to connect with various individuals from their business and understand discussion about a wide range of issues related to their business.

[1-20] Marks.

Whole theory.

[bouncing back from failure]

**3. LEADERSHIP STYLES**

Definition: Leadership style refers to the way in which managers take decisions and communicate with their subordinates. There are THREE leadership styles in a business:

1. Autocratic
2. Democratic
3. Laissez-faire/Free Rein



## 1. Autocratic

**Definition:** It is a centralized leadership style where the leader keeps all the decision-making at the center and does not believe in consulting with his subordinates before taking a decision. There is one way communication and workers have limited information about the organization's workings. This type of management structure is recommended in a situation where the workforce is inexperienced and unskilled.

Advantages	Disadvantages
<p>1. It is effective in times of stress and emergency since decision making is fast and valuable time is not wasted in consultation.</p> <p>2. It is effective since the staff need to be told exactly what to do and when to do it. Groups/teams often require authoritative leadership to perform effectively and autocratic direction and leadership is sometimes necessary. This removes confusions and streamlines activities.</p> <p>3. The focus on the task rather than on suggestions of ways to perform. Businesses that focus on the task can develop a competitive advantage through increased productivity and keeps company secrets safe since employees have little information on the organizations.</p>	<p>1. Since there is no discussion from the staff, the workers might be demotivated since they are not allowed to express their option on the subject matter which leads to fall in quality. Problems with demotivation can be high absenteeism, high labor turnover and reduced labor productivity.</p> <p>2. Autocratic leads to lack of innovation and specialization. This can lead to ineffective products be developed and makes it harder for the company to compete in the market.</p> <p>3. Since autocratic leaders take full responsibility for team decisions and review of a team's work, autocratic leaders are extremely busy which can lead to high stress and even health problems leading to inefficiency.</p>

## 2. Democratic

**Definition:** It is a de-centralized leadership style where the leader encourages subordinates to participate in the decision-making process. There is two-way communication and feedback is encouraged. Workers have information about the business are consulted before finalization of a decision. This type of management structure is recommended in a situation where the workforce is experienced, skilled and are internally motivated. Examples: Google, Apple, Toyota etc.

Advantages	Disadvantages
<p>1. Since there is discussion with the staff, the workers are motivated since they are allowed to express their option on the subject matter which leads improvement in quality.</p> <p>2. Democratic leads to innovation and better final products and decisions. Since several employees will contribute contributes to the idea form his/her own experiences which not only refines idea but also give the company a competitive edge.</p>	<p>1. Consultation activities like quality circles can be time consuming which can cost the company in the form of productivity. Employees spend more time discussing rather than actually putting the plans into action.</p> <p>2. Since employees would have information there is a chance of an information leak. Example an employee might transfer key information about a new product to a rival firm.</p>



<p>3. Since there is a two-way communication channel <u>managers can explain the problems to employees clearly and help clear any confusions</u> which leads to efficiency in the company's activities.</p>	<p>3. This leadership style is effective in times of emergencies and crises, since consultation will waste time and make the business ineffective against the external influence.</p>
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**3. Laissez-faire/Free Rein** [Recommended for highly skilled / leader - type I]

**Definition:** It is a de-centralized leadership style where the leader allows the employees to exercise maximum possible control over their way of working. The management believes in least interference, only set broad limits, explain the end result and let the workers choose their way of working. This type of management structure is recommended in a situation where the workforce is experienced, skilled and are internally motivated. Examples: Research companies, design teams, advertising etc.

Advantages	Disadvantages
<p>1. (Same as Democratic)</p>	<p>1. There is a lack of structures and some workers might not be able to perform well, since they would lack direction regarding how to approach the problem and won't be able to clear confusions.</p> <p>2. There is also a lack of feedback as managers won't be monitoring the activities closely. This can lead to inefficiencies and demotivation in the workforce.</p>

**McGregor's leadership styles | Theory X and Theory Y**

In order to decide the style of leadership, McGregor identified that it depends on the attitude of the managers towards their workers. He classified managers' attitude towards workers into two categories: X-type and Y-type managers.

Theory X	Theory Y
<p>1. These managers believe that workers are <u>lazy by nature</u>, tend to avoid responsibility and are not creative.</p> <p>2. These workers will <u>only work if there is a strict control and there is a threat of punishment of non-performance.</u></p> <p>3. He recommends <u>autocratic style of leadership</u> in this case. Example: If the worker knows that if he doesn't achieve his target, he won't be promoted, that's the only way he will work.</p>	<p>1. These managers believe that workers are driven by internal motivation and derive enjoyment from their work, they seek responsibility and are creative.</p> <p>2. These workers will work if they are given <u>non-finance rewards along with financial rewards like job enrichment, more authority, training etc.</u></p> <p>3. He recommends <u>democratic style of leadership</u> in this case. Example: If the workers know that he will be given more authority, he would be trained and be allowed to control his way of working then he will work.</p>

4. EMOTI  
Definition: F  
managers  
studie  
Go

Essay type Question probably

Mostly 8 marks

AS-Level - Business (9609) - SECTION 2 - (People in Organizations)

If 12 marks, then make selection of qualities of leader.

#### 4. EMOTIONAL INTELLIGENCE/ EMOTIONAL QUOTIENT (EQ)

**Definition:** EI or EQ is the brain child of Daniel Goleman. It is defined as the capacity of managers to understand their own emotions and the emotions of people around them. Recent studies show that successful managers/leaders have a high level of emotional intelligence.

Goleman marked **FOUR** competencies of emotional intelligence:

Competence	Description
1. Self-Awareness	This states that a manager should be able to understand <u>his own emotions, strengths and weaknesses</u> . These individuals tend to be realistic about their analysis which helps them to maximize their strengths.
2. Self-Management	This states that a manager should be able to <u>recover quickly from stress and should use his/her emotions in a positive manner</u> . This is usually done when managers show initiatives and self-control in times of crises.
3. Social Awareness	This states that a manager should be able to <u>sense the feelings of others along with other factors to make intelligent decisions</u> . This allows managers to take everyone's perspective and get along with a wide range of people.
4. Social Skills	This states that a manager should be able to <u>handle emotions well and using those social skills are able to lead and motivate people towards a common business goal</u> .

#### Importance of EI to a businesses

Advantage	Description
1. Motivated workforce (link social awareness)	Since managers would be skilled and inspire the individuals around them they will create a well motivated workforce leading to higher productivity.
2. Higher wages (link self awareness and management)	Individuals with high EQ tend to earn more because they are more aware of their strengths and weaknesses which leads to better self-management leading to greater productivity at the workplace.
3. Developing Employees (link social skills)	EI allows managers to work effectively individually and as part of a team. EI allows managers to delegate effectively along with initiating change and managing conflicts.

4) Higher promotional opportunities where you can get promoted quickly.

#### DRAWBACKS.

- Emotional intelligence [EI] is a qualitative method, which does not give any conclusion on which competency has priority over the other.
- It does not give highlight the importance of being intellectually brilliant, which is equally important in a manager.
- The theory tells the traits that managers should have, but does not give any framework in how to acquire those skills.



## TOPIC 2: MOTIVATION

### 1. MOTIVATION AS A TOOL OF MANAGEMENT AND LEADERSHIP

**Definition:** Motivation is regarded as the driving force that enable workers to perform the tasks at his best level. The purpose of motivation is that the workers perform the tasks willingly and not forcibly. A well-motivated workforce helps the businesses achieve its objectives of improved productivity, minimizing wastage, enhancing the image, reducing the cost of labor turnover and low absenteeism etc.

**Advantages of a motivated workforce** [5] or [8] marks Essay.

Advantage	Description
1. Low Absenteeism	This reduces the loss in the level of output from the firm leading to more production.
2. Low Labor Turnover	This saves the firm the cost of rehiring employees and training them.
3. High Labor Productivity	This adds to better quality products cheaply which helps the firm enjoy higher profits.
4. Better brand image	Performance of the workforce and motivated staff creates a positive corporate image which leads to the firm to build a good employer brand.
5. USP [Unique selling point]	Firms with a motivated staff helps them gain a competitive edge by providing quality and great customer service.

### 2. MOTIVATION THEORIES

**Definition:** Motivation theories are theories in management that describe ways in which managers can promote productivity in their employees. The SIX motivational theories are:

1. Taylor's - "Scientific Management Theory"
2. Mayo's - "The Human Relations Theory / Hawthorne Effect"
3. Maslow's - "Hierarchy of Needs"
4. Herzberg's - "Two-Factor Theory / Hygiene Theory"
5. McClelland's - "Motivational Needs Theory"
6. Vroom's - "Expectancy Theory"

#### 1. Taylor's - "Scientific Management Theory"

F.W. Taylor was a social scientist who explored methods to remove inefficiencies in the workforce. He did this by hypothesis, studying and recording employee's performance. Because of this his theory was known as "Scientific Management". Taylor's theory highlights FOUR main elements:

Element	Description
1. Work Study	In this Taylor suggested to measure and <u>analyze the task necessary to complete the production process</u> . He encourage division of labor.
2. Time and Motion Study	This means that <u>employee's performance should be observed and recorded</u> . He identified the most efficient employees train the rest of the employees to the same standard.
3. Piece rate and money	He believed that money and financial rewards are the only way to motivate employees. Higher the financial reward greater the motivation. Taylor believed that the worker's output should be directly linked to output through a system known as piece rate. He also developed a



	differential price-rate system to encourage more efficiency.
4. Close supervision	He also believed that workers should be closely observed to make sure they maintain maximum effort.

Evaluation: Taylor's work has several positive implications for the business world. His theory provided techniques to reduce wastage and max output. His work really benefits production systems of mass and flow production where high degree of specialization is required. However, Taylor's theory doesn't take into account the non-financial rewards necessary to motivate the workers. To conclude Taylor's work is more useful in assembly lines and manufacturing industry workers. *This theory is more significant for primary and secondary sector businesses, and more significant for junior level management rather than senior level.*

### 2. Mayo's – "The Human Relations Theory / Hawthorne Effect"

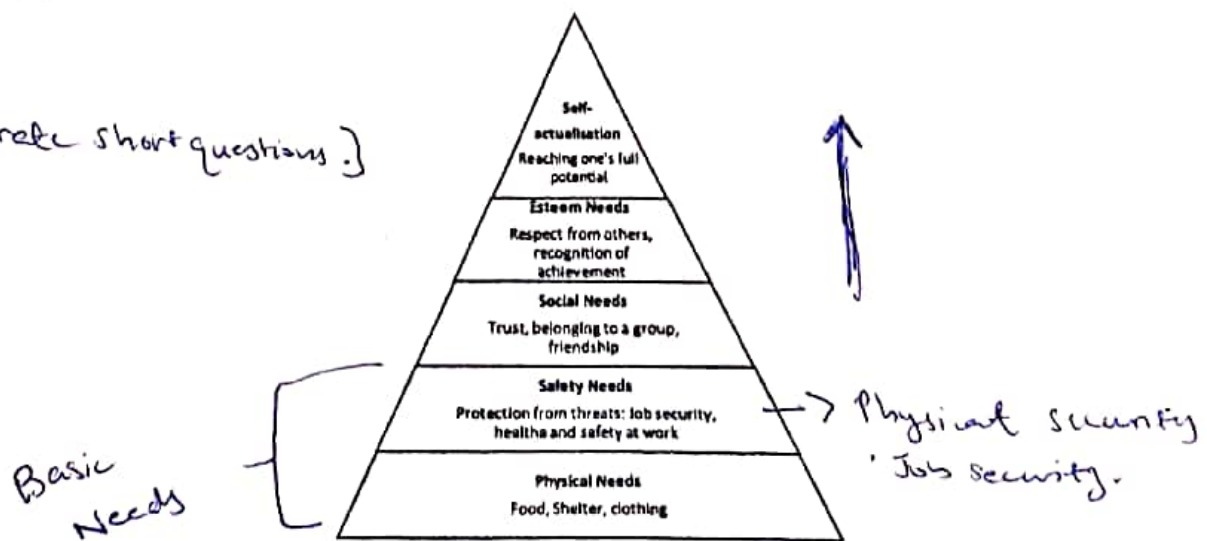
Elton Mayo's research started off with the assumption that working conditions improve worker's performance. In his experiments, he conducted in Hawthorne Factory he changed the working conditions and there was no significant improvement in the motivation. This marked that there are other factors that lead to motivation. His research marks **THREE** significant conclusions:

Element	Description
1. Benefits of the change must be communicated	It is not the change in financial and working condition that improves motivation rather the ability of the management to tell the workers that the change is in their interests what leads to higher motivation.
2. Teamwork	He stressed that team work leads to higher productivity.
3. Control over work	Motivation goes up when workers are allowed to control their way of working and establish their own targets and norms.

Evaluation: Mayo's work gave insight to the business world by concluding that it's not the change that matters but rather the ability of the management to convince the change is what counts. He also introduced the concept of participation and involving workers into decision making. His theory less engineer focused and more people focused which is now in modern day business is regarded as the back bone of any business.

### 3. Maslow's – "Hierarchy of Needs"

- 1 [Separate short questions]





1. *Physical Needs:* These are the basic human needs that must be taken care of in order to provide the workers with an environment in which they can maintain a high-performance level. Physiological needs include food, shelter and clothing. It is the responsibility of the management to arrange these facilities for all the members of the workforce.

2. *Safety Needs:* It is the right of every employee to enjoy a sense of job security, protection against danger, protection against poverty and should be fairly treated. The management should ensure that the workforce is not operating in an unsafe environment and all the necessary safety equipment including masks, gloves and goggles must be provided.

3. *Social Needs:* It is advisable for the firm to develop a sense of belonging amongst the members of the workforce. This can be achieved when a culture where your colleagues support you at work and sense of friendship and belonging as a team is developed.

4. *Esteem Needs:* The workforce will be motivated if the management recognizes their good performance and keeps encouraging them. By giving recognition for a job well done by giving a higher status and more independence this approach can certainly go a long way in persuading the employees to improve their performance even further.

5. *Self-actualization:* It is based on the philosophy that an employee can be motivated if he/she is allowed to control his/her way of working. By letting the workers perform their jobs independently, and reducing the level of interference, the superiors can pose their confidence in the abilities of the subordinates. Self-actualization indicates a sense of responsibility and achievement in the workers and proves to be useful in motivating them and enhancing their overall performance.

Evaluation: A basic advantage of Maslow's need theory is how well it serves to interpret human behavior and motivation. It has relevance in modern-day applications, especially in the world of business. Managers, for example, can benefit from understanding their employees' basic human needs of friendship, job security and recognition for a job well done. However, Maslow failed to consider that not everyone has the same needs. Secondly, it is difficult to measure the needs in a quantitative manner which makes identifying the needs very difficult. Lastly, Self-Actualization is temporary and jobs continuously need to add value to maintain the level.

#### 4. Herzberg's - "Two-Factor Theory / Hygiene Theory"

Fredrick Herzberg's research was focused on identifying factors that motivated them and factors that demotivated them. Based on his research he identified two factors, Hygiene and Motivators

- Hygiene Factors: These are factors that can potentially demotivate the employees. These factors surround the job rather than the work itself. These factors include, company policy, supervision, salary, relationships and working conditions. If these factors are addressed they prevent dissatisfaction but on their own they don't create demotivation.

- Motivators: These are the factors that actually create motivation for the job. These factors include achievement, recognition, work itself, responsibility and advancement.

external  
and  
intrinsic



5. McClelland's - "Motivational Needs Theory" <sup>(Process theory)</sup> [ 8 marks theory ]

David McClelland was a social scientist who believed that every individual has three needs that vary in degree and will shape up their behavior both in terms of how they will be motivated and them believe how other people should be motivated. The THREE needs are:

Elements	Description
1. Need for Achievement	People motivated by achievement need challenging, but not impossible, projects. They thrive on overcoming difficult problems or situations, so make sure you keep them engaged this way. People motivated by achievement work very effectively either alone or with other high achievers.
2. Need for Power	Those with a high need for power work best when they're in charge. Because they enjoy competition, they do well with goal-oriented projects or tasks. They may also be very effective in negotiations or in situations in which another party must be convinced of an idea or goal.
3. Need for Affiliation	People motivated by affiliation work best in a group environment, so try to integrate them with a team (versus working alone) whenever possible. They also don't like uncertainty and risk. Therefore, when assigning projects or tasks, save the risky ones for other people.

6. Vroom's - "Expectancy Theory"

Victor Vroom believes that people behave in ways in which they believe will lead to outcomes they value. For that he identified three variables in the following way.

$$\text{Motivational Force} = \text{Expectancy} \times \text{Instrumentality} \times \text{Valance}$$
**AATIK TASNEEM**

1. Motivational Force: He believes that the motivational force is determined on three variables and all three needs to be present to create motivation. Even if one of the elements is missing workers won't have the motivation to do the job well.
2. Expectancy: Expectancy would be higher if the employee believes that an increase in his efforts will lead to an increase in his performance.
3. Instrumentality: Instrumentality would be higher if the employee believes that an increase in performance will lead to an outcome. *desired outcome*
4. Valance: How desirable is the outcome for an employee? If the value is high the motivation will be high.



[Any definition can be asked]  
Essays & short questions

AS-Level - Business (9609) - SECTION 2 - [People in Organizations]

Q1. Discuss the methods of motivation that the company can use for its workforce [12-20 marks]

3. FINANCIAL MOTIVATORS AND NON-FINANCIAL MOTIVATORS  
Financial Motivators / Payment Methods

1. Time rates / Time based
2. Piece rates
3. Salary
4. Commission
5. Bonuses
6. Profit sharing
7. Performance related pay

Three theories linked:-  
1) Taylor's  
2) Herzberg's -> hygiene factors.  
3) Maslow's physical need.

Adv:- The more hours you work, the more you get paid.

Drawbacks

- workers tends to waste time to get higher payment.
- Time is not an indicator of productivity.

**1. Time rates / Time based**  
The employees in this system are paid on the basis of the working hours they spend at the workplace. For example, if the per hour rate is \$10 and the time spend is 20 hours/week, weekly wage equals to \$200. It is an easy way to calculate wages and can prove to be very effective when company that needs to meet deadlines but the problem is that strict supervision is required in order to avoid wastage of time. Another challenge is that efficient and in efficient workers are both paid by time and hence difficult to calculate efficiency. Furthermore, a business needs to employ supervisors and a clocking system to gauge the performance.

2) worker get for more on work business  
3) A lot of work done in specific

DRAWBACKS

- Qualities can get compromised.
- It can't be used if the output can't be measured in a tangible form.

**2. Piece rates** -> Taylor's theory.  
This is a payment scheme in which an employee is strictly paid in accordance with the level of output or sales. This is normally applicable in case of industries representing the secondary sector of production, e.g. manufacturing of footballs. This approach encourages the workers to work faster and produce more. However, this may lead to deterioration in quality because the worker may overlook the qualitative factors to focus his attention on the quantity only which may cost the brands its reputation. Quality work won't be rewarded fairly. In piece rate if machinery breaks down workers are paid minimum guaranteed amount.

Adv:- more production will be done.  
• worker will be motivated to produce more.

DRAWBACK

- No motivation in salary as it is fixed and would be paid for business they have to pay fixed salary either worker is working good or bad.

**3. Salary** -> It is calculated annually, but paid monthly.  
This is the annual sum which is usually paid on monthly basis. It is a fixed rate and extra work is usually not paid for. It is usually paid to the white-collar workers with money being transferred directly into their bank accounts. It is calculated on a yearly basis and the amount is then divided into 12 monthly amounts.

Adv:- guaranteed payment employees will receive

DRAWBACK

- a broker mislead the client just to close the deal.

**4. Commission** -> It is percentage of sales / or revenues you had.  
It is the percentage of the monetary value of the good being sold. More the sales, more the payment. It is a good way to boost sales since the staff has motivation to sell more. It is usually used in sales jobs. However, commission agents may damage the image of the company if they over commit in order to sell the product. This might damage the company's repute as will only boost sales in the short run.

Adv:- people are highly motivated to do sales.

DRAWBACK

- Bonuses are distributed equally.
- only awarded to the team that exceeds the target.
- the ones that do not receive this bonus can get demotivated.

**5. Bonuses** -> An addition to salary.  
A lump sum amount paid to the workers on a job well done. This is paid in addition to the salary and usually paid at the end of the year or at intervals during the business year.



**6. Profit sharing**

Employee is paid a certain share of the profit in addition to the salary. This gives the employee the motivation to boost the company's profits. It is often used in the service sector where it is difficult to identify an individual employee's contribution to the increased profits. However, these methods might be costly for the firm to operate and some workers might not be motivated to put in extra effort as everyone will get reward.

Some people might get additional benefit  
to losses

**7. Performance related pay (PRP)** *Separate - 5/12 Marks Essay.*

This is a scheme to reward staff for above-average work performance. It is used for workers whose output is not measurable in quantitative terms using a such as management, supervisory and clerical posts. To assess their performance businesses often use a system of appraisal. PRP might be given through piece rate, bonus, and commission payments etc.

Advantages	Disadvantages
<p>1. PRP creates a well-motivated staff. This narrative is supported by Taylor as higher financial rewards will lead to greater motivation which helps to retain and attract new staff.</p> <p>2. PRP has set targets which gives employees a sense of direction and a course to work towards. This assist employees in planning their day to day activities. This can lead to an increase in staff productivity.</p> <p>3. It may be an effective way of dealing with poor performance. This can lead to reducing absenteeism rate, increase labor productivity and reduce labor turnover. Low absenteeism rate and increased labor productivity will increase output where as low labor turnover will reduce company's cost of rehiring.</p>	<p>1. PRP's focus on individual performance can lead to the divisions in teams and can damage the team spirit which can lead to unhealthy rivalries in the company. This goes against the findings of Mayo's Hawthorne effect.</p> <p>2. PRP won't be effective against workers that are not motivated by additional financial rewards. This goes against the concept of Herzberg Two factor theory in which he highlighted that additional financial rewards don't create motivation; they just remove demotivation.</p> <p>3. There might be issues in how to measure performance and chances of favoritism might occur since the judgement relies with the senior management.</p>

**Non-financial motivators**

1. Fringe benefits/perks
2. Job Rotation
3. Job Enlargement
4. Job Enrichment
5. Job re-design
6. Training
7. Quality Circles
8. Worker participation
9. Team working
10. Delegation and Empowerment

All of these can be tested as separate definitions

Evaluations [PRP]

- PRPs are only beneficial in those situations where performance can be quantified.
- PRP is only beneficial if activities like favoritism can be avoided.
- PRP is just part of motivating workers without non-financial benefits, its effectiveness is limited.



### 1. Fringe benefits/perks

These are benefits given separate from the pay to the employee to give him/her a higher-level employee status. They are non-cash rewards and include company car, medical insurance, club memberships etc.

### 2. Job Rotation

It is a practice in which an employee is moved or swapped around and doing each specific task or moved to another department for only a limited time and then changing around. For example, finance manager temporarily shifts to the marketing. This technique helps in career growth by giving the opportunity to learn new skills. This is beneficial since it makes the workers more flexible however doesn't lead to empowerment of employees.

### 3. Job Enlargement

This is when an employee is given more duties of a similar level of complexity. In this the level of complexity remains the same.

### 4. Job Enrichment

Herzberg's research became the foundations of job enrichment. This technique involves adding more tasks and increasing the level of complexity to a job that require more skills and responsibility. This involves reduction in direct supervision and encourages employees to take more responsibility. It is focused on three basic things.

- i) Employees should make complete units of work so that their contribution can be analyzed.
- ii) There should a direct feedback on their performance so that workers know what to improve
- iii) Employees should be given challenging tasks and they should be trained.

### 5. Job re-design

This is a process in which a job is restructured in such a way that it becomes more interesting, satisfying and challenging for the employee. This can be done by adding something or removing something from the job.

### 6. Training

Training is regarded as teaching the employee a new skill or improving a previous one. Training can help employees improve their productivity since this reduces chances of accidents and helps in creation of new products. Furthermore, it increases the chances of promotion for employees which leads to higher motivation for employees. However, training is costly for the firm and employees might quit the company once they are trained.

3 types of trainings  
1) On the job → off the job  
2) Induction training -

### 7. Quality Circles

This is the meeting of employees which are not led by the managers. Employees discuss work related issues and tend to give creative solutions to the problems. The discussion that workers have are presented to the managers for implementation. This is also supported by Herzberg's idea of assigning responsibility to the employees.



ions!

Adv & disadvantages of democracy

8. Worker participation (3 OR 5 MARKS)

This is an arrangement where workers are encouraged by the management to actively participate in the decision making at team or group levels. Worker participation can take several forms.

Method	Description
1. Quality Circles	When workers meet regularly to discuss about how to improve aspects of their work.
2. Works Councils	Managers and employees meet with each other to discuss issues such as working conditions, pay and training.
3. Employee shareholders	Some firms tend to give shares to their employees. This employee has a financial interest in the business and if the business grows the employee gains in the form of high share prices.
4. Autonomous workgroups	These are teams of people who are given high level of control over their working lives. They can appoint staff, complete tasks and elect their own leader.

9. Team Working (Evaluations)

Is regarded as organizing workers in groups or teams to complete the work. These groups pursue mutual goals successfully.

Advantages	Disadvantages
1. Employees will be motivated since they will be empowered to control their way of working and interact. This is also pointed out by Herzberg.	1. Some individuals prefer to work alone and are more productive that way. Pushing them into teams might not only lead to management problems but also cause them to underperform.
2. This can reduce management costs and the organization will be delayed and less staff and managers needed to maintain control.	2. Free riding might become an issue. Some individuals slack off but still get the reward just because their team performed.
3. This better motivated staff will add to the productivity and reduce labor turnover. This will reduce the overall costs and increase profitability.	3. Team working requires workers to be trained which adds to the cost of the organization and is a time-consuming process. A team needs to go through several stages before it can work as a coherent unit.
4. Team working can encourage job enrichment since teams can be given a task to complete a unit of work. Example: Volvo a car manufacturer that practices team work.	

Mega's theory

10. Delegation and Empowerment

The method aims at passing down the authority to perform tasks to workers, although empowerment goes further by allowing workers some degree of control over their way of working.

Adv - workers get trained through delegation which enhances their chances of promotion since they are given leadership.

Disadv

delegation can also demotivate the worker if he is unable to complete the task due to lack of skill retention might affect - from getting that leadership position in the future.



Mostly comes → linked in P-2

For P-2 → whole topic

Tested as a single unit.

[11 MARKS]

For P-1 → individual units.

## TOPIC 3: HUMAN RESOURCE MANAGEMENT

### 1. PURPOSE AND ROLES OF HRM

Definition | HRM: It is regarded as a management function that deals with various aspects of staff performance. The HR department ensures that employees have good relations with the firm in order to enhance efficiency and minimize wastage with an objective to achieve a competitive advantage. Some of the functions of HR include recruitment, selection, training, induction, advice, guidance, workforce planning.

#### 1. Workforce Plan

Definition | Workforce Plan: It is a plan that assess the current workforce and actions necessary, to meet businesses future labor needs. This is drawn before the firm recruits, selects or trains the employees. Main features of a workforce plan include what type of worker is needed, the relevant skills as well as the location where they will be employed. Several pieces of information need to be collected:

1. Sales Data
2. Labor Turnover
3. Average increase in wage rate
4. Level of technology

#### 2. Labor Turnover

Definition: Labor Turnover is regarded as the rate at which employees are leaving an organization. Lower the labor turnover the better it is for the business. It can be calculated using the following formulae: employees

$$\text{Labor Turnover} = \frac{\text{number of employees leaving in one year}}{\text{total number of employees}} \times 100$$

### Advantages and Disadvantages of High Labor Turnover

Advantages	Disadvantages
1. New ideas can be brought into the business by the new workers. This can lead to creation of innovative products and better methods of production.	1. The company has to incur costs of recruiting and training the new staff. This can result in a reduction in profits.
2. A business that is planning to reduce workers will find this useful as they won't have to make them redundant.	2. Output levels and customer service might decrease since it will take time for the new staff to be hired and trained and until they are not hired the company will produce lower output.
3. The poor skilled staff can be replaced with a better skilled staff.	3. Since employees would be less loyal it will lead to difficulty in planning and building long-term company strategies.



from induction - ... reduction ...

P-1-Q1 -> Internal and External selection  
 Q2) -> Case based questions [For P-1 only] (12 marks)  
 AS-Level - Business (9609) - SECTION 2 - [People in Organizations]

## 2. RECRUITMENT AND SELECTION

**Definition | Recruitment:** It is regarded as the process that identifies the need for a new employee, define the job, draw up a profile of an ideal candidate for the job and advertising the position. There are TWO types of recruitment:

1. Internal Recruitment
2. External Recruitment

**Definition | Internal Recruitment:** It is when the firm advertises within the business premises.  
 Examples: On company notice boards and through company emails.

### Advantages and Disadvantages of INTERNAL RECRUITMENT

Advantages	Disadvantages
1. Since the employee already knows the strengths, weaknesses, and culture of the organization there would be no need for induction training. 2. It is a motivational tool for employees, since managers would be promoted to higher posts leading to greater job satisfaction. 3. <u>It is quicker and cheaper than external recruitment methods</u> which involve expensive advertisements and long selection processes. Evaluations: internal is more beneficial in work areas of operation. - Its recommended where recruitment need to be urgent, rather than requires new ideas. - This is more significant if the business does not have money.	1. It also can create an atmosphere of competition that can be counterproductive. Employees may feel pressured to compete with each other to be considered for a position during an internal recruitment process, and this can create conflict. 2. When you recruit internally, you are working with the same set of ideas that you had when the process started. Internal recruiting has a way of limiting the flow of new ideas into a company that can help to spur growth and development. 3. In internal recruitment the organization can be employee short, as someone else needs to be hired to fill in for the position of the employee who left.

**Definition | External Recruitment:** It is when the firm advertises the position outside the business premises. Examples: In universities, govt. job centers, newspapers, career websites like Jobtrain.com etc.

### Advantages and Disadvantages of EXTERNAL RECRUITMENT

Advantages	Disadvantages
1. It allows for bringing in new ideas. External recruitment provides an opportunity for a fresh outlook on the industry that a company may need to stay competitive. 2. The firm can hire specialists. External candidate opens up many opportunities to find experienced and highly-qualified and skilled candidates who will help a company meet its diversity requirements.	1. It can take longer and cost more than hiring from within the organization. 2. It can also damage the employee morale because current employees may this lessens their chances for promotion. This leads to a decrease in the productivity of the employee. 3. External employees need to be trained and it takes time before they become productive. This



3. The organization is not one employee short, as compared to internal recruitment.	adds to the cost of the firm and reduces profitability.
4. It can act as promotional tool for existing employees to work harder so that they are not replaced by a better qualified external candidate.	

Definition | Selection: It is regarded as a process in which candidates are shortlisted and screened using multiple test and interviews out of with the most suitable one is chosen. The following techniques are used in the selection process:

Technique	Description
1. Interviews	Here the short listed candidate is asked to meet the interviews face to face. This is effective as it allows two way communication however some individuals might be good with taking interviews doesn't me that will work efficiently as well.
2. Psychometric Tests	These are used to assess the candidate's personality traits e.g. honesty, commitment, ability to perform a particular role.
3. Assessment Centers <i>by offer internships as a selection process</i>	Here the employees are subjected to a variety of selection techniques over a period of 2-4days. These includes interviews, simulations, role plays, psychometric tests etc. Due to a blend of techniques they are more efficient however are more expensive and time-consuming.

*Definition first*

**How recruitment and selection can improve a business's performance? [8 MARKS]**

Benefits	Limitation
<p><u>1. Meet customer needs:</u> Since employees would be competent they will maintain high quality standards leading to more sales.</p> <p><u>2. New Ideas:</u> New employees will introduce new ideas about product and production which will help the company develop a competitive edge.</p> <p><u>3. Customer Skills:</u> Employees will respond to the needs and complaints of the customers more effectively which improves the brand image of the firm and helps retain customers.</p>	<p><u>1. Costly in the short term:</u> Since employees would be unfamiliar with the business's procedures and customers it can lead to errors and delays in working.</p> <p><u>2. Expensive:</u> Effective requirement processes require extensive assessment centers and interviews. This puts the profits of the firm under stress.</p> <p><u>3. Need other elements:</u> It must be coupled with effective training and motivation. On its own it can't produce results.</p>

*↳ its not just recruitment its labour retention that is important as well.*

### 3. EMPLOYMENT DOCUMENTS

There are FOUR key documents used in the process of recruitment and selection:

1. Job Advertisements
2. Job Descriptions
3. Person Specifications
4. Contract of Employment



Job advertisement and description combined [3-5 marks]

**1. Job Advertisements**

**Definition:** This is an advert that contains sufficient information to attract and engage potential employees. Depending on the type of the job it is placed in newspapers, internet, magazines etc. It usually contains the job title, location of the job, salary etc.

**2. Job Descriptions**

**Definition:** A job description is detailed list of key points about the job to be filled. It has all the relevant details about the job, from the job title to the tasks and responsibilities involved. It benefits both the employer and the employee:

Employer	Employee
1. Helps judge an employee's performance.	1. Helps them to consider whether they should apply for this job or not.
2. Used in interviews to form questions.	2. Employee will know their tasks, this will assist them in planning their activities accordingly.
3. Know exactly what makes up the job and its relationship with others in the organization.	

**Draw Backs**  
 Job description can be rigid and might reduce creativity since the employee will be more concerned about completing the tasks as opposed to generating ideas.

can help evaluate the performance of the employees who are recruited.

**3. Person Specifications**

**Definition:** A person specification is list of all the skills, qualities and qualifications that an applicant needs to have for a specific job. Example if it is a sale job the person specification includes good communication skills, extrovert personality and a minimum of a bachelor's degree.

Person specification is a profile of an ideal candidate and every employee is measured against it and then offered the job.

→ benefits [8 marks]

**4. Contract of Employment**

**Definition:** It is a legal agreement between an employer and an employee which highlight the terms and conditions of the employment arrangement. It includes all the details of the job like the name, the number of hours of work, details about holidays etc.

Types of contract  
 1) Full time  
 2) Part time  
 3) Zero hour  
 4) Employee and employer both have their own problem

Advantages	Disadvantages
<p><b>1. Correct Disputes:</b> If a dispute arises over a particular aspect of the employment arrangement, the written document can be used as evidence if necessary.</p> <p><b>2. Structure and Security:</b> Employers usually feel that an employment agreement creates an enhanced degree of organization and structure in the work relationship. For employees, an employment agreement can provide a sense of stability and security, especially if the agreement lists the time frame for the period of employment.</p> <p><b>3. A high level of specificity regarding the details of the employment:</b> If either the employer or employee desires a certain wage</p>	<p><b>1. Limits Flexibility:</b> It may limit the flexibility of the employment arrangement. It often limits the ability of either party to renegotiate terms.</p> <p><b>2. Good Faith:</b> The contract implies that the employer must act in good faith and be fair at all times. This can lead to some unnecessary legal actions even if the employee/employer wasn't at fault.</p>



rate, for example, they can specifically list this in the agreement. It allows for both parties to negotiate the terms under which they are willing to cooperate with one another.

→ TYPES OF DISCIPLINARY IN SYLLABUS →

**4. DISCIPLINARY PROCEDURES, REDUNDANCIES AND DISMISSAL**

**1. Disciplinary Procedures**

Definition: These are procedures that state what behavior is unacceptable in the workplace and what actions will be taken if the rules are broken. Issues can be categorized into THREE categories:

- Poor Performance: This is when the employee is not meeting standards, e.g. being late to work, making careless mistakes, wasting time etc. The employee should try to address the issues and should consider training the employee.
- Misconduct: This is when the employee fails to obey the orders and becomes habitual. Here the management should issue a verbal or a written warning.
- Gross Misconduct: This includes a violation of a serious nature. Example stealing, committing fraud, sexual harassment etc. Here the employee is instantly dismissed without a notice or warning.

**2. Dismissal**

Definition: This is when an employee is asked to leave due to incompetence or the employee breached the discipline of the organization. The management should always ensure that the dismissal is fair. *unfair dismissal* If the dismissal was unfair which means that the employee was fired due to personal reasons, or because of discriminatory reasons like *race, gender, or religion* the employee can sue the company and the employee can receive compensation for it.

**3. Redundancy**

Definition: This is when an employee is asked to leave not because he/she was incompetent or breached the discipline but because he/she is no longer needed by the organization. Redundancies are usually caused by internal external factors like poor financial situations of the company, or external like changes in technology, fall in demand for the company's product etc. The employees are given redundancy payments when they are asked to leave. Example: Swinton an insurance company makes 900 workers redundant because the vast majority of its customers prefer to buy insurance online or over the phone.

**5. MORALE AND WELFARE**

Definition | Employee Welfare: *New addition* It is a broad term that covers a wide range of facilities that are essential for the well-being of a business's employee. Organizations have started adopting equality and diversity policies to ensure that there is no discrimination at the workplace.

Q Briefly explain two ways how the management can help employees who have been made redundant if they can offer redundancy payments which is a financial compensation which the employer gets while he is looking for new job.

2) Give a reference on a performance of the employee which will help him secure new job in the future.



**Definition | Appraisal:** Also known as development appraisal, measures an employee's performance with the aim of offering training to correct and shortcomings or achieve further improvement. There are several advantages of this system:

Advantage	Description
1. Take action	Employees are encouraged to take action to help the business achieve its objectives which will improve the relationship between employees and managers.
2. Improve employee behavior	Since the worker will enjoy his work this can improve his/her performance enhancing productivity. Absentee & conflicts with the management's reduces
3. Identify staff training needs	This allows the company to train staff according to the needs of the individual and the company.

**HRM, welfare and employee morale**

**Definition | Work-Life Balance:** It is called the time an employee spends on work-related duties compared to the time spend on non-work duties such a fun activities and family time.

Problems	Solutions
1. Damage their health	Setting realistic targets (based on the SMART criteria)
2. Increase stress and endangered their safety at work	2. Develop time management skill in their employees (Through training)
3. High labor turnover	3. Allow flexible hours (give part time contracts)
4. Loss of productivity	4. Allow them to work online (develop a culture of tele-working)
5. Potential legal action by the government OR by a trade union	

**Policies for Diversity and Equality**

**Definition | Diversity Policy:** These are policies that ensure that the organization has a blend of workers form all different ages, backgrounds, genders and cultures to create a mixed workforce.

**Definition | Equality Policy:** These are policies that ensure that everyone in the organization is treated fairly and has an equal opportunity to fulfil their potential. This ensures that everyone in the organization must have the opportunity to reach senior positions in a business irrespective of their age, gender, ethnicity etc.

**Advantages of adopting Diversity and Equality**

Advantage	Description
1. Better productivity	Since the organization recruits talented individuals this helps to boost the productivity in the company.
2. Better ideas	A diverse workforce allows the business to understand the needs of a market and satisfy a diverse set of consumers.
3. Employer Branding	A company with diversity and quality policy become an attractive employer to potential employees. This helps the business attract highly talented and skilled employees.



## 6. TRAINING AND DEVELOPING EMPLOYEES

**Definition:** Training is regarded as teaching the employee a new skill or improving a previous one. Training can help employees improve their productivity since this reduces chances of accidents and helps in creation of new products. There are THREE types of trainings:

1. Induction Training
2. On-the-job Training
3. Off-the-job Training

} All three tested as separate definitions

### 1. Induction Training (Given to new workers)

**Definition:** Induction involves training of newly appointed employees at the work place. These individuals are explained the internal workings of the organization and the procedures to be followed. This helps the organization overcome induction crises, which is a situation where a newly appointed employee leaves the job because he/she failed to adjust in the working environment. Companies like P&G, Unilever, Engro etc. conduct induction training through MTO Programs (Management Trainee Officers). They prepare newly graduates to become managers in the future. It equips them with the required skills, judgment, and know-how of being an effective and responsible manager.

### 2. On-the-job Training (to existing employees)

**Definition:** This type of training is done on the workplace. These are conducted by HR and other departmental managers. The employee performs his duties on the job while being trained. This is cheaper as compared to off-the-job training and the company doesn't lose the potential output generated by the employee. However, there is no new addition to the skill set since the same old employees are training the new ones and bad habits from the seniors can be transferred to the junior employees.

### 3. Off-the-job Training

**Definition:** This type of training is done away from the workplace and usually takes place in training institutes, executive centers or workshops. Example: REDC at LUMS provides off-the-job training to executives to several companies in Pakistan. The advantage of off-the-job training is that employees tend to learn new skills that previously don't exist in the company and employees can learn from outside specialists or experts. However, these trainings are expensive and there is a loss of potential output from employee for the time he is being trained.

To the top level management or when a new method or technology is introduced

### Advantages and Disadvantages of Training

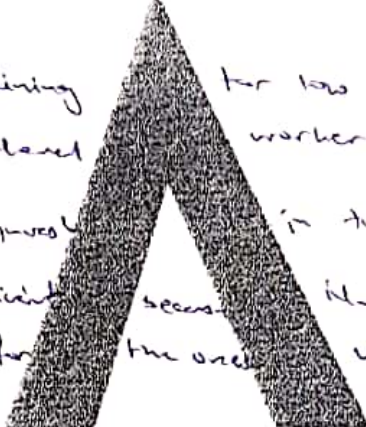
Advantages	Disadvantages
1. Training enhances the image of the company, since well-trained employees to come up with creative solution and innovative products which improves the image in the eyes of the stakeholders.	1. Training can be expensive and time consuming. Company's valuable resources, money and time are spent on hiring other people for training. They also need to pay wages for both the trainer as well as the employees.
2. Well trained employees reduce the chances of accidents. This improves the quality of the products and leads to faster production.	2. Once the employee is training he/she might leave for a better paid job. This is also known as poaching.



<p>3. A trained workforce results in low labor turnover, since there is a high degree of job satisfaction. This also reduces the problems from induction crises.</p> <p>4. Training give the employees a sense of achievement since it pushes employees to higher standards and removes boredom. This narrative is also supported by social scientists like Maslow and Herzberg.</p>	<p>3. In order to keep the staffs up to date with latest trends and knowledgeable in their specific area, training staffs for more number of hours can make them stressed. As they are stressed, their job levels may go down too.</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Evaluations

• Training is only beneficial if the cost of training can be offset by an increase in productivity.

• It depends in the type of training and induction, for high level workers off the job is recommended for low level workers, on the job training. 

• Training alone is not sufficient, the company has finances to invest in training. It only works on individuals that value non-financial awards for the ones who value financial awards. training is less significant.

# AATIK TASNEEM

Overall the combination of financial and non-financial will be beneficial.