

# Effective people management

## Organisational structure

**Explain the term organisation.** The term organisation has two meanings in business studies:

- another way of saying business or firm
- internal structure of a business ie how production and staff roles are arranged

**Why is organisation important?** Staff need to understand how their own role fits into the whole business. Improving organisation can cut costs and so improve competitiveness.

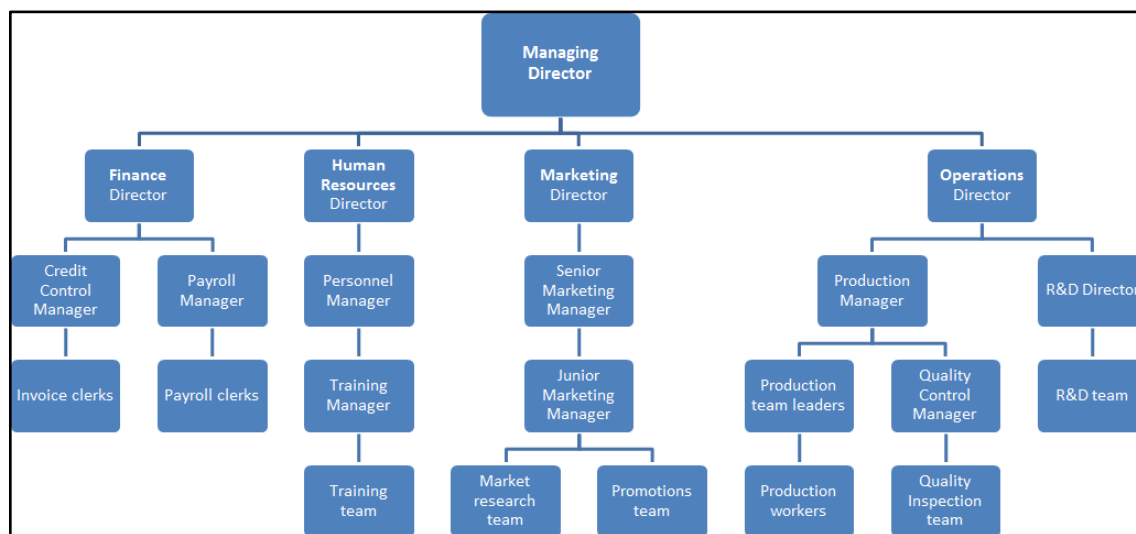
**What is a business division?** Firms can organise themselves on a product basis with each division responsible for making a particular type of product eg Ford Cars and Ford Vans.

**Explain the term subsidiary.** A subsidiary is a business owned by another business eg DSG International owns Dixons and PC World.

**Why organise a product basis?** Organising a business into subsidiaries allow specialisation - each section can focus on what it does best eg televisions (Dixons) and computers (PC World). Each subsidiary is a separate profit centre keeping its own financial accounts. This means directors can assess the individual performance of each business division

**Define roles and responsibilities.** *Role* refers to the tasks and duties of a member of staff. *Responsibility* is the obligation on staff to finish a task.

**What is an organisational chart?** An organisational chart is a diagram that shows the role and responsibilities of staff, and their relationship with other workers



**What are hierarchies?** Hierarchy refers to the number of management levels within a firm ie the 'pecking order'. There are five levels of hierarchy in the organisational chart shown.

**What is a line manager?** Line managers are responsible for overseeing the work of other staff lower down the hierarchy. Line managers can ask subordinates to undertake tasks.

**What are subordinates?** Subordinates report to line managers higher up the hierarchy. Subordinates are accountable for their actions to their line manager.

**Explain the terms authority delegation.** *Authority* refers to the power managers have to direct subordinates and make decisions. *Delegation* occurs when managers entrust tasks or decisions to subordinates

**Explain empowerment.** Empowerment sees managers passing authority to make decisions down the chain of command to subordinates. Empowerment can be motivational.

**What is span of control?** The number of subordinates reporting directly to a manager

**What is the chain of command?** The chain of command is the way in which instructions are passed down a business from line managers to subordinates.

**Explain delayering.** One method of reducing costs is to remove a layer of management in a hierarchy, while expecting remaining staff to produce the same level of output ie delayering

**What is centralisation?** In centralised organisations most decisions are taken by senior managers at the top of the organisational chart. Junior workers have little authority and must follow rules and procedures set out by senior managers. This can be demotivating

**Explain decentralisation.** With decentralisation the authority to take decisions is passed down the chain of command to subordinates who are empowered to take decisions. This process is called delegation. Decentralisation motivates and leads to more 'local' decisions being taken by workers dealing every day with customers and suppliers

## Motivation theory

**What is motivation?** Motivation is the way a business encourages staff to give their best.

**Why is motivation important?** Motivated staff care about the success of the business and work better than they otherwise would

**How can a motivated staff help the business?** A motivated staff means

- extra effort from workers resulting in increased productivity hence lower unit costs
- Improved quality as staff take a greater pride in their work
- workers are keen to stay with the firm and reluctant to take unnecessary days off work

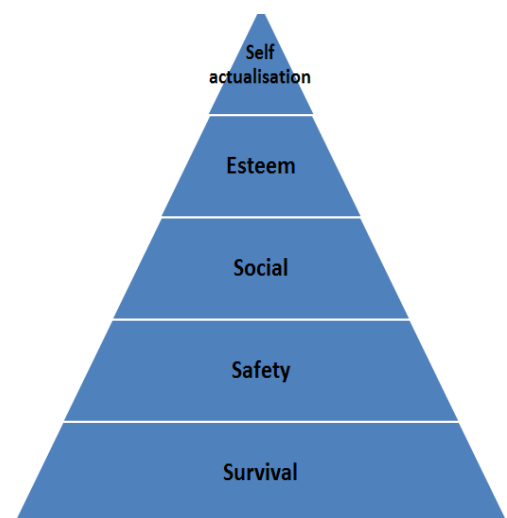
**How can managers motivate staff?** Managers can influence employee using:

- money: some staff work harder if offered higher pay
- non-monetary factors: Other staff respond to incentives that have nothing to do with pay, eg the chance to win promotion

**What is Maslow's hierarchy of needs?** Maslow's hierarchy of needs is a motivational theory that seeks to explain why workers take jobs, want to work, gain promotion etc

List the Maslow hierarchies of need. Maslow suggests there are five hierarchies (levels) of need that explain sources of motivation and why people work.

- Staff first want to meet their *survival needs* by earning a good wage.
- Staff safety needs are met by effective work health and safety procedures and offering job security eg long-term contracts
- Social needs are met if firms create a 'one whole family' workplace culture and arrange social events e.g. a work football team or night out
- esteem needs are met and staff feel respected and valued
- self-actualisation occurs when staff believe they can reach their full potential work



**What is the link between Maslow's and motivation?** Motivation involves offering workers the chance to move to the next level of need. Moving staff up a Maslow level is motivational.

**Explain the phrase motivation comes from within.** There is much business can do to encourage staff to work harder than they otherwise would, the desire to work hard also comes from within the workers themselves. This explains why some staff with the same roles and responsibilities in the business have more enthusiasm for work and others.

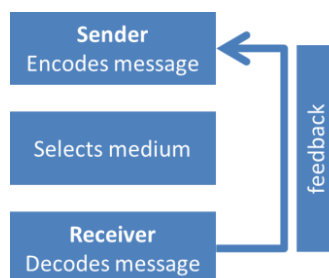
## Communication

**What is communication?** The passing of messages between people or organisations

**Why is effective business communications important?** Effective communication can mean

- Buyers believe they are being listened to and so receiving good customer service. This encourages repeat business and additional word of mouth sales
- Staff understand their roles and responsibilities and have the information they need to complete tasks quickly and efficiently. Deadlines are understood and met
- Staff believe managers listen and take their views into account. This is motivational

**Distinguish between internal and external communication.** Internal communication is the passing of messages *within* the organisation. External communication is the passing of messages *outside* the organisation.



**Identify the steps in communication.** A *sender* encodes (chooses words & images) and sends a *message* (a memo) via a *medium* (email) that is decoded (interpreted) by the *receiver* who then responds (feedback).

**What is effective communication?** In successful communication, the receiver decodes, understands and acts on a message as intended by the sender. Eg a subordinate orders an extra photocopier having been sent a memo by their line manager

**Explain formal channels of communication.** Formal channels are recognised by the business as official ways of sending messages eg a company memo, fax, report or e-mail

**Explain informal channels communication.** Often called the grapevine, informal communications are unapproved messages between staff eg everyday conversation and gossip

**Explain channels of communication.** The channels of communication is the path taken by a message eg a formal memo, or informal conversation using the grapevine

**Why is communication important?** Communications can affect motivation, efficiency and productivity, the time taken to make decisions, and customer and supplier relations

**What can happen given too little communication?** Insufficient communication can leave staff unsure about their role and responsibility and demotivated. Some tasks may not be completed.

**What can happen given too much communication?** Excessive communication can lead to information overload with staff unable to manage the volume of calls and e-mails. This reduces efficiency and increases costs as more resources are needed to achieve the same result.

**List potential barriers to effective communication.** Communications can break down given

- a message is *unclear* or becomes *distorted* because it has passed through so many hands
- the receiver does not understand technical *jargon*
- *poor IT* eg a full answer machine or key e-mail is automatically sent a junk email folder

**How can managers improve communication?** Training staff to send clear, accurate, thorough messages using an appropriate channels improves the quality of communications – especially if there is a chance for feedback

## Remuneration

**What is remuneration?** Remuneration means the way staff are paid eg a salary

**Distinguish between blue-collar and white-collar workers.** Blue-collar workers do manual work and are usually paid wages weekly. White-collar workers are non-manual staff and are usually paid a monthly salary

**Explain wages.** Wages are normally paid weekly for working a fixed number of hours plus any overtime. Eg working 35 hours for £8 an hour gives a weekly wage of £280

**What is overtime?** Overtime are hours worked over and above the basic working week

**Explain salary.** A salary is a method of payment made to non-manual staff for work done. Normally an annual salary is paid monthly and for the job rather than hours worked. This means overtime is not usually paid.

**Explain piece rate.** With piece rate staff are paid for every item produced. The more items they make, the more they earn in pay. This can encourage working quickly and so risk quality

**What is commission?** Commission is a payment link to sales. Eg staff on 10% commission who sell £5,000 of products earn £500 sales related commission.

**Explain bonuses.** Staff may earn a bonus if they reach a particular target.

**Distinguish between full-time and part-time work.** Some staff are employed for the entire working week eg 35 hours. Others work for only a fraction eg 10 hours a week

**Explain the term temporary work.** Temporary work is a job with a business for a limited period of time eg 3 months. Temporary work is often done by freelancers who have little job security. The firm is free to rehire, or take on new staff, at the end of their contract.

**Explain freelance work.** Typically a freelancer is self-employed and carries out a specific piece of work for a business as a supplier. They are independent contractors who take on temporary work for a fixed period and so have no job security.

**Explain fringe benefits.** A fringe benefit is a non-monetary method of rewarding workers eg a company car, free medical insurance, pension contributions, canteen or accommodation

**What is a time based payment method?** In a time-based system, staff pay for the number of hours worked eg wages and overtime.

**What is a result based payment method?** In a results-based system staff are paid for *outcomes* eg the amount they make (piece rate) or for reaching a target (commission or bonus)

**Which is the best method of payment?** There is no one ideal method of payment – it depends on the type of work and type of staff. Time based methods give incentive to achieve targets than those working on a results based method of payment. However results based payment methods eg piece rate give an incentive to work fast and focus on quantity rather than quality. Offering commission may encourage aggressive selling that damage the reputation of the firm

**How does payment affect motivation?** Maslow suggests that staff must earn enough money to meet their survival needs. As workers move up the hierarchy money becomes less of a motivator. Some staff work to socialise or acquire status