

1.1: The Advantages of Managing People Well

Learning Outcome

- Explain the advantages that arise from managing people well.



Southwest Airlines is known for their fun-loving flight attendants who make customers feel welcome and comfortable.

What Makes a Good Manager?

We have discussed details about managers and what they do, but we haven't considered what makes a good manager. Briefly, a good manager helps an organization succeed. Success means the following:

- An organization is **effective**: it is accomplishing things that support the vision and mission.
- An organization is **efficient**: it is doing things in the best possible manner.
- An organization is **sustainable**: it is generating revenue to support its continued operation.

In the definition of management, we recognized that managers achieve results by working with people to meet organizational goals. This implies that a good manager achieves effectiveness, efficiency, and sustainability through the people in the organization. In this section, we will look more at how managing people well contributes to organizational success.

Why People Are Important

People are considered resources because well-trained and experienced employees are the main source of effectiveness, efficiency, and sustainability. They provide effectiveness when they understand the goals of the organization and focus their energy on tasks that support the goals. Second, people provide efficiency by being very good at doing the tasks that support the goals. They provide sustainability because the people in an organization are both unique and lasting. Most of the resources an organization has are not unique and can be copied by competitors. Equipment, technology, and methods can all be copied by competitors. It may take time, but eventually competitors can duplicate most of the things an organization has or does. But competitors cannot copy people. The skills and experience of people and the way they are managed to achieve high performance is very difficult for competitors to reproduce.

For example, Southwest Airlines is famous for operating at low cost. It achieves low costs because the company is very selective in the people it hires, and it creates a friendly and supportive environment. In return, the people in the organization are willing to work hard to support the company. According to Gary Kelly, the CEO of Southwest, "Our people are our single greatest strength and most enduring long-term competitive advantage."^[1] **Competitive advantage** means that the business outperforms its rivals in the market because customers prefer its products or services. Other airlines have attempted to copy Southwest by operating low-cost

subsidiaries. United, Continental, Delta, and Alitalia all started low-cost subsidiaries, but they all failed. The failures were due in large part to their inability to copy Southwest's low-cost, high-performance workforce.^[2]

People are a cost because they must be paid. All of the benefits listed earlier increase the longer people stay in the organizations. They understand and become better at their jobs over time. And the organization contributes to their learning by providing training and development opportunities. The organization gets the greatest benefit by retaining its employees to gain from their experience. One of the main reasons employees, particularly highly skilled employees, quit is because they can get higher wages somewhere else. Companies that depend on a stable and reliable workforce must provide excellent wages and benefits.

The software firm SAS is an example of a company that is committed to retaining its workforce. Outstanding benefits and perks are a big part of the compensation package that SAS offers its employees. SAS employees and their families have free access to a health club with tennis and basketball courts, a fitness room, and pool. There's a free on-site health care clinic, free "work-life" counseling, and low-cost child care. Because of its commitment to its employees, SAS is consistently listed as one of the top ten best places to work. And because of the contributions of its employees, as of 2012 SAS has had thirty-seven consecutive years of record earnings.^[3]

Watch the video below to find out more about what makes SAS a great company to work for. While you watch it, think about how the perks SAS offers to its employees help create a competitive advantage through people.

A link to an interactive elements can be found at the bottom of this page.

You can [view the transcript for "Why SAS is the best place to work" here \(opens in new window\)](#).

? Practice Question

<https://assessments.lumenlearning.co...essments/12144>

1. About Southwest. (n.d.). Retrieved July 28, 2017, from <https://www.southwest.com/html/about-southwest/index.html?clk=GFOOTER-ABOUT-ABOUT>↵
2. I. (2015, June 10). How Is Southwest Different From Other Airlines? Retrieved July 28, 2017, from <http://www.investopedia.com/articles/investing/061015/how-southwest-different-other-airlines.asp>↵
3. Crowley, M. C. (2013, January 22). How SAS Became The World's Best Place To Work. Retrieved July 28, 2017, from <https://www.fastcompany.com/3004953/how-sas-became-worlds-best-place-work>↵

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- Why SAS is the best place to work. **Authored by:** CNNMoney. **Located at:** <https://www.youtube.com/watch?v=RtANL3MMjPs>. **License:** *All Rights Reserved*. **License Terms:** Standard YouTube license

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