

Module 6

“Management of a firm”



Contents

CONTENTS	2
COPYRIGHT STATEMENT OF THE TRAINING MATERIAL.....	3
INTRODUCTION	3
6.1. MANAGING A FIRM.....	5
6.2. PERSPECTIVES ON MANAGEMENT	5
6.3. MOTIVATING EMPLOYEES.....	6
6.3.1. Incentives	6
6.3.2. Internal Communication	8
6.3.3. Communication Channels	8
6.4. MANAGING CHANGE	8
6.5. TEAMWORK.....	9
6.6. PERSONNEL MANAGEMENT.....	10
6.7. RECRUITMENT	10
6.8. THE CONTRACT OF EMPLOYMENT	11
6.9. OCCUPATIONAL HEALTH CARE AND SAFETY	11
6.10. TERMINATION OF THE EMPLOYMENT RELATIONSHIP	12
SUMMARY	12
LEARNING ACTIVITIES.....	13



Copyright Statement of the training material

This training material was developed within the framework of the project “New Entrance – Entrepreneurship for Roma”. The training material is open and available through the project’s e-learning platform for all learners that will register in the platform and are interested in it.

Introduction

The sixth educational unit is the «Management of a firm». With the growth of the firm, issues related to recruitment and the management of personnel become an inevitable challenge for the entrepreneur.



Purpose

This educational material aims to make an introduction at the management processes, which are required within a firm. As the leader of the organization, the employer has the task and responsibility of making use of the employees’ skills and talents. An entrepreneur binds the personnel to the organization, facilitates the employees’ activities through periods of change and acts as a figurehead for the organization, both in issues internal to the firm as well as to external stakeholders.

The more responsibility an organization’s management delegates to the employees, the greater the demands on the firm’s personnel. In doing so, an entrepreneur draws upon the employees’ professional and entrepreneurial skills, sense of responsibility and ambition. One could say that the role of the entrepreneur is to balance the morale of the employees and economic efficiency. In the optimal case, the organization should have a pleasant and productive working environment.



Learning Outcomes

➤ In terms of knowledge:

After finishing the module, the participants will know

- *the different management perspectives*
- *what teamwork is*
- *means of communication*
- *labour legislation*
- *what external factors are and how they affect a business*
- *what personnel management includes*

➤ In terms of skills

After finishing the module, the participants will understand

- *how to motivate employees*
- *how to manage change*
- *why teamwork is important*
- *the items on an employee contract*

➤ In terms of competences

After finishing the module, the participants will be able to

- *manage & recruit employees*
- *manage a firm with a growing number of staff*

Keywords

- ❖ Personnel management
- ❖ Teamwork
- ❖ Motivation
- ❖ Recruitment
- ❖ Contract





6.1. Managing a firm

There are numerous management theories to help in the development of entrepreneurs that address management from many different perspectives. An entrepreneur has to know him or herself and understand their own personality. The management of oneself requires an overall wellbeing that can be divided into five factors: the professional, physical, social, spiritual and mental condition. A balanced and general good wellbeing gives the entrepreneur the energy and the required resources to lead an organization.

The traditional management model focuses on the management of tasks or the management of people. The task oriented leadership model emphasizes organization and predictability. In people oriented management, the entrepreneur's role is to influence people, to achieve change and deliver action. However, today, the management of organizations environment is too complex and it is no longer possible to separate these perspectives. A good entrepreneur needs to be able to integrate the two approaches, task and people management, into one integrated whole.

6.2. Perspectives on management

When an organization grows in size, the entrepreneur has less time to address the day-to-day activities of the firm as managing the personnel will take up more and more time. This may prove to be a problem for a person whose professional experience and skills are based on operational or certain functional tasks. It is wise to plan early by becoming aware of the challenges associated with managing a growing firm. While not everyone is a natural born entrepreneur, leadership and management skills can be learned.

An entrepreneur should see the organization's personnel as an investment. The firm relies on the skills and talents of its people to develop and succeed. This material will provide some examples of management and organization models, such as the learning organization and change management. By becoming familiar with different management and development models, a firm can prepare and anticipate any changes it may need to make in the future.



6.3. Motivating employees

“With motivation, the firm’s goals also become the employee’s goals.” The purpose of motivation and incentives is to commit the employee to the firm and the firm’s objectives. A motivated person wants to develop and do his or her best in their daily work.



6.3.1. Incentives

It is important to note that there are financial and non-financial incentives.

Table. Motivation tools.

<i>Feature</i>	<i>Motivation tool</i>	
Motivation object	<ul style="list-style-type: none"> - Work team - Certain employees - Entry-level employees - Experienced employees 	
Incentives	<p>Material incentives:</p> <ul style="list-style-type: none"> - Wages - Bonus - Monetary rewards - Financial aid, loans - Retirement programs - Reimbursement for medicine 	<p>Non-material incentives:</p> <p>a) Organizational:</p> <ul style="list-style-type: none"> - Participation in organization operation - Motivation through promotion prospective delegation of responsibilities - Motivation through enrichment of the labour processes <p>b) Moral and psychological:</p> <ul style="list-style-type: none"> - Praise - Approval - Supports - Coercion - Respect and trust - Recognition of achievements



SUCCESS STORY – motivation

Disney's Best Ever Example of Motivating Employees

The best examples of things that motivate others over the short-term almost always involve surprise and delight. Of course, long-term motivation is internally driven and is all about commitment to the cause. Nevertheless, a million years ago I heard this story from Mike Vance about his boss at the time, **Walt Disney.**

Walt told Mike, “My brother won’t give me money to make movies. Can you help get more money out of the park (Disneyland)?”

Mike pulled together a team of seven people. One of the women on the team put up a calendar of what happened in the park day by day. At that time, the park was open Wednesday through Sunday.

“Let’s open the park on Mondays and Tuesdays,” she suggested.

“No one will come.”

“We’ll form a “Magic Kingdom Club” and let corporate members give their employees discounted admissions on those days.”

The plan worked beyond expectations as the families that got discounted tickets spent more in the park on toys for their children.

Christmas day the doorbell rang at the homes of each of the seven team members. They each opened their door to find Mickey Mouse standing there with an envelope. Inside it was 100 shares of Disney stock, 25 \$1,000 bills and a hand-written note from Walt: “It’s fantastic. You are fantastic. Do it again.”

That afternoon, Christmas afternoon, all seven were back in the office.

This time, the same woman put up a clock with what was going on in the park at different hours. There was always something happening in the park 24 hours a day since all the heavy maintenance was done when there were no guests present.

“Let’s open the park late on Thursday nights in May,” she suggested.

“No one will stay.”

“We’ll invite and limit it to graduating high school seniors and call it ‘Grad Nites.’”



6.3.2. Internal Communication

“Internal communication is the communication, sharing and exchange of information between the members of organization”

6.3.3. Communication Channels

A fundamental part of communications is the concept of communication channels. The larger an organization is in size the more it needs to rely on indirect communication. In particular, SME’s internal communication channels can include:

- ✓ Newsletters
- ✓ Information Sessions
- ✓ Bulletin Boards
- ✓ One on One Discussions / Individual Development Discussions
- ✓ Writing Communication

6.4. Managing change

Environmental uncertainty and increasingly rapid change affect the possibilities for a firm to be successful. Change, however, is a constant factor in the firm’s internal and external environments. Furthermore, change is necessary in order to prevent an organisation from getting stuck or isolated in its own world. Click on the link below to learn more about **change management**.





SUCCESS STORY – change management

Nokia

In July 2012, shares of Nokia were trading below \$2 — far off from their highs of nearly \$60 in 2000 and nearly \$40 in 2007. At the time of this writing, the shares have somewhat rebounded, up more than 300% after having climbed into the \$6.50 range.

At the turn of the millennium, **Nokia was one of the world's largest suppliers of mobile devices**. This, of course, was before smartphone mania swept the nation (and the world).

Fast forward to 2010, and **while Nokia remained profitable**, the writing was on the wall. It was only a matter of time before Nokia phones, as they currently existed, would remain relevant.

Because **Apple beat Nokia to market with its iPhone**, the latter company missed its opportunity to lead the smartphone revolution.

Understanding this all too well — Nokia has reinvented itself repeatedly in its 150-plus-year history — the Finland-based company hired a new CEO to take the reins.

Ultimately, Nokia's new management team decided to sell the company's struggling phone division to Microsoft.

Like it has done so many times over the years (how else does a company founded in 1865 become the worldwide leader in mobile devices in the 1990s?), Nokia has changed the focus of its operations once more.

Currently, the company is building network and mapping technologies, among other initiatives.

6.5. Teamwork

“A team refers to a group of more than two people that has a common goal or task”. A team can be described by the feeling of inclusion felt by its members as well as through the external recognition the unit or whole. A team is distinct from a working group in that it operates in a manner that is more self-guiding and aims to be more synergistic.



Benefits of teamwork include:

- ✓ Improved productivity through more effective communication
- ✓ A decrease in redundant work
- ✓ The integration of the organization
- ✓ Improved work morale / employee motivation
- ✓ Improved speed of communication
- ✓ Conveying “tacit knowledge”
- ✓ Increasing flexibility in the work place

6.6. Personnel management

Personnel management includes:

- ✓ Recruiting employees
- ✓ Salary issues
- ✓ Occupational health and safety issues
- ✓ Costs of employment
- ✓ Issues related to the termination of employment

6.7. Recruitment

The different stages of the recruitment process can be described as follows:

1. The development of a personnel plan
2. Defining personnel needs
3. The analysis of the job description
4. Defining specific employee requirements
5. Mapping out sources of employees
6. Interviewing and testing candidates
7. Health issues
8. Recruitment
9. Drafting the contract
10. Training



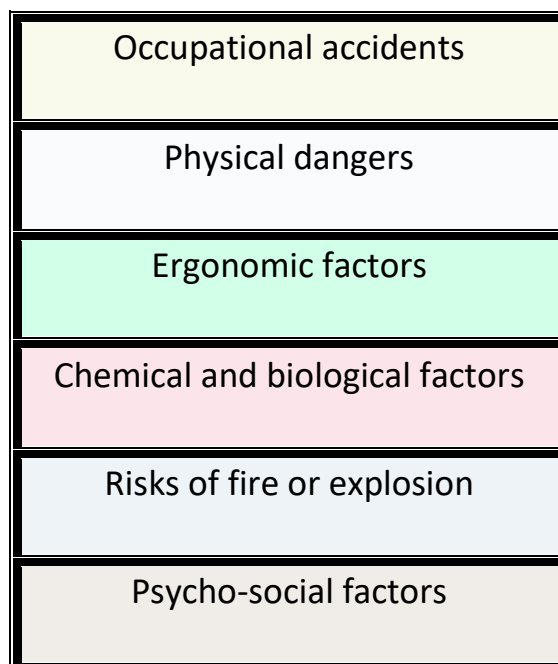
6.8. The contract of employment

It is important to include the following in the contract:

1. The date that the contract enters into effect and the end date
2. The name and description of the position or job
3. The direct supervisor
4. The place of work and the relevant contact information
5. Work hours
6. Vacation and paid leave
7. Sick leave
8. Training
9. Insurance
10. Where and how medical benefits are arranged
11. Travel and other expenses
12. The salary and other compensation
13. The nature of the contract (for the time being / fixed term)
14. Possible trial period (maximum 4 months)
15. Period of notice
16. The applicable collective agreements
17. Other conditions

6.9. Occupational health care and safety

The factors that are to be considered in an occupational health program include:





6.10. Termination of the employment relationship

The employment relationship can be terminated either by the employee or by employer. The employer usually ends the relationship due to production-related or economic reasons. One of a firm's largest expenses is personnel costs. During economic difficulties personnel costs are often the subject of cutbacks including layoffs or redundancies. The employer terminates the employment relationship either by firing the employee or by dissolving the contract. The employee can decide to terminate the contract by resigning, dissolving the contract or retiring.

Summary

This educational material aimed to make an introduction at the management processes, which are required within a firm. In bibliography, there are numerous management theories to help in the development of entrepreneurs that address management from many different perspectives.

When an organization grows in size, entrepreneurs have less time to address the day-to-day activities of the firm as managing the personnel will take up more and more time. This may prove to be a problem for a person whose professional experience and skills are based on operational or certain functional tasks. For this reason, a manager has to take into account all the necessary procedures regarding management. In addition, an entrepreneur should see the organization's personnel as an investment, motivating its employees and ensuring that employees are satisfied with their job.

One could also say that the role of the entrepreneur is to balance the morale of the employees and economic efficiency. In the optimal case, the organization should have a pleasant and productive working environment.



Learning activities

TASK 1

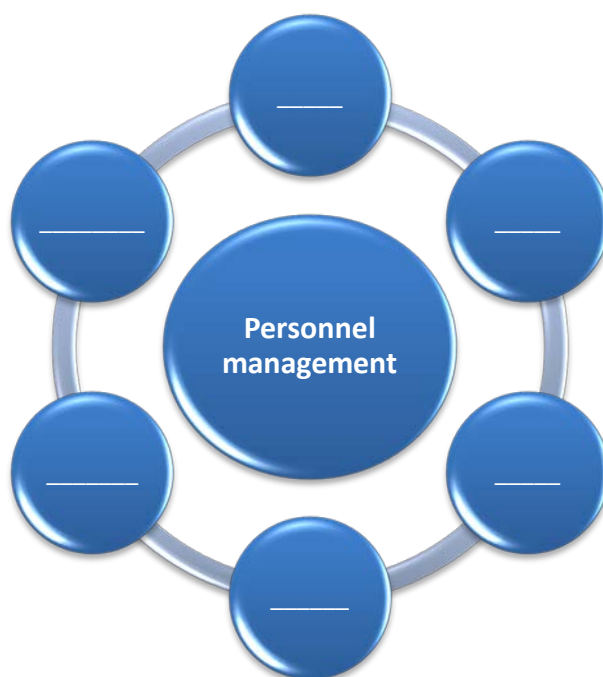
After reading the training module, read the sentences below and circle the right answer.

1. Benefits of teamwork include:
 - a. low communication
 - b. low employee motivation
 - c. Improved speed of communication
 - d. Low participation of the team members

2. The contract of employment
 - a. Includes only work hours
 - b. Includes the salary and other compensation
 - c. Doesn't include sick leave
 - d. Doesn't include training

TASK 2

Personnel management includes six specific items. Read the section 6.6. In addition, fill the gaps below in order to complete the task.





TASK 3

The factors that are to be considered in an occupational health program include some specific factors. Complete the table below according the section 6.9.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____