

## Soualiga Supplies

A big American hardware and building materials store decided to expand its operation to the Caribbean and is planning to open a branch on St. Maarten. Being a large company they buy products in bulk and figured they can retail their products considerably cheaper than the competition on St. Maarten. The company will operate under the local name Soualiga Supplies NV and thinks to be able to become market leader within 5 years in St. Maarten.

1. *Soualiga Supplies is an NV. What other legal forms are there for companies, what are their differences and why do companies choose for a legal form in stead of staying private companies?*

We have Private Companies, NV, BV, Foundation and society and collective societies.

A NV is a limited liability company which private capital is divided in bearer stocks that can be sold. BV's are limited liabilities as well but the stocks are nominal and cannot be sold just like that.

In the private companies and the societies there is no distinction between the private capital and the company capital.

Companies choose for these legal forms, to limit their liability to what is invested in the company, in stead of being liable as a private person.

For months now the acquired building of a former supermarket is being transformed into a modern hardware 'Super Store'. The project manager overseeing the reconstruction has reported to the main office that he has run into some difficulties with the local staff and doesn't think he will be ready on the scheduled time. The main office has responded by sending three persons to help with the situation and start preparing the opening.

These three persons are a senior project manager, the intended future branch manager and Anna Dupont a senior Human Resource Manager who has worked on several international projects. She understands that local labor markets differ in the skill of workers, the height of wages, labor laws and customs formed by culture. Her assignment is twofold, assists in solving whatever problems there are with the local staff in this phase of reconstruction, and start preparations for the staffing of the new branch once it becomes operational.

For the purpose of staffing Soualiga Supplies *once it becomes operational* Anna sets out to make a Manpower Budget and job descriptions.

2. *What is a Manpower Budget and of what elements it consists?*

It is a listing of all positions in a department and in the entire company. It can be expanded with other information like salaries and annual cost.

The elements are: 1. A reflection of the number employees in every position. 2. The changes in the number of employees in every position. 3. An inventory of all vacancies.

3. *Job Descriptions are important for the person holding the job. What information should it hold?*

1. Job title, 2. Place in the organization, 3. Main tasks, 4. Specification of main tasks, 5. Structure of the relationship with other people, departments, organizations.

4. *What are Job Descriptions used for in HRM?*

Recruitment, supervision, evaluation and coaching, assessment of training needs.

5. *Generally there are two ways of making a job description. What are they, and which one would you recommend here? Motivate your answer.*

The two ways are: looking at reality, or looking at an ideal situation. Here I would recommend looking at an ideal situation since you can start from a new situation.

Undertaking such a mass recruitment requires some thinking on how to effectively execute this process. Anna thinks of putting advertisements in the local newspapers and organizing a job fair. Anna foresees difficulties sifting through large quantities of application letters and self made resumes.

6. *How is this phase, following recruitment usually called? Describe the different elements of this phase and suggest how Anna could tackle this problem ?*

It is usually called Selection. It consists of the elements:

1. Selection based on letters, 2. Informational interview, 3. Second interview, 4. Additional selection tools, 5. Making the choice, 6. Informing the candidates.

Using application forms rather than letters and self-made resumes in the first phase, may assist this process because this way all relevant data is presented standardized.

In the mean time management is dealing with serious problems during the reconstruction phase. For several months reconstruction has been in full swing at the old supermarket building to construct the Soualiga Supplies super store. The mother company has their own remodeling and reconstruction department since they have dealt with setting up super stores many times before. The local authority, the executive council of St. Maarten however, insisted that they use local laborers and subcontractors wherever possible. The project consists of a project manager, George Ash, a site manager Tony Crown and 6 different building/ decorating crew's consisting mainly of local construction workers under

the supervision of the American supervisors. The remodeling phase is planned to take 1 year.

The project is however seriously falling behind schedule. Nearly all crews fall short of expectations and the supervisors complain that the 'American' set targets are not realistic in the Caribbean. Over time several supervisors have asked to return to the USA. Overseeing all crews was the site manager Tony Crown, who argued that he kept trying to reason with the supervisors and their crew about the set targets. The crew consists mainly of local workers, he felt they were skilled enough and he didn't want to be watching them all the time. But they didn't seem to be motivated much. They make up excuses, come late all the time and cut corners to such an extent that when the work was inspected afterwards it sometimes had to be done over completely. George then had Tony replaced by 'Iron Jim'.

Recently Soualiga Supplies had a referendum and a union now represents the workers. The Union had addressed several issues about the way people are being treated and even called it racist. When the outcome of talks with George Ash was not satisfactory the union addressed their concerns also to the mother company who already got some worrisome news from the investors about the progress of the project. They in turn send the three managers to assess the situation, come with solutions and prepare the opening.

In order to assist management in solving the problems with the staff Ana suggested starting interviewing several key persons to hear their views on the situation. One of the first ones she interviews is Iron Jim. He tells her that he figured very quickly that these workers didn't like to work, so you better be on their case. Be everywhere, hire two foreman for every crew to pay close attention on how the workers do the job and fire at least one worker every month to let the rest know who they dealing with. In his interview Jim further explains that he feels the workers are far less skilled then the ones he used to work with in the USA. Subsequently he drastically simplified their job descriptions and reduced the span of control by adding the foremen to the crew. The foremen can train the workers and closely supervise their work.

The workers on the other hand feel treated badly for the lack of confidence in their abilities, are bored with their jobs and feel they are underpaid especially compared to their American supervisors and foremen. Turnover is high and the HR officer says it is getting harder to find new workers for the company is getting a bad name. The fixed compensation is rather low and there is a big demand for these construction workers on the labor market right now. But George has refused to increase wages as long as targets are not met.

7. *Anna considers training a real option for the operational phase but not for the remodeling phase. Why do you think that is?*

The remodeling phase only lasts one year and is half way done already. The operational phase is ongoing so there will be a return on investment. In the remodeling phase the company will hardly benefit from the investment.

8. *What other options are there to prevent the simplified jobs from becoming boring?*

Job rotation can be applied to fight boredom.

9. *What kind of salary system is used here? How could remuneration be used to increase motivation? What is needed to implement something like that in this situation?*

One could introduce a combination of fixed and variable salary, where the variable part of the remuneration is determined through an individual incentive system. In order to introduce this; a personnel evaluation system has to be introduced as well.

Anna learned from Iron John that he didn't use any form of personnel evaluation system on what he based his decisions to fire people. Nor did he follow local regulations pertaining to firing of people. All local workers have a definite contract till the end of February when the project was scheduled to end. There was a possibility built in to terminate the contract during this period. Iron John has summarily fired 3 workers so far: 1. for being frequently late after 6 weeks of employment 2. for doing a poor job after 7 months being employed and 3 for drinking beer during his lunch hour.

10. *Are these dismissals legal? Explain so for each case and what needed to be done if the dismissal is not correct.*

- a. The first case the dismissal is legal because it is done in the trial period. There is no clear reason however to do this summarily, they should give notice before the end of the trial period.
- b. In the second case the company had to ask permission from Labor Office and have given notice.
- c. The third case is reason for immediate dismissal.

11. *Who of these workers is entitled to severance pay? And how much?*

None of them; they all were employed less than one year and worked on a temporary contract.

The company had a referendum and the workers are now represented by a Union. They are pushing for a Collective Employment Agreement, or CLA in which they hope to regulate several issues. The project is serious behind schedule and is estimated to take another 6 months to complete. Anna has gotten

a free hand to negotiate with the Union to come to a solution. Their biggest issues are the pay, and the management style of iron Jim. In the mean time the Mother Company of Soualiga Supplies has recalled George Ash to the States and put the new project manger Harry Browne, in charge of operations.

12. *What is a CLA and how does it relate to the individual Labor Agreements the workers have with the company.*

In a CLA three parties are involved, The Union, the Employer and the Employees. The Collective Labor Agreement takes preference over the individual. The primary conditions in the agreement also apply to non union workers in the company. In the CLA is stipulated whether the secondary conditions also apply to them or only to union-members.

Ana took careful notice of the misfit between American Management and Local Construction Workers, also to avoid similar problems in the operational phase. She discussed with Harry, who agrees with her on this to bring in a local firm to handle the reconstruction. Gamma Management and Construction, has gotten the job. The Union has agreed that this CLA only applies to the construction phase and not to the operational phase.

They further agree to extent the existing contract period with three months and the take-over by Gamma of the project. The Union also want a pay increase of 10%. Anna has agreed to a 2½% across the board. Another 2½ can be earned through personal incentives and an additional 5% per crew for realizing set targets. In order to see whether a worker can get the additional 2½% personal incentive retro active, the workers have to get some sort of evaluation after 3 months and then 3 months later; at the end of the project again.

13. *What 2 forms of evaluation are there? What are their differences and which one would you apply here and why?*

We have appraisals and performance reviews.

- d. The appraisal is a one way, unequal conversation, focusing on the employee and his past performance which has consequences for his salary
- e. The performance review is an equal two way conversation focusing on the entire department and the future performance of the employee with no salary link.

In this case we need the appraisal.

14. *Why are evaluations considered to be an important management tool?*

By using evaluation we can steer employees in the direction we want them to go  
Helps to identify where employees are not functioning well

- Determine future growth
- Gives the employee feedback
- Is the basis for salary increase
- Helps to decide on contract renewal

So far the mother company is the only shareholder and has put up the purchase price of the building of 5 million Dollars and has pledged to deliver the initial stock of 3 million. The reconstruction of the building including the store furnishing is estimated to cost 3 million and is financed through a mortgage by a local bank. After reconstruction the remodeled building will be worth 6½ million USD and there will be no cash available. This means the company will start with a loss.

15. Make up the balance sheet for Soualiga Supplies at the end of the reconstruction phase.

Buildings	6.500.000	Private Capital	8.000.000
Stock	3.000.000	Accumulated Reserves	- 1.500.000
cash	000	Bank Loans	3.000.000
Total	9.500.000		9.500.000

It is also correct to reduce the Private Capital to 6.5 million and the Accumulated Reserves on 0.0

Tom Arrindell did the cost calculation for the project for Gamma Management & Construction. They are a local company owned and operated by three engineers. They also have a 3 other people working for them permanently in the office. The engineers receive a salary of NAfls. 10.000,- per month each. The cost of the other 3 employees together in salary is NAfls. 15.000,- per month. The rent of the office, and cost of utilities, communication and office supplies comes to NAfls. 72.000,-. per year. For the project he estimates they will need half of the companies resources, and need to hire one extra staff member which will cost approximately NAfls. 5.500,- a month.

16. What are fixed cost and variable cost (F&V), and how high are they in this case, show your calculation

Fixed cost are not depending on production, they are the overhead. Variable cost are the cost incurred for the direct production of a product.

Fixed:  $45.000 + 6.000 = 51.000$  per month

Variable 5.500 per month

17. The project is estimated to last 6 months what is the total cost price in NAfls. for this project?

Half of the fixed cost have to be covered which is  $6 \times 25.500 = 153.000,-$  plus the total variable cost:  $6 \times 5.500 = 33.000,-$  together 186.000,-

Both Gamma M&C and Soualiga Supplies work with budgets as much as possible and advocate integral management.

*18. Explain how a budget system can help establish integral management.*

It serves as a financial plan for a certain period, it delegates tasks, it quantifies activities and related expenses and is a way to check work progress.

*19. Name 5 conditions that must be met for successful working with a budget.*

1. Management must support it, 2. Tasks must be well defined, 3. Working with a budget must be understandable for everyone, 4. Objectives must be clear, 5. The administration must be able to generate the necessary figures

The great distance from the mother company makes logistics a challenge on its own, for the mother company finds it unacceptable that it's branches run out of stock.

*20. What is the main objective of Logistics Management, and name 3 problems supply management has to deal with.*

The main objective is to guarantee constant availability of the product.

Problems to deal with are:

- a. It is difficulty to set the perfect amount of supplies
- b. Storing cost money because is ties up capital and storage space cost money as well.
- c. Stock involves a risk, it can become obsolete, spoil, be stolen, damaged etc. all resulting in los of money.