

# Cambridge IGCSE / O-Level Business Studies

(Code: 0452 / 7707)

Section 02

People in Business



## Chapter 06

### Motivating employees

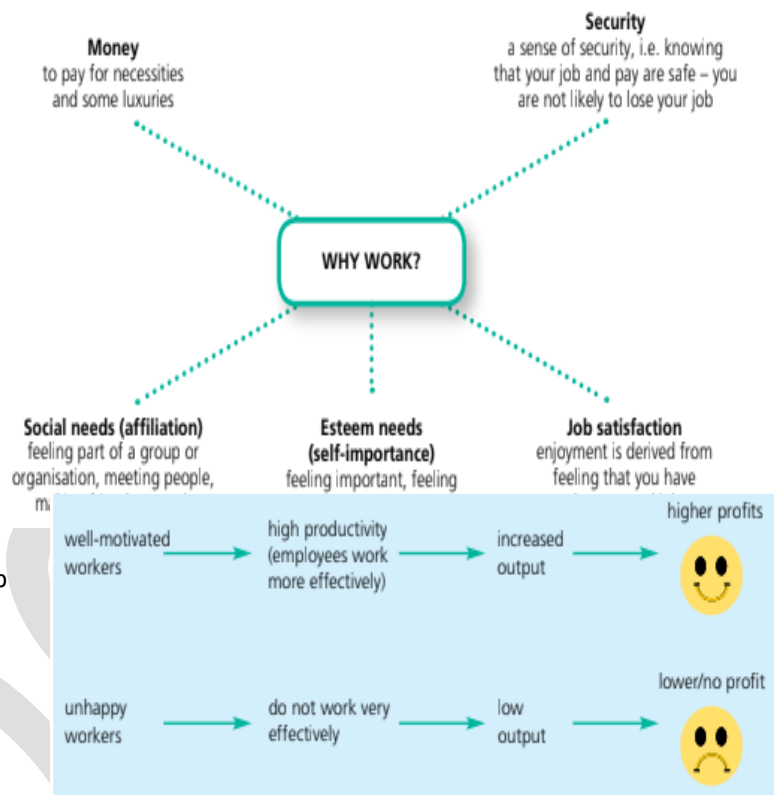
#### Why do people work?

People work for a variety of reasons. The main reason why most people work is because they need to earn money to buy food and the necessities for life. Motivation is the reason why employees want to work hard and work effectively for the business.

#### Benefits of a well-motivated workforce

A well-motivated workforce gives benefits to a business, including:

- » High output per worker – which helps to keep costs low and increase profits.
- » Willingness to accept change.
- » two-way communication with management.
- » Low labour turnover – a loyal workforce –
- » Low rates of absenteeism – reducing the disruption caused by absence from work.
- » Low rates of strike action



#### Human needs – Maslow's hierarchy

##### Maslow

**Abraham Maslow studied employee motivation. He proposed a hierarchy of needs, shown in this diagram.**

- » Business managers now recognize that employee motivation depends on access to higher levels in the hierarchy, not just money. Unemployed individuals often lose self-respect and self-esteem, lacking the sense of belonging that comes from working.
- » Maslow also suggested that each level in the hierarchy must be achieved before an employee can be motivated by the next level.



» There are problems in that some levels do not appear to exist for certain individuals, while some rewards appear to fit into more than one level.

» Managers must identify the level of the hierarchy that a particular job provides and then look for ways of allowing the employees to benefit from the next level up the hierarchy.

## Motivation theories

Employees who work for themselves tend to work hard and effectively, as they see direct benefits. Management must encourage the workforce to contribute fully to business success, with studies exploring two main theories.

### F.W. Taylor

Frederick Taylor, a chief engineer in the 1880s, conducted experiments at a steel company to increase labor productivity. He believed that individuals are motivated by personal gain and that higher pay leads to better work. Taylor viewed employees as machines, working hard to achieve high productivity and low labor costs.

Taylor's ideas resulted in big productivity gains at the company where he worked, and many other businesses adopted his ideas. But there are several criticisms of Taylor's ideas:

- » His ideas were too simplistic.
- » You can pay an employee more money, but if they are unfulfilled by their work.
- » A practical problem arises if you cannot easily measure an employee's output.

### Herzberg

Frederick Herzberg's motivation theories, based on US engineers and accountants, identify two sets of human needs: hygiene factors and motivational needs for psychological growth.

According to Herzberg, the 'hygiene' factors must be satisfied; if they are not satisfied, they can act as demotivators to the worker. However, they do not act as motivators, as once satisfied the effects of them quickly wear off. True motivators are found in other factors,

People often say that money is the main motivator.

The lack of these other motivators is often a reason why employees leave a job and seek employment elsewhere.

### Motivation theories and Methods of motivation – financial rewards

Five of the most frequently used methods are:

- » Wage
- » Salary
- » Bonus
- » Commission
- » Profit sharing

### Wages

A **wage** is payment for work, usually paid weekly. Time rate is the amount paid to an employee for one hour of work.

» The worker gets paid on a regular basis and does not have to wait long for some money. Wages tend to be paid to manual workers.

» If the employee works longer than their normal hours, they can usually be paid overtime.

### Time rate

**Time rate** is payment by the hour (payment for a period). This makes it easy to calculate the worker's wages and the worker knows exactly how much they will be paid for working a certain period.

### Possible limitations

» The hours worked are often recorded on a timesheet which must be filled in and used to calculate the wages by the Accounts department. This system takes time.

## Piece rate

### Bonus

P A bonus is an additional amount of payment above basic pay as a reward for good work. e the

P Bonuses do not have to be paid – a business can decide to pay a bonus just to an individual worker who has performed well or to all its employees if the business has exceeded certain targets.

»

### Possible limitations

» » Bonuses can become 'expected' every year and if they are not paid – perhaps because the business has had a poor year – then employee disappointment can be difficult to manage.

» » If only one or a small number of workers are paid a bonus, then bad feelings can be caused as other workers resent this and question why they did not receive one.

## Salaries

### Commission

» Commission is payment relating to the number of sales made. Commission is paid in addition to the existing wage or salary.

»

### Possible limitations

» » If the sales staff are very persuasive and encourage people to buy goods they don't really want, then the business may see its sales increase only in the short term and then fall again as it gets a bad reputation.

»

» » It can be very stressful for the sales staff because, if they have a bad month, their pay will fall.

### Profit sharing.

Profit sharing is a system whereby a proportion of the company's profits is paid out to employees.

### Possible limitations

» If a business makes very low profits or even a loss, then no 'profit share' will be possible, leading to employee disappointment.

» The profit share is usually calculated based on an additional percentage of a worker's existing wage or salary – so higher paid workers will receive a higher profit share.

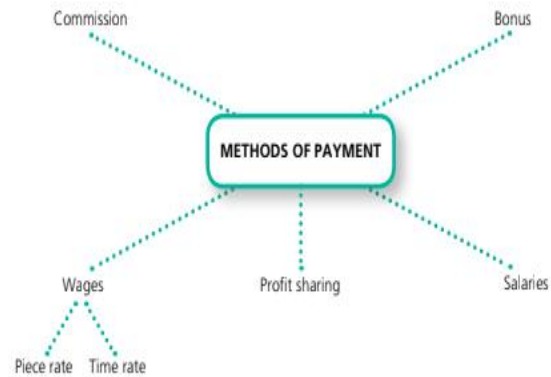
## Methods of financial reward

## Fringe benefits.

Businesses offer 'perks' or 'fringe benefits' to employees, varying based on job seniority. Factory workers receive discounts, while senior managers receive a house, car, and expense account.

## Motivating factors – non-financial methods

Non-financial methods of motivation can increase job satisfaction and job commitment. However, factors like



### Job rotation

Job rotation involves workers swapping around and doing each specific task for only a limited time and then changing around again.

### Job enrichment

Job enrichment involves looking at jobs and adding tasks that require more skill and/or responsibility.

poor business management and low pay rates can make employees unhappy. Addressing these issues, such as fair wage rates and fair treatment, can lead to positive motivation and increased job satisfaction. By addressing these issues, businesses can create a more productive and satisfied workforce.

## Opportunities for promotion

Promotion is the advancement of an employee in an organization, for example, to a higher job/ managerial level.

## Motivating factors at all levels

### Autonomous work groups or teamworking

Teamworking involves using groups of workers and allocating specific tasks and responsibilities to them. Workers can take responsibility for decision-making, gaining control over tasks and increasing job satisfaction. This approach, like car production lines, promotes job rotation and enrichment, improving morale and company sense. Teams organize parts, enhancing job rotation and commitment.

### Training

Training is the process of improving a worker's skills. Enhancing a worker's skills boosts motivation by providing them with a sense of achievement and challenging, rewarding work, thereby promoting job enrichment.

## Chapter 07

### 2.7 Organization and management

#### What is organizational structure?

Organizational structure refers to the levels of management and division of responsibilities within an organization.

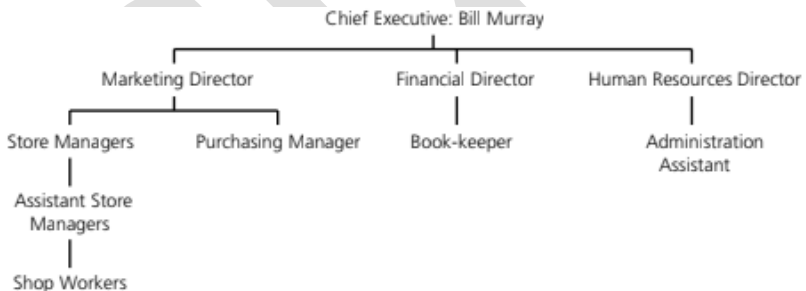
Organizational chart refers to a diagram that outlines the internal management structure.

Hierarchy refers to the levels of management in any organization, from the highest to the lowest. A level of hierarchy refers to managers/supervisors/ other employees who are given a similar level of responsibility in an organization.

#### Organization charts

In fact, this is a typical type of organization chart for many businesses. The most important features are as follows.

- It is a hierarchy. This means that there are different levels in the organization. Each level has a different degree of authority.
- It is organized into departments. Each of these departments has a particular job or function.
- As there are different levels of management, there is a chain of command. **Chain of command** is the structure in an organization which allows instructions to be passed down from senior management to lower levels of management.



#### Advantages of an organization chart

- » The chart shows how everybody is linked together in the organization. All employees are aware of which communication channel is used to reach them with messages and instructions.
- Every individual can see their own position in the organization. They can identify who they are accountable to and who they have authority over. Employees can see who they should take orders from.
- It shows the links and relationship between different departments within the organization.
- » Everyone is in a department, and this gives them a sense of belonging. V

## Chain of command and span of control.

The **span of control** is the number of subordinates working directly under a manager. The longer the chain of command, the **'taller'** will be the organizational structure and the **'narrower'** the span of control. When the chain of command is **short**, the organization will have **'wider'** spans of control.

## Advantages of short chains of command

- » Communication is quicker and more accurate. Each message has fewer levels to pass through before reaching the intended person.
- » Top managers are less remote from the lower level of the hierarchy. These top managers should be more in touch with people below them as there are fewer management levels to get to know.
- » Spans of control will be wider. This means that each manager is responsible for more subordinates. Why is this an advantage?
  - If superiors have more people to manage, it will encourage managers to delegate more. This is because, as their department is larger, they cannot possibly do all the important work by themselves.
  - There will be less direct control of each worker and they will feel more trusted. They will be able to take more decisions by themselves. They may obtain more job satisfaction.

## Roles, responsibilities, and inter-relationship between people in organizations

The key features of the current organizational chart, which is typical of many larger businesses, are as follows.

**Directors** are senior managers who lead a particular department or division of a business.

**Line managers** have direct responsibility for people below them in the hierarchy of an organization.

**Supervisors** are junior managers who have direct control over the employees below them in the organizational structure.

**Staff managers** are specialists who provide support, information, and assistance to line managers.



## The role and functions of management

• **Planning** - Planning for the future of the organization involves setting aims or targets. These aims or targets will give the organization a sense of direction or purpose. In addition to these aims, a manager must also plan for the resources which will be needed.

• **Organizing** - A manager must effectively delegate tasks and ensure resources are available for successful completion. An organizational chart helps identify job authority and ensures specialization, ensuring that no two people are assigned the same task.

• **Coordinating** - A good manager ensures that different departments work together. This can be achieved through meetings, or a project team working in their own special way, posing a danger to each other, posing a danger to the organization.

• **Commanding** - Managers are more concerned with guiding, leading, and supervising people than just instructing them. They ensure all supervisors and workers adhere to targets and deadlines, provide instructions, and ensure tasks are carried out by their subordinates.

• **Controlling** - Management involves continuous evaluation of individual and group work to ensure targets are being met. If certain groups are not meeting expectations, managers may need to take corrective action, identifying reasons for poor performance beyond inefficient workers. This involves identifying and correcting the problem rather than disciplining staff.

• **Delegation** - means giving a subordinate the authority to perform tasks. It is very important to remember that it is the authority to perform a task which is being delegated – not the final responsibility. If the job is done badly by the subordinate, then it is the manager who must accept the responsibility for this.

## • Advantages of delegation for the manager

- » Managers are less likely to make mistakes if some of the tasks are performed by their subordinates.
- » Managers can measure the success of their staff more easily. They can see how well they have done in performing the tasks delegated to them.

## • Advantages of delegation for the subordinate

- » The work becomes more interesting and rewarding.
- » The employee feels more important and believes that trust is being put in them to perform a job well.
- » Delegation helps to train workers and they can then make progress in the organization. It gives them career opportunities.

## Why might a manager not delegate?

Some managers resist delegation due to fear of subordinate failure and the possibility of superior performance, causing insecurity and preventing the manager from achieving their goals.





## Delegation



## Why is it important to have good managers?

A good manager should:

- » Motivate employees.
- » Give guidance and advice to employees they manage.
- » Inspire employees they manage to achieve more than they thought possible.
- » Manage resources effectively and keep costs under control.
- » Increase profitability of the business.

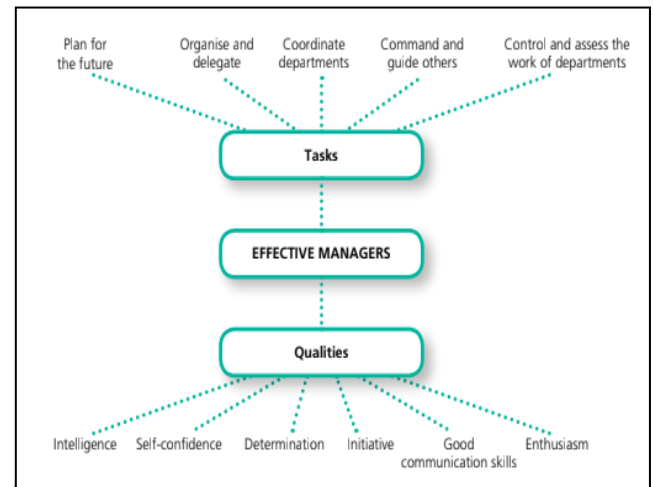
## Leadership

Motivation studies highlight the importance of effective management and leadership in business. Leaders can range from politicians to sports team captains, but a good leader inspires and motivates the workforce towards a common goal.

### Styles of leadership

Leadership styles are the different approaches to dealing with people and making decisions when in a position of authority –autocratic, democratic, or laissez-faire. leadership styles:

- » Autocratic leadership
- » Democratic leadership
- » Laissez-faire leadership.



### Autocratic leadership

Autocratic leadership is where the manager expects to oversee the business and to have their orders followed.

#### Potential advantage

- » Quick decision making, for example, during a crisis.

#### Potential disadvantage

- » No opportunity for employee input into key decisions, which can be demotivating.

### Laissez-faire leadership

Laissez-faire leadership makes the broad objectives of the business known to employees, but then they are left to make their own decisions and organize their own work.

#### Possible advantage

- » Encourages employees to show creativity and responsibility.

#### Possible disadvantage

- » Unlikely to be appropriate in organizations where a consistent and clear decision-making structure is

### Democratic leadership

Democratic leadership gets other employees involved in the decision- making process.

### Possible advantage

» Better decisions could result from consulting with employees and using their experience and ideas – as well as being a motivating factor.

### Possible disadvantage

» Unpopular decisions, such as making workers redundant, could not effectively be made using this style of leadership.

## Trade unions

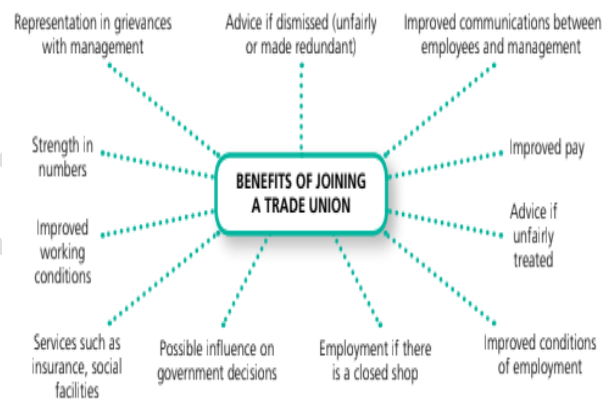
Employees generally share common interests like improved pay, a pleasant work environment, fair treatment, proper training, and a safe work environment.

A trade union is a group of employees who have joined together to ensure their interests are protected. A **trade union** is a group of employees who have joined together to ensure their interests are protected.

### Effects of employees being union members

However, there are disadvantages for an employee of trade union membership:

- » It costs money to be a member.
- » Workers may be required to take industrial action even if they don't agree. Trade unions can have both advantages and disadvantages for employers too:
- » They can help improve communications between workers and management.
- » Wage agreements will be easier to negotiate with a trade union than with many individual workers.



## Chapter 08

### 2.8 Recruitment, selection, and training of employees

The work of the Human Resources department

**Recruitment** is the process of identifying that the business needs to employ someone up to the point at which applications have arrived at the business.

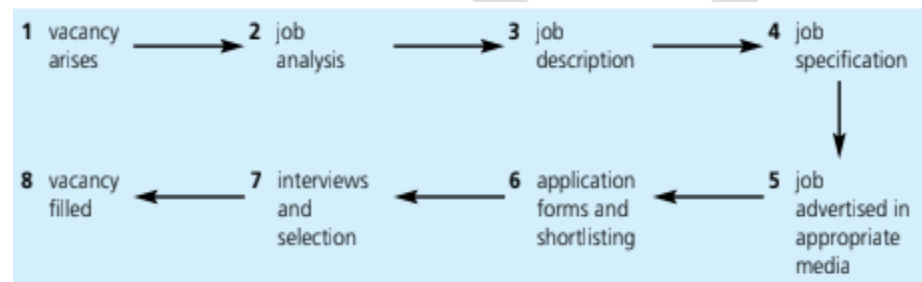
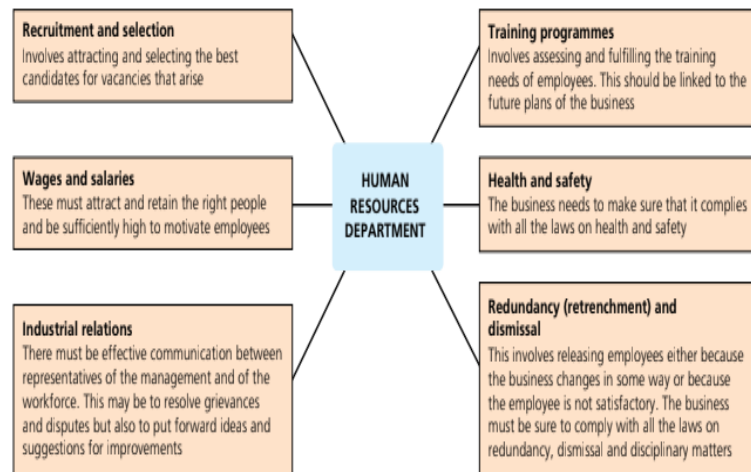
**Employee selection** is the process of evaluating candidates for a specific job and selecting an individual for employment based on the needs of the organization.

### Recruitment and selection

- » An employee leaves their job, and they need to be replaced.
- » It is a new business starting up and needs employees.
- » It is a successful business and wants to expand by employing more people.

The recruitment process assesses employee roles, job nature, and future workforce requirements. Large businesses typically have a Human Resources department, while small businesses may have their own department.

The recruitment process is summarized in the above diagram.



## The recruitment processes.

### Job analysis and description

A job analysis identifies and records the responsibilities and tasks relating to a job. If the business is recruiting an employee to fill an existing position, an outline of the duties for the new employee will be easy to draw up and may already exist.

A job description outlines the responsibilities and duties to be carried out by someone employed to do a specific job. description has several functions:

- » It is given to the applicants for the job, so they know exactly what the job entails.
- » It will allow a job specification to be drawn up, to see if the applicants 'matchup to the job', so that people with the right skills will be employed.
- » Once someone has been employed, it can show whether they are carrying out the job effectively. If a dispute occurs about the employee's tasks, the job.

### Job specification

A job specification is a document which outlines the requirements, qualifications, expertise, physical characteristics, etc., for a specified job. The requirements will usually include:

- » The level of educational qualifications
- » The amount of experience and type of experience

- » Special skills, knowledge, or aptitude
- » Personal characteristics, such as type of personality.

**Difference between internal recruitment and external recruitment.**

Internal recruitment

Internal recruitment is when a vacancy is filled by someone who is an existing employee of the business.

**Advantages of internal recruitment**

- » It is quicker and cheaper than external recruitment, which may involve expensive advertising.
- » The person is already known to the business and their reliability, ability and potential are known.
- » The person also knows how the organization works, its structure and what is expected from its employees.
- » It can be very motivating for employees to see their fellow workers being promoted – it makes them work harder if they consider that promotion is possible for them too.

**Disadvantages of internal recruitment**

- » No new ideas or experience come into the business.
- » There may be rivalry among existing employees and jealousy towards the worker who gains promotion.
- » The quality of internal candidates might be low.

**External recruitment**

External recruitment is when a vacancy is filled by someone who is not an existing employee and will be new to the business. This involves advertising the vacancy beyond the business itself. When a business plans to recruit externally, it will need to advertise the vacancy.

**Job advertisements for external recruitment**

When drawing up a job advertisement, the business will need to ask itself the following questions:

- » What should be included in the advert?
- » Where should the advertisement be placed?
- » How much will the advertising cost and is it within the budget of the Human Resources department?

**Methods of application**

Job advertisements require applicants to apply in writing, either through an application form or a letter with a CV or résumé. Businesses use these forms to match job specifications, inviting the closest match for an interview and a shortlist.

A curriculum vitae should be well laid out and clear. It should usually contain the following details:

- |                   |   |                                |
|-------------------|---|--------------------------------|
| » Name            | » Address   | » Telephone number             |
| » Email address   | » Nationality                                       | » Education and qualifications |
| » Work experience | » Positions of responsibility                       |                                |
| » Interests       | » Names and addresses of referees (for references). |                                |

The letter of application should outline briefly:

- » Why the applicant wants the job.
- » Why the applicant feels he/she would be suitable.

### **Methods of selection**

Shortlisted applicants provide referees with confidential opinions on their character, honesty, reliability, and suitability for the job. School leavers and older applicants often have their former employer as referees. The main purposes of an interview are to assess, in the shortest possible time:

- » The applicant's ability to do the job.
- » Any personal qualities that are an advantage or disadvantage.
- » The general character and personality of the applicant – will they fit in?

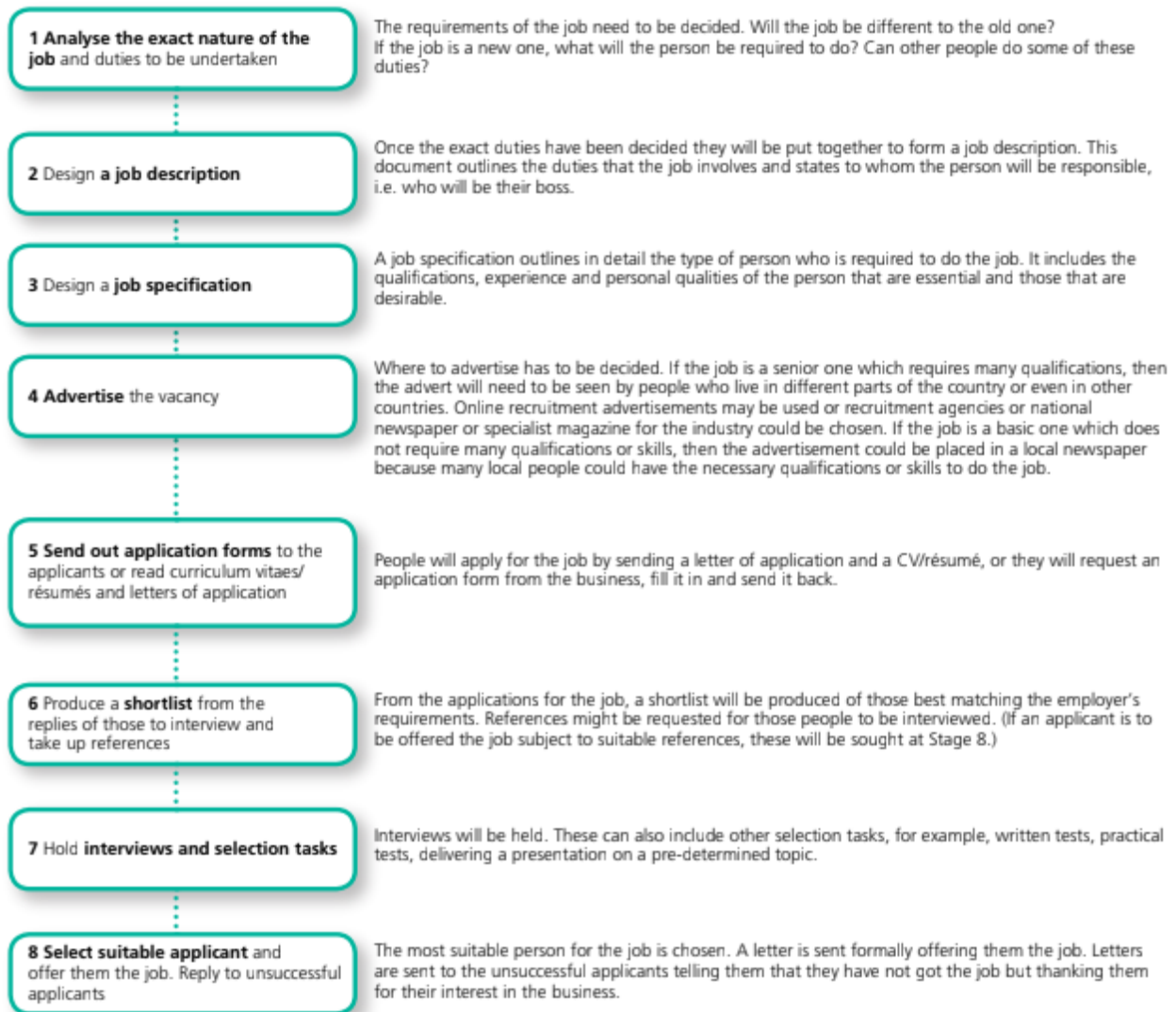
### **Recommending which workers to employ**

You should now understand the process of recruitment and selection. The final decision of which workers to employ depends on several factors:

- » Work experience
- » Educational and other qualifications
- » Age
- » Internal
- » External

### **Rejecting unsuccessful applicants**

When the suitable applicant has been offered the job and has accepted it, the unsuccessful applicants should be informed that they have not got the job and thanked for applying.



## The benefits and limitations of part-time and full-time employees

**Part-time** employment is often considered to be between 1 and 30–35 hours a week.

**Full-time** employees will usually work 35 hours or more a week.

### The limitations to a business of part-time employees are:

- » Less likely to seek training because the employees may see the job as temporary.
- » Takes longer to recruit two part-time workers than one full-time employee.
- » part-time employees can be less committed to the business and may be more likely to leave to get another job.
- » Less likely to be promoted because they will not have gained the same skills and experience as full-time employees.
- » More difficult to communicate with part-time employees when they are not in work.

**The benefits to a business of employing part-time employees are:**

- » More flexible in the hours of work
- » Easier to ask employees just to work at busy times.
- » Easier to extend business opening/operating hours by working evenings or at weekends.
- » Fits in with looking after children and therefore employee is willing to accept lower pay.
- » Reduces business costs compared to employing and paying a full-time employee.
- » In some countries it is easier to make part-time workers redundant.

## The importance of training and the methods of training

Training is important to a business as it may be used to:

- » Introduce a new process or new equipment.
- » Improve the efficiency of the workforce.
- » Provide training for unskilled workers to make them more valuable to the company.
- » Decrease the supervision needed.
- » Improve the opportunity for internal promotion.
- » Decrease the chances of accidents.

Employees should be clear about the benefits of the training, or they will not work hard or take the training seriously.

Training is usually trying to achieve one or more of the following:

- » To increase skills.
- » To increase knowledge.
- » To improve employees' attitudes to encourage them to accept change and raise awareness,

There are three main types of training:

- » **Induction training.**
- » **On-the-job training**
- » **Off-the-job training**

### Induction training

training is an introduction given to a new employee, explaining the business's activities, customs, and procedures, and introducing them to their fellow workers.

### On-the-job training

occurs by watching a more experienced worker doing the job.

### Off-the-job training

Involves being trained away from the workplace, usually, by specialist trainers.

### **The advantages of induction training are that it:**

- » Helps new employees to settle into their job quickly.
- » May be a legal requirement to give health and safety training at the start of a job.
- » Means workers are less likely to make mistakes.

### **The disadvantages of induction training are that it:**

- » Is time-consuming.
- » Means wages are paid but no work is being done by the worker.
- » Delays the start of the employee commencing their job.

## The advantages of off-the-job training are that:

- » A broad range of skills can be taught using these techniques.
- » If these courses are taught in the evening after work, they are cheaper for the business.
- » The business will only need to pay for the course, and it will not also lose the output of the employee.
- » Employees may be taught a variety of skills, becoming multi-skilled.
- » It often uses expert trainers who have up-to-date knowledge of business practices.

## The disadvantages of off-the-job training are that:

- » Costs are high.
- » The additional qualifications mean it is easier for the employee to leave and find another job.

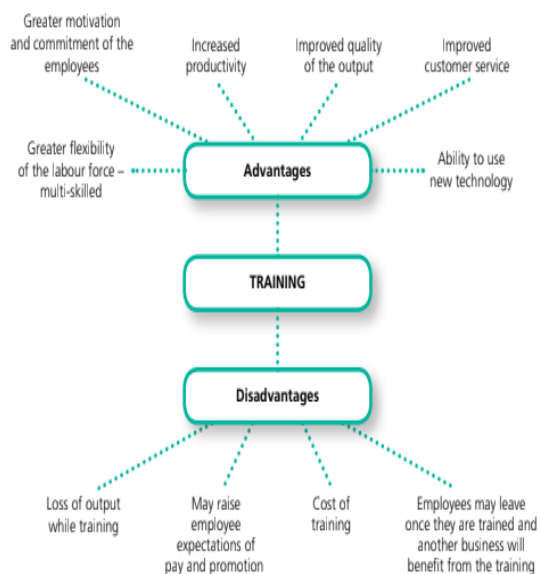
## The advantages of on-the-job training are that:

- » Individual tuition is given, and it is in the workplace, so the employee does not need to be sent.
- » It ensures there is some production from the worker while they are training.
- » It usually costs less than off-the-job training.
- » It is training tailored to the specific needs of the business.

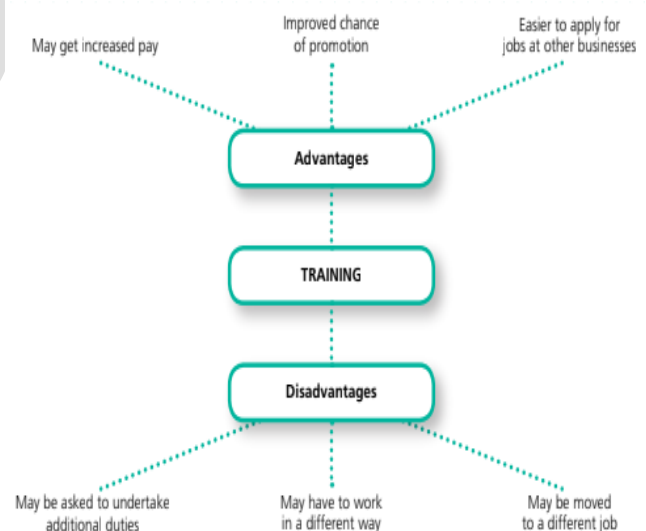
## The disadvantages of on-the-job training are that:

- » The trainer will not be as productive as usual because they are showing the trainee what to do instead of getting on with their job.
- » The trainer may have bad habits and they may pass these on to the trainee.
- » It may not lead to training qualifications recognized outside the business.

## Training (management /business)



## Training (employee)





## Why reducing the size of the workforce might be necessary.

Workforce planning is establishing the workforce needed by the business for the foreseeable future in terms of the number and skills of employees required. If a business needs to reduce the number of employees, this can be done in one of two ways:

- » Dismissal
- » Redundancy.

Workers may also leave their job because they:

- » Retire (they are getting older and want to stop working)
- » Resign (because they have found another job).

### Dismissal

Dismissal is when employment is ended against the will of the employee, usually for not working in accordance with the employment contract.

### Redundancy

Redundancy is when an employee is no longer needed and so loses their job. It is not due to any aspect of their work being unsatisfactory.

### Which workers to make redundant?

- » Some workers may volunteer and be happy to be made redundant.
- » Length of time employed by the business.
- » Workers with essential skills that are needed by the business or whose skills could be transferable to other departments are often retained.
- » Employment history of the worker – whether they have a good/poor attendance, punctuality, or appraisal record.
- » Which departments of the business need to lose workers, and which need to retain workers.

## Legal controls over employment issues

In many countries governments have passed laws that affect the relationship between employers and employees. The most important employment issues affected by legal controls are:

- » Employment contracts
- » Unfair dismissal
- » Discrimination
- » Health and safety
- » Legal minimum wage.

### The contract of employment

A contract of employment is a legal agreement between an employer and employee, listing the rights and responsibilities of workers. It will usually be set out in writing and include:

- » Name of the employer and name of the employee
- » Job title
- » Holiday entitlement
- » Date when employment is to begin
- » Hours to be worked.
- » Rate of pay and any other benefits such as bonus, sick pay, pension
- » When payment will be made.
- » Amount of notice that the employer or the employee must give to end the employment.

### Impact of employment contracts on employers and employees

- » Both employers and employees know what is expected of them.

- » It provides some security of employment to the employee.
- » If the employee does not meet the conditions of the contract, then legal dismissal is allowed.
- » If the employer fails to meet the conditions of the contract.

### Unfair dismissal

An industrial tribunal is a type of law court (or in some countries, a legal meeting) that makes judgments on disagreements between companies and their employees, for example, workers' complaints of unfair dismissal or discrimination at work.

#### Impact of unfair dismissal on employer and employee

- » Employer must keep very accurate records of a worker's performance if they want to claim that the employee has broken their contract of employment before dismissing them.
- » Employees have security of employment – if they fulfil their contract and are not made redundant.
- » Allows employees to take their employer to an industrial tribunal if they feel they have been treated unfairly and they may get compensation if this is found to be true.

### Legal minimum wage

#### Impact of legal minimum wage on employers and employees

- » It should prevent strong employers from exploiting unskilled workers who could not easily find other work.
- » As many unskilled workers will now be receiving higher wage.
- » It will encourage more people to seek work. There should be fewer shortages of workers.
- » Low-paid workers will earn more and will have higher living standards.

## Chapter 09

### Internal and external communication

#### Effective communication and its importance to business

**Communication** is the transferring of a message from the sender to the receiver, who understands the message.

**A message** is the information, or instructions being passed by the sender to receiver.

#### Internal communication

Internal communication is between members of the same organization.

#### External communication

External communication is between the organization and other organizations or individuals.

### The process of effective communication

**The transmitter** or **sender** of the message is the person starting off the process by sending the message.

The **medium of communication** is the method used to send a message.

The **receiver** is the person who receives the message.

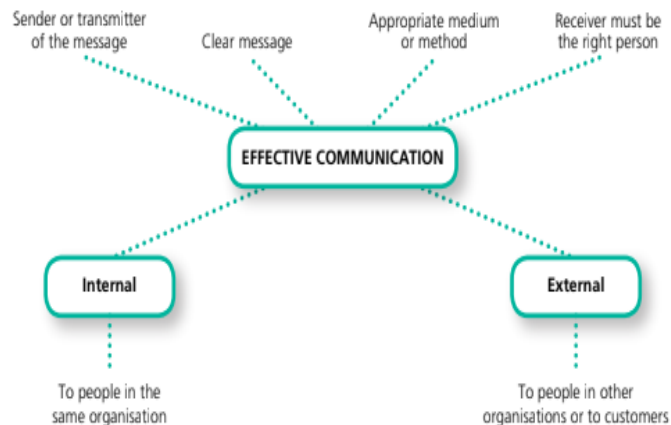
**Feedback** is the reply from the receiver which shows whether the message has arrived, been understood and, if necessary, acted upon.

## One-way and two-way communication

**One-way communication** involves a message which does not call for or require a response.

**Two-way communication** is when the receiver gives a response to the message and there is a discussion about it.

## Effective communication



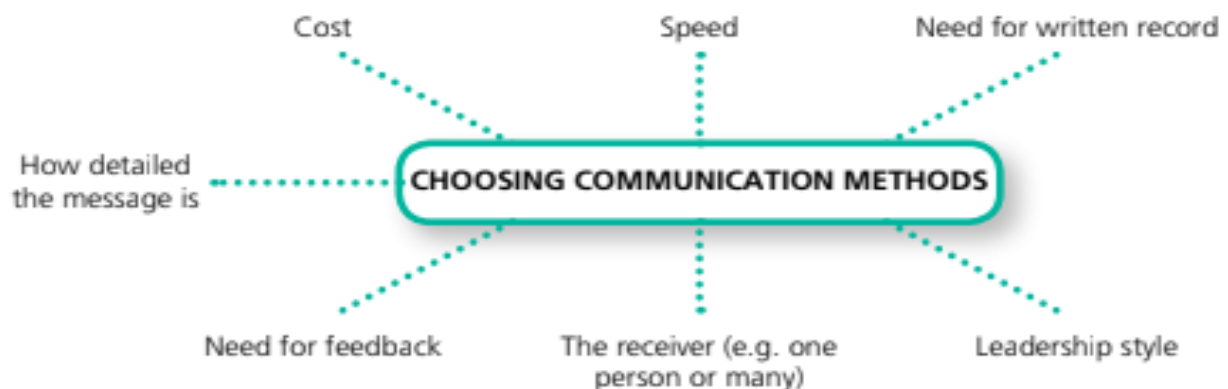
## Communication methods

- » Verbal methods of communication involve the sender of the message speaking to the receiver.
- » Written methods of communication include letters and notices/posters, but increasingly involve the use of information technology (IT).
- » Visual methods of communication include methods such as diagrams, charts, and videos.

## Choosing the appropriate communication method

- » Speed
- » Cost
- » Message details
- » Leadership style
- » The receiver
- » Importance of a written record
- » Importance of feedback

## How to choose communication methods



## Verbal communication skills

### Advantages of verbal communication

- » Information can be given out quickly.
- » There is opportunity for immediate feedback and two-way communication.
- » The message is often reinforced by seeing the speaker.

### Disadvantages of verbal communication

- » In a big meeting, there is no way of telling whether everybody is listening or has understood the message.
- » It can take longer to use verbal methods when feedback occurs than to use a written form of communication.
- » When an accurate and permanent record of the message is needed.

## Written communication methods.

### Advantages of written communication

- » There is 'hard' evidence of the message which can be referred to in the future.
- » It is essential for certain messages involving complicated details which might be misunderstood.
  - » A written message can be copied and sent to many people.
- » Electronic communication is a quick and cheap way to reach many people.

### Disadvantages of written communication

- » Direct feedback is not always possible unless electronic communication is used.
- » It is not so easy to check that the message has been received and acted upon as with verbal messages.
- » The language used can be difficult for some receivers to understand.

## Visual communication methods

### Advantages of visual communication

- » These methods can present information in an appealing and attractive way.
- » They can be used to make a written message clearer by adding a chart or diagram to illustrate the point being made.

### Disadvantages of visual communication

- » There is no feedback, and the sender of the message may need to use other forms of communication to check that the message has been understood.
- » Charts and graphs are difficult for some people to interpret.

## Formal and informal communication

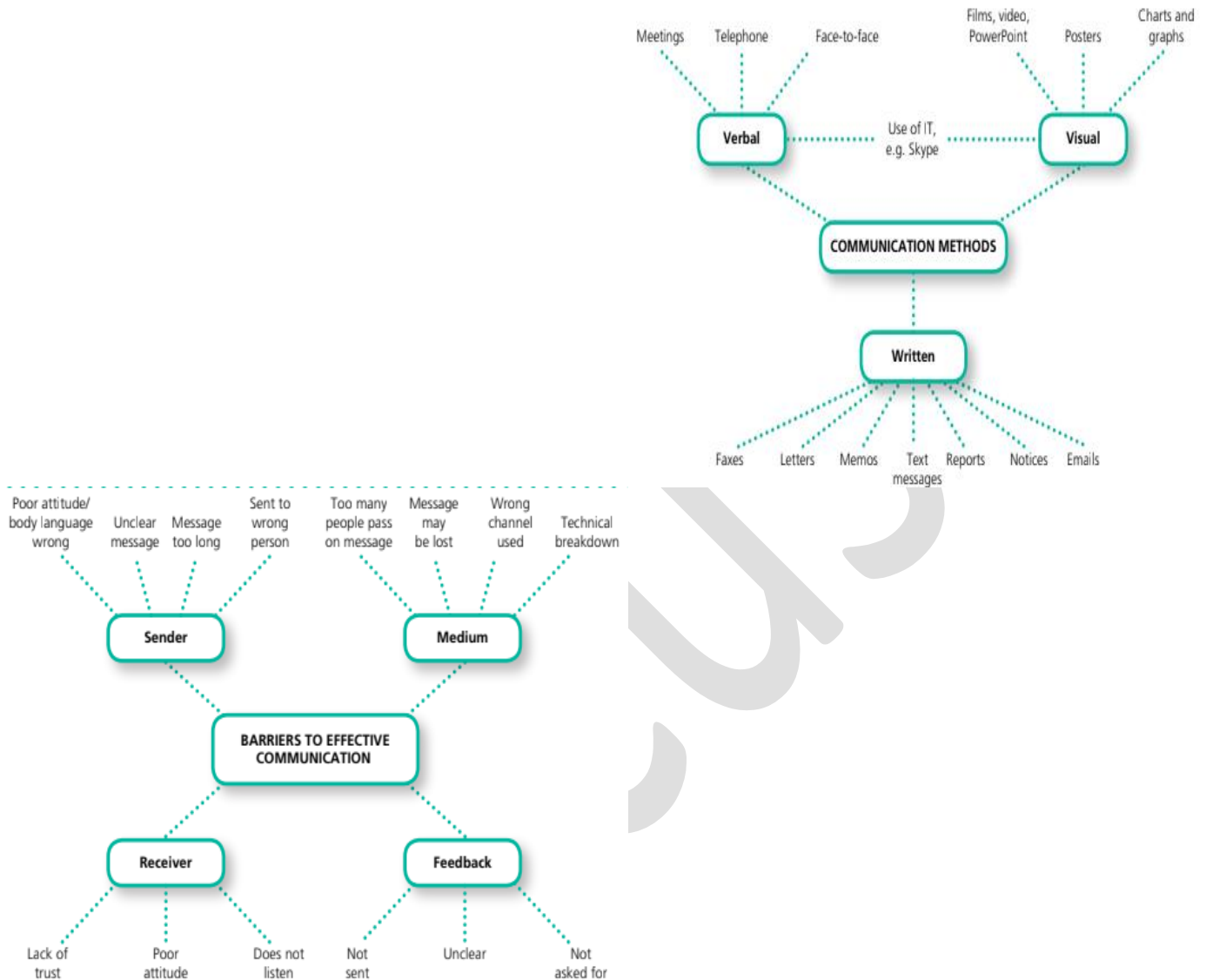
**Formal communication** is when messages are sent through established channels using professional language.

**Informal communication** is when information is sent and received casually using everyday language.

## How communication barriers arise and how to reduce or remove them

Communication barriers are factors that stop effective communication of messages.

**Barriers to effective communication and how they can be overcome.**



## Exam style questions

1) (a) Explain two benefits of PH's employees becoming members of a trade union.

(b) Consider three possible benefits for PH of becoming a multinational company. Which benefit is likely to be the most important? Justify your answer.

2) TFN is a travel business which sells holidays. It has 37 shops and 1000 employees. Last year TFN's profit increased to \$46 million. The Managing Director knows that good customer service has helped maintain customer loyalty. He said: 'TFN's managers use ideas from Herzberg's two-factor theory to help motivate employees. All employees are provided with off-the-job training and each manager has a wide span of control.'

- (a) Identify two advantages to a business of maintaining customer loyalty
- (b) Identify two hygiene factors from Herzberg's two-factor theory.
- (c) Outline two reasons why profit might be important to TFN.
- (d) Explain one advantage and one disadvantage to TFN of its managers having a wide span of control.
- (f) Do you think off-the-job training is the best method of training for a service sector business to use? Justify your answer.

- (3) (a) Explain four barriers to communication for a business.
- (b) Consider the following two ways VP can purchase its inventory. Which way should it use? Justify your answer.
  - Head Office purchases the inventory for all the restaurants.
  - Restaurant Managers purchase their own inventory from local suppliers.
- (C) Explain two advantages and two disadvantages of VP's Restaurant Managers delegating tasks to their Assistant Managers.
- (d) Using Appendix 2 and other information, consider the two countries VP could choose to locate its new restaurants. Which country should VP choose? Justify your answer.
- (e) Explain two possible reasons why VP wants to expand.
- (d) Consider the benefits and limitations of the following two ways VP can enter a new market in another country. Which way should VP choose? Justify your answer.
  - Joint venture • Franchising

(4) SSG manufactures mobile (cell) phones using batch production. Quality control is important. SSG has 130 employees who all receive on-the-job training. The Marketing Manager is analyzing cost 1 and output data for product X. An extract is shown in Table 1.1. As product X is in the maturity stage of the product life cycle SSG is considering possible extension strategies.

**Table 1.1**

<b>Extract from SSG's cost and output data for product X</b>	
Rent and other expenses per month	\$300 000
Variable cost per unit	\$80
Output per month	12 000

- (a) Define 'on-the-job training'.
- (b) Calculate total variable cost per month. Show your work.
- (c) Identify four factors a business should consider when deciding which method of production to use.
- (d) Explain one advantage and one disadvantage to SSG of using quality control.
- (e) Do you think adding new features to a product is the best extension strategy for a manufacturing business to use? Justify your answer.

5) RWB manufactures buses. 1200 people work in its factory. All employees receive off-the-job training. RWB uses financial rewards to motivate its employees. Last year RWB made a \$1.7 million loss. 2 The Managing Director said: 'There are many external influences affecting our business, including changes in the level of unemployment and new legal controls over business activities which affect the environment.

- (a) Define 'off-the-job training'.
- (b) Identify two reasons (other than financial) why people work.
- (c) Outline two methods of financial rewards RWB might use to motivate its employees.
- (d) Explain two ways RWB might be affected by new legal controls over business activities which affect the environment.
- (e) Do you think a reduction in the level of unemployment always benefits businesses? Justify your answer.

- (6) (a) Explain four effects of training on a business.
- (b) Explain four advantages and disadvantages of recruitment.
- (c) Explain the benefits to a business of employing part-time employees.
- (D) Explain why do people work?

(7) Alex started APB as a sole trader business 4 years ago. APB provide printing services for local businesses such as leaflets and brochures. Alex thinks having a good location is important to any 3 business. All APB's 6 employees receive on-the-job training. Alex has a democratic leadership style and uses job rotation to help keep employees motivated. To meet an increase in demand, Alex plans to buy an additional printing machine. This will cost \$1 800. Alex must decide on an appropriate source of finance.

- (a) Define 'job rotation'.
- (b) State two factors that a service sector business should consider when deciding where to locate.
- (c) Outline one advantage and one disadvantage to APB of using on-the-job training
- (d) Explain one advantage and one disadvantage of Alex having a democratic leadership style.
- (e) Do you think the amount of money needed is the most important factor for a sole trader to consider when deciding on an appropriate source of finance? Justify your answer.