Human resource management (2.1-2.7)

International Baccalaureate · IB Diploma · Business Management · HL

Human resource management

IB Diploma Programme Business Management HL, Unit 2 *Human resource management* (first assessment 2024). This topic covers sections 2.1 to 2.7: human resource planning, organisational structure, leadership, motivation, organisational culture (HL), communication and employee relations (HL). The worked examples follow the course's repair business, which has now grown to 80 employees in four workshops.

Every year Google, Haidilao and many other firms spend large sums on staff benefits, training and team events. Haidilao's waiters are famous for their friendly service, and the company gives them real power to please customers: a waiter can give a free dish or a discount without asking a manager. Why would a firm trust its lowest-paid workers like this? This topic is about the people in a business: how they are organised, led, motivated and kept.

Must-know for this topic:

Idea	Key content
HR planning	workforce planning; internal and external factors; recruitment, training, appraisal, dismissal
labour turnover	$\frac{\text{number of staff leaving}}{\text{average number of staff}} \times 100$: $12 \div 80 \times 100 = 15\%$
structure	span of control, levels, chain of command, delegation; tall against flat; matrix; HL shamrock
leadership	autocratic, paternalistic, democratic, laissez-faire, situational
motivation	Taylor, Maslow, Herzberg, McClelland, Deci and Ryan; HL equity and expectancy; financial and non-financial rewards
culture (HL)	Handy's power, role, task and person cultures; culture clashes

Idea	Key content
communication	formal and informal; barriers
employee relations (HL)	sources of conflict; collective bargaining, strikes; conciliation and arbitration

Introduction to human resource management

Workforce planning

Human resource management (HRM) makes sure the business has the right number of people, with the right skills, in the right jobs, at the right time. **Workforce planning** compares the staff a business will need with the staff it has, and plans how to close the gap.

Labour turnover measures how many workers leave in a year:

$$\text{labour turnover} = \frac{\text{number of staff leaving in a year}}{\text{average number of staff}} \times 100$$

> **Worked example.** The repair business has an average of 80 staff. In one year 12 leave. Labour turnover $= 12 \div 80 \times 100 = 15\%$. Each leaver must be replaced, so the business pays for recruitment and training, and it loses skills and customer knowledge. Some turnover is healthy: new staff bring new ideas.

Internal and external factors

Internal factors include the firm's objectives, its budget, its structure, and changes in technology. External factors include:

- **demographic change**: for example, an ageing workforce;
- **labour mobility**: how easily workers move between jobs and places;
- **migration**: workers coming from or going to other countries;
- new working patterns: **flexi-time** (choosing when to work the agreed hours), **teleworking** (working from home or elsewhere), and the **gig economy** of short-term jobs paid task by task, as for delivery riders.

Recruitment, training, appraisal and dismissal

Recruitment follows common steps: identify the vacancy, write a **job description** (the tasks of the job) and a **person specification** (the skills and qualities needed), advertise, shortlist, interview or test, and appoint.

- **Internal recruitment** fills the job with someone already in the firm. It is quicker and cheaper, and the person knows the business. But it brings no new ideas, and it leaves another job empty.
- **External recruitment** brings in new skills and ideas, but it costs more and takes longer.

Training:

- **Induction training** introduces new staff to the firm, its rules and its people.
- **On-the-job training** happens while working, for example by watching an experienced worker. **Off-the-job training** happens away from the workplace, such as a college course.
- **Cognitive training** develops thinking skills; **behavioural training** develops how people act with others, such as teamwork and dealing with customers.

Appraisal judges how well an employee is doing:

- **formative**: ongoing feedback to help the person improve;
- **summative**: a final judgement at the end of a period, often linked to pay;
- **360-degree**: feedback from managers, colleagues, junior staff and sometimes customers;
- **self-appraisal**: employees judge their own work.

Employment can end through **dismissal** (for a fair reason, such as serious misconduct) or **redundancy** (the job itself is no longer needed). Redundancy is not the worker's fault, so laws often require a payment.

Resistance to change (HL)

Workers often resist change in the workplace. The main reasons are:

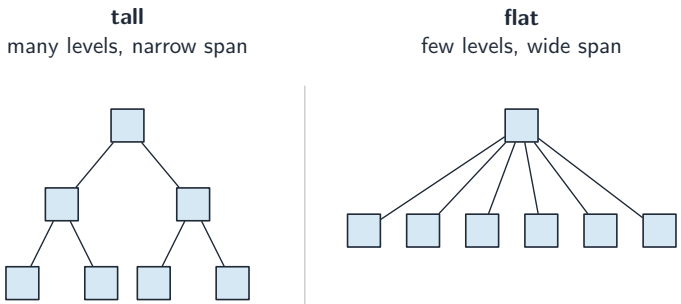
- **self-interest**: they fear losing pay, status or their job;
- **low tolerance of change**: they want security and routine;
- **misinformation**: they do not know the real reasons for the change;
- **different interpretation**: they judge the situation differently from managers.

HR strategies to reduce resistance include explaining the reasons early, involving workers in planning the change, training them for new tasks, offering support, and negotiating where some workers clearly lose. **Managing change** means planning and controlling it carefully; **leading change** means inspiring people to want it. A business that builds **flexibility** and **adaptability** into its workforce finds every later change easier.

Organisational structure

The key terms

- **Span of control**: the number of people a manager directly supervises.
- **Levels of hierarchy**: the number of layers of management.
- **Chain of command**: the line of authority from the top to the bottom.
- **Delegation**: passing authority to a junior. The manager still keeps the responsibility.
- **Centralisation** keeps decisions at the top; **decentralisation** passes them down.
- **Bureaucracy**: many rules and procedures.
- **Delayering**: removing levels of management.



A tall structure has many levels and narrow spans; a flat one has few levels and wide spans

	Tall structure	Flat structure
levels	many	few
span of control	narrow	wide
communication	slow, through many levels	fast and direct
supervision	close	less close; workers need more trust
promotion	many small steps	fewer chances
cost of managers	high	low

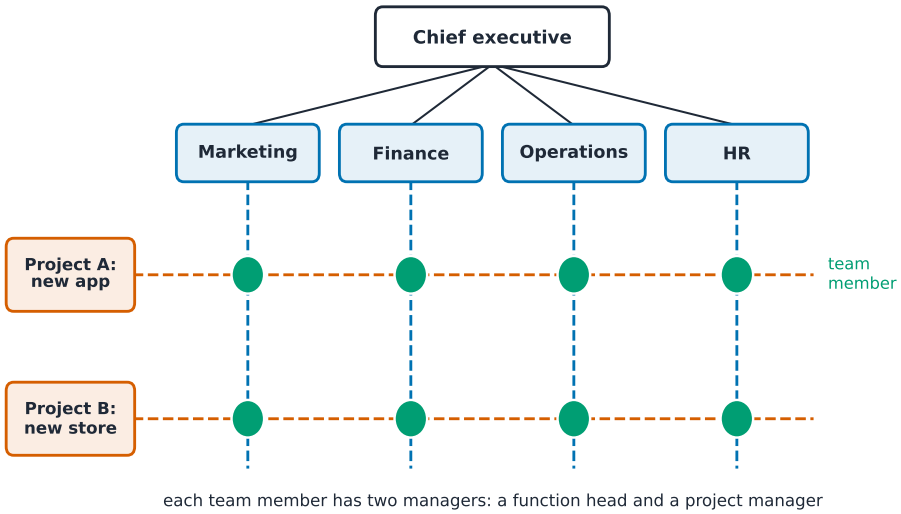
> **Worked example.** At the repair business, the owner and four workshop managers supervise 75 mechanics: three levels, and a span of 18 or 19 mechanics per workshop manager. That is too wide for coaching new mechanics. The owner adds a senior mechanic in each workshop. Now there are four levels and each senior mechanic supervises 9 or 10 people. Training improves, but a customer complaint now passes through one more link in the chain of command.

Types of structure

An **organisation chart** can be arranged:

- by function, as a **functional structure**: departments for marketing, finance, operations and HR;
- by product, as a **product-based structure**: a division for each product line;
- by region, as a **regional structure**: a division for each country or area.

A **matrix structure** crosses functions with projects. Each person works in a project team but also belongs to a department, so they have two managers. This brings mixed skills together, but two bosses can give different orders.

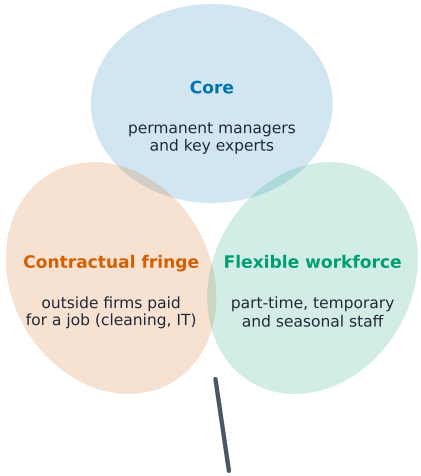


In a matrix structure, each person reports to a function head and a project manager

Project-based organisation and the shamrock (HL)

In a **project-based organisation**, work is arranged around projects. Teams form for a project and break up when it ends. Advertising agencies and building firms often work this way.

Charles Handy's **shamrock organisation** has three groups of workers, like the three leaves of a shamrock:



Handy's shamrock: a small permanent core supported by contractors and flexible staff

- the **core workers**: permanent managers and experts who are vital to the business;
- the **contractual fringe**: outside firms paid to do particular jobs, such as cleaning, IT or catering;
- the **flexible workforce**: part-time, temporary and seasonal staff.

The shamrock lowers costs and lets the business grow or shrink quickly. But the flexible workers may feel little loyalty, and quality is harder to control.

Leadership and management

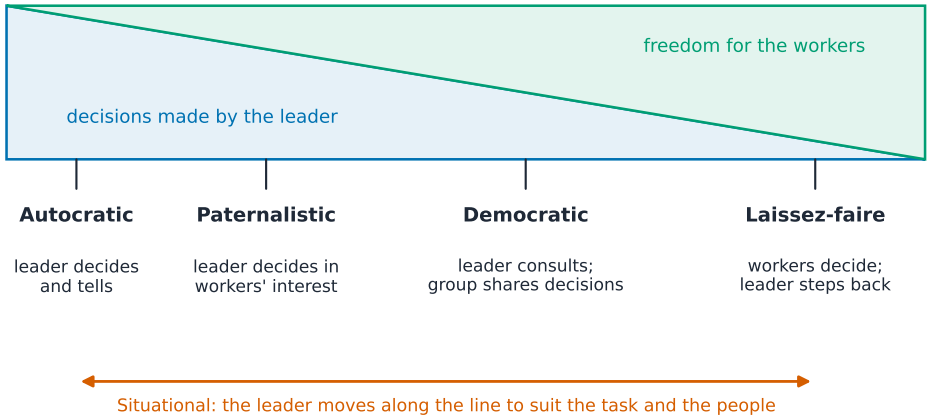
Management and leadership

Management is about getting things done. Henri Fayol listed its functions: planning, organising, commanding, coordinating and controlling. **Leadership** is about setting a direction and inspiring people to follow it. A good manager is not always a good leader, and the reverse is also true.

Leadership styles

Style	How decisions are made	Works well when	Problems
autocratic	the leader decides alone and gives orders	quick decisions are needed; a crisis; unskilled staff	workers feel unvalued; no ideas from below
paternalistic	the leader decides, but in what they think is the workers' interest	staff want security and care	workers may become dependent
democratic	the leader consults and the group shares decisions	skilled staff; complex problems	slow; needs good communication
laissez-faire	the leader leaves decisions to the workers	creative experts who need freedom	lack of direction; poor coordination
situational	the leader changes style to fit the task and the people	most real businesses	needs a very skilled leader

The best style depends on the situation: the task, the time available, the skills of the workers, and the culture of the business.



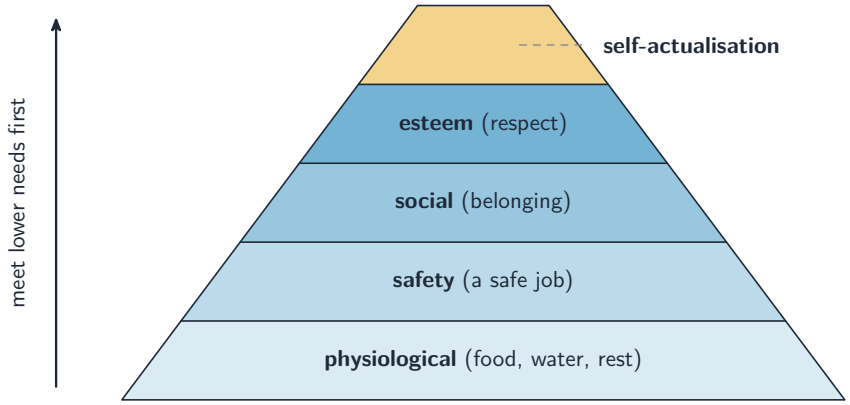
Leadership styles differ in how much decision-making the leader shares

Motivation and demotivation

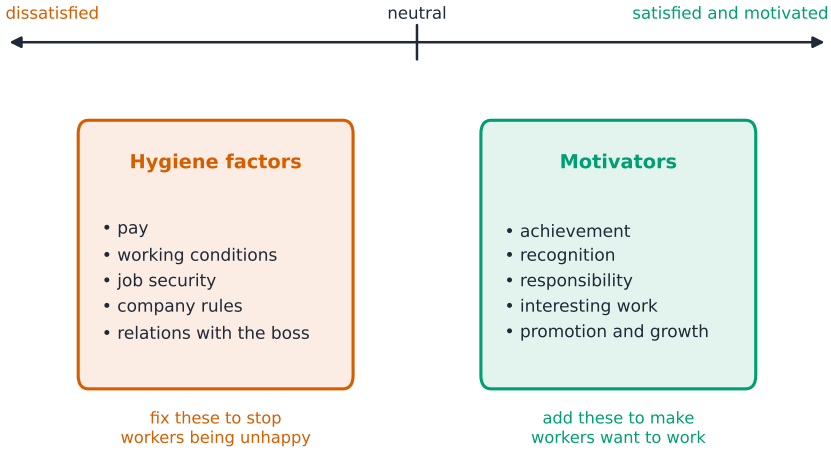
Motivation is the will to work hard and well. Motivated workers produce more, make fewer mistakes, and are less likely to leave. **Demotivation** shows up as absence, low effort and high labour turnover.

Content theories

- **Frederick Taylor**: workers are motivated mainly by money. He used **scientific management**: break each job into simple tasks, find the fastest method, and pay by output (**piece rate**). Critics say people want more than money, and repeated simple tasks are boring.
- **Abraham Maslow**: people have a **hierarchy of needs**. A lower need must be met before the next one motivates.
  At work: pay meets physiological needs; a safe job and a contract meet safety needs; teams meet social needs; praise and job titles meet esteem needs; challenging work meets **self-actualisation** needs. The order does not fit everyone: an artist may chase self-actualisation before security.
- **Frederick Herzberg**: two separate sets of factors. **Hygiene factors** such as pay and conditions do not motivate, but if they are poor, workers become unhappy. **Motivators** such as recognition and responsibility create real motivation.
- **David McClelland**: people are driven by three learned needs: the **need for achievement** (to do well), the **need for affiliation** (to be liked and belong) and the **need for power** (to influence others). Managers should match jobs to each person's strongest need.
- **Deci and Ryan**: **self-determination theory**. People are most motivated when they feel **autonomy** (control over their work), **competence** (being good at it) and **relatedness** (connection to others).



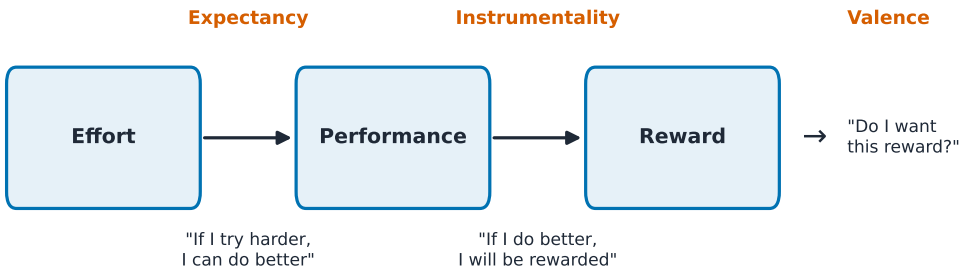
Maslow: lower needs are met first, from physiological to self-actualisation



Herzberg: fixing hygiene factors removes unhappiness; only motivators create motivation

Process theories (HL)

- **Equity theory** (Adams): workers compare what they put in (effort, skill, time) and what they get out (pay, praise) with other workers. If they feel it is unfair, they lose motivation, work less, or leave.
- **Expectancy theory** (Vroom): workers are motivated only if they believe that effort leads to better performance, that performance leads to a reward, and that the reward is worth having. If any one link breaks, motivation falls.



Expectancy theory: if any link is broken, extra effort seems pointless

Financial and non-financial rewards

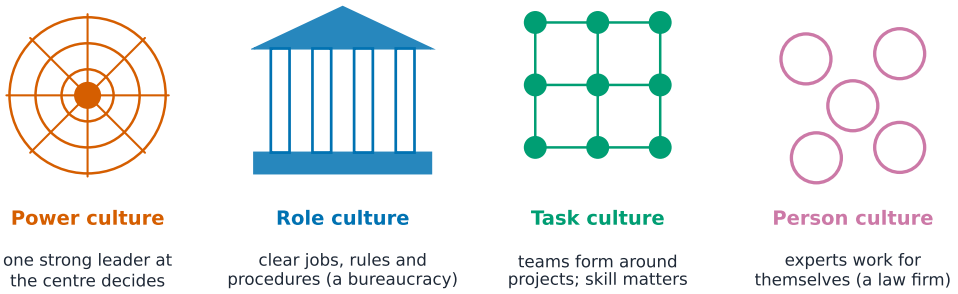
Financial rewards	Non-financial rewards
salary (a fixed yearly amount)	**job enrichment** : more challenging tasks and responsibility
wages paid by time or by output (piece rate)	**job rotation** : moving between tasks
commission : a share of the value of sales	**job enlargement** : more tasks at the same level
profit-related pay : a share of the firm's profit	**empowerment** : freedom to make decisions
performance-related pay : pay linked to targets	**purpose** : work that feels meaningful
employee share ownership	**teamwork**
fringe payments : free meals, health insurance, a car	

> **Worked example.** At the repair business, most of the 12 leavers were mechanics on piece rates. They felt their effort was wasted when spare parts arrived late. Herzberg would say late parts and pay disputes are hygiene failures to fix first. Expectancy theory (HL) says the link from effort to reward is broken. The owner fixes parts delivery, changes pay to a basic salary plus a team bonus, and starts formative appraisal. If turnover falls to 6 leavers a year, the rate becomes $6 \div 80 \times 100 = 7.5\%$, and the business saves the cost of six replacements.

Organisational culture (HL)

Organisational culture is the shared values, beliefs and habits of the people in a business: "the way we do things here". It shows in dress, language, office layout, stories about the founder, and how mistakes are treated.

Charles Handy described four types:



Handy's four cultures: power, role, task and person

- **Power culture** : one powerful person or small group at the centre controls everything. Decisions are fast, but depend on that person.
- **Role culture** : clear jobs, rules and procedures, as in a government office or a large bank. Stable, but slow to change.
- **Task culture** : teams form to solve problems; expertise matters more than rank. Flexible and creative, but hard to control.
- **Person culture** : individuals with their own expertise work under one roof, as in a law firm or a group of doctors.

Culture clashes happen when two cultures meet: after a merger or takeover, when a new leader arrives, or when a firm expands into another country. Clashes can cause conflict, lower motivation, staff leaving and poor decisions. Leaders influence culture strongly: what they reward, and how they behave, slowly becomes "the way we do things".

> **Worked example.** The repair business takes over a rival. The rival has a role culture with written procedures for every job. The repair business has a task culture of self-managing teams. The new mechanics feel lost without clear rules, and the original mechanics dislike the extra paperwork. This is a culture clash. The owner keeps a few simple written procedures, mixes the two groups in new teams, and explains what will and will not change.

Communication

Communication is the passing of information from a sender to a receiver.

- **Formal communication** follows official channels: meetings, reports, emails and notices.
- **Informal communication** happens outside them: chats and rumours (the **grapevine**). It is fast, but often wrong.

Barriers to communication include language and **jargon** (technical words others do not know), too much information, the wrong channel (bad news by email), physical distance and time zones, cultural differences, and lack of trust. A tall structure adds another barrier: messages change as they pass through many levels.

Employee and employer relations (HL)

Industrial relations are the relations between employers and employees. Conflict comes from pay, working conditions, job security, and change (new technology, new shifts, closures).

Employees usually act together through a **trade union**. Their methods include:

- **collective bargaining** : the union negotiates for all its members;
- **work-to-rule** : doing only exactly what the contract says;
- an **overtime ban**;
- a **strike** : stopping work completely.

Employers may respond with negotiation, changes to contracts, threats of closure or redundancy, or a **lock-out** (keeping workers out of the workplace).

Ways to settle conflict:

- **Conciliation** : a neutral third party helps the two sides talk and reach their own agreement.
- **Arbitration** : a neutral third party listens to both sides and then makes the decision. **Binding arbitration** must be accepted.
- **Employee participation** : workers have a say in decisions, for example through works councils.
- **No-strike agreements** : the union agrees not to strike, often in return for binding arbitration.

Conciliation keeps the decision with the two sides, so they are more likely to accept it. Arbitration is faster and gives a clear answer, but one side may feel it lost.

Checklist

- The role of HRM and workforce planning; labour turnover $= 12 \div 80 \times 100 = 15\%$ and its costs (2.1).
- Internal and external factors: demographic change, labour mobility, migration, flexi-time, teleworking and the gig economy (2.1).
- Recruitment steps, job description and person specification, internal against external; induction, on-the-job, off-the-job, cognitive and behavioural training; formative, summative, 360-degree and self-appraisal; dismissal against redundancy (2.1).
- HL resistance to change: self-interest, low tolerance, misinformation, different interpretation; strategies; managing against leading change (2.1).

- Span of control, levels, chain of command, delegation, centralisation, bureaucracy, delayering; tall against flat; by function, product or region; matrix; HL project-based and shamrock (2.2).
- Management functions; management against leadership; autocratic, paternalistic, democratic, laissez-faire and situational styles (2.3).
- Taylor, Maslow, Herzberg, McClelland, Deci and Ryan; HL equity and expectancy theory; financial and non-financial rewards; the turnover fix from 15% to 7.5% (2.4).
- HL culture: Handy's power, role, task and person cultures; culture clashes and the role of leaders (2.5).
- Formal and informal communication; the barriers (2.6).
- HL employee relations: sources of conflict; collective bargaining, work-to-rule, overtime bans, strikes, lock-outs; conciliation, arbitration, participation, no-strike agreements (2.7).