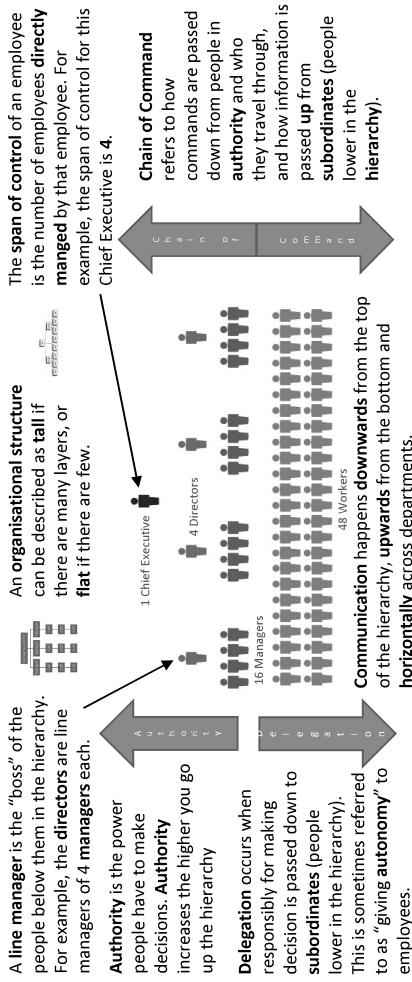


3.4.1 - Organisational Structures

The organisation of a business defines how **information** is passed around the business and how **decisions** are made. In general, the more **centralised** a business is, the more **layers** there are, and the **slower** information travels, however **decisions** are made faster. The structure of a business can be shown in an **organisation chart or hierarchy** (like below).



Centralisation is when there are **many layers** and decisions are only made by a **few people** at the top to improve communication and **delegate** responsibility

- + Decisions made closer to the customer (potentially better)
- + Motivating for employees (**autonomy**)
- May be disagreements
- Low skilled employees could mean bad decisions

De-centralisation is the process of **removing layers** of the hierarchy to improve communication and **delegate** responsibility

- + Decisions made closer to the customer (potentially better)
- + Motivating for employees (**autonomy**)
- May be disagreements
- Low skilled employees could mean bad decisions

Communication diseconomies of scale

- Decisions are made far from the customer – good for emergencies
- communication diseconomies of scale

3.4.3 - Motivating employees

Benefits of a highly-motivated workforce:

- + Higher **retention** – lower recruitment costs as fewer people leave
- + Higher **productivity** – employees will be more willing to do more or better work
- + Higher **levels of sales** – employees will go above and beyond to satisfy customer needs
- + Easier to attract new employees – more people will want to work for the business

Financial methods of motivation:

- + **Wages** – pay a person by the hour. Represents a **variable cost** to the business. Encourages employees to pick up extra shifts. Can also offer **overtime** – a higher hourly rate for employees who work over their contracted hours
- + **Salary** – pay a person a fixed amount for a year. No set number hours for employee. Represents a **fixed cost** to a business.
- + **Piecework/Piece rate** – money paid to an employee per "output" they produce: E.G per item manufactured. The business must also ensure they pay the **minimum wage**
- + **Commission** – money paid to an employee when they make a sale. May be a fixed amount or a percentage of the sale amount
- + **Profit sharing** – where a percentage of the profits made by a business is shared with all employees – encourages all employees to work better together

Non-financial methods of motivation:

- + **Job Enrichment** – giving employees more interesting or challenging tasks to do. Could also give them more **autonomy** (choice) in what job they do (job rotation).
- + **Training** – providing good training will help employees feel they are doing their job better (job satisfaction) and feel like they are being invested in
- + **Management style** – when managers show more trust in employees by allowing them to make decisions, employees are said to have more **autonomy** over their working day which can be motivational
- + **Fringe benefits** are benefits given in addition to pay that come with a job. Could include: **Discounts** when buying the business's products/services, **company car**, **health insurance**



AQA GCSE Business 9-1: 8132

Human Resources

Appears in:
Paper 1

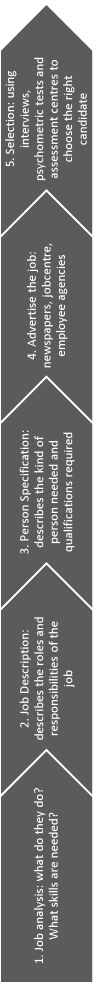
3.4.2 - Recruitment and selection of employees

Internal recruitment is when an employee is recruited from **inside** the business

- + Candidates already know the business operates
- + Offers a chance of **promotion** which **motivates** people
- + Lower cost to a business
- Cost of retraining employees for a new job
- May lead to **stagnation** or **complacency** – no new ideas

External recruitment is when an employee is recruited from **outside** the business

- + Recruit people with new ideas and enthusiasm
- + May be from a competitor and have insider knowledge
- + Wider choice of candidates
- + May have expensive **specialist qualifications** or **degrees**
- High costs in advertising and selection
- Candidate needs **induction training**



Employee retention is a measure of how long employees stay at a business. A high **retention rate** means lower recruitment costs, higher experience and therefore higher level of customer service and productivity.

Selection methods:

- + **Interviews** – a face-to-face meeting with manager(s) with the applicant
- + **Psychometric tests** – a questionnaire that measures personality traits to see if the applicant fits the person specification
- + **Assessment Centres** – role play scenarios or a series of tasks/tests to see how the candidate approaches them

Full Time Contract <ul style="list-style-type: none"> • Between 35 and 40 hours + Employee at work during normal working times -> higher productivity + Employees have higher experience in the job 	Part Time Contract <ul style="list-style-type: none"> • Fewer than 35 hours + May not require work for the whole week – saves money + Employee can work around another job/family
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3.4.4 - Training

Good training:

- + Improves **productivity**. Employees will have more skills to do more with less time and materials
- + Improves **motivation**. Employees feel they know more about their job and therefore feel more satisfied
- + Increases **employee retention**. Fewer people leave as they feel invested in and feel they have the skills to do their job
- + Results in **higher quality** products and **higher levels of customer service**
- Costs money – some training and skills can cost money to receive. Employees may also need time off to attend.



Induction training is provided for new employees joining the business. Its purpose is to introduce new employees to the people they will be working with, and the procedures and policies of the business. It is also used to align the recruit with the values of the business, so they can integrate well with their new team and reduce the likelihood they will leave

On-The-Job training is when an experienced colleague shows you how a job is done. This is done by a combination of **observing** the colleague and doing the job with the **support** or **feedback** from the colleague. It is useful as the person being trained knows exactly how to do the job for the specific business (it may be done slightly different elsewhere) and means that the person being trained **doesn't need to take time off** for training. It can be **motivational** for an experienced colleague to show someone how to do their job, however, may cause resentment if they don't. **Doesn't result in new ideas** or **ways of working**.



Off-The-Job Training is when an employee is paid to go to training off site. This is a cost to the business as they have to **pay for the training**, **pay the employee** for being there and **lose productivity** when they are not doing their job. However, the employee can learn **brand new skills** and ideas they can bring back and improve the business. Employees can also **earn externally acknowledged qualifications**, which the business can use to charge more for their services.



Key Term	Definition
Centralisation	Maintaining control by keeping authority at the senior levels of the organisation.
Chain of command	The line through the hierarchy that shows who is responsible for whom from top to bottom of an organisation.
Commission	An amount of money paid to an employee that is based on a percentage of the sales he/she achieved; paid in addition to a basic salary.
Contracts of employment	A legal document that sets out the terms and conditions of the job for the employer and the employee.
Customer engagement	The relationship between the business and the customer that puts the customer's requirements at the centre of the operation to build brand loyalty.
Decentralisation	Where authority is spread widely through the organisation.
Delayering	The reorganisation of the organisation's employees so that there are fewer levels of management.
Delegation	Allocating a task to someone who would not normally be responsible for it.
Directors	The people who are elected by the shareholders to run the business on their behalf.
Diseconomies of scale	When a business grows too large, leading to a possible increase in unit cost.
Employees	Individuals who work full time or part time for the business; they have a contract of employment detailing their duties and rights.
Employment law	Rulings that relate to the rights and responsibilities of people who work for a business; they affect the recruitment and selection process and how the business deals with its workers.
Flat organisational structure	An organisational structure with a wide span of control and few levels of hierarchy (a short chain of command).
Fringe benefits	Additional 'perks' that are in addition to a wage/salary; they are liable to income tax.
Full time	Working all the usual hours required of an employee; usually 35 hours or more.
Hierarchy	The management structure of a business/organisation showing the levels of responsibility. It is often shown as an organisation chart.
Induction	Training given to a new employee when they start a new job; it provides information about the business, its operation and working practices.

Key Term	Definition
Job analysis	The process of determining what the job entails, including responsibilities and tasks.
Job description	A summary of what the job entails, including job title, duties and who they are responsible for/to.
Job share	A system where two employees choose to share a full time job; they receive the salary and benefits on a pro rata basis according to the proportion of the full time hours that each works.
Motivation	The reasons people are interested in and committed to their job.
Off-the-job training	Employees are trained away from their job, at a college, training provider or the business' training centre.
On-the-job training	Employees learn alongside experienced colleagues while they are doing the job.
Organisational structures	The way in which the organisation is divided into levels of management, functions and responsibilities.
Part time	Working only a proportion of the full time hours.
Person specification	Identifies the requirements of the job holder, including qualifications, experience and skills.
Recruitment	The process of hiring a new employee.
Salary	A method of paying employees for their work; based on a fixed annual amount, normally paid monthly.
Span of control	The number of people for whom a manager is directly responsible.
Staff retention	Keeping staff once they have been employed.
Styles of management	The methods used by those in leadership roles to achieve the most effective outcomes from the employees for whom they are responsible.
Tall organisational structure	An organisational structure with a narrow span of control and many levels of hierarchy (a long chain of command).
Training	Employees learn the skills and techniques needed to do the job or to prepare for a new role.
Wage	A method of paying employees for their work based on an hourly, weekly or piece of work basis, usually paid weekly or monthly.