

# Ten things you need to know about people

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Ian Marcousé provides a framework of ten people concepts that you can base your revision around

## 1 Asset or cost?

Most firms say their staff are a key asset, but often treat them as a cost to be minimised.

**Example:** Amazon's vast distribution depots rely largely on temporary staff paid the minimum wage, who need to avoid three 'points' or risk being sacked.

**Advantage:** treating staff as an asset provides an opportunity to get great things out of them, e.g. Jonathan Ive, head of design at Apple.

**Disadvantage:** treating staff as a cost means they will do no more than enough to get paid. Treating staff as an asset might cause some to take advantage of their job security.

## 2 Centralisation

Bringing decision making back to the centre, i.e. the head office.

**Example:** in 2013 convenience grocery group Londis centralised the buying of its frozen foods. It invested £4 million in refrigerated lorries, but found that gross profit margins rose by 2% and sales volumes by as much as 300% as a result of its initiative (and centralised buying power).

**Advantage:** helps ensure consistency across a range of branches, e.g. McDonald's. This is important to the consumer, who wants predictable quality, service and prices.

**Disadvantage:** reduces the amount of responsibility held by individual branch or area managers, which may reduce their motivation.

## 3 Charismatic leadership

A leader whose authority is based on a strong, compelling personality.

**Example:** David Cameron's rise to lead the Conservative Party (and the UK) was based on his bright, youthful aura and skill as an orator.

**Advantage:** charisma attracts followers who are committed to the leader's cause.

**Disadvantage:** leadership based on charisma needs to shift to leadership based on successful decisions and a fine track record (former Manchester United manager Alex Ferguson — yes; David Cameron — ?).

## 4 Empowerment

Moving beyond delegation of authority to give staff the power to decide on goals as well as strategies.

**Example:** in the late 1960s Associated British Foods (ABF) allowed middle manager Arthur Ryan to start a new discount clothing business. Today Primark has sales of £4 billion and the business contributes nearly half of ABF's profits.

**Advantage:** many people thrive on responsibility, especially if they have the freedom to decide on their own targets rather than have them dictated by senior management.

**Disadvantage:** in the banking sector, too much freedom led to dealers such as Nick Leeson and Kweku Adoboli making huge losses.

## 5 Incentives

Incentives are used to encourage staff to behave in ways desired by an organisation's management. They are usually financial, e.g. commission or bonus payments.

**Example:** in 2013 Lloyds Bank was fined £28 million and blamed by the Financial Conduct Authority for 'creating a culture of misselling' among the bank's sales staff through its incentive schemes.

**Advantage:** financial incentives will regulate the behaviour of staff, focusing them on the firm's objectives.

**Disadvantage:** the results may follow the 'law of unintended consequences', creating staff behaviours that no-one wanted at the outset.

## 6 Morale

Morale indicates the confidence and enthusiasm of an individual or group at a point in time.

**Example:** when morale is high, everything seems possible, however improbable. When morale is low, success may seem impossible to achieve.

**Advantage:** high morale can get a team through a phase of difficult results.

**Disadvantage:** high morale may prove to be a distraction from underlying problems. This may have been the case at Tesco's US Fresh & Easy division.

## 7 Motivation

Motivation was defined by Professor Herzberg as 'doing something because you want to do it', i.e. not because there's an external reward such as a bonus (which he called 'movement').

**Example:** Arsenal FC manager Arsène Wenger is so motivated that he spends his evenings watching videos of other football matches when there are no games to attend.

**Advantage:** Herzberg stresses that motivated employees will work harder and smarter than is needed to hold down their job, because they want to.

**Disadvantage:** a motivated employee may love the job in an idiosyncratic way and therefore not achieve the organisation's objectives.

## 8 Retention

Retention measures the proportion of staff who stay within the business. It is the residual left after labour turnover has been allowed for, e.g. 20% labour turnover gives 80% staff retention.

**Example:** a 2013 Australian report shows a rise in labour retention to 87% from 81% 5 years ago. The report says that the two biggest retention problems are lack of promotion opportunities and poor relationships with managers.

**Advantage:** high retention leads to experienced staff with a full understanding of the methods and culture of the organisation.

**Disadvantage:** high retention may mean a lack of new, forward-thinking staff who might inject new ideas into the workplace.

## 9 Teamworking

Teamworking means organising jobs so that people can work together and interchangeably (instead of high division of labour and specialised job functions).

**Example:** Brompton Bicycle switched from linear to cell production in 2011 to enable staff to work together to produce and assemble the bikes.

**Advantage:** less reliance on specialisation may reduce job dissatisfaction (even alienation) and help generate not only improved productivity but also more employee suggestions from the shop floor.

**Disadvantage:** it may be harder to hold individuals to account for underperformance.

## 10 Zero hours

An employment contract promising nothing. The hours being offered for the next week may only be announced on the Friday before.

**Example:** retail chain Sports Direct keeps almost all staff on zero hours contracts, apart from head office managers, who receive salaries and share options.

**Advantage:** firms benefit hugely from zero hours contracts because they convert staff from fixed costs to variable costs (just like buying in raw materials or components).

**Disadvantage:** lack of job security may undermine staff morale and commitment. Zero hours staff may be denied access to benefits associated with salaried work, such as mortgages.