

**PEARSON EDEXCEL A LEVEL**

© Hodder Education  
Summer 2019

# BUSINESS

**IAN MARCOUSÉ**

**ANDREW HAMMOND**

**NIGEL WATSON**



**DYNAMIC  
LEARNING**



**HODDER  
EDUCATION**



# 16 Introduction to managing people

## DEFINITION

Managing people is the task of every manager – and usually their most important one. The business department known as ‘Personnel’ (or human resource management) manages the process of recruiting, training and incentivising staff.

## 16.1 People are our most important asset

In company accounts, including those of Center Parcs and Churchill China plc, the business cliché is set out: ‘Our people are our most important asset.’ In the case of Center Parcs, this probably isn’t true. The biggest assets of the business are probably the brand name plus the market positioning: safe, healthy, outdoor holidays for the whole family. Yet the company makes the claim because managers want staff to feel appreciated; and, of course, holidaymaker satisfaction does depend on the friendliness and efficiency of staff. But does it have to be *this* staff and *these* people? Or could the current staff all be replaced tomorrow by younger, cheaper people? In which case, the ‘important asset’ claim would be a hollow one.

Contrast the situation at Center Parcs with that at Churchill China. Churchill employs people with the skill to make the tableware you would eat from at the Ritz hotel or the finest restaurants: skilfully made and beautifully decorated. Churchill is the market leader in supplying china plates, cups, etc. to the UK’s hospitality industry. The company’s annual report for 2018 highlights a ‘talented, dedicated team’ that makes the company successful. These skilled staff really are a vital asset, which is why Churchill never followed others in outsourcing production to the Far East.

‘Employees are a company’s greatest asset – they’re your competitive advantage. You want to attract and retain the best; provide them with encouragement, stimulus, and make them feel that they are an integral part of the company’s mission.’

*Anne Mulcahy, former chief executive, Xerox Corporation*

Although few Personnel Directors would admit it, some companies regard their staff as costs rather than assets. As such, they seize every opportunity to cut these costs, perhaps by **outsourcing** tasks or by changing employment contracts from permanent and full-time towards the insecure world of **zero-hours contracts**. When unemployment is high, it is easy to see that companies can get away with such indifference towards their employees’ security and morale. Well-run companies with sights on long-term success would do everything they can to avoid breaking the bond of trust that should exist between management and staff.

‘Everyone talks about building a relationship with your customer. I think you build one with your employees first.’

*Angela Ahrendts, former chief executive, Burberry plc*

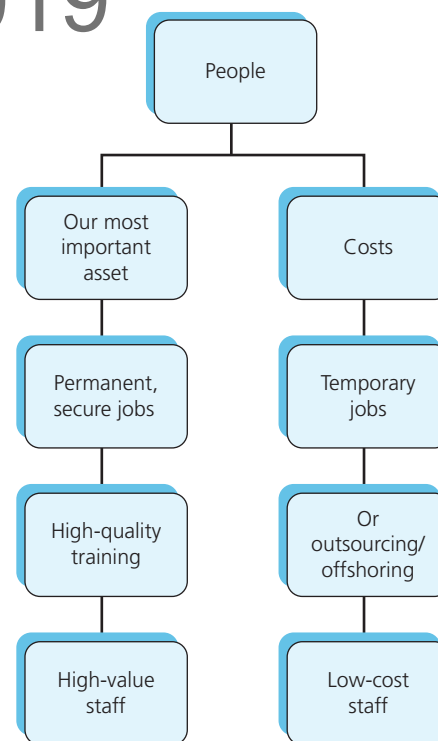


Figure 16.1 Different ways of viewing people in a business

Department	Requirement/problem	Personnel solution
Marketing	Department needs to hire a new, young team of super-bright, creative minds to run a new digital/social media department.	Personnel staff will run recruitment fairs at four key universities, inviting candidates to a 'Mud Weekend' of quad biking, paintballing and more.
Finance	All department staff need to be trained on new financial software to be introduced in three months' time.	Personnel staff hire a software consultant to run training sessions every Thursday, with finance staff attending on a rota basis.
Resource management	New paintshop robots are to replace 100 skilled jobs next year.	Extra jobs should arise in other skilled functions, so a once-a-week retraining programme can start for all those who wish to stay with the company.

**Table 16.1** Personnel problem solving

## 16.2 Keys to effective people management

Fundamentally, there are two key goals when managing people:

- making sure you have the right number of staff, with the right skills and experience and in the right places, to meet all production and customer service requirements
- making sure those staff understand the business culture ('the way we do things round here') and are motivated in the right way, to ensure that quality standards match or beat customer expectations.

It is important to realise that neither of those goals need be met by a personnel department. In small businesses, it will often be the case that one director has responsibility for personnel issues, but this might be one among several duties. Therefore, hiring and training staff may be carried out by a director with no professional background or training in personnel. But such people can sometimes be fantastic in the role. A small building business may hire a fresh-from-college bricklayer and do a terrific job in instilling the company's attitude to quality standards, in how to deal with customers and in the pace and productivity of the working day.

*'Your employees come first. And if you treat your employees right, guess what? Your customers come back, and that makes your shareholders happy. Start with employees and the rest follows from that.'*

*Herb Kelleher, co-founder of South West Airlines*

Despite this, exam questions tend to assume that personnel tasks such as recruitment are carried out by personnel departments. These can be central parts of an organisation or end up semi-detached, regarded by most managers as a bureaucratic weight on the firm's shoulders.

If the personnel department is acknowledged internally to be a valuable part of the whole, managers from other

departments will come to discuss their needs. Personnel managers can then work on solving the people problems of others. See Table 16.1 for more detail.

## 16.3 Planning your staffing needs

Personnel planning is about thinking ahead so that staff have the right balance of the right skills in each year into the future. In 2013, Fulham FC started the season with the oldest squad in the Premier League (by far). At the season end, the club was relegated. A succession of managers had failed to develop an effective personnel plan. The key components of such a plan are set out below.

- 1 Audit what you have at the moment: how many staff and what are their skills; ideally, this audit would include aspirations (for example, staff who say 'I'd love to travel' or 'I've always wanted to learn a foreign language').
- 2 Analyse the business plan to turn plans into people. For example, if Lidl's corporate plan says '20 new stores to be opened in Britain in the next two years', the workforce plan can be set: 20 new stores, each staffed by 120 people = 2,400 new staff needed.
- 3 Take into account the changes on the way from here to there. How many will leave to retire, have kids or a career change? Some football teams age together; eleven 29-year-olds may be great, but four years later there will be a problem.
- 4 Calculate the gaps that need to be filled between now and two years' time.

An example of a human resource (HR) plan by UK grocery chain Tesco is given in Table 16.2. Having completed this process (which should be done carefully, with full consultation with every senior manager), it is time to put it into practice. The process of human resource planning includes recruitment and selection, training

Component of a human resource plan	Example: UK grocery chain Tesco, investigating opening stores in India
1 Audit current staff, to find out their skills	How many current staff speak Hindi, and how many have significant, recent local knowledge?
2 Identify the workforce needs in two years' time, based on the corporate plan	How many staff will be needed in the UK in two years' time, broken down by skill and seniority; and how many will be needed in India?
3 Estimate employee loss through natural wastage	Research HR records to find how many of the 500,000 staff will be retiring; if the <b>labour turnover</b> is 10 per cent, 50,000 people need to be recruited just to maintain the present situation.
4 Calculate the gaps between what exists now and what is needed in two years' time – then plan to fill them	If Tesco plans ten new store openings in the UK plus ten in India, it may need 8,000 new staff in addition to the 50,000 needed to replace leavers. These 58,000 must be divided up to plan for how many Hindi speakers, how many butchers, bakers, accountants etc. are needed.

**Table 16.2** Components of a human resource plan for Tesco

and development, **redeployment** and sometimes planned redundancies.

## 16.4 Instilling staff culture and motivation

It isn't enough to have the right number of people in the right places. These people must give their best and do so in a manner that fits in with the overall company style and ethos. The sandwich chain Pret a Manger has been brilliant at this. They recruit on the basis of personality, not skill, then train people with care. The result is that every branch of Pret seems to be staffed by friendly, helpful but energetic/quick staff – exactly what an office worker wants at lunchtime.

When new recruits have been appointed, they should begin with an induction training programme that focuses on the company traditions and culture. At Harrods, the vast store is a maze, so every member of staff asks every customer whether they need help finding their next destination. At Aldi, customers expect no more than efficient, speedy service.

When it comes to motivation, though, there are big issues to consider. Personnel departments love to get involved with incentivising staff – that is, creating rewards systems that are intended to encourage the behaviours the company wants from staff. In furniture retailing, a 2 per cent commission rate is common for shop-floor sales staff. So a £1,200 leather sofa is worth an extra £24 in the wage packet. This should prove a good incentive to sell effectively, without being such a fantastic sum of money that staff oversell or mis-sell to people who may later regret their purchase (and complain bitterly online).

The important thing here is to learn the difference between incentivisation and motivation. Yes, incentives may sometimes be useful, but they are not a way to motivate staff. Motivated

staff give their best in every way they can, such as the Business teacher who always gets work marked and returned for the next lesson. No-one's paying a bonus for this; it is simply motivation. Incentives never get people to give their best, only to get people to do more of the most important job function, e.g. paying a striker £1,000 per goal they score. But the problem with incentives is the unintended consequences. Suddenly your team is scoring fewer goals because the striker is too greedy in the penalty box. Chapters 20 and 21 cover this issue with care.

*'The factory of the future will have only two employees, a man and a dog. The man will be there to feed the dog. The dog will be there to keep the man from touching the equipment.'*

*Warren Bennis, business author*

## 16.5 Introduction to managing people – evaluation

Some firms talk about staff being an important asset without seeming to believe it. But there's every reason to think that, for the majority of firms, staff really *are* that important. Currently Jaguar Land Rover (JLR) is one of Britain's most successful businesses. It needed huge investment from owner Tata Motors, but Tata would not have invested without the brilliantly successful Evoque car, designed and manufactured by some highly motivated British engineers. When management and the workforce really believe that they can succeed together, the results can be fantastic. Labour turnover at JLR is less than 2 per cent as staff want to carry on being part of this great success.

As a rule, then, it is reasonable to think that wise organisations make sure that staff feel wanted, trusted and secure, give them regular training and make sure that the job they do is stimulating and motivating.

# 16.6 Workbook

## Revision questions

(30 marks; 30 minutes)

- 1 Give three reasons why managing people is important to a business such as a low-cost airline. (3)
- 2 Outline two possible reasons why an employee might prefer a full-time job to a zero-hours contract. (4)
- 3 Pret a Manger recruits a high proportion of its staff from overseas. Explain why it may choose to do that. (4)
- 4 Explain one situation in which a clothing chain such as Topshop might need to:
  - a) redeploy 20 staff
  - b) outsource a job function. (8)
- 5 Do you agree with Angela Ahrendts (see page 96)? Explain your reasoning. (5)
- 6 Explain one advantage and one disadvantage to a firm of having a high proportion of staff who have been with the business for 20+ years. (6)

## Data response

### Churchill China

Churchill China plc is a pottery company based in Stoke-on-Trent. It is shortly coming up to its 200th anniversary and it is relatively rare in Stoke (once the world's leading pottery region) to still manufacture locally. On the face of it, the company is going nowhere. Yet there has been an interesting shift in strategy. In 2007, revenue came in a 55:45 ratio of B2B sales to B2C sales. In the first half of 2017, the ratio was 90:10. Churchill has switched to becoming overwhelmingly a supplier of china plates, cups, etc. to hotels, restaurants and the catering trade generally. Indeed, it is now the UK's market leader in supplying to the 'hospitality industry'. This is a nice niche position to be in because it is more to do with small-scale, tailored production than the mass market. This keeps Churchill's trade business away from direct competition from the Far East. It also may give rise to

a real growth path in the future, given that eating out remains a growth trend in Britain (and elsewhere in the west).

Even prior to 2007, Churchill had largely given up producing china for the retail market. Instead it designed 'tableware' in the UK, but had it made in the Far East. So the fall-away in retail sales has quite a few economic positives. Churchill is now focusing on producing in the UK for the UK market – though it is also developing stronger export sales within the hospitality trade. In 2017 Churchill's B2B sales to continental Europe rose by 21 per cent.

Throughout recent years, Churchill has invested in new technology, especially in robotic kiln-loading and unloading. That means that there are fewer low-skilled jobs in the factory today than in 2007. Fortunately, the jobs that remain are extremely highly skilled, making it hard for others to copy the quality and variety of Churchill's output. Hence its status as market leader.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue, £000s	46,930	41,969	41,705	43,746	42,296	41,435	43,157	44,518	46,829	51,102	53,530
Operating profit, £000s	3,230	2,804	2,288	2,287	2,713	2,830	3,371	4,249	4,959	6,398	7,460
No. of staff	635	599	510	555	540	535	520	539	561	606	618
Staff cost, £000s	16,592	15,817	14,258	14,421	15,128	14,991	15,844	16,518	17,512	19,539	20,195

**Table 16.3** Overall operational performance of Churchill China, 2007–2017

### Questions (40 marks; 45 minutes)

- 1 Explain the difference between B2B and B2C. (4)
- 2 a) Calculate the cost of staff as a percentage of sales revenue in 2007 and again in 2017. (4)  
b) Explain one conclusion you can draw from the figures you have calculated. (4)
- 3 Assess two reasons why small-scale, tailored production might suit a company with highly skilled staff. (8)
- 4 Evaluate whether it would be right to say that Churchill China's staff are its greatest asset. (20)

### Key terms

**Labour turnover:** the number of staff leaving a company as a percentage of the number employed.

**Outsourcing:** taking a task traditionally run by your own staff (such as Security) and putting it out to tender, with the lowest bid winning the contract.

**Redeployment:** retraining a staff member to give the skills required to take on a new job role.

**Zero-hours contracts:** employment contracts that agree employee duties and hourly pay rates, yet offer no guarantee of any work (and therefore income) in any specific week.

© Hodder Education  
Summer 2019