

Getting started

Identify what you already know about the principles of management. For example, what do you mean by management, does it differ from leadership? Reflect on the business experience you already have and consider the types of managers you have encountered.

As you work through this unit, develop your ideas and initial impressions and extend your explorations across a wider business culture.



A The definitions and functions of management

Definitions of management and leadership

Managers are often required to also be leaders as the two functions go hand in hand, but in the business world there is a distinction between being a manager and being a leader. Leaders are often considered the innovators of the business, while the manager's job is to plan, organise and coordinate.

Conflicts exist between the definitions and functions of management and leadership. In essence, managers are usually responsible for making things happen, but those things are mostly determined by leaders. Managers will identify resources needed for an action to occur, including:

- ▶ physical – equipment required for the task
- ▶ human – the people best suited to the task
- ▶ financial – working within a budget.

Leaders focus on the bigger picture, such as where the business fits within the global marketplace. Leaders plan ahead longer term, while managers have a shorter-term view and focus on getting the job done now and its fairly immediate consequences.

In effect, everyone is a manager of something as they have responsibility, not only for themselves and their actions, but also a responsibility to others and the aims of the business. A manager usually has authority over somebody or something which means they can make decisions about business practice, for example a retailer offering a discount.

Employees have responsibilities but may not have the authority to make decisions without consulting others. The same is true of managers, according to their level of responsibility and hierarchy within an organisation. Having responsibility without authority can be difficult to manage but, likewise, when you have the authority you are also responsible for the impact and outcome of the decisions you make.

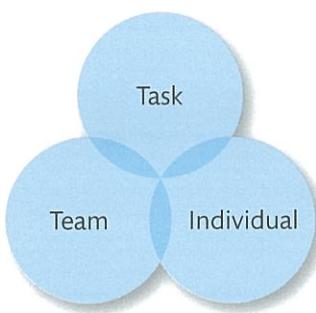
Management by objectives

Management by objectives (MBO) is a business term for a system of agreeing objectives so that everyone moves forward in a consistent manner. Managers set and pass on objectives that have been put in place to help achieve business goals. These objectives must be linked to strategic plans set out by those managers or leaders at the top of the hierarchical structure. It is then the responsibility of managers to work out how the strategies will be implemented by identifying the objectives, for example to promote a new product or service.

Key terms

Delegate – (when used as a verb) to assign a task or responsibility to another person.

Continuum – something that continues with gradual change over time.



► **Figure 6.1:** John Adair's action-centred model
(Source: *Action-Centred Leadership*, McGraw-Hill (Adair, J.E. 1973), with permission from John Adair)

Managers do not spend their entire time giving orders and **delegating** responsibility for achieving tasks. Managers are responsible for defining the purpose of tasks so that the workforce understand why they are completing something, and so are likely to act more enthusiastically.

Situational and contingency

Situational and contingency leadership is a theory introduced by Blanchard and Hersey in 1969 about how the situation is related to a leader's (or manager's) personality and behaviours. For example, just as you are likely to vary your personality or behaviour according to any given situation, so will a manager or leader. Consider if you were a customer in a bank and just about to pay some money into your account, when the bank was suddenly under threat of robbery. You would be highly likely to change your behaviour to match the situation, or find a contingency for what you thought best matched the situation. Managers and leaders have to react to situations in a similar way. We shall explore several different management and leadership styles later in the unit in the section Management and leadership styles.

Functional and action-centred

John Adair developed a model for team leadership and management in 1979 demonstrating in a simple, Venn diagram-type model the roles of a leader or manager. Adair defines action-centred management by three core responsibilities, which are represented in Figure 6.1:

- ▶ achieving the task
- ▶ managing the team or group, and
- ▶ managing individuals.

As you work through this unit, you will learn more about how managers and leaders do this and the skills they need to achieve the planned outcome.

Transformational and transactional

These are two types of leadership or management approach which are distinctly different, as shown in Table 6.1. It could be argued that one style complements the other.

► **Table 6.1:** Transformational and transactional styles of leadership

Transformational style	Transactional style
Considers the much bigger picture and takes a more strategic view to achieving greater goals. This style adopts an approach of investing time and effort now to reap rewards in the longer term. Targets are important to push employees to aspire to greater things and receive rewards which are commensurate. This style is likely to produce tomorrow's managers and leaders.	Concerned about getting the job done with little disruption to normal operations. Likely to follow process and systems and will use various techniques or incentives to encourage employees to give their best by being motivated. Generally short-term goal focused and responds quickly.

Discussion

In a small group discuss the advantages and disadvantages of each style of leadership: transformational and transactional.

The concept of leadership continuum for management behaviour

Leadership **continuum** is a concept originally defined by Tannenbaum and Schmidt in 1958 and updated in 1973. Like many theories on management and leadership, it has been studied and critiqued by theorists and concepts vary according to situational factors and developments in business practice.

This theory suggests an imaginary line along which various styles of management or leadership can be placed to help explain how behaviours influence the decisions made.



► **Figure 6.2:** The leadership continuum

For example, a manager or leader who lets their subordinates suggest or try out new ways of working sits at the far right-hand side of the continuum. However, a manager who likes to keep control and tell their subordinates how it will be done sits on the far left-hand side and adopts an **autocratic** style. There are several stages in the process along the continuum which will vary according to behaviours. It is suggested that the more successful and effective managers are those who know which behaviour is appropriate to the situation. Douglas McGregor developed 'Theory X' and 'Theory Y' in the 1960s. They are management theories that describe two models of how managers motivate their workforce. Theory X stresses the importance of strict supervision, external rewards and penalties. Theory Y, on the other hand, stresses the importance of job satisfaction and working without direct supervision.

Key term

Autocratic – controlling, not taking views of others into account.

Reflect

What style of management do you think you would prefer to work under? Why?

Functions of management and leadership

You have considered some differences and similarities between managers and leaders and will now explore the functions relating to those roles.

Functions of management

Planning

Planning is a management function. Managers need to plan to implement strategic objectives. As suggested earlier, part of a management role is to ensure a task can be carried out within pre-determined boundaries. For example, when BT decided they should move some of their off-shore overseas call centres back to the UK, following perceived customer service issues, it would be the managers' responsibility to make this happen. To initiate a plan to execute this large-scale operation, managers would have needed to consider many different factors, although this would be the case regardless of the size of the operation.

Organising

The plan provides a framework for managers, which in this example of BT would involve several managers, to organise teams, schedules, resources, budgets, and every other aspect of the operation. Managers would need to organise a series of events before moving their call centres to UK sites. The plan would need to ensure sufficient stages were in place so that customers could still continue to make contact with BT without disruption to services.

Coordinating

The team of managers in this example would need to work together to coordinate such a large task. On a much smaller scale, for example a department manager in a store such as House of Fraser, the manager would be responsible for coordinating the entire operation and would delegate duties to team members.

Controlling

An important function of management is taking control of different parts of the business. This could be a manager controlling their team, ensuring they are all working effectively and behaving appropriately. Managers also often have control of projects or particular business functions and within this the budgets and processes of those projects and functions. It is important that managers understand what they need to control and take appropriate steps in order to do so.

Monitoring

Every plan requires monitoring to review its effectiveness and progress towards meeting objectives within the timeframe, just as you and your tutor monitor your progress to ensure you meet your deadlines. Managers will need to monitor the effectiveness of teams, evaluate what is working well and where gaps or weaknesses appear. Plans may need to be changed and milestones shifted.

Reflect

What skills do you think are crucial for managers? How effective are your skills in these areas?

Delegating

A key part of a manager's role is to delegate. All managers will have tasks and elements of the job they must do themselves, for which they are given responsibility, but it is also their job to delegate some tasks to their subordinates. Managers will often be delegated tasks by their own senior managers, but part of a manager's role is to act as an interface and identify the best-suited subordinate for certain tasks. This might include identifying who has capacity, the skills or even who already has that sort of task as part of their job description.



PAUSE POINT

Cover this page and draw a mind map of the different functions of management.

Hint

Extend

Think about a manager's day-to-day job. What functions do you think they use the most?

Consider how the plans for the Olympic Stadium were monitored to ensure work was completed on time and within budget. Which function do you think is most important to a manager on a project of that scale?

Functions of leadership

Inspiring

Leaders are expected to inspire and innovate. They are the driving force of the business, looking at the long-term vision and devising strategies to achieve the business goals. They make the top level decisions which directly affect the business and have the power to change the business' direction by challenging suitability of decisions. Leaders look at the bigger picture. They have much more **autonomy** than managers.

Energising

Leaders must energise their teams. What this means is by bringing inspiration and innovation to business ideas, they indirectly inspire. Leaders have direct responsibility and management of those immediately below them who are managers. Depending on the structure of the organisation, there can be few or many managers and in a very large organisation they may have managers beneath them. Consider the BT scenario where there are thousands of managers employed. Leaders will energise their direct subordinates and expect managers to cascade that energy downwards.

Key term

Autonomy – the freedom to make decisions and take action, independent of others.

Influencing stakeholders

Another leadership function is to influence stakeholders. Stakeholders take an interest in the business and want to know whether the products or service they purchased are secure. It is up to leaders to influence stakeholders in their view that the business is going in the right direction. If the business is like BT and has shareholders, they will pay particularly close interest to the business as they want to see a greater return on their investments.

Envisioning

This is the term for looking to the future to envision what the consequences of actions and proposals are likely to be. Leaders will rely on having credible information to base their judgements on, such as a financial forecast or analysis of competitors' operations.

Determining best path/route to achieve success

It is the leader's responsibility to determine the best path or route to achieve business success. They will need to convey their intentions to managers in order for the vision to become reality. Leaders need to have a complete overview of business operations – what has worked, what has not worked and why. Based on this knowledge, which is established by frequent monitoring and evaluation of sales figures, productivity, profits, costs, market share etc, leaders can make informed decisions which affect the success of the business.

Business culture

Definition

Business culture can be defined as the way in which things are done in a company or organisation – its style or ethos. As a model of business operations, business culture will influence how employees deal with customers, other staff and management. Take, for example, the business culture of McDonald's or various different travel agents and the major cruise lines, where employees are valued and recognised for a job well done through recognition schemes ('employee of the week/month'), just as the retail sector often offers staff discounts. This recognition fosters a culture and a sense of belonging, like a large family, which bonds employees and has a positive effect on customer relations.



► The Tupperware 'family' spread across the world in the 1960s

American-founded business Tupperware became a household name in the UK during the 1960s. Despite being sold directly to the public through home parties by individuals known as Tupperware dealers, the ethos of belonging to the Tupperware family was a well-engrained culture.

Key terms

Model – copy, behave in a similar way, replicate the intentions of the vision.

Intonation – what can be inferred from, or is implied by, an indication of intention of a communication.

Paternalistic – a management approach that involves a dominant figure who treats employees like members of an extended family and expects loyalty, trust and obedience in return.

Business vision, mission and values/ethos

A business culture is determined by its vision, mission, and associated values or ethos. A positive business culture can easily be destroyed, so it is crucial to communicate the vision so it is understood by all stakeholders. Consider how well staff in McDonald's **model** the values and ethos of the business; while in a similar vein, it is claimed that the workforce for a major soft drinks brand are not allowed to be seen drinking their major competitor's brand.

Influence of business culture on management practices

The business culture influences management practices, for example, the way managers communicate, behave and value their employees and customers. Consider the business culture of Volkswagen with the 2015 revelation that vehicle emissions were fraudulently portrayed. It takes a strong management team to instil confidence back into its teams and stakeholders in such adverse circumstances.

Link

When you consider the positive practice by management and employees in the Little Italy Case Study in *Unit 1: Exploring Business*, the influence of business culture is evident.

Policies and procedures

Business culture influences policies and procedures. Although these are built around a framework of legislation and regulations, how they are interpreted represents the culture of the business. For example, consider the notices you might have observed when visiting a hospital or perhaps a doctor's surgery around the zero tolerance of any aggressive behaviour towards staff members. Messages conveyed represent the culture of the organisation and influence how its employees are likely to behave.

Discussion

Discuss the message or **intonation** of some policies from part-time jobs or places of study and the business culture they reflect. Do you see any similarities or differences between the types of companies?

Management styles

Business culture affects and influences management styles. First, the country and demographic has an effect, which is seen when considering the examples of McDonald's and Tupperware. American-born leaders and companies often encourage use of first names and a friendly manner whereas in Germany, this might be considered to be impolite. In some British businesses, the use of titles and last names is still common, such as senior airline staff and some doctors' surgeries, dental practices and solicitors.

The structure of a business is often influenced by national characteristics and this is likely to be reflected in both the way the business operates and the titles used. In parts of Asia and Europe, the management style is likely to be autocratic, whereas in the United Arab Emirates (UAE) the style is directive and **paternalistic**, where instructions are given and it is expected that they will be followed.

Structure of the workforce

The structure of the workforce also reflects the business culture. Where individuals are placed on the organisational structure reflects and impacts on the business culture. Hierarchical structures tend to have very few people, sometimes only one person, in

charge of the entire workforce or with a single layer of managers in between. As this type of structure is associated with one person in overall charge, and speedy decision-making, it is likely to generate a culture that is autocratic. On the other hand, a holocratic structure encourages a business culture which is open and democratic.

Link

You will have covered holocratic structures in *Unit 1: Exploring Business*. Take a look at Figure 1.5 to remind yourself.

Research

Carry out research into at least one business for each type of management and leadership style. Suggest reasons why these businesses use the style they do.

How people work

Organisational structure impacts on the way people work. Consider an example of an open and democratic structure with a culture that encourages new ideas, proposing changes and creating new opportunities. Employees are likely to be motivated and willing to try new things. This can be seen at Google, where staff are encouraged to be innovative and to propose ideas through the use of creative workspaces in multiple environments (for example, outside spaces). Staff members there might be more likely to demonstrate creativity and propose new ways of working, whereas this may be less likely in a more autocratic business culture. Many companies operate somewhere in the middle, where people are often willing to offer ideas but not at the expense of business success.

The way a business treats its employees also impacts on how employees feel. For example, Virgin, despite their huge workforce, often report employees feeling as though they are part of a family.

Discussion

In a small group or pairs, discuss the type of culture in your place of study or work and its relationship with the way people work.



► How does it help a business if employees feel part of a family?

Case study

About turn!

Within the armed forces the functions and culture of its people are clearly defined.

The British Army consists of the General Staff and the deployable Field Army and the Regional Forces that support them, as well as Joint Elements that work with the Royal Navy and Royal Air Force. The Army carries out tasks given to it by the UK government. Its primary task is to help defend the interests of the UK, which consists of England, Wales, Scotland and Northern Ireland.

The command structure is hierarchical with divisions and brigades responsible for administering groupings of smaller units. Major Units are regiment or battalion-sized with minor units being smaller, either company sized sub-units or platoons. All units within the service are either Regular (full-time) or Army Reserve (part-time), or a combination with sub-units of each type.

Unit names differ for historical reasons. An infantry regiment is an administrative and ceremonial organisation only and may include several battalions. An infantry battalion is equivalent to a cavalry regiment. For operational tasks a battle group will be formed around a combat unit, supported by units or sub-units from other areas. Such an example would be a squadron of tanks attached to an armoured infantry battle group, together with a reconnaissance troop, artillery battery and engineering support.

The Army Reserve has two clearly defined roles. Firstly, it provides highly trained soldiers who can work alongside the Regulars on missions in the UK and overseas. Secondly, it gives people who have specialist skills, like medics and engineers, a range of exciting opportunities to use them in new ways.

Each unit is reliant on clear goals and directive leadership, drawing on multiple skills. New recruits are transformed into fully trained and highly skilled personnel. Management and leadership roles are functional and action-centred, with the ability to perform multiple functions, from careful planning through to execution of every manoeuvre. Leaders closely monitor the effectiveness of individuals and how they interact as teams. They are expected to inspire and energise and use an enormous amount of personal energy on motivating their teams. Most of all they need to ensure success and will involve teams in deciding upon the most appropriate route and suitable contingencies. In essence they are risk managers.

Being able to form teams who can work efficiently and effectively together requires refined observation skills and the ability to interpret behaviours and anticipate reactions. Managers and leaders expect full compliance with the policies and procedures and employ strategies to ensure they are implemented for maximum impact. For example, they will need to undertake risk assessments to make allowances for different situational factors according to the terrain or the territory, whether at home or overseas. They need to plan for, and coordinate, resources and delegate tasks to teams and individuals.

Source: British Army Structure, www.army.mod.uk/structure/structure.aspx, © Crown copyright. Contains public sector information licensed under the Open Government Licence (OGL) v3.0. www.nationalarchives.gov.uk/doc/open-government-licence/version/3/

Check your knowledge

- 1** How would you define the management and leadership in this example of the Army Reserve?
- 2** What are the main functions of the officers as managers?
- 3** Why do officers and troops need to plan thoroughly for their manoeuvres?
- 4** What contributes to the culture of the Army Reserve?
- 5** What are the main functions of the officers as leaders?



PAUSE POINT

Think about your centre's management or leadership team. List the functions of management they use within their jobs.

Hint

Does your centre have a mission or vision statement? How does this impact on how managers or leaders work within your centre?

Extend

What sort of impact do you think a new leader would have on a business' culture?

Assessment practice 6.1

A01

'Pleated' is a small fashion business devoted to replicating vintage clothes. It is a partnership run by Matthew and Thula who ensure the staff know exactly what they are aiming for and that quality is paramount.

They value their staff and are willing to listen to their ideas especially when it comes to production, although they need to get the job done on time. The partners are flexible but do find they spend considerable time having to adapt to the workforce, rather than the other way round.

The partners are seeking some guidance about their roles and the functions of management and leadership, as they would like the workforce to be driven by them without being too bossy. Currently they believe they run a 'happy ship' and are concerned this could all change if they get it wrong.

Matthew and Thula want a presentation with some speaker notes and a handout for future reference. They want to understand the different definitions and functions of management and have asked for examples of different approaches in practice.

Plan

- What are you being asked to do?
- Have you read through the assessment outcome and highlighted or underlined key words in the activity?
- Can you prepare a timed action plan and build in a contingency to make sure you meet the deadline?
- Can you identify the resources and where to get the sources of information you will need?
- Have you sketched out a rough plan for your presentation?

Do

- Have you carried out enough research?
- Have you documented and kept all your sources for your bibliography?
- Can you provide lots of examples to explain concepts, benefits and disadvantages?
- Have you spent enough time on the content compared to the presentation?

Review

- How did it go?
- Did you manage to complete the objectives within the deadline comfortably?
- What would you change?
- What do you need to learn to understand better?

B

Management and leadership styles and skills

Management and leadership styles

You have started to learn about different types of management and leadership styles. You will now explore seven different types of style and some of their pros and cons, plus some examples of where these styles might exist. Kurt Lewin and David McLelland are often associated with theories of leadership styles although thousands of books and articles have been published. Their research explored the relationships between different styles of leadership and the impact on performance and behaviour.

Autocratic

An autocratic style of leadership adopts an **authoritarian** approach, examples include former leaders of China, Russia and North Korea. This style is often associated with power and control over others although, as you saw earlier in the unit, there is a continuum of autocratic styles just as there is with each type of leadership and management style.

Key term

Authoritarian – enforcing strict obedience to authority.



► What political systems are associated with an authoritarian style of leadership?

This style is likely to be in evidence where a small business team are working on a project which needs to be completed quickly and where instructions need to be given clearly and executed efficiently. For example, if a major water leak occurs on the M25, a team of workers will be drafted in rapidly. The team leader will need to manage the team, and ensure the least disruption possible to traffic, limited water loss, and that everyone is safe, all within a very tight deadline. The armed forces operate this style of leadership.

The negative side to this style is that workers can resent being told what to do, especially when they might have their own ideas about improving the process. It is felt that this style lacks creativity as it focuses on systems and processes and, while deadlines might be met, it is often at the expense of job satisfaction.

Key term

Democratic – a style of leadership that involves team members in decision making.

Democratic/participative

This type of leadership and management style sits at the other end of the continuum. A **democratic** approach invites participation from others, seeking ideas and involvement in decision making and problem-solving. As you started to learn earlier, this approach, while considered favourable by many, can take up so much time and energy that tasks do not get done within deadlines.

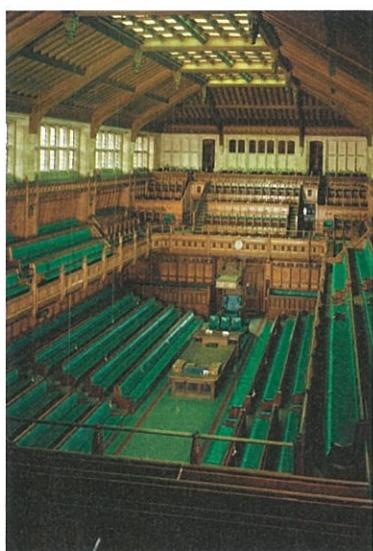
A democratic or participative leadership style is viewed as being inclusive by sharing responsibility and involving everyone. The Prime Minister is expected to portray a democratic leadership style. Members of parliament are encouraged to contribute with their views, opinions and solutions, as are members of the public, for example when discussing the EU Referendum.

Businesses which benefit from a controlled method of democracy are creative industries such as advertising, consultancy and service industries. John Lewis Partnership (JLP) is also an example of a retail business displaying this type of management style in the way in which they involve their employees and other stakeholders.

Paternalistic

This type of leadership and management style often appears as a large 'family' with the leader or manager acting as a dominant paternal or maternal figure. Employees are treated as part of this family and are expected to demonstrate trust and loyalty in return.

For example, an employee in a business may get disciplined for not delivering complete customer satisfaction. However, a paternalistic leader will endeavour to protect staff and while the customer would be treated appropriately with an apology or remediation, the employee is likely to be forgiven and trained to act appropriately in future, rather than merely censured.



► Have you seen extracts from debates in Parliament on the news?

A paternalistic style is one which historically has brought a feeling of family, protection and lifetime commitment to its employees, such as the ethos instilled by Earl Tupper when he founded Tupperware. Due to the economic climate, few businesses are able to offer such a commitment nowadays.

Laissez-faire

As the term suggests, this type of management and leadership style is hands-off, where employees are delegated free-reign to decide how to go about their business and make decisions, such as Facebook and to some extent Microsoft. The music business and other creative industries are likely to adopt this type of management style.

The advantages might appear to be a feeling of freedom and entrepreneurship but in reality the outcome is very often slow productivity and higher costs due to an inefficient workforce. One reason for this might be lack of clear job roles and boundaries; imagine the disruption which would occur in an army of ants without clear roles and leadership.

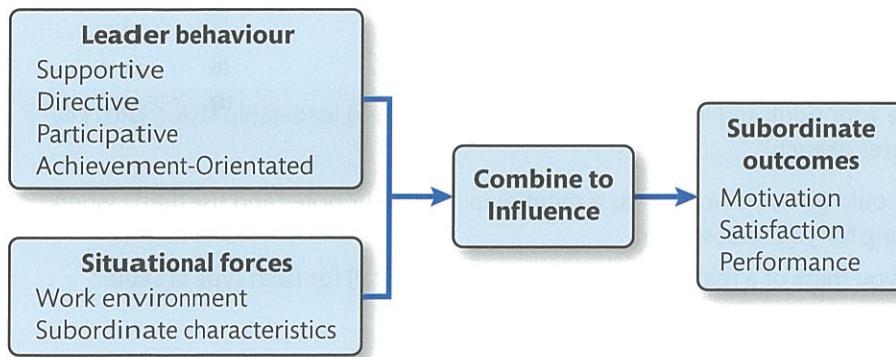
Transactional

You were introduced earlier to the definition of a transactional leader (see Table 6.1). Theorists Bass and colleagues (1976) and Burns (1978) are well known in academic circles for their studies.

This style of leadership comes from the path-goal theory of Robert House who in 1971 suggested that, for leaders to be effective, they must adapt their own behaviour to suit both the situation and their employees' abilities and skills. He based his theory on previous works by Victor Vroom. By changing their behaviour to cover any gaps in the business environment or employees' performance these leaders are able to introduce contingencies that help to make the business run smoothly.



- ▶ Would ants survive if they all did different things rather than working together?



▶ **Figure 6.3:** The path-goal leadership model

From *Management and Organizational Behavior: An Integrated Perspective*, South-Western (Pierce, J.L., Gardner, D. and Dunham, R.B. 2001) figure 11-7, reproduced with permission of South-Western College Pub in the format Republish in a book via Copyright Clearance Center.

This theory suggests that four different leadership behaviours are called upon:

- ▶ participative
- ▶ goal or achievement-oriented
- ▶ directive
- ▶ supportive.

Examples of areas where this style is demonstrated in business are likely to be where the people are the biggest assets, for example, a football manager whose players are critical to the success of the team, a music or film industry agent or a manager at a modelling agency.

Key term

Competence – to do something to the level required which meets a predetermined standard.



- What are the benefits to employees of having a charismatic leader?

Transformational

A transformational style (Bass, 1978; Burns, et al, 1976) is one where the leader or manager demonstrates concern for employees and is focused on developing individuals to fulfil the vision of the business. The overall aim is to transform the business by investing in its employees. Businesses evidently displaying this style are often family-run businesses, but larger examples include M&S and Legoland.

This style of leadership ensures employees know where the business is going and how it will get there. Leaders value their employees and reward them accordingly. The possible disadvantages of this type of leadership is that the business may be so focused on their long-term goals that they have overlooked the core **competencies** they need today, whether that is training employees appropriately, or diversification in products or services. Examples of this, where a business has moved away from its core activity, include Polaroid and Kodak, which delayed their joining the digital market.

Charismatic

A charismatic leader is one who pushes boundaries and engages and motivates people through their personal attitude and approach to business.

Leaders described as charismatic often include Martin Luther King, Richard Branson and Barack Obama. This style of leadership can be unpredictable, leaving employees feeling insecure and not knowing what will happen next. Rules and regulations can appear to get ignored or interpretations stretched beyond all recognition. Employee motivation can be affected, especially if a project is shelved after extensive involvement. Some people find charismatic behaviour exhausting, stressful and even intimidating. However, this style of leadership can inject motivation in employees by changing business culture. Just as negative behaviours are infectious, so are positive ones.



PAUSE POINT

Hint

Close your book and list each of the management and leadership styles, plus key features of each.

Extend

You could do this as a list or as a mind map. Save your notes and use them when revising for your assessment.

Can you think of a real example (modern or historical) for each type of style?

Reflect

What type of style does your tutor or employer display? What style do you prefer?

Management and leadership skills

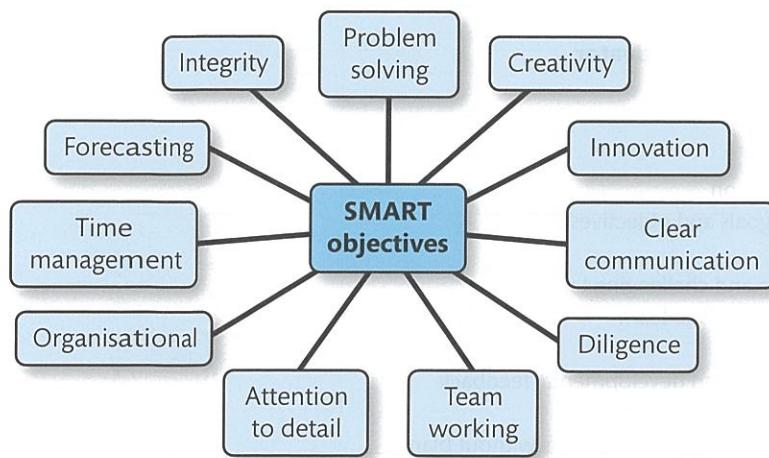
Each management and leadership style requires a set of skills. This section looks at examples of the skills needed to be an effective manager or leader.

Setting objectives

The ability to set objectives which are SMART (specific, measurable, achievable, realistic and time-bound) is one of the skills leaders and managers need to demonstrate. The skills required to set SMART objectives include:

- problem-solving (you need to know how to analyse a problem and solve it)
- creativity (you need to be able to think 'outside the box' when required)

- ▶ innovation (you need to be able to think about, and implement, new ways of working if necessary)
- ▶ team working (you need to be able to work as part of a team)
- ▶ clear communication (you need to be able to communicate clearly so that others know what you are doing at any given time)
- ▶ diligence (you need to give your full attention to the job in hand)
- ▶ attention to detail (you need to make sure that details are correct and nothing is missed)
- ▶ time management (you need to be able to manage your time effectively in order to make sure you cover what you need to do in a given time)
- ▶ organisation (you need to be organised in the way you approach your work)
- ▶ forecasting (you need to be able to look ahead and answer 'what if?' questions)
- ▶ integrity (you need to be honest and have strong moral principles).

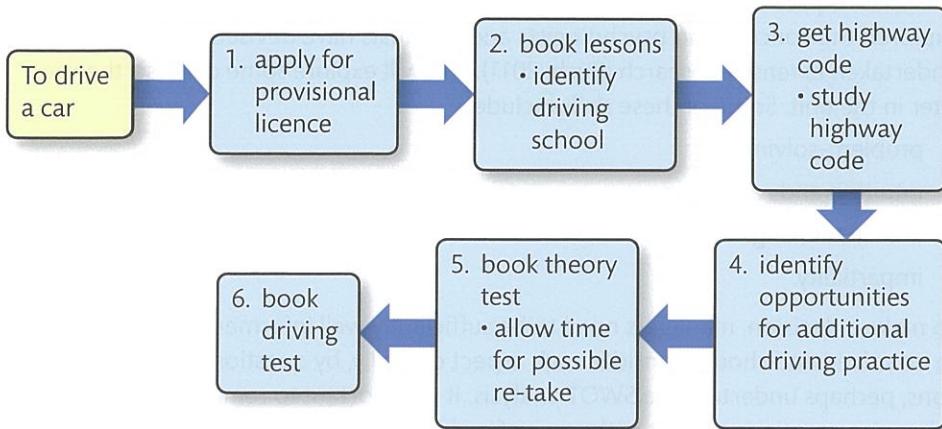


▶ **Figure 6.4:** Setting SMART objectives is an essential leadership skill

Objectives are generally set to:

- ▶ achieve a solution to a problem
- ▶ improve processes and systems
- ▶ develop individuals.

The difference between an aim and an objective is often confused. One simple way to differentiate between the two is to think about an example. If the aim is to learn to drive, the objectives identify how you will do that in small stages:



▶ **Figure 6.5:** Learning to drive: aims and objectives

Objectives should always be SMART. For example, if you consider the steps listed above, you will see how some of those stages are broken down further. Other steps will also need to be identified until the objectives are 'specific' and each one is SMART. Managers apply similar principles to setting business objectives to make actions more manageable and to aid business planning.

Motivating

Managers and leaders who are positive, enthusiastic, have integrity and credibility are likely to be natural motivators. However, these are skills which may need developing for others. It could be argued that there are skills which a person is born with, such as charisma, and that these are not easily developed.

To be an effective motivator requires a special skill-set which can be developed (Fuller, 2008), as shown in Table 6.2.

► **Table 6.2:** Skills required for an effective motivator

Skillset for an effective motivator
<ul style="list-style-type: none">• giving encouragement• belief• value• clear communication• setting SMART goals and objectives• autonomy• giving stretching and challenging tasks• creating opportunities to learn• giving praise• giving constructive and developmental feedback• showing equality and no favouritism• allowing the opportunity to take risks without blame• finding interesting and varied work

Managers need to be able to motivate teams and individuals otherwise the work may not get done. To be a self-motivator requires willpower and self-belief.

Decision making

A manager's role is to make decisions, and though these are at a different level and complexity from those a leader must make, a manager without the skills to make decisions will demotivate teams and have an impact on productivity. A poor decision maker lacks integrity and credibility and is unlikely to progress within the business.

The skills required for decision making are very complex. Many academics have explored the concept and psychologists and scientists have devised theories and undertaken extensive research (Bush, 2011). You will explore some of these theories later in the unit. Some of these skills include:

- problem-solving
- intuition and reasoning
- critical thinking
- impartiality.

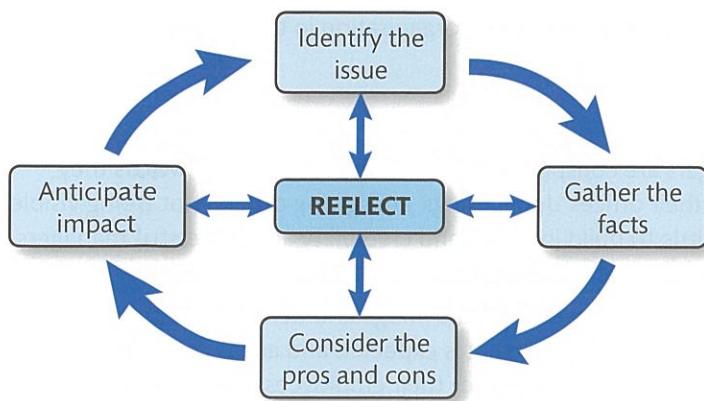
To make a decision, managers need to be sufficiently well informed about the problem to be solved and should consider each aspect critically, by questioning the pros and cons, perhaps undertaking a SWOT analysis. It is important to remain impartial, otherwise emotions can get in the way of making the right decision.



► How can you be sure you'll make the right decision?

For example, imagine you have devised a system or product which is proving problematic or someone suggests it should be done differently. You might feel somewhat put out and find it difficult to focus on the needs of the business and individuals if you are not impartial.

Figure 6.6 suggests a decision-making model that includes a series of processes involved in making a decision. The arrows indicate the importance of reflecting at each stage in arriving at a well-considered decision.



► **Figure 6.6:** A suggested model for a decision-making process

Theory into practice

You are considering your next steps after you have completed your BTEC Nationals Level 3. There are many options you could choose after your course, but for this activity you are choosing between:

- work
- apprenticeship
- university.

Whichever route you are planning will require an application. To help make your decision use the decision-making outline in Figure 6.6. Once you have come to a choice, evaluate the skills you need to make your decisions and any changes you made to the model which made it more useful to you.

Team building

Key term

Trait – a distinguishing quality or characteristic.

Businesses rely on effective team working just as you need to do to function in life. Leaders and managers with the skills to build effective teams contribute to successful businesses. Rather like pieces of a jigsaw, individuals in a team come together to make something that is not possible on their own and, as with a jigsaw, every part is different.

This idea could represent any level of employee and later in this unit (see Factors influencing management, motivation and performance of the workforce) you will learn about some of the tools developed by psychologists for selecting the right people to do a job by the skills and **traits** they display.

To be an effective team builder requires effective skills such as:

- ▶ interpersonal skills – to convey the goals of the team, individual roles and responsibilities and monitoring mechanisms
- ▶ the ability to manage conflict and power struggles
- ▶ analytical skills – to make accurate judgements about the dynamics of team players which will affect productivity
- ▶ trust in the team's abilities to get the task done
- ▶ understanding of your own behaviours and traits.

A manager also requires knowledge about each individual and their performance, skills and traits to make an informed decision about who will form the best team to suit the task, situation and goals. This may require managers to involve employees in various team-building exercises to observe interaction and productivity. You may have been involved in some team-building exercises during your induction period.

One particular well known team builder is Jack Welch, who was the Chairman and CEO of General Electric in the USA. Through his expertise in building and motivating teams, it is claimed he increased the turnover of the organisation in the 20 years up to 2001, by several thousand per cent.

Leading by example

Some leaders or managers are conspicuous by their absence, in other words they appear to hide away in their offices 'doing things' and 'giving orders'. Not being visible to the workforce does little to build integrity and credibility and successful managers and leaders are likely to be those who lead by example.

They tend to positively represent the corporate image and demonstrate the values of the company. They often go beyond what is expected and act as advocates for the organisation. By acting as a role model for their employees they encourage those employees to also lead by example. This level of visibility requires leaders to have some humility as if they are more visible, then so are any problems that arise. However, this can also endear leaders to their employees and foster a team or family business community.

Research

Search for the TV show 'Back to the Floor' on YouTube and watch examples of leaders working among their employees. What positive outcomes do you see at the end of some episodes?

Consulting

Managers and leaders need to consult with others. Those others include internal and external customers but also specialists who might be involved to help with resolving specific problems, such as financial matters, subject or product specialists, engineers etc.

Admitting you do not know all the answers might be a useful tactic to seek out others' opinions and expertise. The skills required to make the right decision based on the information gathered from consulting may result in confirming your original thoughts. To consult with others requires a variety of effective skills, as shown in Table 6.3.

► **Table 6.3:** Skills required for consulting

Skills for consulting with others
<ul style="list-style-type: none"> • understanding your own limitations • speaking • questioning • listening • interpreting • comparing • synthesising • analysing • summarising • critical thinking • evaluating • decision making

Key term

Synthesise – to pull together, to combine, for example information from different sources.

Problem solving

Problems require solutions and leaders are mostly interested in managers finding those solutions. Everyone needs to solve problems on a daily basis, at work and in life. For example, someone stacking supermarket shelves will need to avoid customers, move boxes, sort display-by dates, move product lines according to promotions and replenish faster moving stocks.

Problem-solving requires solutions to the barriers which get in the way of something running smoothly. Possibly the biggest barrier is identifying the problem in the first place. Leaders operate at a strategic level, while managers mostly work at an operational level. In practice, this means that leaders identify problems and will require managers to present solutions. However, managers will also have to solve problems on a daily basis, for example, covering someone's sick leave, issues with customers or orders etc.

The skills required to be an effective problem solver are numerous, including those shown in Table 6.4.

► **Table 6.4:** Skills required for problem solving

Essential problem-solving skills
<ul style="list-style-type: none"> • thinking • creativity • planning • forecasting • organising • analysing • assessing risks • communicating • observing • listening • reflecting

Valuing and supporting others

Everyone likes to know that they are valued and so effective managers and leaders value and support others. However, there is a fine line between supporting someone and being patronising. The skill lies in providing support in a way which empowers the

individual and does not take away their autonomy. Part of the role of a manager and leader is to ensure that all their staff feel valued and supported. They might do this by regular catch-ups, recognition schemes and through performance appraisals.

Managing conflict

Managers and leaders will often have to manage conflict at various levels within a business.

Key terms

Active listening – paying full attention to what someone is saying so you can paraphrase and respond to the important points.

Empathy – the ability to understand and share the feelings of another.

Part of the skill of managing conflict is being able to understand the behaviour of others and ourselves. The root of resolving conflict lies with the cause and so ensuring that you engage in **active listening** is key to discovering the cause of conflict. Another skill that is required is the ability to anticipate potential conflicts. In business, the cause of the conflict might be that a team has been put together with incompatible team members. As a manager you may need to help resolve conflicts within this team after they have started working together. Even if you had anticipated that the conflict would arise, sometimes people get impatient with each other for other reasons, perhaps because they are over-stretched, too busy or stressed owing to personal issues; but it may still be necessary to form that team based on the needs of the business. It would be reasonable to argue that as adults, the individuals should learn to get along and find ways to resolve their differences without interfering with or compromising business operations.

As a manager, there are four key steps to managing conflict.

- 1 Identify the issue or problem.
- 2 Identify those in conflict.
- 3 Express concerns to those involved – usually together.
- 4 Listen actively.

Resolving conflict may require compromise and needs both parties to agree to the resolution. If the conflict continues, businesses usually have procedures for dealing with such matters and you will learn more about these in the section Managing human resources.

Link

See Unit 8: Recruitment and Selection Process.

Building positive interpersonal relationships

Possibly the most important role of any employee, regardless of management status, is to build positive interpersonal relationships, ie to get along with people. The benefits include job satisfaction, productivity and progress. The skills needed could include tolerance, honesty, **empathy**, respect and humility. Though managers and effective employees may not be able to show these skills at all times, they should work hard at maintaining and developing their own skills through personal development and reflecting on their own actions to assess effectiveness.

Reflect

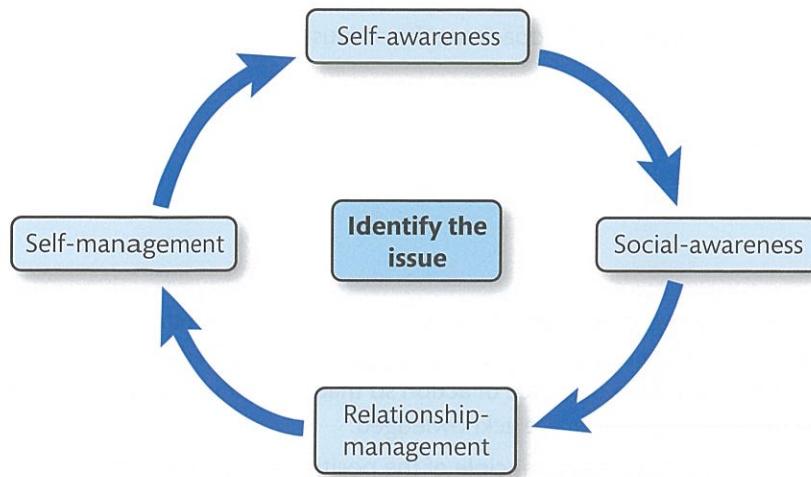
Consider what makes some managers more effective than others and why it is that some managers do not bring out the best in their workforce. What do you think are the top three most important skills for managers and leaders?

Using emotional intelligence

Among multiple theorists, Daniel Goleman (1995, 2001) is one particularly well-known authority on emotional intelligence. Emotional intelligence is the ability to accurately read someone else's emotions, wants and needs. However, in order to be able to assess how someone else is feeling, you have to be able to accurately assess your own behaviours. In other words, you must be self-aware.

Goleman's (2001) definition of emotional intelligence is: 'The capacity for recognising our own feelings and those of others, for motivating ourselves, for managing emotions well in ourselves and in our relationships'.

Being emotionally intelligent enables change to take place, by convincing others of the benefits, being optimistic and collaborating effectively. Goleman's simple model places four key skills at the heart of emotional intelligence which lead to a positive impact on others.



► **Figure 6.7:** Adapted from Goleman's (2001) model of emotional intelligence

Reflect

How emotionally intelligent are you? Using Goleman's simple model, assess your skills under each category and identify a plan for your own personal skills development. Remind yourself of where your strengths lie.

Communicating

How well you communicate is dependent upon many factors. For example, an emotionally intelligent person is far more likely to be tactful and diplomatic than one who is less skilled. Communication is not all about what you say or how you say it, but combines many other skills such as:

- ▶ non-verbal signals
- ▶ active listening
- ▶ speaking
- ▶ observing
- ▶ interpreting what is being communicated to you
- ▶ articulation
- ▶ thinking
- ▶ synthesising.

The skills you use to communicate will also vary depending on the situation. Managers must ensure that they adopt the correct method and tone of communication for the situation they are in. For example, managers are likely to use different communication methods when presenting an idea to their immediate subordinates or to colleagues at the same level, compared to a group of senior managers. They also have to consider the method. It would be inappropriate to offer a job in a text message, but this may be an effective way to communicate an issue at the office that day.

Discussion

Discuss in a small group how you adapt your ways of communication according to the audience and situation. Consider the strategies you use to communicate effectively and which ones are less successful.

Providing feedback

Feedback is one of the methods used to motivate teams and individuals. The skill in giving the right sort of feedback is complex. Just as feedback can motivate, it can easily demotivate and alienate. It is not unusual to feel uncomfortable when giving feedback, possibly due to the potential for conflict. Managers often have to provide feedback as part of a formal appraisal process, in which they can structure the feedback given by the goals and standards that were expected of the employee. They may also have to provide more informal feedback to employees.

Link

The importance of honest, justifiable feedback is covered in *Unit 8: Recruitment and Selection Process*.

Some of the key rules in providing feedback are that it must be:

- ▶ well considered
- ▶ justifiable
- ▶ easy to understand
- ▶ impartial
- ▶ honest
- ▶ tactful
- ▶ SMART.

For feedback to be meaningful and lead to improvement it must be both constructive and developmental. To make a difference and recognise progress, feedback should include timeframes and require evidence of action so that recognition of improvement and continuing positive practice can be acknowledged.

Several theorists work on the simple principle of the positive, negative, positive feedback sandwich to ensure the feedback is focused and well balanced.

Reflect

How willing are you to receive feedback? Does your reaction to the feedback depend on who is giving it? Why is that? What do you think you could do to use the feedback positively?



PAUSE POINT

Hint

Extend

Consider a manager or leader you know in a part-time job or at your centre. What skills can you identify that they use?

Think about what this person does on a day-to-day basis. What skills do they need?

Think of two famous business leaders and identify their leadership style. What differences and similarities between the two can you see? Suggest alternative management and leadership styles and why they could also be effective.

Case study

The other way round

Patrick Tame, who founded headhunting organisation Beringer Tame in 2004, describes his leadership style as 'alternative'. 'My company is here to serve the employee, not the other way around' he says – in a statement some might find counter-intuitive. 'It's my role to identify three things staff are doing each week and then publicise the hell out of it,' he explains.

Beringer Tame is a niche company with an ambition to be the most respected brand in their market, using specialists to get to know applicants and give long-term

advice that's right for them. They focus on integrity, service and delivery and have worked hard to build their reputation over the years because in this highly competitive market, reputation is everything.

As someone who recruits other leaders for a living, it's perhaps to be expected that Tame has a good idea about what modern leadership looks like. He was the first in the UK to recruit a CEO by asking candidates to create Vine videos, to get a better feel for 'who they really were.'

'The success of Beringer Tame is based on our strong focus on people. We treat people as we'd expect to be treated and whether you are a client looking to hire, a candidate looking for career advice or even a supplier to us, we strive to make that experience as good as it can be', says Patrick Tame.

According to Tame, leaders must accept talent is transitory and recognise that attracting and retaining skilled individuals requires commitment. He says leaders need to recognise they are lucky to have their talent for the time they do. It's this view that needs to be mainstream and not be the exception to the rule. Understanding this, he says, is the secret to creating winning teams.

According to academics, by 2020, 50 per cent of the global workforce will be 'millennials' – those born between 1980 and 2000. For these people, job-hopping to find employers whose values align with their own will be the norm [91 per cent of millennials expect to stay in a job for less than three years according to futureworkplace.com]. Leadership styles must respond to this in terms of authenticity and being the 'real you'.

Being authentic increasingly means letting staff take responsibility. Richard Branson cites his success as

surrounding himself with people that have skills he doesn't have and then trusting them to run with it.

It has adopted holacracy, where job titles and traditional leadership hierarchy are replaced with staff being invited to join projects according to the skills they can bring. The idea is that responsibility comes from staff being accountable to all their co-workers rather than to a specific boss (who simply has a direction-setting role). In other words, work doesn't originate from top-down orders, it comes from individuals themselves.

Source: www.investorsinpeople.com/resources/ideas-and-inspiration/may-best-team-win, Investors in People

Check your knowledge

- 1 What theories would you use to describe Beringer Tame's management and leadership styles?
- 2 What are the skills Patrick Tame relies on as a leader and manager?
- 3 What are the functions of management and leadership at Beringer Tame?
- 4 Name some of the factors which lead to a positive business culture.

Assessment practice 6.2

A01 A02

Parker-Jones is a medium-sized manufacturer of high-end jewellery. A 95-year-old family business, it has operated in the same way since inception, with the owner controlling all business matters.

MD Miles Parker-Jones, the current owner, is very fixed in his ways and is resistant to change within the company. The highly skilled workforce know there are quicker ways of carrying out some of the processes but find that their ideas are ignored. There are rumblings of dissatisfaction among employees, including the admin staff and their single sales executive.

Miles' son George has decided to seek advice about better ways of managing the workforce. George has asked you to put together a report which clearly describes the different management and leadership styles with examples of how they work in other business situations.

George is also interested in highlighting some of the skills that might indicate management training needs but overall wants a happy workforce and a continuing business.

Plan

- Have you read through the brief and identified what you need to do and produce?
- Can you identify your sources and order any books you will need?
- Do you know the order you will undertake the task, and dates for review and completion?
- Can you find out about writing an executive summary – the tone you should use, its content and length?

Do

- Can you provide examples of several different types of management and leadership styles and their relationship to business culture?
- Have you identified some suitable recommendations with your reasons for them?
- Have you read through your report very carefully to ensure there are no mistakes and the tone is right?
- Have you checked the report for any changes needed to layout, format and balance of paragraphs and headings to ensure it is professional and fit for purpose?
- Have you written your executive summary?

Review

- How would you feel receiving your report if you were George or Miles?
- What would you do differently next time?
- What areas should you consider for your personal development, knowledge and skills?
- What did you find most rewarding?

C Managing human resources

Links

Unit 8: Recruitment and Selection Process covers the different functions of HR departments.

See also *Unit 21: Training and Development*.

Human resources (HR)

Larger businesses usually have whole departments dedicated to managing HR (such as Top Shop; KwikFit; Apple; BT) and some businesses choose to outsource the management of their HR, either entirely or just for specific functions, such as payroll or recruitment, to specialist businesses. They may do this to save money or to draw on specialist expertise which they do not have within their business.

The functions of HR are numerous and have evolved over the years from taking over personnel matters to more of a consultative and possibly strategic role since businesses began to recognise the conflict between informal methods of managing employees and a more ethical formal process.

HR personnel require specialist training, and dedicated qualifications accredit different functions of the role. Businesses recognised that their biggest and possibly most expensive resource is their workforce and the investment of specialist HR services could impact greatly on the success of the business.

HR functions include monitoring, coordinating, advising and possible intervening in a variety of situations as shown in Table 6.5. (See also the section on appraisals.)

► **Table 6.5:** Situations requiring HR

HR functions are needed for:

- appraisals
- promotions
- holidays, sick leave
- reward, pay, pensions etc
- employee relations
- recruitment and selection
- organisation structure
- compliance with legislation
- budgets
- professional development.

Human resources as a factor of production

Resource is a term used in economics, and human resources as a factor of production relates to the resources required to produce goods or deliver services. Resources can be both human and physical and include equipment, technology etc.

The HR department is involved in managing physical resources by monitoring the effectiveness of teams and individuals, involving human managers primarily. For example, managers are directly responsible for their teams and therefore any requests for increased resources usually require approval from HR. HR will either have a budget for resources or monitor managers' spending against the budget for resourcing.

Take an example where a member of staff is on extended sick leave, resulting in a department being under-resourced to meet deadlines and demands. In some businesses, managers will have the authority to take on a temporary member of staff to cover the period needed although the HR department is likely to have a preferred list of agencies to use. In other businesses, possibly due to the size of the organisation, the request will have to go to HR for them to deal with, although the manager may still be involved in selecting the right individual, or following initial screening by HR.

HR departments will use various forms of information to make decisions about the suitability of the resources and advise leaders and managers on whether or not departments should be re-structured.

Labour market analyses

HR departments rely on analyses of labour market information to evaluate the supply and demand for skills and the effect of regulatory changes on businesses. Gathering and analysing this type of data is not solely the responsibility of HR departments as it is required for all departments and especially managers, to plan for **sustainability**.

The gathering of this information is often referred to as **market intelligence**.

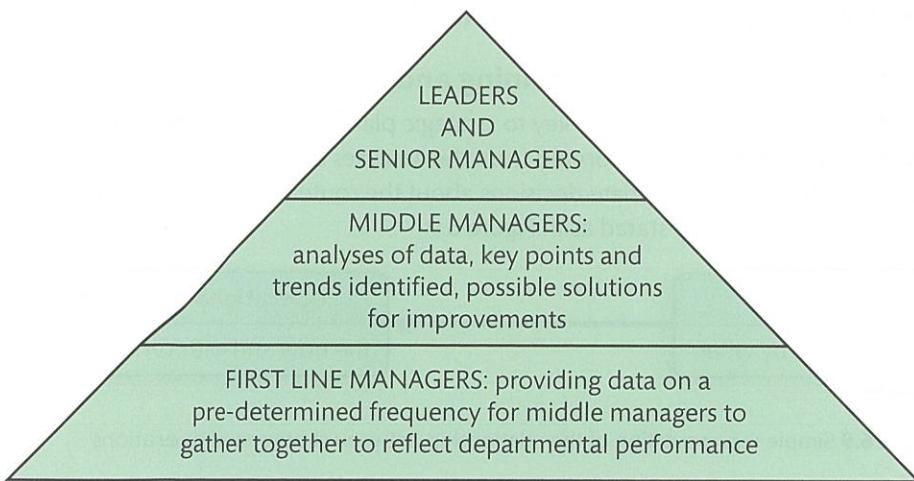
HR departments use data analyses to evaluate and plan strategically for:

- ▶ workforce requirements
- ▶ policy changes in light of government legislation
- ▶ anticipating contingencies for future government intentions, such as elections and party mandates
- ▶ measuring the availability of skills in the global market and possible impact on the organisation (for example, the gaps in literacy and numeracy skills in the UK)
- ▶ forecasting skills which will be needed in the future (such as international trade and export and areas that have skills gaps)
- ▶ education and training impact for future employees (for example, the shortage of skilled employees since the early 2000s due to limited opportunities for developing new engineers; future shortages in computing and manufacturing).

As well gathering external data, HR departments will compare it with internal data, often produced by departmental managers such as:

- ▶ performance against targets
- ▶ budgets
- ▶ health and safety reports
- ▶ customer and employee feedback
- ▶ employee movements, such as holidays, sick or maternity leave, punctuality, performance, resignations etc.

As data flows upwards it becomes more simplified, as shown in Figure 6.8, so that managers or leaders at the top of the organisation can make decisions based on the most important information.



▶ **Figure 6.8:** Simple flow chart of data in an organisation

Depending on the size of the organisation, first line managers (or team leaders) might be the same people as the managers in the middle of this example. In a small manufacturing or engineering business, the manager will rely on employees' job sheets to provide information about productivity and performance. All the reports gathered from each manager will create a bigger picture for those in strategic roles to better evaluate.

Key terms

Sustainability – ability to function with sufficient resources including finance to maintain a certain level or rate.

Market intelligence – factual information based on analyses and evaluations of multiple data, providing a big picture view of the economic climate which is used for planning, forecasting and to enable decision making.

Forecasting labour demand

You should be starting to develop an image of how HR departments (and other managers) forecast and plan for the future of the business. Forecasting labour demand is another key factor as a business cannot survive if the labour is neither available nor sufficiently well skilled.

The construction industry is generally effective in anticipating labour needs, such as for the building of the Olympic Stadium. In this case as well, businesses within the park, such as restaurants, will have needed to forecast the amount of labour they would need to cover the Games. Managers will also need to forecast demand for unforeseen events, such as Volkswagen having to reassess labour needs in light of additional work from the emissions issue in 2015.

Sources of information available to conduct labour market analyses

Some of the likely places where HR departments access their data to conduct their analyses include (websites can be found at the end of this unit):

- ▶ Department of Trade and Industry
- ▶ Department for Business, Innovation and Skills
- ▶ Office for National Statistics
- ▶ Information about competitors
- ▶ Institute for Fiscal Studies
- ▶ International Labour Organization (ILO)
- ▶ Organisation for Economic Co-operation and Development (OECD)

HR departments may also rely on local business intelligence from sources such as:

- ▶ Chambers of Commerce
- ▶ BusinessLinks
- ▶ sector-specific organisations such as the Construction Industry and Training Board (CITB), which is highly respected by the construction industry.

The link between business planning and human resources

The functions performed by HR are key to strategic planning. Strategic planning is based on using the judgements formed from the analyses and evaluation of various forms of data to make appropriate decisions about the route the business will take in the future. It can be simply stated as in Figure 6.9.



▶ **Figure 6.9** Simple representation of the relationship between strategy and operations

Take, for example, an HR department in a chain of cycle shops dealing with an unexpected fall in sales of bicycles in the summer of 2015. Suppose that after analysing external data, plus data from the marketing and sales departments, the potential for bike sales in five years' time suggested the trend would continue. HR would advise leaders on appropriate strategies for suitable **deployment** of the workforce solely responsible for bicycles. They might suggest a strategy for redundancies or retraining to meet other business demands over a period of time.

Key term

Deployment – using something or someone in a useful way.

HR are concerned with **succession planning**. They use the data to help plan for how the business will remain successful by advising on the strategies for succession. It is their role to spot talent, in collaboration with managers, and to guide or advise on ways that individuals can progress within the organisation in the short, medium and long term. Promoting from within means businesses can benefit from knowledgeable and talented employees who are familiar with the business' ethos and practices rather than having to invest heavily in recruiting externally.

The impact of globalisation on human resource planning

Globalisation in business means the integration of operations, processes and strategies into diverse cultures, products, services and ideas. Human resource planning that considers diversity results in a workforce which generates fresh ideas and cultural insights, languages and skills which complement each other. Globalisation allows for the easier hiring of the most skilled and appropriate candidate from a much larger pool. Tools such as global job websites and video conferencing (for interviews) mean that it is much easier to establish whether a candidate from another country is suitable.

The increasing importance of video conferencing and other tools also means that it is much easier for businesses to operate globally, and candidates may not even need to move countries to be able to work for a business. The impact of having a global workforce is that HR departments will need to not only take into account cultural differences when establishing procedures but also national laws and regulations, such as those around working hours and benefits.

Easier links to other parts of the world also allow businesses the opportunity to outsource work, and to maintain control and communication more easily.

Human resource planning

The nature of the work and the characteristics required to perform work roles

You have been exploring the role of HR and its functions. You will now look at several of the factors associated with the planning for human resourcing.

Skill levels

For HR to plan effectively, it is important to identify the skill levels commensurate to the position. For example, the expectation is that the higher up the structure the employee is, the greater the demands on their skills. In addition, according to the role to be undertaken, the skills would also need to be commensurate. One example is where a job role as a column editor or copywriter for a magazine publisher or copywriting agency relies on a higher level of literacy than the managerial role.

Experience

According to the role to be filled, experience can be:

- ▶ essential
- ▶ desirable
- ▶ not required.

If the position available is for a skilled carpet fitter, for example, then experience would be essential; but if the job role was for a sales assistant, or trainee carpet fitter, experience might be desirable but not essential. There are occasions where HR planning includes openings for applicants without experience, not just to pay a lower salary than an experienced employee but to train the individual in their own business practices. This might be the case particularly in a specialist or niche business, such as an antiques shop or a taxidermist.

Key term

Succession planning – the process of identifying internal staff who have the potential to progress into higher and more responsible positions within the organisation.



► Have you ever used video conferencing?

However, the decision whether experience meets one of the three criteria is a little more complicated than this. Consider how to define experience, using the example of a teacher, from these options:

- 1 Number of years in the role.
- 2 Number of hours teaching.
- 3 Variety of subjects or topics taught.
- 4 Range of students, eg age, ability, level, specialist needs.
- 5 Types of places where applicant has taught, eg college, school, training provider, workplace.
- 6 Qualifications held.
- 7 Length of continuous service.
- 8 Outcomes of students taught.

Consider these options and what they might reveal or hide. Qualifications are not the same as experience but can mask the ability to be effective. Item one is too often the first criterion to influence a positive decision but might disguise a limited amount of experience. For example, if the teacher only worked four hours a week for half of each year, then the experience is less than a full-time teacher, teaching 26 hours for 36 weeks a year. However, if the teacher has only a few years in the role but teaches in many different places for 40 hours a week, their experience might be considerably greater.

Educational level

As briefly considered already, HR planning involves making judgements about the educational level necessary for the job to be undertaken.

Educational level relates to the academic level attained and accredited. These levels range from entry-level qualifications such as Skills for Life to a 'Level 8' Doctorate. As you are probably aware, there are qualifications which are designed to prepare you for different types of job roles. Some qualifications are purely academic, which means becoming very knowledgeable about a topic; while others are designed to prepare you for work by developing transferable skills and specialist knowledge.

Key term

Aptitude – the natural ability to do something.

Aptitude

An educational level does not automatically assume an employee or job applicant can operate at that level. Partly this is due to experience but also competency and **aptitude**.

Consider celebrities, such as Oscar-winning actors or successful entrepreneurs, who could all be described as having an aptitude which contributes to their success. HR planning will take into account which employees demonstrate a talent that makes them suitable candidates for promotion or successful applicants for a job offer.

Reflect

Review the Beringer Tame case study again and how the business relies on skills and talent when selecting applicants for jobs.

Managers might be selected for the role due to a particular aptitude, such as emotional intelligence, despite not having experience in management. The latter can be learnt on the job and with additional training. HR will often structure assessment activities for job applicants to undertake to demonstrate their aptitude. These tasks might be totally unrelated to the job depending on what is deemed more important.

Need for flexibility in the workforce

HR planning involves structuring a workforce who can be flexible, as no individual works in isolation of others and is always part of a larger team when you consider both internal and external customers. A sole trader is still part of a team otherwise they wouldn't have a business.

In the service industry, such as the catering sector, everyone will need to pull together to ensure customers get the right meals and on time. This might require flexibility when short staffed or overwhelmed with business. Kitchen equipment has to be cleaned thoroughly, supplies ordered, food prepared for cooking, washing up to be done etc.

HR want individuals who are flexible to meet business demands, work in different teams and respond to requests from management. This may include being flexible in working beyond your normal hours when required.



- ▶ What would happen in a restaurant kitchen if staff did not work together as a team?

Core versus peripheral workers

Core workers are those who are employed on full-time, permanent contracts and **peripheral workers** are those who are contracted differently on a part-time or flexible working basis. Blue chip company Microsoft rates very highly in employee satisfaction partly due to its flexibility in working arrangements.

You might consider the core workers to be the hub of the business and peripheral workers as cogs who keep the wheels turning but that can be increased or decreased as necessary according to business needs.

HR's planning strategy for employing peripheral workers has changed over recent years by shifting the balance between full- and part-time employees or those with flexible working arrangements. With the trend towards dedicated HR departments that are specialists in resource management, businesses have found ways of becoming more cost effective by employing people to meet the demands on the workforce only when they are required.

However, it was not until 2000 that part-time employees were protected from less favourable treatment than their full-time counterparts with the introduction of new legislation to protect their rights.

Full-time versus part-time workers

There is no specified number of hours worked per week to define someone as full-time or part-time. A full-time worker will usually work 35 hours a week or more (with an average of 39 hours according to 2015 figures published by the Office for National Statistics (ONS)). A part-time worker is someone who works fewer hours than a full-time worker.

The reasons for employing part-time workers are similar to those for employing peripheral workers. This may not solely be to reduce costs but also means that two employees could share the same job but at different times. This provides opportunities to tap into a wider range of skills and abilities. Part-time working can also be useful for employees who do not wish to work full-time, such as parents returning to work, or those who wish to fit employment around other interests.

Subcontracting

Subcontracting involves paying another individual (or company) outside the business to help complete particular projects. A subcontractor is paid for the period of time or for the job they undertake as part of a project. The construction industry relies heavily on subcontracting.

Key term

Peripheral workers – flexible working, contracted, not permanent.

Key terms

Headcount – (in business) the number of permanent employees.

Tender – (in business) to invite bids or to formally offer or present something.

Over recent years, HR strategies have shifted from employing permanent workers and mostly only employing temporary staff on a contract to cover holidays and sickness. Businesses have adopted the strategy of reducing their **headcount** to reduce ongoing costs, such as wages, national insurance, and other additional costs associated with employing people.

Subcontracting is one way HR departments have been able to plan for responding to demand in productivity and also tapping into a wider range of specialist skills, such as accountancy, building maintenance and the construction industry.

Other reasons include the costs associated with material resources, such as engineering equipment. Garages commonly subcontract body work to specialists who have the right equipment and expertise to undertake body repairs to damaged vehicles rather than purchasing, maintaining and housing the equipment on site themselves.

Research

Research negative media coverage of zero hours contracts.

Zero hours contracts

Zero hours contracts are issued by HR departments on the basis that they could call on specialists for a specific project if they were required. These types of contract offer no promise of work or payment and the workers are not obliged to accept the work offered. Also known as casual contracts, around 37 per cent are likely to be issued to students (ONS, 2014).

This was a fairly common practice with consultants who would **tender** for work in response to the contractor promoting a forthcoming project. The contractor would then be able to confidently bid for the work by demonstrating a team of specialists who they would use to deliver the contract. When the contractor won the bid for the project, they would then issue zero hours contracts to the consultants to ensure they could fulfil the project requirements. All this was part of the planning process, before the details of how the work would be undertaken was finalised.

The strategy in this type of scenario is that HR would have a contingency by seeking a commitment from those being given contracts, in this case the consultants, without any guarantee of payment or work. Other examples include bar and restaurant work, and work for actors and musicians.

Discussion

In a small group, discuss the risks associated with zero hours contracts – both to the contractor and to the person being offered the contract.

Temporary staff

Temporary staff are those who are contracted to cover gaps in the workforce usually for short periods of time. Contracting with temporary staff has its advantages and some businesses, such as local authorities, use temporary staff to provide cover when a permanent position comes available partly to cover a need but also to test out an employee's suitability as an applicant. While equality laws require jobs to be advertised so that interested parties all receive an equal chance of being selected, this does offer useful insights into selecting the right person for the job.

Temporary staff require some training for the work they are to undertake; they will be unfamiliar with the business culture, policies and procedures and many temporary workers lack commitment to the organisation. All these factors and others, impact on managers, co-workers and HR departments.

Agency staff

Businesses using temporary staff often rely on agencies to provide a list of potentially suitable applicants for the job to be undertaken. The benefits for HR departments include:

- specialist screening of individuals prior to being recommended
- access to an often instant list of potentially suitable applicants
- saving costs on advertising
- saving time
- reducing HR workload
- information about applicants' work ethics can be discussed based on the relationship existing between agency and applicant.

However, businesses usually have to pay more per hour for temporary staff than they would for a permanent member of staff, especially when agency fees are on top of the wage. While the business saves on other overheads, such as pension contributions and holiday or sick pay, which the agency will be responsible for, in the same way as for temporary workers, there are other risks involved.

Management actions to address human resource issues at an operational level

As discussed earlier, HR departments advise on strategy and the direct responsibility for employees lies with their manager at operational level.

Managers are responsible for the smooth operation of their department which includes all its resources. In the case of human resources, while HR make the decisions about the ability for the business to sustain recruiting additional staff or the need to reduce numbers or restructure, it will be the responsibility of the manager to action the changes. The process might be:

- 1 Manager learns about employee resignation and informs HR.
- 2 HR advises replacement can be recruited and the salary to be offered.
- 3 Manager informs HR of any changes to job role or person specification.
- 4 HR drafts advert and amends job description for manager to approve.
- 5 Applicants apply to HR which involves manager in pre-selection for interview.
- 6 Manager and possibly HR representative carry out interview.
- 7 Suitable applicant is decided upon, possibly in negotiation with HR.
- 8 HR make formal offer to applicant.
- 9 HR receive acceptance and prepare contract of employment, agree start date etc.
- 10 Manager inducts new employee and liaises with HR regarding any external training required.

Consider a different example, where a member of staff has complained about unfair treatment by another individual. While the matter might have come to the attention of the HR department as a formal complaint and therefore been passed back to the manager to resolve, it may also have been reported directly to the manager informally. Either way the manager is required to sort out the issue to the satisfaction of all parties.



PAUSE POINT

Research different job roles online and look at the employment terms. Organise your research by industry. Are there any similarities or differences between industries, eg around salary or the type of contract?

Hint

Some industries will tell you more about the employment terms of a role than others. Why do you think this is?

Extend

Are there any advantages to the employee of zero hours contracts? You might want to research this further online.

Link

You learnt about recruitment processes in Unit 8: Recruitment and selection process.

Labour turnover (expressed in words and numbers)

Earlier you were learning about the functions of HR and how they gather and analyse data to plan accordingly. One of the areas they are especially interested in is labour turnover. That means the rate at which the workforce remains stable and is retained, just as your place of study is interested in the number of learners who stay on their courses until the end.

Key term

Attrition – loss that is natural although it may be unexpected, eg (when related to people) through death, sickness, or retirement

To calculate labour turnover requires a set of calculations based upon the number of employees who leave the company due to:

- ▶ resignation
- ▶ dismissal
- ▶ **attrition**.

A calculation based on these figures in relation to the number of employees on the payroll can produce a ratio of turnover which HR departments compare over periods of time. This data invites managers to ask questions about why the turnover is as it is and what they can do about reducing it. HR and managers will set targets based on the improvements they plan for and in relation to the objectives.

	A	B	C	D	E	F	G	H	I	J	K	L
	Jun-16		Jan-16		Jun-15		Jan-15		Jun-14		Jan-14	
# on payroll	120		135		86		106		89		76	
# resignations	8	7%	5	4%	11	13%	1	1%	3	3%	9	12%
# dismissals	4	3%	0	0%	9	10%	0	0%	0	0%	2	3%
# left due to attrition	3	3%	1	1%	0	0%	3	3%	0	0%	4	5%
Totals	15	13%	6	5%	20	23%	4	4%	3	3%	15	20%

▶ **Figure 6.9:** An example of labour turnover figures over three years

Note how Figure 6.9 shows three years' data so managers can compare labour movements year-on-year at the same time of year in each case, and the most recent date appears first in this example.

Using the basic data presented in Figure 6.9, certain information should already be apparent to HR and managers, for example the fluctuation in payroll numbers, possibly due to growth in the company. Both numbers and percentages are crucial to provide an overview of labour turnover. For example, the percentage rates of turnover in columns B, F and L would otherwise be considered even more significant without numbers to provide some degree of context.

Examples of some of the questions HR (and managers) are likely to ask include:

- ▶ What are the reasons for an increase in mid-year resignations and dismissals over the last two years?
- ▶ What reasons do employees offer for resigning from their positions?
- ▶ Which departments reflect the greatest fluctuation in labour and why?
- ▶ What types of job roles are at greatest risk of turnover?
- ▶ What is the relationship between those leaving the organisation and the time of year?
- ▶ How does the labour turnover for the business compare with regional and national figures?
- ▶ With the numbers currently on payroll, do we have sufficient capacity to meet demand?

Discussion

In pairs or in small groups, discuss what you would need to know to plan for sufficient resources to manage a business. What questions should you ask to get this information?

To present the figures to inform managers and leaders, a graph might be included. However, without a summary of the conclusions drawn from analysis, graphs can often confuse or mislead.

Therefore both quantitative and qualitative data are relied upon to inform strategic planning and decision making. Note also that numbers can also be rounded up or down and therefore do not always balance. The accountancy term is 'roundings'.

HR and managers would consider the ratio between the number on payroll and those who have left employment during a given period. To calculate the ratio between column A and B:

Worked Example

Find the ratio between the total number of employees and those leaving the organisation in June 2016.

Note that the top, smaller number in a fraction is known as the numerator and the whole number is known as the denominator.

Step 1: Write the total number leaving (15) as a fraction by drawing a line underneath and placing the total number on payroll (120) below. $\frac{15}{120}$

Step 2: Reduce the fraction, if possible, by finding a common number which can be divided into both top and bottom number, in this case 5.

Step 3: Having reduced the original figure to 3 over 24, try a different number which can be divided into both top and bottom figures or try dividing the top figure into the bottom figure. In this case you get 1 over 8. $\frac{1}{8}$

Step 4: A fraction can be presented as a ratio just by writing the top (smaller) number first followed by a colon which represents the ratio and then the bottom figure. You now have a ratio of 1:8 left the business in June 2016.

Step 5: Reflect on the power of the different messages by presenting figures in different ways.

Therefore asking questions such as those suggested will encourage **drilling down** into the data to get a satisfactory answer and provide HR and managers with the ability to anticipate recruitment drives, when based on trends over time.

Productivity

HR planning is essential for the business to meet its objectives. For HR to do this effectively, they not only rely on analyses of internal and external data to identify patterns and trends historically and the reasons why, but also look to forecast future needs.

Key term

Drilling down – in statistical terms this refers to analysing the more detailed data which has been summarised to produce the headline data.

Link

You will learn about cash flow and other accounting terms in *Unit 3: Personal and Business Finance* and also in *Unit 7: Business Decision Making*.

Key terms

Cash flow – the total amount of money transferring in and out of a business.

Hot desking – allocating desks to workers as needed on a rota or flexible working system.

Compassionate leave – time off work granted to someone as the result of particular distressing personal circumstances, especially the death of a close relative or partner.

Links

The difference between qualitative and quantitative data is covered in *Unit 14: Investigating Customer Service* and *Unit 22: Market Research*.

HR will need to have a clear picture of how each function of the business relates to the others and the impact on productivity when one department is under-resourced. For example, the business will struggle with their **cash flow** if a business delays sending out invoices for payment if they are short staffed in the finance department.

HR do not solely rely on the data of labour turnover but also other factors such as the impact on productivity when, for instance, government legislation changes. For example, from 30 June 2014, employees gained the legal right to request flexible working hours if they have worked continuously for the same employer for more than 26 weeks. For HR planning, this provides an opportunity to extend the period of productivity and maximise office space by introducing **hot desking**. It also presents challenges, as HR have to consider whether flexible working hours are appropriate for employees who need to interact with other teams or customers.

Skill shortages

You have been exploring ways to question data and also to think about the information that data does not supply. Figure 6.9 is an example of where headline data does not give you sufficient information or context. In this case, while it might provide you with the numbers of employees leaving in order to inform planning for recruitment, it does not provide information on the skills leaving the organisation. Therefore, while the period June 2014 to January 2015 might appear to be positive in terms of few people leaving, those seven employees might have the largest proportion of necessary skills and expertise when compared with the needs of the business.

HR departments rely on employees to provide and frequently update their CVs with an honest and clear account of their abilities and employment record. However, these are not sufficient to provide HR departments with sufficient detailed information about employees' abilities and aptitudes. To obtain this information, HR rely on appraisal information, skills audits and possibly other means to build a more comprehensive overview of the workforce. From this information, they can plan for restructure, promotion, progression, training and the skills required for recruiting new members of staff as business needs change.

Workplace stress

Human resources are concerned with the welfare and wellbeing of the workforce. Workplace stress contributes to a loss of productivity, as reported by the Health and Safety Executive:

- ▶ stress affects one in five of the working population from the newest recruit in the post room to the board of directors
- ▶ it is now the single biggest cause of sickness in the UK
- ▶ over 105 million days are lost to stress each year – costing UK employers £1.24 billion.

HR can offer information on ways to prevent workplace stress and also how employees can manage their stress levels. They will help advise managers in specific cases where workplace stress is an issue for an employee.

Absenteeism (expressed in words and numbers)

When you explored labour market analyses, one of the factors referred to as being of interest to HR was absenteeism. When resource planning, the number of days lost through sickness and other reasons also impacts on productivity. For example, you might assume the winter is the time when more people are absent from work due to illness, but it does not reflect the number who may be away due to other reasons, such as maternity and **compassionate leave**.

Consider the example for a sales department during the first six months of 2015.

	SALES DEPARTMENT											
	A	B	C	D	E	F	G	H	I	J	K	L
	Jun-15		May-15		Apr-15		Mar-15		Feb-15		Jan-15	
# on payroll	18		18		18		18		18		18	
# sick	1	6%	0	0%	3	18%	8	47%	6	33%	0	0%
# maternity	2	11%	2	0%	2	11%	2	11%	2	11%	2	11%
# holidays	1	6%	0	0%	2	12%	1	6%	1	6%	2	11%
# compassionate leave	1	6%	1	6%	0	0%	1	6%	2	11%	0	0%
Totals	5	29%	3	6%	14	41%	12	70%	11	61%	4	22%

► **Figure 6.10:** An example of absenteeism data for a sales department

Figure 6.10 provides the numbers and percentages of those personnel absent and the reason why. What is obvious almost immediately is the high percentage of sales personnel who are absent, although the table does not show whether it was for one day or longer or whether it was the same individual. What it does tell you though is that the sales department is never up to full capacity. HR and managers would want to investigate why that is and take action accordingly.

There are certain assumptions that HR might make, especially about holidays, depending on the demographic of the employees. For example, those with young families are more likely to take their holidays during allotted school holidays while those without are less likely to do so. Depending on when Easter falls each year, that might also be an indicator of when leave will be taken or possibly non-authorised leave.

HR will have a policy stating when leave can be taken and how much notice must be given for a request to take leave. Many organisations will state in the policy the maximum number of employees who can be away at any one time. This will also depend on the type of role and department they are in.

Some of the questions HR will want answered include the following.

- Is there a pattern between absenteeism and individual employees?
- How do these figures compare with the same period last year and the previous year?
- Which personnel are on extended periods of leave and what is the likelihood of them returning next week, month and so on?
- Is there anything in common between the absenteeism and the job roles in that department?
- What is the forecast for planned (holiday) leave and how will that impact on productivity?

HR will also involve the departmental sales manager and comparisons will be made between sales performance and absenteeism in order to anticipate labour needed to maintain productivity over the next six to twelve months. The outcomes of analyses will be used to consider changes to policy, procedure and also used for planning for sustainability of the workforce to meet strategic objectives.

Key term

Continuing professional development (CPD) – training that individuals engage in to enhance and develop their professional abilities.

Motivation

HR planning involves development and training of the workforce. Businesses where employees receive little or no personal development, or where there are few opportunities to progress within the organisation, will lack a motivated and stimulated workforce, and these employees are also less likely to be retained. Although it may be assumed that many small businesses or sole traders may lack capacity to train their employees, the government highlighted that two-fifths of UK businesses do not train their staff, including more than half those at managerial level and even in the public sector staff can be missing out on **continuing professional development (CPD)**.

Developing individuals provides value to a business that is prepared to invest in their future and help employees to realise their aspirations. It is also more cost effective than taking on new employees and enables HR to plan for both sustainability and succession. Businesses in the private sector that provide extensive CPD for all members of staff at all levels and job roles include: McDonald's, M&S, John Lewis Partnership (JLP), Nike and PricewaterhouseCoopers (PwC). Several of these businesses and others offer formal management training programmes.

Engagement with business culture

HR play a major role in the business culture through successful planning and ensuring employees are maximising opportunities for job satisfaction and striving for continuous improvement. It is not an HR function to engage with business culture but rather to generate an ethos which employees recognise and portray. Reflecting on the characteristics explored throughout this unit, you might consider HR to be the hub of a business.

Employee satisfaction

You should by now have an image of how HR planning relates to employee satisfaction through its functions in informing management decisions and business objectives. It might be considered that HR are the key to improving employee satisfaction, right from the time employees join the business, with an induction process which settles them in quickly, to the interest and investment in their future. HR also have some responsibility for ensuring that the best potential applicants apply in the first instance by giving the best impression of the business as a place to work; for example, attracting graduates or learners considering their options for management training programmes before they leave university, school or college. Examples of businesses that demonstrate consistently high levels of employee satisfaction include Google and John Lewis Partnership (JLP).



PAUSE POINT

Hint

Pick an industry. Which factors do you think influence the motivation of a workforce working in that industry?

Extend

Refer to the theories and motivational factors you have just studied and think about how they will differ between industries.

How would you describe the management and leadership styles that are most prevalent in your chosen industry?

Case study

Making its Mark

London's five-star Landmark Hotel wanted to increase employee engagement and to define a clear vision for the future direction of the business. They also wanted to increase guest satisfaction rates to make a sustainable business that was able to grow in a challenging and competitive market place.

Through assessment methods the Landmark London was able to obtain clear information about the true feelings and understanding of the business direction from team members at all levels. Working groups and taskforces were created throughout the hotel to focus on areas of the business that needed significant improvement.

By changing the management style and including all team members in business decisions, as well as empowering team members to take decisions for the good of the guests, the Landmark London can see a clear proactive approach to the targets within the business. The Landmark London has created a culture where team members want to take ownership and responsibility for their actions. Employees teach others how to exceed expectations and create memorable moments for each other and the guests.

The Landmark London drives their business from the front line. They empower front-line teams to make decisions and have their own input on the operations with the guidance of Management and Executive teams.

Their team members are often involved in various Task Forces and ad hoc projects that foster personal and career development.

The Landmark believes it is important to foster an environment based on strong values that describe their culture: trust, awareness, respect, recognition, engagement, individualism, consistency, belonging and security. These values are underpinned by rules and principles to help them achieve their mission: people, service, product, profit, technical skills and environment.

Each of the values and principles are designed to ensure all employees strive for continuous ways to improve the guest experience. Standard Operating Procedures (SOPs for short) are used to ensure consistency and quality and ensure that team members are trained for the job. The SOPs are a detailed explanation of how a policy is to be implemented and communicates who will perform the task, what materials are necessary, where the task

will take place, when the task shall be performed, and how the team member will execute the task. Each and every department within the hotel needs to follow a set of standards that are related to their functions.

As a result of the strategy, Landmark London's journey has highlighted its successes and areas for development. The process has allowed them to take positive actions to improve the business, through a cultural change and by engaging the workforce at all levels – listening and valuing everyone's contributions to the future of the business.

All staff have a personal development plan to ensure they receive the support and development required for career progression. The HR department is involved in what they describe as 'your journey' right from application. As staff are employed on different shifts and roles are variable, the website provides overviews of the responsibilities and duties attached to each role with the focus on both customer and employee satisfaction.

The Landmark London has seen significant improvements in various areas. Health and safety awareness has increased with the number of accidents throughout the hotel decreasing; guest satisfaction ratings have increased; mystery guest scores have improved, as have Trip Advisor ratings. They have achieved £35,000 savings, thanks to the rise in awareness and focused learning activity in teams, and increased their recycling of waste from 74 per cent to 86 per cent.

Source: <https://www.investorsinpeople.com/resources/case-studies/landmark-london> and https://www.investorsinpeople.com/file/2309/download?token=M_yNqioJ, Investors in People

Check your understanding

- 1 What part do HR play in Landmark London's success as a business?
- 2 How do HR engage with employees and applicants so they belong to business culture?
- 3 What are the values of the business and how do managers ensure they are practised?
- 4 What methods does Landmark London use to meet skills requirements?
- 5 What have been the benefits and impact from the HR strategy?

'We have it covered' is a big logistics company which transports large concrete materials used in the infrastructure of motorways and major roads. The business has its own centralised HR department that manages the HR for all six branches based around the UK.

Senior management have asked HR to produce a plan to cope with their staffing issues. Primarily they need reliable lorry drivers who can work at a moment's notice and are willing to work over weekends. They also need drivers who will travel long distances across Europe. The business, which operates all year round, has had problems with unreliability and unskilled drivers. Some have been recruited in the past without HGV licences while other drivers have struggled to understand the instructions given or find the locations within the deadlines set.

One of the major problems managers have is not knowing who is working or not and they are concerned about the high labour turnover. Unfortunately they have no tangible data to compare with previous years and so management have asked for a plan or schedule which will help them monitor labour movements.

The HR department have asked you to produce a report identifying:

- a summary of labour market analyses
- the different ways of contracting staff which may resolve their staffing issues
- how management can monitor staff movements
- ways to engage employees in the business culture
- ideas for contingency planning in the case of skill shortages or cover for geographical and ethnic differences such as religious festivals.

Plan

- Have you prepared a timed plan prioritising all your tasks to meet the required outcomes?
- Can you identify your information sources?

Do

- Does your report justify the advantages and disadvantages of different ways of contracting staff, monitoring staff movements, methods for engaging employees in business culture, and your ideas for contingency planning?
- Are your analyses presented clearly so they can be read and understood by anyone without verbal explanation?
- Have you proofread for accuracy, omissions, punctuation, grammar, formatting etc?

Review

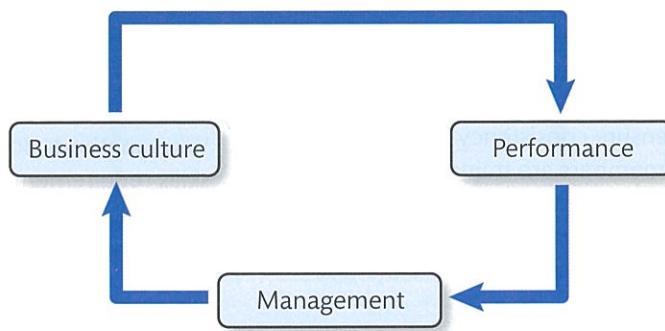
- What have you gained from this activity?
- Did you have enough time?
- What did you find difficult?
- What will you do next?

D

Factors influencing management, motivation and performance of the workforce

Motivation in the workplace

A workforce comprised of motivated employees is much more likely to result in a successful business. Motivated employees are more likely to respond to change and buy into the business ethos. Motivation is generated by a positive business culture with an effective and efficient workforce.



► **Figure 6.11:** Suggested model of the influence of management on productivity

The model in Figure 6.11 represents the impact management can have on the business culture and in motivating the entire workforce. There are many theories about factors for motivating the workforce and you will explore four of them in this section.

Research

Arrange for a staff member from the HR department to come and talk to your group so you can learn about their involvement in motivating staff.

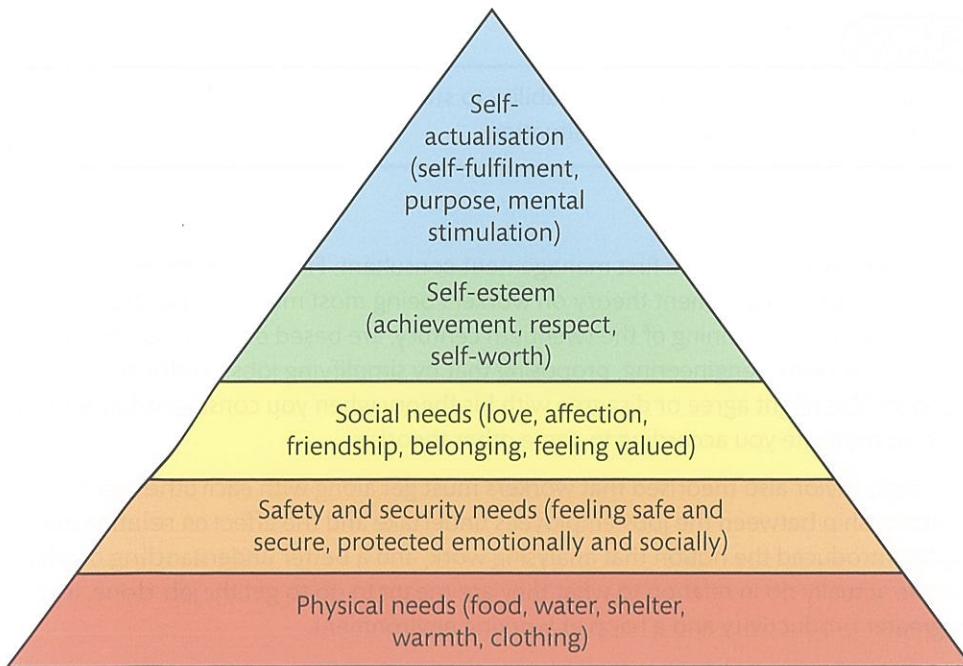
If you do not have a part-time job, or your place of work does not have a dedicated HR department, ask at your place of study.

Theories of motivation

There are more than two million articles and publications featuring aspects of motivation. Psychologists have been proposing motivational theories since the 1940s when struggling with understanding what motivates people to achieve goals. You will explore four of those theories here: Maslow, Herzberg, F.W. Taylor and E Mayo et al.

Maslow

Maslow's 1943 theory is possibly one of the most well-known theories of motivation. Abraham Maslow argued that in order to strive to progressively higher achievements people must first have their basic needs met. Maslow presented his hierarchy of needs as a pyramid – see Figure 6.12.



► **Figure 6.12:** Maslow's hierarchy of needs (1943)

Maslow claimed that people are driven by higher goals to remain motivated and unless they have their basic needs met they are unable to progress to the next levels. However, as with most theories which come under multiple challenges, there are those who criticise it as representing a linear model with only way to progress.

Herzberg

American psychologist Frank Herzberg published his first book, with the support of two colleagues, *The Motivation to Work* in 1959. The two-factor theory on job satisfaction and job dissatisfaction was based on his research that the reasons people have for what motivates them are not automatically the opposite of the factors which demotivate them.

Herzberg presented the results of his research in graph format, displaying what he categorised as motivational and hygiene factors and the percentage which they motivate people most and least. To give you a selection of his results, before being updated in 2008, Table 6.6 provides a selection from most, middle and least motivational factors.

► **Table 6.6:** Summary of Herzberg's motivational factors

Motivational factors		
Most	Middle range	Least
Achievement of challenging work Recognition The work	Relationships at work Job status	Working conditions Personal life Security of the job

Herzberg's hygiene factors include supervision, interpersonal relations, security, company policies, pay, and working conditions. If you compare Maslow's theory with Herzberg's theory you might come to the conclusion that Maslow's theory is concerned with attitude while Herzberg's theory is concerned more about behaviour.

Reflect

Reflect on what factors affect your ability to study by applying both Maslow's and Herzberg's theories to your own situation.

F. W. Taylor

American engineer, and the first management consultant, Frederick Winslow Taylor based his early management theory on workers being most motivated by their pay. His works, at the beginning of the twentieth century, are based on a management theory in industrial engineering, proposing that by simplifying jobs, productivity will increase. You might agree or disagree with his theory when you consider what is most likely to motivate you according to some other theorists.

However, Taylor also theorised that workers must get along with each other and saw a relationship between the jobs employees undertake and the effect on relationships. Taylor introduced the notion that analysing work, and a better understanding of what people actually do in relation to what they are meant to do to get the job done, leads to greater productivity and a happier working environment.

Taylor was the first to introduce the idea of a time and motion study where managers analyse employees' jobs by breaking down the tasks and timing how long each task takes. They look for overlaps and duplications or gaps in what is required to achieve greater efficiency. In other words, Taylor proposed **optimising the work** for a more efficient workforce.

Key term

Optimising the work – breaking down tasks into small chunks that can be timed so that workers know exactly what they are expected to achieve in a given timeframe.



- Industrial conditions like this can still be found in countries with poor workers' rights

Taylor upset many people when he stated his beliefs that management should control workers as they were more likely to understand what was required. He also believed workers should be rewarded according to their productivity. This type of business model is very typical of the industrial **piece work** such as was used in the motor vehicle, engineering and clothing industries. Similar working conditions still exist today. You might argue that Taylor believed in dividing up the workforce and work to fit his scientific theory.

Key term

Piece work - work that is paid for at a fixed rate (by the piece).

Discussion

Discuss in pairs, or in small groups, the pros and cons of Taylor's theory in different types of business sectors and explore examples.

E. Mayo et al.

Australian-born psychologist, industrial researcher and organisational theorist, Elton Mayo and his colleagues were concerned about the effects of light on productivity when examining work conditions in a Chicago electric plant in the mid-1920s.

Mayo developed his experiments to find out what effect tiredness and monotony had on productivity which led him to question how they could be controlled through regular breaks, work hours, temperature and humidity under factory conditions.

Mayo's 1933 human relations theory is known as the Hawthorne Experiment and his subjects were controlled by introducing breaks and changing the conditions under which they worked – with some confusing results. As the conditions were varied, productivity mostly varied but not as you might expect. In fact, when they had more frequent breaks, workers became less efficient and they complained it interrupted their flow. (Workers also became more productive when researchers were interested in them.)



► **Figure 6.13:** Mayo's motivational theory – an interpretation

Research findings concluded that as workers became more motivated by increased productivity, due to how they regulated their own breaks, they also became more efficient when they took control of their own work patterns. Subsequently, the subjects for his experiments became an autonomous and responsible team.

Impact of motivation on business performance

You have looked at four major theories about factors which influence management decisions and the effects those decisions can have on staff motivation and ultimately productivity.

Managers are required to consider a variety of justifiable and tested approaches for structuring the workforce based on factual evidence, so they can anticipate the benefits and risks to the business. Consider how different the outcome might be if managers radically changed the structure and ethos of the business based on a flimsy strategy. Some of the businesses that have been referred to in this unit, especially those with highly motivated staff such as Microsoft or Google, would possibly have decreased worker motivation if employees' autonomy was taken away by management control and their creativity suppressed.

Research

Carry out research to discover what employees give as reasons for being especially satisfied with their working arrangements in each of these businesses: Microsoft, Google, Virgin and Expedia. Apply each of the four theories to anticipate any changes to performance. Share your findings with a peer and discuss.

Financial motivators

As you learnt from the results of experiments undertaken by Herzberg, workers are not especially motivated by their pay if there are other more motivating factors, such as job satisfaction because of the work itself. However, this does not suggest that employees deliberately look for low-paid jobs or are satisfied with being paid less than their job is worth. Examples of well-publicised underpaid sectors include the care, security and hospitality sectors. Much of the criticism arises from poor working conditions, unsociable hours and risk to safety or workers' wellbeing.

If you consider the earlier example of piece work and the industries where overtime is still paid (for example those listed in this section, plus the construction and engineering industries), it might appear reasonable to pay more money to those with greater productivity. It is still the case that the types of jobs that attract these types of financial rewards, such as overtime, are generally the lower paid and physical jobs. In the UK this type of manual labour is categorised as blue-collar work. However those who come to rely on overtime pay may rapidly become demotivated if opportunities for overtime cease.

Employees in jobs which are classed as professional (traditionally referred to as white-collar workers) are less likely to receive overtime for any additional hours they contribute. However, in some professions, bonus payments are part of the financial package. These payments are based on achievement of targets whether personally or as a whole business. Therefore if the business does not meet its main objective, no-one receives a bonus, or just gets part of the bonus based on the profits, regardless of individual effort.

Some professions pay their employees a commission based on individual sales, such as estate agents, recruitment consultants and car salespeople. This commission is usually calculated by HR and management to assume an average salary for the job when combined with a lower wage. Therefore those who under-perform are penalised and those who are the higher performing sales personnel, achieve higher overall wages.

Non-financial motivators

You have begun to consider how financial rewards are not necessarily the most important motivator for employees. According to the theorists explored, motivators include:

- ▶ working relationships
- ▶ job satisfaction
- ▶ sense of achievement
- ▶ challenging work
- ▶ autonomy
- ▶ sense of worth.

You might bundle these together under a label marked as **belongingness**.

Nevertheless, there are other types of rewards and recognition that are not money-related. These might be included in an employment package or offered as incentives or recognition of a job well done, such as subsidised meals (for example JLP, M&S), free or subsidised private healthcare or free membership to health and leisure clubs.

Some businesses reward those employees who put in additional hours beyond the call of duty with **time off in lieu** where overtime payments are not considered policy.

Time off in lieu can equate to a few hours, days or even longer depending on additional time spent in work or on special projects.

Reflect

What motivates you to work? Can you identify what, if anything, might demotivate you?

Key terms

Belongingness – an emotional feeling of belonging to a community or group.

Time off in lieu – a predetermined length of time as compensation for unpaid overtime.

Research

Choose a job and identify what non-financial motivators there might be that would make you want to work in that organisation or particular business.

PAUSE POINT

Pick a theory and produce a poster that outlines the key points in your own words.

Hint

You might want to do this for each theory if you find that it is a useful tool for revision.

Extend

How important do you think non-financial motivators are to employees?

Techniques to meet skills requirements

The different skills required to carry out a job role to the standard required by employers are numerous and variable. Managers use a number of techniques to meet skills requirements and shortages and you will explore some of those approaches next.

Recruitment

Recruitment is one way of filling the skills gaps in the workplace, perhaps to:

- ▶ replace a leaver
- ▶ bring additional skills to a team for a new product line
- ▶ increase productivity
- ▶ respond to a change in business direction, or
- ▶ compete with other market forces.

Recruitment can put a strain on business finances, management time and especially the workforce as workers may need to make up for any shortages to maintain productivity. Making a decision to recruit someone with the skills the business needs may not result in suitably skilled candidates being available.

Upskilling/reskilling/training

Businesses that invest in their existing workforce are more likely to retain them.

Motivation theories suggest that achievement is possibly one of the main reasons for high levels of employee satisfaction, so it would seem that training of some form is especially appropriate. Table 6.7 looks at what these aspects mean.

► **Table 6.7** Different types of training

Type of training	What this means
Upskilling	<ul style="list-style-type: none">• This means to teach additional skills or enhance the skills the employee already has.• Accounts personnel often upskill if they begin their working life as payroll or accounts clerks. As they progress up the ranks in the finance department they will receive training in-house from managers or colleagues on processes and terms while attending formal training to upskill them to the next level, each of which is externally regulated.• Job roles such as health and safety officers or tax advisors require regular upskilling in the latest legislation and regulations and require a formal certificate to operate as proof they have met the required standard.• Upskilling increases your capability to undertake functions at a higher level of competency and as a result could lead to progression opportunities.
Reskilling	<ul style="list-style-type: none">• This is a term given to teaching new skills. Suppose you are a computer programmer and the business is looking to increase the workforce with the skills to design their new website. The skills are different but there may also be an overlap, if you are required to produce the programming code that makes the website work. Therefore for website design you might need reskilling by undergoing some formal training which may possibly lead to additional qualifications.• Retailers are likely to reskill employees in-house, often relying on skilled members of staff to provide on-the-job training for duties such as operating the checkout, dealing with refunds and exchanges, stock control etc.
Training	<ul style="list-style-type: none">• Reskilling or upskilling employees where businesses do not have the spare capacity or the suitably skilled workforce in-house will require formal training bought in from specialist providers. According to the needs of the business and whether the employee needs to gain a formal qualification, this training might be accredited or non-accredited.• Accredited training often takes much longer and costs more than non-accredited but may be a requirement of the job function.• Non-accredited training is often much shorter and might just be a day or half day but could also extend over several weeks or longer. As these types of training are not externally regulated, they may vary in effectiveness, quality, value for money and impact on the employee and business.

Key terms

Accredited – formally recognised by a regulated qualification.

Non-accredited – does not lead to a qualification.

Outsourcing

Another way for managers to meet skills requirements is to outsource. The examples used earlier related to mostly finance functions and often larger businesses will outsource legal advice. Outsourcing in the manufacturing industry is not uncommon. For example, several racing teams combine a chassis and engine from another manufacturer, such as McLaren-Honda and Scuderia Toro Rosso with Ferrari whereas Renault manufactures the entire car. The reason for this is to create a hybrid of a racing car constructor together with a precision-built engine, drawing on the specialist skills required for each.

Computer technology company Dell outsource their customer support, as do many other businesses. While it could be argued that outsourcing does not always meet customer needs, businesses are motivated to outsource for different reasons, often to reduce cost.

Changing job roles

It may not suit all employees but changing job roles is not only an effective technique for maintaining motivation but also for getting the right people into a job with the skills to maximise productivity. For example, a family business will ensure that every member of the workforce is traceable back to the role they played. In order to maintain employee interest, upskill knowledge and reskill to ensure all job roles can be covered, they rotate

job roles. As this occurs, employees become 'all-rounders' and are able to help each other out and take pride in the finished article. They have a much better understanding of their impact on their colleagues' roles and management are able to draw on a larger pool of resources to meet demand.

Re-structuring

Re-structuring occurs when businesses need to re-position their workforce to where the skills are required. Unfortunately there are often negative connotations associated with re-structuring, implying that there will be a surplus workforce who do not have the right skills and therefore are no longer required. However, there can be other alternative approaches to meeting skills requirements with more positive options than **redundancy**.

Many areas of the public sector frequently undergo restructuring, especially local authorities, NHS and further education, owing to strategy decisions made by the government.

Any restructuring strategies put into place must be carefully thought through as, if long-term consequences are not considered, a reduced, or radically altered, workforce may prove unable to meet business demands.

Redundancies are expensive and not usually good for an individual's wellbeing because there are associated feelings of failure and lack of self-worth. Problems arise especially when the business finds they later need to recruit more personnel to meet demand but have lost a wealth of knowledge, experience and skill through redundancies.

Key term

Redundancy – when an employee is dismissed because the company no longer needs someone to do their job.

Link

See also Unit 21: Training and Development.

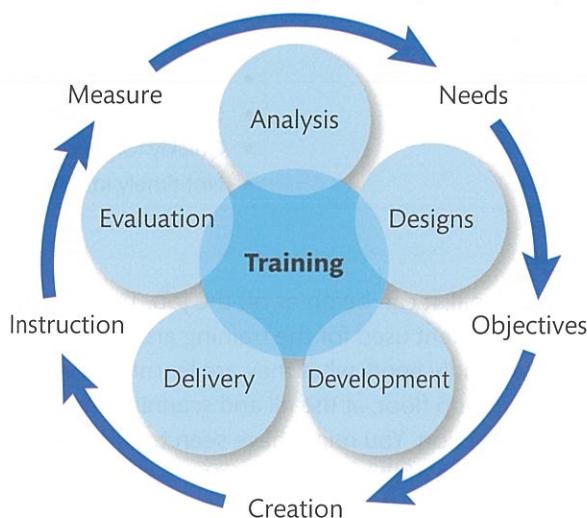
Training and development

You have already considered skills audits and appraisals (see section on Skills shortages) and seen how training and developing individuals can contribute to employee motivation and loyalty to the business. You will now look at ways to upskill or reskill the workforce.

The purpose of training needs analysis

A training needs analysis (TNA) is an analysis of what the business requires to meet its objectives and where the skills exist. When all the data are gathered, the existing skills, levels and gaps are then analysed to make decisions about training and development.

The tools for gathering the data vary considerably and are likely to reflect the nature of the business. The more creative industries might use spidergrams and similar, flexible tools whereas the more traditional businesses are likely to use templates.

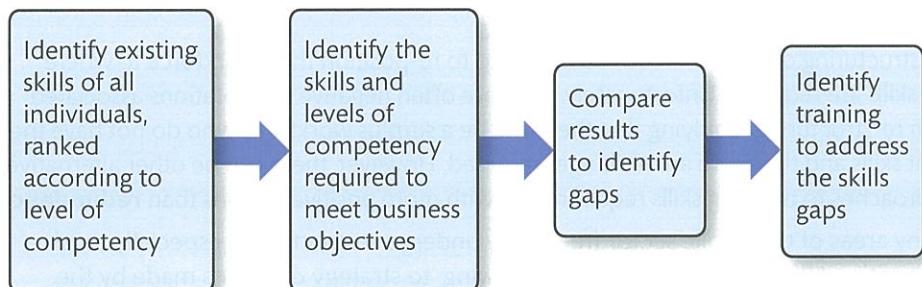


► **Figure 6.14:** Training needs analysis

Link

Another example of a TNA can be seen in Unit 21: *Training and Development*, Figure 21.3.

All these methods provide different information. For example, one tool may show how skills relate to business objectives to determine what training is required, and another may present an analysis of existing skills and gaps in relation to individuals. A simple staged process includes the following.



► **Figure 6.15:** Flowchart of skills analysis

Types of training

There are different types of training which you will consider in a little more detail along with the potential pros and cons of each.

Internal/external

Internal training might be delivered by another member of staff or sourced by paying for experts to come into the premises to deliver training. External training means where employees receive their training off-site, in other words outside of the business, perhaps at a commercial training centre, private training provider, college or even at another employer's premises.

► **Table 6.8** Some advantages and disadvantages of internal and external training

	Advantages	Disadvantages
Internal training	<ul style="list-style-type: none">• Lower cost• Saves time and cost travelling to external training• Can respond more rapidly to urgent need	<ul style="list-style-type: none">• Not valued by employees as much as external training• Not always structured• Training given by trainers who may not be qualified in the area
External training	<ul style="list-style-type: none">• Structured• Professional• Trained trainers	<ul style="list-style-type: none">• Higher cost• Not easily applied back in the workplace• Often too generic• Quickly forgotten• Not timely in responding to need

On the job/off the job

Even when training is internal, it can be on or off the job. Training on the job is where the situation and any equipment used for the training are in a real life situation so the employee can more rapidly apply what they are learning; for example, training a checkout assistant on the shop floor, at the till and scanning the products which results in an almost realistic transaction. You might have seen training such as this in some of the major supermarkets. Some of the pros and cons are shown in Table 6.9.

► **Table 6.9** Some advantages and disadvantages of on-the-job and off-the-job training

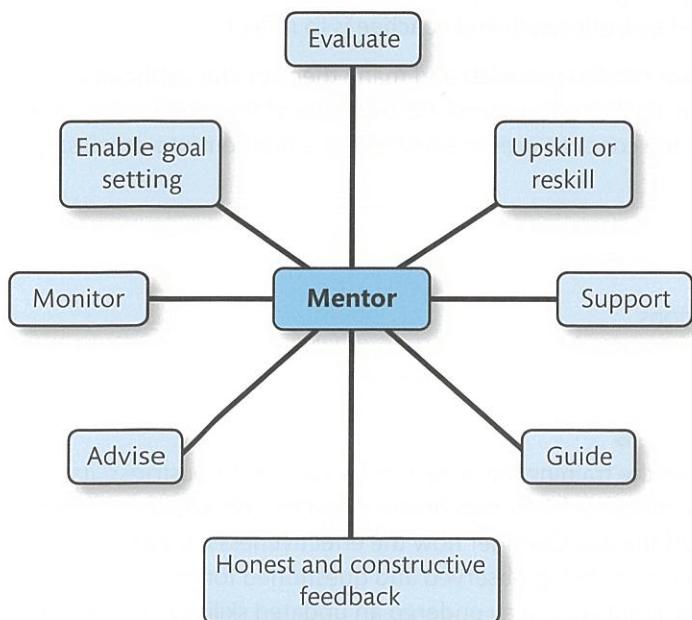
	Advantages	Disadvantages
On the job	<ul style="list-style-type: none"> • Rapid response • Using familiar equipment • More able to apply quickly • Can resolve queries more rapidly 	<ul style="list-style-type: none"> • Distractions • Pressure of work building up • Missed opportunities to network with employees from other businesses in similar roles • Not taken seriously or valued the same as external training
Off the job	<ul style="list-style-type: none"> • Trying out new ways or using different equipment • Less likelihood of distractions when removed from desk or work station • Learning from others 	<ul style="list-style-type: none"> • Unfamiliar equipment • Simulated environment • Takes longer to achieve competency • Not so easy to identify questions which may arise when trying out new techniques • Travelling time and costs

Off-the-job training doesn't always mean external training. You can receive off-the-job training in your employer's business premises by being trained away from your normal work area. Examples of off-the-job training in the employee's business premises include simulated activities where training in a real situation might be inappropriate because of a safety or security risk. Examples might include:

- ▶ using a flight simulator
- ▶ anatomy students working on a cadaver
- ▶ surgeons practising on oranges to simulate keyhole surgery
- ▶ fire-fighting role play
- ▶ air tunnels to simulate weightlessness.

Mentoring

You have already briefly looked at the use of a mentor to assist with training. The role of a mentor is shown in Figure 6.16.



► **Figure 6.16:** The role of a mentor is many multi-faceted

Key term

Mentee – the one being mentored.

A mentor is someone who can act as a role model, and is able to share their knowledge and aid your development. Businesses favouring mentors benefit from shared knowledge and colleagues developing their competences by receiving frequent monitoring and feedback. Mentors and the **mentee** can both find it a rewarding experience and the business may find this not only financially beneficial but also an effective form of succession planning.

The mentor does not have to be a manager or an employee from the same department but must be someone with the necessary skills required to develop the mentee. It is important that the mentor is given time to devote to their mentee and that the relationship is effective.

Coaching

You will have heard the term coach, especially in the sports industry. In a business context, the coach does not have to be an expert in the subject. It is more important that the coach is a trained individual with the coaching skills required to:

- ▶ challenge the coachee
- ▶ listen actively
- ▶ paraphrase
- ▶ refrain from giving opinions and advice
- ▶ ask questions
- ▶ help provide focus
- ▶ encourage autonomy
- ▶ encourage problem solving
- ▶ enable goal setting.

A coach needs to be an exceptional listener and also be non-judgemental. Their role is specifically to encourage the person being coached – the coachee – to find their own solutions and resolve their own problems. The coach listens and poses questions to the coachee encouraging them to reflect on the issue and consider it from different perspectives, without imposing their own opinions or ideas on the coachee. The fundamental skill required by both coach and coachee is to reflect.

There are multiple different coaching models and many theories and publications about coaching (Goleman, Graham, Passmore). Possibly one of the most well-known is the GROW model, which the coachee uses to break down a problem into small stages by considering:

- ▶ G = goal
- ▶ R = reality
- ▶ O = obstacles and options
- ▶ W = way forward.

Effectiveness of training

To evaluate whether or not the training has sufficient impact on the business, its effectiveness needs to be measured. You may have a part-time job where you have received training, on or off the job. Consider how the effectiveness is measured; it could involve your performance being observed and questioned for your evaluation and increased knowledge. Employees may undergo an updated skills audit to measure against an earlier audit to assess progress and distance travelled.

Reflect

Reflect on how your tutors or assessors measure your progress and involve you in your own evaluation.

Businesses often do not perform this evaluation, which can limit the usefulness of training. Other ways businesses may not get the most from training is through:

- ▶ employees receiving training not passing their knowledge on to others
- ▶ employees not being monitored for implementing new ideas and skills
- ▶ ineffective training not being reported back to trainers.

II PAUSE POINT

Think about a part-time job you have had and produce a report detailing all the training you received.

Hint

If you have not had a part-time job then try and pair up or join a small group with someone who has.

Extend

How effective did you find the training? Outline some ideas as to how you would improve the training provided.

Performance appraisal

A performance appraisal is a method by which an employee's performance in a particular role is documented and evaluated. You will now look more at what appraisals are for, different types of appraisal and the impact of their use.

Purpose of performance appraisal

Individual and group targets

Appraisals are a means of monitoring employees' performance against targets. You may have received an appraisal if you have a job. An appraisal is used to set targets which relate to the overall objectives of the business. Business objectives can only be met by deciding on the targets to meet the objectives and then sharing out the targets amongst the workforce.

These targets are shared among all employees according to their job roles and job descriptions, regardless of level in the organisation. Therefore a manager or director will share targets with those below them, who might be departmental managers, who will in turn share the targets with those beneath them. For example, a national sales manager, who may have an overall target of £6 million, will divide that between the four regions they manage and the regional manager in turn will divide that between the sales representatives. The targets will not automatically be split equally, but will depend on the potential sales in the region, based on previous performance, and individual sales representative experience.

The targets being shared are not the same as they will reflect the level of responsibility and authority of each employee. Some targets relate to groups of employees, which could be projects or whole tasks. Employees should also have personal development targets and these may lead to further training.

Link

See Unit 1: Exploring Business and Unit 22: Market Research for more on setting business objectives.

Assessment of individual and group performance

Once targets are set, they are then used to assess performance of both the group or team and the individuals. When you experience an appraisal, or as you may have seen already, the targets set will be used to measure how you perform. Imagine you are one of the sales representatives in the previous example. You will be required to report your ongoing sales to your manager at regular intervals.

The manager will then be able to monitor how progress is being made towards the whole team's target and the impact on the overall sales department. This

measurement will be used by the manager to plan to meet or exceed the target. After all, targets can be wrong as the original targets could underestimate the potential for demand or simply be over-cautious or over-ambitious.

Providing employee feedback

An appraisal is the opportunity for managers to give feedback to those they are responsible for, just as you receive feedback on your progress from your tutor or assessor.

An appraisal is a formal event and both parties involved in the process need to prepare otherwise the feedback is likely to have less relevance or value. It is likely that you, the **appraisee**, will be asked to evaluate your performance and your assessment will be compared with that of your manager, who is known as the **appraiser**.

As you considered earlier, providing effective feedback requires skill, so as not to offend with negative feedback. Feedback must be honest and factual but also developmental and constructive, reflecting strengths and weaknesses. Therefore feedback must be planned and prepared so it reflects the appraisee's performance against targets, just as your targets are reviewed and feedback given, perhaps during a tutorial or monitoring visit.

Key terms

Appraisee – the individual being appraised.

Appraiser – the individual carrying out the appraisal.

Subjective – based on or influenced by personal feelings, tastes or opinions.

Identifying training needs

The purpose of an appraisal, usually held once a year with a half-yearly review, is to appraise your performance and identify any training needs.

The appraiser will identify training to upskill or reskill the appraisee related to business objectives. The appraisee will be involved in deciding the training plan. In some organisations the appraisee can propose training and development to meet business objectives and for their own personal objectives.

Types of appraisal

There are different types of appraisal. The following are four of the most commonly used appraisal systems and might be used independently or combined.

Self-assessment

A self-assessment type of appraisal is one where the employee evaluates their own performance against their job description and targets. Although this method can be **subjective**, it provides a useful opportunity for the appraisee to reflect on their strengths and weaknesses.

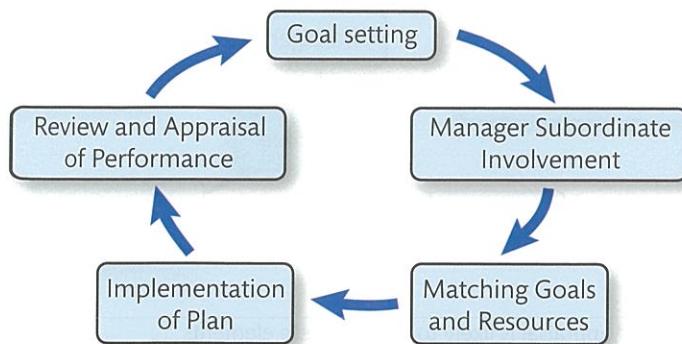
This method might be used in the planning stage for an appraisal so the appraiser can compare their evaluation with that of the appraisee. This process provides the opportunity for the employee to identify actions which might be overlooked by the manager, such as helping others or using their initiative.

You may well be familiar with this type of process as you may have carried out a self-assessment before you began this course. Your tutor uses your self-assessment to help plan for your learning and help with setting targets.

Management by objectives

This type of appraisal system was first promoted in the 1950s by management theorist Peter Drucker. It is often referred to as MBO and alternatively as MBR (management by results).

Drucker's view is that all parties of management, leadership and other employees should be involved in the setting of objectives, as you started to consider earlier.



► **Figure 6.17:** Drucker's 5-step MBO process for appraisals

The benefit of management and employees collaborating is that all parties understand and know what is expected of them to achieve the goals. The difficulty with this type of approach is the amount of time it takes to involve all members of the workforce.

Ratings scales

Ratings scales can be used in appraisals to provide a structure for measuring individual characteristics or traits. You are possibly familiar with this type of method if you have completed a skills audit or during your initial assessment before starting this or other courses.

The number of ratings options should be an even number so you have to think harder about which rating you will give to each question. Too many options can also be confusing as can the terms used for rating.

Tick one option only. 1 is HIGH, 4 is LOW				
	1	2	3	4
Work unaided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loyal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Problem solver	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Punctual	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Numerate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

► **Figure 6.18:** An example of a ratings scale form

The options do not have to be numbers – you may have seen some with smiley faces. The trouble with numbers is that there is no consistent use of which number represents high and which is low. If the appraisee has not read the instructions, or they are not clear, it can be an easy mistake to assume 1 is always low.

Although this method can be a useful starting point, the characteristics or traits can also be difficult to interpret and the results will be subjective.

360° appraisal

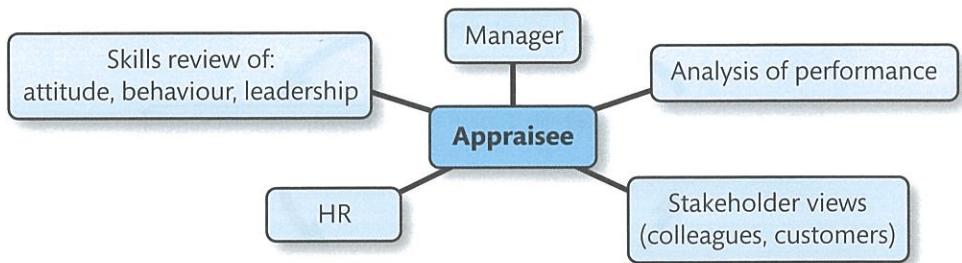
A 360 degree appraisal is where a bigger picture is built of the appraisee so their performance can be evaluated holistically, using other sources, rather than simply the judgement based mostly on two people's assessment: the appraiser and the appraisee. For example, the appraisal is likely to include the information shown in Figure 6.19.

Research

Carry out research to explore Drucker's MBO theory for other advantages and disadvantages of this process.

Link

See also Unit 8: Recruitment and Selection Process.



Key term

Objective – based on facts and not influenced by personal feelings, tastes or opinions.

► **Figure 6.19:** A 360° appraisal is likely to include these elements

Using this range of information for an appraisal provides a broader picture of the training and development needs the appraisee may have.

However, making judgements about someone's behaviour and attitude, and their skills, is not as reliable as measuring performance against, for example, a sales target. The difference between the two is that measuring sales against a target is **objective**, while the measurement of skills is subjective.

Impact of performance appraisal

Impact on the individual

As an appraisal is for the employee, it provides the opportunity for the individual to give feedback on their own performance and make suggestions for further development and targets. An appraisal is intended to be a positive experience and for some employees might be one of the few or only opportunities they get to spend quality time with their manager to discuss how things are going and what the future might hold. This should be a time of reassurance or the occasion to express concerns in an open and honest discussion.

However, some managers may not be an expert at conducting appraisals and some people can find it very difficult to accept criticism, which as you explored earlier, can be destructive if not carefully considered. Depending on the personality and characteristics of the appraisee, the feedback might be difficult to take even if it is mainly positive.

Reflect

Think back on the role play you will have completed for *Unit 8: Recruitment and Selection Process* or any other feedback opportunities you may have had. How did you deal with both presenting feedback and receiving it?



► It is not always easy to take feedback

This is a time for reflection and for the employee to take responsibility for their own personal development. This development might include dealing with personality clashes between colleagues or with their manager.

Impact on the business

Appraisals are considered essential business practice for both employees and the business. The outcomes from appraisals provide management with information about the current situation of the business in relation to objectives and what is needed in their planning.

Without formal appraisal systems in place, which involve every member of staff, the business cannot systematically monitor the effectiveness or efficiency of those they employ. Decisions can then be made about how the workforce will enable the

business to meet its future objectives or whether those objectives are unrealistic or not sufficiently challenging.

However, the time taken to carry out appraisals is considerable and requires organisation. They are also costly as everything involving people and resources has a cost attached. Appraisals need to be planned to take place at the same time every year with a half-yearly review. Also, as appraisals are used to review performance and set new targets, they need to occur in the order of hierarchy. For example, the leaders and managers need to set their targets based on the overall business objectives before they can share these among the remaining employees.

PAUSE POINT

Consider what it might be like to be the appraiser. Evaluate which system or systems work best and who benefits most.

Hint

You could try a role play with a peer, taking turns to play different roles.

Extend

Try the same exercise in a group of three with the third person observing and taking notes. Give feedback on the role play to each party and ask them to evaluate the effectiveness of the feedback. Identify areas for further development.

Key term

Artistic licence – producing a piece of work based on your interpretation, which may not be based on actual facts.

Assessment practice 6.4

A03

'The Sky's the Limit' is an independent travel business struggling to make ends meet. It is faced with significant competition from major travel companies such as Thomas Cook, TUI and Virgin. Profits are down and so staff are demotivated and concerned about their job security. The business is now looking for an investor.

A major business has shown an interest, providing that the business can convince them they can boost staff morale and retain the expertise and face of the business. They have a long-standing customer base who travel frequently at high cost. The business needs to provide their potential investor with:

- a theory-based model for motivating the staff
- a strategy for training and development
- systematic and efficient performance appraisals.

The management have collected some data over the last three years in preparation for analysis but have not yet carried out any evaluation, see Table 6.10.

► **Table 6.10:** The Sky's the Limit performance indicators

	2014-15	2013-14	2012-13
Turnover (£)	1,805,002	2,532,884	2,751,233
Number of employees	7	8	9
Sickness days per year (#)	198	82	40
Repeat business (# of clients)	78	94	115

Plan

- Can you identify what you need to provide?
- Can you create a plan of action with timeframes?
- Can you identify your sources and any revision you need to do?
- Can you sketch out what you want to produce?

Do

- Have you provided worked examples explaining theories, including the benefits and risks?
- Can you apply your own **artistic licence** to the demographic of the client base and workforce to justify your recommendations?
- Have you presented your final products in a combination of formats which best suit the task?

Review

- Where did your strengths lie in this diverse task?
- What have you learnt since the last activity?
- What do you still need to understand better?

E

Impact of change

Discussion

In a small group, discuss the occasions when you find it hard to change and explore why you think this is the case for each situation.

Managing change

Possibly the most difficult challenge for any business and its employees is being able to manage change. You might be able to identify someone who always seems to resist any ideas or changes to plans, or perhaps you are like this yourself.

The need to manage change for business survival and success

All businesses need to change in some shape or form in order to survive and be successful. Managers and leaders have to manage this process. It may be as simple as deciding to move to a different display shelving system, and signing off on this purchase, or it may be a wider restructuring of the business to take advantage of a new market opportunity. These changes will all need to be managed effectively, taking into account cost, feasibility and employees.

Some businesses manage to stay resistant to change and still survive, however this is unusual and might be because they operate in a niche market where demand does not change. However, even these businesses are likely to have had to manage change of business operations to some extent. For example, they will have had to deal with the onset of technological changes and may have had to move some of their sales operations online.



► What are the differences between this shop and a modern shop?

There are examples of some businesses that continue with traditional methods, such as solicitors sending handwritten letters to their clients, but these too are affected by modern day changes. Businesses can quickly find themselves left behind if they do not respond to change. For example, consider how estate agents work. The advent of digital photos and the internet means that a property can be photographed and the details are available within a few hours. In the past, photographs had to be developed, details of a property were handwritten and typed up later and then sent out with letters in the post. It all took more time and effort.

Factors influencing change

Internal factors

Some internal factors that may influence change include:

- ▶ growth or decline of business, e.g. specific products or the entire sector
- ▶ technology changes, e.g. a new technology replacing the business' product or the cost of implementing a new technology in the business
- ▶ demand for skills, e.g. the struggle to find appropriate staff
- ▶ poor leadership or management, e.g. staff leaving due to this or reduced profits due to bad decisions
- ▶ industrial action, e.g. staff walkout possibly leading to increased costs in wages
- ▶ cash flow management, e.g. as a consequence of poor leadership or management, or due to the impact of other factors.

External factors

These factors are mostly outside human control. Consider how farmers might need to change when they harvest their crops in accordance with the weather and the way they have been forced to change their equipment and practices to respond to year-round demand.

Possibly some of the biggest external factors which force businesses to change include:

- ▶ changes to legislation (e.g. health and safety regulations which force businesses to make costly changes to equipment and premises)
- ▶ failure of a market (e.g. in obsolete products such as VHS recorders)
- ▶ economic instability such as a recession (risk to market share and profits)
- ▶ competition (risk to market share)
- ▶ media (e.g. health scares, pressure groups such as Greenpeace)
- ▶ availability of raw materials (e.g. animal, vegetable and mineral)
- ▶ economic changes and stock market changes (e.g. fluctuating price of fuel and its impact on transport costs, interest rate and currency rate changes)
- ▶ unforeseen events (e.g. Fukushima on the nuclear industry, the effects from Tungurahua volcanic activity in South America on the travel industry).

Case study

Lettuce grown by robots

When a sprawling new 'vegetable factory' opens near Kyoto, Japan in 2017, it will be the first farm with no farmers. Robots will plant lettuce seeds, transplant them, raise the vegetables and automatically carry the fully-grown lettuce heads to a packing line, where they can get ready to be sent to local grocery stores.

In a single day, the farm can harvest 30,000 heads of lettuce. On a traditional farm, a field of the same size can grow about 26,000 plants – but only harvest two or four crops a season. This robot-run indoor farm can grow 10 million heads of lettuce a year, saving water and energy, along with human labour.

Spread, the Japanese company planning the factory, opened its first indoor farm in 2006, and already

supplies lettuce to 2000 stores around Tokyo. But it saw the opportunity to make its process even more efficient. It sees the new farm as a model for the future of farming.

'There are several reasons vegetable factories will be needed in the future in order to create a sustainable society', says Kiyoka Morita from Spread. Like other indoor farms, Spread's new factory uses far less water than traditional agriculture; the factory's new technology also allows them to recycle 98 per cent of that water. Because the factory is sealed, there's no need for pesticides or herbicides. The ultra-efficient lighting system can run on renewable energy. Japan imports about 60 per cent of its food each year, but the factory can supply it locally.

As climate change increases extreme weather like drought and floods, the fully sealed environment can grow a much more reliable supply of produce. The factory automatically controls temperature, humidity, the level of carbon dioxide, and light to optimise growth.

Those things are true of other vertical farms (farms producing food in vertically stacked layers), but the fact that the process is now fully automated also makes it cheap. Compared to Spread's current factory, the new one will cut labour costs by 50 per cent, so the company can sell lettuce at a lower price (now, it sells for the same cost as regular lettuce from the field).

The new system also protects the food from contamination from humans. 'Full automation also reduces the crops' exposure to human contact during cultivation, further reducing the risk of contamination, and increasing the hygienic levels in the area,' Morita says.

It is not easy to automate every step of the process, and Spread is still tweaking some of the steps, like planting

the seeds. The equipment had to be designed to carefully handle the plants, something that was a little hard for robotic arms to do. 'It's challenging to make sure that the machines all run quickly and efficiently without damaging the delicate vegetables,' she says. Source: This robot-run indoor farm can grow 10 million heads of lettuce a year, <http://www.fastcoexist.com/3050750/this-robot-run-indoor-farm-can-grow-10-million-heads-of-lettuce-a-year>, Fast Company

Check your understanding

- 1 What factors influenced the need for Spread to change the way they grow vegetables?
- 2 What techniques have managers at Spread used to meet skills requirements and increase productivity?
- 3 Who or what will benefit from the changes Spread is implementing by its revolutionary methods?
- 4 What are the features of management and leadership skills being employed by Spread's leaders?

II PAUSE POINT

Hint

Extend

What definitions and functions could you apply to the style of management at Spread?

Refer back to section A for the distinctions and justify your proposals.

What other factors would you consider essential for HR to consider in their planning?

Link

Look back at Unit 1: Exploring Business on different stakeholders and their influence.

Stakeholders who influence change

Owners

You might consider that those who own the business have the greatest influence on a business. While that could be the case with a sole trader or micro business, it is not always the case and certainly not with larger businesses. If the business has shareholders then they might have the majority share of the business (51 per cent or more) and therefore have the final say over what happens.

Managers

Managers are involved in planning for the business strategy so they are a major stakeholder of the business. They report back to owners about plans and are in an influential position to shape the future of the business. They can use their knowledge of the position of the business using analyses of data, such as: sales figures, customer satisfaction, complaints and suggestions, to add strength to their arguments.

Consider how managers of a franchise are at the forefront of the business on behalf of the owners, for example fast food restaurants or retailers situated within large department stores. The owners rely on the franchise managers to inform them about what the customer does and does not want. There may be regional tastes or particular preferences from customers, such as those related to religious beliefs, special requests and owners can consider meeting local market demands.

Customers

Customers have significant influence on the business. Think about when Coca Cola tried to change their long-standing recipe – this did not go down well with their customers. As a result Coca Cola were forced to return to their original recipe.

Other examples include the following:

- ▶ football fans influencing the removal of the club's manager
- ▶ software manufacturers relying on customers to test out software and recommend developments
- ▶ Walkers crisps inviting customer feedback by using social media such as Facebook and Twitter to test the popularity of their products and involve them in campaigns to suggest new flavours.

Regulators

All businesses are influenced by some form of regulatory body. For example, your place of study is likely to be regulated by many bodies, such as those specific to educational provision: Ofsted, awarding organisations accrediting the qualifications, plus health and safety regulators, auditors and others.

Ofsted is responsible for regulating education services by inspecting them and publicly reporting their evaluations. The awarding organisations also regulate the quality of the training and education, and when they announce they will change their qualifications to ensure they are keeping up to date with industry needs, managers need to plan for changes to teaching and possibly resources.

The construction industry is governed by various regulators including the NHBC, which monitors the quality of building in the UK and provides a set of standards for businesses in the industry to follow. Builders register with NHBC, and they also run a recognition scheme, which recognises builders according to the quality of their build.

Financial institutions

Financial institutions are those organisations which provide financial services to businesses, for example in the form of mortgages, loans and other services.

Businesses are reliant upon these services to maintain the flow of finances, for example, to pay employees' wages even when the business income is not sufficient to cover the salaries.

The Bank of England is responsible for determining the official bank rate. The percentage of interest paid on bank loans will then be decided by individual banks, varying their interest above this rate. Therefore businesses rely on skilled accountants to forecast their profits and income to ensure they can cover the commitments to these financial institutions, perhaps in the form of an overdraft.

Changes to the bank rate affect how businesses operate and plan for the future and now. Sudden and unforeseen changes can cripple businesses that need to pay mortgages on premises, interest on other loans and, when the bank rate is low, as it has been for several years because of the recession, this affects the interest businesses receive from any financial assets they may have.

Government

The government has a lot of influence over business activity through the rules and regulations imposed on industries. Consider the changes in law relating to the food industry, for example the Food Standards Act (1999). The government listens to major organisations, such as WWF UK on sustainable food sources, forcing businesses to find alternatives, such as Birds Eye's introduction of Hoki into their fish fingers.



- ▶ What regulatory bodies govern the building industry?

Link

See Unit 3: Personal and Business Finance.

Government has influenced the farming industry in many ways, such as the crops grown in return for increased levies to farmers, and affecting the returns dairy farmers now get, and this has led to half of Britain's dairy farms closing since the start of the 21st century.

Employees

Employees do have power within their organisation. For example, some employees can use strikes to attempt to have their demands met, such as for improved working conditions, increased wages or holidays.

This is not to suggest that strikes are always successful and the ethics of workers striking in emergency services, such as firefighters, can be disputed.

Case study

How the DVLA managed change

The Driver and Vehicle Licensing Agency (DVLA) is a UK government organisation based in Swansea. It has four main responsibilities: maintaining records for more than 44 million drivers and 36 million registered vehicles, collecting nearly £6 billion per year in Vehicle Excise Duty, limiting vehicle tax evasion to no more than 1 percent, and supporting police and intelligence services in dealing with vehicle-related crime.

Historically, the DVLA has maintained its driver and vehicle registers by handling large numbers of emails, phone calls and paper forms, delivered by post and processed manually. It currently processes around 120 million transactions per year and issues more than 10 million driving licences and 17 million vehicle registration documents. To improve the services it provides to the public and to reduce operational costs, the agency has adopted a comprehensive modernisation agenda that aims to transform it into a more digital enterprise, where paper-based processing is the exception rather than the rule.

The planning stage began by identifying areas where cost reductions could be achieved, and employees from across the whole organisation contributed their ideas, which led to 69 initiatives, ranging from business process simplification to brand new digital services. The department adopted many of the new working

practices, seeing increased efficiencies due to a more effective team structure and a simplified decision-making process. One of the biggest improvements was a shift towards the concept of business ownership – where specific people are given responsibility for their own domains and knowledge areas. This means that decisions are made by the people who have the most expertise in each area, and are less likely to be overturned later on.

Source: DVLA embarks on cost-reduction and transformation. IBM Global Business Services Case Study, http://www-935.ibm.com/services/multimedia/WR925831ED-DVLA_cost_reduction_GBC03094GBEN.pdf, IBM Corporation, reprint courtesy of International Business Machines Corporation, © (2012) International Business Machines Corporation

Check your knowledge

- 1 What factors influenced the need for the DVLA to change the way they operated previously?
- 2 Who was involved in the changes that needed to be made?
- 3 What steps did the DVLA take to prepare for the changes?
- 4 How did the DVLA change the business culture?
- 5 What are the current and likely future impacts of these changes?



PAUSE POINT

What are the skills the Programme Manager needed to implement this change?

Hint

Without referring to the case study, make a list of the steps the DVLA took to plan for change.

Extend

What management styles has the Programme Manager deployed to undertake this mammoth task?

F Quality management

Quality management is the process where businesses put systems in place to ensure the quality of their product or service is consistent. You are probably aware of some of the quality systems where you study, such as the moderation or verification procedures to confirm the standard of assessment of your work is reliable and accurate.

Quality standards

There are regulated quality standards, in addition to those regulators you have already explored, and you will now look at these and why some businesses view them as important.

British Standards Institution standard BS 7850-1:1992

As the UK National Standards Body, the British Standards Institution (BSI) provides a series of quality products tailored to different aspects of industry. The standard known as BS 7850-1 is a guide for management principles on how to organise the business structure. **TQM** is designed to involve the whole company in evaluating what works well and what they need to improve. TQM aims to make best use of the company's resources, including the workforce, to meet business objectives.



► **Figure 6.20** TQM flowchart

If you consider the very simple representation in Figure 6.20, it tells you that all external operations relating to the business go through the process of quality checks on their pathway through the business. For example, a customer makes an enquiry about purchasing a further 1000 tons of steel within a set deadline and at a negotiated discounted price. The process provides the necessary checks, to ensure:

- ▶ finance check the reduced price is viable
- ▶ the materials are available
- ▶ production check the workforce have the capacity to meet the deadline
- ▶ operations check the discounted work does not interrupt more profitable work being carried out
- ▶ transport are able to deliver on time
- ▶ the raw materials are of the standard expected to produce a high quality product
- ▶ the finished product meets the standard previously produced

and so on throughout the business.

There is a cost to implement this system and the BSI will evaluate the systems in place against their standards to determine if the business meets their requirements. Rather like an annual medical, the business will undergo annual checks to ensure standards are being maintained and advise on any improvements.

International Organization for Standardization standard ISO 9000:2015

ISO standards are internationally recognised for both quality management and quality assurance. An earlier ISO standard for quality management was 8402:1994. They also

Key term

TQM – Total Quality Management.

Discussion

Discuss in a small group the risks associated with systems which require all employees to follow the same process, compared with the risks attached to those businesses having no standard systems in place.

provide a framework for quality processes and checks for consistency of standards across the business. As they are internationally recognisable, businesses awarded the standard are able to present an assurance to existing and potential customers of the quality of their products and services.

There are many parts to the ISO standards and these are mainly concerned about assuring statutory laws and regulations are being met. It is the most widely used quality standard internationally but like most quality systems is often blamed for being overly bureaucratic and costly.

Kite marks – IiP

You can probably recall different places where you have seen the kite mark logo which is a British Standard quality mark which symbolises quality, safety and value for customers and businesses. The kite mark here is the one representing Investors in People (IiP) which is the quality standard for people management.



INVESTORS IN PEOPLE

- ▶ Can you think of any businesses where you have seen this logo?

You may recognise the Investors in People (IiP) logo as one displayed at the place where you study or possibly work. It was established in 1991 to set the standard for the way in which businesses manage their biggest asset: people. Businesses subscribe to this standard as a way of being recognised for caring about their employees and their customers. It is known worldwide and involves businesses in demonstrating how they strive for continuous improvement by understanding the way they operate and how they plan for sustainability and growth.

To gain accreditation, businesses must provide evidence of how they meet the IiP framework, rather than you need to provide evidence of your achievements. One of the many ways they measure consistency in their standards is by using **mystery shoppers**. Examples of businesses awarded IiP include Geoplan, The Prince's Trust and Virgin Trains.

Developing a quality culture

The term quality can generate many different interpretations and reactions depending on how well it is understood and the effectiveness of the system. The impact of a quality system should be one which evidently improves business practices for all stakeholders and not one which generates paper-work overload. The government and the public sector have been criticised considerably over the years for introducing too much bureaucracy, coined by the phrase 'complete in triplicate' from the days of paper form filling.

What quality systems do require from employees is that they are diligent and conscientious in following the procedures as prescribed. However, quality systems should allow for flexibility and initiative and not constrain users to the extent that they are completely controlled.

Key term

Mystery shopper – a person employed undercover as a customer to assess the quality of goods or services.

Setting quality standards

Quality standards are based on two aspects of quality, defined by ISO as quality control (QC) and quality assurance (QA). Quality control concerns the operational means to fulfil quality requirements and QA aims at providing confidence in this fulfilment – both within the organisation and externally to customers and authorities.

- ▶ In the case of ISO expectations, QC processes not only occur between input and output but also before production is begun in how the business prepares for production. For example, the business anticipates risks and decides on contingencies to ensure customer needs and expectations are met.
- ▶ QA relates to all those planned and systematic actions necessary to provide adequate confidence that an entity will fulfil requirements for quality. All QA processes occur after production, as in the case of ISO standards, which is not consistent with all TQM systems.

The change in the way employees work will impact on the business culture and it might be the reason why the decision is made to seek quality management accreditation. For example:

- ▶ if the business is not cost effective
- ▶ there is too much waste
- ▶ customer complaints are high
- ▶ inefficient workforce practices.

Setting quality standards means writing policies and procedures for putting the standards into operation. Quality standards require a framework to enable all stakeholders to know how the business operates and what to expect. You have already explored some of the standards businesses must comply with, such as those set by government and other regulators.

Those businesses applying for accreditation from national or international standards will have a framework to guide them. Whether a business chooses or feels compelled to become accredited or not, they still should have a quality framework in place for themselves and their stakeholders. A quality framework should cover all aspects of business operations and some of the procedures include:

- ▶ instructions for every operation of the business
- ▶ complaints and grievances
- ▶ recruitment and selection
- ▶ how each operation is monitored and reviewed for its effectiveness
- ▶ finance operations.

Each business will tailor their quality framework and standards depending on several factors, including the type of business and where they operate. For example, a high street retailer will operate very differently from a residential care home.



PAUSE POINT

Choose a business, and consider the procedures they need to have in place to ensure quality is assured and improvements identified.

Hint

Start by identifying how your chosen business would define 'quality'.

Extend

Can you find any examples of other businesses in the same industry that have met certain quality standards, such as IIP? What will they have needed to do to achieve this?

Key terms

Staff buy-in – employees not resisting change, willing and committed to business objectives.

Quality circles – groups of employees who meet regularly to consider ways of resolving problems and improving production.

Link

See also Unit 21: Training and Development.

Managerial commitment and staff buy-in

To set quality standards requires **staff buy-in** for management to bring about change. It also requires commitment from managers as they are the ones who are responsible for deciding on the quality standards and how to implement them. Managers will be the ones who have to sell the changes to staff and offer reassurance of how the changes will occur with the least disruption to daily operations.

There are many different ways managers can gain staff buy-in and some structures are more likely to gain managerial commitment and subsequently employee buy-in. Some of the businesses which invite change include:

- ▶ Formula 1 racing teams
- ▶ software businesses
- ▶ fashion businesses
- ▶ businesses in the food industry
- ▶ businesses in the music and media sector.

Manufacturing organisation, Festo GB, has been awarded the Gold standard for IIP in recognition of their inclusivity, which has brought about strong business performance. The Landmark Hotel in London has also been awarded Gold status.

Quality circles

Quality circles are a way of involving employees, usually those undertaking similar jobs or working in the same department, with problem-solving and resolutions. This can be a highly effective and efficient way of getting to the bottom of the problem by listening to those most closely related, as managers are often too far removed from the day-to-day operations.

Take, for example, the reference earlier to franchising (see Stakeholders who influence change) where the owner relies on the manager of the franchise to learn about what the customer wants and needs at a local level. When staff are encouraged to contribute to problem-solving through being listened to, they are more likely to feel valued. Staff can influence the way the business operates which impacts on their job satisfaction.

Partnership working with suppliers and customers

The government is very keen to encourage partnership working and it continues to feature in their directives to businesses. The numerous benefits of partnership working with suppliers and customers include:

- ▶ stakeholders feeling listened to concerning what they want and expect
- ▶ learning from mistakes and constantly looking for ways to improve
- ▶ gaining trust from stakeholders
- ▶ gaining in competitiveness on a wider scale
- ▶ learning new ways to put things right
- ▶ being able to outsource specialist operations
- ▶ diversifying products and services
- ▶ contributing to the economy on a global scale
- ▶ ensuring sustainability.

Transparent and open communication

You may have heard people talk about being transparent and open or you may have read it in a policy belonging to your place of study. It involves encouraging staff to own up to mistakes so that improvements can be made and to avoid any culture of blame and deceit. Businesses which are known for encouraging transparent and open communication include Google and Hewlett Packard (HP).

Some businesses rely on transparent and open communication to provide their services, such as air traffic control and the police force, especially with the introduction of The Police National Database and the sharing of information across regions. Information regarding police crime hotspots is now shared online, as is information on vehicle licensing tax evasion.

The techniques and tools of quality management

The techniques and tools of quality management come under three categories:

- ▶ tools for data collection and interpretation
- ▶ tools for planning
- ▶ tools for continuous improvement.

Quality control

Quality control is concerned with ensuring that not only products but also services are of an acceptable quality standard. Quality control was possibly the cornerstone of the motor vehicle industry emerging in the USA from around the 1940s. Whole quality departments were devoted to quality control of vehicle components, although this was mostly to do with finding problems and checking standards, rather than improving the quality.

The Japanese market showed its competitive and quality nature and was possibly instrumental in changing the way industry viewed quality.

Lean manufacturing

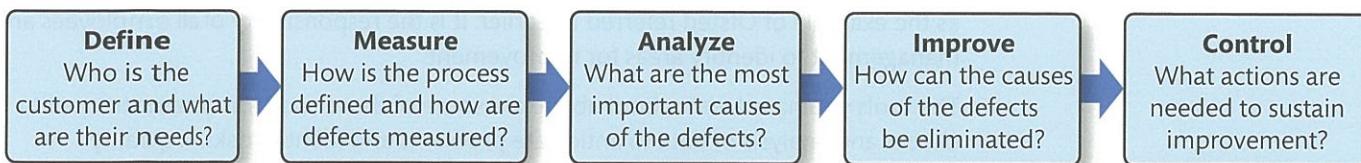
The purpose of lean manufacturing is to ensure maximum value for minimum waste. It was used to describe Toyota's operations in the mid-1980s.

All types of businesses use lean manufacturing principles, not just the manufacturing industry, encouraging the whole workforce to focus on three different aspects.

- ▶ Purpose: what customer problems will the enterprise solve to achieve its own purpose of prospering?
- ▶ Process: how will the organisation assess each major value stream to make sure each step is valuable, capable, available, adequate, flexible, and that all the steps are linked by flow, pull, and levelling?
- ▶ People: how can the organisation ensure that every important process has someone responsible for continually evaluating that value stream in terms of business purpose and lean process? How can everyone touching the value stream be actively engaged in operating it correctly and continually improving it?

Six Sigma

Six Sigma comprises quality techniques and tools for process improvement. It is a data-driven approach and methodology for eliminating defects. In essence, Six Sigma is a quality framework that a business will progress through, with the intention of reducing waste time and processes and so producing an end result that is fit for purpose. Its engineering founder, Bill Smith, introduced the quality process during his time at Motorola in the mid-1980s. Jack Welch recognised its scope and made it central to his business strategy at General Electric in 1995.



▶ Figure 6.21: Phases of Six Sigma

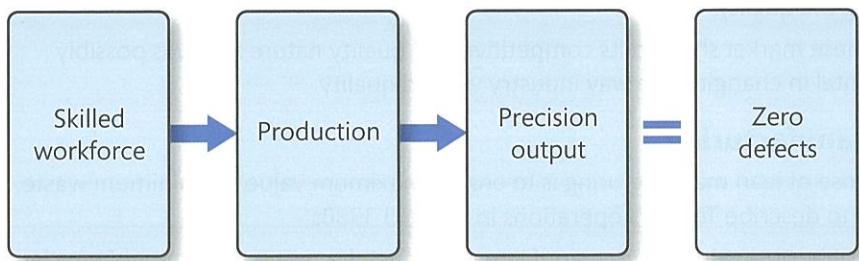
General Electric expect employees wishing to progress in the organisation to achieve the quality standard, which strives to meet near perfection, in order to be considered for higher positions.

The importance and benefits of quality management

In business, it is important to have some quality control measures. These ensure that processes are clear and everyone understands what they are doing, that pre-planned checks are implemented at the right stages and that waste is kept to a minimum to enable everyone in the business to work towards producing an end result that is fit for purpose, whether this is a product or a service. Ensuring quality control measures are implemented is part of the manager's role.

Zero defect production and output

The goal of this is to do precisely what it says – produce materials with zero defects, stemming from the work of a highly-skilled workforce.



► **Figure 6.22:** Zero-defect output

The benefits to any business operating tight quality controls which result in zero-defects include:

- ▶ maximum profit
- ▶ customer satisfaction
- ▶ rapid production
- ▶ deadlines being met.

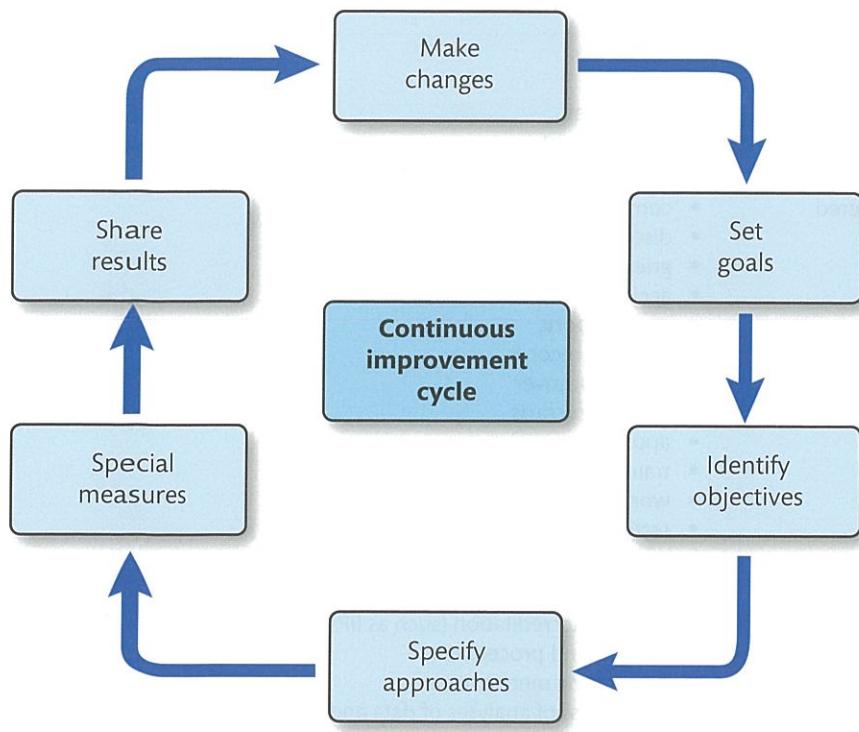
To achieve this high reaching aim, every member of the workforce needs to understand the part they play and that they are responsible for their contribution.

Continuous improvement

Continuous improvement refers to the way that businesses will continuously monitor, review and evaluate their processes to look for ways to improve, to help reduce waste and increase efficiency and productivity. You are striving for continuous improvement with your studies and the place where you are studying is doing the same.

Regulators' oversight and monitoring pushes businesses to continuously improve, such as the example of Ofsted referred to earlier. It is the responsibility of all employees and management to identify areas for improvement.

The tools you have learnt about above are some of those used for systematic quality checks and analysis of data to anticipate problems and identify risks. A quality improvement cycle can look like this:



► **Figure 6.23:** Cycle for continuous improvement

Improved output quality

One of the many benefits of aiming for continuous improvement is improved output quality, in other words the products and services are of improved quality.

Consider two examples of businesses where quality appears to be at the heart of their values:

- ▶ Budget Vets – staff have autonomy to support each other where their strengths lie, and the business offers them opportunities for CPD. They also have the opportunity to try and improve processes within the business, as managers welcome new ideas. There are seven branches that maintain close contact, working as an overall team.
- ▶ Unipart Aftermarket Logistics – promote efficiency and eliminating waste. One way they do this is by tracking performance over time, in one-hour intervals, which enables them to plan better and organise their workloads. This means they can rapidly respond to customer and employee needs.

Reduced inspection requirements

Businesses which are able to demonstrate their ongoing commitment to continuous improvement are likely to experience fewer external inspection checks by regulators, such as IIP, BSI, ISO or Ofsted.

In order to do so, the regulators will need to be satisfied that the business has a consistent track record of improvement and that the analyses and evaluation of supporting evidence proves this is the case. Regulators, whether they are external or internal, will measure trends over time and thoroughly scrutinise the data using a variety of means such as those shown in Table 6.11.

► **Table 6.11:** Methods used by regulators

Interviews with	<ul style="list-style-type: none"> • customers • suppliers • employees • management • other stakeholders (eg parents in the case of Ofsted)
Data gathered	<ul style="list-style-type: none"> • complaints • disciplinaries • grievances • accident and H&S reports • waste reports • financial records • labour turnover • sickness records • appraisals • training plans • workforce skills and job descriptions • testimonials from customers • action plans and minutes of meetings
Systems	<ul style="list-style-type: none"> • quality frameworks • external accreditation (such as IIP, BSI, ISO etc.) • policies and procedures • monitoring mechanisms • robustness of analyses of data and evaluation • business plans

Whoever is carrying out the inspection wants to be satisfied that the business has robust and rigorous systems which are able to sustain business operations and future plans for maximum production and profit. Internal inspectors will comprise members of the workforce who carry out regular quality checks, as an additional responsibility to their main job role, which act to identify or validate checks. This way everyone is involved in the quality system.

Supplier engagement and satisfaction

Engaging with suppliers requires a strategy which leads to supplier satisfaction. This is known as supply chain management. If a business does not have reliable suppliers to provide the raw materials at the required cost and quality, it either fails or has to find alternative sources. This of course takes time and costs money, not only in the loss of business by not being able to supply its customers, but also the cost of seeking out alternative sources and testing out the product for its quality.

One of the main benefits for a business of having quality kite marks is that like-minded businesses understand and appreciate the hard work and efficiency within that business that has led to them being accredited.

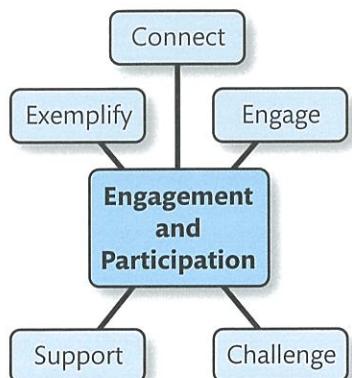
Businesses from approximately 75 countries around the globe are accredited with ISO standards; this enables outsourcing to be selective if the business strategy is to buy only from those with accreditation.

However, this does mean that businesses that do not have accreditation may not be considered, possibly for reasons such as:

- new business start-ups
- too costly for a small business
- business not yet accredited although undergoing the process
- not yet meeting the standards for accreditation.

As for all business operations, the key to satisfaction is communication.

► **Figure 6.24:** Model for supplier engagement



Customer involvement and satisfaction

Customer involvement is beneficial for businesses and more likely to lead to customer satisfaction. The use of social media has been important here, especially Twitter or Facebook which, for example, invites customers to be involved and make recommendations. Customers are informed of how their contribution makes improvements to the operation of the business, such as the 2015 introduction of the 'Facebook reactions' button. Businesses often use customer feedback as part of a process of continuous improvement, taking on board comments and feedback from various sources, such as feedback cards, online reviews and focus groups.

Improved efficiency and profitability

Quality systems often generate complaints from employees where they are not understood or where they are not well planned and so place a burden on the workforce. Quality systems are not all about paperwork although some degree of paperwork or electronic documentation is essential in order to track what is happening within an organisation.

The overall aim and benefits from quality management are improved efficiency and profitability. Businesses that operate without clear guidance from management about the processes workers should follow are likely to fail.

Case study

The Urbanists – achieving Investors in People accreditation

What was the IiP motivation?

The Urbanists are a town planning and design consultancy established in 2005. They take their name from "one who studies and seeks to influence the process of change in human settlements" and their mission is to design vibrant economic places with an active social context.

The Urbanists' objectives were to build on their emerging reputation and brand and to evaluate the ethos of the organisation to see how it added value to their client. Social responsibility, continuous learning and work-life balance were all regarded as important attributes and they wanted to benchmark these against the Investors in People standard.

How did IiP help?

The Urbanists were surprised how straightforward their IiP journey was when compared with many other industry accreditations, having an emphasis on developing the culture of the organisation and developing the way people are managed and appreciated.

The IiP assessment process highlighted how people felt about such issues as communication, support and teamwork. From the results, an action plan for continuous improvement was put into place based on the company's objectives and priorities. Everyone appreciated what the company was trying to achieve and that their contribution was recognised and valued. IiP helped the organisation to learn that their overall ethos is one of strong team spirit, engagement of staff, listening and adding value to clients through collaboration and sustainability.

What was the impact?

Achieving Investors in People raised The Urbanists' profile. As a small company delivering major projects of high value, achieving IiP demonstrated to their clients a clear standard and level of ability.

The Urbanists are confidently promoting high business standards and demonstrating that Wales has a committed, skilled and flexible workforce that allows businesses to be competitive on a global scale.

Martin Sullivan, Managing Director of The Urbanists said that the whole team had worked hard to achieve the award, and it would add value to their objective of

delivering projects that enhance the character of places and the lives of people who live there.

The Urbanists were able to demonstrate 'a leading edge in best people management practice in the UK, and that team spirit, engagement and continuous learning are built into the ethos of the company. This confidence would allow The Urbanists to expand beyond their borders' (IIP Assessor).

If you would like to know more about The Urbanists visit their website at <http://www.theurbanists.net>.

Check your understanding:

- 1 What is the emphasis on Investors in People accreditation?
- 2 What did the organisation learn from the process?
- 3 How has achieving the accreditation helped the business?

II PAUSE POINT

What evidence can you suggest contributed to The Urbanists being awarded IIP status?

Hint

Produce a list or spidergram of evidence without referring to the case study.

Extend

Produce a presentation persuading the management of a business of your choice to aim for formal accreditation of one of three quality standards.

Assessment practice 6.5

A04

'The Body Beautiful' has been operating as a franchise since 1982 and is based in rural Norfolk. While it has enjoyed a growing membership over the years, the fitness industry has also grown. The manager has heard a rumour that a major competitor is considering opening a new fitness and leisure centre in the town centre.

The manager and her team are always asking customers for feedback and they have heard about the difficulties getting to the centre, especially in bad weather when business profits drop considerably. The business struggles with its cash flow in the winter as the cost of heating is high and customers are few. They are also being told by customers that the potential new leisure centre will have the latest equipment and even a hydro-pool. However, their main USP is the customer service. The business prides itself in always giving value for money and the very best service.

The manager has decided to put forward a proposal to the owners to convince them of the best way forward. She knows it will require some investment but is positive it will work. She wants included in the proposal some external accreditation proving to the world they are as good as they say. She needs to present the owners with the solutions and recognises they will want to be able to measure impact if they are expected to invest.

She has asked you to prepare a summary report to accompany a very convincing argument in a presentation, which also includes speaker notes as she will be presenting it to the owners. She is expecting the notes, executive summary and any handouts to upskill her understanding of quality management tools and techniques and clearly demonstrate the impact.

Plan

- What are you being asked to do?
- Can you identify all the areas you need to cover?
- Can you plot out a timeframe for each of the tasks to meet the overall timeframe?
- Can you identify your sources of information?

Do

- Have you practised the different quality standards so you can explain to others?
- Have you prepared your outline presentation?
- Have you produced the speaker notes and handouts?
- Have you completed your executive report?
- Have you checked everything for accuracy and presentation/formatting?
- Have you considered the questions others are likely to ask? Can you explain the information clearly, perhaps by asking a family member to listen to you present your proposals?

Review

- What did you enjoy most about this activity?
- In which areas are you most skilful?
- Which skills are you going to focus on improving further?