

2. ROBERTSON'S GARDEN CENTRE

Having inherited his father's Garden Centre, Jack Robertson had run the business as a sole trader for the last twenty years. He employed up to 30 people on both a full and part-time basis and until recently had made a good living for himself and his employees. However, poor management and increased competition meant that profits, and morale, had tumbled. In fact, no one had earned any bonus at all in the last two years, as business had been so bad. Jack realised that he needed help if the business was to survive.



Lucy Jones, a business graduate, had worked for Jack for 18 months and was always suggesting ways in which he could improve the business. He knew things needed to change and asked her to become a partner in order to try and save the business.

Lucy jumped at the chance. She knew that the majority of Jack's staff were very able and had great potential if properly guided. However, when she took her first look at Jack's profit and loss account for 2009, she was alarmed. Lucy knew that change was needed urgently and advised Jack that he needed to increase his marketing expenditure by 90% in 2010. She also undertook a **benchmarking** exercise, focusing on the human resource management of the business. Two months later she presented Jack with her proposals.

- To introduce some **non-financial methods of motivation**.
- To make greater use of his staff by setting up **quality circles**.
- To set up a training programme for all staff.

Jack put in place all of Lucy's suggestions and the impact on the business was considerable. Sales revenue rose significantly and the business was brought back from the brink of closure.

**Robertson's Garden Centre, Profit and Loss Account
for the years ending March 2009 and 2010**

	2010 (£)	2009 (£)
Sales Turnover	1 232 400	821 600
Opening Stock	44 000	45 800
Purchases	554 680	396 200
	598 680	442 000
<i>Less</i> Closing Stock	60 000	44 000
Cost of Sales	538 680	398 000
Gross Profit	(i)	423 600
<i>Less:</i>		
Wages/Bonuses	410 000	360 000
Vehicle expenses/fuel	38 000	24 500
Marketing	(ii)	2 000
Telephone	1 010	950
Insurance	4 500	4 500
Training	20 000	480
Business Rates	6 900	6 700
Accountancy fees	1 700	1 500
Depreciation - fixtures and fittings	5 500	5 500
Electricity	3 900	3 400
Total Expenses	(iii)	409 530
Net Profit	(iv)	14 070

- (a) Calculate the following for the Profit and Loss Account for 2010:
- (i) Gross Profit;
 - (ii) Marketing;
 - (iii) Total Expenses;
 - (iv) Net Profit. [4]
- (b) (i) What is meant by *benchmarking*? [2]
- (ii) Explain how Lucy would carry out the benchmarking exercise. [4]
- (c) What are *quality circles* and how might they benefit Robertson's Garden Centre? [6]
- (d) Evaluate the view that non-financial methods are far more effective than financial methods for motivating employees. [10]