Your road to success

LEVEL 3 CERTIFICATE IN BUSINESS ESSENTIALS

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Contents

Using your study guide

Welcome to the study guide for the **ABE Level 3 Certificate in Business Essentials**.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities developed
Element 1 – The nature of business	• Ability to understand the purpose of business and trade • Ability to identify a range of legal and internal business structures • Ability to identify key business functions and understand their role within a business *Commercial awareness, business functions*
Element 2 – Key processes and resources in business	• Ability to understand different roles within an organisation • Ability to identify internal and external customers, and understand the importance of internal and external customer service • Ability to identify continuous improvement techniques and how they support business success *Customer service, managing risk, continuous improvements*
Element 3 – New ways of working in business	• Ability to identify the ways in which businesses engage in corporate social responsibility and sustainability efforts • Knowledge of how businesses use technology, including apps and mobile technology • Awareness of trends in new ways of working within organisations *CSR, sustainability, use of technology, trendspotting, new ways of working*
Element 4 – The skills needed for successfully working in business	• Awareness of behavioural and professional requirements in the workplace • Ability to assess own personal skills for transition into either the first job or new role • Ability to plan own self-development for a role *Collaboration, teamwork, communication skills, self-development, planning, responding to change*

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the syllabus learning outcome covered and the assessment criteria.

L3 descriptor

Knowledge descriptor (the holder…)	Skills descriptor (the holder can…)
• Has practical, theoretical or technical knowledge and understanding of a subject or field of work to address problems that are well defined but complex and non-routine. • Can analyse, interpret and evaluate relevant information and ideas. • Is aware of the nature of approximate scope of the area of study or work. • Has an informed awareness of different perspectives or approaches within the area of study or work.	• Identify, adapt and use appropriate cognitive and practical skills to inform actions and address problems that are complex and non-routine while normally fairly well-defined. • Review the effectiveness and appropriateness of methods, actions and results.

Contained within the chapters of the study guide are a number of features which we hope will enhance your studies:

✎ **'Over to you'**: activities for you to complete, using the space provided.

📄 **Case studies**: realistic business scenarios to reinforce and test your understanding of what you have read.

'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.

❗ **'Need to know'**: key pieces of information that are highlighted in the text.

🖩 **Examples**: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading list: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout and **glossary terms** at the end of the book.

Note

Website addresses current as of June 2017.

Chapter 1

The Nature of Business

Learning outcomes

On completing this chapter, you will be able to:

1 **Explain the purpose of business**

2 **Explain the characteristics of different business structures**

3 **Explain the functions and activities of an organisation**

Assessment criteria

1 **Explain the purpose of business**

    1.1   Explain the objective of a business

    1.2   Describe the nature and purpose of trade

    1.3   Explain the relationship between mission, vision, goals, objectives and strategy

    1.4   Explain the impact of business on individuals, economies and the environment

2 **Explain the characteristics of different business structures**

    2.1   Explain the legal structure of a business

    2.2   Describe the internal structures of an organisation

3 **Explain the functions and activities of an organisation**

    3.1   Explain the main functions within an organisation and their roles

1.1 The objective of a business

What is business?

A simple definition of business is when a person or group of people trade goods and services in exchange for something of value. Commonly we see it as a business, enterprise or individuals selling goods and/or services in exchange for money. **Goods** are physical products (such as a motor car or notepads); **services** are intangible and include trades such as dentistry and accountancy.

As simple as this seems, the world of business has changed significantly over the past 15 years and the roles and activities involved in producing and selling goods and services have similarly changed. Today there are roles within an organisation that would not have been understood 10 years ago, such as bloggers, social media coordinators or content strategists.

It is not just the roles that have changed; working methods and the ways organisations are structured have changed also. It is important that modern employees understand the world they are employed in, and they can use their knowledge to achieve success.

When an employee joins a business, there are expectations within the business of what they should already know, and how they should behave and communicate. This Business Essentials study guide leads new workers through the world of modern business. It also shows how an employee can become a valued member of staff for an organisation.

The purpose of a business

Simply put, the purpose of a business it to make a profit. Profit is difference between income earned and the amount spent operating the business (which includes taxes and staff costs).

Example of profit
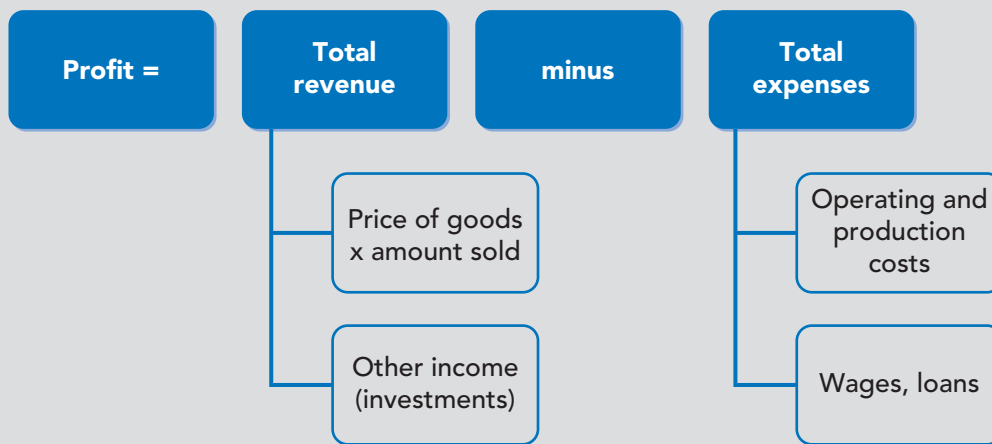
Where this profit goes is dependent on the type of business.

Figure 1: Profit

This profit returns to the owners in a variety of formats. For some businesses, the aim is to make income for the owners; for other businesses it is to help others in the form of charity (i.e. of a not-for-profit organisation). Below are examples of different types of businesses.

Owner-managed	**Private or publicly owned**
This is a privately-owned business with an aim to earn income for the owner(s). These are usually sole traders, private limited businesses and/or partnerships.	A business may be owned by shareholders. It can be either a public limited business (PLC) or a private limited business (Ltd. or LLC). Because they own the business, profits may be paid to them. Shareholders may have the right to decide on the direction of the business.
Not-for-profit	**Charities**
This form of business does not earn profits for its owners, directors or shareholders. All money earned is used for running the business and achieving objectives. Not-for-profit organisations fall into two categories: charities and social enterprises. In most cases, they do not pay taxes.	This form of business earns funds from trading or donations with the direct purpose of redistributing all profits into the charitable aims listed in the constitution of the business. In many countries, charities pay no or limited tax and often work in other countries as well as their own (for example, Oxfam, The Red Cross and Red Crescent).

Cooperative

This is a business owned by a group for their own benefit. It is often seen in agriculture where growers group together to buy seeds in bulk and sell as one to gain more money.

Limited by guarantee

In some countries, a business (often a not-for-profit) will adopt this status if it has members to act as guarantors in case of business failure. Having guarantors also allows the business to attract investment.

Social enterprise

This form of business has a core mission to improve society. This is a similar aim to that of charities; however, the key difference is that a social enterprise is run using business methods with competitive pay and commercial strategies to maximise profit which then are used for social aims. They can be "for-profit" or "not-for-profit".

Table 1: Examples of different business models

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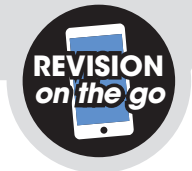
✏️ OVER TO YOU

Activity 1: Classifying businesses

Give the name and location of two businesses that fit each of the business models described above in Table 1. If your region has other business structures, add those too – with examples.

❗ NEED TO KNOW

Understanding the profit motive of your company

It is important to understand the ownership of the business you work within. Is it a charity or a profit making company? This can be discovered through researching the pages of business websites, and is usually found on the pages entitled "corporate information" or similar.

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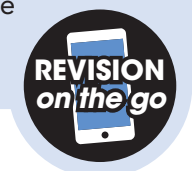
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Activity 2: Company titles for business entities

There are different titles for different types of business entities throughout the world. These have recognised abbreviations to indicate the legal ownership, such as:

PLC: A UK-based public limited business which has owners known as shareholders who can trade their shares on the London Stock Exchange. The company had limited liability. These are typically large companies. An example of this type of company is Barclays Bank plc.

Inc.: This company is similar to a PLC with shares traded in the USA. An example of this type of company is Apple Inc.

Ltd./LLC: A private limited business in which the shares are usually held by one or a few owners, and not publicly traded.

Research and name three companies which each have one of these titles. If the titles and abbreviations are different from those in your country, please list them here with examples:

The impact of ownership can affect employees when the business is being sold or when salaries are set or are subject to annual review; for example, charities often pay lower salaries with limited bonuses. If you work for a PLC, a fall in the share price could result in the business being bought by another company, which could result in significant changes in the workplace.

Occasionally a company may be owned by the employees; for example, if there is a management buyout. The company will still be privately owned, but all the shares are in the hands of the employees plus any investors who supported the purchase.

For most workers there is little they can do to affect the ownership structure, but in small businesses there may be a direct relationship with the owners who may still work in the business. Therefore, it is important to know facts regarding the ownership and major shareholders of any organisation you may join as an employee.

Sectors in the economy

It is important to know which sectors organisations operate in. This is because there are differences in the working methods, the work content, the way goods are purchased and the manner of employing staff in each sector. There are two different classifications of sectors that all businesses fall into:

Ownership sectors – This describes who owns and controls the business. This differentiates private, public and voluntary sector organisations.

Industry sectors – This describes which industrial stage the business is at. This is defined as the primary, secondary and tertiary sector of industry.

Ownership sectors

There are three main types of ownership sectors: private, public and voluntary. The **private sector** is run by individuals or groups with the intention to make a profit. It is not controlled by governments (though it is affected by decisions of government, such as taxation, laws and economic policy). Companies within the private sector may work with the government in providing goods and services but profits are retained by the owners.

The **public sector** is owned and controlled by either national or local governments. It provides goods and services for public good, such as roads, education, and in some areas, healthcare.

The remaining businesses are in the **voluntary sector** as they are not-for-profit.
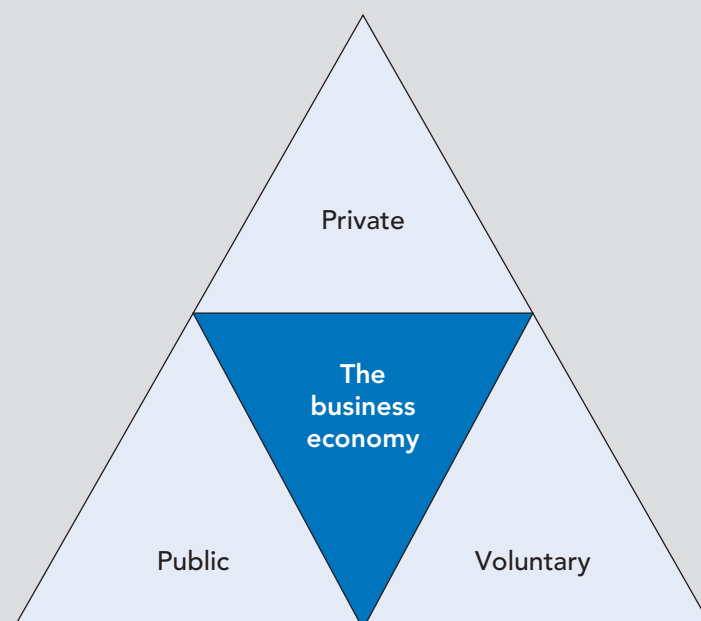
Figure 2: Ownership sectors

✏️ OVER TO YOU

Activity 3: Public, private and voluntary sectors in your area

In different countries, there are different levels of employment within the public, private and voluntary sectors.

Research two regions of your home country and see the percentage of employment levels in each. You can use the internet to help in your research.

Understanding industry sectors

Knowing which industry sector your business is in is important so that you can identify your place in the supply chain.

Primary

Extraction of raw materials (for example, mining or farming)

Secondary

Processing and manufacturing of goods (for example, car production)

Tertiary

Goods and services for primary and secondary sectors (for example, retail and financial services)
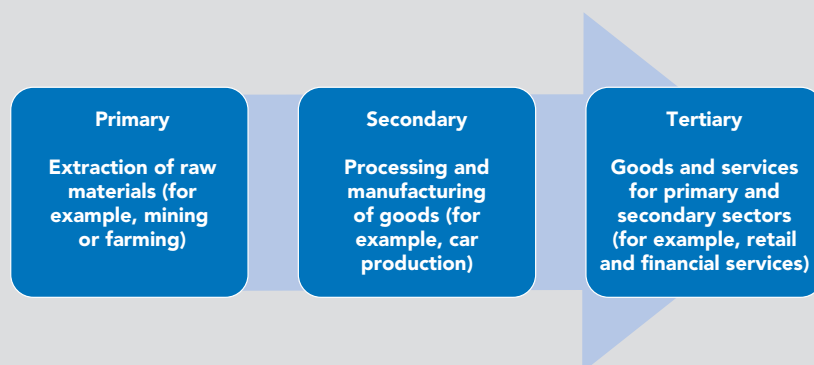
Figure 3: Understanding industry sectors

REVISION *on the* go

Industry and ownership sectors

As stated, every business falls into two types of sector: an ownership sector and an industry sector.

For example, the police work in the public sector (owned and controlled by the government) but are a tertiary service (providing a service to the public). A car manufacturer is in the private sector (owned privately, not by the government) and a secondary service (manufacturing goods for public consumption), but a car manufacturer in a different country could be owned by the state government, so would be classed as in the public sector but still a secondary service. Therefore, whether it is a primary, secondary, or tertiary business will not change, but the ownership may.

❗ NEED TO KNOW

What does this mean for an employee?

Identify which industry sector your organisation is in. If you are not an employee, just select an organisation that you would like to work for.

Find out which ownership sector your organisation works in.

Understand the ownership structure (for example, shared ownership).

REVISION *on the go*

Examples of businesses within the private sector

```
                        ┌──> Primary industry   ──> Farmer
                        │
           Sole trader ─┼──> Secondary industry ──> Dressmaker
          ┌─            │
          │             └──> Tertiary industry  ──> Accountant
  Private ┤
          │             ┌──> Primary industry   ──> Forestry company
          └ Limited     │
            company/    ┼──> Secondary industry ──> Shoemakers
            limited     │
            partnership └──> Tertiary industry  ──> Legal services partnership
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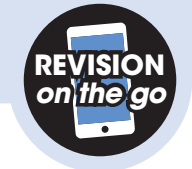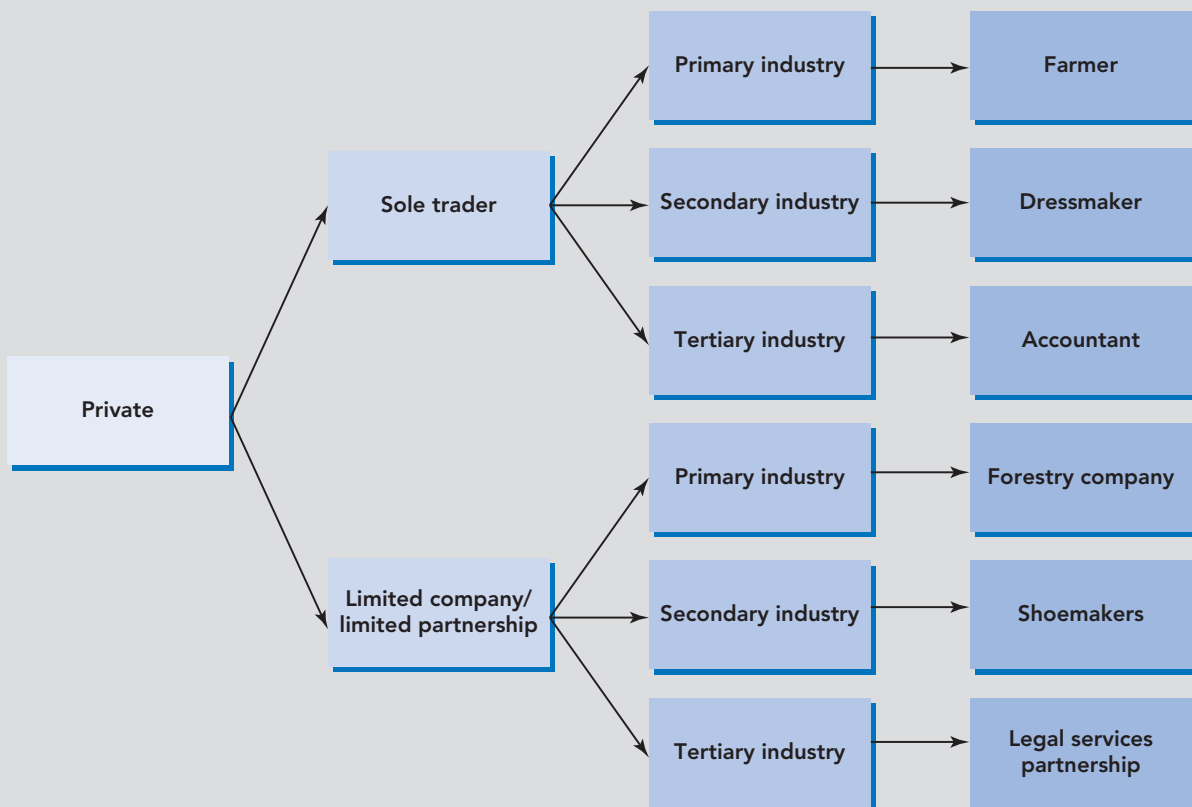
Figure 4: Examples of types of businesses in the private ownership sector and the industry sectors to which they belong

REVISION *on the go*

✏️ OVER TO YOU

Activity 4: Sectors and service

Using the table below, list ten businesses or services operating in your region. Identify which ownership sector (public, private or voluntary) and which industry sector (primary, secondary or tertiary) they are in.

Name of business	Ownership sector	Industry sector

The key difference between public/voluntary and private sectors can be found in their overall aim. In the private sector, the aim is to make a profit (whether large or just to maintain a lifestyle) but in the public sector, the aim is to provide goods and services to all.

Public sector jobs are generally seen as more secure with social benefits such as good pensions and allowances. Private sector jobs usually have less job security, but with higher pay.

✏ OVER TO YOU

Activity 5: Working in the public or private sector

There are advantages and disadvantages to working in either sector. List three of each in the space below.

1.2 The nature and purpose of trade

Although trade is commonly seen as the payment by a purchaser for goods or services to the supplier, there are other forms of trade that are outside of the general economy. These include barter and grey economy trading.

Barter trade

This is seen as the oldest form of trade. It is the exchange of goods and services without the use of money. The goods and services have a value for both the seller and buyer, and that value is traded for an alternative item. For example, a labourer builds a wall in exchange for a week of accommodation and food from his client. Another example is a vegetable grower with a surplus of tomatoes who exchanges them for soft fruits from a farmer who has such a surplus.

There is, therefore, a swapping of assets – whether that is in goods, or the time taken to deliver a service. There is a measure for the value of the goods – it is agreed between the two parties.

When money is in short supply, or the economy is suffering **hyperinflation** (the accelerating increase in prices and lowering of the value of money), bartering can be a mutually beneficial system.

The drawback is that both parties need to want what the other has, or there is no barter to be had. Also, it is hard to determine the value; it is based on the need of the good and access to it – in today's economy, this is known as supply and demand.

For certain goods, the transaction needs to be swift or the value is lost. For example, a dairy farmer selling milk has only a short time to trade for other goods and services before the milk becomes spoilt.

There is no tax paid on bartered transactions. If a person sold milk, then there would be a sales tax – for example, *la taxe sur la valeur ajoutée* (TVA) in France and French dependent territories. Therefore, the barter economy is not welcomed by national governments due to a limited income from sales tax.

Some problems that arise in the barter economy also arise in the **grey** economy.

The grey economy

The grey economy is where goods are legal but are not sold in a legal manner, often to avoid taxes. Examples are films which can be distributed in certain regions but are then sold in banned areas, or in the video games industry, which has similar problems with the use of the grey economy. Other names for the grey economy include "the shadow economy" and "the informal economy".

The grey economy is different from the black economy (**black market**) where purchases and suppliers engage in the trade of illegal goods. These trades are unregulated, usually cash-based and provide no consumer protection. Activities in the black market include the drug trade and the sale of other contraband. In summary, the key difference is that the grey market trades in legal goods and services through unofficial channels while the black economy trades in illegal goods and services.

> ❗ **NEED TO KNOW**
>
> **What does this mean for an employee?**
>
> It is unlikely that an employee is affected by the barter economy but in some industries the effect of the grey economy can be significant. This is relevant in the video games industry where specific editions of games are sold in some countries but not in others.
>
> Therefore, getting an understanding of your organisation's marketing and distribution channels is essential to understanding any impacts of the grey economy.
>
> REVISION on the go

> ✏️ **OVER TO YOU**
>
> **Activity 6: Understanding differing trading markets**
>
> List two examples of goods traded in each of the economies in the table below and note the impact on the economy.
>
> | Economy | Barter | Grey | Black |
> |---------|--------|------|-------|
> | 1 | | | |
> | 2 | | | |

Trading internationally

Both small and large businesses may trade internationally. Examples include the import of raw materials, such as spices for a restaurant, or the export of finished goods, such as garments made in Bangladesh to the UK market.

At some point in the **supply chain** it is likely that an element involved in production will have crossed a national border – even if it's not the end product. For example, a mango stall holder in India may sell fruit from the local region locally, so no international trade occurs in this situation; however, the motor vehicle used to collect the mangos from the distributor may be imported or use parts from other countries, and the fuel may have been imported from Saudi Arabia (India's main suppler)[1]. Therefore, even a locally-based business will be affected by factors influencing global trade.

International trade affects a business in two main ways: exchange rates and tariffs, but note that political and transportational influences are also important.

Exchange rates

The exchange rate is are the price for which one nation's currency can be exchanged for another's. For example, it takes 4GHS to buy 1USD (where GHS is Ghanaian cedi and USD is United States dollars).

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1 www.worldstopexports.com/crude-oil-imports-by-country

Tariffs

These are the taxes imposed on imports or exports. These can also be called excise, levy and duty.

Importance of trade

Trade is vital to an economy as it increases the market for sales and supplies, and can provide new opportunities for markets and foreign investment which increases jobs and funding. International trade improves the quality of living because of the greater quantity and variety of goods on offer at lowered prices (due to competition). Additionally, free trade areas such as The Association of Southeast Asian Nations (ASEAN) have agreements which stimulate trade between member countries, making it tariff-free and using simpler import and export processes.

While there are many issues for employees concerning the increase in global trade such as the livelihoods of those threatened by foreign competition, all businesses are affected by international trade.

❗ NEED TO KNOW

Global trade issues for employees

Here is a summary of the aspects of global trade that are important for an employee to understand. Employees should know:

- which countries their business operates in;
- if their role involves having any direct contact or connection with the other regions;
- the location of suppliers and customers;
- if they will need to deal with co-workers from other countries (socio-cultures factors to be considered, time differences for meetings, etc.);
- if their role directly involves trading globally; if so, they may need to attain an understanding of import and exporting duties and law, transportation times and costs, etc.;
- the impact of national holidays and environmental events that may affect a business later.

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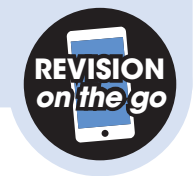
📄 CASE STUDY

The Chinese New Year

Chinese New Year is a major event in China and the celebrations usually last for one week. Companies dealing with China and importing Chinese goods are often affected as every production facility in the country closes for varying times. All suppliers start to wind down operations one or two weeks in advance of the celebrations.
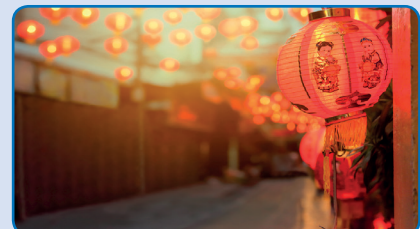
Therefore, your supplier may be operating but the distribution company may not; they may reach the exporting site (such as a harbour or an airport) to find the administrative team are not working – therefore, the delivery of goods can be delayed for a month.

The return to operations takes several weeks too. Often, there are quality issues with goods as companies are overloaded with work in progress and backed-up orders.

www.chinaimportal.com/blog/chinese-new-year-impacts-import-business/

This case study shows that a business needs to be aware of events happening throughout the supply chain, and employees must be aware of how these issues will affect them.

1.3 Business mission, vision, goals, objectives and strategy

Mission, vision, goals, objectives and strategy

A business will use a variety of business statements to help staff and **stakeholders** understand what the business does, what they stand for and what their key aims are.

The main six corporate statements are shown in Table 2.

Mission statement	Vision statement	Values statement
This expresses the overall purpose of a business	This expresses where a business plans to be once plans are implemented	This expresses the ethics and principles the business upholds
Goals	**Objectives**	**Strategy**
This expresses what the business wants to achieve	These are the steps the business needs to take to achieve their goals	This is the business' plan or programme which they will stick to in order to achieve their long term goals

Table 2: Corporate statements

Linking corporate statements

There is a link between the corporate statements described in Table 2 as together they communicate to **stakeholders** where the business is, where it wants to be and how it will achieve this.

While the mission is the start and the vision is the destination, other corporate statements tell us how this will be achieved.

Often mission and vision statements will be printed on a business's stationery and listed on the home page of their website.

Mission statement

This expresses is the overall purpose of an organisation. It defines:

- what an organisation does;
- how, why and who it is done for.

The mission statement has meaning for all the stakeholders.

- Owners – it depicts an identity for the business.
- Board – it provides a benchmark to evaluate against.

- Leaders – it lays out an ethos to lead by.

- Staff – it gives them an understanding of their value.

- Customers – it gives them an understanding of the suppliers of their product.

📄 CASE STUDY: EXAMPLES OF MISSION STATEMENTS

These mission statements are from two businesses; do they help you understand what they do?

Malala Fund (charity)

"We amplify, we advocate, we invest."

The vision of this charity is to see a world where every girl can complete 12 years of safe, quality education. They amplify the voices of adolescent girls, advocate for policy changes and invest in educational schemes.

Honest Tea (tea producers)

"Real tea, real taste, honest."

Honest Tea use organic products and are Fair Trade certified. There are no artificial chemicals in their tea. They pay Fair Trade premiums to local communities to support the growers and their families.

❗ NEED TO KNOW

What does this mean for an employee?

It is important that each employee knows the vision, mission and values of the organisation that they work for. On a personal level, it ensures they are working for an organisation of which they are happy to be a part.

REVISION on the go

✏️ OVER TO YOU

Activity 7: Defining your mission

Read the article by Darbi (2012), "How do high-performing organizations define their mission in Ghana?" from *African Journal of Economic and Management Studies*, Volume 3 Issue 2, pp. 184–04. (This article will be available in your online student resources.). This report looks the importance of mission statements in successful organisations in Ghana. It is useful reading for employees to help them understand the importance of their company's mission statement.

How do high performing organisations define their mission in Ghana?

Values

A values statement defines how people want to behave with each other and makes a clear statement of the actions the business will take and manner in which it will work. The example of Hilton Hotels is a clear value statement on how each employee will behave.

The values are the cornerstone of the corporate culture, all staff, particularly the senior team must work to these values if the organisation is going to realise its goals and objectives.

📄 CASE STUDY

Values for Hilton Worldwide (hotel chain)

According to its website (http://www.hiltonworldwide.com/about/mission/), these are:

Hospitality	We're passionate about delivering exceptional guest experiences.
Integrity	We do the right thing, all the time.
Leadership	We're leaders in our industry and our communities.
Teamwork	We're team players in everything we do.
Ownership	We're the owners of our actions and decisions.
Now	We operate with a sense of urgency and discipline.

Strategy in a business

An organisation's strategy joins up their start (mission) and endpoint (vision). It is the road map which shows employees and stakeholders how the vision is to be achieved. The strategy is built around an organisations goals and objectives, and will usually be reviewed every three to five years. An **objective** defines the steps the organisation will take to achieve identified **goals**; objectives are specific and must always be SMART, setting out the "who, what, when, where and how" of reaching the goals.

SMART

S	specific
M	measurable
A	achievable/agreed
R	realistic/relevant
T	timely/time-bound

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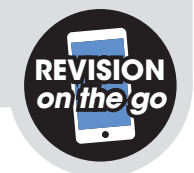
To decide the strategy, senior management will look at – among other attributes – their strengths, weaknesses, customer base, technological developments and market potential. Once the strategic plan has been set, all functions within an organisation need to work in accordance with it while maintaining the organisational values. Therefore, when an organisation is setting personal objectives for its employees, they should ensure that they are linked to the strategic plan.

In the example of Honest Tea, if their strategic plan was to increase production by 20% and increase profit, this could not be done by reducing price paid to suppliers and reducing production timescales by adding chemicals to the tea. This is because their values are based on fair trade and chemical-free products.

Therefore, the objectives set to meet the organisation's strategy must be in line with their values at all times.

How company statements affect the workforce

The key corporate statements affect the working life of every employee, as the strategy will form the everyday activity of each employee and will form their job description and personal objectives.

By having a common vision and mission, the workforce has a greater sense of belonging. Read the article "It's time to redraft your mission statement" by Forest David and Fred David (2003) from the *Journal of Business Strategy*, Volume 24, Issue 1, pp. 11–14 (this will be available in your online resources). It shows research on the importance of the mission statements providing direction for team members.

Mission	• The start of the process
Vision	• Where an organisation wants to be
Goals and objectives	• The organisation's aims and how it will achieve them
Strategy	• The roadmap of how the organisation will get where they want to go
Values	• The standards an organisation holds itself to throughout

Figure 5: Importance of company statements to the workforce

REVISION *on the* go

> **! NEED TO KNOW**
>
> **What it means to an employee**
>
> Every employee should understand the key statements of the company that they work for. If the company is small then encourage managers to start establishing a corporate plan, as this could be a great way of improving knowledge and skills. In larger organisations these statements may be available on the company website.
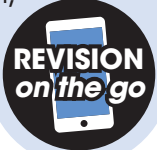
1.4 Impact of business on individuals, economies and the environment

Stakeholders

These are people, groups or organisations who have an interest or concern in a business. They can affect or be affected by an organisation.

Internal stakeholders are groups within a business such as employees and owners.

External stakeholders are outside the organisation and care about, or are affected by its performance. These stakeholders include: customers, suppliers, the community, investors, shareholders, and pressure groups (such as environmental groups).

Figure 6: Types of stakeholders and the stakes they hold in organisations

Stakeholders can have a considerable influence and impact on a business, particularly when investment decisions are needed. In particular, if a business has a dominant investor who has provided finance, their involvement and expectations can be disruptive. On the other hand, there may be a positive influence from supportive investors.

Customers can influence a business by demanding that the supply chain is ethically managed so that all producers are fairly paid and their work is conducted in safe conditions. Therefore, the pressure for businesses to prove their ethical credentials is increasing and contracts with suppliers may stipulate these requirements.

✏️ OVER TO YOU

Activity 8: Stakeholders – in Sudan

These are two very different organisations, but they both have stakeholders.

By referring to the stakeholder diagram in Figure 6, list the stakeholders and what their main interest/desired influence is likely to be for both Facebook and Ariab Mining Company (or another mining company known to you).

How businesses impact local and global business and economies

Businesses benefit economies by providing income, foreign currency and employment. The key ways in which they are beneficial to the economy include:

- the corporate tax revenue paid by private limited businesses (Ltd. in UK, LLC in USA) and public limited companies (PLC);

- income from taxes paid on wages (supporting employee welfare such as social security);

- income from sales tax paid on supplies and charges on goods sold;

- income from tax paid on premises – either to local or national governments;

- employment and increasing in skills in local areas;

- export trade bringing in foreign currency and supporting the balance of trade;

- possible investment in the community as expansion occurs;

- smaller businesses that may be centred around the tourism industry which may contribute to further improvements in balance of trade.

Businesses support other businesses by:

- providing a key link in the supply chain;

- bringing innovative ideas to market which may improve their sales process;

- lowering unemployment, and therefore stimulating aggregate demand in an economy;

- developing infrastructures within a country through taxes paid by businesses to the government (so providing roads, education and healthcare which can in turn support all businesses);

- offering subcontracting opportunities to smaller businesses from large organisations, who will save money and improve efficiency.

✏️ OVER TO YOU

Activity 9: Businesses in your region

Research the value of business to the economy and the environment in your region.

Include the taxes that a local business may pay to local or national government and the value of these in a year.

📄 CASE STUDY

The car industry – 40 businesses affect 3000

In the UK, there are over 3000 businesses involved in the UK automotive sector. These are not simply the producers, such as Jaguar Land Rover, but everything from the smaller suppliers to the large production plants.

- There are 40 vehicle manufacturers

- In 2014, 1.5 million cars were built in the UK

- In 2014, 80% of UK-built cars were exported

- In 2015, £6 billion of car components were sourced from suppliers in the UK

- In 2015, more than £2 billion was committed to car industry investment.
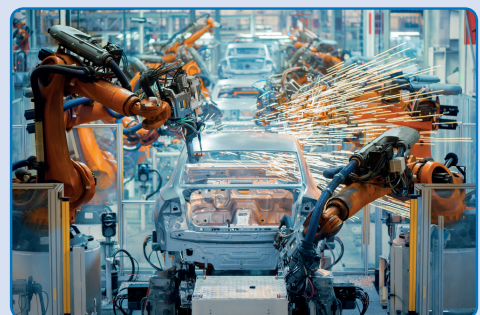
Therefore, the 40 manufacturers have a significant impact on the economy, employment, investment, local business (and income for employees), suppliers and the UK government. Exports bring foreign trade and improvement in the balance of trade.

www.automativecouncil.co.uk/mapping-uk-automotive/

Businesses in the community

While small and large organisations may provide a financial benefit to the economy, some additionally provide a social benefit. Recent years have seen a growth in the numbers of charities and social enterprises that work to support social issues. This, however, is not limited to small businesses; most large national and international businesses now have key policies regarding Corporate Social Responsibility (CSR), which is also known as corporate conscience and corporate citizenship. These policies may include giving profits to charities, setting up foundations in supplier countries and improving their environmental impact. The focus on the need for greater community engagement has increased over recent years for most businesses, and can be seen as beneficial for both the businesses and the local area.

📄 CASE STUDY

The ArcelorMittal Foundation

This charity is funded from the Indian steel company ArcelorMittal and supports communities through partnerships and grant giving to the communities in the 30 countries in which it operates worldwide.

An example in South Africa is the school-building project which has built schools (costing R84 million) in areas of poor educational provision, and a health centre in Gauteng (costing R13 million). This example is replicated throughout the operating areas of ArcelorMittal and is managed through its charitable foundation.

The impact of business decisions on the environment

The environment

Environment is defined as "the surroundings or conditions in which a person, animal or plant lives or operates". Businesses now pay more attention to the environment they are working within, whether it's the location of their production sites, the physical environment that employees work in, or outputs that may affect the environment.

https:/en.oxforddictionaries.com/definitions/environment

Although businesses bring economic benefits (as listed previously), they can also have negative effects on communities and the environment.

A company can affect the local and wider environment in many ways, from the impact on the countryside by the extraction of raw materials, to polluting emissions from industrial processes. Understanding the impact of businesses on the environment is a growing issue as companies are put under pressure by stakeholders or legal requirements to minimise their negative impact. While companies need to balance preventing environmental damage and the ability to make profit and grow, some notable environmental disasters bring into focus the need for businesses to reduce the risk of having a negative impact on the environment.

The diagram below shows some examples of damage a business may directly or indirectly cause to the environment.
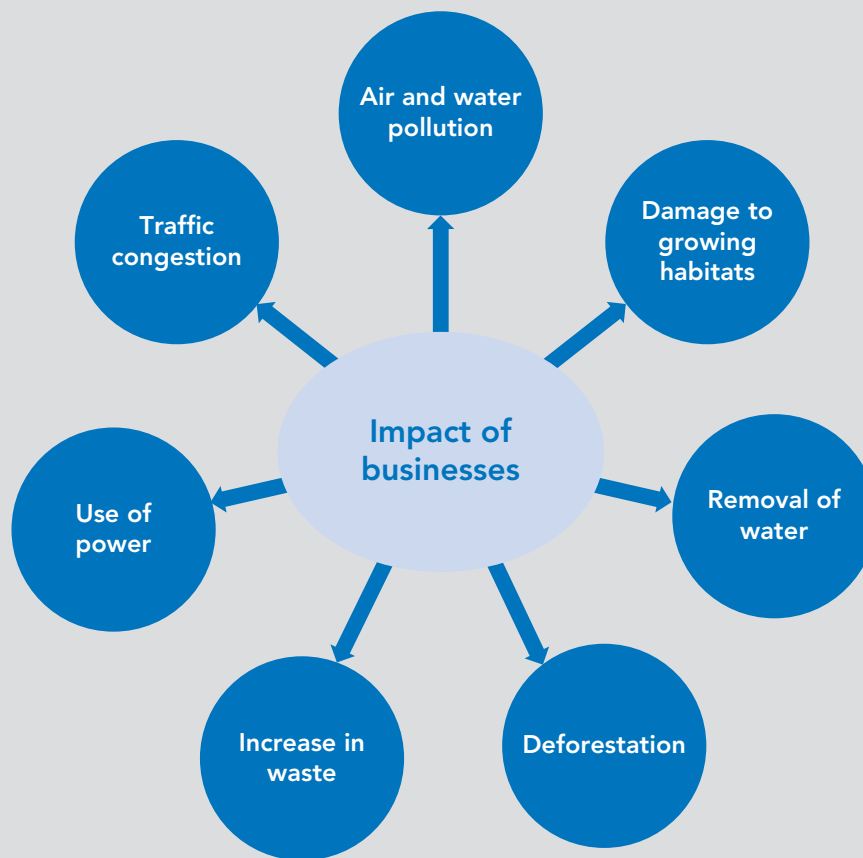
Figure 7: Forms of negative impact that businesses can have on the natural environment

CASE STUDY

Environmental and economic disasters – BP Oil

In 2010, the sinking of an oil rig in the Gulf of Mexico became the biggest oil spill in history.

- 11 people died in the oil rig explosion;
- 60 million barrels of oil were released;
- Over 34,000 birds were poisoned;
- Sea turtles and dolphins died from the effects of the oil.

Seven years on, there were catastrophic impacts on local fishermen (affecting the economy), wildlife is still negatively affected and there was a severe economic impact on BP oil which had business impacts and job losses throughout the company.

The article "Environmental effects of the Deepwater Horizon oil spill: A review" by Beyer et al (2016) summarises the environmental impact of the Deepwater Horizon oil rig disaster (http://www.niva.no/en/miljoeffekter-etter-deepwater-horizon-ulykken)

The diagrams below indicate how actions in the workplace can have an impact on the way resources are used and replaced. Figure 8 shows the normal disposal system for 30 PCs in an office and indicates the environmental impact at each stage. Figure 9 shows how simple measures can reduce the negative impact of transport (using biofuel) and packaging disposal, while extending the life and usage of the PCs.

Normal procedure for disposal of workplace PCs

| Upgrade 30 PCs | • Costs affect profits |

| Delivery of 30 PCs | • Transport increase CO_2 emmissions |

| Packaging of PCs disposed | • Cardboard is recycled
• Plastic is sent to landfill |

| Disposal of PCs | • Landfill chemicals may affect soil |

| New PCs used | |
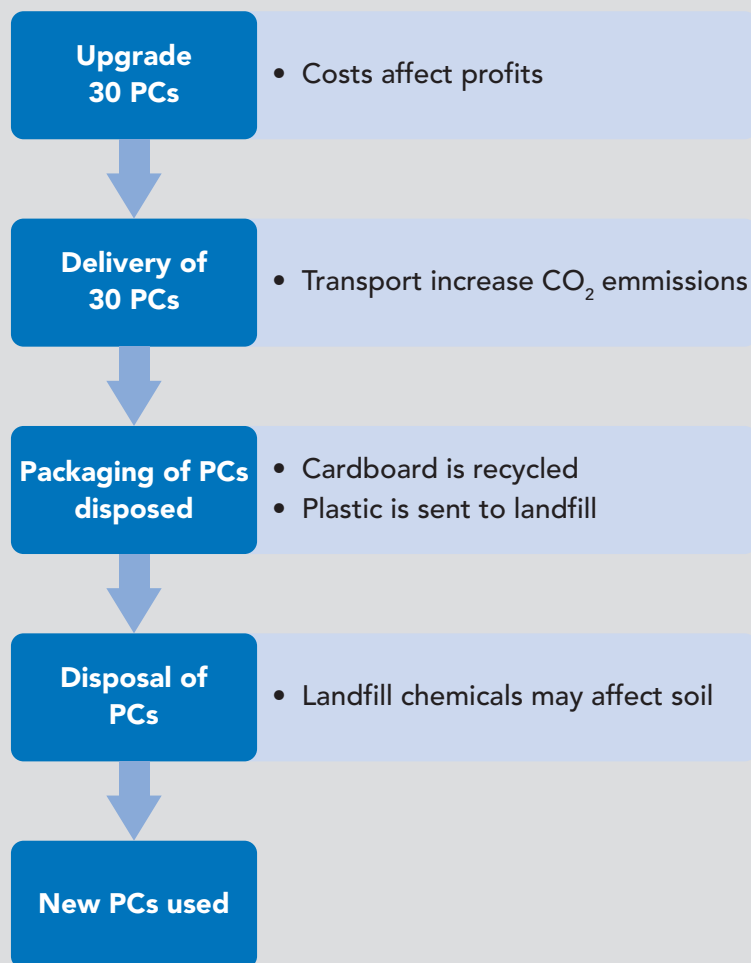
Figure 8: The normal disposal system for 30 PCs in an office and indicates the environmental impact at each stage
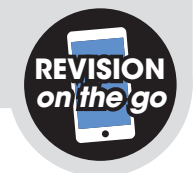
Simple ways of improving the environmental impact of new PCs

Upgrade 30 PCs	• Are 30 needed – could existing be refurbished?
Delivery of 30 PCs	• Employ contractor who uses biofuel
Packaging of PCs disposed	• Use environmentally friendly, recycled packaging
Disposal of PCs	• Donate PCs to community or sell to second hand market
New PCs used	• Ensure they are energy efficient and have energy saving devices
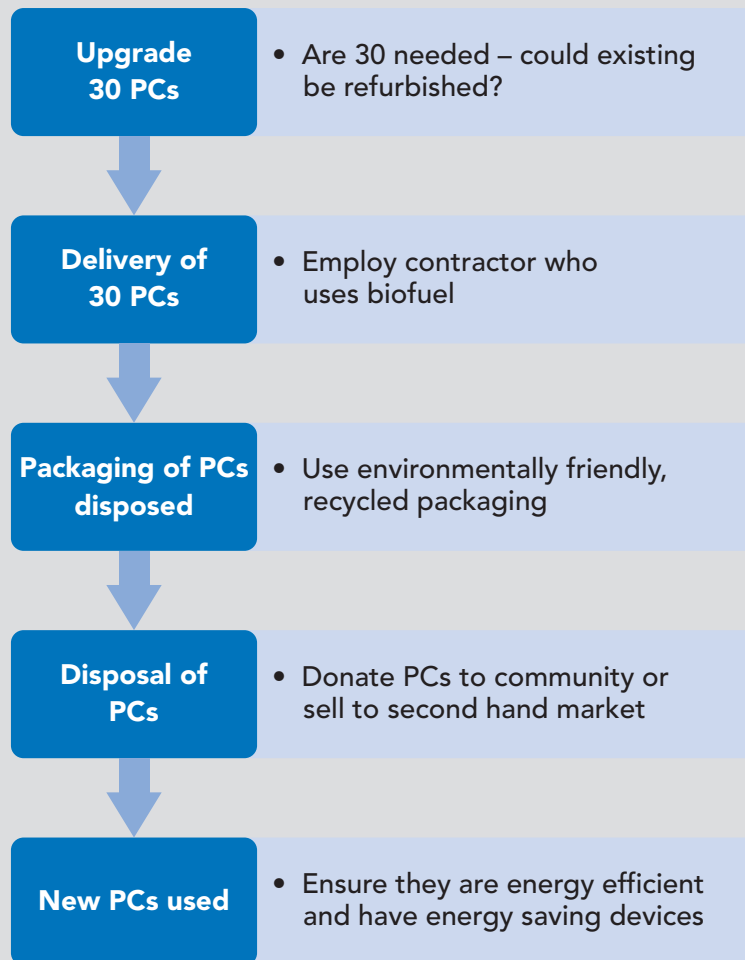
Figure 9: More environmentally positive method of upgrading office PCs

REVISION *on the* go

✎ OVER TO YOU

Activity 10: Environmental protection

In your region, what laws and regulations protect the community from environmental damage caused by local businesses?

2.1 Explain the legal structure of a business

All organisations that engage in business need a legal structure. This is because, where there are sales of goods and services, contracts are formed. This structure may be complex and require a great deal of legal input, such as in the case of the Tata Group in India, or they may be simple and not require much legal support, such as in the case of a market seller.

! NEED TO KNOW

The Tata Group

This organisation has many divisions, operating in more than 100 countries around the world. There is a principal holding company called Tata Sons which owns 29 plcs with a combined market value of $130bn as at 2017. Companies include Tata Steel, Tata Motors, and Tata Power.

The legal structure of this group of companies is extremely complicated and requires significant legal support to establish and manage.

REVISION on the go

The legal structure affects businesses within the private sector and the choice of legal status is affected by:

- **Size:** a small company needs a simple legal structure.
- **Location:** different regions have different rules for ownership.
- **Ownership:** partnerships occur when there are many owners.
- **Investment:** if finance is raised the share ownership is key.

How the business structure affects the employees
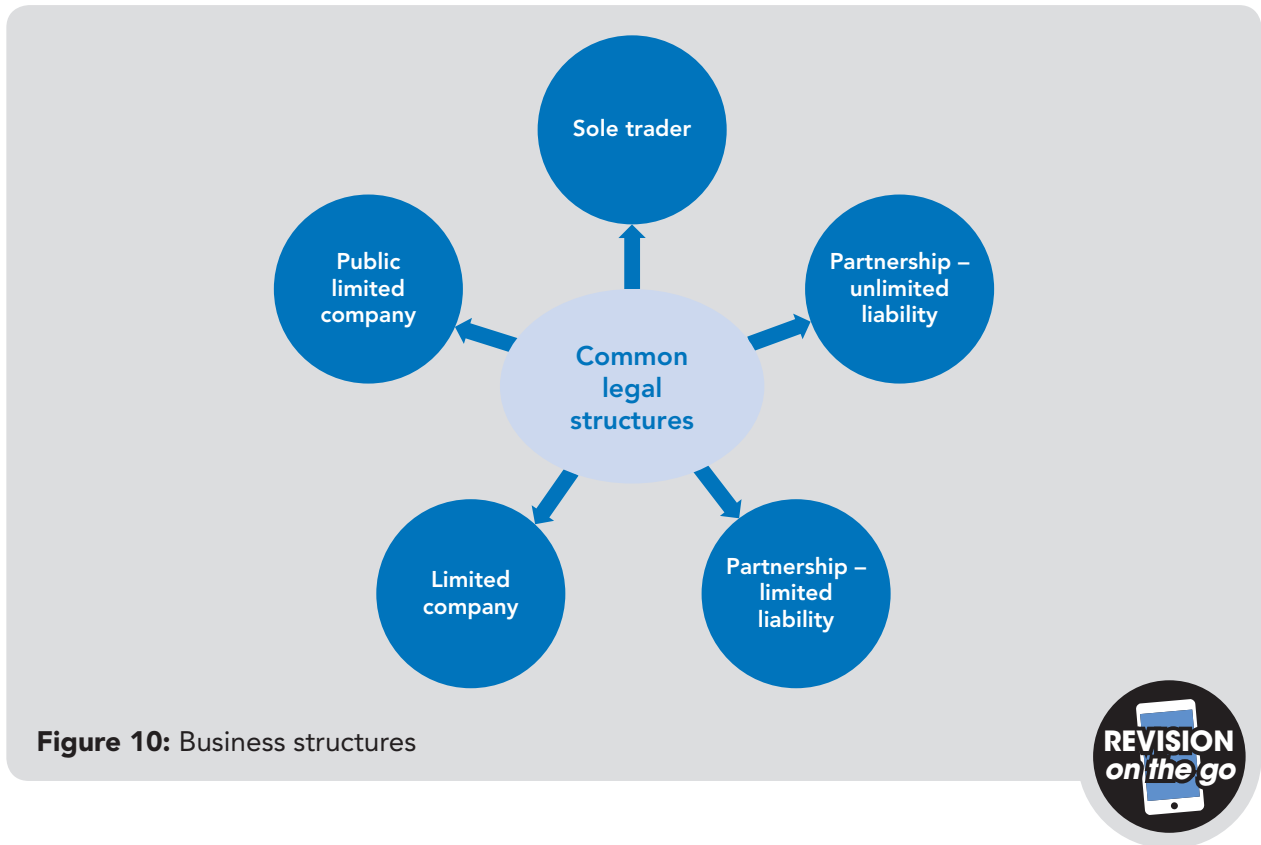
Figure 10: Business structures

The legal structure of an organisation can have a significant impact on an employee. When deciding whether to work for an organisation, it is important to understand the legal structure as it may affect many aspects of your working life in both the short and long term.

	Pay	Promotion	Training and Development
Sole trader	Likely to be lower than other sectors as the business will not have a high turnover. Hours could also be reduced or employment could be on a contract basis.	Unlikely as it is a small business. Family succession may also be pre-determined.	Limited job training for the role and no further development.
Partnership	Dependent on size but the partnership must agree to pay increases.	Limited as structure is based around senior partnership and investment into the business may be requirement for obtaining partnership status.	Dependent on size but usually employees are limited to job role only.

Private limited business	Dependent on size but usually higher than a partnership or sole trader. More consistent treatment of staff and fairer wages as they are regulated.	Promotion usually limited to within department only.	Dependent on size but usually limited to job role and department only.
Public limited business	Dependent on size but usually the highest of the sectors listed. More consistent treatment of staff and fairer wages as they are regulated. Often bonuses related to share performance of business are offered.	More opportunities (due to the typically larger size and operation in many geographical locations) make promotion and job changing more likely.	Well-developed training programmes, possibly a training and development (T&D) department, and consistent induction for all staff. Access to management development programmes may also be available.

Table 3: Factors of the legal structure of a business which may affect employees

REVISION *on the go*
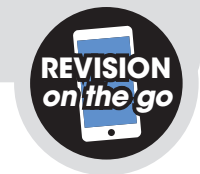
✏️ OVER TO YOU

Activity 11: Legal structures in your region

Identify three businesses from each of the different legal structures mentioned in Table 3 in your country/region. Which one(s) would you like to work for and why?

2.2 Describe the internal structures of an organisation

Structures of management within enterprises

Centralised and decentralised structures of management

As a business grows, structures develop to enable specialisation of activities (such as teams or divisions) with responsibility and decision-making moving away from the owner to other members of staff. With business growth the organisation will become more structured and organised, with a management team and agreed set of responsibilities and accountabilities.

The way the business is structured can be shown in an organisation chart. This shows the internal structure by listing each role and often the job holder too. Employees can see the different departments and how roles relate to one another.

Figure 11: Example of an organisation chart
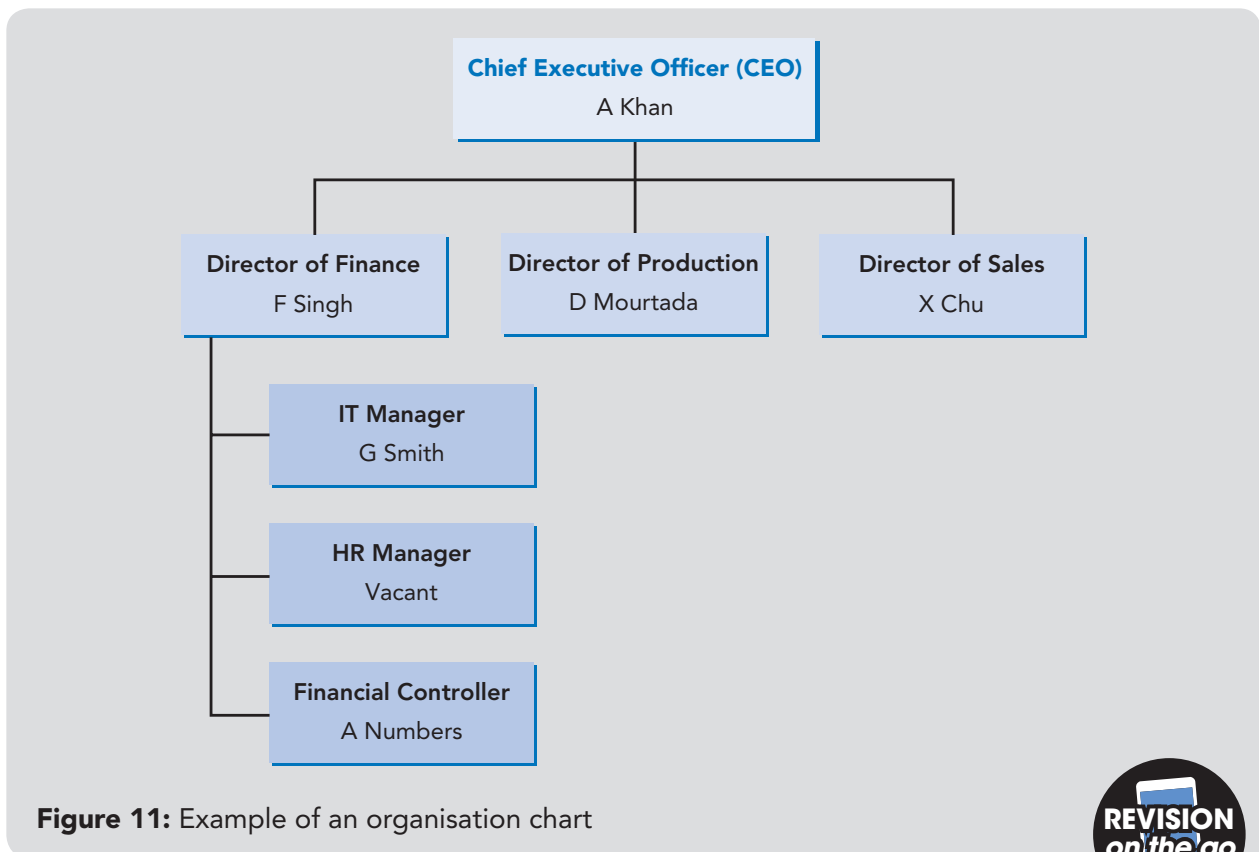
Where decisions are made – centralised and decentralised companies

For an employee, it is important to know where and how decisions are made. In every role, there are decisions to be made. For a business, the structure is linked to decision-making with every higher level of management taking more senior decisions that affect more employees. The organisational structure affects the decision-making process, which can be **centralised** around the senior team, or **decentralised** to a delegated area or level – for the employee, they need to know where the authority for decision-making rests.

Most companies have centralised decision-making with some levels of delegation; for example, a manager of a coffee shop will make all management decisions but may delegate to the sales team for decisions on whether to offer free coffee to dissatisfied customers.

Usually delegation of decision-making will be set with limits – so in the coffee shop example above, the staff may be able offer free products up to the value of $5 but the decision to offer anything higher than this value must go to the manager.

Decentralisation occurs in businesses which operate in different regions or have several different businesses. An example would be an international company with several subsidiary companies; these act independently and report results to the head office. All local decisions are decentralised and management is measured on the performance of the decision only.

Hotel chains often use decentralised structures so hotel managers are wholly responsible for handling customers but receive support from the head office for marketing and promotion of the brand.

! NEED TO KNOW

What does this mean for an employee?

There can be a combination of structures with organisations devolving some powers to local units, such as recruitment, but ensuring there are consistent policies.

Budgets can also be decentralised with control in local areas.

In organisations, customer service teams may have control to action certain levels of payments for competition but, once reached, they need to escalate to senior divisions.

However, for an employee, it is important to understand how this form of structure affects them individually.

REVISION on the go

As an employee, it is important to find out if the area of the business you are working in is independent or if decisions taken in another area of the business will be consistently applied to yours.

In a centralised organisation:

- decision-making is at the top of the organisation;
- it is hard for junior employees to instigate and make changes;
- it is hard to make local decisions;
- consistent policies (including pay grades) are applied throughout the business.

In a decentralised organisation:

- divisions can make and implement more decisions and changes;
- employees can contribute to these changes;
- there may be different policies and practices in each location;
- a division maybe more responsible as decisions are made more quickly.

✏️ OVER TO YOU

Activity 12: Centralised versus decentralised structures

What do you see as the disadvantages for each these structures? Consider three for centralised and three for decentralised internal structures.

Think of a situation where each structure would be suitable.

Internal and reporting structures within an organisation

There are two key structures to consider for an enterprise – legal and internal. Throughout the life of a business, both structures may change as the organisation grows or changes direction.

For the legal structure, many small enterprises may start as a sole trader and move to a limited business; eventually it may be become big enough to become a public limited business with their shares traded on stock markets.

eBay – from sole trader/proprietorship to PLC/incorporated business

Sole trader/proprietorship	→	Incorporated in 1998
• Auction Web 1995 • Founder Pierre Omidya		• eBay shares traded • Now incorporated company

Figure 12: The progression of the legal structure of eBay

REVISION on the go
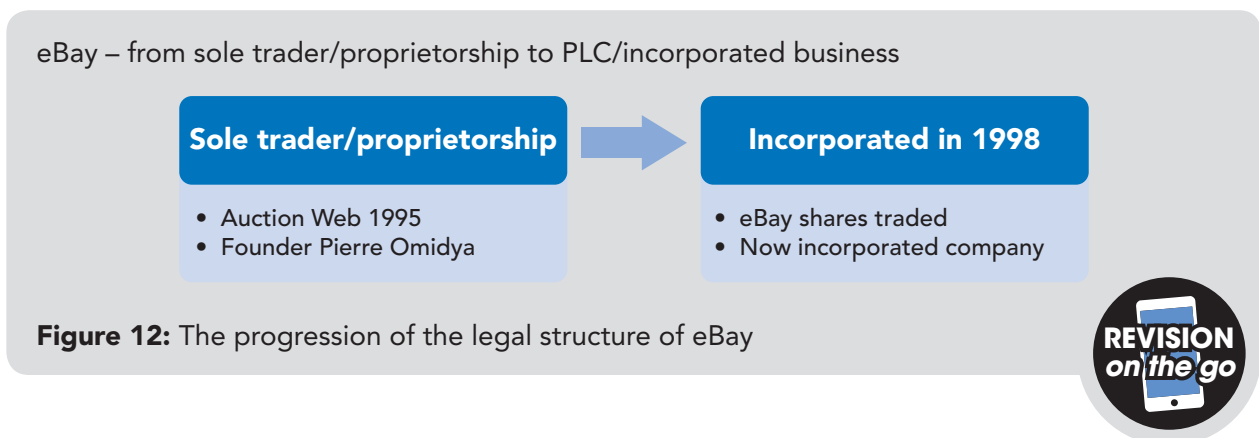
Internally, organisations can be structured in many ways. The most common is a **hierarchal structure** which has different levels of management with each level reporting to a higher level. Organisations with this form of management can have a **tall structure** with many levels of hierarchy. Often these businesses are unresponsive to change as lines of communication up and down are very long. These are common in large multi-national organisations, and power is typically held by few employees. An alternative name for a tall organisational structure is **vertical**.

More businesses have a "**flatter**" **structure** by removing middle management (usually as a cost saving measure) and increasing the responsibilities of the workers. The lines of communication are shorter and the organisation is highly responsive to change, with many people are organised into teams. An alternative name for a flat organisational structure is **horizontal**.

Tall structure

Figure 13: Hierarchical structure – tall (vertical) organisation

Flat structure

Figure 14: Hierarchical structure – flat (horizontal) organisation
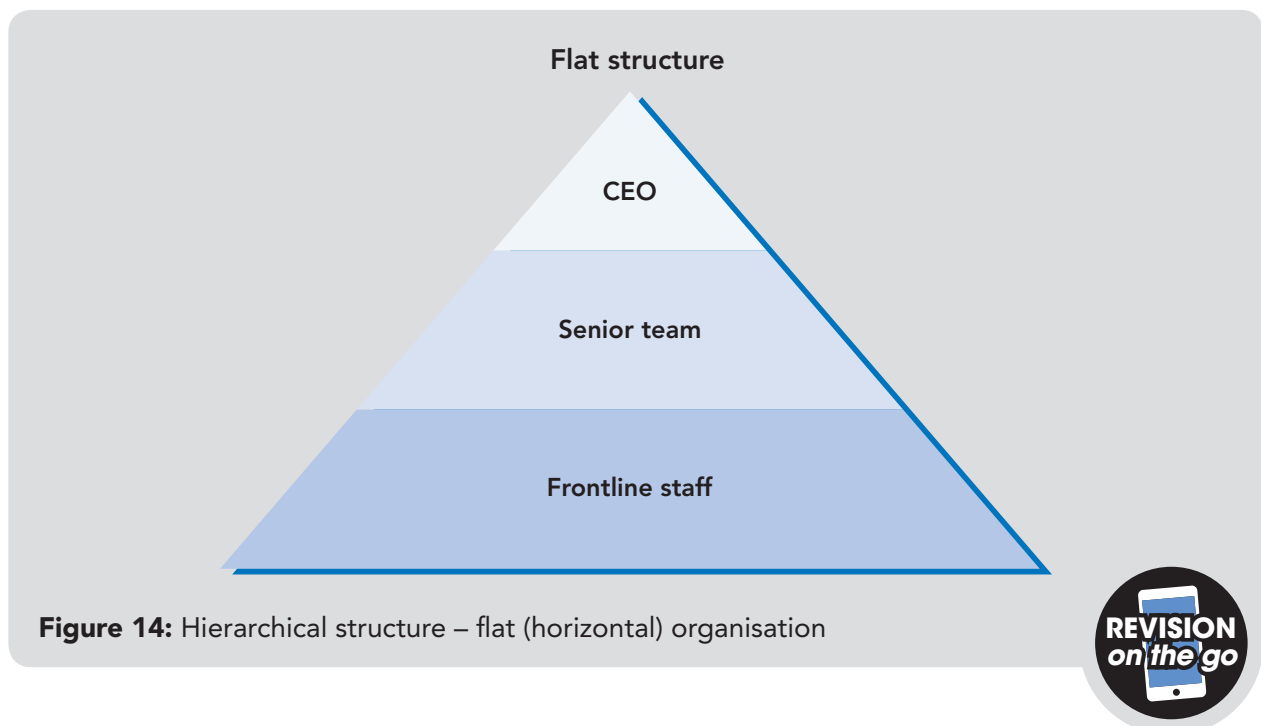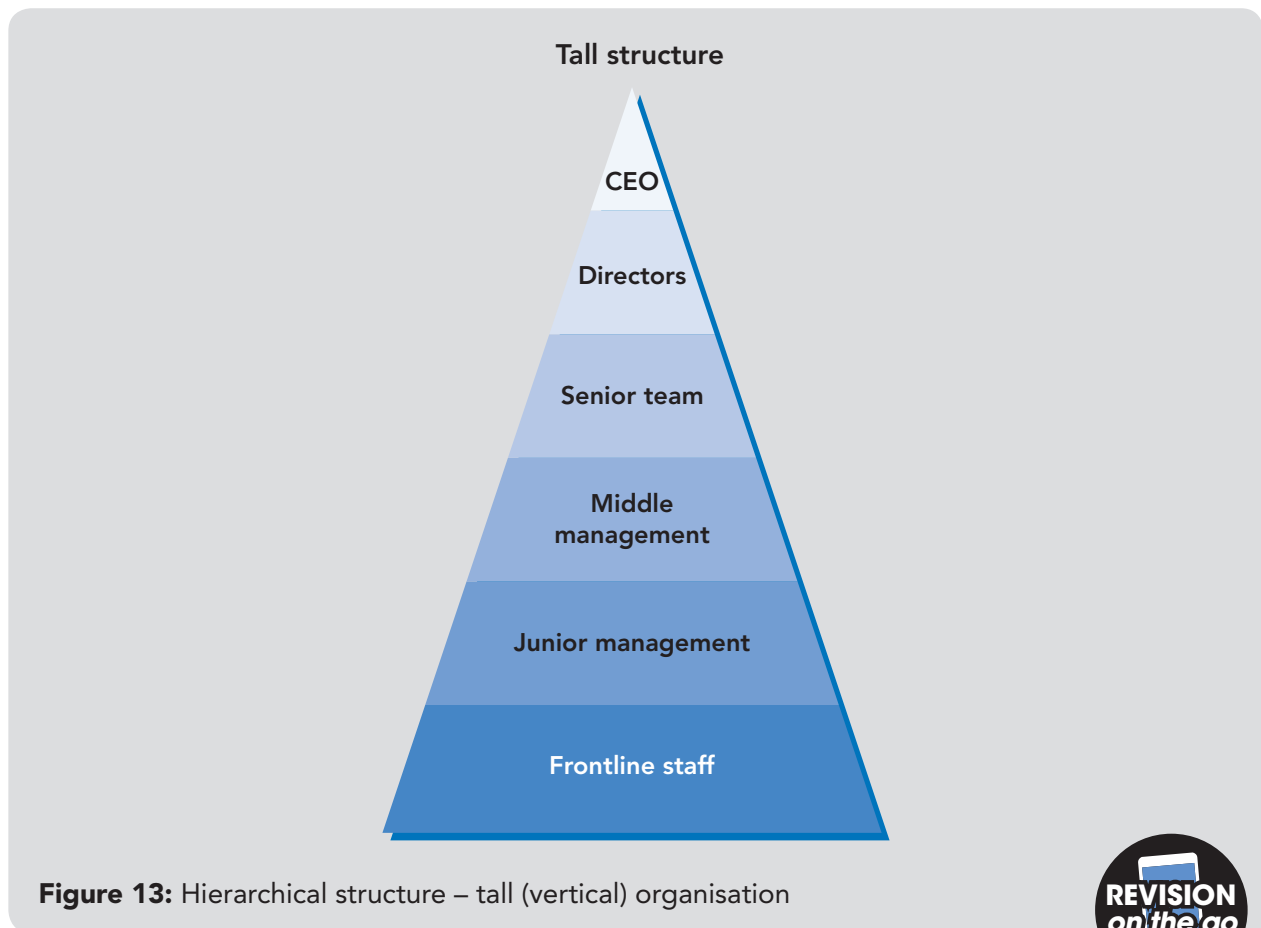
When an enterprise starts, staff numbers maybe low so a simple flat structure is likely to be in place.

A **matrix management** system combines functions and management together; for example, the

finance officer for a factory works as both the finance manager and the operations manager in the factory. This form is common where there are multi-disciplinary teams involved in a project, but having several managers can cause problems for employees.

Functional teams

Functional teams are formed when team members perform a specific organisational function. The team members may all have different responsibilities but their output contributes to one key area. An example is human resources where the functional team may be set out as in Figure 15.

Figure 15: An example of a functional team (human resources)
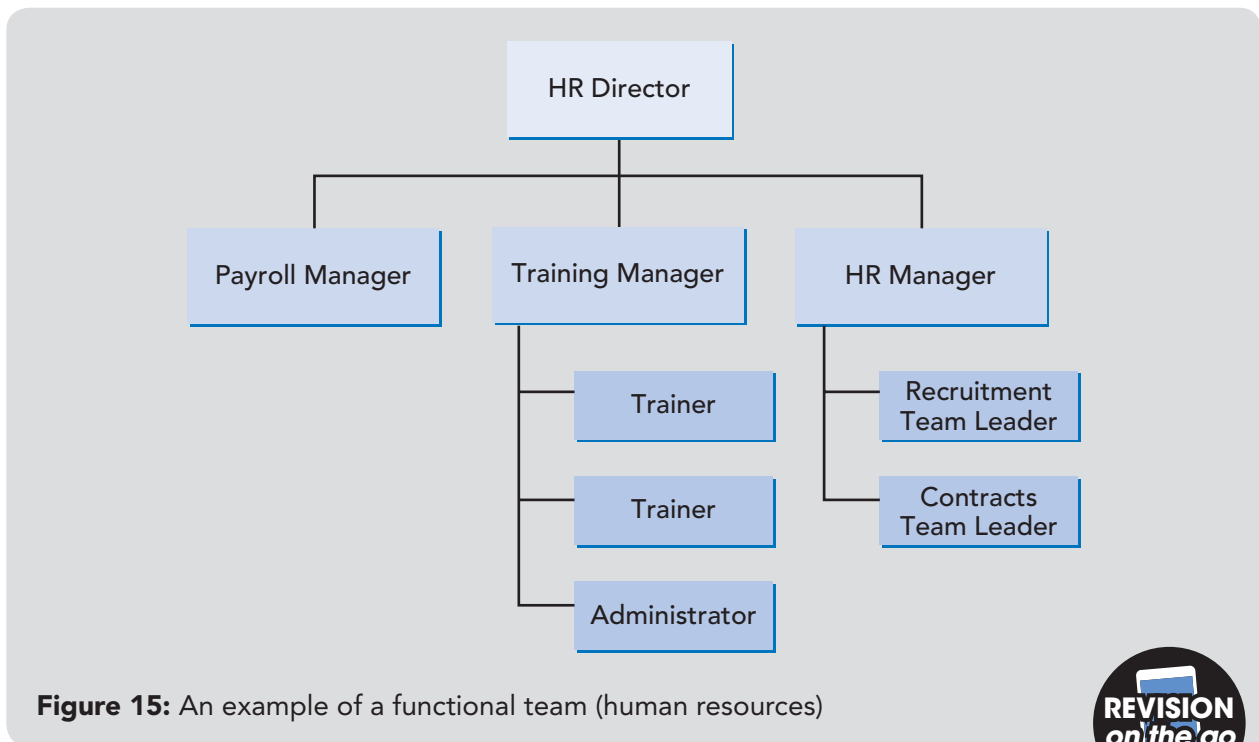
Virtual teams

Teams are not always located in the same building, but as they work for either the same aim or the same manager, they are still a team. There are three types of teams that include workers operating away from the main group:

1 **Virtual teams** are located in geographically different places. They communicate regularly by email, teleconference and instant messaging in order to discuss work and project issues. Virtual teams are often cross-functional as they are working on a project or task, so the group leader may not be the line manager of all staff. Virtual teams will often cease when a project is completed.

2 **Remote teams** are structured in the same way as virtual teams but usually report to the same line manager and are a permanent group.

3 **Flexible working teams** may include a team member who does not work similar hours or works from home and will communicate in the same way as a remote team member.

Activity 13: Managing a remote team

You manage 12 field agents who sell insurance in regions of your country and you want to improve communication between the team. What actions would you take to develop communications between:

a) Yourself and the team?

b) The team itself?

3.1 Explain the main functions within an organisation and their roles

Within every organisation there are **core** and **support** activities. Core activities are essential and relate to the strategy of a business. Core activities can also be called **primary** activities. Support activities are those that facilitate the core business structure.

Take, for example, a coffee shop franchise. In Figure 16 below, inner activities are core; that is, they are key to making money for the business.

The outer activities are support (or non-core) which are vital for the business but do not make money themselves. If the support function fails (such as if the coffee machines break and aren't repaired) the core function will not operate (as there will be no coffee to sell).

Figure 16: Core and support activities

Functions of an organisation
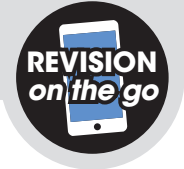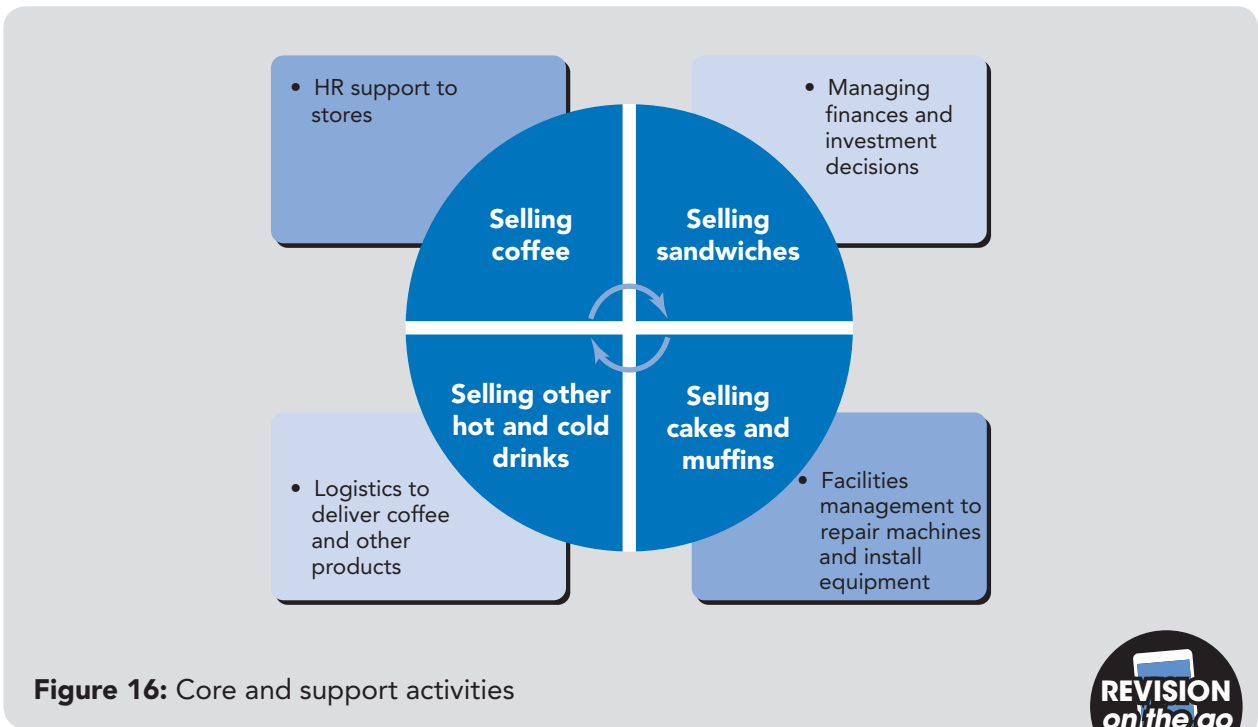
Figure 17: Divisions of an organisation

The following examples are functions that may be found in an industry, though they can vary depending on the nature of the organisation.

In some flatter structures, functions may be combined, such as sales and marketing; in others, customer service may be a function too. The nature of the business impacts the functional requirements. Others could include research and development, procurement (purchasing), etc.

Departments and functions

Sales	Responsible for earning income by selling the product or service.
Marketing	Researching what the customer wants and ensuring the organisation services this need. The marketing function works (typically) to the four Ps – Price, Product, Promotion and Place.
HR	Looks after the welfare of the staff from recruitment to departure, including pay, employee relations, training and redundancy.
Communication	This maybe a separate function which manages internal and external communications.
IT	Looks after IT staff needs and production needs, ensuring that computerised production runs as required.
Facilities	Responsible for the infrastructure and working environment, ensuring it is safe and efficient.
Operations	Responsible for the planning and production of goods.
Finance	Manages the organisation's money and accounting processes. It ensures all the business review payments due, and controls spending in each department. It also overseas capital investment decisions and working capital. It builds both management and financial accounts to enable reporting and control.

REVISION on the go
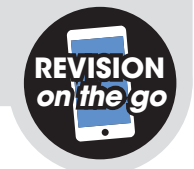
READING LIST

- Beyer, J., et al (2016) "Environmental effects of the Deepwater Horizon oil spill: A review", *Marine Pollution Bulletin*. Available at: http://www.niva.no/en/miljoeeffekter-etter-deepwater-horizon-ulykken [Accessed 03/08/2017]

- Darbi, W. P. F. (2012) "How do high-performing organizations define their mission in Ghana?", *African Journal of Economic and Management Studies*, Vol. 3 Issue: 2, pp 184–204. (This article will be available in your online student resources.)

- David, F. R., and David, F. R (2003) "It's time to redraft your mission statement", *Journal of Business Strategy*, Vol. 24 Issue: 1, pp.11–14. (This article will be available in your online student resources.)

Chapter 2

Key Processes and Resources in Business

Learning outcomes

On completing the chapter, you will be able to:

4   **Describe the key resources required for a business**

5   **Explain the different types of customer and their importance**

6   **Explain the importance of managing business risk**

7   **Explain continuous improvement techniques**

Assessment criteria

4   **Describe the key resources required for a business**

    4.1   Explain the role of human resources in an organisation

    4.2   Explain how finances are managed within an organisation

    4.3   Describe the importance and role of physical resources

5   **Explain the different types of customer and their importance**

    5.1   Explain the differences between internal and external customers

    5.2   Explain how to monitor customer service

6   **Explain the importance of managing business risk**

    6.1   Explain the role of risk management within an organisation

    6.2   Describe the role of an employee in managing risk

7   **Explain continuous improvement techniques**

    7.1   Explain the concept of continuous improvement

    7.2   Explain how continuous improvement supports the success of a business

4.1 Explain the role of human resources in an organisation

The role of human resources (HR) is to manage people within the organisation. This function can also be referred to as "personnel" but more businesses call it HR as it presents their staff as business resources – a group who are a key component of a successful business. The following diagram shows the typical roles of an HR team.

Figure 1: HR roles

Workforce planning and recruitment and selection

Planning human resource requirements (or workforce planning) looks to align the requirements of the organisation with employees to ensure that the organisation meets its objectives and identifies gaps that need to be filled by recruitment.

HR usually leads a workforce assessment following requests from a manager for new staff to ensure that the cost of a further member of staff can be justified.

For workforce planning, the first task is to list the requirements of the role. This needs to include skills that the role requires, followed by grouping activities and then assessing the professional skills needed for the employer.

Firstly, functional requirements need to be assessed and for each task a decision is made on:

- the level of knowledge required;
- whether practical experience is required;
- whether qualifications in this area are required;
- whether the skills required to complete task can be learnt on the job;
- a decision on the flexibility of the role. HR and the team manager consider if a permanent role is required, or if temporary employment, part-time employment, remote working or job-sharing could also be appropriate.

🖉 OVER TO YOU

Activity 1: Filling a vacancy

You have been asked to recruit a computer programmer to fill a vacancy. What questions would you ask in order to consider which of the following ways of working would be most appropriate for this new recruit?

Permanent, temporary, flexible hours, part-time, full-time, contract, home-working, job share.

Figure 2 shows the steps in the recruitment and selection process.

Job description	• Details of all tasks and responsibilities
Person description	• Details of desirable and essential skills, experience and qualifications of the applicant
Advertisement	• Through agency, online, friends, media, website
Screening	• Review applicants and invite to interview
Interview and selection	• Online or face-to-face • Selecting based on required criteria

Figure 2: The process of hiring a new employee

How human resources affects the employee

Although an employee has gone through this process, it is important for staff to understand the internal recruitment process so that they can take any opportunity available.

Internal job vacancies can be found on staff notice boards and internal vacancies systems, or there may be a direct request for an employee to apply for the role. The process for internal recruitment is the same, with the submission of a CV or application form and possibly making a presentation to senior team members.

There may also be advertisements for training programmes that you will need to attend, and application forms may be required, usually because these require commitment and are insightful for the organisation.

Induction

This is the process of introducing the employee into an organisation. It involves the orientation and training of the new employee and usually takes place over a period of time to give the new employee the opportunity to settle in.

Usually, smaller companies have less formal inductions. Larger ones are usually more formal, monitored and involve a number of contacts and presentations.

When there is an internal job change, an induction is also important. Some businesses have a less organised system of internal changes so it is important for a change to be planned and organised. The job changer needs to understand their new role, the expectations, targets and who are the key stakeholders and influencers. This will also enable the "settling-in" period in to be swifter so that the new employee can work effectively as soon as possible.

> ✎ OVER TO YOU
>
> **Activity 2: Moving jobs**
>
> **Imagine you have moved jobs in your organisation, joining a new team and leading three staff members for the first time. What are the key questions you need to ask your new line manager?**
>
> **Plan your own induction.**

Contracts that a business can use

In the early stages of a business, staff may need to be recruited but the cost of staff is a significant addition to a stretched budget. However, if resources are needed for skills and manpower, there are a variety of options that a business can use.

In most areas, because there are additional costs of employment, the hourly wage cost can be over 30% higher than the amount paid to an employee.

Contracts can be **permanent** with full employment rights, usually after a **trial period** where the employee continues to work for a defined period, after which the employee and line manager assess if the employee is right for the job. Alternatively, contracts can be **temporary** or **contingent**, where either a fixed number of hours, or days, work is given for an agreed period. Sometimes temporary contracts become permanent, but not always.

Employment options are listed in Table 1; these can be permanent or temporary depending on the needs of the employer and employee.

Option	Features
Full-time	Fixed hours, usually around 35 hours a week, on given days. The employee has the full legal employment rights of the region and access to company benefits (if available).
Part-time	Fixed hours, usually around 10-20 hours a week, on given days. The employee has the full legal employment rights of the region and access to company benefits (if available). This is suitable for people who can only work a certain number of hours due to study commitments, caring responsibilities, or for employers who have limited opening hours – such as a bar.
Home or telecommuting worker	Fixed hours, either full or part-time on given days, and the employee has the full legal employment rights of the region and access to company benefits (if available). The employee works from home; this role is applicable to jobs that be completed anywhere, such as writing reports, accounting, creative jobs, etc. (usually with the benefit of a PC and internet connection). Often the employer will pay for equipment and internet connection. This is suitable for people who can only work a certain number of hours due to famiy responsibilities or transportation difficulties.
Job share	Fixed hours; usually around 10–20 hours a week on given days. The employee has the full legal employment rights of the region and access to company benefits (if available). The job is shared between two people of similar skills; where one finishes, the other picks up.
Zero contract hours	This is where a contract is offered but the number of hours required is uncertain and changes. This is common in the retail and tourism industry, particularly restaurants where there may be many bookings one day and few the next. The employee is contacted, possibly on the day of work, and offered hours. Usually there are an agreed minimum number of hours to be worked over a month to give some security to the employee and to retain their loyalty.

Option	Features
Seasonal	This is common in the tourism industry where contracts are for fixed periods at high demand. Usually students find this work suitable as it fits in with their vacation period. There are limited employment rights and little chance of permanent employment at the end of the season.
Term-time	Fixed hours, either full or part-time but only during the school period. Therefore, most working days end at the end of the school day and do not continue during school vacations. These contracts are attractive to parents with school age children but are difficult for employers to manage.
Flex-working	Fixed hours are set either on a part-time or full-time basis but the employee is free to complete the work within the working day at any time – so can start and finish whenever they wish. This is beneficial to those with family responsibilities or those who wish to avoid busy traffic or take advantage of lower travel costs later in the morning.
Contract workers	These are employed, usually for a fixed task and rate. No employment benefits are given and the services cease on completion of the contract (for example, consultants).

Table 1: Employment options

Pay and reward

The HR team manages pay and other rewards (such as bonuses and pensions). For an employee, it is important to understand their pay and any deductions that have been made. These can include: government taxation, local taxes and pension costs.

National insurance and other state deductions

In some regions, employers, employees and self-employed workers pay a contribution to social security funds. Social security is the term given to cover government benefits such as pensions or other social payments (such as unemployment benefit). Often both the employer and employee pay toward social security charges, but for the employer this can cost a further 5–10% on top of wages.

In some countries, in addition to the payment of social security, there is a **compulsory pension scheme** for all permanent staff. In the UK, the law states that by 2018 all staff need to be enrolled in a company pension scheme; for a UK business that can add considerable costs and administrative time to the wages bill.

Taxes can be deducted at the sources of pay or an employee may be responsible for paying them. It is important that an employee keeps all records given to them by HR for at least three years; these records maybe in the form of a **payslip**. In some countries, an employee will receive an annual statement of pay too, which will indicate the taxation paid and salary paid over a year.

✏️ OVER TO YOU

Activity 3: Pay in your region

What are the typical methods of payments, local taxes and deductions in your region?

Health and safety at work

All employees should have a right to work in a safe and healthy environment. Examples of a safe environment are where the noise level is satisfactory, where there is protection from harmful chemicals, and where the chance of accidents occurring has been minimised.

Although many countries have specific laws about how employers should protect their staff, employees also have an obligation to minimise the chance of accidents and report any potential problems. It is also vital for all employees to follow rules around health and safety to ensure they are not putting themselves or others in danger.

✏️ OVER TO YOU

Activity 4: Health and safety at work

What are the regulations affecting workplace health and safety in your region?

❗ NEED TO KNOW

Holidays and leave for employees

Holiday – There may be holiday pay for employees, regardless of their contract – so not only is the employee paid and not working, but cover staff may be needed to complete the tasks required (though in other roles, the employee will have to catch up on return from holiday).

Statutory holidays – For national holidays, staff may again receive pay for not working.

Overtime and unsocial hours – A higher wage rate may be paid for hours worked outside the contracted hours or during unsocial hours (such as night shifts).

Maternity, paternity and adoption leave – Some regions have laws regarding time off for new parents at set levels of pay (some of which is refunded by the State).

Special leave – Military, bereavement, jury leave or specific agreements to allow time off for certain activities.

Benefits – A business enterprise may offer benefits, such as health insurance, travel loans (to buy season tickets for travel to work), bonuses (these may be contractual) or food vouchers.

Talent management and training

As companies grow and employees progress, new skills are needed. In most companies, HR are responsible for training, development and talent management. The company may also need to train staff in new processes or regulations such as health and safety at work.

Training is specific guidance aimed at a specific learning requirement, such as a technical skill for a role. **Development** is a longer-term activity and typically focuses on skills for future roles and challenges such as leadership.

There are three main types of skills which organisations aim to improve through training employees. These are:

- management skills – training in how to lead people effectively and making strategic decisions;
- **soft skills** – developing interpersonal skills;
- technical skills – specific skills associated with a job role.

There are also different ways to conduct training, such as:

- online – using the internet;
- formal – classroom-based courses;
- shadowing – where an employee sits with an experienced colleague to learn the job.

Training programmes are common in larger businesses where future leaders are developed, and their training takes the form of a specific long term programme. This is part of the process of **talent management**, where the careers of potential managers and leaders is looked after through a series of training programmes and tactical job moves. Talent management also is part of the work planning process.

Main legal obligations managed by HR

The following list highlights the main legal areas that a company needs to address. These areas are usually managed by HR.

- Equal pay for same roles.
- Providing personal protective equipment.
- Equal access to training.

- Sick pay.

- Receiving overtime pay.

- Fire safety equipment in workplace.

- Pregnancy support and time off arranged.

- Safe and secure working environment.

- Receiving a written contract.

- Following regulations for hazardous equipment.

- No discrimination against staff.

- Fair treatment for all.

Equality and diversity

Equality and **diversity** are modern ways of describing equal opportunities, encompassing the fair treatment of individuals regardless of gender, ability and disability, religion, sexual orientation, race or age. Equality is the fairness of treatment and diversity recognises and welcomes the different cultural backgrounds of people within the workplace.

Many regions have specific laws to protect workers from discrimination, which is the unjust treatment of people. HR will manage the provision of equal opportunities, ensuring that regulations and laws are upheld, but the biggest impact on equality and diversity is the attitude of employees towards their co-workers in behaving in a tolerant manner.

These issues and standards differ from country to country but it is important for employees to understand their rights and ensure that they are receiving fair and safe treatment within their working environment.

When to seek help from HR

For those not working within HR, it is unlikely that there will be regular contact with this department once the induction period is completed – most contact will be via email or letter (for pay and formal notifications) or when interviewing for promotion. However, HR should be contacted if an employee has concerns over their pay, health or working environment. Usually, an employee should contact their line manager first with concerns regarding these matters, but occasionally that is not possible.

Wage levels

Why are staff on different wages? In some countries, employees are open about their wages but in others the pay rate is personal. While all employees performing a similar role should be paid the same rate, variances may occur because of:

- length of service – due to time in the organisation, there may be year-on-year pay rises (known as incremental pay rises);

- qualifications – certain qualifications may result in a higher level of pay.

If an employee discovers there is an unexplained difference in pay, it needs to be raised with their line manager and possibly the HR department.

> ## ! NEED TO KNOW
>
> **Employees and HR**
>
> When joining a team, it is important to learn:
>
> 1. Who the HR contact is and what their individual responsibilities in the HR team are.
> 2. How to access the staff handbook – most businesses have these; they may be online.
> 3. How to discuss any concerns you may have or help you may need.
> 4. How to understand salary.

REVISION
on the go

4.2 Explain how finances are managed within an organisation

Cash and profit

When working in a business it is important to understand the difference between **cash** and **profit** as these terms are commonly used. Cash is the amount of money coming in and out of the business, usually measured as cash flow which is the difference between available cash at the beginning and end of a period. Profit is the net income after expenses have been deducted from sales revenue.

All businesses need to keep track of revenue and expenditure. For most, the purpose of business is to make profit, but even the not-for-profit organisations (discussed earlier) need to cover their costs, otherwise they cannot help those communities that they set out to assist.

A key area of an organisation is the finance department and, though it does not raise income, it ensures that all money is effectively tracked and used. The finance department is also responsible for all financial reporting, which is categorised into two main types:

Management accounting – This area provides financial and non-financial data for use within the business to make decisions. It is important in managing risk and developing business strategy.

Financial accounting – This is the area of accounting which keeps track of financial transactions to produce key financial statements for external reporting. In many countries, these are compulsory for businesses.

Performance measurement

This is the process of reviewing performance – it can be company-wide or reviewing individuals. For the organisation, regular reviews of KPIs occur and many of these will be financial goals and managed by the finance team. For individuals, the process is managed by HR but will involve discussions between staff and their line managers.

For a business, the performance of the business will mainly be measured in the three main financial statements, produced annually at least. These reflect past performance and will be reviewed by stakeholders and potential investors.

The three main statements are inter-linked as shown in Figure 3.
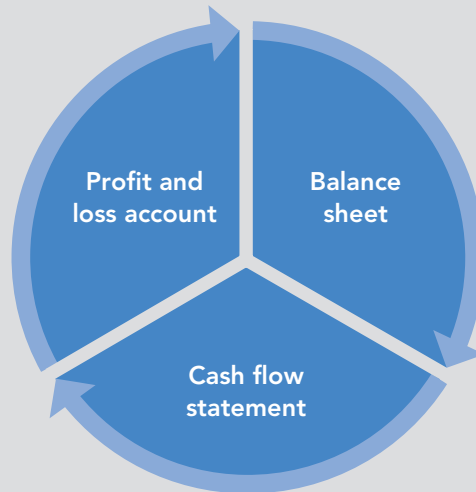
Figure 3: Three main financial statements

The profit and loss account

A profit and loss account is also known as an income statement. It is a statement of financial performance as it measures the total revenue from the sale of goods or services against the costs and expense during a given time, typically monthly, quarterly and annually.

Simple profit and loss statement

Great Goods Ltd.

Profit and loss statement for year ending 31 Dec 2016

	$
Revenue (sales)	10,000
Cost of goods sold (expenses)	(4,500)
Gross profit	**5,500**
Distribution costs	2,400
Selling costs	2,500
Administrative expenses	150
Other expenses	80
Total expenses	**5,130**
Net operating income	**370**
Loan interest	(40)
Earnings before tax	**330**
Taxes	(20)
Net earnings	**310**

Table 2: Example profit and loss statement

The balance sheet

A balance sheet shows the assets (what is owned), liabilities (what is owed) and capital of a business at a given date.

Balance sheet statement

Great Goods Ltd.

Balance sheet for the year ending 31 Dec 2016

ASSETS	$
Fixed assets	12,000
Current assets	
Cash at bank	500
Stocks (inventory)	1,500
Debtors (accounts Receivable)	2,500
Prepayments and other current assets	500
Total current assets	5,000
TOTAL ASSETS	**17,500**
LIABILITIES AND EQUITY	$
Current liabilities	
Creditors (accounts payable)	1,500
Accruals and other current liabilities	250
Total current liabilities	1,750
Non current liabilities	
Long term loans	3,750
Total liabilities	5,500
EQUITY	
Share capital	10,000
Retained earnings	2,000
Total equity	12,000
TOTAL LIABILITIES AND EQUITY	**17,500**

Table 3: Example of a balance sheet

The cash flow statement

This statement shows the changes in cash, both into and out of the organisation, during a given period. It is produced in conjunction with the profit and loss statement and the balance sheet. The cash flow statement is essential for a business, as managing cash is extremely important to ensure sufficient funds exist so that the business can continue trading (and even expanding).

Simple cash flow statement

Great Goods Ltd.

Cash flow statement for year ending 31 December 2016

Cash flow from operating activities	$
Net income from operations	370
Depreciation expense	50
Changes in working capital	
(Inc)/Dec in debtors	(100)
(Inc)/Dec in stocks	180
(Inc)/Dec in creditors	80
Interest paid	(40)
Tax paid	(20)
Net cash flow from operating activities	**520**
Cash flow from investing activities	
Purchase of equipment	(850)
Sale of equipment	550
Net cash flow from investing activities	**(300)**
Cash flow from financing activities	
Increase in long term debt	100
Issue of shares	50
Net cash flow from financing activities	**150**
Net change in cash flow	**370**
Cash at beginning of year	130
Cash at end of year	500

Table 4: Example of a simple cash flow statement

REVISION on the go

What does it mean to an employee? Staff versus profit

Your organisation may make a loss at the end of the year. Does this mean your job is under threat? Not necessarily. An organisation may have a net loss but high cash balance or a profit with a low or negative cash balance; this is because accounting entries made by the finance team may influence profits but not cash (the reverse is also true).

A business in its start-up phase may well expect to make a loss.

If your organisation makes a loss at the end of the financial year, speak to your finance team and get an understanding of why this is, rather than considering leaving the organisation as you are concerned about your future there.

Measuring financial performance

When working for an organisation, you may receive updates on financial performance, and as an employee it is important to read and understand these. It may not be important to understand all the features and statements, but to become a valuable employee it is good to know these figures. If a business is performing poorly, then as a direct result, there will be an impact on the future of the business and possibly jobs. Therefore, there are some key facts for an employee to consider, as shown in Table 5. It's particularly important to look at how they compare to previous years.

Share price	The price of an individual share of a business as traded on a stock exchange
Gross profit	How much income (sales) exceed the direct cost of producing goods
Net Profit	How much income (sales) exceed the total cost of running a business including taxes
Turnover	This is the total sales but includes the cost of returns
Return on capital employed	This is the percentage of net profit over the capital invested

Table 5: Key facts for an employee to consider regarding their organisation's financial performance

Using finance to grow a business

! NEED TO KNOW

Is funding a need for concern?

On hearing that a business is looking for funding it does not mean that there are problems within it; the business may be looking for investment. They may also offer options to the staff within the organisation; therefore, consider what is on offer and whether you can afford to invest. Share ownership should be considered as a long-term investment and you may not get back what you invested.
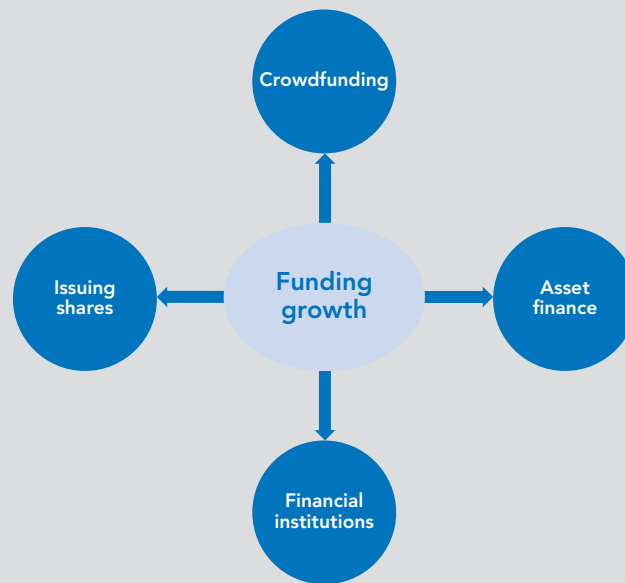
Figure 4: Funding the growth of an organisation

To grow (i.e. to expand into new markets, or invest in new assets) most businesses will need a source of finance. While it is common for a business to seek financial funding in the forms of loans, mortgages, and overdrafts, there are alternatives.

Shares

Shares are units of ownership in a business which give a proportion of ownership. Shares can be issued for public limited businesses (and are traded on a stock market) or for private limited businesses (where they are usually in return for a lump sum payment).

They can be **common (ordinary),** which are standard shares with payment in the form of dividends. Though there are other shares, the other main type is **preference**, and these usually attract higher returns through a fixed dividend.

Funding – such as crowdfunding

Crowdfunding is a growing area of funding enterprises and projects. By using web-based platforms funds can be raised by advertising the aims and mission of the business and what contributors will get in return for their investment. Since 2007 the crowdfunding site www.kickstarter.com provided access to 13 million backers, US$3 billion of funds and over 123,000 successfully funded projects.

📄 CASE STUDY

BrewDog – a new form of funding

BrewDog Beer has over 46,000 investors in their crowdfunding scheme called "Equity for Punks". In 2013, they raised £4.24 million in the UK's largest crowd funding scheme.

Ownership includes benefits such as free birthday beer and discounts at their bar. Through their use of crowdfunding and extraordinary publicity stunts, they have created a brand that does not follow the norms of business and is highly successful.
www.brewdog.com

Investment appraisal

Within an organisation long term investment is often required to grow the business. This may be for new machines or new premises, or it may be for research and development where significant investment will be required; therefore, money (investment) is spent now to produce a benefit for the business in the future. Though finance and the planning team will pull together this appraisal, when an investment decision is being made within a business there may be many key players, and information from several departments maybe called upon.

The key considerations when making an investment are as follows.

- **Risk**
- **Return**
- **Cost**
- **Feasibility**
- **Availability of funds** – do funds need to be borrowed from banks, investors (through shares) or are there sufficient current cash reserves?
- **The time value of money** – because of inflation, $1000 today will not be of equal value in five years' time and this needs to be considered. Discounted Cash Flows (DCF) account for the reduced value of money over time and Net Present Value (NPV) tells us what future cash flows are worth in today's money.
- **Whole life costing** – this will consider the lifetime of the investment rather than simply the initial cost, as there will be running costs, upgrades and other factors with the use of the investment (and possibly disposal costs). For example, looking at research and development, costs for possible patents also need to be considered.

What does it mean to an employee? Investment appraisals

If teams are contributing to investment appraisals, then their input needs to be speedy and accurate. If there are doubts or concerns about figures being submitted, they need to be raised so that the project manager can take them into consideration. It is also useful to get all submissions which contribute to an investment appraised and double checked by a colleague before submission.

REVISION on the go

Budgets

Budgets help a business plan by providing estimates for revenue and expenses over a period of time. A business usually sets these at the start of the financial year, but they may be reviewed regularly, monthly, or quarterly.

Terms used in budgeting

Balanced budget	This is where planned revenue equals planned expenditure.
Zero-based budget	This is where, at the beginning of each financial period, the budget is set from zero and all expenses and income will be justified.
Incremental budget	This uses figures from previous periods and adjusts for any changes or requirements (e.g. cut in staff costs, inflation).
Devolved budget	This is where responsibility for budgets is given down to people who are at the point of delivery.

Capital budget	This is focussed on capital spends only. Capital Expenditure (CAPEX) is seen as one-off spending.
Revenue budget	This budget focuses upon day to day expenditure and often contains recurring costs, i.e. not capital expenditure.

Table 6: Terms used in budgeting

Departmental cost centres

These are the main way of managing costs and income in businesses, providing focus and accountability. By creating groups such as departments or categories and providing each with an identifying code, finance teams can manage their budgets and easily identify over- or under-performance.

! NEED TO KNOW

Cost centres – what do they mean to an employee?

It is important to know your cost centre as whenever you incur an expense, it will be taken directly from your department's budget. When claiming for expenses (and similarly for stationery orders) these will typically be from specific departmental cost centres.

A team leader or manager will be responsible for the budget for the cost centre so these will be reviewed regularly to ensure they are being well-managed.

Examples of cost centres

Group	Cost centre code	Description	Budget
Marketing	E2058	E-campaign	$ 8,000
HR	H1899	Training budget	$12,500
HR	H1904	Recruitment costs	$ 7,850
Sales	S8883	Promotional material	$ 2,500

Table 7: Examples of cost centres

Variance analysis

Budgets need to be compared to the actual expenses and revenue, and this occurs monthly in most businesses. Any variances are identified and then it is up to the budget holders to explain them and, ideally, rectify the difference.

An adverse variance occurs when cost is higher than budgeted. This may be due to many reasons, including: an unexpected expense, seasonal issues (e.g. a cold winter pushing up heating bills), machines unexpectedly malfunctioning, etc.

This can have a direct effect on the employee as, if the budgets are not balanced either within the organisation or the department, there could be an immediate suspension of spending. This can be in the form of the following:

- suspension of recruitment;
- reduction in all spending;
- reduced travel;
- overtime ban;
- staff cuts or shorter working weeks (which can occur if the budget variation is serious).

4.3 Describe the importance and role of physical resources

Tangible and intangible assets

Tangible assets are physical entities such as vehicles or desks. Intangible goods have a value but are not physical goods; for example, a music download or an app. Both have commercial value but only tangible goods are classed as assets.

Assets

> **! NEED TO KNOW**
>
> **Understanding assets**
>
> In a business there are two classifications of assets: long-term and short-term assets. These differences affect the financial accounts and often do not affect most employees on a day-to-day basis.
>
> Long-term/fixed – plant property and equipment with a life span of greater than one year. For example: land, machines and office equipment.
>
> Short-term/current – assets that can be converted into cash within one year. For example: cash, stock, savings and debtors.
>
> REVISION on the go

Physical resources

In all businesses there are physical resources and the types depend on the organisation. Physical resources are assets belonging to a business – even a virtual business has at least one workplace with computers, phones and printers.

Businesses closely monitor their capital expenditure; therefore, every purchase of a physical resource needs to be a direct benefit to managing or growin the business. A business needs to work with the available funds in order to make sound business decisions.

Physical resources include: vehicles, land, raw materials, manufacturing and office equipment.

Management of physical resources

The cost of a physical asset does not stop at the purchase cost; most need servicing, some need ancillary parts (such as printer cartridges) and some have specific storage requirements (such as raw materials).

The maintenance and storage of assets is a key element for maintaining the usability of the product (on which purchasing decisions have been made). However, maintenance and storage itself cost money.

For assets, there are three main kinds of maintenance: planned preventative, conditioned-based and reactive maintenance.

Car maintenance – Three type of maintenance

Planned preventative	The annual service where the technician carries out specific checks on the vehicle.
Condition-based	Maintenance occurs based on either information systems (for example, a warning light) or condition checks (rust on car).
Reactive	This is maintenance required after a failure has been identified; for example, the car is repaired as it is failing to start.

Table 8: Types of maintenance

Financing assets

The financing of physical resources such as machinery, vehicles and buildings may be a key issue for a business; there may be an extensive list of requirements but the funds are not available.

A business needs to match the need, importance of investments and funds available in order to make sound business decisions. One way to reduce the financial burden is to lease, rent or hire purchase physical resources.

Rent
- An agreement for the temporary use of goods or property in return for a payment.
  For example, offices or car park space.

Lease
- A contract for the use of an asset in return for agreed and regular payments.
  For example: premises, tools, and cars.

Hire purchase (HP)
- Goods are bought by paying instalments over time. They are owned at the end of the payment period, which may be two to five years.
  For example: tools and machines.

Figure 5: Rent, lease, and hire purchase

Stock and raw materials

There are four key **factors of production** (the resources used to produce goods and services). These are: raw materials (natural resources), labour, capital and enterprise.

Stock is therefore a key ingredient, whether it is in the form of raw materials, work in progress or stock ready to be sold (or altered and then sold). In business the source of the stock needs to be carefully planned and the continuity of supply must be ensured so that it does not run out.

Factors to consider include:

- Continuity of supply – if there is a reliance on one supplier, what happens if they cease trading or decide to supply a competitor? What alternatives are there?

- Price changes – if the raw material becomes scarce, prices will increase and this may affect the viability of a business.

- What are the storage needs (for example, refrigeration) and does the enterprise need to invest in these requirements?

- Is there a **shelf life** for the goods? Do they need to be sold within a certain time frame (for example, perishable food goods)?

- Are there security needs for the stock if they are high value or are a controlled substance (such as pharmaceuticals) which need certain security features to be in place to prevent theft?

- Finally, how much does it cost to transport the raw materials and stock? Does it need specialist transport, transit insurance or are they bulky, heavy and costly to move?

## The cost of raw materials and stock

As a factor of production, raw materials and stock are vital ingredients – but the cost is a key issue for an organisation (particularly for small businesses or businesses in the early stages of trading) so ordering the right amount is essential. For **inventory** and **stock control**, this involves balancing the quantity of goods required while not tying up cash in unused or unsold stock.

> ## ! NEED TO KNOW
>
> **Five key actions for stock control**
>
> If an employee is responsible for ordering raw materials or supplies (such as stationery or fuel), there are key actions to consider so costs are minimised and over-ordering is avoided.
>
> 1 Do not tie up capital in stock.
>
> 2 Store well so no stock is spoiled while in storage.
>
> 3 Set a re-order level.
>
> 4 Build relationships with suppliers so they are reliable.
>
> 5 Have a back-up plan if supply becomes limited.

REVISION
on the go
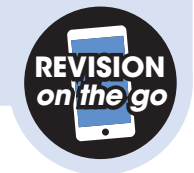
5.1 Explain the differences between internal and external customers

This section focuses on internal and external customers and B2B and B2C customers.

Internal and external customers

To trade, there must be a buyer and seller. The buyer, or customer, is a vital component and a business needs to spend time attracting and keeping customers.

> **Customers**
>
> **Internal customers** – These are colleagues within the same organisation who receive a service from you. This includes departments further along the production chain, the IT users who rely on the IT department for swift fixing of system problem or the employee who is dependent on HR to ensure that the payment of wages is completed each month.
>
> **External customers** – this is someone who uses or buys a product or service from an organisation. These are the customers that pay money and expect a great service or product.

Business to business (B2B) – this is where the customer is another business. An example is a bakery buying wheat – the bakery is the customer, the wheat seller is the supplier.

Business to consumer (B2C) – this where the customer is the end user and the sale is made directly to them. Amazon.com is a good example of the B2C model.

Consumer to consumer (C2C) – this is where customers are both the seller and the end user and is often seen in auction sales such as eBay.

REVISION on the go

By providing goods or services that are at least comparable to the competition, a business can maintain a strong customer base. Competitive advantage can be gained by having a product that is different, specific and/or competitively priced (either through low cost of production or a pricing strategy).

Customer service standards

While all customers expect good levels of customer service, organisations often set their own service standards. These can be called **customer charters** and show commitment to how each customer will be served. Examples include a commitment to respond to complaints within 48 hours, or to allow exchange of goods in shops if the purchaser changes their mind.

Additionally, the use of **service level agreements** (SLA) sets standards of service provision. These are formal and can be useful for both internal and external customers. SLAs define specifically what is expected from the supplier and are useful in contracts where a service is provided.

Given the cost of finding new customers, developing a relationship based on great service and brand loyalty is a key aim of all businesses.

✏️ OVER TO YOU

Activity 6: Customer charter

The low-cost airline EasyJet has a customer charter which contains these five promises:

1. Safety first

2. On your side

3. A big smile

4. Make it easy

5. Open and upfront

Research three customer charters for companies in your region; do they seem realistic and applicable to their business?

http://corporate.easyjet.com/corporate-responsibility/our-customers/easyjet-customer-charter

---

CASE STUDY

The Institute of Customer Service – ServiceMark

The Institute of Customer Service is a membership-based organisation focusing on improving customer service standards. Their mission is to create "a world where excellent customer service is demanded, delivered and seen to make a positive impact on organisational performance".

The institute has developed an award which businesses apply and are assessed for. ServiceMark is a national standard which recognises an organisation's achievement in customer service and its commitment to upholding those standards. Organisations which have been awarded ServiceMark accreditation have been found to consistently demonstrate good customer service.

Customers often feel more confident buying from suppliers who have been awarded customer service endorsements.

www.instituteof cusotmerservice.com/standards-accreditation/servicemark

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Dealing with internal and external customers

Remember, when dealing with customers:

- they are not a distraction – customers are fundamental to business success;
- they have expectations of service so ensure you know what they are;
- see problems from their point of view;
- ensure you keep your promises (particularly when you promise to call);
- be honest – if you can't help, inform them, but tell them what you are going to do to source a solution.

REVISION *on the* go

5.2 Explain how to monitor customer service

One way to monitor the service between a supplier and customer is through service level agreements and key performance indicators. These are working activities that provide more detail than a contract and are usable and practical for day-to-day monitoring.

Service level agreements (SLA)

A service level agreement (SLA) is put in place to set the expectations of the customer; it sets the standards of service that have been agreed. The agreement includes concepts such as timescales and quality, and is often reviewed regularly as it sets a framework of expectations. SLAs also set any penalties if the customer does not receive the service or goods as they expected. SLAs can

be used for internal and external customers – when used within an organisation (internal), they are helpful in ensuring that other departments do not become complacent or prioritise other work over your needs.

Examples include:

- two-hour call out for emergencies if issue reported between 9–5pm Monday–Friday;
- telephone support 9–5pm Monday–Friday, with answer phone and message facility out of hours;
- weekly systems health check run in accordance with contract.

## Key performance indicators (KPI)

KPIs are used to measure specific business outcomes and areas always linked to organisational targets – like all targets, they should be set to the SMARTER standard (see below). A KPI sets standards (how and when they will be measured) and there are three aspects to a KPI: what is being measured, by whom and when. Examples of KPIs include:

- reduce customer complaints by 10%;
- increase number of new customers by 5%;
- reduce employee turnover by 5%;
- increase sales by 7%;
- reduce budgeted transportation costs by 10%.

Differences between SLA and KPIs

An SLA is the agreement to define the standard of a service.

A KPI is a measurement of performance; so it evaluates the success of an activity.

REVISION on the go
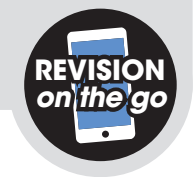
Monitoring customer service

The importance of customer retention and loyalty is vital to a business. When you consider the cost of marketing to find new customers, the most economically sound activity a business can do is to get repeat customers – therefore, speaking and listening to customers is vital (followed by actioning any improvement opportunities gained from their feedback). Two main methods of monitoring customer service are as follows.

1   Establishing channels to engage with customers and obtain feedback – this can be done online and also by using telephone customer service numbers where participants are asked for feedback at the end of the transaction.

2   Use quality monitoring such as **mystery shoppers** where an agent poses as a customer to assess the quality of the customer service process and provide feedback.

Monitoring should be a consistent process and feedback should be acted on to improve systems service rather than to punish those who have made mistakes.

✎ OVER TO YOU

Activity 7: Customer service feedback

There are many organisations who undertake customer service evaluations. Research and briefly report on three. Include how and where they operate.

SMARTER goal setting

Every goal and target set should confirm to SMART principles. For some, evaluation and re-evaluation may improve the outcome (SMARTER).

Each goal and target should be:

S	Specific
M	Measurable
A	Achievable/Agreed
R	Realistic/Relevant
T	Timely/Time-bound
E	Evaluated
R	Readjusted

REVISION *on the go*

✏️ OVER TO YOU

Activity 8: Setting KPIs

Imagine that you work as a customer service director in a hotel. Set 10 KPIs for your department. Ensure each one is SMART.

How can you evaluate and readjust these KPIs?

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6.1 Explain the role of risk management within an organisation

Business risk

There are many risks in running a business. Many of these risks fall into the following categories:

Strategic risk: This is where the leaders of a business do not produce an effective strategy for the changing market and their market collapses.

Operational risk: This is where a business does not plan for unexpected events and when an issue occurs there is no back-up or **business continuity** plan.

Compliance risk: This is where the business or staff within it do not comply with legal requirements such as accurately reporting financial data or maintaining adequate health and safety protection (see "health and safety at work" later in this section).

Financial risk: This can often be from poor cash flow but can also be from the impact of economic changes such as exchange rate changes or inflation. There must be clear rules for authorising payments and transfers, together with approvals for authorising and checking the system to prevent the occurrence of financial abuse and people exceeding their limits of spending (or trading limits in banks).

Information risk: Businesses need to protect information relating to their customers and employees, including banking data and addresses. This has become an increasing issue for organisations in recent years (see the discussion in Chapter 3 regarding TalkTalk).

Reputational risk: Customers will be reluctant to buy products or services from a brand or organisation which has a poor reputation. There may be a law suit or online articles that affect customer perceptions and, therefore, sales, and suppliers may not wish to be associated with the business.

✏ OVER TO YOU

Activity 9: Business risk

For each of the seven risks listed above, provide an example incident (from either a real situation or a made-up one) and include the impact on the hotel business in Activity 8.

CASE STUDY

Example of poor risk management – BP oil Deepwater Horizon drilling rig

Referred to in Chapter 1, the results of this catastrophic incident in the Gulf of Mexico cost the company US$61.6 billion.

- 11 rig workers died.

- Millions of gallons of oil contaminated the Gulf for 87 days.

- Law suits were filed by individuals (mainly fisherman), companies and local, state and federal governments.

- Damage was caused to fish stocks, wildlife and coastline habitats.

- The reputation of BP was damaged with headlines reoccurring around the world since 2010 as legal cases reignited interest in the original incident.

Read more about this case in the article listed in your reading list: (2010) "The long, long road from Exxon Valdez to Deepwater Horizon", *Disaster Prevention and Management: An International Journal*, Vol. 19 Issue: 5. (This article will be available in your online student resources.)

The examples of TalkTalk (see Chapter 3) and BP oil show incidents that may have been avoided if organisations had better risk prevention systems in place.

Often, a catastrophic event causes both financial risk and reputational risk. The company may be prosecuted, required to pay compensation and large fines and receive poor press and damage to their reputation.

Health and safety at work

To reduce the risk of accidents at work, a key prevention activity is to risk assess the work area. Many employees get involved with this process and often conduct their own risk assessments, which identify sensible measures to control risks.

This is a five-step process that does not need to be complicated but can highlight problems and introduce actions to prevent accidents and injury.

Figure 6: Preventing risk
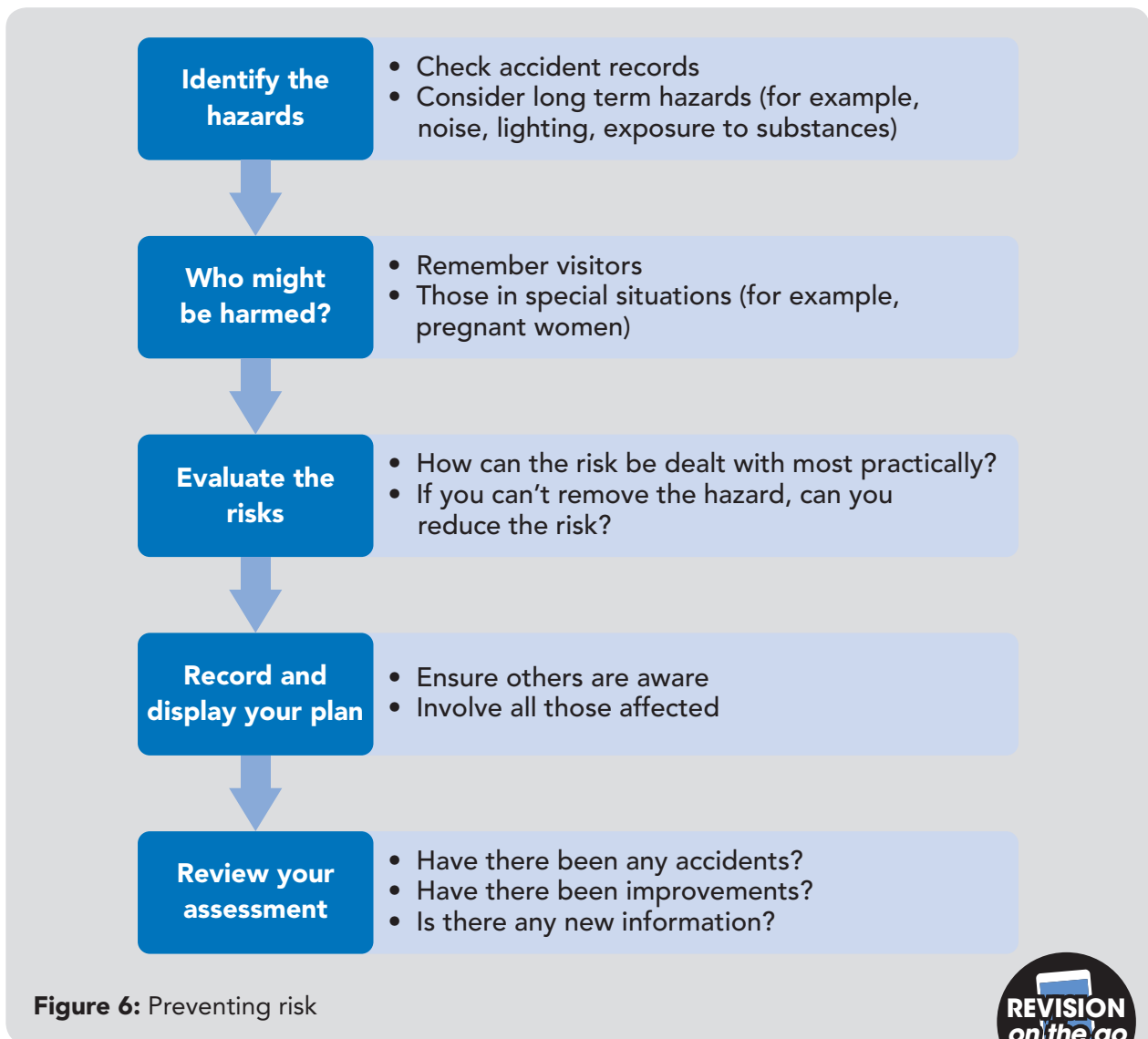
Business continuity

Business continuity is the requirement for a business to continue regardless of unexpected events. The formal definition is:

> *the capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident.[2]*

Incidents are usually classed as one of the following:

- premises incidents
- infrastructure incidents
- staff incidents

A company will assess the risks that may affect their operations – for example, what if the electricity fails, or what if the road is closed and supplies cannot get in or out of the area?

Whilst insurance may be available to cover the financial cost of certain events and their consequences, it is important to have processes and plans in place to keep the business "up and running" in the event of an incident, where possible.

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2 ISO 22301:2012

Examples:

Risk	Preventative measure
Loss of electricity	Backup generator
Heavy snow or floods	Agreed procedure for staff to work from home
Sudden departure of employee	Each role has a work plan and handover document so others can step in

Table 9: Ways to resolve risks

When developing a business continuity plan, it needs to contain actions for job holders to complete, information on how and where materials and equipment can be found, and guidance on how to resolve potential problems. Most importantly, the plan should be practised and available for employees to view so people know their responsibilities before an incident happens.

6.2 Explain the role of an employee in managing risk

CASE STUDY

Managing risk

A report by Cass Business School looked at over 20 of the largest corporate failures and identified that the majority of failures were all because of internal risks – this included governance at board level and poor leadership. However, the risk from technology, both from becoming obsolete and cyber security, is now increasing.

You can find more information in the article: Cheese, P. (2016) "Managing risk and building resilient organisations in a riskier world", *Journal of Organizational Effectiveness: People and Performance*, Vol. 3 Issue: 3, pp. 323–331. (This article will be available in your online student resources.)

Each employee has an obligation to support their company in managing risk.

- The first task is to understand the risk in their work area and area of responsibility.
- They must fully understand the implications of actions
- They should provide input into risk assessments and report on accidents as required by the organisation.
- They should report to others if there is a contravention (or suspicion of) risk management rules.

Employee behaviours must not put the company at risk – for example, by sending inappropriate messages on social media that negatively reflect the company.

✏️ OVER TO YOU

Activity 10: Managing risks

For the following risks, how does an employee ensure that they do not put their organisation at risk?

IT Security

Employee conduct

Release of personal information

Reputation

Financial risk

❗ NEED TO KNOW

Risks within the workplace

When starting a new role, an employee needs an understanding of how to manage risk in their area – both personal and professionally.

Speaking with line managers and HR is a good start to find out what to do if concerns arise.

All employees who have concerns (for instance, regarding theft, bribery, corruption within the business, etc.) should raise them with either their line manager or HR immediately to prevent the business being negatively affected.

REVISION on the go

CASE STUDY

Health and safety, Severn Trent plc

With workplace accidents and ill-health costing the UK economy £6.5 billion a year, Severn Trent plc (a water supply company) implemented a new health and safety programme. Within the first year they had reduced accidents by 50% and there was a decrease in absence due to sickness.

A new approach supported staff health and resulted in cost savings both in work time loss and possible liability claims.

www.hse.gov.uk/business/casestudy/severntrent.htm

7.1 Explain the concept of continuous improvement

Innovation and continuous improvement

Innovation is the application of new ideas or processes to improve a product. **Continuous improvement** is a process to improve all areas of a business – from production methods to sales methods. These can be minor or significant; however, a combination of minor, step-by-step improvements can have an overall impact as significant as a breakthrough idea.

This can be led by employees in groups such as **quality circles**, or when external consultants review business processes. Quality circles are where groups of employees, usually from different areas of the company, meet regularly to discuss and agree upon ways of improving processes and solving any problems.

Early developments in continuous improvement were pioneered by W Edwards Deming, who developed the concept of Plan, Do, Check, Act; this was a key driver in the movement for quality management, which looks at:

- quality planning
- quality assurance
- quality control
- quality improvement.

Plan, Do, Check and Act is a simple but effective way of improvement using a measured approach with planning and review.

Tools to support continuous improvement

There are many other systems and tools to support continuous improvement, with key ones being: Kaizen, Six Sigma, Toyota Production Systems (TPS) and Lean Manufacturing (these final two will be covered in Section 7.2).

Kaizen (a Japanese word which translates as "change for the better") is a well know system of continuous improvement using the principle that everything can improved – change is therefore

incremental, not sudden.

Six Sigma is another well-known quality programme, developed by Motorola in 1986. The aim is to focus upon the reduction of manufacturing defects using statistical analysis to drive process improvement. If a process is Six Sigma, then statistically it should be free of defects.

What this means for an employee

For a new employee, joining a forum or group to support continuous improvement is a great way to develop. By participating in continuous improvement programmes, employees will learn more about the organisation and structure of the business. Though they may not have any breakthrough ideas, it is good for their personal development and they become more involved with the business. It is an excellent way to develop skills, develop a way of cross-functional working and build relationships with peers and managers.

REVISION on the go

📄 CASE STUDY

Being paid to think

Examples of enterprising cultures allowing creativity are:

W. L. Gore, the makers of Gore-Tex. Employees have dabble time to develop ideas and personal projects. One successful product was the development of guitar strings (Elixir) from an existing product used for coating cables.

DreamWorks Studio encourages employees to develop new ideas for movies – this includes free training for skills such as script development. They also have sessions where, regardless of your role, you have the chance to pitch your idea to senior executives.

7.2 Explain how continuous improvement supports the success of a business

While there can be significant costs in setting up continuous improvement programmes within an organisation – from the cost of training coaches to the time employees spend away from their core role – there are also many benefits, some of which are not the primary purpose of the improvement activity. Key benefits include the following:

- reduced waste;
- empowered workforce who develop greater commitment to the organisation by understanding issues and solutions;
- reduction in costs (and therefore increasing competitiveness);
- improved changes of idea generation.

📄 CASE STUDY: CONTINUOUS IMPROVEMENT IN MANUFACTURING

Toyota Production System (TPS)

One of the most common ways to improve the efficiency of an organisation is to eliminate waste. Often organisations focus on this area for improvement opportunities for staff. Senior management are generally open to new ideas from employees, especially in the area of waste reduction which usually saves the company money.

An example of this is the Toyota Production System. Read the Toyota case study by Sisson and Elshennawy which is detailed in the reading list for this chapter.

Ohno's seven sources of waste

These are the founding principles of Lean Manufacturing. The aim is to reduce waste in production to zero.

1 Defects – ensure all products meet the specification. Reduce these by looking at the process all the way through.

2 Overproduction – make only the quantity required each time.

3 Waiting – ineffective time use is waste. This includes: machines, staff, and fixed costs (for example, lighting and rent).

4 Transporting – every time an item is moved, there is a cost so reduce any movement within the process.

5 Movement – improve the layout to reduce the movement of people.

6 Inappropriate processing – do only what is required and nothing more.

7 Inventory – holding stock cost money (in storage, tied up finance, security risk and cost and risk of spoilage) therefore produce to **just in time** methods.

READING LIST

* Cheese, P. (2016) "Managing risk and building resilient organisations in a riskier world", *Journal of Organizational Effectiveness: People and Performance*, Vol. 3 Issue: 3, pp. 323–331. (This article will be available in your online student resources.)

* Pollitt, D. (2014) "Deepwater Horizon exposes BP's PR strengths and weaknesses: Company lacked critical tools in aftermath of oil-rig disaster", *Human Resource Management International Digest*, Vol. 22 Issue: 7, pp. 23–25. (This article will be available in your online student resources.)

* Sisson, J. Elshennawy, A. (2015) "Achieving success with Lean: An analysis of key factors in Lean transformation at Toyota and beyond", *International Journal of Lean Six Sigma*, Vol. 6 Issue: 3, pp. 263–280. (This article will be available in your online student resources.)

* (2005) "The business case for health and safety", *Structural Survey*, Vol. 23 Issue: 3. (This article will be available in your online student resources.)

* (2010) "The long, long road from Exxon Valdez to Deepwater Horizon", Disaster Prevention and Management: An International Journal, Vol. 19 Issue: 5

Chapter 3

New Ways of Working in Business

Learning outcomes

On completing the chapter, you will be able to:

8 Explain the importance of corporate social responsibility (CSR) and sustainability within an organisation

9 Describe the use of technology to build success

10 Describe recent trends relating to new ways of working within an organisation

Assessment criteria

8 Explain the importance of corporate social responsibility and sustainability within an organisation

8.1 Explain the difference between CSR and sustainability

8.2 Explain the use of CSR and sustainability within a workplace

9 Describe the use of technology to build success

9.1 Discuss the use of technology in business

9.2 Describe the use of apps and mobile phone technology in a business

10 Describe recent trends relating to new ways of working within an organisation

10.1 Explain the use and effects of outsourcing in an organisation

10.2 Explain the increase in "remote working"

10.3 Explain the effects of "contract working"

8.1 Explain the difference between CSR and sustainability

Corporate social responsibility (CSR)

CSR is a business concept were organisations consider the impact of their actions on society. (It is also known as corporate citizenship and corporate conscience). It includes the activities throughout the supply, production and sales chain.

There may not be a financial gain in undertaking a programme of CSR, as often these cost money to implement, which may result in lower profits; however, many businesses consider that the cost of not having a CSR policy could be high. Some organisations base their business around their CSR policy and use this as a competitive advantage, such as coffee businesses that source organic beans using ethical and Fair Trade standards.

Sustainability looks at the long-term impact of the actions of a company and considers economic, environmental and social issues to benefit future generations. The Brundtland report[3] defined sustainability as working in a way which

> " *…meets the needs of the present without compromising the ability of future generations to meet their own needs.* "

Five pillars of CSR

The main principles of CSR are known as the five pillars. These are:

- Community – how a business interacts with the local community and voluntary organisations by funding or building strategic partnerships.
- Workplace – how a business supports and engages with employees, dealing with issues such as the work-life balance, health and volunteering.
- Marketplace – how a business manages its relationships with customers and suppliers.
- Governance and communications – management and practices within the organisation which support responsible and sustainable activities.
- Environment – how a business manages its impact on the environment.

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3 www.un-documents.net/our-common-future.pdf

Looking at the CSR focus at Sony Corporation, it combines people, the organisation, environmental issues and the community, and includes all the areas covered by the five pillars above.

CSR at Sony

Source: https://www.sony.net/SonyInfo/csr_report/about/
Figure 1: Factors related to CSR
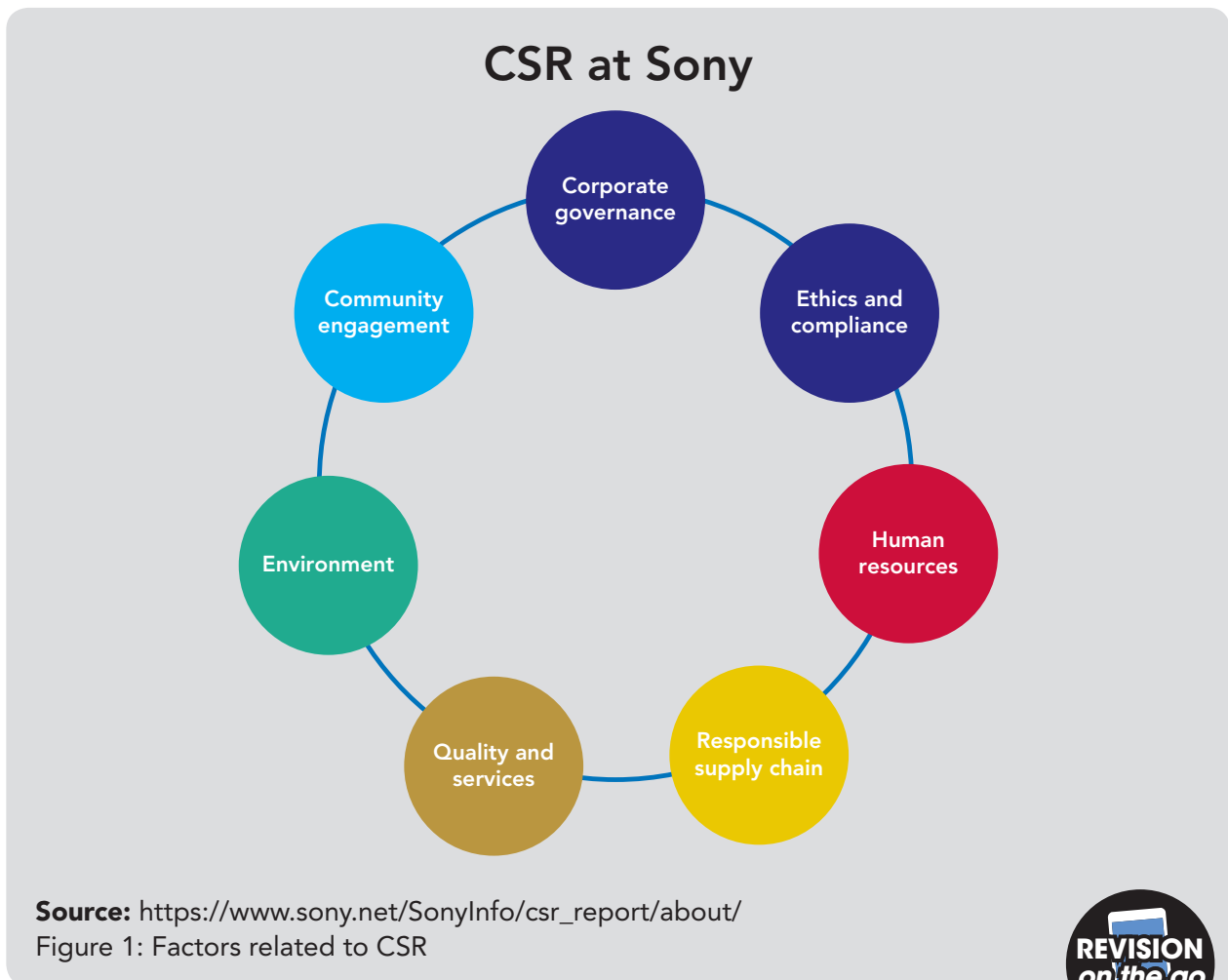
Targets for CSR: ISO 26000

! NEED TO KNOW

International Organisation for Standardisation (ISO)

The **International Organisation for Standardisation (ISO)** is an international standard-setting body for industry and commerce. It is an independent and non-governmental organisation (**NGO**). It has produced over 20,000 standards covering many sectors in business. ISO helps protect consumers by ensuring that products conform to minimum standards.

Employees will come across ISO standards in many aspects of their work, the most common of which is the ISO 9001, which is a quality management system.

For CSR, the international standard is ISO 26000. This is not a mandatory standard and companies are encouraged to conform to the standard by employees and stakeholders. Many organisations apply the triple bottom line procedure instead.

There are many other global and regional standards, such as the United Nations Global Compact, and many regions have developed their own initiatives to improve CSR and sustainability.

✏️ OVER TO YOU

Activity 1: Regional standards and initiatives for CSR

What are the standards in your region that affect CSR and sustainability? There may be several covering different areas of CSR.

List as many as possible and say whether you think they are having a positive impact.

📄 CASE STUDY

Target – A shop with a CSR mission

The American retailer Target has had a long-term mission to support the communities in which they do business. It donates 5% of its profits to local charities and causes, and staff are given time off to support local initiatives.

Their CSR policy includes the active support of community events, volunteering, staff health, sustainability, and diversity and inclusion. Through the Target Foundation (formerly known as the Dayton Foundation, which was started by the corporation's predecessor), Target provides US$4 million each week towards CSR related activities, with US$1 billion in total provided to educational programmes by 2015.

This study, conducted by Brigitte Planken, Catherine Nickerson and Subrat Sahu (2013), looks at how Dutch and Indian retailers use CSR techniques to improve customer engagement: "CSR across the globe: Dutch and Indian consumers' responses to CSR" (this article will be available in your online student resources).

Impact of sustainability on an organisation

While having sustainable working practices may not be one of the direct aims that an organisation sets out with, the influence of stakeholders, legislation and ISOs makes sustainability a relevant strategic goal for an organisation, no matter what size.

The biggest concern is cost; it costs time and money to ensure that the supply chain is sustainable, to audit, and to reach ISO standards. If an organisation is struggling to break even, then investing in sustainable practices may be seen as idealistic but not a necessity, so such an investment may be delayed.

✎ OVER TO YOU

Activity 2: Reading suggestion

Read this article by Galpin, Whittington and Bell (2015): "Is your sustainability strategy sustainable? Creating a culture of sustainability" (this article will be available in your online student resources).

It gives a useful insight into sustainable strategies. As you're reading it, make your notes here.

8.2 Explain the use of CSR and sustainability within a workplace

Triple bottom line

Employees may hear the phrase **triple bottom line** in literature about their organisation. This term was developed in the 1990s and is an accounting framework that takes into account social and environmental factors. This links into the 3Ps: people, profit, planet.

- People refers to the social factors that an organisation should consider.
- Profit refers to the financial interests of an organisation.
- Planet refers to the environmental factors that organisations can influence.

CSR within the workplace can impact on many areas:

Figure 2: Areas impacted by CSR
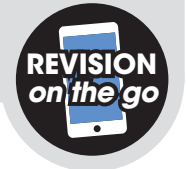
CSR activity	Action	Example
Supply chain management	Auditing suppliers to ensure that what they promise in terms of their employee and production practices is consistently applied	Inspections of factories and review of staff feedback
Wildlife protection	Ensuring that there is not a negative impact on local wildlife through emissions, noise and light pollution	Reducing pollution emitted from factories
Procurement	Looking at suppliers, environmental management systems and ethical employment policies	Ensuring all employees receive fair wages and equal treatment
Ethical customer relations	Organisations have fair policies for customers	Ensuring that there is a simple returns policy for damaged or unwanted goods
Ethical employee relations	The organisation pays fair wages, does not discriminate and provides safe working conditions	Ensuring that the organisation complies with local legislation
Public protection	Organisations store hazardous waste safely and don't pollute waterways and the air	No polluting of local environment through mismanagement or to save costs on treatment of waste
Community investment	Organisations support local events and schools/clubs	Staff are allowed time off to volunteer in local projects

Table 10: Types of CSR activities

What do CSR and sustainability mean for an employee?

CSR and sustainability are taking a greater focus in organisations, and for an employee there are often ways to get involved. Many businesses use "champions", who are advocates for environmental and social issues. It is a good method of personal development for an employee to share their interests with the business with a view to improving the impact on people, the planet and profits.

If CSR is not developed in a business, there is an opportunity for staff members to propose methods to improve the way of working; this may also be linked with continuous improvement.

REVISION on the go

✎ OVER TO YOU

Activity 3: Sustainability in organisations

Research one global organisation and one local to your region. Describe the impact of sustainability on the two companies. Use the five pillars of CSR to structure your ideas.

9.1 Discuss the use of technology in business

Internal use of technology

Technology has significantly changed the way of working within businesses. A major change has been the connectivity between business and throughout the supply chain. Within the organisation, monitoring production methods has become simpler, communications are swifter and collaboration with colleagues has been facilitated. While communication through emails and phone calls is now standard, instant messaging makes informal questioning and chatting even faster.

Remote working (discussed in Section 10.2 of this chapter) is made simpler due to cloud computing, and planning is easily supported. Simple activities such as setting meeting dates can be arranged in a click by using a poll (such as Doodle polls), making it easy to stay in touch.

Although there are downsides with the overuse of technology and stress that this may cause due to constant work and interruptions, the speed and efficiency of communicating and conducting research has changed the approach to the way we work. Technology has caused an improvement in the production, sales and delivery of goods and services in the past 10 years. All businesses are

affected by computing and technology somewhere in the supply chain, whether it is the production of seeds for a farmer, or the **just-in-time** delivery of goods in the car industry.

External use of technology
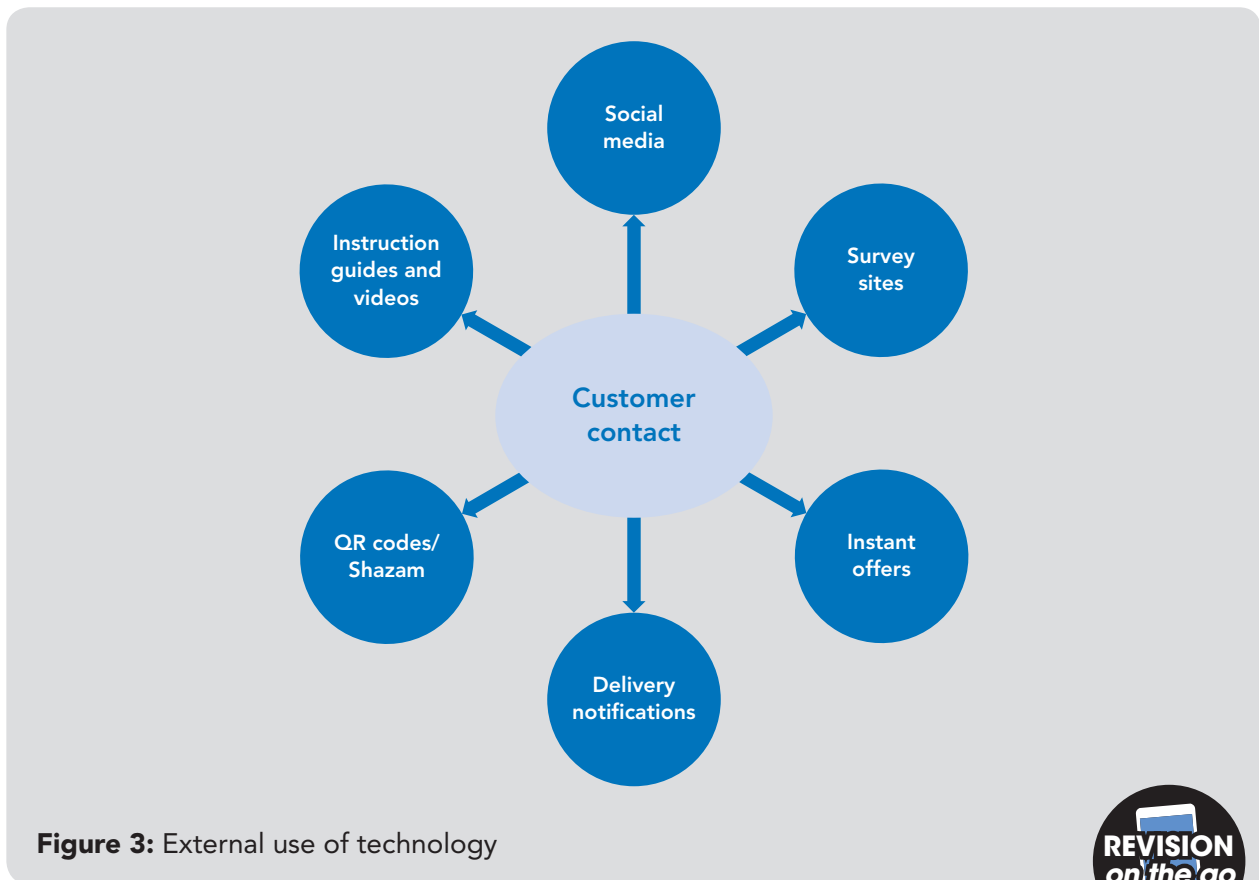

Figure 3: External use of technology

Figure 3 shows an overview of some of the customer contact and support that is now available using information and communications technology (ICT), whether it is a text to say your item has been delivered, or saving money on instructional booklets by having them available online. The use of QR codes can also offer more specific information to the customer by simply scanning the code with a mobile phone.

The ability to offer instant discounts can increase traffic to a store or website at times of low demand, and by using surveys, feedback can be gained cheaply to help improve future targeting through social media.

Customer relationship management (CRM)

Many organisations use software systems based on advanced spreadsheets to monitor customer contact, sales leads and completed orders. The systems improve sales management and customer relationships by monitoring contact and spending.

The use of computerised **customer relationship management (CRM)** enables organisations to have up-to-date information for all staff, including field-based teams. While an organisation using a CRM system must obey the data protection rules of the region, the system is a great cost saving way of storing and analysing data.

E-commerce

Use of technology has had a significant impact in that it has facilitated **e-commerce** – with both online banking and the use of online payment systems (such as Square and PayPal), there is greater control of payments, receipts and speed of transaction. Monitoring of finance has also become easier with simple accounting packages rather than large spreadsheets. These are useful for both small businesses and large organisations alike.

📄 CASE STUDY

M-Pesa – mobile money in Kenya

In 2007, Safaricom – the country's largest mobile network operator – launched M-Pesa. By 2015 over 17 million citizens were using the system with around 25% of the country's GDP flowing through it.

M-Pesa was set up by Safaricom to help in the repayments of loans, making it simpler and cheaper for small businesses to access loans – it has now developed into a money transfer scheme allowing swift and secure money transfers and a reduction of the need to carry cash.

The use of M-Pesa is widespread. It has encouraged more start-up enterprises to develop in the county and it has expanded to other countries such as Afghanistan and Tanzania.

www.economist.com/blogs/economist-explains/2013/05/economist-expains-18

Privacy and security

The increased use of technology does create challenges; as online security becomes a significant issue (such as the security of payment methods and personal data management), it is of increasing importance to businesses. A business should protect the information of their customers and needs to establish good security to prevent breaches.

📄 CASE STUDY

TalkTalk

In 2016, the telecoms company TalkTalk was issued a £400,000 fine from the UK's Information Commissioner's Office (the regulator) for poor website security and other failings that allowed easy access for a cyber attacker. The personal data of over 156,000 customers, including their bank details, was taken during the attack. The Information Commissioner's Office upholds the information rights in the public interest for England and Wales and has legal powers.

www.ico.org.uk/about

Computer-aided design – CAD

CAD uses computer systems to design and adapt documentation, plans, and routes. CAD is of significant help to a business as it allows the design of prototypes, alterations can be made cheaply and swiftly, and it also allows the selection of colours and patterns to be tested without incurring further costs. In clothing production, CAD can be used to customise clothes and optimise pattern design (saving material costs).

3D printing

3D printing makes a physical product by laying down successive layers of material. The process starts with a CAD file or a 3D scanner. Once a 3D model is created the printer slowly adds layers to make a 3D product. 3D printing is a growing industry and businesses are exploring how this process can save money in the development of products and specialised parts.

✎ OVER TO YOU

Activity 4: CAD and 3D printing

Consider the growth of CAD and 3D printing in a business of your choice. What future applications can you see for these two technological tools?

9.2 Describe the use of apps and mobile phone technology in a business

"App" is short for "application"; it is a specialised software programme which is used in online and mobile devices (including smart phones and tablets). There has been an incredible growth in the use of apps in organisations in recent years.

While many apps are used socially, there are key apps that support a business across the supply, production and sales processes. It is not uncommon to see sales staff in a supermarket holding a tablet and helping customers with their questions, checking stock, taking payment, all while based in the store.

Once an app has been downloaded onto a device, many business functions can be performed and the user themselves can become mobile. Not all apps are free; there may be user costs either monthly or, for larger organisations, per user – however, apps are usually far cheaper than buying software licences.

Apps support many areas of business; two major areas are e-commerce and communications.

- For e-commerce, the growth of mobile card-reading and payment apps such as PayPal make organisations far more responsive, rather than being tied to a computer in an office.

- There are many apps to support communication, such as email app systems, video conferencing and conference share (where slides and presentations can be shared with simultaneous broadcasting).

> ## ! NEED TO KNOW
>
> ### How apps can help in a new role
>
> In a new role, you should find out if there are any apps that will improve the way you work.
>
> Discuss with your line manager about using them. However, do not use apps without permission as there may be security or cost implications that you are not aware of.

Apps support business in:

Marketing

- with loyalty apps for repeat purchases;
- geo marketing – location specific marketing, to customers who are close to a business;
- reminder systems for appointments – for businesses such as salons, a reminder to clients to turn up saves wasted appointments and time.

Finance

- payment apps;
- monitoring staff expenses.

Project management apps

- logging time spent on a client's work;
- monitoring accounts;
- managing projects;
- apps for task lists – simple updates allow groups to see completed and future tasks.

Communication

- online conferencing and sending/receiving emails;
- mobile customer relationship management (CRM).

> ## ✏ OVER TO YOU
>
> ### Activity 5: Apps for businesses
>
> **For an organisation of your choice, research an app that will improve the way of working for each department below. State why it will be useful and any costs incurred.**
>
> Marketing:

Finance:

Production:

HR:

Sales:

Customer service:

Security:

Logistics:

Problems with mobile technology

The security of mobile technology is of great concern. Companies are vulnerable to hacking (see the TalkTalk case study in Section 9.1) – the rising use of mobile technology (such as smartphones and tablets) causes issues as these devices rarely given the same security attention (for example, in protection from malware and hacking) as you would get with high-powered computers. Some examples shown below in Figure 4 highlight the problems associated with these devices.
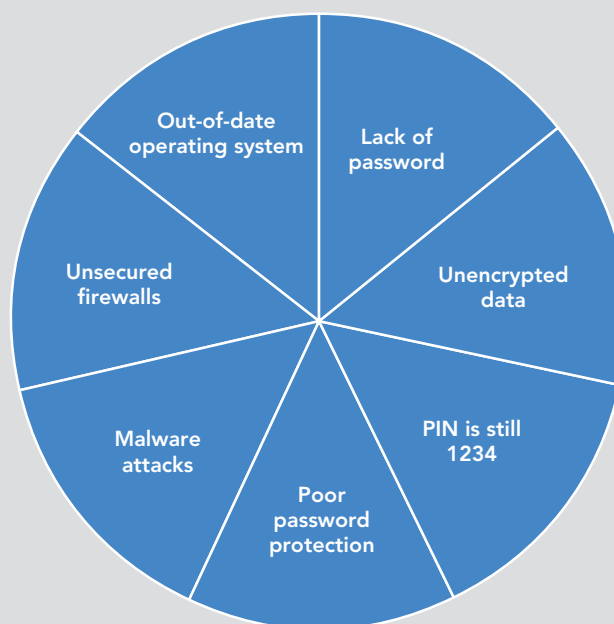

Figure 4: Problems associated with mobile technology

10.1 Explain the use and effects of outsourcing in an organisation

Outsourcing is where work is transferred outside of the business to individuals or companies. Usually it is to perform specific tasks such as training, accounting or providing legal services.
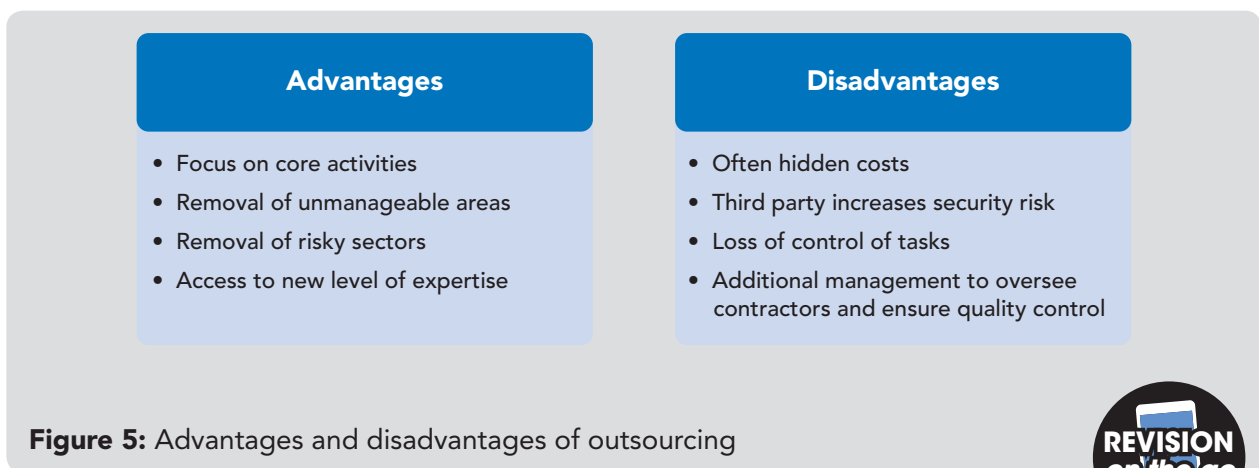
Offshoring is where a process or operation is relocated to a region (usually a country) to save costs. It is popular in manufacturing and service industries (such as call centres).

Tasks are usually outsourced to save money as two of the largest costs in an organisation are space (offices and land) and people; the costs to hire or own premises and provide desks and equipment for each employee, together with the costs of employment, are a high proportion of business costs. Even if the offices or production sites of a business are not in premium areas such as cities, costs of space may be very high as they include the rent or purchasing price of sites, insurance, local property taxes and security.

For employees, their costs include the following:

- wages;
- sickness pay;
- employer share of social taxes (in some areas, both employer and employee contribute to these);
- employer share of pension;
- health insurance;
- holiday pay;
- training;
- breaks and unproductive time.

Further considerations for outsourcing

Advantages	Disadvantages
• Focus on core activities • Removal of unmanageable areas • Removal of risky sectors • Access to new level of expertise	• Often hidden costs • Third party increases security risk • Loss of control of tasks • Additional management to oversee contractors and ensure quality control

Figure 5: Advantages and disadvantages of outsourcing

REVISION on the go

Management

Elements that are commonly outsourced in a business are: IT, website design, recruitment and legal work. In specialised areas such as legal work, it is unlikely that the team will have all the specialist knowledge required, so outsourcing makes sense.

In many countries, employment numbers in the public sector have fallen sharply since decisions to outsource council tasks began in the 1990s; the management of processes such as waste collection, procurement and catering have been outsourced to save councils money.

© ABE

These contracts will have KPIs and be managed by an SLA (see Section 5.1). However, where there are poorly written contracts, management of them becomes difficult which leads to overrunning of projects and therefore higher costs.

✏️ OVER TO YOU

Activity 6: Outsourcing

What outsourcing is common in your area? Research data to assess the volume of outsourcing in your local economy.

The details for a research paper into the factors influencing outsourcing in the banking sector in India are in the reading list at the end of the chapter (Jain and Natarajan (2011), "Factors influencing the outsourcing decisions: a study of the banking sector in India").

Increased innovation

The use of new technologies, particularly mobile technology, has significantly improved the efficiency of organisations. This has led to cost savings. For example, the use of **cloud technology** allows for the sharing of resources, and there in no need for servers and storage as everything can be hosted online.
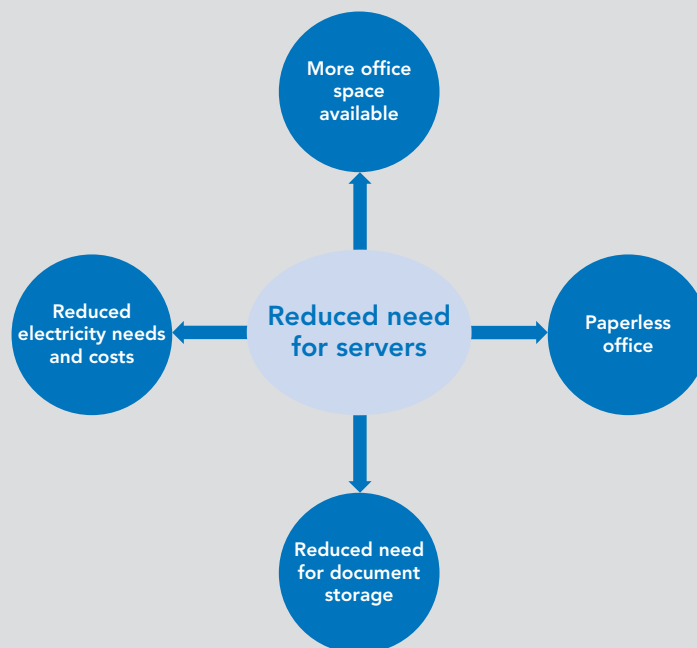

Figure 6: Benefits of the reduced need for servers in a workplace

Increased access to information has led to greater knowledge sharing. **Open source innovation** is a business concept attributed to Henry Chesbrough which promotes the use of innovation from outside an organisation in order to benefit the organisation. This benefits the business by reducing research and development time and costs, and by involving the stakeholders early in the development process – but it does reveal information and could impact upon the competitive model of an idea. With greater knowledge now shared across industries and the pace of technological change, there is more access to open source innovation.

Virtual assistants

With outsourcing, the use of specific and specialised teams can be highly cost effective. This has contributed to the use of targeted contracts for individual tasks or research.

Virtual assistants are usually small businesses who provide professional support to an organisation from a remote office.

📄 CASE STUDY

Upwork

Upwork (originally Elance-oDesk), was founded in 2013. It matches freelancers (professionals who work and are paid for on a job-by-job basis) with businesses that need a specific task to be completed. In a simple process, the following occurs:

1 A job/task is posted.

2 Upwork highlights freelancers with suitable skills.

3 A short list of candidates is received by the original poster of the job/task.

4 Meanwhile, freelancers can view the task and submit proposals to take on the work for a set fee.

5 After a review of bids and proposals, the original poster selects a freelancer to carry out the work.

6 Payment is made via Upwork with a commission taken by the site.

There are many other virtual assistant sites that contractors can use.

www.upwork.com

10.2 Explain the increase in "remote working"

Changes in working hours

Instead of working in the traditional office from Monday to Friday, 9am to 5pm, many employees now work in different environments and at different times. Examples include the following:

- For those in the service industry, many retail shops are open for long periods of the day and include Saturday and Sunday.

- For those in production, such as car manufacturing, many operational sites work on a 24-hour basis so employees will work on a shift basis.

- For employees working in transport and logistics, many items need to be delivered overnight so drivers and despatchers work unsociable hours.

In addition to changes in the hours of working, there are also other changes in when and where employees work.

Remote working

There are three groups of workers now common in the workplace – remote, virtual and flexible employees.

Remote workers work away from the main office, usually at home, and complete normal duties by way of mobile technology and the internet.

Virtual teams are groups of employees, often **cross functional**, that work together on a project. They are usually not line managed by the project leader but need to work together to meet the project aims.

Flexible employees work at times and in a way that suits their personal needs. For example, for those with caring responsibilities, it may be more attractive to work reduced hours or on certain days, or to switch from working at weekends to weekdays. Some organisations offer "term time" employment contracts to attract or keep those employees who have school-age children.

Why work remotely?

Employees work remotely because of their personal circumstances or at the request of the organisation.

The issues surrounding the cost of office space have been discussed in Section 10.1 but for employees, remote working enables the employee to combine work and caring responsibilities, and reduces personal travel costs and the stress and time taken to travel. Employers can benefit from staff that are more committed to the organisation as they enjoy considerable flexibility.

Transportation can be an issue in certain areas; with remote working it is possible to employ team members from a greater geographical area, even overseas. For staff that have problems commuting, remote working is cheaper and stress-free.

Disadvantages to remote working

One of the main disadvantages of remote working for the employer is that they cannot monitor and ensure that the employee works as and when required. Many organisations use technology to monitor staff such as calculating keystrokes per hour or taking regular screenshots of the work area. However, if the employee is tasked to produce work by set times, such as journal articles, this can be monitored by time of receipt.

For the employer, there are also health and safety considerations. In an office, an employer can control the environment that the employees work within but this cannot be monitored for a remote worker.

While office-based workers should have access to high speed internet, this may not be the same for home-workers. In an office, an employer can control the working environment, ensuring it's safe and clean, but it is impossible to regularly assess hazards in the working environment of a remote worker.

For employees, while there may be lifestyle benefits, there can also be concerns over isolation with little interaction with colleagues. Many feel they are "lost" and missing opportunities for training, development and potential promotion.

It is also hard to work for a team when there is little contact between team members, and often team mates become concerned that the remote worker is not working to the same level as those in the office.


✏️ **OVER TO YOU**

Activity 7: Working remotely

What do you see as the advantages and disadvantages of working remotely in your region? Consider the viewpoint of the employee and organisation.

Working at home in the USA

According to a Gallup poll, 37% of US workers in 2015 telecommuted occasionally (increased from 9% in 1995). The Bureau of Labor Statistics states that the percentage workers doing all, or some, work at home increased from 19% in 2003 to 24% in 2015.

REVISION *on the go*
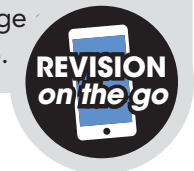
10.3 Explain the effects of "contract working"

Contract working

A contractor is an employee who is hired for a specific task at an agreed rate of pay. Working as a contractor does not mean they become an employee, but they may be considered a team member for the duration of a job.

Examples of contractors include: IT professionals, freelance photographers and web designers. Contractors are either self-employed or an employees. They can be an employee if working for an **umbrella organisation** or self-employed as a sole trader or owning their own limited business. It is important to distinguish between a contractor and an employee from an agency – temporary workers have employment rights and are usually eligible for holiday and sick pay.

For a contractor, they get flexibility but no possibility of training and development or promotion. Also, contracts can be cut on short notice if the plans of the employer change – this means there may not be continuity of income and the contractor may have a sense of continually searching for employment.

For the employer, the benefit of using contractors is that they can pay for a short-term resource only and get the skills required. The employer does not pay social and income taxes for a

contractor, so it is cost effective. However, long term employment of a contractor may result in a breach of tax laws as the contractor has effectively been employed for a significant amount of time.

By using different contractors, the employers receive a mix of talents and ideas which can be beneficial to the organisation as colleagues learn new ways of working. But with contractors (as with outsourcing), there is no loyalty and some may lack the motivation and commitment of permanent staff.

An employer is not bound by detailed employment laws, though they must comply with standard health and safety legislation in all cases.

The daily rate is usually higher for contractors and this may demotivate workers within the business on a lower rate of pay.

The responsibility of dealing with paperwork, billing and reporting lie with the contractor, saving administrative time within the organisation.

✎ OVER TO YOU

Activity 8: Outsourcing in China

Read the following article: Jones, WO. (2009) "Outsourcing in China: opportunities, challenges and lessons learned: INDUSTRY INSIGHT". (This article will be available in your online student resources.)

As you are reading it, make your notes here.

READING LIST

- Galpin, T., Whittington, JL., Bell, G. (2015) "Is your sustainability strategy sustainable? Creating a culture of sustainability", *Corporate Governance: The international journal of business in society*, Vol. 15 Issue: 1, pp. 1–17. (This article will be available in your online student resources.)

- Jain, RK., Natarajan, R. (2011) "Factors influencing the outsourcing decisions: a study of the banking sector in India", *Strategic Outsourcing: An International Journal*, Vol. 4 Issue: 3, pp. 294–322. (This article will be available in your online student resources.)

- Jones, WO. (2009) "Outsourcing in China: opportunities, challenges and lessons learned: INDUSTRY INSIGHT", *Strategic Outsourcing: An International Journal*, Vol. 2 Issue: 2, pp. 187–203. (This article will be available in your online student resources.)

- Planken, B., Nickerson, C., Sahu, S. (2013) "CSR across the globe: Dutch and Indian consumers' responses to CSR", International Journal of Organizational Analysis, Vol. 21 Issue: 3, pp. 357 -372. (This article will be available in your online student resources.)

Chapter 4

The skills needed for successfully working in business

Introduction

When starting a role in a company or moving within the organisation it is important to understand what is expected, how to behave and, once established, how to make the most of opportunities.

Chapter 4 focuses upon moving from working to excelling in a role, making the most of development opportunities and ensuring that good methods of communicating are used with fellow employees at all levels of the business.

Learning outcomes

On completing this chapter, you will be able to:

11 Explain key requirements for transitioning into work or a new role

12 Describe how to become more effective in a role

13 Explain effective ways to communicate within a business

Assessment criteria

11 Explain key requirements for transitioning into work or a new role

    11.1 Explain the requirements of a new role

    11.2 Describe the behavioural and professional requirements of a role

12 Describe how to become more effective in a role

    12.1 Describe methods of planning work

    12.2 Describe how to respond to change

    12.3 Describe personal development needs

    12.4 Explain how learning and development can improve job performance

13 Explain effective ways to communicate within a business

    13.1 Explain effective communication

    13.2 Compare different methods of communication within a business

11.1 Explain the requirements of a new role

The job description

Every role should have a job description, which is a list of tasks for a job. The main use of a job description is to attract potential applicants during the recruitment process and to assess their ability. It is also used during the performance review process.

A job description, commonly known as a "JD", includes responsibilities, reporting lines and subordinates. Usually it will include essential activities which are part of the role, the qualifications required and the **job grade** or salary range. It does not contain the personal detail that is seen in an employment contract and is usually available for everyone throughout the company to access and read. It also refers to job titles rather than naming individuals because people may leave their positions.

In some organisations there is a grading system; this is used to compare different roles in terms of the work content, value to the organisation and seniority. Large public sector businesses commonly have pay grades, which are like "ranks" in the armed forces as make it easy to identify seniority but not necessarily job role.

To be successful in a role, it is important to understand the requirements of that role and it is essential to discuss this with a team leader at the start of a new post.

! NEED TO KNOW

What does this mean to an employee?

When starting a new role, it is important to:

- agree the job description;
- question if there are extra tasks that may arise and how to prioritise them;
- question the best way to gain support from work colleagues in completing tasks;
- check whether the correct tools/support are available (such as software packages);
- ask whether there is a likelihood of the JD changing, and what input the job holder will have.

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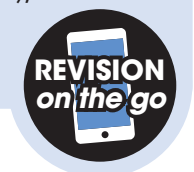
A job description

An example job description:

Job title: Senior sales analyst (South)

Grade: Level 7

Department: Sales

Reports to: Sales director

Summary of role

Analyse the monthly sales performance of the southern region and produce forecasting budgets for the leadership team.

Produce evaluation reports quarterly based on sales performance and trading condition.

Responsibilities

Collect and analyse monthly sales data

Produce of reports

Regularly review processes to ensure efficient process management

Communicate results to key stakeholders

Prepare monthly forecast

Job requirements

Full time position, based at southern headquarters offices in Mumbai

Job sharing will be considered

Skills requirements

Graduate or equivalent level

Experience using sales and CRM software

Experience using forecasting methods and data analysis

Strong analytical skills

Excellent numeracy skills with attention to detail

REVISION on the go

Where a job fits within an organisation

While employees understand their own roles, it is also important to understand the roles of team members and senior staff in an organisation – the **organisational chart** is the first step in this process as this allows staff to see who is in their team, what their roles are and who is in under the control of their manager. Staff members can look up employees in the organisational chart when they meet them or receive emails from them.

📄 CASE STUDY

Nando's – unusual job role descriptions

Nando's is a restaurant chain has an unusual set of job titles, which they believe match the organisational culture. All staff members are called "Nandocas".

Restaurant managers are called "Patrãos" and their role is described as being "inspirers and observers. Wingmen and urgers. Ice-breakers, selfie-takers, relationship-makers. Being a manager at Nando's goes far beyond the profit and loss of your restaurant".

This description may not be typical, but it clearly sets out the expectations of how a manager should be.

❗ NEED TO KNOW

What this means to an employee

In the first days of a new role, find out the reporting line all the way to the top (the CEO). Also learn your responsibilities in relation to other team members – for example, do you rely on others to produce reports that you need to complete your tasks?

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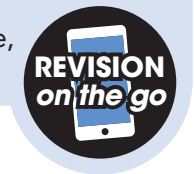
Stakeholders for job holders

A job holder has stakeholders, which are the people who affect or are affected by the activities carried out by an employee.

In the example below, an expenses administrator relies on other employees for the timely completion of paying expenses to staff each month. Others rely on the expenses administrator in order to complete their tasks.

Who the administrator is dependent upon	Who depends on the administrator
IT team – to maintain expenses system	Payroll administrator – who needs to know who and how much to pay
Sales team – to send in the expense required	Manager – to ensure all tasks completed
	Management accounts – need total figures for completing a profit and loss statement
	Sales team – who do not want a delay in their payment

Table 1: Stakeholders for an expenses administrator

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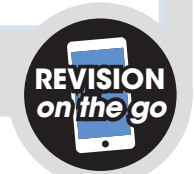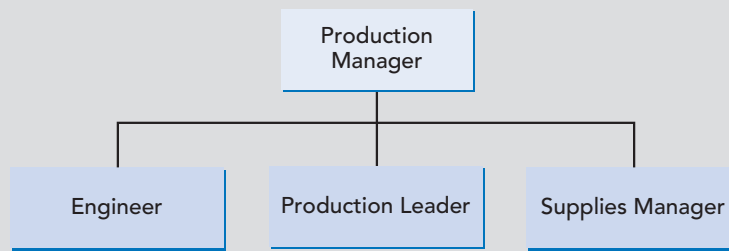
The role of team members and managers

Figure 1: Hierarchy of management

A manager is responsible for the employees in his or her team: these responsibilities include:

- leadership – communicating company strategy and values
- administrative – managing leave and setting goals and objectives
- team development – agreeing **appraisals** and performance development review
- legal – ensuring that employee rights are upheld and that health and safety rules are adhered to.

In the example in Figure 1 above, the manager has three **direct reports** (and though there may be other staff below these, the line manager is not directly responsible for them). Team members may have different titles and roles but they all form part of the production team, so it is important that all team members work together in order to meet the needs of the team and the organisation.

Strategic, tactical and operational roles

Even within small businesses there is **strategic**, **tactical** and **operational** decision-making to undertake. In start-ups or small firms this may need to be performed by the same person, but in larger businesses, the decision making may be made by employees at different levels in the hierarchy.
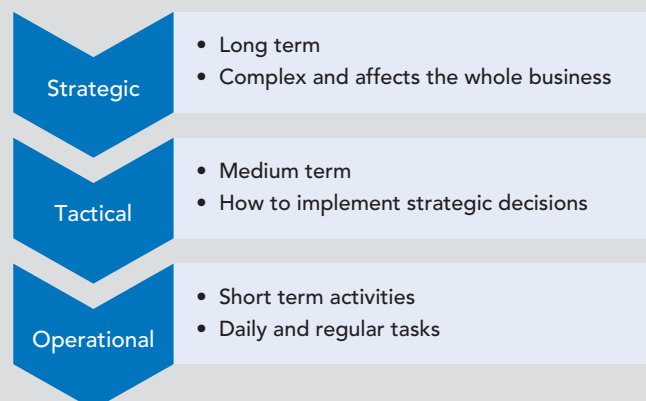

Figure 2: Types of decision-making

In the following example, the decisions that affect the longer term are made by senior management, tactical decisions by middle management, and operational and day-to-day issues made by junior managers and team leaders.

Example

In a facilities management function of a business, there are two concerns for the facilities director:

- Save 10% of costs in a budget cut;
- Improve security after four recent burglaries of their factories during weekends.

Role	Decision-making	Activity
Facilities director	Strategic	Decide to outsource security to a private security firm, reducing staff and equipment costs
Facilities manager	Tactical	Decide on which business to outsource to, and assess costs and savings associated with this project
Facilities team leader	Operational	Monitor the cost and performance of new security team

Table 2: Decision-making regarding facilities

In larger businesses it is usual to see the top level of management making the strategic decisions. However, these decisions are often made with the input from staff managing daily operational activities.

Looking at the example of the expenses administrator mentioned previously, feedback from a frontline worker in the administration of expenses is taken into consideration and will play a part in a strategic decision made by the finance director.

At every level in the hierarchy of an organisation, employees can participate in making a difference and being part of an improving organisation.

Figure 3: The decision-making process

Skills gaps for a role

There may be a mismatch in the skills required for a job and the employee's current abilities. This mismatch can occur in a new role or a promotion (occasionally a promotion is given because it is believed that the employee has the potential to develop skills and a development plan will be made). In this situation a business may conduct a **training needs analysis** (TNA) – sometimes called skills needs analysis. This analyses the difference between the skills an employee has and those needed to effectively perform a role.

It is important to note that a TNA can be for a person, a team (seeing which gaps there are in the group as a whole) or an organisation. For a whole corporation, this is required if there is a failing in the business or the strategy calls for changes in direction and therefore new skills maybe required.

A TNA starts with the collection of data – either **qualitative data** or **quantitative data**, which is gained through assessments, questionnaires, **focus groups** and interviews. This data results in a breakdown of a job into tasks.

This is then matched to the individual job holder – assessing their skills and **capabilities** against the requirements for the tasks that have been identified.

Therefore, the training need appears where there are gaps in skills and qualifications and a development plan is made to address this gap.

Development activities

There are many types of training activities and often cost and time are the main factors in the selection. As mentioned in Section 4.1, there are three main types of skill that can be developed: technical, managerial/leadership and soft skills.

Methods of training

On-the-job training:

- **Demonstration** – being shown how to perform a task.
- **Coaching** – where an experienced employee develops staff.
- **Secondment** – short term move to an alternate role to gain experience. For example, a salesperson working in the complaints centre for a month.
- **Training programme** – where employees follow a structure development scheme to learn many elements of the business over a set time frame.

Other training:

- **Training courses** – in specific topics usually agreed by the line manager (it is costlier, but is focused in one area).
- **eLearning** – a cheaper alternative to training courses and allows flexibility for the employee to complete when required.
- **Simulators** – allows employees to learn difficult tasks in a safe environment. Examples include pilots and production engineers developing their skills safely at a low cost.
- **Group feedback and review** – where a group of employees discuss an incident and agree what went well and what could be improved. It is commonly used in reviews of health and safety exercises (such as evacuation practices)

- **Games** – a new method of learning is using the "gamification" of training, where learners are tested on new skills by competing against fellow employees with a ranking available. This is popular in organisations with several sites and an appetite for competition.

11.2 Describe the behavioural and professional requirements of a role
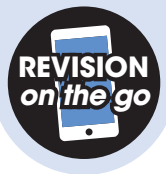
The staff handbook

Most organisations will have a staff handbook which describes all of the roles and requirements of employees. Often this is online or it may be contained in a company app or as a hard copy. The staff handbook is also known as the employee handbook or manual.

! NEED TO KNOW

Reading the staff handbook

For an organisation, there is too much information to convey verbally to an employee (most of which will never be needed) so staff are expected to read the handbook themselves. The organisation passes over responsibility to staff to know the rules.

When starting a new role, find out how to access this book – look through it and mark what you need to review, such as the health and safety policy, holiday policy, etc.

The staff handbook

Most handbooks contain the following policies and advice:

- Business vision, mission and strategy
- Code of conduct
- Equal opportunity policy
- Harassment and bullying procedure
- Attendance policy
- What to do in emergency situations
- Health and safety policy
- Travel policy
- Anti-bribery policy
- Dress code
- Company benefits
- Holiday, leave and sickness policy
- Employee monitoring – email computer, voicemail, internet and social media usage at work.

Dress code and code of conduct

Many jobs have a dress code for staff at work; this allows all the employees know what is expected of them in terms of their appearance. By looking at the dress code and asking colleagues, a new employee will get an understanding of how they are expected to dress from the start of employment.

In changing climates, it is also important to check what is appropriate when the weather becomes warmer; again, team members can help.

Code of conduct

This sets the standard of conduct expected of all staff. It can incorporate all aspects outlined in the staff handbook (described above) or can specifically address behaviour towards colleagues. It sets standards and expectations.

Breaking the code of conduct can result in disciplinary procedures which can incur penalties such as: demotion, warnings or ultimately the **dismissal** of an employee.

Diversity – building trust and respect

In the workplace, there may be employees with different cultures and working practices. This is particularly noticeable when working within a **multinational organisation**. This is diversity and it covers the variety of differences in race, gender, ethnicity, age, disability and other personal characteristics.

Many countries have specific laws that require businesses to treat all employees equally. When working within a business it is important for an employee to understand the diverse makeup of its staff and customers.

✏️ OVER TO YOU

Activity 1: Diversity

What are the laws that affect diversity in the workplace in your region? Can you give examples of businesses who have well-known diversity policies?

It is not simply cultural differences that need to be considered when working in business; consider colleagues who work in different time zones and plan requests for information when your colleagues are at work. Similarly, when working with part-time employees, work cannot be dealt with if they are not available, so it is important to understand when people are available to work and plan around this.

You should also consider languages – when conversing in a common language, do not use local, uncommon phrases that may not be easily translated.

Consider rest days (which are holidays and which maybe cultural holidays). There are many websites and apps that can assist employees in learning the dates of relevant international holidays.

Staff may need to be aware of time during the days when colleagues wish to observe religious practices – these may include prayer time and periods of religious observance such as Lent and Ramadan.

! NEED TO KNOW

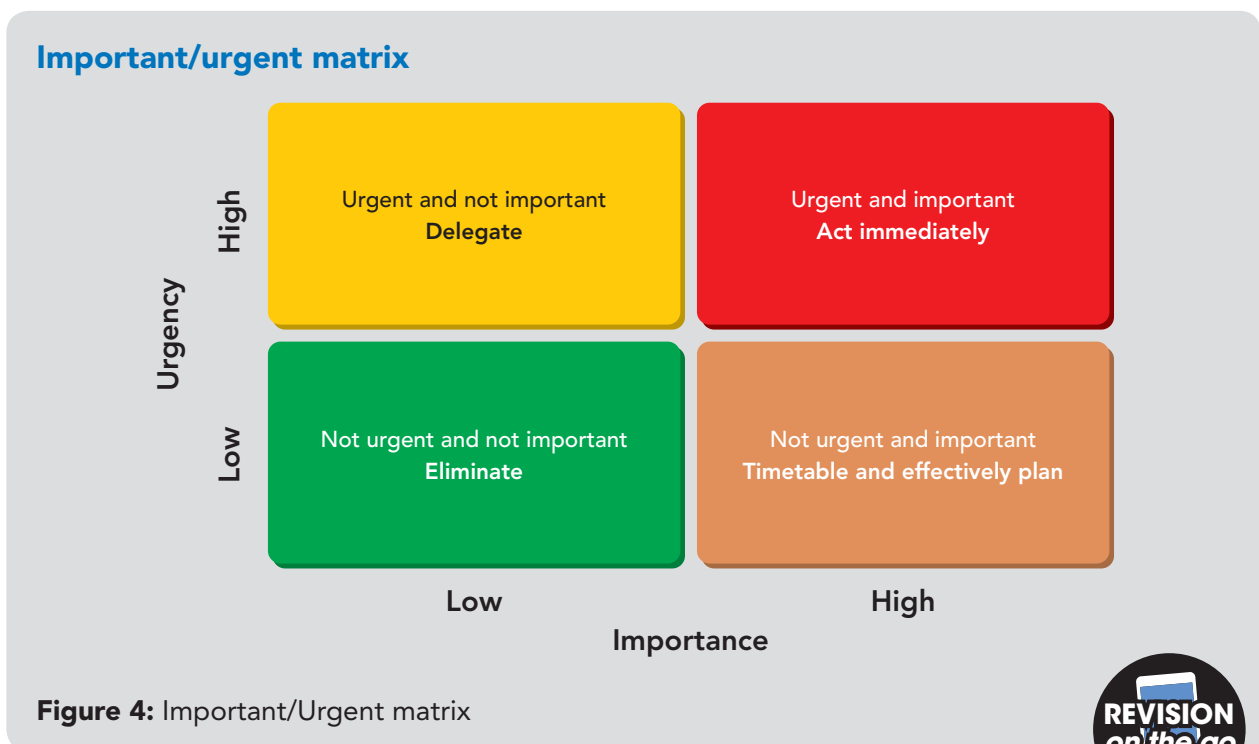### What does it mean to an employee?

It is important to understand the availability of team members in relation to religious or cultural holidays. There are websites and apps to help make you aware of these holidays, but the best method is to ask your colleagues – you will get a clearer response, and it is polite to show an interest in your colleagues.

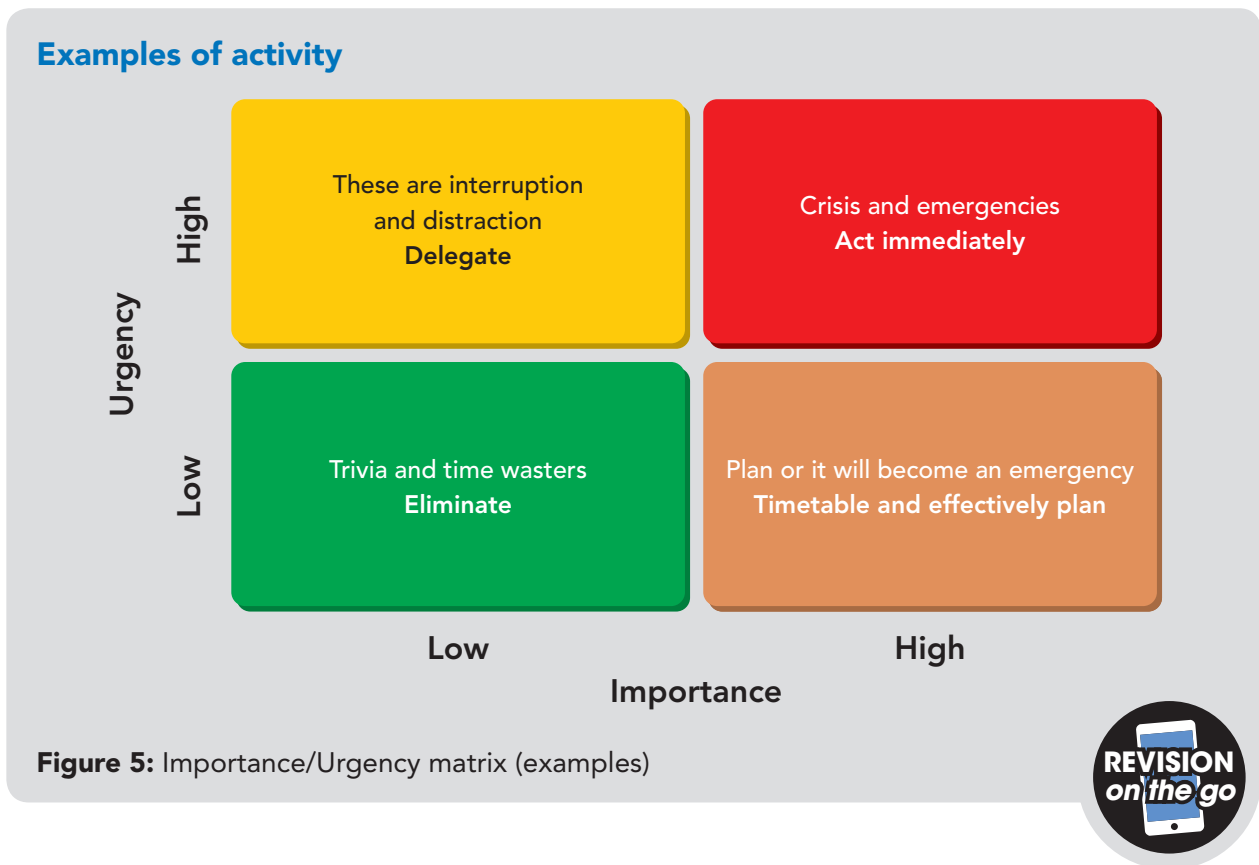# 12.1 Describe methods of planning work

It is important for all employees to plan and prioritise their work; for new entrants into the job market this can be a difficult task as there is usually an expectation that employees know how to do this. From new starters to CEOs, most use simple and successful methods to plan their work.

A commonly used tool is called the **Important/Urgent matrix** – often known as the Eisenhower matrix[4] and used by Stephen Covey[5] – which helps users to prioritise tasks based on urgency and importance.

Important/urgent matrix

	Low Importance	High Importance
High Urgency	Urgent and not important **Delegate**	Urgent and important **Act immediately**
Low Urgency	Not urgent and not important **Eliminate**	Not urgent and important **Timetable and effectively plan**

Figure 4: Important/Urgent matrix

4 This format was used by US President Dwight D Eisenhower
5 Stephen Covey – The 7 habits of highly effective people

Examples of activity

	Low	High
High (Urgency)	These are interruption and distraction **Delegate**	Crisis and emergencies **Act immediately**
Low (Urgency)	Trivia and time wasters **Eliminate**	Plan or it will become an emergency **Timetable and effectively plan**

Importance

Figure 5: Importance/Urgency matrix (examples)

To-do lists and prioritising work

Write every task that is required on one piece of paper or in a planning app. Rank them in terms of priority (importance/urgency) but include details of the recipient, as this may affect the order in which it is done. Add a due date (if there is one) and estimate the time to complete the task.

With a to-do list, it is usually possible to plan the week ahead – use your prioritised list to form this and ensure that nothing is left to the last minute, have contingency time as there may be unexpected events (for example, a fire drill, the printer may be broken, etc.) and give enough time to resolve any issues. The last task of each day should be writing the task list for the next – rolling over any tasks that have not been completed.

Your tasks should all be SMART. The deadlines should be realistic and if there are concerns about whether they are realistic, a discussion with the task owner or line manager may be needed. Checking that a project is on course is helpful, particularly if an employee is unsure of what they are doing; a 20-minute meeting/call to discuss the task may save time later.

Do not be disturbed by your email inbox – email alerts and instant messaging can be distracting so add time for replying to email and instant messenger (IM) in your work plan. It is important to note that many organisations have response times for emails and instant messages so ensure you are not breaking these standards.

Planning systems

There are many systems used within businesses to organise projects and work. For progress on projects (small to large) it is common to see Gantt charts on display – these are often computer generated and list all the tasks in a project, the deadlines and people responsible.
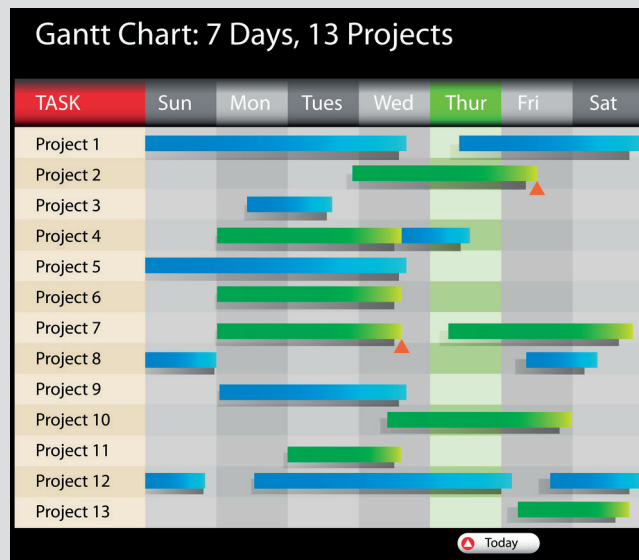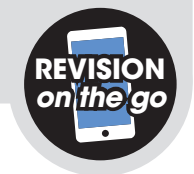
Figure 6: A sample Gantt chart

They are helpful in managing large projects with tasks that are interdependent – where the completion of a task is dependent on the completion of an earlier task. When planning workload over a longer period, a Gantt chart is useful.

Diary systems

Whether it is paper-based or an online system, all businesses need a diary system to plan projects, delivery dates and meetings. A diary is a key resource for an employee and it is important to keep it up-to-date. It also helps with historical records for claiming expenses or clarifying contact with customers.

For online diaries, it is possible to have and give access to other employees so availability can be seen when arranging meetings.

It is important that diaries are kept up-to-date by including appointments, holiday or special leave – it is also possible on most diary systems to set alerts for meetings and send invitations via email for agreed appointments (these will also allow acceptance and refusal of meetings from invited participants).

Forward planning for an employee – holiday leave

In a job, employees will be allowed to take time off, usually for holidays; this is known as **leave**. Time off for holidays must be planned and it is usual that you must apply for leave through your line manager (which may involve forms that need to be completed and submitted).

Advance notification is needed for managers to organise another employee to cover the work while you are on leave.

Although sickness leave is unexpected, holiday leave is not. Therefore, on starting a new role, the employee needs to discuss at the earliest opportunity any plans for holidays or any arrangements already booked.

Some organisations have rules over the number of staff allowed to be absent at the same time: occasionally there is a requirement for holiday to be taken at certain periods (in sectors such as finance).

There may be business-wide holidays which are compulsory for all staff; these are common in the car industry to allow the maintenance of production lines.

> **! NEED TO KNOW**
>
> **Forms of leave that may be offered by employers**
>
> Holiday leave   planned in advance
>
> Bereavement leave   for the death of close relative
>
> Sick leave   due to sickness or hospital appointments
>
> Maternity leave   pregnancy, confinement and for a period after birth or adoption
>
> Jury service   if you are called for jury duty (which is an obligation in some countries)
>
> Military leave   if you are a reservist or your region has national service

12.2 Describe how to respond to change

Recognising the need of change in an organisation

When starting in a new role it is hard to see how an individual can make a significant impact on the role, as even in small enterprises, decisions are made at a senior level. However, changes may occur in an organisation that can have a significant impact on employees and the way they work.
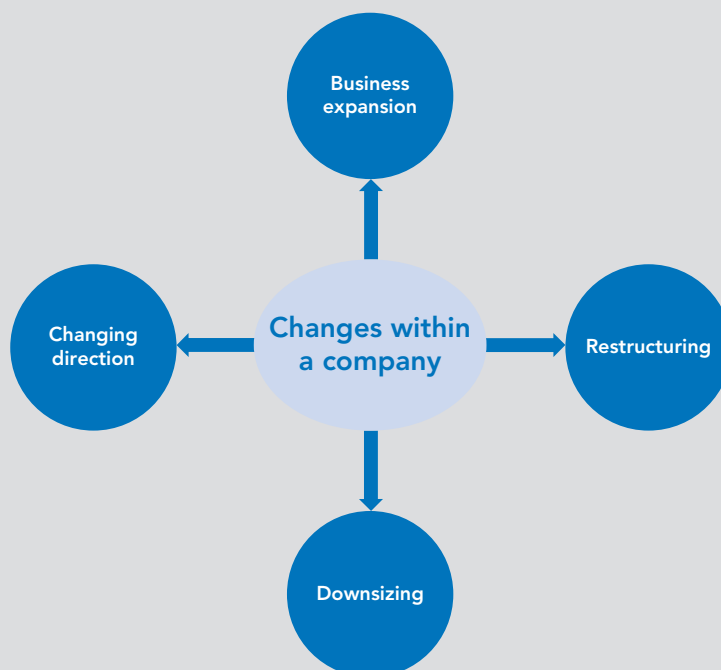

Figure 7: Types of organisational change

Change can be difficult within an organisation, particularly during restructuring when jobs may change or be lost. Resistance to change is a common problem for a company as uncertainty causes worry within a company's staff.

An employee needs to understand why changes are occurring and the reasons for them; often companies fail to communicate these well. It is up to the employee to get a clear understanding of any major change and understand what it means to them, so they can incorporate the change into their working lives.

Small and continued changes can be the basis of business success; Chapter 4 showed the impact of an expenses administrator influencing a change in a process. In corporations where there are staff suggestion schemes (and/or quality improvement teams) one employee can make a difference.

📄 CASE STUDY

Staff help with cost-saving

The employee suggestion scheme at the airline British Airways has often delivered innovative and cost saving ideas. One idea was to descale (clean) the water pipes on planes regularly to prevent a build-up of lime scale, a naturally occurring compound. The descaling process reduced the weight of each plane by an insignificant amount; however, for each pipe on each airplane, British airways saves £600,000 in fuel costs as a lighter plane needs less fuel.

British Airways believe their scheme has saved over £20 million from staff suggestions.

www.getvetter.com/posts/84-british-airway-s-employee-suggestion-scheme.

Other change programmes

While staff may suggest change in organisations, often it is the change instigated by management that has the most impact and this can affect workers in the following ways:

- changing job roles;
- redundancies;
- reduced working hours;
- change in product or customer focus.

Significant changes are usually well planned and communicated to staff. It is important that employees ask questions and understand what is happening to their role, and become fully involved in the change process.

Usually job changes involve a period of **consultation**, but this may not be the case in many regions. As difficult as it is, employees need to keep a calm and steady approach to the changes and seek answers to any questions they may have. If it is a move in office location, the personal impact is considerable and the employee needs to discuss their concerns.

If there is a staff **union**, their input will be key to getting an understanding of the issues and proposed solutions.

Change management within an organisation

Usually, these programmes of change are necessity-based but this can have a significant impact on staff, customers and suppliers. Either falling or collapse of the **market share** has meant a new strategy, or that the senior team see an opportunity that needs to be swiftly taken. Whatever the need for change, these will have a significant impact.

📄 CASE STUDY

Ooredoo – changing direction

After acquiring many telecom businesses within the Gulf States, the business Qtel embarked on a significant change management programme, switching from purchasing businesses to creating one large brand. By capitalising on their brand and switching direction Ooredoo has become a leading international brand in telecoms.

www.managers.org.uk/insights/news/2015/july/the-5-greatest-examples-of-change-management-in-business-history

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Activity 2: Switching your strategy

Imagine that run a fruit and vegetable business with two shops and three market stalls.

You have decided to sell only organically-grown produce.

Discuss the factors this change will have on customers, suppliers and your sales staff.

12.3 Describe personal development needs

Personal development plans and performance management

A personal development plan (PDP) is a plan to develop skills, usually for work, to advance job performance and your career. The PDP consists of SMARTER goals that set out plans for the short, medium and long term.

The first step is for employees to reflect on their performance (usually over the past year), considering what went well and what could be better and then adding original career objectives and any skills gaps that are apparent.

In the workplace, and employee's PDP is often linked to the **appraisal process** where a review of performance is discussed and targets set for the next working cycle. This is a form of

performance management where individuals are reviewed to assess if personal targets and objectives have been met.

At this time, an employee should reflect on their achievements over the previous period and assess if there were activities that could have been performed in a better way and any challenges that have been overcome. The performance management process includes the following:

- review of previous targets;
- setting of new objectives;
- review of PDP – what has been achieved;
- reflection of performance by employee and line manager;
- development objectives for the next period.

All these should be in line with the company strategy and long term development goals.

If there have been difficulties or poor performance, a **performance improvement plan** maybe agreed upon, which sets out what the employee needs to do to improve their performance to match the company's standards.

The progress and achievement of PDPs should be regularly monitored and reviewed by the employee and their line manager.

Peer reviews and asking for feedback

In the workplace it is important to ask for feedback from colleagues to get an understanding of what is acceptable and if there are improvement opportunities. Peers are colleagues who are usually in similar positions, levels or grades so the review is not from line managers.

A common method to assess job performance is a **360-degree review**, where feedback is sought from everyone the employee regularly encounters. A **self-assessment** is also completed and a comparison with this and stakeholders' views allows a fair assessment of what is good and what needs to be improved.

360-degree review

Figure 8: Seeking feedback from different groups for self-assessment

Using mentors

A workplace mentor is a guide who supports a less experienced worker to develop their skills and help find solutions to problems. Mentors need to have had similar experiences and, for a successful mentoring relationship, they cannot be the line manager or someone who has a direct influence on the employee. Many organisations have formal mentoring systems, but if there is not an established process, an employee can find their own mentor.

Adding value to the role and organisation

Areas of self-improvement have been identified throughout this chapter. It is important for an employee to keep developing their skills and experiences so that they can add value to their organisation. Opportunities can include:

- joining staff forums;
- participating in staff improvement programmes;
- supporting CSR initiatives;
- volunteering in business social, charity or sporting events;
- becoming a mentor (when more experienced);
- joining quality circles;
- getting a mentor.

Keeping up with developments in the sector

An employee can increase their usefulness by being up-date-to date with technology and new advances in their industry and being aware of competitors. This can be achieved through the following:

- membership of a relevant professional body (such as the Indian Society of Production Engineers which is a recognised organisation and provides information and training for its members);
- reading industry-focused magazines;
- joining internet-based forums;
- joining online professional groups.

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Activity 3: Article on personal development plans

Read the article by Taylor, D., Edge, D. (1997) "Personal development plans: unlocking the future", from *Career Development International*, Vol. 2 Issue: 1, pp. 21–23. (This article will be available in your online student resources.)

Make your notes here as you read the article.

12.4 Explain how learning and development can improve job performance

The value of learning and development

Learning and development (L&D) or **training and development** (T&D) is important to the employee and the organisation as it builds **transferable skills** that may not be useful in the short term, but could benefit the organisation at some later stage in an employee's career.
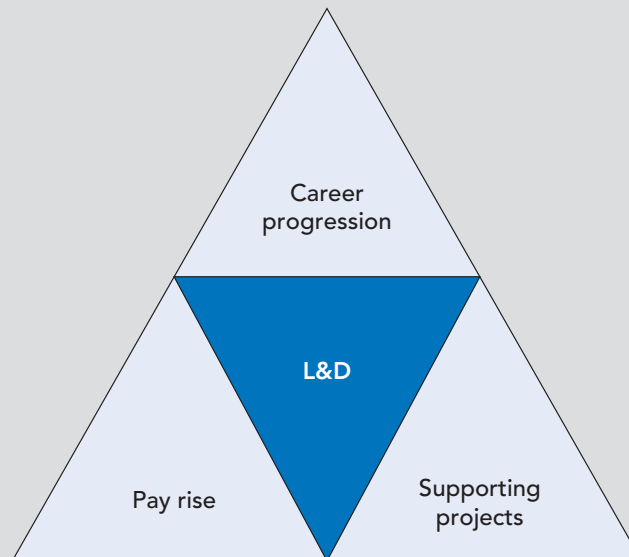

Figure 9: Learning and development

Although it helps directly in job performance, as L&D builds confidence and occasionally uncovers unknown skills, it can also direct a career.

This is similar in all professions and organisations – a sales person may use their excellent presentation skills to become a trainer, or an accounts assistant may use their analytical skills in assessing customer sales – therefore the benefit of L&D is in the unlocking of potential and allowing employees to flourish. These skills can be used to add value to the organisation (see above) and support change programmes and career development.

The time and cost of training needs to be considered as occasionally there could be more effective alternatives.

Finally, it is important for employees to discuss their development activity with their manager – there may be a skills) gap in another department and if it is not on the appraisal, then no one in the organisation will be aware.

Supporting other projects

Assisting with projects in other departments can be beneficial for personal development as an employee working with other teams, participating in different ways of working and learning from others can gain greater experience and knowledge. Working for other teams is sometimes known as horizontal development and will tie in with the PDP and future career development.

Career progression

The activities outlined in Section 12 all contribute to supporting future career development. Not everyone knows what they want to do and achieve in a role but a short-term plan (even for the next 12 months) is helpful in targeting training and development. By understanding roles, including job shadowing within an organisation, an employee can start to form plans on career development.

If formal examinations are required (in industries like accountancy or banking), discussion with employers is important as they may assist in funding with costs or time off for studying and examinations.

Plans may change, but without a clear direction a career will not be controlled or may not make the best of an employee's talents. Employees need to control their career as much as possible and take every opportunity to develop and be noticed in an organisation.

13.1 Explain effective communication

Effective communication

Conveying a message involves more than the words being said. Effective communication is where the message is easily understood using both verbal and **non-verbal** skills – it takes account of the words, emotions and the message given to ensure your communication is clear and understood by the recipient. There are "7Cs" of good communication but this does not consider the understanding of the receivers. This is where the message being communicated is easily understood through a set of skills – see the diagram below.
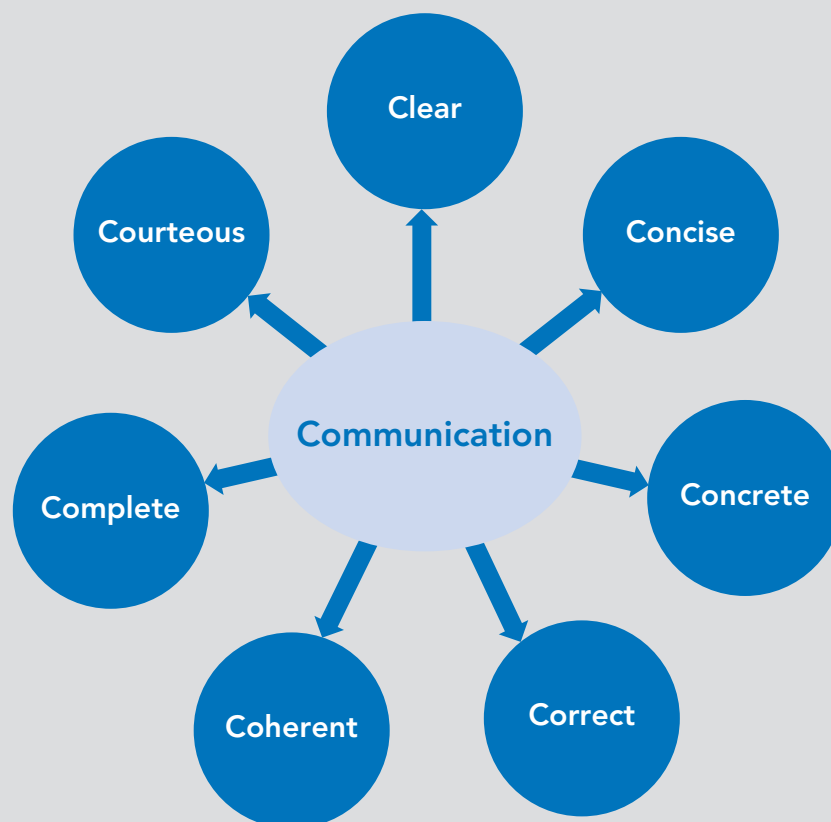

Figure 10: 7Cs of effective communication

The 7Cs

Clear	gives a clear, direct and specific message
Concise	this means short – it ensures there is no repetition and that there is a speedy method of delivery
Concrete	this is specific with no room for misinterpretation
Correct	no grammatical errors and accurately stated
Coherent	this means it is logical, and relevant to the point
Complete	presenting all the facts with no omissions that could cause confusion or misinterpretation
Courteous	this takes the recipient into consideration – their views and background are understood

REVISION *on the go*

Effective ways to communicate

In addition to ensuring that a message is clear, other skills are needed to effectively communicate. There is a difference between listening and hearing a message – listening is an active process where an employee understands the meaning and can recall what is spoken and their response is clearer; hearing is passive, where the message is heard but not engaged with.

Active listening is a combination of: effectively communicating, using appropriate gestures, clear engagement with the speaker (evidenced by non-verbal gestures) and checking for understanding.

Figure 11: Key elements of active listening

REVISION *on the go*

Other methods within an organisation

While there are many methods of communication within a business, there are also corporate communications where messages need to be sent to and received by all employees. These need to be consistent and delivered in a way that does not change the message as it is passed on.

Significant messages could be given via a top-down briefing, which is where the CEO gives a set brief to their team who then cascade the information down throughout the organisation.

There can be briefings sent via internal communications, and often larger businesses have company newsletters.

For significant events, such as a change of CEO, a letter can be sent to all employees.

Briefing documents and memos

These are documents sent internally within an organisation. A briefing document is a summary of a plan or status report that gives highlights (and should usually be under two pages long) to allow others to get a good understanding of a situation and the necessary facts. If a senior manager is meeting a client, a briefing document will contain information on sales figures, any recent problems and background information on the attendees of the meeting.

Memos (memorandums) are brief documents which summarise a situation or requests information, usually under a page long. They are less formal and used internally.

What does this mean for an employee?

Occasionally it may be required to make a personal request – it could be for a private meeting, special leave or concerns that need to be discussed. If this is not done by email, then a memo would be an appropriate document you use for this with the word "private" at the top.

REVISION on the go

13.2 Compare different methods of communication within a business

For each message, there is an appropriate form of communication, such as informal, speedy and detailed.

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Activity 4: Communication methods

For each method, give an example and explanation for the channel used.

Channel	Example	Explanation
Email		
Instant messaging		
Phone		
Text		

Channel	Example	Explanation
Presentation		
Online training		

Behaviours when communicating

In work, a level of formality must always be maintained, even though communication may be between friends. It is probable that there is a communication policy in the staff handbook. Within meetings, personal behaviour is also important, avoiding confrontational behaviour, arriving late and not concentrating – texting/emailing during meetings is totally inappropriate.

Conclusion

As an employee moves from their first days into a steady career, there are many steps they can take to control their progression. Although many unexpected events will mean that plans change, without making the most of opportunities, an employee will not be in a position to take every step that they deserve.

By being involved and hardworking, an employee earns themselves the best chance to achieve a great career and personal success.

READING LIST

- Blayney, M. (2007) *Your First Job: How to make a success of starting work and make your first year the launch of a successful career*. Work Press.
- Cameron, S. (2009) *The Business Student's Handbook: Skills for Study and Employment Paperback*. Harlow: FT/Prentice Hall.
- Taylor, D., Edge, D. (1997) "Personal development plans: unlocking the future", Career Development International, Vol. 2 Issue: 1, pp. 21 -23. (This article will be available in your online student resources.)
- (1997) "The role of communications in business success", *Management Development Review*, Vol. 10 Issue: 3, pp.100 -102. (This article will be available in your online student resources.)
- (2015) *How Business Works*. Westham: Dorling Kindersley Books.

Online resources:
- General sites for local information on business.
- www.economist.com – an online resource centre for starting and growing a business
- www.manager.org.uk – website of Chartered Management Institute has many resources useful for students
- www.businesstimesafrica.net – resources from Business Times Africa online magazine
- www.chinadaily.com.cn/business – resource from daily Chinese online news outlet
- www.africabusinessmagazine.com – resources from African Business magazine.

Glossary

Business to business (B2B) Where the customer is another business.

Business to consumer (B2C) Where the customer is the end user and the sale is directly to them.

Chief Executive Officer (CEO) The most senior corporate officer of an organisation.

Consumer to consumer (C2C) The customers are a seller and end users (for example, eBay auctions).

Continuous improvement Process to improve all areas of a business on a regular basis.

Customer relationship management (CRM) This is a strategy for managing all relationships with current and potential customers. This may be at point of sales or services to engage and retain the customer. It becomes strategic as businesses analyse data about customers – their purchasing history and business development, in order to improve relationships with customers and therefore drive improved sales.

E-commerce This is a method of buying or selling goods or transmitting funds electronically, usually over the internet.

Factors of production Resources used to produce goods and services – raw materials, labour, capital and enterprise.

Focus groups Qualitative research where a group discusses a topic (such as a product) and/or provide feedback on attributes.

International Organisation for Standardisation (ISO) The international standard setting body for industry and commerce.

Inventory Goods held by a business – including raw materials, work in progress and finished goods.

Market share Proportion of a market that an enterprise owns. Calculated over a period (usually a year) and can be specific to a region.

Outsourcing Contracting of business processes to an external supplier either a company or individual (for example, legal work, training).

Qualitative data This is descriptive data that is not in numerical form – this can include preference, gender, using opinion.

Quantitative data This is numerically-based data that is used in statistical analysis such as scores.

Soft skills The interpersonal skills that allow effective working with people – including communication, social and people skills.

Stock control Process of ensuring stock levels are maintained in line with minimising costs and meeting consumer demand.

Venture capital Also known as risk capital, this investment finances start up or growth. Investors usually have a say in how the company is run and investment is on a commercial basis.

Virtual assistant An independent contractor providing computer-based administrative services through shared systems.