

Management Considerations

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Rotary Seminar Teams, Project Free Enterprise IV, 1994

Management Considerations

As management consultant to our hypothetical business venture I will cover the following areas with our new business partners. These methods include:

- A critical analysis of the business
- The writing of a formal business plan, (which doing so will)
- Define an organizational structure
- Staff your personnel requirements
- Direct and manage your staff
- Control the quality and end-product of your staff's efforts

Management Considerations	1
Management considerations for the merger.	
• Critical analysis of the existing business	
• Development of the business plan	
• Integration of the two companies into a single organization	
• Establish effective business practices for the new organization	
• Staffing	
• Directing	
• Control	
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But keep in mind these areas of management review are for you to decide if the same principles apply to your business. I'll first cover a critical analysis, or "diagnosis" if you will of the condition our business is in. How do we do this? We gather information so we can get an accurate picture of where we stand. We begin with financial information. A financial profile.

ANALYSIS:

Income statement - where does your revenue come from, and where does it go.
Balance sheet - assets and debts.
Budget forecast - for annual operating expenses. Cash flow requirements - 1; 3; and 6 months. Organizational chart of both companies with areas of responsibilities defined.

Management Considerations	2
Analysis or "diagnosis" of our condition.	
• Financial profile	
• Balance sheet	
• Income statement	
• Budget forecast	
• Cash flow report	
1 month	
3 months	
6 months	
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What critical or technical expertise do you rely on and how do you propose to insure you have it? The mission statement of each individual company. The personal objectives as to growth and vision held by each owners. The marketing strategy of each company. Customer base defined for each. Why do your customers come to you-space, location, cost, service, or what? An assessment of potential new customers, or potential new business with old customers which need to be reached by the new business plan.

Management Considerations	3
Analysis or "diagnosis" of our condition (continued).	
• Organizational chart	
• Key personnel or expertise	
• Mission statement of company	
• Objective or vision of owner	
• Marketing strategy	
• Define customer base	
• Assess customer response	
• Potential for new business	
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Define the product or service as to its quality, cost, etc. and define your stiffest competition. What is your competition doing differently than you. Is there anything new or different or technical which figures into the future plans which needs to be researched or evaluated. Are there market forces or trends or competition factors which must be taken into account -- for to overlook them is a form of wishful thinking, or an invitation to failure. What is the ideal solution to these market factors. What is your solution? What will your plan be? (Stated in its simplest terms)

Management Considerations	4
Analysis or "diagnosis" of our condition (continued).	
• Define product or service - what is it?	
• Any crucial changes, trends, or market forces at work?	
• Solution to achieve the objective: your plan	
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As a consultant I would need to know these types of facts to understand what is practical or even possible to accomplish. I would want to know this information, and perhaps even more, on each company independently before trying to devise a future plan.

In your case, it really is no different. Consider this. If you do not have a plan, or direction, or a road map, to follow for your business success; then, you

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may just be wandering aimlessly - indeed bumping into barriers you might have foretold — like cash flow problems, need to market your product differently, image problems, or an ineffective response to your competition.

So if your business plan is like a road map for success - there is a funny thing you have to remember about road maps. You can not determine where to go, what direction, or what turn to take next, on even the best of maps, if you do not know where you are on the map. A critical analysis of your business tells you where you are.

Then you have the two most important things to know - where you are, and where you are planning to go. What to do next depends on how far along the route you have progressed. Thus, daily, monthly, quarterly, and annual decisions are more easily made.

The moral is: always know where you are, and devise a plan as to where you are going.

How many of you really know where you are in your business. Try getting a notebook and proceed to write down the answers to a critical analysis of your business. Granted you may have to devise some different question in your analysis, but certain basic questions such as we covered here should not be overlooked.

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The moral is:	
Always know where you are, and devise a plan as to where you are going.	
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So now where are we going with our merging partners? We begin with a statement of :

1. Common personal objective.
2. Mission statement for the new business to achieve that objective.
3. An image and a name that communicates what we are about.

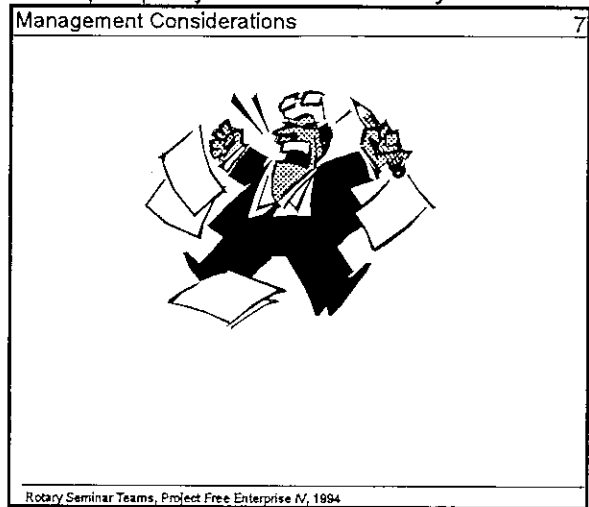
In your own case, do you know your personal business objective, can you reduce your business enterprise into a mission statement that can guide all employees as to just "what

Management Considerations	6
Basic but not necessarily simple or easy.	
<ul style="list-style-type: none">• Personal objectives• Company mission statement to achieve that objective• An image - who are you?• Name - that communicates these basics	
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are we about", and have you defined your image and are you satisfied with it? And does the name of your company communicate most of this to the public or is it some ego-based name or meaningless label?

Imagine how hard it would be to deal with people you encounter if you did not know anything about who they are and what their credentials or importance might be to you. It is no different with a business entity.

Granted you are not merging, but by our seminar team using the merger concept, we eliminate the situation where one key owner / manager has all the crucial vision, plans and procedures in his head. In our merger, we have "two heads" which may not think alike, know the same things or have the same vision or plan.



So we now see the value of getting it out of their heads and onto paper and the value of defining objectives, plans, and procedures. Our hypothetical business merger emphasizes the importance of formal business procedures.

If your business is just you, or so small that it seems to be obvious what to do, or who shall do it, then wrongfully you may view these management ideas as just so much unnecessary exercise. But what will you do as you grow? Or what do you do if you lose a key manager or administrator?

(So the next role I will play with this hypothetical merger venture is to define management principles for the two owners to consider as they go through the integration process.

Otherwise, in the NEW company, how will anyone know what to do or who is to do it. But ask yourself this. In your own company, how do workers know what to do and who is to do it?

I will divide management of a business into four categories. . . organization, staffing, directing and control.

Organization, as we integrate the two companies into one organizational structure and define the jobs in the company. Staffing - as we decide how to fill those jobs and how to train people for them. Directing - as we establish how we will communicate orders to those employees and motivate them to carry them out, and evaluate whether they do. And, Control - which monitors whether our company and its employees are getting the job done. Whether we are maintaining our quality standards or meeting our company objectives.

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Management: divided into four basic functions.

- Organizing
- Staffing
- Directing
- Control

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An organization needs to formally define the jobs, and place the sections or groups of workers in a defined structure that allows assignment of responsibility and chain of command. Each job needs to be identified, defined as to duties, and the compensation or pay which will be paid for that job.

And in the case of this merger, or any business really, you have to take into account the people you are organizing. Employees are not little toy soldiers to be grouped and moved around on a battlefield. You have to become sensitive to how employees view change, or command and control; and devise a structure which will get the optimum results with the people you have to work with. If you implement very radical reorganization, you need a special approach to accomplish this by working closely with your people and responding to their concerns and input.

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Organizing.

- Group the jobs, and place the groups into an organizational structure.
- Identify, describe duties, and define compensation for the jobs to be done.
- Recognize and respond to employee concerns regarding change (the merger).

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Business is not a chess match, it is about dealing with people- whether they work for you or are your customer. Happy customers and happy workers ARE good business. But assuming you can work with your people and implement change, now it's time to define your organization.

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You begin by identifying jobs. In the case of the "One Stop Copy Shop". I have listed some hypothetical jobs or areas of responsibility - and for our purposes in this seminar we are assuming that this new company is large enough to have definite departments - like a marketing department. In many businesses, all of the marketing functions might be the responsibility of one individual.

Management Considerations		10
Identify the jobs for business supplies and services.		
• Personnel management	• Customer support	
• Marketing	Sales	
• Financial management	Copying	
	Faxing	
	Catalog ordering	
• Bookkeeping	• Inventory	
• Sales management	Reorder	
	Receive	
• Printing	Restock	
• Graphics design	• Maintenance, security,	
	quality control, etc.	

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Included on this slide is a typical job description for the marketing manager.

After you identify each type of job in your company, then describe exactly what is expected from someone who holds that job.

Management Considerations		11
Typical job description.		
• Marketing manager		
• Marketing plan		
• Advertising		
• Outside sales (policy)		
• Inside sales (training)		
• Evaluate customer response		
• Market research		

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One approach to a management review is to analyze the company as it presently exists by defining two categories. One, identify the processes which will accomplish them; two, identify the workers who are on the staff and define what their jobs or areas of responsibility are.

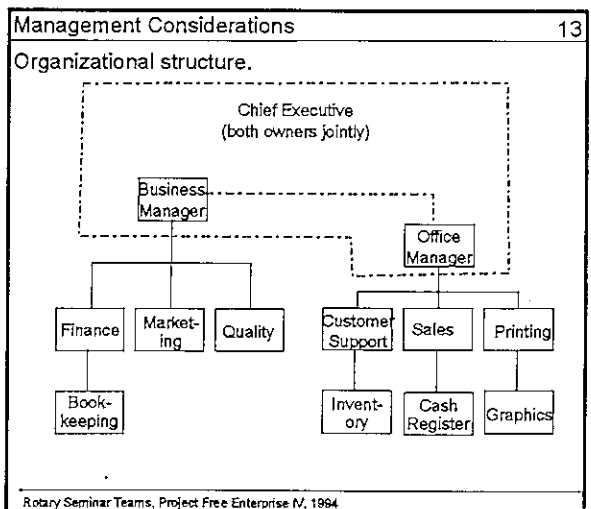
In this way, you can match the list of jobs to the list of workers and see if every job has someone responsible for it. In this way, you may diagnose the reason you run out of a crucial supply, or product, thus hurting business; by discovering an inventory procedure is not assigned to a specific person to accomplish it. Or that, the inventory procedure is too long for an individual to accomplish, and you have to make a management decision to close the shop for a day and conduct inventory with the entire staff. Or set a date for each section to turn in an inventory report?

This kind of solution to business headaches comes from getting processes identified in the first place. Getting "organized."

It is very useful for a company of any size to publish an organizational structure, or organization chart on our new business. It is interesting to note that these two owners will have to decide "who is in charge." We call that the chief executive officer. These partners decided that neither one would be the CEO but high level business decisions such as whether to add a product line, would be made by consultation between the two of them, and that each of them would assume a defined management role. One is the business manager and will oversee broader concerns like marketing, finance and quality, and employees in those areas are answerable directly to him.

The other will be the office manager and will provide the decisions and supervision required to do the daily business. What is important here is not that these are the kind of roles that two partners should assume to work

Management Considerations		12
Process analysis vs. employee job description.		
First, list all processes or jobs required to run your business.	Second, identify all employees and have them write a report to you listing all jobs they actually perform.	
<ul style="list-style-type: none"> • Are there some jobs left undone? • Who should be assigned these jobs, or what management decision will accomplish them? • Should you hire someone? • Or restructure the work week time schedule, assigning specific duties at certain times? 		
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together, but that whatever the roles or areas of responsibility are decided upon, that they be defined and communicated to the entire company.

A worker with the two bosses is like the parable which says a man cannot serve two masters.

So you have identified your job positions, you have described the wages, the benefits, the credentials required, and the duties which each position is to perform.

Now it is time to fill those job positions you have defined. We call that staffing.

Management Considerations	14
Management: divided into four basic functions.	
<ul style="list-style-type: none">• Organizing• Staffing• Directing• Control	
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Staffing considers the critical nature of filling certain jobs with key personnel. Key personnel positions might be critical because they need certain technical skills, or education or credentials, or licenses, or they might call for a special personality, or years of experience in the field.

Management Considerations	15
Staffing.	
<ul style="list-style-type: none">• Key personnel*• Recruiting• Selecting/hiring• Training	
* Important component of business plan	
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So staffing may call for recruiting. Recruiting means you have to go looking for just the right person. Recruiting can also mean that you advertise the job positions you have available so qualified people will apply for the job.

Management Considerations	16
Recruiting.	
<ul style="list-style-type: none">• Experience - not critical for all jobs• Effective techniques<ul style="list-style-type: none">• Word of mouth• Present employee referrals• Newspaper ads• Trade journals (specialists)• Part-time / temporary employees<ul style="list-style-type: none">• Homemakers• College students• Military personnel	
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So then you need a selection process. It is a good idea to devise a standardized approach to hiring so you give all prospective employees fair and equal treatment. These procedures would include a standardized job application form, a screening interview to see if an individual even qualifies for the position, and a call-back interview procedure for the most promising candidates.

On those individuals which you are interested in, you should check their references by contacting previous employers to see why they left, and if that employer would consider rehiring the individual.

Management Considerations	17
Selection / hiring.	
<ul style="list-style-type: none">• Job applications<ul style="list-style-type: none">• Personal data• Education / training• Experience• Interviews<ul style="list-style-type: none">• "Face-to-face"• Controlled• Planned• Reference checks<ul style="list-style-type: none">• Telephone• Rehire?• Cross-check	
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In the formal interview process, you should ask similar questions so you can compare individuals over the same criteria. Some businesses might require these individuals to submit to various types of testing - either on personality, or skills or integrity.

If the candidates have been reduced to one or two prospects, then some businesses will reschedule them to be interviewed by their immediate supervisor, and specific job requirements may be discussed in detail. This is also an opportunity for the prospective employee to ask questions as to what it is

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like to work at this place. You want the new staff member to be sure of his or her decision as well.

Another procedure which has been used by some, especially where an individual has to mesh well with other personnel, is to have a "work interview." Pay the candidate to spend the day "working" in the job environment. Granted, the person will essentially "observe" but many complex interactions may be better assessed by the individual spending a day "on the job." You may have two or three individuals spend a "day on the job" in a work interview and let employee feedback help you make your decision.

But no matter how well qualified, or specialized, or well selected your new staff member is, that individual will need to be trained.

Management Considerations	18
Management: divided into four basic functions.	
<ul style="list-style-type: none">• Organizing• Staffing• Directing• Control	
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They will need to first be oriented to company policy or regulation and a clear definition of duties. Where to find stuff, and how we do things.

If your business hires inexperienced people and provide all of the training necessary to do the job, then you might develop training manuals, or study modules, and devise an organized approach as to which duties are learned first and by what methods.

Management Considerations	19
Training must be tailored to experience. Example: an inexperienced service employee.	
<ul style="list-style-type: none">• Orientation<ul style="list-style-type: none">• Duties• Policies and regulations• Modular training<ul style="list-style-type: none">• First, make the employee useful• Increase gradually• Assign "big brother"• Continuing<ul style="list-style-type: none">• Refresher training for all employees	
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You have identified your jobs, hired people to fill those staff, and trained them, positions, and what is next is how to give orders or directions to those workers.

Directing people to do your bidding is not nearly so simple as it sounds. The personality traits that create leadership are so difficult to teach that people are generally selected for leadership traits rather than taught them. Leadership can be taught to some extent, and it may also come from age or experience. But what is important here is that if a position calls for leadership and you cannot teach it or wait for someone to develop it, you better hire it.

Management Considerations	20
Directing.	
<ul style="list-style-type: none">• Leading• Communicating• Motivating• Evaluating	
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Communication within a business can take many forms - but generally it is one form or the other of personal or written directives. Ordinary daily activities are usually directed by verbal exchanges; however plans, policies new information or changes which may effect the entire staff are more efficiently communicated in a staff meeting. Then everyone gets the same version of the information, and an opportunity exists for both feedback and lateral communication between employees.

Bulletin boards can communicate a company-wide policy, but it does not provide the opportunity for feedback from the employees.

Management Considerations	21
Management-employee communications.	
<ul style="list-style-type: none">• Chain of command• Regular staff meetings• Bulletin boards• Suggestion box• Open door policy• "Walking around" managers• Employee network - "the grapevine"	
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A companion method designed to foster feedback is the suggestion box - sometimes done where the suggestion is even anonymous. Another method for feedback is to establish an open door policy whereby it is understood that if an employee has something to say about a policy, or wants further clarification, that they are welcome to come to management and discuss the matter.

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Since that may be difficult for many employees to do, there has evolved a management philosophy called MBWA ("management by walking around"). In this philosophy, the management policy or change has been made by a staff meeting, or some other means, and the manager has nothing further or specific to say about it.

The manager just enters an area and greets employees, seems to be in no hurry to leave so they continue on with work and the manager can observe, and perhaps more importantly, by being in no hurry to leave the area, he is approachable with feedback, or whatever is on the worker's mind.

The manager might ask how the job is going? Is there anything that could be done to help out? Or, just try to better understand what the worker has to go through to accomplish the task at hand.

There may be little or no interchange with the worker and all the manager does then is visit and observe some, hang around a while, and walk on.

This seemingly unstructured method of communication can be contrasted with a somewhat removed manager who comes out of his office from time to time to give some order or supervision. There are many adherents to MBWA in the states.

And our final method of communication has a slang term in our country - called the grapevine.

This is that network of employee communication that can spread rumor as well as fact, and which can often informally get a critical piece of information back to management in an informal, less threatening way.

Understanding that the "grapevine" exists whether you like it or not, you would be wise to watch what you say because it will get around. You would also be wise to use the grapevine to communicate certain messages that are often hard to communicate - such as your attitude or feelings about something.

You can discreetly let someone know how you are tired of a problem, or even angry about something - and just letting one certain person know how you feel can be far more effective than expressing your frustration or anger in a formal staff meeting.

Motivation of employees is not as hard to do as one might think. Employers have been surveyed and the two main factors they site in motivating employees is 1. Good wages and 2. Job security. And wages may motivate if explicitly tied to performance, and the employee can control his performance or production, and the increases, commission or bonus involved is large enough to be meaningful.

But when employees are surveyed as to what motivates them the most, they list things like:

1. Appreciation for work
2. Feeling "in" or a "part of" things
3. Receiving help with problems - in other words, "supported".
4. Good wages
5. Job security

Management Considerations		22
Motivation - what do employees want?		
<u>Employee</u>		<u>Employer</u>
• Appreciation for work		• Good wages
• Feeling "in" on things		• Job security
• Help with problems		
• Good wages		
• Job security		
<u>Wages may motivate if:</u>		
	• Increases explicitly tied to performance	
	• Employee can control his performance	
	• Increases are large enough to be meaningful	
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This is useful to know, because if you will pay your employee well and then appreciate him, take him into the process of success, and support him in his efforts and problems, you very likely will have a highly satisfied, highly motivated employee.

There is another thing that generally motivates employees - a fair and honest performance evaluation. Employees like to know how they are doing, even if they are not doing so well. This slide is a typical evaluation form. The worker receives ratings on various categories of performance, from job knowledge, to attitude to initiative. They typically also have a written summary statement which characterizes the employee for the period of time being evaluated.

If they have a good performance evaluation they can feel appreciated and can take pride in how they are

Management Considerations		23
Performance evaluation - typical form.		
Name: _____		Salary: _____
Last Review: _____		
Position: <u>Sales Clerk</u>		Reviewer: <u>Floor Manager</u>
Date: _____		
Category	Rating	Ratings
Job knowledge	9	Excellent 9-10
Quality	8	Very good 7-9
Productivity	8	Average 4-7
Attitude	7	Marginal 2-4
Appearance	10	Inadequate 0-2
Leadership	7	
Courtesy	8	
Initiative	7	
Reliability	8	
Gross Rating	8.0	"very good"
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doing. If they have fallen down in some area, it is the unusual employee who is not motivated to correct the problem so they do not receive another bad evaluation.

These are a general overview of how to direct your employees.

But the best of plans and methods don't always work. You need an approach to controlling the quality and performance of your company as a whole. How do you assure that you accomplish what your business is about?

Management Considerations	24
Management: divided into four basic functions.	
<ul style="list-style-type: none">• Organizing• Staffing• Directing• Control	
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This can be a very complex process which differs from one industry to the next - but in general, for a small business such as our "One Stop Copy Shop" you establish policy and standards and you monitor results.

Control requires well-defined plans, policies, job descriptions, procedures and regulations to guide employees.

Monitoring involves management assessment of conformance to plans, etc. and it involves records and reports. And management action is required where performance does not meet plans.

Management Considerations	25
• In order to guide employees, control requires well-defined:	
<ul style="list-style-type: none">• Plans• Policies• Job descriptions• Procedures• Regulations	
• Monitoring involves management assessment of conformance to plan etc. and involves records and reports.	
• Management action required where performance does not meet plans etc.	
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These are some of the control and monitoring tools

Management Considerations		26
Control and monitoring tools.		
<u>-Business operations</u>	<u>-Policies & Regulations</u>	
<ul style="list-style-type: none">• Plans<ul style="list-style-type: none">• Business• Annual• Budget• Job descriptions• Procedures<ul style="list-style-type: none">• Cash handling• Inventory• Ordering• Sales• Maintenance• Complaints	<ul style="list-style-type: none">• Work hours• Leave• Compensation• Communication• Performance evaluation• Use of:<ul style="list-style-type: none">• Alcohol• Drugs• Business equipment• Discipline• Dismissal• Safety	
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Management Considerations		27
Control and monitoring tools.		
<u>-Daily Data</u>	<u>-Information</u>	
<ul style="list-style-type: none">• Employee hours• Sales by item• Expenses• Checks• Tax information	<ul style="list-style-type: none">• Payrolls• Personnel records• Inventory• Budget vs actuals• Accounting records	
	<u>-Future</u>	
	<ul style="list-style-type: none">• Forecasts• Annual plans	
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In conclusion, as a management consultant I conducted a critical analysis of the venture, and have defined an organizational structure for the newly merged company - based on identifying, describing and grouping jobs to be done.

Organizational structure and key personnel are an important component of the business plan we still need to write.

Some practices have been suggested in regard to the continuing

Management Considerations		28
Concluding remarks.		
<ul style="list-style-type: none">• An organizational structure for the newly merged company has been defined based on identifying, describing, and grouping jobs to be done.• Effective practices in regard to the continuing management functions of staffing, directing, and control have been described.		
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management functions of staffing, directing and control.

Now we are ready to move on to writing our business plan. As a part of that plan we will also cover our marketing plan, and sales philosophy, and financial considerations. But first we will describe the formal business plan process itself. Marla Burns will do that for us.

Management Considerations	29
Now, we are ready to move to:	
• Business plan	
• Marketing plan	
• Sales philosophy	
• Financial considerations	

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I will not be taking any questions you might have on my discussion of management at this time, but will be available at the break, or later in the day at the workshop.