# Contemporary Management Issues

Chapter 2
What is behind the term "company"?





- **□**Introduction
- □Chap 1. What is behind the term "company"?

# Chap 1. What is behind the term "company"?

#### 1.1 – Different definitions

For lawyers

For the statistician

For the economist

For sociologists

For the manager

- 1.2 The reality of the company
- ➤ A reality fragmented between several actors and purposes
- ➤ A historical evolution



# Similarities and differences?













## Similarities and differences?



	Les 3 Brasseurs
Les Restaurants du cœur Les Relais du cœur	
Variables	Exemples
Types of activities	Catering (for-profit, and non- profit), delivery, application/platform etc.
Size	Large companies, SME etc.: High or low revenu etc. High or low number of employees
Legal form	SARL, SA, EPA etc.
Structure and organization	Franchise, subsidiary, group, company, association, Non-profit organization etc.



#### Food to though

#### Firm vs Company

Comparison Table

Characteristics	Firm	Company
Definition	Refers to a business involved in the selling of services and products for profit, usually professional services	Refers to a business involved in any incomegenerating activity involving the sale of goods and services and includes all business trades and structures
Types of activities	Are mainly involved in professional services	Are involved in all business trades and structures
Examples	Examples of include accounting firms, consulting firms, law firms and graphic design firms	Examples include private limited company, public limited company or a one-person company

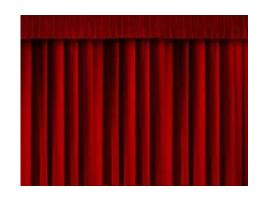


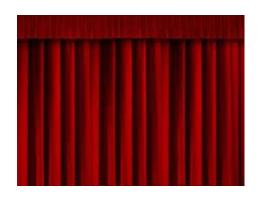
What exactly are « companies »?

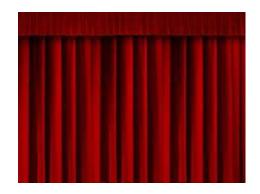
# What exactly are « companies »?

Reality too complex for A SINGLE definition ....

.... Use of theories/approaches







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#### 1.1. Company Definitions

#### For lawyers:

## The company does not exist in law

- → It is a node of contracts: employment, supply, distribution, mandate...
- → Different types of property





#### 1.1. Company Definitions



#### For lawyers:

- Postulate: legal entity is only interested in owners
- Bounds:
  - Ownership of existing resources (shareholders)
    vs. construction of non-existent resources (employees, managers, etc.)
  - Forget innovation (or take into account with delay)

#### 1.1. Company Definitions

#### For lawyers:



#### Type 1:

State-owned enterprises

- ➤ Majority owned by the State (SNCF, RATP, BdF, EDF, La Poste, Areva, La Française des Jeux...)
- « Public service mission": satisfying the general interest
- > 3 main principles:
  - Continuity: meeting needs of general interest without interruption,
  - 2. Equality: everyone has an equal right to access the service,
  - 3. Adaptability or mutability: must not stand still in the face of changes in society; it must follow the needs of users.

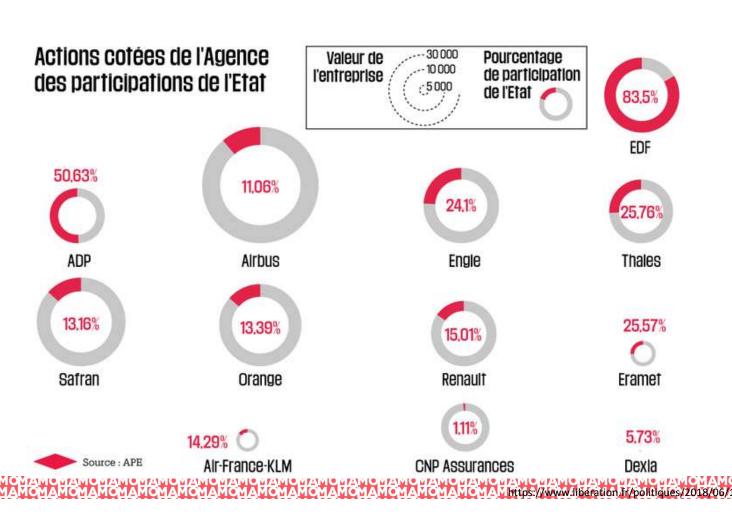
# **Important!**

Careful: A « public company » meaning?

A public company is a corporation wherein the ownership is dispensed to general public shareholders



#### 1.1. Company Definitions



The State possesses shares in more than 1,600 French companies

(attention only companies with more than 50% share are considered state-owned enterprises)

#### 1.1. Company Definitions

#### For lawyers:

#### <u>Type 2:</u>

- Cooperative and mutual enterprises
  - ➤ Non-profit
  - > Aim to serve the interests of their members by serving them.
  - "one person one voice"



Rang	Nom	Type de coopérative	Secteur d'activité	Année de création	Départe- ment siège social	Chiffre d'affaires 2020 (millions €)	Sociétaires/ Associés/ Adhérents (nombre en 2020)	Soloriés (nombre en 2020)	Établissements sur le territoire (nambre en 2020)	Marques/ Enseignes détenues	Site Internet
*	<b>ACDLEC Leclerc</b> (carburants compris)	Coopérative de commerçants	Multi-secteurs dont alimentaire	1949	94	48 000	533	140 000	2185	ELeclera ELeclera Express; E.Leclera Location, Brico ELeclera Jardi E.Leclera Jardi E.Leclera Parapharmacie, ELeclera Voyages, E.Leclera Espace Culturet ELeclera L'auto, E.Leclera Le Manège à Bijoux E.Leclera Une heure pour soi, Optique E.Leclera Audition E.Leclera Audition E.Leclera E.Leclera Drive; E.Leclera Station- service, E.Leclera Maison & Loisirs, Animalerie E.Leclera, Jouet E.Leclera Jouet E.Leclera Réglo Mobile	www.e-leclerc.com
2	Groupe Crédit Agricole	Banque coopérative	Banque	1885	92	34 000	11 000 000	142 000		Crédit Agricole, LCL, Finaref	www.credit-agricolefr
3	U Enseigne (carburants compris)	Coopérative de commerçants	Commerce Ali- mentaire	1894	94	26 800	1280	73 000	1615	Hyper U, Super U, U Express, Utile, U Drive coursesucom, Ulocation	www.magasins-u.com
4	Groupe BPCE	Banque coopérative	Banque	2009	75	22 470	9 134 758	100 344		Caisse d'Epargne, Crédit Maritime, Bonque du Bâtiment et des Travaux Publics, Crédit Coopératif, Bonque Palatine, Crédit Foncier, Natixis, Banque Papulaire	www.bpce.fr
	yc Coisse d'Epargne	Banque coopérative	Banque	1818	75	6 900	4 434 758	33 931	3 689		www.caisse-epargnefr
	yc Banque Populaire	Bonque coopérative	Banque	1873	75	6300	4 700 000	30 470	3 000		www.banquepopulaire.fr
	dont <b>Crédit Coopératif</b>	Banque coopérative	Banque	1893	92	35t	99 070	1 965	114	BTP Banque, Ecofi Investissements Esfin Gestion, Inpulse, Tise	www.credit-cooperatif.coop

apport « LES 100 Plus indes Entreprises opératives Françaises

COOPÉRATIVE DE COMMERÇANTS

COO PÉRATIVE BANCAIRE

COOPÉRATIVE AGRICOLE

COOPÉRATIVE DE CONSOMMATEURS

COOPÉRATIVE D'ARTISANS

ition 2022)

Rang	Nom	Type de coopérative	Secteur d'activité	Année de création	Départe- ment siège social	Chiffre d'affaires 2020 (millions €)	Sociétaires/ Associés/ Adhérents (nombre en 2020)	Soloriés (nombre en 2020)	Établisse- ments sur le territoire (nombre en 2020)	Marques/ Enseignes détenues	Site internet
(4)	Groupe Crédit Mutuel	Banque coopérative	Banque	1882	75	17 534	8 094 832	83 194	5 700	Crédit Mutuel, CIC, NRJ Mobile, Targobank, ACM, Banque transat- lantique, Beobank, Crédit Mutuel mobile, Fortunéo, Helloassa, La Française, Leetchi, Monabang, Suravenir	www.creditmutuel.fr
ó	Astera	Coopérative de commerçants	Répartition Pharmaceu- tique	1919	76	9 500	6 500	31 000	6 272	Astera	asteracoop
7	Agrial	Coopérative agricole	Polyvalente	2000	14	5 957	12 000	21 000		Florette, Manon, Priméale, PrimCo, Crudi, Créaline, Loic Raison, Danao, Vicomte, Kerissac, Ecusson, Bakkavor, Soignon, 300 & Bia, Grand Fermage, Bio d'Armor, Pavé d'affinois	www.agrial.com
8	Invivo	Coopérative agricole	Céréales Approvisionne- ment	2001	75	5 100	192	5 818		Gamm Vert, Semences de France, Biotop, Frais d'ici, Cordier-Mestrezat; Bio&Co	www.invivo-group.com
9	Sodia al Union	Coopérative agricole	Lait	1990	75	4 835	17 670	8 540	v	Yoplait, Candia, RichesMonts, Nactalia, Entremont, Jura Gruyère, Capitoul, Boncolac	www.sodiaal.fr
10	Terrena	Coopérative agricole	Polyvalente	2000	44	4763	20 990	13 590		Gastronome, Douce France, Paysan Breton, Tendre et plus	www.terrena.fr
11	Tereos	Coopérative agricole	Sucre	2004	59	4 492	12 000	23 000		Béghin Say, L'Antillaise, La Perruche, Origny	www.tereos.com
12	Eureden	Coopérative agricole	Polyvalente	2020	29	3 213	2000	9 0 0 0		Paysan Breton, Prince de Bretagne, Régilait, Ronsard	www.eureden.com
13	Vivescia	Coopérative agricale	Céréales Approvisionne- ment, Meunerie, Malterie	1927	51	3 200	10 500	7 000		Banette, Francine, Delifrance	www.vivescia.com
14	Axéréal	Coopérative agricole	Céréales Approvisionne- ment, Meunerie, Malterie	2013	45	3 027	12700	4000		Bannette, Francine, Lemaire, Tre blec, Chambord, Croust'Epi, La Croquise, Ebly, Cœur de blé	www.axereal.com

COOPÉRATIVE DE COMMERÇANTS COO PÉRATIVE BANCAIRE COOPÉRATIVE AGRICOLE COOPÉRATIVE DE CONSOMMATEURS COOPÉRATIVE D'ARTISANS

#### 1.1. Company Definitions

#### For lawyers:



- Private companies
- → mostly for profit

Remark : entrepreneurial model when own by one main person and actionarial when own by shareholders



## 1.1. Company Definitions



#### For lawyers:

- In France, since 2019, the Pacte law "entreprise à mission"
  - The term "Mission-driven company "designates in France the forms of business which statutorily give themselves a social or environmental purpose in addition to profit-making.

Careful: "mission-driven company" in other company has a broader meaning

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#### 1.1. Company Definitions

#### > For statisticians

« An enterprise is an economic unit, legally autonomous, organized to produce goods or services for the market."

Bounds: Do not take into account the individual firm (aggregated variable at the country level)



#### 1.1. Company Definitions

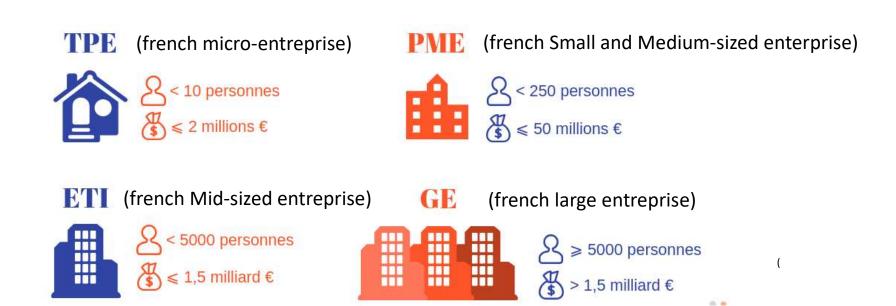
#### For statisticians

#### Financial criteria

- Sales revenues: amount of sales made in a year, expressed in volume or value (volume x price)
- Added value: wealth created over the course of a year. It is calculated by the difference between the turnover and the purchases and expenses related to the operation of the company

#### 1.1. Company Definitions

#### For statisticians



Carefull INSEE distinction!

# Food for though

	Micro-entreprise TPE	Small entreprise SME	Medium size entreprise ETI	Grande entreprise GE
En France	e <10 persons < 2 million €	<250 persons < 50 millions €	<5000 persons < 1.5 billions €	<5000 persons > 1.5 billion €
En US	<9 persons < 2 millions EUR	<50 personnes < 10 millions	<249 personnes < 50 millions	Large entreprise >249 personnes > 50 millions
En Afriqu (kenya)	ue <10 personnes	<50 personnes	<100 personnes	>100 personnes



## To go further

#### KEY DIFFERENCES BETWEEN SMALL AND LARGE BUSINESSES



Aspect	Small Business (SB)	Large Business (LB)	Consequence
Risk of failure	High	Low	SB focus on survival/growth
Market power	Price taker	Price maker	SB focus on niche
Management	Owner-manager	Employee– manager	SB incentives more aligned
Owner's motivation	Diverse	Shareholder value	Diverse business performance
Brand	No brand value	Brand important	LB focus on brand
Strategy	Flexibility	Price	SB more likely to pioneer innovation
Internal organisation	Informal	Formal	LB seeks to reduce 'internal' uncertainty

3

#### 1.1. Company Definitions

#### For statisticians

#### The sector of activity

It brings together companies that have the same main activity

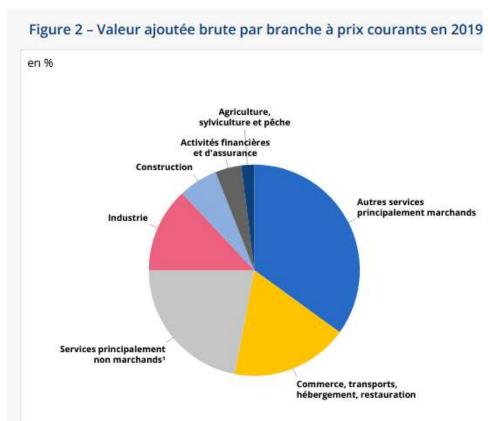
A company can only belong to one sector of activity

3 main sectors of activity (NAF: 732 sectors):

- primary (agriculture, fishing, forestry, mining, deposits),
- secondary (manufacturing, construction),
- tertiary sector (trade, transport, financial activities, services rendered to businesses, services rendered to individuals, accommodation, real estate, information-communication, education, health /

#### La branche d'activité

It brings together production units manufacturing the same category of product. An enterprise may belong to one or more branches



(source: INSEE)

E.g. branches of the automotive industry

#### 1.1. Company Definitions



→ The tertiarization of the economy since the beginning of the 1980s reflects a shift in the value added of enterprises towards more services

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#### 1.1. Company Definitions

The economist's vision

The company as a production function

$$Q = f(K, L)$$

The sociologist's vision

The company as a place of power (with individual goal)



→ What is the manager's vision?

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#### 1.1. Company Definitions

#### The managerial vision



The company is an organization

i.e. **finalized collective action** "brings together people whose actions need to be coordinated to achieve objectives"

The company differs from other organizations by the **commercial and profit-driven nature** of its activities "provide consumers with products and services at a price, while making a profit"

#### 1.1. Company Definitions

# ACCOUNTING(simplified)

#### SALES

-Cost of goods sold (raw materials, wages, transport, distribution)

#### **GROSS MARGIN**

- General and administrative costs OPERATING INCOME
- Exceptional expenditure and revenue

**NET INCOME BEFORE TAXES** 

**Taxes** 

**NET INCOME AFTER TAX** 

Do I make a profit?

#### 1.1. Company Definitions



The desire to achieve market objectives will bring him ...

... to make strategic **choices** ...

... to **find resources** and **organize** them...

... to **monitor the performance** achieved with regard to the objectives

PMC Course: How Big? What product/service? What location? What responsibility? Etc.

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- 1.2 The reality of the company
- The actors of the company
- From actors to stakeholders

A restrictive and internal definition: "persons or groups who incur a risk by having invested some form of capital, human or financial, in a firm"

(Mitchell *et al.*, 1997)

#### 1.2 – The reality of the company

#### The entrepreneur/founder:

- Responds to new needs...
- ... or existing expectations that are not met
- ... and this in a cost-effective way

#### The shareholder:

**Business Owner** 

Provides financial or in-kind capital

Contributes to the launch and development of the activity

Is remunerated through dividends paid and/or with the capital gain from the sale of its shares in the capital



# Acteurs internes?

Governance (or corporate governance):
refers to the decision-making model at
work within a company.
Said differently how the power is
distributed

#### Staff:

- Puts its skills at the service of the company, without bearing any financial risk
- His remuneration covers a pecuniary dimension, but also a non-monetary dimension
- These dimensions justify his commitment and involvement in his work.

# Note: Depending on who decides => different governance models:

- Shareholder model
- Entrepreneurial model
- Cooperative or mutualist model
- (State model)

#### 1.2 – The reality of the company

- The actors of the company
- From actors to stakeholders

**An extended definition**: "those (individuals or groups) who are not shareholders and yet suffer, benefit or influence the activity of organizations"

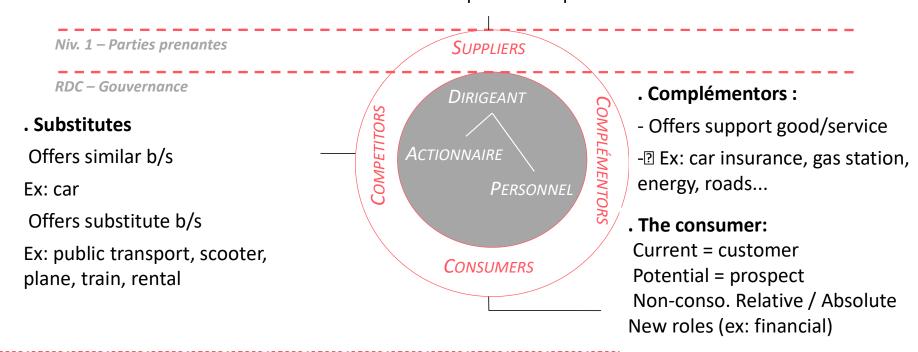
(Bonnafous-Boucher et Pesqueux, 2006)

#### 1.2 – The reality of the company

# Other external actors who influence?

#### . The supplier:

Offers integrated good/service in production Subcontracts part of the production





# Scooters will return to San Francisco, but Bird and Lime aren't invited

Skip and Scoot, two underdogs in the scooter war, won the coveted permits

By Andrew J. Hawkins | @andyjayhawk | Aug 30, 2018, 4:26pm EDT





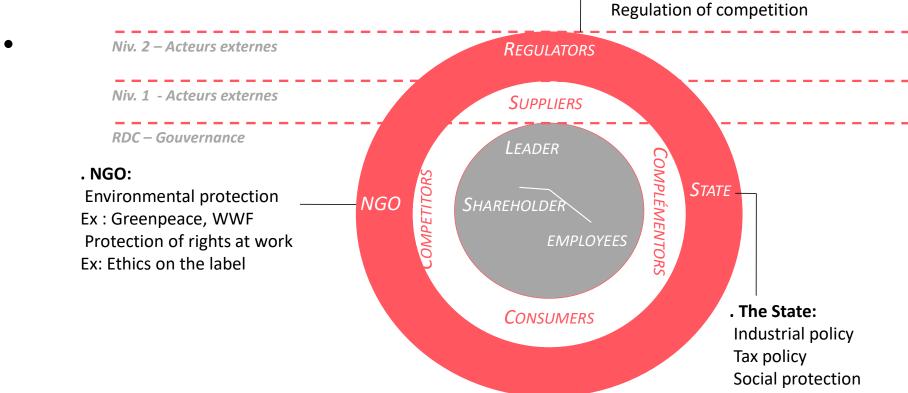




#### 1.2 – The reality of the company

The actors of the company

. Regulators:
Intellectual Property Standards
Environmental standards
Regulation of competition



Which stakeholder is Toyota for tesla?

# **TOYOTA HYBRIDS**



RAV4 HYBRID CAMRY

PRIUS HYBRID HIGHLANDER HYBRID AVALON HYBRID

#### 1.2 – The reality of the company

#### Which stakeholder is Toyota for tesla?

"Originally, Toyota enjoyed a solid reputation as a leader with its hybrid electric vehicles," "But now the market sees them as followers of the electric vehicle industry, and Tesla is the leader in terms of brand image or reputation. Now [Toyota] has to return to its previous position." (Masahiro Akita, a Japanese auto analyst at Credit Suisse)

#### 1.2 – The reality of the company

#### Which stakeholder is Toyota for tesla?

In 2010, "Toyota agreed to buy \$50 million in Tesla shares and the two companies agreed to cooperate in the electric vehicle space: Tesla also bought an assembly plant in California as part of a joint venture between Toyota and GM. In addition, the Toyota RAV4 model uses Tesla's electric powertrains



#### 1.2 – The reality of the company

#### Which stakeholder is Toyota for tesla?

Toyota had 2.3 million shares in Tesla in March 2016, according to a financial report released last June, valuing the stake at that time at about \$538 million. For most of last year, Tesla shares traded at more than 10 times their 2010 price (\$17 was the price of the first shares when Tesla went public)."

In 2019: sold the shares and stopped the partnership

#### 1.2 – The reality of the company

#### Which stakeholder is Toyota for tesla?

"Tesla has grown beyond the simple test bed of interesting electric vehicle technologies to become a full-fledged competitor to traditional manufacturers in the electric vehicle sector."

IF you were the leader of Toyota with the power to go back in time...

#### 1.2 – The reality of the company

Deep fake https://www.youtube.com/watch?v=gLoI9hAX9dw

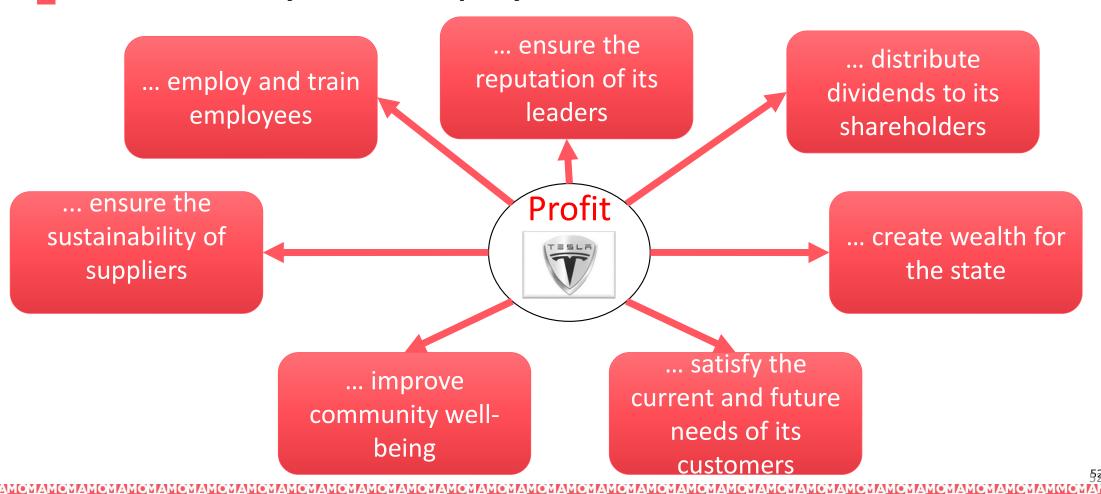


Google tensorflow

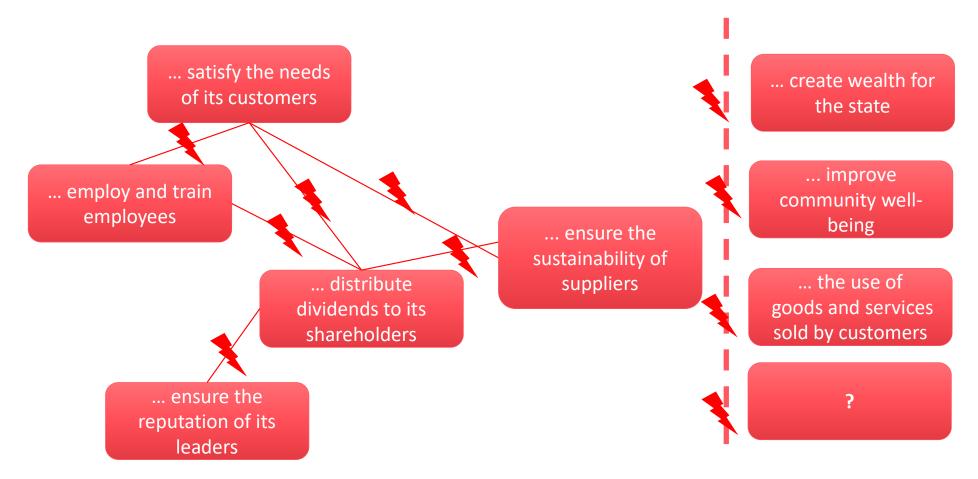
1.2 – The reality of the company

# A reality fragmented between several actors and purposes .... a PARADOX

#### 1.2 – The reality of the company



#### 1.2 – The reality of the company



Point « anglais » : différence shareholders and stakeholders

**Actionnaires** = Shareholders ou Stockholders (possède des shares)

Stakeholders = actionnaires + stake (intérêt)

# 1.2 – The reality of the company Redefining the business

Redefining **its borders**: "The company is seen as an open place where different types of relationships between its stakeholders intersect"

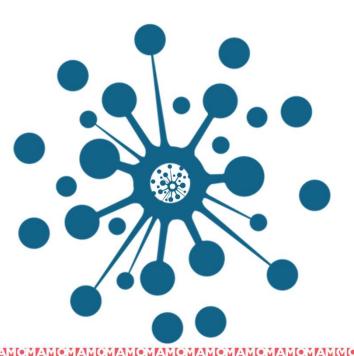
(Gond and Mercier, 2004)

Redefine **its purposes:** "Leaders are not only responsible for maximizing shareholder value, they must take into account the well-being of other stakeholders affected by the company's decisions"

(Gond et Mercier, 2004)

1.2 – The reality of the company

# Even more complex



#### 1.2 – The reality of the company

- The internal organization of the company
- It responds to a functional division
  - The Director of R&D: invention, innovation, patents...
  - The Director of Production: quality, volume, deadlines, yields...
  - The Marketing Director: customer satisfaction, sales volume, gross margin...
  - The Trade Union Delegate: salary increases, staff well-being...
  - Etc.

1.2 – The reality of the company

## The internal organization of the company

Dividing the company in functional silos allows for better specialization and productivity

This division poses problems of coordination and purpose.

#### The actors and functions of the company

It responds to a functional division

Function/Division	Mission	Objectives
Managing director	- Represent the company to third parties Define the medium-term strategy Plan its implementation	<ul><li>Ensuring sustainability</li><li>Ensuring growth</li><li>Arbitrate between directorates</li></ul>
Marketing-Sales Director	- Analyze the market Know the customers Position the offer Choose distribution channels	-Turnover - Sales volume - Market share - Loyalty -
R&D Director	<ul><li>Define production technologies</li><li>Define product technologies</li><li>Ensure a technological watch</li></ul>	- Patents - Product Innovations -
Production Manager	<ul><li>Manage procurement</li><li>Define production techniques</li><li>Define the appropriate equipment</li><li>Scheduling the product loadion</li></ul>	<ul><li>- Production volume</li><li>- Production quality</li><li>- Manufacturing costs</li><li>-</li></ul>
Human Resources Director	<ul><li>Recruit staff</li><li>Train staff</li><li>Motivating staff</li><li>Evaluating staff</li></ul>	-Staff turnover rate - Attraction of high potentials - Labour productivity - Absenteeism/W Accidents
Chief Financial Officer	<ul> <li>Ensuring financial balance</li> <li>Monitor performance</li> <li>Design control tools (accounting, analytical accounting, financial analysis, etc.)</li> </ul>	<ul><li>Available liquidity</li><li>Indebtedness</li><li>Profitability</li></ul>

#### 1.2 – The reality of the company





## Agenda

# Chap 1. What is behind the term "company"?

1.1 – Different definitions

For lawyers

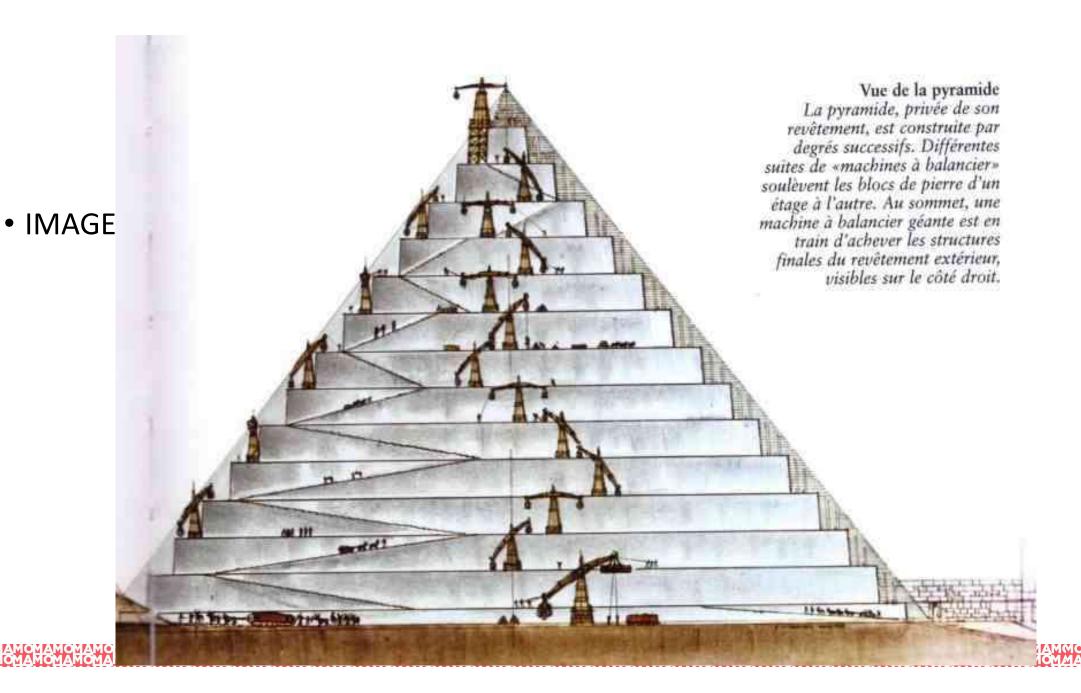
For the statistician

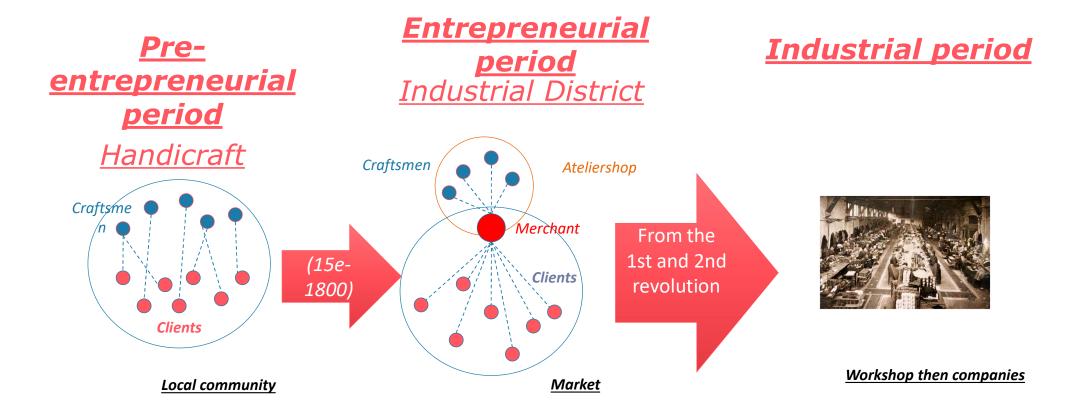
For the economist

For sociologists

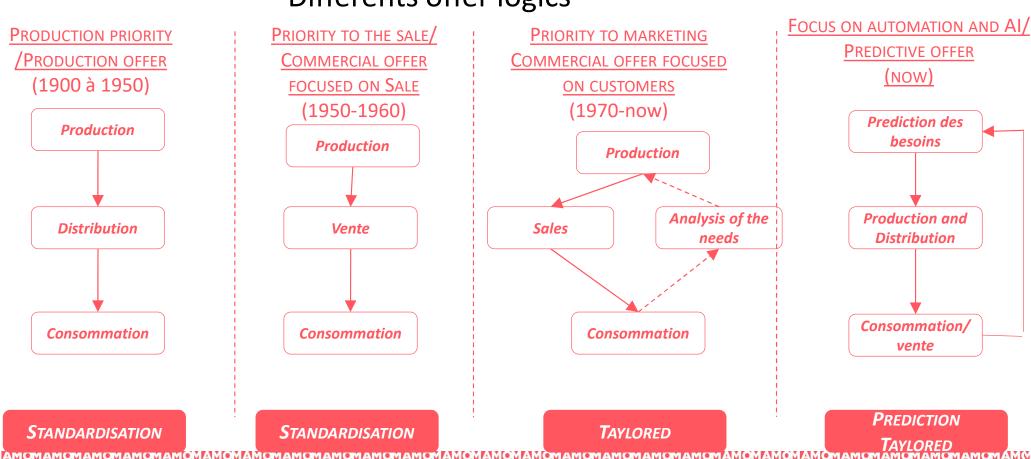
For the manager

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Differents offer logics



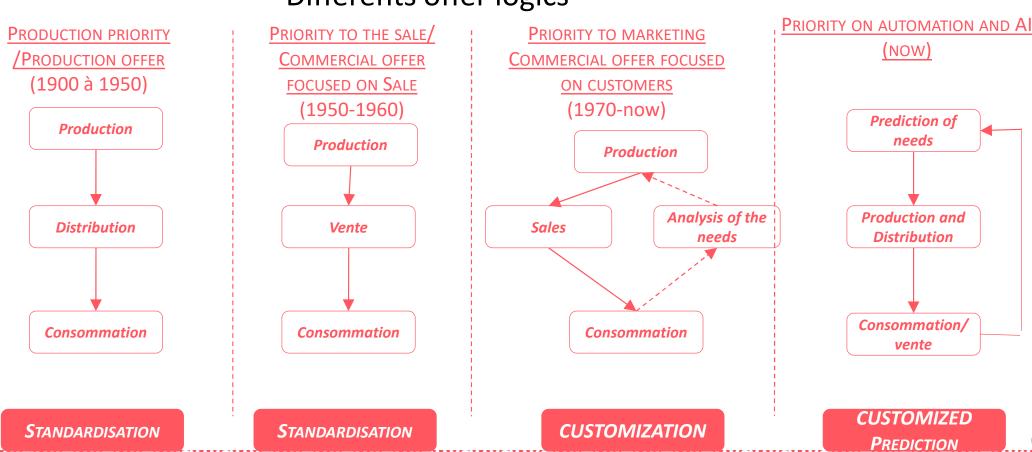
# Amazon Patents "Anticipatory" Shipping — To Start Sending Stuff Before You've Bought It

Natasha Lomas @riptari / 3:41 PM GMT+1 • January 18, 2014





Differents offer logics



## **Conclusion Chap 1**

MANAGEMENT...

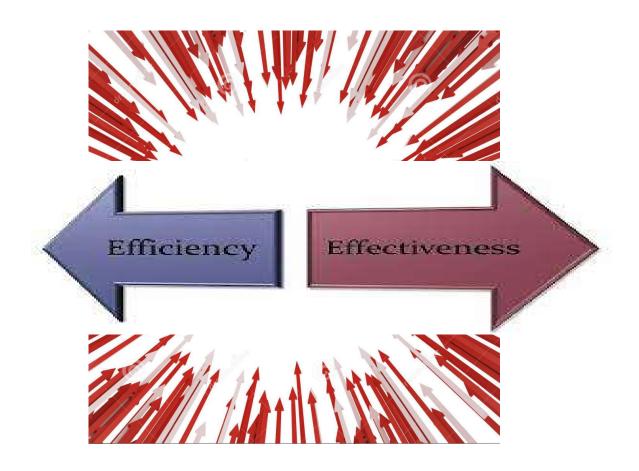
«of companies...»



« all the means and techniques implemented to achieve a given objective"

# **Conclusion Chap 1**

Achieve the objective through efficiency and for that take into account the complexity of the companies!





## **Takeaways Chapter 1**

Co	mplexity of the definition of the enterprise
	4 forms : state / cooperative / private (entrepreneurial or actionnarial)
	Type of governance Varying size: micro/SME/medium/large (definitions vary from country to country)
	Sector of activity: three main ones in the 732 sectors
	Main versus secondary activities: Tertiarization of industry
De	finition of enterprises for managers
	Collective action finalized with commercial and profit goal
	Strategic choice (objectives) /finding and organizing resources / controlling performance
Un	derstand the concept of stakeholders
	List, define, identify stakeholders (restrictive and broader)
	Role, finality, tensions between external actors but also internal actors
	Several stakeholder relationships possible at the same time
	Functional division: importance of specialization
	ferent logics of offer: production / commercial (sales and marketing) / ificial intelligence (automation and prediction)
Eff	ectiveness and efficiency

## Training to the exam

Elon Musk took control of Twitter on October 27 [...]. The visible rush in which nearly half of employees were fired, as well as the sudden sale of blue verified account brands (a paid account authentication system), seem to reveal that the new CEO, [Elon Musk] is feeling the pressure of profitability.

Another interesting fact, Elon Musk took over Twitter on October 27, 2022 [...] As he has repeatedly said, the new owner of the premises intends to "restore" freedom of expression on the platform: he reiterated this as soon as he took control, in a tweet proclaiming that "the bird is free". [otherwise says we will not moderate tweets] [...]

But even the richest man in the world is subject to economic constraints. On the day of the takeover, the new boss wanted to reassure advertisers that the platform would not become "a hell where everything is permitted", in fact acknowledging the need for moderation. [...] Advertisers will go wherever the audience is (whatever the platform is: twitter, facebook, etc). Elon Musk cannot ignore the economic imperative of preserving the attractiveness of this digital environment for the average user, and therefore for companies wishing to deploy their advertising efforts there. Currently, 90% of its revenue derives from advertising. [...]

- 5) Question: What does Facebook represent for Twitter (based on advertisers' behavior)?
- a) A complementor
- b) A consumer
- c) A supplier
- d) A substitute

## Training to the exam

#### **Deepmind**

- Deepmind, Google's artificial intelligence company, best known for designing AlphaGo, is creating a special department
- called DeepMind Ethics and Society. This department is responsible for examining the impact of AI on society. It will consist of a few dozen people. "Technology is not neutral, and technologists must take responsibility for the ethical and social effects of their work," DeepMind explains the creation of this new department. According to the company, "People need to keep control over all AI applications, which additionally need to be leveraged for useful purposes.
- Source: Van Nuffel "Google's AI branch creates an 'Ethics' department" Oct 2017
- 25) Question: the creation of a new department dedicated to ethics involves:
- a) A contractual growth for Deepmind
- b) A functional division within DeepMind
- c) None of the three answers
- d) Focus on one and only one value which is ethics



# Française des jeux

A Privatization: "A company with a public governance model" vs. "A private company with a shareholder governance model"

#### 1. A Strategic Decision for the State

#### 1.1. Economic Interest:

"Generates over 2 billion euros" (second article)

#### 1.2. Resource Allocation:

"The State must invest in strategic companies, prepare for the future of French citizens, and protect sectors that could be affected by aggressive investments." "Generates over 2 billion euros" (first article)

#### 2. A Need for Management

#### 2.1. Management of Addictions:

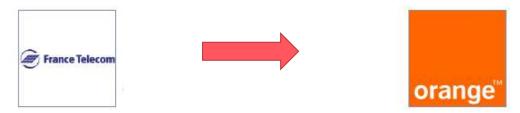
"We have created a National Gaming Authority that will have full power to ban games that could be addictive."

#### 2.2. Management of Geopolitical Stakes:

"No foreign investor will be able to take control."

**Opening**: Risk of human resources issues (e.g., the Orange case).

## To go further



As France Telecom becomes a private multinational, public right to the same telecommunication services, nationwide, is no longer the goal"

> **Governance: State model to Shareholders model** Purpose : Public service => Profit and cost reduction

« 50-year-old technicians are reassigned to call centers ... » **Production logic => commercial logic** 

« 4,000 France Télécom executives were trained each year to "make people move" by exerting maximum pressure» HR as a ressorce => HR as a cost to optimize

"suicide crisis" — 35 suicides in 2008 and 2009

## Pour aller plus loin

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PMC - BEZ - Chap 1 - develop your critical thinking - française des jeux case study