

# DIAGNOSTIC ANALYSIS OF ALCATEL-LUCENT LTD PERFORMANCES

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## **Abstract:**

*This paper presents the conclusions of the diagnostic analysis regarding the performances of the Alcatel- Lucent Ltd., between 2006 and 2008. We tried to identify the main factors that determined distinct financial results for identifying feasible solutions for getting out from the economical crisis that has also affected this organization during last year. In our opinion, the managerial and the communicative style adopted, the motivation of the employees, the immediate adaptability to the economical, political, and social changes, and not least the flexibility of the decisional act are of major importance.*

**Key words:** *diagnostic analysis, performances, communication, management*

**JEL classification:** *L25, L21*

The Alcatel- Lucent Organization was established by the shareholding of the following legal entities:

1. Alcatel- Lucent France – French legal entity, based in France, Paris, De la Baume Street, 75008, registered at the Trade Register Office in Paris, no. B 338 988 385, holds 57,583 from the share, each with a nominal value of 10 RON, with the total value of 575,830 Ron, representing 4,550,407 USD, respectively 66.6879% from the equity capital. The associations Alcatel and Lucent Technologies merged in December 2006, forming the largest communications provider in the world.
2. Datatim S.A. – Romanian legal entity, headquartered in Timișoara 300081, Gheorghe Lazăr Street, no.9, registered at the Trade Register Office, no. J35/438/1991, unique registration 1834705, holds 27, 281 from the stocks, each with an assessed value of 10 Ron, with the total value of 272, 810 RON, representing 31, 5957% of the equity capital.
3. Iiruc Digicom Grup S.A. – Romanian legal entity, headquartered in Bucarest, D. Pompei Street, no.6, region 1, registered at the Trade Register Office, no.J40/683/1991, holds 741 stocks, each with an assessed capital of 10 RON, with the total value of 7,410 RON, representing 0,8585% of the equity capital.
4. Promotion Group International Ltd. – Romanian legal entity, headquartered in Bucarest, Victoriei Street, no.135, region 1, registered at the Trade Register Office, no. J40/5426/1991, holds 741 stocks, each with an assessed capital of 10 RON, with the total value of 7,410, representing 0, 8582% of the equity capital.
5. Alcatel Participations – French legal entity, headquartered in France, Rue la Boetie, no.54, 75008, registered at the Trade Register Office in Paris, no. 333 150 043, holds a stock with the assessed capital of 10 RON, with the total value of 10 RON, representing 1 USD, respectively 0, 0010% of the equity value.

Currently, *Alcatel- Lucent* is a global company, with a broad portfolio of products and services, upheld by the most innovative technologies.

Alcatel- Lucent, one of the largest providers of technology and communications solutions in the world, comes to support service providers, companies and authorities, so that they can deliver communication services to end users through voice, data and video.

As a leader in broadband fixed communications, mobile, converged, IP technologies, software applications and related services, Alcatel Lucent offer end-to-end solutions that foster unparalleled communication services for all spheres where people develop their activities, at home, at the office or on the move.

**Alcatel- Lucent Romania Ltd.** aims at making profit through the following items of activity:

- Production of radio- television transmitters, telephone and telegraph equipments,
- Production of other electric components n.e.c.
- Construction of buildings and civil engineering works,
- Electrical installations,
- Agent in trades with different products,
- Telecommunications.
- Buying and selling of real estates
- Letting and subletting of own or leased properties,
- Editing programs
- Advice and provision of other software
- Activities related to databases
- Accounting activities, accounting inspections, consultancy in the fiscal field.

As a **structural organization**, Alcatel- Lucent Romania is the regional coordination centre for 10 countries from Southeast Europe: Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Romania, Montenegro, Macedonia, Serbia, Republic of Moldavia, Slovenia, and the independent region of Kosovo. **Leadership and management** of company are provided by the **General Assembly of Shareholders**, the supreme body control and coordination of activities and the **Board of Directors**.

**General Assembly of Shareholders** is the **managerial body** of the company that decides over its activity and ensures the economical and commercial policy. The General Assembly of the Shareholders is established and operates in accordance with the Law 31/1991, amended and republished. Alcatel- Lucent Romania is one of the 23 developed research centers worldwide.

From the outset, Alcatel- Lucent Romania's strategy consisted in the importation of technologies to provide advanced communication solutions and the active involvement in the software development, following continued expansion and increased market turnover. In the field of developing software for mobile communications, a notable success was the participation of Romanian specialists at the development of Evolution TM GSM systems, one of the three systems used worldwide generation 2G and 2.5G.

The Research and Development Centre for WiMAX solutions in Timișoara is one of the five Alcatel – Lucent centers worldwide. The other centers are located in Germany, SUA, France and China. The center from Timișoara has more than 100 specialists working on 15 WiMAX platforms.

The mission of the Research and Development Centre is to ensure integration and performance testing and validation results. In Timișoara also develops software for WiMAX solutions based on IEEE 802.16e. Technical Expertise Centre for WiMAX solutions in Timișoara is the only Alcatel–Lucent centre in the world to support Level 3.

## **1. DIAGNOSTIC ANALYSIS OF THE PERFORMANCES OF THE ORGANIZATION**

### **1.1. ANALYSIS OF THE PECULIARITIES OF MANAGEMENT**

Methodological subsystem / subsystem methodology- includes the managerial instruments and the methodological instruments of the design, operation and

improvement of other managerial components- the decisional, informational and organizational subsystem:

- management systems used partially, in simplified methodological formulas: management by objectives (represented by objective lists), management by budget (development, implementation and monitoring of revenue and expenditure) and participative management exercised at higher levels of management.
- methods and management techniques: meeting, instrumentation, diagnostic (as regular analysis or management rapport accompanying balance sheet), delegation, control methods, calculation methods of costing and value analysis to reduce cost and to improve quality products.

In our research, we quantify methodological systems by granting a point to each system (maximum score: 3), methods and management techniques (maximum score: 7). Total maximum score is 10.

Decisional subsystem is part of the company management that includes both the micro- economic decisions and adopting these mechanisms. From a qualitative point of view, decisions satisfy requirements such as the scientific, empowering decision, integration decisions through the micro-economic decisions, timeliness and proper formulation of the decision.

These data are provided by the register of the minute of the General Assembly of the Shareholders and the Board of Directors, by the documents of the departments, services, offices managers.

In research, we quantify the decisional subsystem by providing a point for each of the satisfied requirement of the micro- economic decisions. The maximum score obtainable is 6. At this it is added a point for each type of decision circulate by the organization.

**Informational subsystem** provides the basis for the decisions but also the necessary actions for their implementation. The analysis of this subsystem includes:

- **information flow and circuits**
- **information circulating in the system**
- **means of information treatment.**

These data are obtained from the Rules of Procedures, from the information, printed and standardized documents.

There are also a series of **informational principles**, such as:

- correlate the informational system with the decision- making system,
- focusing on essential deviations,
- flexibility,
- methodological unit,
- enduring the maximum of the final information from the primary information fund,
- effectiveness of the informational system.

In research, we quantify the informational system by downgrading for each failure registered at this subsystem (maximum score:) and by granting one point for each informational principle fully respected (maximum score: 6).

Organizational system is found in the form of process organization (functions) and of structural organization (organizational chart).

From the perspective of our research, most relevant are the number of functions (maximum score: 8) and the intense activity of the organizational structure (maximum score: 10), we will share 1 point, the maximum total points is 18 points.

## **1.2. DIAGNOSTIC ANALYSIS OF FINANCIAL PERFORMANCE**

Diagnostic analysis in the financial- accounting matters is focused on a series of financial- economic items that can be quantified:

- weaknesses – restraint financial funds in stocks of production, low solvability, low liquidity level;
- strengths – increasing turn- over, the organization’s revenue, profit and productivity, positive profit margin.

In this study, we measure the contribution of these indicators in determining the organization’s financial performance. Therefore, we consider the difference between the number of strengths (noted with 1 point) and the number of weaknesses (noted with -1 point). Maximum may be 5 points.

Within this study is significant the compliance with the appropriate correlation between the indicators of program production (number of employees – wage fund – working efficiency), which can identify efficient use of human potential. It is necessary to ensure the appropriate gap between the growth indices:

- production,
- wage fund,
- number of employees,
- working efficiency, and
- average wages.

These correlations are two and refer to the *dynamic of quantitative indicators*:

$$I_{CA} \geq I_{FS} \quad (1)$$

$$I_{FS} \geq I_{NS} \quad (2)$$

and a qualitative nature and expresses the relation between two important efficiency indicators – working efficiency and average wage:

$$I_W \geq I_{Sm} \quad (3)$$

The consequence of these correlations is to reduce labour costs per unit of product.

Since in this research we aimed to quantify the organization’s financial performance, we will give 10 points for the effective use of human potential that reduces the labour costs per unit of product, and we share -10 points for ineffective use of personnel/staff.

In this context also is significant the analysis of staff costs at 1000 lei of the operating revenues. This analysis shows the efficiency of expenditure on staff, and may be demonstrated with the following indicators:

$$CP^{1000} = \frac{CP}{VE} \times 1.000$$

where:  $CP^{1000}$  = staff costs at 1.000 lei operating revenues.

CP = staff costs,

VE = operating revenues.

The previous indicator value highlights the positive dynamic (which we share with 10 points) or negative (which we share with -10 points) of the operating revenues. We believe that the interpenetration of these economical phenomena highlighted by the indicators presented above outlines the financial performance of the organization. From our research perspective, this performance is quantitative by adding quantitative values that we have given qualitative interpretation of financial efficiency. Maximum score can be 25 points.

### ***1.3. DIAGNOSTIC ANALYSIS OF PERFORMANCE IN COMMERCIAL FIELD***

This study means a diagnostic analysis of the activities of purchasing, draft (sails) and marketing, held in departments that have as main task the to ensure completion of production necessary to meet the demand expresses by customs. Organization relations with its customers and suppliers can be characterized by

indicators “*customer credit*” and “*provider credit*”. These indicators, which really express the number of days of receipt of claims and the number of days the payment of debts, directly influence the evolution of the Treasury, respectively the cash- flow.

In our research, the purpose of this analysis is to quantify:

- weaknesses – lack of supply of development programs, draft (sales) and marketing policies, the incorrect valuation of entry or exit from certain markets, incorrect/incomplete competition data.
- strengths – developing programs on the supply, quality assurance of products and services, optimal storage conditions, means of transport, increased sales volume, multiple means of promotion, adjustment to environmental requirements.

Therefore, we consider the difference between the number of strengths (noted with 1 point) and the number of weaknesses (noted with -1 point). Maximum score is 8.

#### ***1.4. DIAGNOSTIC ANALYSIS OF HUMAN RESOURCES***

The business develops and administers human resources policies and programs aimed at ensuring an efficient organizational structure, a highly qualified staff, promotion opportunities, incentives offered to work.

##### **A) Analysis of internal human resources potential**

The economic viability of the company, its performances are dependent on volume, structure and efficiency of human, material and financial resources.

Human resources can be approached in terms of size and structure, but also from the standpoint of personnel turnover.

Fluctuation coefficient shows the degree of instability of labour power and is calculated by using the following indicators:

- intensity factor inputs – is calculated as the ratio between the number of employees in the company in a year and the total number of employees in that year,
- output intensity factor – calculated as ratio between the number of employees out of business in a year and the total number of employees in that year,
- total circulation rate – is equal to the ratio between the amount of entries and exits of employees and their total number,
- labour turnover rate – is calculated by reporting the number of worker leave voluntary and by cessation of labour agreement by the total number of staff.

Also, in creating the internal potential of human resources comprises the structure and socio- professional level of staff.

##### **B) Analysis of human resources management**

The main activities and responsibilities of human resources management are presented in the lines below:

###### **1. Insurance and labour utilization**

- staff recruitment,
- selection,
- integration and tracking of new employees,
- reducing staff, finding most convivial solutions for staff and society,
- devising and implementing retirement plans, consider replacing and their implication.

###### **2. Administration of pay and other remuneration:**

- accommodate employees in positions whose requirements are clear and precise, job description and establish appropriate job title for each post
- analysis of the work stationary as is clear from their description, work assessment to be field in various posts;
- based salary levels, determination and application of salary forms;
- performance evaluation of employees, and their classification according to merit,

- additional remuneration, incentives beyond living wage, to encourage initiatives and outstanding achievements,
- control of work program, setting working hours, preparation and administration of leave programs.

### **3. Labour relations of employees**

- create premises for labour relations between management and employees are maintained and improved according to both for company and employee interests,
- communications: to provide the means and the proper climate for developing ideas and exchange views in society, transmission of information to employee, and receiving and selection of employees proposals.
- collective agreements: making agreements with the unions so that the company and the employees interest to be well satisfied, negotiating agreements, their interpretation and taking the necessary appropriate administrative measures;
- establish rules and regulations regarding conduct, specification and application of disciplinary measures.

### **4. Planning and development of organizational structure:**

- ensure an efficient organization, attract and retain a competent staff,
- establish the organizational structure,
- determination of labour need, so that the company objectives are achieved as effective from the operative and economical term;
- comply with the quality policy established by the managing director,
- workforce development, preparing training programs and vocational training, their performance and result evaluation.

### **5. Services for employees**

- health insurance
- security: organization of fire guard

### **6. Coordinates the activities of the company on labour safety**

- control based on the activity program of all workplaces to prevent work injuries and occupational diseases, the way they are presented provision of Law 90/1996 and of General Norms of Labour Protection,
- provide training and information personnel concerning labour safety,
- participating in workshop reception, of newly established sections providing on how measures to protect labour and seek trading licence in terms of labour safety,
- notify the management of the need of work interruption of jobs that present imminent danger of work injuries,
- participate and gives its opinion on the appointment of personnel, namely how it meets security requirements,
- endorses the endowment of staff with personal protective equipment, individual work equipment, nutrition and health and hygiene materials,
- cooperates with medical services for to date knowledge of occupational diseases case,
- participates in the investigation cases of work injuries that caused temporary inability,
- working with the representatives of the union for the implementing program to improve working conditions contained in the labour contract
- proposes penalties for non- compliance with the Labour Safety Norms,
- proposes economic incentives for outstanding achievements in the prevention of work injuries and occupational diseases,
- keeps track of jobs with special conditions,
- verify that toxic emission are within the limits of permissible harmful for the working environment through specialized services.

In our research, the purpose of the analysis is to quantify the performance of the human resources management duties in its six main activities. Therefore, each area of activity can obtain a minimum score between 1 and a maximum score of 10, maximum being 60 points.

Meanwhile, any power of any area of the human resources management activities conducted over the accepted level will be marked with one additional point, which will be added to the that domain.

## **2. ANALYSIS OF JOB CHARACTERISTICS**

Resource manager can make a common mistake regarding Hackman and Oldham's model on the job's description. Thus they erroneously believe that merely providing the five essential dimensions of post holder ensures motivation and enhances performances at work.

This is not so. In fact, it can be said that if a post has the five key dimensions, then the employee can feel motivated and can improve its work.

A well defined job does not motivate people, but it creates proper conditions to work in an environment able to motivate, if other factors are met.

A well defined job brings benefit to the employee, the manager and to the organization. In our research, the purpose is the analysis is to quantify the performance of all five dimensions set by Hackman and Oldham: diversity of skill, task identity, task importance, autonomy, feedback.

Therefore, each essential dimension can obtain a maximum score of 2 points, so that each "well defined" job can accumulate and be represented quantitatively by the maximum 10 points.

In this context, Hackman and Oldham believe that there are three factors that impact on human resources motivation:

- knowledge and skills of the occupant station,
- the extent to which the occupant station values its growth and personal improvement,
- the satisfaction they offer job occupant and the wider context in which they operate.

The tasks of a well- defined job:

- to be a complete activity, independent, containing identified tasks
- to ensure fair rewards for the effort and for the contribution
- to have significance and utility for the company employee
- to pay the employee the responsibility of the decisions related to its duty
- to provide direct feedback to the employee, without intermediaries
- to offer the possibility for social relations with its peers

Benefits for employee (factors of satisfaction/ motivation):

- feeling of fulfillment, self-esteem
- feeling of having done something important and useful
- feeling of the responsibility for its own actions
- feeling of having learned something
- sense of belonging
- perception of a fair reward

Advantages for the manager:

- less active
- fewer administrative tasks to supervise
- more time for managerial functions
- focus on their development needs

Advantages for the organization:

- increased productivity
- better quality of products and services

- decreased absenteeism
- increasing employment of people with work
- facilitate the implementation of change
- increased organization

In our research, we plan to investigate this type of motivation therefore, we will analyze the share:

- knowledge and skills necessary for a carrying out performance in a certain position,
- the need for growth and personal improvement required for professional performance.

### **3. FINAL CONCLUSIONS**

Jobs must be realistically structured, so as to take into account the motivational needs of the employee. Ideally, each employee and post is appropriate, so that each individual can fulfill its motivational needs when carrying on jobs duty. This can be done during the recruitment process, either by structural modification to existing posts, or on both ways.

The terms used are:

1. Expanding job (post expansion) by: the increase of job related tasks, the increase of liability or both ways.
2. Job enrichment indicates that the level of liability associated with a post has been increased by: modification of the responsibility structure, adding new levels of responsibility, or both ways.
3. Job rotation, occurs when the range of tasks is changed, thus giving the individual the opportunity of a wider range of tasks, without an increase in the responsibility level.

It is not easy to harmonize post- employee relationship and although difficult to quantify the leaps regarding the degree of involvement of the employees, however, people tend to respond positively to motivational stimuli. This if they consider as real the possibility of obtaining a substantial reward for certain conduct.

It follows that it is necessary to determine whether the rewarding system works as it should (if there is a rewarding system). For example, one cannot motivate the staff by offering as a reward for outstanding performances pay rises and promotions, whether to produce them is subject to seniority.

An additional complication is created by unemployment. Although the current climate is characterized by high rate of unemployment, may be easier to recruit than in period with low rate of unemployment, because the motivational problems of those who do such work can be immense. Employee may feel frustrated in their work, because:

- lack of promotion opportunities
- lack of employment in other jobs, for which they consider are most appropriate

Supra-selection (the job offer being much higher than the demand, companies can impose an extremely high standard of selection. Further effect is the stratification of the company as competent personnel: elite- selected in periods with high rate of unemployment – and average salaries – selected in periods with low rate of unemployment when the lay off of the labour power in economy is low in number. Then the elite, aware of its value, challenge even the remuneration system which they see wrong with his uniform).

High rate of unemployment can stimulate the employee to build a carrier both as a decrease of monotony at work and as a way to get an increase in social status.

It is necessary for ALCATEL – LUCENT, as any business oriented to the organizational growth of the employee, following their performances development, to make considerable efforts in drawing up an attractive package of incentives- motivation.



Not infrequently, however, we face real myths regarding employee's motivation, of myths of whose awareness depends on largely the quality approach that we follow.

The contribution of the employee in making a decision is very important. They will feel important and respected, so that will involve much more when a decision will be taken.

Topics about motivating employee have to be very important for the manager. Despite its importance, there still are some myths- among the managers of the company. First of all, it is very important to clarify these myths:

- **MYTH 1 – “I can motivate people”**- not even – employee have to motivate themselves. However what Alcatel – Lucent managers can do is to build an easy environment for developing motivation. The secret is to know how to create such an environment, for each employee.
- **MYTH 2 – “Money is a great motivational factor”**- not even – certain things other than money, such as: a well equipped office, an attractive activity or security can help people become demotivated, but it cannot help becoming motivated either. An important objective for Alcatel managers is to understand the motivation for each employee.
- **MYTH 3 – “Fear is a great motivational factor”** – fear is a great motivational factor, but for a short period of time. Thus the head's scream can motivate for the moment, but it can demotivate over medium or long period.
- **MYTH 4 – “I know what motivates me, so I know what motivates my employee”** – not really. Different persons are motivated by different things. For example, I am motivated by the day off as a bonus, because I can spend it with my family. Others can be motivated by social gratitude. Again, a key object for Alcatel - Lucent is to understand the motivation for each employee.
- **MYTH 5 – “Increased job satisfaction means increase performance”** – Research show that this idea it is not necessarily true. Increased job satisfaction does not necessarily mean increased performance. If the goals of the organization are complementary with the employee's aims, than the employee do not work to achieve the organization's mission.
- **MYTH 6 – “I cannot understand the motivation of the employee – it is a science”** – not true. There are certain basic steps that can be implemented for increasing job satisfaction and performance.

In the management of human resources, Alcatel – Lucent managers should take into account the answers to the question: “How high can the performance in an organization be and which is the permissible limits for the employee?”

The upper limit of performance is conditioned by the capacity of each individual and by the technical system provided by the organization.

The lower limit is the lowest level of performance that an organization is willing to accept.

The place it takes a person between the two limits of performance depends on motivation and willingness to work better.

There are four ways recommended to be applied by the human resource managers of Alcatel – Lucent which may influence the performance of employee in the organization.

1. **Improving the technical system of the organization** may lead to the correspondent modification of the upper and lower limits of performance. Improved technical system means investment for the organization. A common mistake here is lack of interest in recovering the investment through higher performance.

2. **Developing the capacity of the employee** will increase the upper limit performance. These skills can be improved by: improving their professional preparation,

organization of training sessions, and increased ability to work as a team regular review of performance and “correct” failures reported.

3. **Increased level of “tolerance” of performance** is achieved by regular review in order to meet the new technical, economical and social realities, and new goals of the organization. A new target implies a different level of acceptable performance.

4. **Positive influence on motivation.** These can be achieved by acting on: work conditions, rewards given by post, promotion perspectives, performance evaluation system, individual and group competition.

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