

IB Business Management SL 2026 — Human Resource Management

IB SL Study Guide

Contents

2.1 Functions and Evolution of HRM

The Evolution from Personnel Management to HRM

Hard HRM vs Soft HRM

Key HRM Functions

HRM and Business Strategy

2.2 Organizational Structure

Key Structural Concepts

Tall vs Flat Structures

Centralisation vs Decentralisation

Types of Organisational Structure

Impact of Layering

Formal vs Informal Organisation

2.3 Leadership and Management

Management vs Leadership

Leadership Styles

The Blake-Mouton Managerial Grid

Situational Leadership

2.4 Motivation and Demotivation

Financial Motivators

Non-Financial Motivators

Motivation Theories

Motivation Theory Comparison Table

Worked Example — 10-mark question:

“Evaluate the usefulness of Maslow’s Hierarchy of Needs as a tool for managing employee motivation at a hospital.”

2.5 Organizational (Corporate) Culture

The Cultural Iceberg

Handy’s Four Culture Types

Strong vs Weak Culture

Changing Organisational Culture

2.6 Industrial and Employee Relations

Trade Unions

Collective Bargaining

Types of Industrial Action

Employer Responses to Industrial Action

Conflict Resolution Mechanisms

Sources of Workplace Conflict

The Human Relations Approach vs Scientific Management

November 2026 Exam Predictions

Practice Questions

2.1 Functions and Evolution of HRM

Human Resource Management (HRM) is the strategic approach to managing the people within an organisation so that they contribute effectively to its goals. Where traditional **personnel management** was administrative and reactive — focused on hiring, paying, and firing staff — HRM is strategic and proactive: it treats employees as a source of competitive advantage and aligns people decisions with the broader corporate strategy.

The Evolution from Personnel Management to HRM

The shift from personnel management to HRM reflects a fundamental change in how businesses think about their workforce.

Personnel management was primarily concerned with administrative tasks: maintaining employee records, processing payroll, ensuring compliance with employment law, and handling disciplinary procedures. It was reactive — personnel departments dealt with problems as they arose and had little involvement in setting business strategy.

HRM elevates these functions to the strategic level. HR managers are expected to contribute to senior leadership decisions, align workforce capabilities with long-term business goals, and build the organisational culture and capabilities needed for competitive success. People are not simply a cost to manage but the most important source of innovation, service quality, and sustainable advantage.

Hard HRM vs Soft HRM

The distinction between hard and soft HRM is a classic IB exam concept.

	Hard HRM	Soft HRM
Underlying view of employees	Employees are a resource — like machinery or capital — to be deployed as efficiently as possible	Employees are the organisation's most valuable asset — a source of creativity, loyalty, and competitive advantage
Management approach	Cost-focused, controlling, transactional	Investment-focused, empowering, relational
Employment practices	Short-term contracts, zero-hours arrangements, performance targets, cost minimisation	Training and development, career progression, job security, participative culture
Communication style	Top-down, directive	Two-way, consultative
Motivation assumption	Primarily financial (consistent with Taylor)	Intrinsic and extrinsic (consistent with Maslow and Herzberg)
Examples	Call-centre operations with scripted tasks and output targets; gig-economy logistics firms	Professional services firms; technology companies (Google, Patagonia)

In practice, few organisations operate at either extreme. A manufacturing business may apply hard HRM on the factory floor (output targets, piece-rate pay) while applying soft HRM in its R&D department (flexible working, autonomy, professional development).

EXAM ALERT

IB questions frequently ask you to “distinguish between hard and soft HRM” or “explain which approach is more appropriate” for a given business. Never describe hard HRM as simply “bad” — it can be efficient and appropriate in certain contexts (standardised tasks, cost-competitive markets). The evaluative point is that hard HRM risks high turnover, low morale, and reduced quality, while soft HRM requires greater upfront investment. Always justify your recommendation with reference to the specific business in the question.

Key HRM Functions

Modern HRM encompasses six core functions that span the entire employment relationship:

1. **Workforce planning:** forecasting the number and types of employees the business will need in the future, and planning recruitment, training, or retrenchment accordingly. This is the strategic starting point — without knowing where the business is going, HR cannot plan effectively.
2. **Recruitment and selection:** attracting suitable candidates (internal or external) and choosing the best fit through application screening, interviewing, psychometric testing, and assessment centres. Poor recruitment is

extraordinarily costly — replacing an employee can cost 50–200% of their annual salary.

3. **Training and development:** equipping employees with the skills, knowledge, and attitudes they need now (training) and in the future (development). Includes induction training for new starters, on-the-job coaching, off-the-job courses, and management development programmes.
4. **Performance management:** setting objectives, measuring results, providing feedback, and linking performance to rewards. Tools include appraisals, 360-degree feedback, and key performance indicators (KPIs).
5. **Compensation and benefits:** designing pay structures, bonus schemes, and non-financial benefits that attract, motivate, and retain the right people at an acceptable cost.
6. **Industrial relations:** managing the relationship between the business and its employees — including trade unions, collective bargaining, conflict resolution, and fostering a positive organisational culture.

HRM and Business Strategy

HRM must be aligned with corporate strategy — this is what makes it strategic rather than merely administrative. If a business's strategy is to grow through innovation (like a pharmaceutical company or a technology firm), HRM must attract creative talent, build a culture that tolerates failure and rewards experimentation, and develop people's capacity to innovate. If the strategy is cost leadership (e.g., a budget airline or a discount retailer), HRM must minimise labour costs, manage high staff turnover efficiently, and standardise processes.

IB TIP

When an IB question asks you to evaluate HRM decisions, always link them back to the business's strategy and objectives. “Introducing more flexible working hours” is not just a welfare decision — it may reduce absenteeism, improve retention, and help the business compete for talent in a tight labour market, all of which serve strategic goals. Always make the strategic connection explicit.

2.2 Organizational Structure

Organizational structure defines how authority, responsibility, and communication are formally organised within a business. It determines who reports to whom, how many people each manager oversees, and how decisions are made. Structure should serve strategy — a business's internal organisation should match what it is trying to achieve.

Key Structural Concepts

Span of control is the number of subordinates directly reporting to one manager. A narrow span of control (2–4 subordinates) means the manager supervises closely but creates a tall hierarchy. A wide span of control (8–12 subordinates) means flatter structures with more delegation but less individual supervision.

Chain of command is the formal line of authority stretching from the top of the organisation to the bottom — the route through which instructions flow downward and information flows upward. Long chains of command slow communication and increase the risk of message distortion.

Hierarchy refers to the number of levels of authority in the organisation. A deeply hierarchical business has many layers between the CEO and the front-line employee; a flat business has few.

Delegation is the formal transfer of authority and responsibility from a higher level of the hierarchy to a lower one. Effective delegation empowers subordinates and frees managers for higher-priority work, but requires trust and clear accountability.

Centralisation means that the majority of decision-making authority is retained at the top of the hierarchy. A centralised business controls its direction tightly from headquarters.

Decentralisation means that decision-making authority is pushed down to lower levels of the hierarchy or to separate divisions and branches. This gives local managers flexibility to respond to their environment.

Tall vs Flat Structures

	Tall Structure	Flat Structure
Levels of hierarchy	Many	Few
Span of control	Narrow	Wide
Communication speed	Slow — many levels to traverse	Fast — fewer filters
Supervision	Close — smaller teams per manager	Loose — larger teams per manager
Autonomy for employees	Limited — decisions centralised higher up	Greater — managers must delegate more
Career progression	Clear — many levels to climb	Limited — few rungs on the ladder
Cost	Expensive — many management layers	Cheaper — fewer managers needed
Suitable for	Large organisations requiring consistency and control (e.g., military, traditional banks)	Dynamic environments requiring responsiveness (e.g., start-ups, design agencies, tech firms)

Centralisation vs Decentralisation

	Centralisation	Decentralisation
Decision-making speed	Slower — decisions must reach the top	Faster — local managers decide independently
Consistency	High — uniform standards across the business	Lower — local variation may occur
Motivation of local managers	Lower — less autonomy and responsibility	Higher — more authority and accountability
Risk of poor decisions	Concentrated at the top	Distributed — errors made locally
Suitable when	Brand consistency is critical; tight cost control needed; crisis management	Organisation is geographically dispersed; local market knowledge is important; business is large and complex
Examples	McDonald's global brand standards; Apple's product design	Franchise systems; multinational retailers adapting locally

Types of Organisational Structure

Functional structure: the business is divided into departments based on specialist function — Marketing, Finance, Operations, HR, etc. Each department is led by a functional manager reporting to the CEO. This is the most common structure for medium-sized businesses.

- Advantages: deep specialist expertise within each function; clear career paths; economies of scale in functional areas.
- Disadvantages: “silo mentality” — departments may not communicate effectively; slow to respond to cross-functional opportunities; conflicts between departments may be difficult to resolve.

Product-based (divisional) structure: large businesses with multiple product lines or brands organise around products, brands, or geographic regions rather than functions. Each division has its own functional departments.

- Advantages: divisions can be evaluated as profit centres; clearer accountability; more responsive to product-specific or regional market conditions.
- Disadvantages: duplication of functional resources (each division has its own HR, finance, etc.); potential for internal competition between divisions.

Matrix structure: employees are simultaneously members of a functional department and assigned to one or more project teams. They report to both a functional manager and a project manager.

- Advantages: cross-functional collaboration brings together diverse expertise; flexible allocation of resources across projects; encourages communication

across departmental boundaries; individuals develop broader skills.

- Disadvantages: **dual reporting** creates confusion about priorities and accountability; **role conflict** when functional manager and project manager give contradictory instructions; high coordination cost; works best only with experienced, self-managing employees.

EXAM ALERT

The matrix structure is a favourite IB question topic. When asked to evaluate it, always name the specific advantages (flexibility, cross-functional expertise, efficient resource use) and disadvantages (dual reporting, role conflict, coordination cost) — and contextualise. A large construction firm working on multiple simultaneous projects may benefit enormously from matrix structures, while a small retailer with standardised processes would not.

Impact of Delayering

Delayering is the process of removing one or more levels of middle management from the organisational hierarchy, resulting in a flatter structure. Businesses delayer to reduce costs (fewer management salaries), speed up communication, and push more decision-making authority to front-line employees.

- **Benefits:** lower management costs; faster decision-making; increased empowerment and motivation for remaining employees; more direct communication between senior management and operations.
- **Drawbacks:** remaining managers take on larger spans of control — potentially causing overload; employees may feel insecure during the process, damaging morale; valuable institutional knowledge is lost when experienced managers are made redundant; may damage relationships and trust.

Formal vs Informal Organisation

The **formal organisation** is the official structure shown on an organisational chart — the lines of authority, reporting relationships, and division of responsibilities as designed by management.

The **informal organisation** consists of the unofficial networks, relationships, and communication channels that emerge naturally among employees — friendships, shared interests, professional alliances that cut across formal reporting lines. Informal networks can facilitate faster communication and build morale, but can also spread rumours or create resistance to change.

2.3 Leadership and Management

Management vs Leadership

Management and **leadership** are related but distinct concepts.

Management is primarily concerned with planning, organising, and controlling resources — ensuring that the business runs efficiently and that objectives are achieved. Henri Fayol identified five functions of management: **planning** (setting objectives and how to achieve them), **organising** (allocating resources and tasks), **commanding** (directing staff), **coordinating** (ensuring all parts of the business work together), and **controlling** (monitoring performance against plans and taking corrective action).

Leadership is concerned with inspiring, motivating, and guiding people toward a shared vision. Where management focuses on systems and processes, leadership focuses on people and change. A leader sets direction and builds commitment; a manager coordinates and implements.

In practice, effective senior executives must exercise both management and leadership. The distinction matters in IB exams because questions often ask about leadership styles specifically — not generic management techniques.

Leadership Styles

A **leadership style** is the pattern of behaviours a leader uses to influence and direct their team. No single style is universally best — the appropriate style depends on the situation, the task, the employees' experience, and the urgency of the decision.

Autocratic (Authoritarian) Leadership

The leader makes all decisions without consulting staff. Instructions flow downward; feedback is not invited. There is a clear power distance between leader and subordinates.

- Advantages: fast decision-making; useful in crises or emergencies where immediate, decisive action is needed; clear direction; works with unskilled or inexperienced staff who need close guidance.
- Disadvantages: low employee morale and motivation over time; suppresses creativity and innovation; high turnover as talented staff leave; poor decisions if the leader lacks knowledge of operational details; no employee buy-in.

Paternalistic Leadership

The leader acts in the interests of employees but still makes decisions without genuine consultation. The leader “knows best” and looks after staff as a parent looks after children — providing job security, welfare, and explanation — but the decision itself is not shared.

- Advantages: employees feel cared for and valued; leader explains reasoning, so staff understand decisions even if they didn't influence them; can build loyalty and reduce turnover.
- Disadvantages: still fundamentally top-down — does not genuinely empower staff; may breed dependency rather than independent thinking; assumes the

leader always knows what is best for employees, which may be paternalistic in a negative sense.

Democratic (Participative) Leadership

The leader consults staff and involves them in the decision-making process.

Employees' views are genuinely considered. The final decision may rest with the leader or may be taken by majority vote.

- Advantages: higher employee motivation and engagement because people feel heard and valued; broader range of ideas and perspectives improves decision quality; staff are more committed to implementing decisions they helped shape; develops employee capabilities.
- Disadvantages: decision-making is slower — consultation takes time; works best with skilled, experienced, motivated employees who can contribute meaningfully; in a crisis, there is no time to consult; majority decisions may not always be the best outcome.

Laissez-faire Leadership

The leader delegates virtually all decision-making authority to employees, providing resources and minimal direction. Staff have freedom to determine how to achieve their objectives.

- Advantages: maximises employee autonomy, creativity, and intrinsic motivation; highly effective with expert, self-motivated professionals (scientists, software engineers, designers, academics); allows rapid innovation through self-organised teams.
- Disadvantages: can lead to confusion and lack of direction if employees are not highly skilled or self-disciplined; poor performance is difficult to address without accountability structures; coordination becomes difficult across large teams; can be perceived as management abdication.

MEMORISE THIS

Leadership Style Mnemonic: APDL

Autocratic — All decisions by the leader; no input from staff. **P**aternalistic — Protects and explains, but the leader still decides. **D**emocratic — Discusses with staff; consults before deciding. **L**aissez-faire — Leaves decisions to the team; minimal direction.

Each style moves progressively from high leader control to high employee autonomy.

The Blake-Mouton Managerial Grid

The **Blake-Mouton Managerial Grid** (1964) plots leadership style on two axes:

concern for people (vertical, 1–9) and **concern for production/task** (horizontal, 1–9).

Five key positions emerge:

Grid position	Concern for people	Concern for production	Characteristics
Impoverished (1,1)	Low	Low	Minimum effort — leader does the bare minimum to keep the job
Country Club (1,9)	High	Low	People-focused to the point of neglecting results — comfortable but unproductive
Authority-Compliance (9,1)	Low	High	Task-focused; efficiency is paramount; people's needs are secondary — similar to autocratic
Middle-of-the-Road (5,5)	Medium	Medium	Balances adequately but excels at neither; a compromise position
Team Leader (9,9)	High	High	The ideal: high task achievement through high engagement and motivation; treats people as partners in achieving results

IB TIP

The Blake-Mouton Grid is most useful for self-reflection and leadership development, not as a prescriptive model. IB questions may ask you to place a described leader on the grid — read the stimulus carefully for clues about how much they value people vs. results.

Situational Leadership

Situational leadership (Hersey and Blanchard) argues that there is no single best leadership style. Effective leaders adapt their style to the situation — specifically to the **readiness** (ability and willingness) of the follower for a specific task:

- Low readiness (new, unskilled, unmotivated) → more directive, autocratic style
- Moderate readiness (some skill, gaining confidence) → coaching, democratic input
- High readiness (skilled, experienced, motivated) → delegate, laissez-faire

The situational approach integrates the other leadership models: autocratic is not universally bad; laissez-faire is not universally good. Context — urgency, employee experience, task complexity — determines the appropriate style.

WORKED EXAMPLE

Worked Example — 8-mark question: “Examine the appropriateness of an autocratic leadership style for a fast-food restaurant.”

Introduction: An autocratic leadership style involves the leader making all decisions without consulting staff. In a fast-food environment, this may appear to suit several features of the operating context.

For autocratic leadership: Fast-food operations rely on strict standardisation — each burger, each customer interaction, each hygiene protocol must follow an exact procedure. Autocratic direction ensures compliance with these non-negotiable standards. Staff in fast-food outlets are often young, part-time, and frequently new — they require clear instruction rather than open-ended consultation. Decision-making speed is also critical during peak service periods: a manager must direct the team efficiently, not hold a committee meeting about fryer temperature.

Against autocratic leadership: Autocratic management suppresses employee input, which may reduce motivation and increase staff turnover — a persistent problem in the fast-food industry. Over time, employees who feel micromanaged and undervalued perform worse and leave sooner, raising recruitment and training costs. Additionally, experienced senior kitchen staff or shift supervisors may have valuable process knowledge that autocratic leaders ignore, leading to operational errors.

Evaluation: Autocratic leadership is appropriate for the routine, task-based aspects of fast-food operations where consistency is paramount and errors are costly. However, even within a primarily autocratic culture, paternalistic elements — explaining the reasoning behind standards, recognising individual contributions, providing clear progression pathways — can improve retention and service quality. The most effective fast-food managers combine autocratic task direction with at least some concern for people.

► **Watch: Leadership Styles**

VIDEO

2.4 Motivation and Demotivation

Motivation is the internal drive or external stimulus that directs and sustains human behaviour toward a goal. In a business context, motivated employees work harder, produce better quality output, take fewer sick days, and are less likely to leave — all with direct implications for productivity and cost. **Demotivation** — low motivation — leads to absenteeism, high turnover, poor quality, grievances, and strikes.

Understanding and managing motivation is one of the most critical responsibilities in HRM.

Financial Motivators

Financial motivators link pay to individual or organisational performance.

- **Salary:** a fixed annual payment, divided into regular monthly payments, regardless of hours worked or output produced. Provides security but does not incentivise exceptional performance.
- **Wages:** pay calculated by the hour worked (time rate) or unit produced (piece rate). Piece-rate wages directly link income to output — consistent with Taylor's scientific management. However, piece-rate may encourage speed at the expense of quality.
- **Bonus:** a one-off payment above normal salary, typically linked to achieving specific performance targets (individual, team, or company-wide). Motivates short-term performance but may encourage risk-taking or unethical behaviour if targets are too narrowly defined.
- **Commission:** a payment calculated as a percentage of the value of sales made. Common in sales roles — directly rewards individual commercial performance. Risk: encourages aggressive selling tactics; creates unstable income that may stress employees.
- **Profit sharing:** a portion of the company's annual profit is distributed among employees, typically in proportion to salary or length of service. Builds a sense of collective ownership but the link between individual effort and profit is weak — a demotivated employee in one department still receives profit share, regardless of their contribution.
- **Share ownership / Employee Stock Options (ESOs):** employees are given the right to buy company shares at a fixed price in the future. If the company performs well and the share price rises, employees profit — aligning their financial interest with shareholders'. Most powerful for senior employees whose decisions directly affect share price.
- **Fringe benefits (perks):** non-cash benefits forming part of the total compensation package. Examples: company car, private health insurance, gym membership, subsidised meals, childcare vouchers. Valued by employees and often tax-efficient for the employer, but do not directly incentivise performance.

Non-Financial Motivators

Research — particularly Herzberg's and Pink's — suggests that financial incentives alone are insufficient to sustain high performance, especially for complex or creative work.

- **Job enrichment:** redesigning a role to include greater responsibility, challenge, and variety — adding tasks that require more skill and judgment. This is **vertical loading** (adding higher-level tasks). Consistent with Herzberg's motivators — giving employees meaningful, challenging work.
- **Job enlargement:** adding more tasks at the same level of responsibility and skill, giving the employee a wider range of activities. This is **horizontal loading**. It reduces boredom from repetitive specialisation but may not genuinely increase the challenge or meaning of the work.
- **Job rotation:** moving employees between different roles or tasks on a planned basis. Reduces monotony, builds flexibility, and broadens skills — but each

rotation phase may still involve the same level of routine.

- **Empowerment:** giving employees the authority to make decisions about their own work without requiring managerial approval. Employees own the outcomes of their decisions. This is distinct from delegation (which transfers a specific task) — empowerment transfers broader decision-making authority.
- **Flexible working arrangements:** flexitime (employees choose when they work within core hours), remote/hybrid working, compressed working weeks, and job sharing. These improve work-life balance and reduce stress — particularly valuable for employees with caring responsibilities. Increasingly important for attracting and retaining talent in competitive labour markets.
- **Recognition and praise:** acknowledging achievements publicly, through awards, commendations, or simply verbal appreciation. Costs very little but powerfully addresses Maslow’s esteem needs and Herzberg’s motivator of recognition.

IB TIP

IB questions on non-financial motivators often ask: “With reference to a motivation theory, explain how job enrichment may increase employee motivation.” Always name the theory (Herzberg: job enrichment adds motivators — achievement, responsibility, growth), explain the mechanism (enriched role satisfies intrinsic needs for meaningful, challenging work), and then evaluate (works best for professional or skilled employees; may not motivate employees primarily seeking higher pay or who are happy with their current task level).

Motivation Theories

The IB Business Management syllabus requires detailed knowledge of five motivation theories. These are the most heavily tested topics in the entire HRM unit.

Taylor — Scientific Management (1911)

Frederick Winslow Taylor developed scientific management during the Industrial Revolution as a response to inefficient workshop practices.

Core argument: Workers are primarily motivated by **money**. They will work as hard as is required to earn the pay they want, and no harder. Therefore, the most effective way to maximise productivity is to:

1. Use **time-and-motion studies** to analyse every task and find the “one best way” to perform it.
2. Break work into small, specialised tasks — **division of labour**.
3. Set clear output targets based on the results of time-and-motion studies.
4. Pay workers using **piece-rate wages** — so their income is directly proportional to their output.

5. Select the “first-class worker” — the person best suited to each task — and train them in the one best method.

Applications: Taylor’s principles underpin many modern manufacturing systems, fast-food operations, and call-centre scripts. The efficiency gains from specialisation and standardisation are real and significant.

Criticisms:

- De-humanising — reduces workers to economic units, ignoring their psychological and social needs (directly contradicted by Maslow and Herzberg).
- Assumes money is the only motivator — ignores intrinsic motivation (contradicted by Herzberg and Pink).
- Piece-rate systems may lead to speed at the expense of quality.
- Workers may resist time-and-motion studies — they fear losing jobs or being forced to work harder for the same pay.
- Creates adversarial management-worker relationships, increasing industrial conflict.

Maslow — Hierarchy of Needs (1943)

Abraham Maslow argued that human beings have a hierarchy of five categories of needs, arranged in a pyramid. Lower-level (deficiency) needs must be satisfied before higher-level (growth) needs become motivating.

The Five Levels:

Level	Need Category	Business Examples
5 (top)	Self-actualisation — reaching one’s full potential; creative work; personal growth	Stretch assignments, creative autonomy, leadership development, meaningful project work
4	Esteem — recognition, status, achievement, confidence	Promotion, performance awards, public praise, title changes, increased responsibility
3	Social / Love and Belonging — teamwork, friendship, belonging, acceptance	Team-building activities, collaborative working, supportive management, inclusive culture
2	Safety — job security, safe working conditions, predictable income	Permanent contracts, pension schemes, health and safety standards, redundancy protections
1 (base)	Physiological — basic survival: pay to cover food, shelter, warmth	Sufficient wage to meet basic living costs

Application for managers: Identify which level an employee is stuck at and address it. An employee worried about redundancy (Level 2 — Safety) will not be motivated by a “best team player” award (Level 3 — Social). Solve the unmet lower need first.

Limitations:

- The rigid hierarchy is questioned — people may pursue self-actualisation even when safety needs are not fully met (e.g., artists accepting poverty for their craft).
- Needs are complex and culturally variable — collectivist cultures may prioritise social belonging above safety or esteem.
- Self-actualisation is subjective and difficult to define or measure.
- Does not translate directly into specific management tools.

Herzberg — Two-Factor Theory (1959)

Frederick Herzberg interviewed 200 engineers and accountants to identify what made them feel exceptionally good or bad about their work. His key finding was that **satisfaction and dissatisfaction are not opposites on a single scale** — they are driven by entirely different factors.

Hygiene factors (Maintenance factors / Dissatisfiers): Factors that, if absent or inadequate, cause **dissatisfaction**, but whose presence does not actively motivate. They are the foundation that must be in place for motivation to be possible.

Examples: pay and salary, working conditions, company policy and administration, relationship with supervisors, job security, status, interpersonal relationships with peers.

Motivators (Satisfiers): Factors that, when present, actively create **motivation** — a positive desire to perform well.

Examples: achievement, recognition, the work itself (intrinsically interesting), responsibility, advancement, personal growth.

The Key Insight: Improving hygiene factors — for example, giving everyone a pay rise — removes dissatisfaction but does not create lasting motivation. The employee will simply expect the higher pay as the new baseline. To genuinely motivate, managers must enrich jobs by adding motivators: more responsibility, more interesting work, better recognition, opportunities for advancement.

Application:

1. First, audit and address hygiene factors — ensure pay is fair, working conditions are acceptable, management relationships are positive.
2. Then, enrich roles by adding motivators — design jobs with greater autonomy, challenge, and meaning.

Contrast with Taylor: Taylor argues pay is the primary motivator. Herzberg classifies pay as a hygiene factor — removing the cause of dissatisfaction, not creating motivation. This is one of the most important contrasts in IB Business.

EXAM ALERT

A very common exam trap: “Herzberg says pay does not matter.” This is wrong. Herzberg says pay is a **hygiene factor** — if pay is inadequate, it causes active dissatisfaction and performance deteriorates. His point is that improving pay beyond a “fair” level does not create additional motivation. Pay must be adequate; it is just not sufficient on its own. In an exam answer, always make this distinction explicit.

Adams — Equity Theory (1963)

J. Stacy Adams proposed that motivation is influenced by employees’ perception of **fairness** relative to others. Employees do not evaluate their pay and conditions in isolation — they compare their **input/output ratio** with that of a **referent** (a colleague, someone in a similar role elsewhere, or an industry norm).

Inputs (what the employee brings): effort, skill, experience, qualifications, commitment, loyalty. **Outputs** (what the employee receives): pay, recognition, status, benefits, promotion.

When the ratio is balanced: The employee feels equitably treated and is motivated to maintain their effort.

When the ratio is unbalanced (inequity):

- If the employee perceives they receive less than a comparable referent: **under-reward inequity** → demotivation, reduced effort, request for higher pay, or resignation.
- If the employee perceives they receive more than a comparable referent: **over-reward inequity** → initial guilt (but typically resolved quickly by raising self-perception of inputs).

Responses to inequity:

1. Reduce inputs (work less hard) to rebalance the ratio.
2. Seek higher outputs (request a pay rise or promotion).
3. Cognitively distort the comparison (convince themselves the referent is actually better qualified).
4. Change the referent (compare to someone who is more similarly treated).
5. Leave the organisation.

Application: Managers must ensure pay decisions are transparent and perceived as fair. Pay secrecy policies frequently backfire — when employees discover pay disparities (and they almost always do), the resulting perception of inequity causes significant demotivation.

Pink — Intrinsic Motivation: Autonomy, Mastery, Purpose (2009)

Daniel Pink, drawing on decades of behavioural science research, argues that traditional financial incentives are insufficient — and in some cases counterproductive — for complex, creative, or cognitively demanding work. Pink identifies three intrinsic drivers of motivation:

- **Autonomy:** the desire to direct one's own work — choosing how, when, where, and with whom to work. Autonomy is undermined by micromanagement. Examples of autonomy-supporting practices: Google's famously allowed 20% time for personal projects, remote and flexible working arrangements, self-managed teams.
- **Mastery:** the intrinsic satisfaction of getting better at something that matters. Humans find deep engagement in progressive improvement — sports, music, coding, cooking. In the workplace, mastery is supported by: stretch assignments that challenge without overwhelming, mentoring, deliberate practice, and clear feedback on skill development.
- **Purpose:** the sense that one's work connects to something larger — a mission, a cause, or a community. Purpose is why employees at Apple feel they are “putting a dent in the universe” rather than just assembling phones; why nurses show up despite gruelling conditions; why teachers stay in underpaid roles. Purpose is increasingly central to attracting younger workers who prioritise meaning alongside money.

Application: Pink's model has the greatest relevance for **knowledge workers** — software developers, designers, researchers, consultants, teachers. It explains why purely financial incentive schemes (consistent with Taylor's model) often fail to improve creative performance — and why they can actually reduce it (the “crowding out” of intrinsic motivation by extrinsic rewards).

Motivation Theory Comparison Table

Theory	Author / Year	Key Argument	Primary Motivator	Financial Incentives	Limitations
Scientific Management	Taylor (1911)	Workers are motivated primarily by money; find the “one best way” and pay piece rate	Money / Output	Central — piece-rate pay	Dehumanising; ignores social and intrinsic needs; causes adversarial relations
Hierarchy of Needs	Maslow (1943)	Five levels of need; lower needs must be met before higher needs motivate	Varies by level — from pay to self-actualisation	Addresses only the lowest level (physiological)	Rigid hierarchy challenged; hard to apply operationally; cultural variation
Two-Factor Theory	Herzberg (1959)	Hygiene factors prevent dissatisfaction; motivators create positive motivation	Achievement, recognition, the work itself	Pay is a hygiene factor only — removes dissatisfaction, does not motivate	Based on white-collar professional sample; subjective recall bias; limited to those with enrichable jobs
Equity Theory	Adams (1963)	Motivation depends on perceived fairness relative to a referent	Perceived equitable treatment	Important but must be perceived as fair relative to others	Referents vary; what individuals perceive as equitable differs; hard to manage in practice
Autonomy, Mastery, Purpose	Pink (2009)	Intrinsic motivation drives performance for complex/creative work	Autonomy, mastery, purpose	Extrinsic rewards can crowd out intrinsic motivation	Most applicable to knowledge work; less relevant for routine, physical tasks; may underestimate pay’s role

 **MEMORISE THIS**

Motivation Theory Mnemonic: THEMA P

Taylor — Time-and-motion; piece rate; money motivates. **Herzberg** — Hygiene factors prevent dissatisfaction; motivators create satisfaction (motivation). **Equity** (Adams) — Equal input/output ratio relative to referents. **Maslow** — Must meet lower needs before higher needs motivate. **Autonomy, Mastery, Purpose** — Pink's three intrinsic drivers.

Worked Example — 10-mark question: “Evaluate the usefulness of Maslow’s Hierarchy of Needs as a tool for managing employee

motivation at a hospital.”

WORKED EXAMPLE

Introduction: Maslow’s Hierarchy of Needs (1943) proposes five levels of human need — physiological, safety, social, esteem, and self-actualisation — arranged in a pyramid. It argues that lower needs must be satisfied before higher ones become motivating. Applying this to a hospital requires considering the diverse workforce: consultants, nurses, administrative staff, and porters all occupy different positions on the hierarchy.

For Maslow’s usefulness in a hospital:

The model helps managers diagnose **where specific employee groups are stuck**. Junior nurses on temporary contracts may be at the Safety level (Level 2) — concerned about job security and shift patterns. A pay rise or permanent contract directly addresses this and may restore motivation. Conversely, experienced consultants — already well paid with high job security — are more likely at Level 4 (Esteem) or Level 5 (Self-actualisation). For them, recognition, research opportunities, leadership roles, and the intellectual challenge of complex cases are motivating — not a pay increment. Maslow helps a hospital HR manager distinguish these different motivational needs rather than applying a uniform solution.

Social needs (Level 3) are also highly relevant in healthcare: teamwork, interdepartmental relationships, and a sense of belonging in a high-pressure environment directly affect both staff wellbeing and patient outcomes. Hospitals that invest in team-building, supportive management, and peer networks are addressing this level appropriately.

Against Maslow’s usefulness:

The hierarchy is **rigid and difficult to apply in practice**. Many healthcare workers are motivated by self-actualisation (the meaning and purpose of saving lives) even when physiological and safety needs are not fully met — nurses who feel called to their vocation may accept demanding conditions that Maslow would suggest should demotivate. This is better explained by Pink’s Purpose driver. Maslow also does not specify **what** managers should do at each level — it is a diagnostic model, not an action plan.

The hospital also cannot easily verify which level each employee is at — the model requires honest self-disclosure from staff that may not occur in hierarchical, high-pressure healthcare environments. Finally, the hierarchy does not account for **cultural differences** — in some cultures, social belonging (Level 3) is valued above personal esteem (Level 4).

Evaluation: Maslow’s hierarchy is a useful framework for structuring the conversation about employee motivation — it reminds managers that people have multiple, layered needs that cannot all be addressed by financial incentives alone. It is

particularly valuable for identifying **demotivation caused by unmet basic needs** (unsafe conditions, job insecurity). However, it is not a precise management tool: it cannot accurately predict individual behaviour, the hierarchy is not always sequential, and it must be used alongside more specific frameworks such as Herzberg (to identify specific motivators and hygiene factors) and Pink (to understand intrinsic motivation for professional staff). Used in combination, these theories provide a richer picture than any single model alone.

► **Watch: Motivation Theories — Maslow, Herzberg, Taylor**

VIDEO

2.5 Organizational (Corporate) Culture

Organizational culture is the shared values, beliefs, norms, rituals, and behaviours that characterise an organisation — often described as “the way we do things here.” Culture is powerful precisely because much of it is invisible: it shapes how decisions are made, how conflict is resolved, how people treat each other, and how the organisation responds to change — often without anyone explicitly discussing it.

The Cultural Iceberg

The **cultural iceberg** model illustrates that most of an organisation’s culture is invisible.

Visible (above the surface): dress codes, office layout, logos and branding, mission statements, official policies, uniforms, the language used in meetings, ceremonies and celebrations, organisational charts.

Invisible (below the surface): shared values and beliefs, unspoken rules about behaviour and decision-making, assumptions about how things “should” be done, attitudes toward risk and failure, power dynamics, informal hierarchies, emotional norms (e.g., whether it is acceptable to show vulnerability or disagreement).

The invisible elements are far harder to change than the visible ones. A new CEO can redesign the office and rewrite the mission statement on day one — but changing the underlying assumptions and values of an organisation may take years.

Handy’s Four Culture Types

Charles Handy (1993) identified four cultural archetypes, each associated with a structural image:

Power Culture (Spider’s Web) A central, powerful figure (or small group) holds and exercises most of the authority and decision-making. Lines of power and influence radiate from the centre like a spider’s web. Information and resources flow to and from the centre.

- Characteristics: fast decision-making; strong personality at the centre; few rules or procedures; success depends heavily on the character and capability of the

central figure.

- Strengths: highly responsive; entrepreneurial; decisive.
- Weaknesses: entire organisation depends on one leader — if they leave or fail, the culture collapses; little accountability; can be inconsistent; others may feel excluded from power.
- Examples: founder-led start-ups; family businesses dominated by the founding family.

Role Culture (Greek Temple) The organisation functions through formal rules, procedures, job descriptions, and well-defined roles. Each pillar of the temple represents a functional department; the pediment represents senior management coordinating across them.

- Characteristics: clear hierarchy; decision-making by position rather than person; stability and predictability; bureaucratic.
- Strengths: high consistency and reliability; suited to large, stable organisations; clear accountability.
- Weaknesses: slow to respond to change; inflexible; innovation is suppressed by rule-following; individuals may feel like cogs in a machine.
- Examples: civil service, traditional banks, established utilities, large insurance companies.

Task Culture (Net) The organisation is structured around projects and cross-functional teams assembled to solve specific problems or complete specific tasks. The “net” image reflects the flexible connections between team members.

- Characteristics: power derives from expertise rather than position; flexible team composition; collaborative; results-focused.
- Strengths: highly adaptive; encourages creativity and cross-functional collaboration; motivating for skilled professionals.
- Weaknesses: resource contention between competing projects; hard to maintain consistency; may be expensive; individual accountability can be unclear.
- Examples: advertising agencies, consulting firms, technology project teams, film production companies.

Person Culture (Cluster) The organisation exists to serve the interests of the individuals within it. The “cluster” image reflects a group of equals, with no dominant centre.

- Characteristics: individuals have high autonomy; the organisation is a vehicle for their personal goals rather than the other way around; very flat, loose structure.
- Strengths: attracts highly independent experts; individuals flourish.
- Weaknesses: almost impossible to manage; the organisation has very little collective identity or direction; difficult to coordinate; rare except in specific professional contexts.

- Examples: some law partnerships, academic research groups, architects' practices where each principal runs essentially their own practice under a shared umbrella.

EXAM ALERT

IB questions may present a business scenario and ask which of Handy's types best describes its culture. Read carefully for clues: a fast-decision-making family business dominated by its founder = Power culture. A bureaucratic government agency with rigid job descriptions = Role culture. A consultancy that assembles specialist teams for each client project = Task culture. A law firm of equal senior partners = Person culture.

Strong vs Weak Culture

A **strong culture** is one where the shared values and norms are widely understood, accepted, and consistently demonstrated across the organisation. New employees quickly understand "how things work here" through rituals, stories, and the behaviour of leaders. Strong cultures can be a powerful source of competitive advantage — aligned teams make decisions faster, consistent customer experiences build brand loyalty, and shared values reduce the need for detailed rule books.

A **weak culture** is fragmented — employees in different departments, locations, or seniority levels behave very differently. There is no shared "way of doing things." Decision-making is inconsistent. Customer experience varies widely. Weak cultures often emerge in organisations that have grown rapidly through acquisitions without integrating the acquired company's culture.

However, a very strong culture can also be a liability — it can create groupthink, suppress dissent, and make the organisation resistant to necessary change.

Changing Organisational Culture

Culture change is one of the most challenging management tasks — and most research suggests it takes 3–10 years even in favourable circumstances.

Reasons to change culture:

- Merger or acquisition — two organisations with different cultures must integrate.
- Strategic shift — a new strategy (e.g., from product orientation to customer orientation) requires different values and behaviours.
- Crisis or scandal — reputational damage forces a fundamental reset.
- New leadership — a new CEO may champion a different set of values.

How culture change happens:

1. New leadership articulates and models the new values — leaders set cultural tone through their own behaviour.

2. Structural changes reinforce cultural expectations — redesigning the organisation (flat structures, open offices) to support collaboration if collaboration is the new value.
3. HR systems are realigned — recruitment selects for new cultural fit; appraisal and reward systems measure and recognise desired behaviours; training embeds new values.
4. Communication campaigns and storytelling — new myths, rituals, and symbols replace old ones.
5. Removal or reassignment of individuals who embody the old culture — sometimes unavoidable.

Why culture change is so difficult:

- The invisible elements of culture (values, assumptions) are deeply embedded and resist top-down instruction.
- Middle managers — the “cultural custodians” — may sustain old behaviours even while formally endorsing new ones.
- Employees are naturally resistant to change, especially if the old culture was comfortable and perceived as successful.
- Cultural change requires sustained, consistent leadership — any signal that leaders do not practise what they preach undermines the entire effort.

2.6 Industrial and Employee Relations

Industrial relations (also called employee relations) refers to the formal and informal relationships between employers, employees, and — where present — trade unions. The quality of industrial relations directly affects productivity, employee wellbeing, absenteeism, turnover, and the business’s reputation.

Trade Unions

A **trade union** is an organised association of employees in a particular industry, trade, or profession that exists to represent members’ collective interests in negotiations with employers. Trade unions:

- Negotiate pay, working conditions, and employment terms on behalf of members (**collective bargaining**).
- Represent individual members in disciplinary or grievance procedures.
- Lobby governments and employers on employment law and labour rights.
- Organise industrial action when negotiations break down.

Collective Bargaining

Collective bargaining is the process of negotiation between an employer and a trade union (representing a group of employees) to agree on terms and conditions of

employment. The key feature is that the union negotiates for all employees collectively — each individual cannot be picked off and offered different terms.

Outcomes of collective bargaining: wage settlements, changes to working hours, improvements to conditions, redundancy terms, health and safety commitments, and recognition agreements.

The strength of collective bargaining depends on the **bargaining power** of each side — a union with high membership, employed in a business where output cannot easily be replaced (e.g., skilled pilots at an airline), has far more leverage than a union representing easily replaceable roles.

Types of Industrial Action

When collective bargaining breaks down, trade unions may escalate to industrial action. These actions vary in severity:

Type	Description	Impact
Strike	Employees refuse to work — complete withdrawal of labour	Most disruptive; stops production entirely; union must pay members from strike fund
Work-to-rule	Employees only perform duties explicitly written in their contract — no goodwill extras, no overtime	Significantly reduces output and flexibility without technically breaking the employment contract
Go-slow	Employees work but at a deliberately reduced pace	Reduces output; harder to enforce and harder for employers to address legally
Overtime ban	Employees refuse to work beyond contracted hours	Reduces total output where overtime is routinely used; does not put members at risk of breach of contract

Employer Responses to Industrial Action

Employers are not passive in industrial disputes. Possible responses include:

- **Lock-out:** the employer prevents employees from entering the workplace — effectively the employer's equivalent of a strike.
- **Hiring replacement workers (strike-breakers or “scabs”):** controversial, often legally restricted, and may inflame the dispute.
- **Automation:** responding to persistent labour demands by investing in technology that reduces dependence on the workforce.
- **Seeking an injunction:** applying to the courts to have industrial action declared illegal (e.g., if balloting procedures were not followed).

Conflict Resolution Mechanisms

When direct negotiation fails, third parties can assist:

Mediation: a neutral third party facilitates communication and negotiation between employer and union. The mediator has **no power to impose** a settlement — they can only encourage both sides toward an agreement. The process is voluntary and confidential.

Arbitration: a neutral arbitrator (or panel) hears both sides' arguments and then **imposes a binding decision**. Both parties agree in advance to accept the outcome. Arbitration is faster than litigation but removes the parties' control over the outcome. **Pendulum arbitration** (common in no-strike agreements) requires the arbitrator to accept entirely one side's final offer — this incentivises both sides to make more moderate, reasonable positions.

No-strike agreements: a union agrees not to strike (and may agree to work-to-rule restrictions) in exchange for the employer agreeing to binding arbitration as the dispute resolution mechanism, and often other protections (job security, minimum pay increases). Common in some UK manufacturing agreements.

Sources of Workplace Conflict

Most industrial disputes arise from one or more of the following:

- **Pay and conditions:** employees believe their remuneration has not kept pace with inflation, productivity improvements, or comparator wages. This is the most common trigger.
- **Redundancy and restructuring:** proposed job losses generate the strongest union responses. Conflicts focus on the number of redundancies, selection criteria, and compensation packages.
- **Changes in working practices:** management attempts to change shift patterns, introduce performance targets, or alter working methods may be resisted as work intensification.
- **Health and safety concerns:** disputes arising from employees' refusal to work in conditions they regard as unsafe.
- **Disciplinary and grievance disputes:** individual grievances that are not resolved satisfactorily escalate into collective action.

The Human Relations Approach vs Scientific Management

The contrast between Taylor's **Scientific Management** and the **Human Relations movement** (Mayo, Maslow, Herzberg) is fundamental to understanding the evolution of industrial relations.

Taylor viewed industrial conflict as a rational response to inefficient management — if you pay workers fairly for their output and design work efficiently, conflict disappears. Human relations theorists argued that employees have social and psychological needs that management must actively address — conflict arises not just from pay disputes but from feelings of alienation, disrespect, and powerlessness.

Modern industrial relations draws on both traditions: fair pay and efficient work design remain important, but so does employee voice, dignity, and participation in decisions that affect them.

WORKED EXAMPLE

Worked Example — 10-mark question: “Evaluate the use of trade unions as a means of resolving conflict in a manufacturing business.”

Introduction: Trade unions represent employees collectively in negotiations with employers. In manufacturing — where large numbers of employees often perform similar roles and are vulnerable to collective exploitation — trade unions have historically played an important role in resolving conflict. However, their effectiveness depends on many contextual factors.

For the use of trade unions:

Trade unions provide employees with a **collective voice** that individual workers lack. In a manufacturing context, a single employee who objects to unsafe working conditions or a below-inflation pay offer has virtually no leverage against an employer — they can be dismissed or ignored. A union representing 80% of the workforce, with strike rights, has real bargaining power. Collective bargaining leads to formal, documented agreements that give both sides clarity and reduce the scope for ad hoc disputes. Research suggests unionised workplaces often have lower turnover and better compliance with health and safety standards, because grievances have a formal outlet before they escalate.

Trade unions also facilitate **structured conflict resolution** — through formal grievance procedures, joint working groups, and mediation — rather than allowing disputes to fester informally. In industries where trust between management and labour has historically been low (such as automotive or steel production), having a recognised union with clear procedures is more reliable than depending on goodwill.

Against the use of trade unions:

Trade union power can also escalate conflict rather than resolve it. If union leadership is politically motivated or the membership is radical, industrial action may be called in pursuit of goals that go beyond the immediate dispute — causing disruption that harms the business, employees (who lose pay during strikes), and customers. **Strikes** are particularly damaging in just-in-time manufacturing environments where any production stoppage cascades across the supply chain.

Trade unions also represent collective interests — they may resist changes (automation, flexible working arrangements) that are in the long-term interest of the business and even of most employees, because a minority of members strongly oppose them. Union decisions require democratic mandates, which can slow the resolution of disputes.

Evaluation: Trade unions are a legitimate and often effective mechanism for resolving conflict in manufacturing, particularly for systemic issues (pay, safety, redundancy) affecting large numbers of employees. However, their effectiveness depends on the quality of the union-management relationship. Where unions are recognised partners in decision-making (as in many German co-determination models), they can actively

improve industrial relations. Where unions are treated as adversaries, recognition may entrench rather than resolve conflict. The most effective approach combines formal trade union recognition with genuine employee participation mechanisms — works councils, joint committees, open-book management — that give employees voice throughout the year, not just during crisis negotiations.

November 2026 Exam Predictions

Based on IB Business Management examination patterns, the following topics have the highest probability of appearing in the November 2026 examination:

Very likely (appeared frequently in recent sessions):

- A case study question asking you to apply two motivation theories to explain employee behaviour and recommend improvements — expect Taylor vs Herzberg, or Maslow applied to a specific workforce situation.
- A question on leadership styles asking you to evaluate the appropriateness of a named style (autocratic or democratic) for a specific business context with reasons for and against.
- An organisational structure question — likely involving a business that is delayering or transitioning from a functional to a matrix structure.

Likely (tested in recent sessions):

- A question on hard vs soft HRM comparing two businesses with different approaches.
- A question on the role of trade unions in an industrial dispute, requiring evaluation of mediation vs arbitration vs collective bargaining.
- An organisational culture question using Handy's four types, with a business scenario to classify and evaluate.

Watch for in HL:

- Combined HRM + finance or HRM + strategy questions in Paper 2 — expect to link motivation theory or leadership to a business's financial performance or strategic objectives.

IB TIP

For Paper 2 extended-response questions (8-mark and 10-mark), the mark scheme always awards the top band for: (1) accurate knowledge of theory applied to the specific business in the stimulus, (2) a two-sided evaluation (arguments for and against), and (3) a justified conclusion. Never end a 10-mark answer without a conclusion that takes a position. “Overall, democratic leadership is more appropriate for NovaTech because the workforce is highly skilled and intrinsically motivated — consistent with Pink's AMP model — making consultation more likely to improve decision quality and retention than reduce it.”

Practice Questions

The following questions cover all subsections of Unit 2. Attempt each before revealing the model answer.

- ▶ Question 1 — HRM Functions: Distinguish hard HRM from soft HRM (concept)
- ▶ Question 2 — Organizational Structure: Evaluate a matrix structure (application + evaluation)
- ▶ Question 3 — Leadership: Compare autocratic and democratic leadership styles (application)
- ▶ Question 4 — Motivation Theory: Apply Herzberg's Two-Factor Theory (application + evaluation)
- ▶ Question 5 — Motivation Theory: Compare Taylor and Herzberg on the role of pay (concept + evaluation)
- ▶ Question 6 — Organizational Culture: Classify using Handy's framework (application)
- ▶ Question 7 — Industrial Relations: Evaluate mediation and arbitration as conflict resolution tools (evaluation)
- ▶ Question 8 — Integrated: Apply motivation theory and leadership to a business scenario (10-mark style)