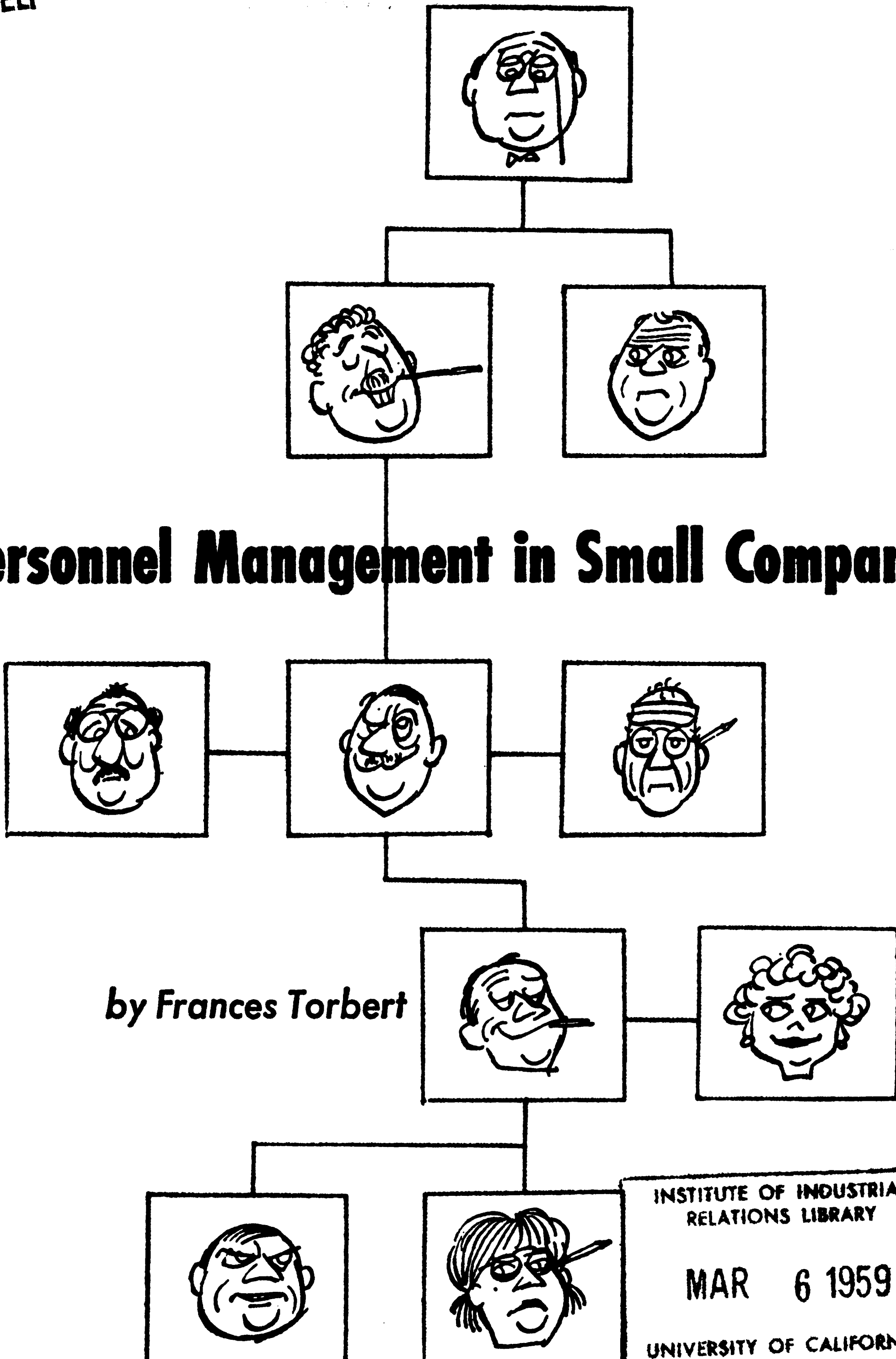
Personnel Management in Small Companies



by Frances Torbert

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By

FRANCES TORBERT

Edited by Irving Bernstein
Drawings by Bill Tara

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Foreword

THE INSTITUTE OF INDUSTRIAL RELATIONS of the University of California was created for the purpose, among others, of conducting research in industrial relations. A basic problem is to reach as large an audience as possible. Hence the Institute seeks through this series of popular pamphlets to disseminate research beyond the professional academic group. Pamphlets like this one are designed for the use of management, labor organizations, government officials, schools and universities, and the general public. Those pamphlets already published (a list appears on the preceding page) have achieved a wide distribution among these groups. The Institute research program includes, as well, a substantial number of monographs and journal articles, a list of which is available to interested persons upon request.

The small firm lacks the resources of the large. This is evident in many areas of activity including personnel management. The big corporation can afford to employ trained and experienced staff people to conduct its personnel program. In the small company this burden often falls upon a line executive for whom it is merely one of several duties. He may have had no training and only limited experience for this work. *Personnel Management in Small Companies* is designed to help him fill this lack.

The author is well qualified to deal with this problem. Frances Torbert is Professor of Management in the Division of Business Administration of San Diego State College. She had been Director of Training for R. H. Macy & Co. of New York and is presently a member of the Board of Directors of the Marston Company, San Diego's leading department store. Professor Torbert has consulted with a number of firms, most of them small, on their personnel problems.

The Institute wishes to express its appreciation to the following persons for their review and constructive criticism of the manuscript: Mr. Glenn Bishop, Dr. George A. Pettitt, and Dr. Robert Tannenbaum, all of the University of California. The illustrations were drawn by Bill Tara. Mrs. Anne P. Cook assisted with the editing.

The viewpoint expressed is that of the author and may not necessarily be that of the Institute of Industrial Relations or the University of California.

George H. Hildebrand, *Director*
Southern Division

Arthur M. Ross, *Director*
Northern Division

Contents

I. Introduction

THIS PAMPHLET is aimed chiefly at companies with fewer than 200 people on their payrolls. It may be useful to firms with as few as five or more than 500 employees. The principles of good personnel management are essentially similar for firms of all sizes. But the problems of small companies lie in areas of both principles and methods. How much should small companies copy the personnel practices of successful large firms? What, if any, are the unique problems of the small company? This discussion will attempt to answer these two questions, and to describe ways of approaching personnel problems that have worked well in small firms.

Even in small companies, the variation in personnel practices is pronounced. What seems elementary for one company may be too elaborate for another of the same size. There is no complete solution to this problem in the writing of a handbook. It is usually not difficult, however, to modify suggested practices in the direction of either greater simplicity or greater sophistication. None of the recommendations to be made here require that the company in question have a full- or part-time personnel director. People with a primary line responsibility—the company president, the general manager, the superintendent, or others directly concerned with the daily operation of the business—can put into effect any of the ideas and practices described in these pages.

1. WHY A PERSONNEL PROGRAM?

The chief reason for personnel programs, of course, is that they pay for themselves in dollars and cents. Part of the gain is direct, part indirect, but it adds up to more dollars of sales and more net income. Someone has said that if we could do proper cost accounting on the difference between operating costs where personnel management is good and where it is bad, we would have an overnight revolution in the management of most businesses. This is probably true. It is also true that even with conventional cost records a manager can see dollar gains when personnel issues are met successfully. The right employees, genuinely interested in their work and performing it with energy and competence, are almost a guarantee of business success.

The average company president who has learned from painful experience how difficult it is to find employees who are "right" for their jobs, and to train and motivate them effectively, may have concluded that more vigorous effort in this direction is in vain. His discouragement is understandable. Furthermore, pamphlets like this one contain no magic formulas, there being none. But it is still true that *most* companies can improve their personnel performance significantly. The time and money spent to obtain the improvement yield high returns, if increased managerial insight and imagination are also invested in the program.

2. CAPITALIZING ON SMALLNESS

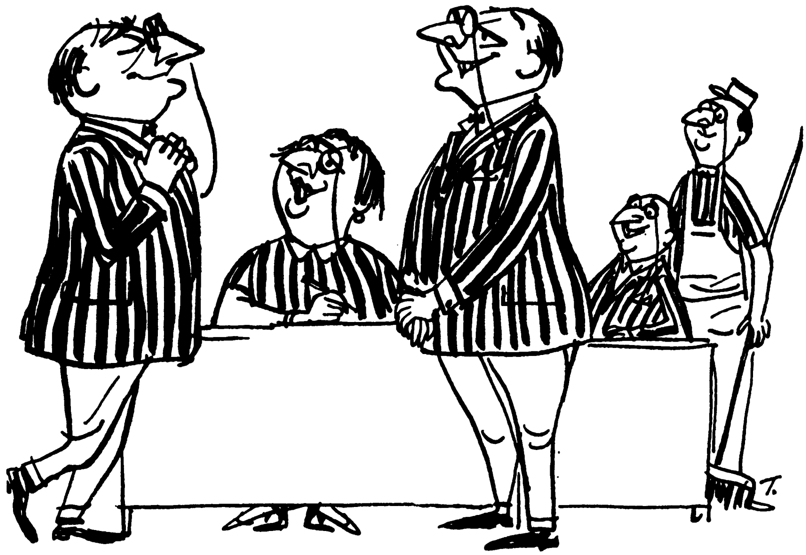
Personnelwise the advantages of small size are many. One of the first questions to ask about any small business is: how well is it taking advantage of its smallness? Does everyone understand the total operation of the business better than is possible in a larger firm? Are the company and its employees unusually compatible? Are communication and cooperation notably better than in big organizations, with their clumsy structures of line and staff departments? Do the employees feel that management understands workers' problems and is concerned with their well-being as well as their work? Are the employees working energetically at their jobs? If the small company manager cannot validly answer "Yes" to these questions, his company is losing out in areas of natural advantage.

The big firm's chief advantages are specialization of labor, ease of access to capital funds, and the possibility of setting up research programs, but the penalties of bigness are considerable. Hence the small company that makes the best of the virtues of its size usually can achieve volume and profit performance more than adequate to keep it alive—and growing. It is trite to observe that today's large company is yesterday's small one. But most small firms fall far short of the kind of management that promotes growth. Many do not even achieve a healthy small-scale operation.

3. ARE SMALL COMPANY PROBLEMS DIFFERENT?

Most people who have had large and small company experience feel that the problems faced by both are essentially the same. There are a few differences, of course. Having to be a jack of many trades is a problem for small business managers. Yet if they have energy and willingness to learn they can become remarkably competent at most of them. But they do lack much of the expertness that the large company can buy; and they may be unwilling to turn to books, part-time and temporary specialist help, and other sources of assistance that can be had free or often at a moderate cost.

In many cases, the personality and character of the



man or men who run a small firm may give it a highly individual quality. The company grows around a man, and mirrors him—his weaknesses as well as his strengths. He tends to attract people who fit his ways of doing things and to repel those who don't. Sometimes his company may need some of the people who don't fit. Yet if he tries to get and keep them, things may be so stormy that potentially valuable employees leave or are dismissed. All personnel problems tend to be more personal in small companies. It is hard for the president not to feel possessive or paternalistic in ways that bigness minimizes. Often his way of operating, plus the limitations of smallness itself, makes it hard for him to attract and keep promising and ambitious men, even when they and the boss get along well together. The result may be that he is surrounded by weak people. Since they are weak he becomes more dominant than is desirable for his company and himself.

On the other hand, a few small firms act like a magnet in attracting able and imaginative people. This is especially true where the top man is outstanding and is a pioneer in a new and expanding industry. Some of the small electronics firms, for example, have been able to attract people of exceptional ability and promise. Here, however, another problem of the small company may show up. As one young supervisor in a west coast firm of about fifty people said: "We've all come from big companies where the 'how to do it' had been figured out before any of us came along. It's awful to see how confused and disorganized we are in getting *anything* done! I wouldn't have thought a group of bright, hard-working people could have so much trouble hammering out some apparently simple procedures."

In this company, however, before another year had passed, the organization was functioning extremely well. Not one man or woman in it was tempted to go back to a large firm. This was true even when employees had offers of higher pay and far more extensive benefit programs from large companies.

A woman doing assembly work said: "Here you feel like a real person, doing something that matters. It's funny, I was doing the same kind of work at ...., but I didn't *feel* the same at all. I work harder here, and yet I feel as if I'm having fun. When we get a new order, we're all on top of the world. People don't seem to get mad at each other the way they did at ...., or if they do they get over it fast. Not a lot of apple polishing and politicking, either."

This employee put into words one of the great advantages of the well-managed small company. The people who work in it, even at routine jobs, are likely to become deeply involved in their work and in the company's success. The difficulties of financing, organization, and specialization which may plague the small company are often counterbalanced by superior motivation and productivity.

II. Organization and Delegation in the Small Firm

WELL-RUN SMALL COMPANIES, which enlist the wholehearted effort and loyalty of employees, usually have managers who are competent, courageous, and ethical. Such managers have a natural tendency to like and trust the people who work with them, and to assume that people who are reasonably well selected and trained want to work, and will work. When business colleagues complain that they cannot get employees to work hard and take responsibility, these leaders feel that their fellow businessmen have not yet learned how to be real managers.

The successful manager gets good worker productivity, in a tight labor market or a loose one. Since labor has been scarce in most of the last fifteen years, this means that he probably has not depended on fear or threats to get a high quality and quantity of work. Instead he has used the ability to lead. His personality may or may not be "warm," and in other ways he may not suggest the popular picture of the ideal boss. But he will rarely have to his credit a history of successful management of a group of people without the underlying qualities described above.

1. SPECIAL QUALITIES OF SUCCESSFUL MANAGERS

Everyone with a wide knowledge of business firms has seen examples of apparently successful managers who violate one or many of the generally accepted precepts of good management as described here and elsewhere. Often, in such cases, the manager has so much strength in one area of performance that his weaknesses in others are counterbalanced. In some cases he has just been lucky or bright enough to be at the right place at the right time, surrounded by competitors even less gifted than he. Sometimes, also, he is actually a better manager than he gets credit for being. "Seen from the inside, all businesses are poorly run" is close to the truth. As a result, employees *and* managers often are too pessimistic about a company's relative performance.

The successful manager, whose performance is the result of a good balance of abilities rather than a lopsided mixture of exceptional strengths and serious weaknesses, can be described as follows:

He keeps his eye on the ball, testing actions and decisions in terms of major objectives.

He plans well, both for short-run and long-run results.

He has a realistic grasp of the financial aspects of his firm and has learned to draw meaningful conclusions from accounting data.

He makes fewer mistakes than most managers in deciding when to take risks and when to operate conservatively.

He does not worry unduly about making decisions, and he knows which decisions he can delegate to others. (The delegation takes place only if he is free of two of the besetting sins of small company managers: the delusion that no one else can ever do things right, and the failure to create a climate in which people can grow.)

He accepts the fact that conflict as well as cooperation is a part of business life and has to be faced and worked through.

He realizes that all situations involve a mass of interdependent variables, and does not mislead himself with oversimplified ideas of cause and effect. He can tolerate greater degrees of uncertainty and ambiguity than lesser men can endure.

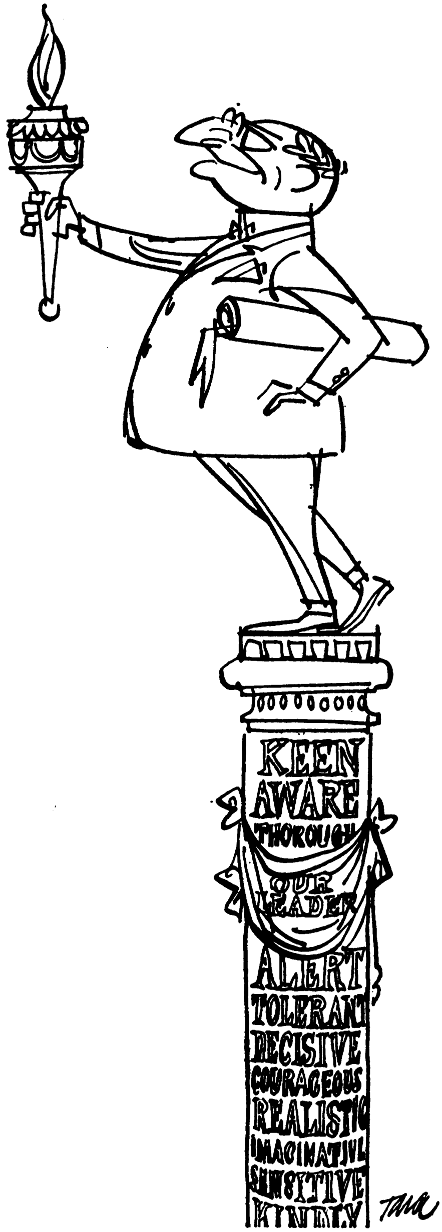
He has the courage to make drastic changes if the needs of the business demand them.

He often learns of the need for change more quickly than others would. One of the reasons for his rapid learning is that he makes it easy for people to talk to him truthfully, and he *listens attentively* to what others say.

He has self-awareness and insight, and the humor which goes with these qualities.

This is an idealized picture of a manager. The real manager has a normal quota of foibles. He is certain to make mistakes, some of which may be serious. On balance, his successes and failures, if he is to get an edge on his competitors, need only to average out with more plusses than minuses as compared to theirs.

If he is to succeed, his errors will bother but not stagger him. Also, he will not worry too much about competitors who have some areas of greater strength, if he is more effective than they in other important areas. In both business and the professions many kinds


KEEN
AWARE
OUR
LEADER
ALERT
TOLERANT
DECISIVE
COURAGEOUS
REALISTIC
SENSITIVE

of people do well. There is little to be gained and much to be lost in trying to copy another man's style. To be profoundly and freely oneself is usually to be "successful" in one's work, and also in one's life outside the job.

2. TESTS OF GOOD MANAGEMENT

Although some business managers seem to know intuitively how to organize and operate for best results, more often the men who run a company need to make conscious running analyses of what they are doing and why.

Here are some of the questions that business managers can profitably ask themselves from time to time:

1) Do we need to re-think the present and future character of our business? What are our strongest points in selling our goods or services? What are our weaknesses? Are we studying the needs of our present and potential customers as adequately as we should?

2) How is the work organized? Who is doing what, and should there be any changes in work assignments? Is it worth while to draw a rough organization chart or workflow chart for the company? Should simple descriptions of the work each person does be put on paper from time to time? Are there gaps or overlaps in duties which can be corrected?

3) Do people have enough authority to carry out the responsibilities given them? If they have, but are not exercising it, what is the reason? Often, as noted earlier, the boss himself is unconsciously at fault in such a case.

4) Does more than one person give orders to the same

employees? If so, can this be stopped or minimized? Especially, can the men at the top of the company avoid giving orders directly to employees, rather than through foremen or other first-line supervisors?

5) Does the company management try to abide by the "exception principle"? In other words, are routine matters taken care of without involving the boss, so that he can be free to attend to the exceptional problems in daily operation, plus the other tasks that need his time and thought? Even in firms with as few as twenty employees, a conscious attempt to train and organize so that managers can work by the exception principle saves time and money and avoids confusion.

6) Is there a constant awareness that some of the best ideas for improving sales and operations come from rank-and-file employees and junior supervisors? The attitudes of management may kill off the ingenuity and imagination that are latent in all employee groups. Sometimes immediate supervisors ignore good ideas presented by subordinates, so that top management never hears of them. In a savings and loan association with forty-three employees, a chief clerk pooh-poohed an employee suggestion. His successor passed it on to the president. The idea had been developed by a girl with only a few months of service. The estimated cost saving made in the first year of its use was over $3,000.

The energy and aggressiveness that create small businesses and make them go are often adequate to keep them operating in spite of many weaknesses in management. But if managers can learn how to enlist the cooperative effort of employees, focused intelligently on meeting the needs of customers, the future of the business is usually assured.

III. Staffing the Company

"We don't plan ahead on hiring or firing people, so we go from one kind of help crisis to another," confesses the superintendent of a small factory. Studies of typical small business budgeting of labor supply suggest that this is a common failing.

It is harder for the small company to forecast labor needs than for the larger one. Figures on man-hours of labor in relation to production are sometimes sketchy, or even absent. Predictions of probable quit rates and other employee-initiated personnel changes are not dependable. Yet there are money- and trouble-saving steps which the small company can take to improve labor forecasting. Simple personnel records, summaries of previous years' figures, a few short meetings to plan for hiring, lengthier ones to plan for any foreseen reductions of force, these can bring relative order out of costly chaos.

Otherwise, every action tends to be taken too late and too fast. There isn't time to look carefully for a new employee, so the first passable one is hired. People are transferred or laid off without adequate protection of either company or employee interests. If the company is unionized, grievances are increased.

Overstaffing can also be a problem. Employees are usually troublesome or bored when there is not enough work to do, just as they are resentful and harried when there are not enough people to do the work. They respect an employer who knows how to keep a company properly staffed.

1. RECRUITMENT

Alert managers of small firms are aggressive in their recruitment practices. Alton W. Baker's study of personnel management in small Ohio factories indicated that the following sources of employees were used by most companies:

1) Volunteer applicants
2) Persons recommended by present employees and by other people
3) Public and private employment agencies
4) Labor unions
5) Classified and other advertising
6) Schools and colleges
7) Former employees
8) Physically handicapped persons, minority groups, and other special sources

This list is probably typical for well-managed small companies everywhere. Dependence on the most obvious and "easy" sources of labor results in poorly qualified employees. Since people are a company's most valuable and costly asset, it is obviously worth while to recruit both from the likely sources and from the less obvious ones.

Many employers report that their best people are often found only after aggressive recruiting, although luck and a good reputation bring some good ones in voluntarily. In a difficult labor market employers have discovered that older people, the physically handicapped, and minority group workers often have unusual competence, steadiness, and loyalty. Prospects normally discriminated against must still be screened carefully, of course, to find desirable employees. Ministers, priests, and social agencies are sometimes helpful in finding highly qualified applicants from these special groups.

Even the company with a reputation as an excellent place to work cannot afford to neglect the recruiting job. The differences between average and better than average employees, properly placed, amount in many cases to thousands of dollars a year in sales and in costs.

2. EMPLOYMENT INTERVIEW SETTING AND APPLICATION FORMS

Where possible, even the smallest firm should have a place where job applicants can be interviewed in relative or complete privacy. A first, brief screening or a polite statement that no jobs are open need not be private, but any real interview should be. Applicants appreciate this, but the gain to the employer lies even more in the chance to improve the quality of interviews and evaluations.

Also, companies should take a look at the appearance of their quarters in general and their interviewing areas

EMPLOYEE INFORMATION RECORD

Date..

PRINT NAME.. Social Security #..
Last First Middle

PRESENT ADDRESS:... Phone #.......................... How long at present address....................
Street City State

How long in California.. Permanent mailing address..

TYPE WORK DESIRED.. How do you plan to get to work?..

Full Time Part Time

Do you own your own car?.......................... Own your home?.......................... Rent?.......................... Live with parents?..........................

CHECK OR FILL IN FOLLOWING INFORMATION: Male................................ Female................................

Single.......................... Married.......................... Divorced.......................... Separated.......................... Widowed..........................

Age.............. Date of Birth........................ (List day, mo. and yr.) Height.......... Weight.......... Color Hair.......... Color Eyes..........

Race.. Place of Birth.. U. S. Citizen?..

Health: Good...................... Fair...................... Poor...................... Physical Handicaps..

Name of Wife/Husband.. Where He/She Works..

Number of Children.............. How Care Arranged..

Person to Notify in Emergency..
Name St. City State Phone

SCHOOLING: (Circle Highest Grade Reached) 1 2 3 4 5 6 7 8 High School 1 2 3 4 Graduate?......................

College 1 2 3 4 Degree?.. Last school attended:..
Name City State

PREVIOUS WORK RECORD: Please list complete addresses, request additional paper if more space is needed.

1. From........................ To........................ Company.. Address..
(Day, Month & Years) (Street & No.) (City) (State)

Your Immediate Boss.. Type of Work..

Pay Rate........................ Reason Left..

2. From........................ To........................ Company.. Address..
(Day, Month & Years) (Street & No.) (City) (State)

Your Immediate Boss.. Type of Work..

Pay Rate........................ Reason Left..

3. From........................ To........................ Company.. Address..
(Day, Month & Years) (Street & No.) (City) (State)

Your Immediate Boss.. Type of Work..

Pay Rate........................ Reason Left..

4. From........................ To........................ Company.. Address..
(Day, Month & Years) (Street & No.) (City) (State)

Your Immediate Boss.. Type of Work..

Pay Rate........................ Reason Left..

I certify that the information given in this form is true and accurate.

Signature..

— Do Not Write Below This Line —

Date Interviewed.. By.. 1 2 3 4 5

Remarks..

....

Date Employed.............................. Dept.............................. Job.............................. Pay.............................. Shift..............................

BENEFICIARY.. Relationship..

Dependents Insurance Coverage When Eligible?..

(SEE OVER)

OTHER INFORMATION

INSURANCE INFORMATION: Cert. # .... Date Eff: .... Dep. Coverage ....

TERMINATION INF.
Date Term .... Last day worked .... Reason ....
Eligible for Rehire? .... Recommended for Rehire? .... Attend. and Punct. ....

Other pertinent information during employment: .... Checks Mailed ....

KARDEX INFORMATION

Date	Dept.	Position	Rate Pay	Shift	Date Bonded

ERRATA

Fig. 1, Sample Application Form, on these facing pages (showing front and back of form, respectively).

For fig. 2, Part of More Detailed Application Form, see pages 18 and 19.

For fig. 6, Sample Separation Questionnaire, see page 92.

WORK

List below the names of all your former employers, beginning with the most recent: a. Company Name b. Complete Address, Number, Street, City, State	Kind of Business	Time Employed From Mo.	Time Employed From Yr.	Time Employed To Mo.	Time Employed To Yr.	How Was Position Obtained?	Nature of Work at Start
1. a. b.							
2. a. b.							
3. a. b.							
4. a. b.							
5. a. b.							
6. a. b.							
7. a. b.							
8. a. b.							

in particular. They should be of a character that will attract desirable employees. Sometimes a clean-up, paint-up campaign is worth many times what it costs.

Do very small firms need application blanks? Even the smallest company needs the sort of data required on these blanks. If the firm later grows in size, the case for use of application forms at an early stage in company growth is especially convincing.

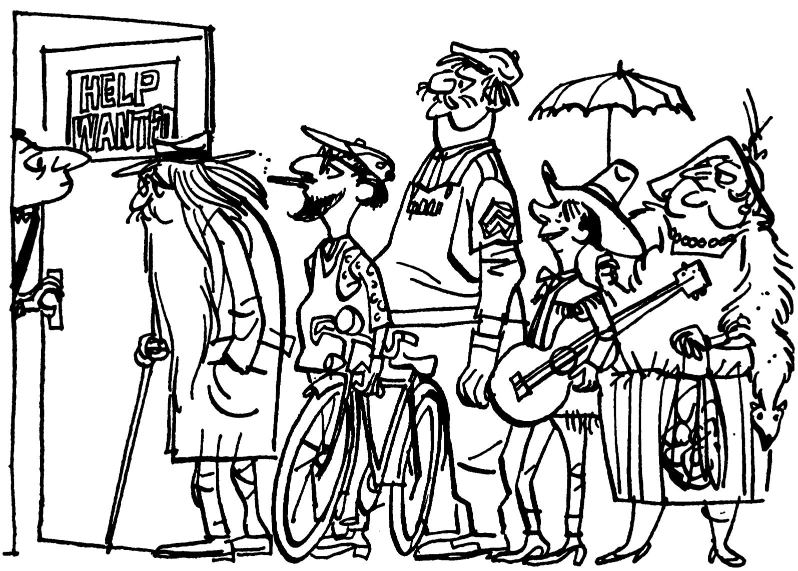
HISTORY

Starting Salary	Salary at Leaving	Work at Leaving (Include title, responsibilities, supervisory duties, etc.)	No. of People Super-vised	Reasons for Leaving	Name of Immediate Superior
					Name Title
					Name Title
					Name Title
					Name Title
					Name Title
					Name Title
					Name Title
					Name Title

Three approaches to the selection of employee application forms are common in very small firms: (1) the company may buy forms from a stationery supply firm, (2) it may copy or modify a form used by some other company, or (3) it may design its own form. A sample blank used by a small restaurant chain is shown here (Figure 1). It would require considerable modification to meet particular needs, but is of a general type that has been very satisfactory in small firms. It becomes the employee permanent record form, thus avoiding duplication of data.

Figure 2 presents one part of a more elaborate blank. Note that both forms call for the name of the person under whose direct supervision the applicant worked in companies which he names as previous employers. This facilitates the obtaining of information about the applicant's previous job performance, which can best be obtained from former supervisors.

Where employee records need not be referred to often, the application blank and other data that accumulate regarding the employee may be kept in a manila file folder, but records of the Kardex type are much to be preferred if high turnover or any other factor makes it necessary for data to be readily available.



3. INTERVIEWING

Most companies select employees after a superficial interview. In such cases there is bound to be a large element of chance in selection and placement. Even the best recruitment will bring many unqualified applicants to the interviewing stage. If little or nothing is learned that was not obvious from the application blank, the interview is largely wasted. If it is only a "sales talk" by the interviewer, the danger of a poor choice may be compounded.

Few people develop real interviewing skill without training or experience or both. Most managers start learning how to interview only after they have paid expensive penalties for faulty employee selections.

Since labor turnover and the retention of employees who should be dropped cost companies far more money

than is usually realized, even the smallest company should give applicant interviewing plenty of time and attention. Interviews deserve from fifteen minutes to an hour, depending on the nature and level of the job for which the applicant is being considered. The lowest figure on the costs of hiring, training, and then losing unskilled employees is estimated at $200 to $300. An American Management Association study of the selection of salesmen indicates that most companies with "high-powered" sales staffs have found that every outside salesman hired and trained, then lost or dismissed, costs the company in the neighborhood of $5,000. Other high-level employee turnover may cost $10,000 to $15,000 per man. Clearly, it is worth while to spend from $1 to $5 on an interview, or, for key jobs, $10 to $20 or more for several interviews.

a. *The nondirective interview.*

The most fundamental interviewing method is good listening. You do not learn what kind of man John Smith is while you are talking to him. You *can* learn a great deal while you are listening to him talk, especially if he speaks with real freedom and naturalness.

Between 60 and 85 per cent of all employees who are discharged, from janitors to company presidents, are dismissed for personality or character defects. Personality and character, of course, are also major constituents of success. An applicant should therefore be encouraged to talk both about the work he has done and about himself.

The interviewer might use the following procedure:

1) Treat every applicant courteously, remembering that even the unqualified job candidates are part of the company's "public." They also merit considerate behavior, of course, because they are fellow human beings.

2) If a candidate seems hopelessly unsuitable, make the interview short. Develop statements regarding inability to use the person's services which are brief but which help the applicant save face.

3) With applicants who appear worthy of consideration, use a "semi-nondirective" interview.

a) This sort of interview often starts with a nondirective lead: for example, a casual comment on the weather, or the headline on a newspaper on your desk. This may help to put both interviewer and applicant at ease.

b) The interviewer then moves to a *generalized* directive question. He might say: "Tell me about your last job." He then gives complete attention, with *no interruptions.* Other good openers are: "How did you like working for Republic Steel?" or "What job that you've had so far have you liked best?" This last lead can be followed by "Why?" though the applicant usually tells why, if he is not interrupted. "Tell me about . . ." is probably the best single choice for getting applicants to talk freely.

c) If the speaker pauses, a nod or smile may encourage him to continue. Perhaps it will be appropriate for the interviewer to reflect in his own words what the applicant says. If the applicant says rather vehemently that he felt he had not been successful as a salesman, the response might be: "You feel that selling is not really your line." Usually this will lead the interviewee to move on to other relevant information about himself or his jobs.

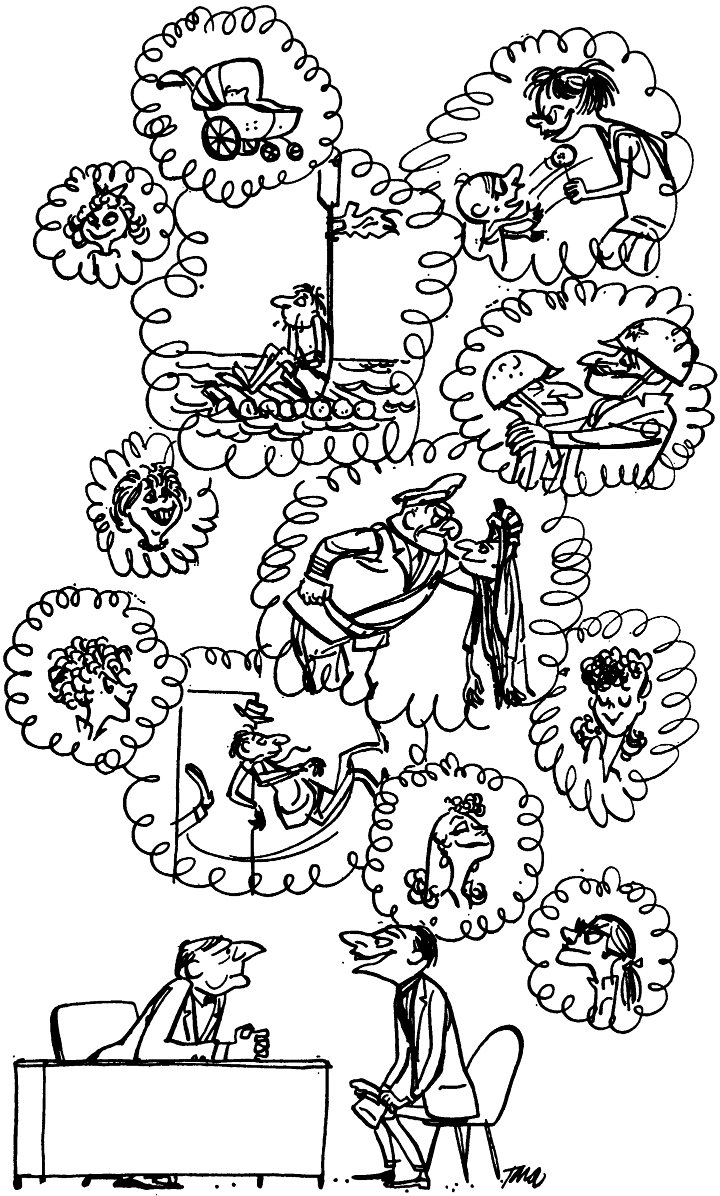
Simple as the method described here sounds, it is not easy to learn. Inexpert interviewers tend to use stereotyped "question-answer, question-answer" interviewing. This results in monosyllabic answers, in overstatements by the candidate regarding his fitness for the job, and in other invalid or repetitious responses. Many interviews conducted on this basis are virtually useless.

Good "listening" interviews, on the other hand, save both time and money. One is more likely to get the information *really* needed, and to get it quickly.

b. *The pattern interview.*

A more formal approach to the selection interview may help some beginners until they learn good listening skills. Dr. Robert McMurry has developed what he calls a "pattern interview," which moves from one area of the applicant's life experience to another, in this or a similar order:

1) Most recent job
2) Other jobs, in reverse chronological order
3) Education
4) Domestic or family background as a child
5) Present domestic situation
6) Present financial status
7) Social activities, hobbies, prejudices, etc.
8) Health
9) Any history of arrests or imprisonment beyond routine traffic offenses, with some kinds of candidates. (If good rapport has been established with



an applicant who has had serious arrests or imprisonment, a full and straightforward statement of facts is often forthcoming, as skillful interviewers have learned.)

People who use nondirective interviewing find that most of the areas in McMurry's list are adequately covered, without pursuing a set pattern. However, the list is a valuable guide. Reductions in labor turnover and improvement in labor productivity have been reported by companies using both the pattern interview and the nondirective one. (Copies of McMurry's interview blanks may be obtained from him at 332 S. Michigan Avenue, Chicago 4, Illinois.) Widespread use of the nondirective employment interview was stimulated by its adoption in companies affiliated with the American Telephone and Telegraph Company.

In both of these approaches to interviewing the assumption is made that the great majority of people will behave in the future much as they have in the past. It is also true, however, that clues as to possible future *differences* from past behavior, including untapped talents, may be uncovered in good interviewing. Such interviews, moreover, are likely to reveal infantile personality, feelings of hostility, delusions of persecution, and excessive reactions to stress of all kinds. Conventional interviews usually leave such problems to be discovered after the applicant is hired. Since it takes only a few "bad apples" to cost a small company alarming amounts of money, the case for penetrating interviews stands on its own merits. An alert self-trained firm manager can often learn to interview with better results than are obtained by so-called professional employment interviewers. Many of these are carelessly selected themselves, poorly paid, and entirely untrained.

4. PSYCHOLOGICAL AND TRADE TESTS

The more one knows about tests in relation to employee selection, the more cautious one is about their use and value. People who know little of them, and who are looking for a formula to solve the difficult problem of employee selection, often have the naivete of the country boy exposed to the "city slicker." Direct mail advertisers frequently claim that tests will select employees for you better than you can select them yourself. Whether the advertisement stresses batteries of tests, or concentrates on a single mysterious technique whereby the absentee evaluator can mail you back a "personality profile," the alert businessman will profit from caution. Tests, even under the most favorable circumstances, are of *limited* value in selection. Taken too seriously, they can be highly misleading. In the small business, it is particularly hard to find out whether they are valid or not.

The ideal way to "test a test" is to give it to a large number of applicants for several years without letting anyone in the organization know the test results. At the end of that time, the results are taken from locked files and are compiled. Scores are compared with job performance. Which of the people tested have stayed, quit, or been fired? Of those who stayed, which have been promoted, and to what kinds of jobs? How well are those who are still at work performing?

In one large company, tests were given for five years to more than three thousand persons hired for sales work. Then performance, quits, and the like were statistically correlated with test scores. Result: none of the tests correlated significantly in either a positive or negative direction with job performance or tenure. This is an example of careful, patient "proving" of a test. Obviously the small company cannot use such methods of establishing test validity. Yet without "testing the tests" it is usually impossible to know their significance.

Generally the small firm should use tests only if it can hire a part-time qualified test expert. Most such experts have doctor's degrees in psychology. Yet possession of an advanced degree in this field is in itself no assurance that the consultant knows tests and testing as they relate to job performance. The moral is to investigate thoroughly before buying assistance in testing.

If no qualified consulting help is available, consider the following unscientific but sometimes fairly helpful advice. Give trade tests of your own devising. For example: Dictate a short, fairly simple letter to a stenographic applicant at your normal dictating speed. Have a typist copy handwritten sets of figures. Watch an applicant for a truck driver's job back a large truck into a loading platform area. Ask simple questions about work done on a job in which the applicant claims skill and experience. Use any other ways to sample probable job performance that seem reasonable. Test results obtained in this way may be misleading, but they have rough validity, especially when combined with information from interviews and follow-up of previous job performance.

A short general intelligence test is the best single paper-and-pencil test, if management feels strongly that it wants some guidance other than trade testing, but is not willing or able to employ a consultant. Most widely used of the so-called intelligence tests in smaller firms is the Wonderlic, which is usually given with a twelve-minute time limit. This test is an abbreviation of the time-tried Otis test of intelligence. It can be obtained from E. F. Wonderlic, Glencoe, Illinois, together with a manual and key. The manual indicates typical test score ranges for various occupations. If this sort of test is used without specialized assistance, users should constantly remember that test scores and job performance often do not jibe. The greatest danger in using tests is the danger of taking scores too seriously. They are only one part, and not a large part, in employee selection.

5. INVESTIGATING PAST PERFORMANCE

Another aspect of employee selection is often ignored, or handled in such a way as to reduce its value. This is the follow-up of references or of past work and/or educational background. There is rather common agreement that letters from friends, physicians, or ministers are rarely of value in employee selection. *Few aids in employment decision-making, on the other hand, are more valuable than telephone follow-ups of past employment.* For this reason, it is always desirable to get names of supervisors under whom applicants worked, as well as company names. Calls to the supervisor, rather than a personnel department or company top management, are most likely to yield useful results. Especially in the case of people being considered for important jobs, telephone calls can well be made to distant cities.

Here are two examples of negative information on apparently well-qualified applicants, obtained by long-distance phone calls:

1) The candidate was a good-looking young man who scored high on a battery of tests and, in a conventional question-answer interview, seemed well qualified for the job. Two telephone calls to a midwestern town revealed that the young man had lied about the length of experience in each of the two firms listed, the character of his work, and the reasons for leaving. There was also unproved evidence of theft from one employer. The man was described as brilliant, unstable, and irresponsible. He had been supported during long periods of idleness by a woman friend.

2) A middle-aged man with outstanding experience in his field was described by two eastern employers as an alcoholic, dismissed by both because of excessive drinking and chronic absenteeism.

Many examples of favorable evidence obtained from phone calls could also be cited. Penetratingly conducted "listening" interviews will bring out at least part of what the telephone investigation reveals—perhaps all of it. But careful employers still use the telephone follow-up as a double check and consider it well worth the money and time. People will usually talk frankly and illuminatingly in a well-conducted telephone call, although they would have written meaningless letters about former employees, or none at all.

6. PHYSICAL EXAMINATIONS

Few small businesses require that potential employees pass physical examinations. If the company is convinced of the value of a medical examination, it is usually not difficult to find a competent and honest physician who will give examinations of the scope desired in his own office. This is another expense item which many employers feel is well worth the cost. One value of the physical, of course, is proper placement of persons with various kinds of handicaps who still can perform very successfully in certain types of jobs. The examining physician may also be able to help the company make decisions regarding the employment of people who seem to have borderline personality problems.

7. EVALUATION OF JOB APPLICANTS

McMurry suggests that all job applicants be rated "1" if excellent, "2" if promising, "3" if fair, and "4" if not worth hiring. Most applicants, he warns, will be 3's and 4's. This may not be true in a loose labor market. But it leaves unanswered the question of how the interviewer arrives at his classification. Experience, insight, and the fullest possible information about job candidates help in reaching this decision as objectively as possible. Some pointers may also help:

1) Guard against overemphasis on poise and appearance. Many desirable employees are lost because people are hired on the basis of looks or "smoothness."

2) Guard against hiring the person who is overqualified for the job. Unless you can promote him soon, you will probably lose him.

3) Compare the people you talk with to successful present employees, but remember that very different kinds of people may succeed on a particular job.

4) Test the "level of aspiration" in candidates. Try to decide how well the applicant understands his strengths and weaknesses.

5) Emotionally immature people often start off as good salesmen of themselves. The "listening" interview will usually correct your picture of such people.

6) Imaginative people usually express themselves in somewhat original ways. If you need people with imagination, watch for freshness of speech and ideas, unusual reactions to situations, and independence of thought.

7) Recognize that you will make mistakes in placement of people and try to learn from your errors.

IV. Induction and Training

Most of the employees who quit a job do so in the first few months of employment. There are two major reasons for this. One is that the employee, with good reason, concludes that he is on the wrong job, or finds one which at least seems better to him. This suggests that the current employer may have done a poor interview and evaluation, again indicating the value of skillful selection.

The second reason is that the job makes the employee uncomfortable, even though the work is actually appropriate for him. In such cases, after leaving, he often takes a job doing similar or identical work with another company. The reasons why the first job seems unsatisfactory to this worker are usually that induction and training are poor, attitudes of other workers are indifferent or downright hostile, and the supervisor does not behave in a helpful manner. The new employee feels discouraged and confused. In many cases an employee who quits in this period makes some such statement as, "I just can't seem to get the hang of the job," or "I'll never be fast enough, I guess," or "They don't seem to really want me around here," or "This doesn't seem like a good place to work."

Sometimes in spite of the best that can be done in both placement and training, the new worker is not destined to stay with the job or to succeed on it. But in many cases of early quits, where wrong placement is not the problem, poor induction and training are.

An atmosphere of friendly willingness to help, and remembrance of what it feels like to be new and strange are even more important in getting new people started off right than expert training. In companies where employee morale and motivation are high, it is still easy to be indifferent about new people. Where present employees already have poor attitudes toward work and company, the problem of new hires is obviously severe.

1. STARTING THE NEW WORKER ON HIS JOB

Assuming that company and department attitudes are good, how shall new people be introduced to the company and their work? There are many variations of method, but it may be helpful to select one pattern for an imaginary John Smith and follow him through his first days at work.

In the last quarter of the interview that culminated in John's accepting the job, he was told something about the company's history, its policies, and its employee benefits. On the morning of John's first day at work, his supervisor went over some of this information again and enlarged upon it. He then answered several questions asked by John. He also gave him a small mimeographed handbook about the company. (In one firm such a booklet was written by a part-time employee who was attending college and who received college credit in a business administration course for the work he did on the handbook.)

After this conversation, the supervisor turned John over to Bill Robinson, who was to be John's "sponsor."

Bill was a likable, patient man who knew his job thoroughly and also knew how to perform several other jobs in the department adequately. He had taken a short course, offered by the local vocational high school in its evening program, on how to be a job instructor.

Bill prepared a training timetable for John covering each of the specific skills he needed to know. This was a list of the tasks to be learned, with space to note the date on which training was completed for each skill.

After explaining the timetable to John, Bill started training for the operation listed first. He used the famous "Four Step Method of Training" which has repeatedly proved its success in cutting learning time and improving performance. The four steps are:

1) Prepare the learner.
2) Present the job.
3) Try out performance.
4) Follow up.

Let us see in more detail how Bill used this plan.

Slowly, step by step, he performed the operation and in simple language described each step as he performed it. (People learn best when they both *see* an operation and *hear* each step clearly explained.) He then repeated the operation, but had John tell him every step to take, and added the "reasons why" of various parts of the task. Then the two men exchanged places, and John both performed the operation *and* described it, including the "reasons why" on all aspects of the task. John repeated the operation three times without error. The whole telling and showing process took about half an hour.

Bill later used this tell-and-show, step-by-step, have-the-learner-tell-and-show-you process on each task in John's job assignment. The training was easy, interesting, and very effective.

a. *Basis and value of four-step method.*

The method is based on sound teaching principles that go back as far as Aristotle. They include the recognition that:

1) People do not learn well when they are nervous and tense.
2) Interest should be developed through understanding the why's of a job.
3) We learn best when subjects or tasks are presented in an orderly manner.
4) Telling alone is not good teaching.
5) Showing alone is not good teaching.
6) The best way to learn is by doing.
7) We are not ready to "do" until we understand a task.
8) We need to know where to turn for help if the learning has not been adequate.
9) We continue to learn best in an "approving" atmosphere.
10) Finally—a point management should never forget—training costs can never be avoided.

Sink-or-swim learning, which involves errors, fear, scrap, damaged equipment, increased labor turnover, unhappy customers, and danger of accidents, is usually the most costly of all methods of learning. But the price does not show up clearly on company records, and many a firm fails to recognize the penalty it pays for letting workers flounder and fail, often to an accompaniment of statements by fellow workers and supervisors that "that new guy" is slow or stupid. Maybe he is, but often management has failed to do one of its basic jobs properly.

The four-step method of training is ideal for manual work. It is almost as effective in clerical and sales training. The tasks of a cashier, the operation of office machines and cash registers, the writing of sales tickets, the wrapping of packages, nearly all factory work, and innumerable other jobs are better taught by the four-step method than by any other.

b. *Reasons for lack of use.*

Why is the four-step method not more widely employed? Managers who have asked this question usually find a few key answers. They are:

1) The training method is not thoroughly enough learned by supervisors and trainers.

2) It takes time and patience to develop simple, clear outlines of step-by-step presentations. When tasks change, the person who is to instruct must develop a new teaching plan.

3) Under supervisors who ignore teaching and learning problems, human inertia leads trainers back to sloppy methods of half presenting a job. In this sort of "training" the so-called teacher often asks the learner, "Do you understand?" The trainer gets an untruthful "Yes" answer, and goes on to something else, leaving the trainee confused—and untrained.

2. THE ATTITUDE PROBLEM IN INDUCTING NEW WORKERS

The four-step method of task teaching is, of course, not the whole story in getting new workers started off properly. Even when present workers have better than average morale and motivation, they may regard the new man as a threat to them and their jobs, or as an intruder in a socially closed group. The perceptive newcomer recognizes that he should not push too hard for social acceptance. It is one of the supervisor's basic jobs, however, to help experienced employees remember what it is like to be new to a job, and to encourage friendliness to beginners. He also needs to help the new employee act in ways that will assist him in winning the acceptance of the group. Sometimes newcomers are too aggressive in seeking quick acceptance by fellow workers.

3. TRAINING EXPERIENCED EMPLOYEES

Both small and large firms tend to overlook opportunities for improving the performance of permanent employees through further training. Theoretically the large firm has the advantage here because it can afford a formal training department and has enough employees performing given kinds of work to set up special classes.

Actually the small company may have several ways of solving this problem. Employees may be taught new skills on the job by the four-step method already described, thus increasing versatility and promotability. Also, if local schools have programs of evening classes suitable for employees' needs, workers may be sent to these. Where there is a charge for such programs, management usually reimburses employees who satisfactorily complete a course which the employer wishes them to take. Many small firms also reimburse employees for correspondence courses where performance is good and the course is directly related to a present job or to one for which the employee is being groomed. Sometimes a group of small companies get together to request that certain kinds of courses be offered by the public schools. If local schools cannot provide the classes needed, firms sometimes set up private training programs on a cooperative basis.

4. SUPERVISORY AND EXECUTIVE TRAINING

Several aspects of the development of people in leadership positions will be discussed in the next chapter. Here we shall consider briefly some of the ways in which people with responsibility for the work of others can be given individual and group training.

In too many cases, men are promoted to their first supervisory jobs with little study of their qualifications for leadership and no coaching or training for their new kind of job. Assuming that the person selected for promotion is well qualified, he still needs some help in learning his new work. If the man under whom he works is conscious of the coaching responsibility and has an aptitude for teaching, he will keep the new supervisor in a relationship of increasing freedom to take independent action, but also in one in which help and coaching are available as needed.

Local schools and colleges may offer many kinds of evening classes that are helpful to supervisors and executives. Courses in subjects as varied as cost accounting, human relations, motion and time study, public speaking, and report writing may be available, and they are sometimes organized into management "certificate" programs in which the supervisor graduates after completion of a given number of courses. Again, if the community does not offer needed courses, companies may get together to request them or to set up private, business-sponsored classes.

Firms with as many as eight or more people in supervisory and executive ranks sometimes develop their own management study groups, with everyone from president to assistant supervisor participating. Such vertically structured groups may also bring in outside speakers or teachers. In somewhat larger firms, programs may be given first for the small senior management group and then repeated for the supervisors of more junior status.

5. TRAINING AND MOTIVATION

Training programs of good quality improve performance both directly and indirectly. Any kind of job gets to be routine. One of the ways to revive interest and enthusiasm is through training. Training may also uncover talents and interests in both employees and management personnel which had not been recognized before. In a management conference program in a small firm in which each supervisor was responsible for one meeting in the series, the company was so impressed by the two-hour session presented by a young foreman that they studied him for a promotion for which he had not been previously considered. He received the promotion, and then another one, and is now the company's vice-president.

Even where no promotion eventuates, training is a major key to better performance and job enthusiasm. One of the notable characteristics of well-run small companies is continuing emphasis on training. "Whenever we have a little spare time, we start teaching each other parts of our jobs," said a young woman in an insurance agency with eleven clerical employees. The result is that absences and vacations do not upset the work flow. Every girl in the office can do the work of at least three of the others, in spite of the rather high labor turnover common to women office employee groups.

V. Motivation, Morale, and Supervision

UNLESS PEOPLE want to do their work and do it well, management has difficult problems. Fortunately, a fair degree of motivation is spontaneously present in many situations. People are doing jobs that are on the whole interesting and rewarding to them. They also feel a responsibility to employers, customers, and fellow workers. Unless supervisors behave in ways that damage these feelings of interest and responsibility, the company will "just naturally" have a productive work group.

All too often, however, people are *not* on jobs that are intrinsically interesting to them. Sometimes their previous and present attitudes involve very limited feelings of responsibility. Management often unconsciously compounds the problem by behavior that further diminishes the employees' will to work. Negatively motivating behavior may range from dishonesty in management's handling of its affairs, and other kinds of poor top-level example-setting, to suspiciousness, bullying, or rank favoritism by first-line supervisors.

Many firms settle for low worker output. Estimates of average productivity run as low as 35 per cent of capacity. This includes time wasted because of poor organization of work by managers, lack of employee effort for any reason, and factors beyond internal control. If managers, supervisors, and workers in any company can combine to increase productivity by even 10 per cent, that company promptly gains a marked competitive advantage—one which it can share with the people who made it possible.

The potential advantage of the small company, of course, is that it can more often develop the employee motivation that comes of being a member of a group which sees clearly the results of its efforts. Often the small company does not make the most of this opportunity. The people at the top of the organization may be adequately motivated, but their drive and energy are not communicated down the line. Reasons for this vary, but near the top of the list is the failure of managers to allow workers to "share in the task of thinking." Many executives say that most of their employees do not want to think, that they only want to get paid for doing the least possible amount of work. An argument in reply might be that the company cannot afford passive and lethargic people, that it *must* develop workers with responsible attitudes and behavior. There is evidence that bored and indifferent people can be changed into interested and effective ones through changes in the character of leadership.

The very traits that put men in leadership roles—superior energy, competence, and drive—sometimes lead them to operate so authoritatively that they unconsciously do not encourage others to develop practical and valuable ideas for the firm's use. When any evidence of poor judgment, laziness, or irresponsibility on the part of subordinates appears, the leader's distrust of those who work under his direction is increased. The executive then tends to narrow ever more sharply the range of independence given to those he supervises. They in turn are likely to decrease further their initiative and zeal. This vicious circle is one of the commonest of management problems.

Executive fears of release of authority are understandable. Although we all grow by standing on our own feet and learn from our failures, we often fear what will happen if we allow others to do so. The small businessman who says, "I've got every cent of my own money in this business, and I'm in hock to the bank, and I can't *afford* to let these guys make mistakes," is describing a painful reality. Another reality, however, is that sooner or later, if his business is to grow, he *must* learn to delegate and to trust others to do some of the thinking and deciding. Many small firms have either not grown at all, or have grown, then shrunk again, or even died, because the man in the top spot could not bring himself to delegate responsibility and to invite ideas from his employees. In many cases, his behavior tells workers that he does not *want* them to think.

Many outstanding small business histories, on the other hand, are those of companies where an extraordinary degree of participation in decision-making has been achieved. Most such firms later grow to big ones, unless management deliberately chooses to keep size and volume down.

1. SUCCESS STORY—THE LINCOLN ELECTRIC COMPANY

An extraordinary case history of a small company that grew large is the famous Lincoln Electric Company. It has become well known for its financial incentive plan. Less known is its Employee Advisory Board. Students of this company's history feel that the board may be more responsible for the company's success than the incentive program. Large numbers of companies use financial incentives with poor or mediocre results.

James F. Lincoln became president of Lincoln Electric when its sales were $50,000 a year. He was a very young man and he knew almost nothing about manufacturing. When he took over the company, he asked workers to select one man from each department to work with him as a management committee. This, he felt, would be a way of making up for his ignorance and inexperience. The committee still meets every Monday. It studies and works on every aspect of the company's operations, paralleling and cooperating with the company's conventional management group.

There are other interesting things about Lincoln. It recruits rank-and-file employees as carefully as most companies recruit engineers; the training is rigorous;

discipline (enforced by employees as well as supervisors) is stern. The results of these ways of managing are astonishing. From 1934 through 1943, Lincoln Electric more than doubled average wages, halved its price level, tripled net income before taxes, doubled its dividend rate, paid bonuses sometimes larger than wages, and increased productivity per man hour by 300 per cent.

The times were with Mr. Lincoln and his company during part of this period. Yet there is reason to believe that highly competent management *that constantly solicits ideas from all employees* flourishes notably in any phase of the business cycle.

Moreover, as such other unusual small to medium-size firms as La Pointe Machine Tool Company and the Nunn-Bush Shoe Company show, the combination of able managers, employee participation, and a sound financial incentive program usually has dramatic profit results. Conventional "suggestion systems" and profit-sharing programs are pallid and insignificant by comparison. Readers are invited to study in detail the histories of these three firms. Sources of information on all of them are listed in the last chapter of this pamphlet.

2. SUPERVISION

Under conventional supervision, people may like their jobs and their companies and yet not work hard or thoughtfully. The "happy" employee is not necessarily a productive one, as recent research has made clear.

Several studies have shown that first-line supervisors of high-production work groups (1) encourage employee participation in decision-making, (2) are not under close supervision from their own supervisors, (3) usually give less direct emphasis to production *per se* than supervisors of lower-production groups, (4) have greater feelings of confidence in their roles as supervisors, and (5) are somewhat more employee-centered than task-centered. They spend more time in employee training and in helping people with their work problems than do supervisors who get lower production from their groups. The end result is tasks done better and more quickly.

It is clear from these studies that supervisors whose own bosses "breathe down their necks" are likely to oversupervise rank-and-file workers. Pressure supervision can get good short-run results, but in the longer run, performance tends to deteriorate, as compared with results in freer and more participative situations.

3. RESISTANCE TO EMPLOYEE PARTICIPATION

The previous pages have sketched a case for sharing some degree of management responsibilities with workers, the first-line supervisor sharing within his own "area of freedom" and top management soliciting ideas on a variety of aspects of the business from workers at any level. But, as has also been stated, many people in leadership roles cannot bring themselves to face the unfamiliar and even fearful prospect of asking employees for ideas and criticisms. This resistance may be born of temperament, of previous experience and habit, of poor union-management relationships in the past, or of lack of success with limited attempts at sharing. The latter, for example, sometimes involve dreary, time-wasting, bungling committee and department meetings which do little to aid the firm in its attempts at improvement. More skill in leading meetings, more rigorous efforts to come to grips with facts, more willingness to listen openmindedly, to face disagreement and not demand "yessing," will often cure these problems.

It is also true that there are many situations where management cannot or should not seek employee suggestions on the best solutions to problems. In some cases time is a factor. In others, secrecy is necessary in relation to competition. (Management, however, often believes plans to be secret which are known, through the grapevine, to all or practically all employees.) Whatever the reasons for not consulting employees for their ideas, a company's leaders might well ask themselves on many issues with which they are concerned: Will we handle this better if we ask appropriate employees for their reactions and criticisms? Will employees cooperate better if they are "in on" this problem from the beginning? Are there aspects of this matter that are better known to some of the employees than to us?

Many companies and individual leaders do not succeed in using effective participative management. There are successful "one-man" companies, and there are others in which a few men run a tight, aggressive, autocratically managed firm well. There are also passive workers, content to be firmly bossed, and not too concerned if the company ignores such ideas for improved operation as they may have.

Although it is usually better for the business and for the human beings who staff it if it is run participatively, changing a management attitude that is deeply rooted is sometimes all but impossible. Competence, fairness, and the attempt to make sure that employee grievances come into the open before they become too serious go a long way toward success, even when there is no solicitation of employees' ideas for better operation. Employees may contribute a measure of energy and loyalty to a company that they respect even when they are passive. Tapping people's capacities for thinking and growing, however, is not only good business but is also in the great tradition of our culture.

VI. Dealing with Unions

THERE IS an often-quoted statement that says: "In the long run, companies get just about the kind of union locals they deserve." Any one company, at any one time, may find itself dealing with a corrupt union, a politically radical union leadership more interested in making problems than in solving them, or a union marked by downright stupidity. On the other hand, there have been cases where the competence, integrity, and energy of union leadership have been outstanding, and company management deplorable. But there is some evidence that companies influence the character of union locals more than locals influence companies.

A series of studies entitled "The Causes of Industrial Peace under Collective Bargaining" presents the union-management histories of twelve companies. These studies show that when a company tries to understand a legitimate union's needs and behavior and to help the union understand management's problems, an essentially cooperative relationship can be created. This does not mean that harmony marks all of the relations between company and union. It does mean that each side ends by understanding the other's position, and that the company not only gains freedom from strikes but also develops a production-minded work force. The union gains security and the chance to exercise responsible leadership.

More conventional union-management relations swing back and forth between a chronic "armed truce" and hard-boiled, wary bargaining. Each side is ready to suspect the other of unreasonable behavior.

The advantages of a more harmonious relationship are obvious. Few unions appear to want this sort of relationship when they first unionize a company. But a patient determination to arrive at this happy state of affairs usually, though not invariably, pays off. Tolerance, patience, and realism are prerequisites to success, which sometimes can develop after even the worst sort of beginning.

In a sense, unions have "a vested interest in conflict," as some union leaders have themselves stated. But unions are not a complete opposition group in our society. Parts of the criticisms leveled at them are accurate, but need to be re-examined in terms of several questions: What kinds of examples have businesses set? What kinds of management actions conditioned unions to use the sorts of behavior that they exhibit? What internal forces push union leaders into the positions they take?

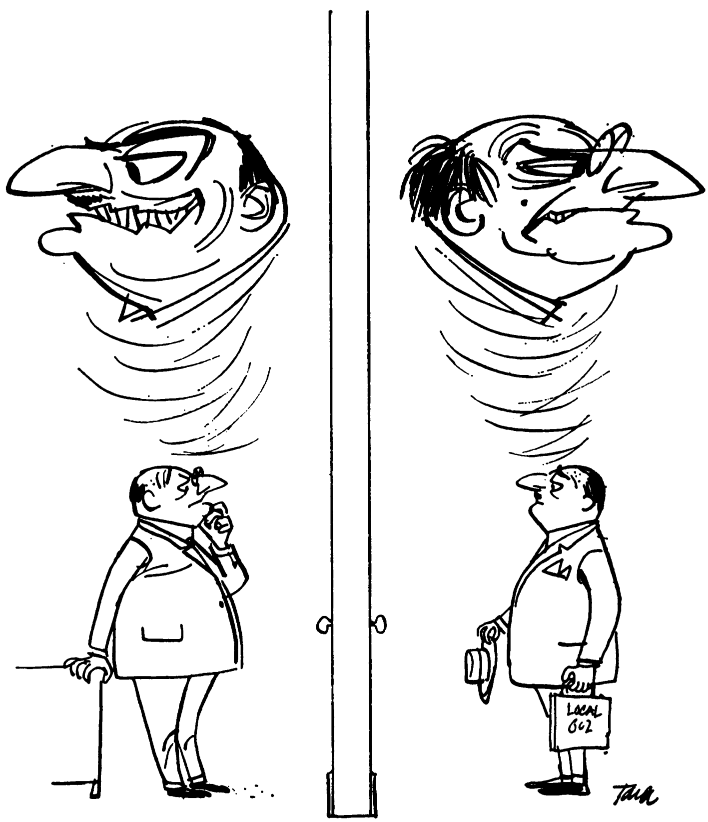
Union leaders are in positions comparable to those of elected officials in local government. Their behavior is easier to understand if it is thought of more in political than in business terms. A company that understands the political problems of the union has taken a long step toward success in getting along with it.

1. THE NONUNION COMPANY AND UNIONIZATION

Many small companies are not unionized and do not want to be. Many employee groups also express antiunion feelings. Where this sentiment is genuine and lasting, it is usually true that employees feel that wages, hours and working conditions are as good as or better than those obtaining in comparable unionized firms, *and* they also usually have a real "share in the task of thinking" about their work. This means, of course, that two-way communication is adequate, and that grievances are handled fairly. Often the company, or the work done by the majority of its employees, has high community prestige. If all these things are true of a company, it is a difficult one to unionize. On the other hand, there are managements with the qualities just listed that prefer to have unions.

Few small businessmen have detailed knowledge of the national and state labor laws that affect them. If they come under the Labor Management Relations Act, they rarely know how the law has been interpreted by court decisions. Consequently, the small firm that is the object of organization efforts usually seeks outside help.

The nature of the help obtained often is crucial in its influence on company relations with employees and with the union or unions that may succeed in their organizing efforts. Whether a lawyer, an employers' association, or a labor relations specialist is consulted, the firm should make every effort to get competent help at a reasonable price. Unfortunately, many self-styled experts are not expert. Few men who offer their services to management under these circumstances have the mixture of vision and toughmindedness to help launch a constructive relationship. Even with assistance from specialists, the small employer should make his own basic decisions in most situations involving organization or bargaining. He will probably need to do some inde-



pendent "home work" on his problems. A valuable part of this home work can be a reading of *Successful Labor Relations for Small Business* by Black and Piccoli, which is listed at the end of this pamphlet, together with other suggested books and magazines.

2. PREPARING FOR BARGAINING

Inexperienced managers make mistakes in their first experiences in negotiating a union agreement that tend to fall into several main categories. The following are typical:

1) Adequate time and effort are not spent on studying labor agreements in comparable business or industry situations.
2) Accurate comparable wage data and information on fringe programs are not obtained and prepared for possible presentation.
3) Suggestions and advice from the whole management and supervision staff are not sought.
4) The interdependency of clauses in a proposed contract is overlooked.
5) The company does not have a set of counterproposals to make when the union presents its proposals.

Employer associations and specialists in collective bargaining can help with these five problems if they are competent. It may be necessary, however, to double-check both the data and advice supplied, if the company is to avoid embarrassing situations.

The small company president should ideally be well informed on all aspects of labor contracts if he is to do his own bargaining. This calls for specific knowledge of contract clauses covering:

1) Management prerogatives
2) Union prerogatives and recognition
3) Wages, hours, and related matters
4) Vacations, insurance programs, and other "fringes"
5) Seniority, including layoff procedures
6) Working conditions and safety
7) Grievances and arbitration
8) Other miscellaneous items

To master these subjects properly, as well as to know the federal, state, and local laws that may affect the firm's relations with unions, is to add a heavy volume of work and study to the burdens of a company president. It is no wonder that many companies are inept in their first relations with unions. Yet lack of competence and wisdom in dealing with unions can be almost fatal to a small firm; and, in contrast, good union-management relations can be a source of major strength.

3. GRIEVANCES

If a company is unionized and the union is legitimately serving its members' interests, it will usually find some grievance situations even in well-managed firms. A foreman may handle people in ways contrary to management's policies and intentions. A wage may be incorrectly set, or not modified upward when an employee is assigned more difficult and responsible work.

Vigorous handling of valid grievances is one of the major activities of good unions.

In small companies there are seldom more than three steps in the grievance procedure. In the first, the employee or the shop steward or committeeman attempts to settle the issue with the first-line supervisor. If this effort does not succeed, the grievance may be presented in written form and be reviewed by a higher level of management (sometimes the company president) and by a higher-level union representative. If the issue cannot be resolved, and if the union contract has an arbitration clause, the grievance then goes to an outside arbitrator, jointly selected by company and union and jointly paid by them to decide the dispute. Not many small firm grievances go to arbitration. The costs are high. They include not only the arbitrator's fee but also the expense of careful preparation of evidence and argument by both sides. If arbitration is used, managment should make a special study of the process.

4. UNDERSTANDING UNION LEADERS AND STEWARDS

Managers in even the smallest businesses often lack the ability to imagine how they would feel if they were in their employees' shoes. Particularly if they themselves have never been union members, they may find it hard to see problems through the eyes of the union officers and stewards. No effort of imagination can be more valuable, however, in bargaining and in day-to-day relationships. The insight thus gained helps to do away with stereotyped ideas of how union people will behave. It gives clues to the anxieties, uncertainties, and conflicts that may be felt by everyone in the union from the newest committeeman to the president.

One of the best ways to increase insight and to improve union-management relations is to arrange for joint meetings of stewards and supervisors to study a newly signed contract. If there are disagreements or areas of uncertainty, it is usually better to get them out in the open at once. Often, as a result, grievances are forestalled. The time spent on the meetings is certainly better spent than would be the same or more time given to grievances.

The ability of supervisors and union leaders to operate with strength, but also with reasonable harmony, is fostered by such meetings. A well-run company often makes a team of its supervisors and stewards. It is not a team that always agrees on what should be done, but it is one that usually succeeds in hammering out constructive results.

VII. Wages, Salaries, and Employee Evaluation

With or without unions, the setting of wages and salaries is one of management's more difficult jobs. The penalties for errors in pay levels and relationships are severe. Rates that are unnecessarily high are obviously a cost a company can ill afford; rates that are too low will usually not secure or keep good people. Yet it is a fact that nation-wide and industry-wide pay levels for various kinds of jobs reveal marked inequities and absurdities.

Many inequities are so much a part of our culture that they are not as troublesome as might be expected. But problems do arise when workers feel that their pay is not fairly set. Sometimes a whole employee group, especially in high-labor-cost, low-productivity businesses, is unhappy about pay. Sometimes the trouble is more specific: John thinks he is underpaid in relation to Bill, or the truck drivers think their pay is too low in comparison to that of the stock clerks.

Even where communication is otherwise poor, management usually knows when workers are unhappy about their pay. An individual employee, however, especially in a nonunion company, may have a pay grievance for a long time before it comes to the manager's ears. The first clues may show up in poor attitude and lowered effort, rather than an outspoken complaint.

1. GETTING FACTS FOR BETTER WAGE-SETTING

Every firm should periodically check its pay ranges with those of its community and, if possible, its industry. Sometimes published surveys are available to assist in this task. State and federal government studies can be obtained. Often local wage surveys are made by employers' associations, city and county governments, trade associations, and labor unions. In smaller communities where there are no local surveys, those made in the nearest large cities are of some help. Telephone calls to fellow employers may have value.

All of this material has marked limitations, of course. The receptionist-switchboard operator of another employer may have certain duties that are quite different from those performed in your company. She may also have been on the job seventeen years, while you may be hiring a young and inexperienced worker. A local employment agency may give you rate ranges for janitors revealing that some companies pay their janitors almost twice as much as others do. A union will sometimes report only the highest rates being paid for a given kind of work. Your payroll clerk has many nonpayroll duties; the payroll clerk rates in the surveys all seem to be based on 100 per cent payroll work, and mostly in firms much larger than yours.

Nevertheless, information on what others pay is valuable. A small firm can profitably maintain an up-to-date file of wage and salary survey information as a partial guide to its own actions. On the basis of such outside data and its own practices, even the very small company should probably set up a simple table of its wage structure, *and revise it every time jobs change significantly.*

One small firm, which usually employs from seventy to ninety-five people, has found that nineteen pay ranges encompass all of its jobs, from the lowest paid through the presidency of the company. The lowest range is $1.47 to $1.62 per hour. The highest is $5.00 to $10.00. This company reviews employees' salaries and wages semiannually and the rate structure annually. In the lower grades, raises are given in units of five cents an hour. As the ranges step up, the units change, but are kept in even cents per hour.

2. SIMPLIFIED JOB EVALUATION

Another company, which uses "ranking" to assign workers to pay ranges, has eighty-two employees. There is no union. The company has a profit-sharing plan but otherwise pays straight salaries and wages. Some of the jobs are of a professional and semiprofessional type. The three men who head the company investigate pay practices of other firms at least once a year. Employees are evaluated twice a year, with the evaluation partly used to decide on merit pay increases. In addition, management once or twice a year reviews its primitive but successful job evaluation plan. The officers use the so-called ranking system because they know the jobs in the company so well that they feel they do not need a more elaborate plan.

Each job in the company is analyzed and described briefly. The descriptions are typed in double-spaced form on 5″ × 8″ cards. Minor changes are made by crossing out any inapplicable parts and adding new ones. "Only when a card gets too messy or a job changes completely do we have a new card typed," says the company president. "Some of the cards last for years."

Fig. 3. Short job description.

RECEIVING CLERK AND STOCKKEEPER

Receives and signs for all supplies and equipment; routes to proper department or stocks in designated areas; opens any boxes, etc., which are to be opened in advance of use.

Maintains control of forms and supplies; fills requisitions; prepares material for shipment; writes re-order forms for new supplies and submits forms to office manager; maintains a file of open purchase orders; performs other tasks as assigned.

Works under general supervision of office manager and plant manager.

The committee of three sorts the cards to arrive at pay ranges for all jobs. The cards describing the most responsible and difficult jobs are put on the top of the stack; the cards are then grouped by levels down through the simplest jobs. At present the company has eleven rate ranges; four of these have only one man in the range, while eight people are currently assigned to the most populous range. Some ranges overlap slightly, up to 12.5 per cent in three instances.

Compared to the elaborate systems described in textbooks on job evaluation, this is a simple approach to wage and salary administration. Compared to what many small firms do, however, this is a thoughtful and organized approach. Management feels that intimate knowledge of jobs makes over-all ranking of the whole job not only safe but probably superior to more elaborate forms of evaluation. The latter, besides being complex and time-consuming, have their own built-in pitfalls.

It might be well, however, for small companies studying their wage structures for the first time to give some consideration to formal job evaluation. The habit of thinking about jobs in terms of levels of skill, responsibility, mental application, physical effort, and working conditions is likely to reduce unconscious biases regarding job difficulty, attractiveness or unattractiveness, and other factors. An analytical approach also reduces the tendency to think of jobs only in terms of the persons currently occupying them.

3. INCENTIVE PAY PLANS

Incentive pay systems are so varied and complex that they are beyond the scope of this pamphlet. If a company does not have an incentive plan, it is suggested that before one is introduced, management should talk with heads of firms that appear to have successful plans, and also do some specialized reading on the subject.

Moreover, a warning is justified. Incentive plans sometimes do more harm than good. They are usually expensive and troublesome to administer. They work well only when they are intrinsically appropriate to a situation, provably fair, and used in an organization where motivation and cooperation are highly developed. The author has observed a situation, for example, where incentives are effective in a group of seven salesmen. The men are friendly with one another, yet are highly motivated by their earning opportunities under the incentive plan. In many other cases, however, salesmen do well for their companies on flat salaries where incentives, formerly used, created more trouble than they did good.

Group incentives sometimes are more effective than individual ones. The best approaches appear to be similar to those already mentioned in the references to the La Pointe Machine Tool Company, the Nunn-Bush Shoe Company, and the Lincoln Electric Company.

4. EVALUATION OF EMPLOYEES

It is impossible to divorce the setting of pay rates for jobs from the pay levels for individuals, where rate ranges are used and merit increases are given. As soon as merit increases are under consideration, formal or informal employee evaluation comes into the picture. Few firms of small size make written ratings of employees. A fair number start a program of written ratings, but soon allow the practice to fall into disuse. This is not surprising. Formalized employee evaluation as it is usually practiced has some distressing aspects.

There is a curious problem here. People say that they "want to know how they stand" in their jobs, yet usually react with alarm when they learn that supervisors are rating their work. Management personnel know that they *must* make some sort of employee evaluation, yet often dislike filling out rating forms and interviewing employees on the ratings.

Certainly we all continuously form opinions of the people who surround us. A sort of mutual rating goes on almost without interruption. How much should management formalize its part in this rating? Does the supervisor evaluate Bill and Hank and Don better if he ranks them on quantity, quality, and knowledge of work, attitude toward others, initiative, and capacity to develop, or some similar list? It would appear that he should. Yet there is evidence that ratings made in this way often have little relation to the actual performance of workers.

Fig. 4. Sample employee evaluation form.

Date.................................... Name..

ABILITY TO TAKE CRITICISM AND SUGGESTIONS

.... Welcomes suggestions about improving work. Makes constructive use of criticisms.

.... Average ability to accept criticisms. Usually makes effort to improve.

.... Somewhat below average in accepting criticisms. Makes some effort to improve; or accepts criticisms passively, but makes no great improvement.

.... Defensive and resentful if work criticized or suggestions made. Alibis. Does not admit shortcomings. Makes no visible effort to improve.

APPEARANCE

.... Appearance and manner of dress a real asset.

.... Satisfactory appearance; businesslike and neat.

.... Sometimes careless in grooming and/or cleanliness. Not always dressed appropriately.

.... Habitually untidy or unclean. Choice of clothing not appropriate.

ATTITUDE AND MANNER

.... Unusually cooperative and well-balanced. High degree of tact and friendliness.

.... Usually helps others when asked. Gets along well with others.

.... Not a consistent team-worker. Occasionally lacking in considerateness. Occasional friction with other employees.

.... Uncooperative. Creates friction and jealousies in department. Temperamental. Talks too much.

INITIATIVE

.... A self-starter; plans ahead and works independently. Needs almost no supervision.

.... Usually sees what needs to be done, and takes initiative in doing it.

.... Sometimes needs prodding on regular duties. Frequently has to be shown what needs to be done.

.... Needs close and constant supervision. Uses working time for personal business. Wastes time of others as well as self.

JUDGMENT

.... Exceptionally good judgment; shows clear grasp of problems. Reaches sound decisions quickly.

.... Usually exercises good judgment. Seldom tries to avoid decision-making which is normal part of job.

.... Occasionally makes ill-considered snap judgments. May have difficulty arriving at decisions.

.... Habitually lacking in judgment. Doesn't profit from previous errors. Makes foolish and hasty decisions.

QUALITY OF WORK

.... Work is of exceptionally high quality. Rarely makes even minor errors.

.... Satisfactory quality of work. Usually accurate.

.... Fair quality of work. Sometimes not neat or accurate. Lack of system in work habits.

.... Work marked by serious and frequent errors. Methods poor. Lack of neatness habitual.

QUANTITY OF WORK DONE

.... Turns out exceptionally large amount of work. Can speed up under pressure.

.... Work is generally up to date. Volume of work completed is satisfactory.

.... Somewhat low volume of completed work. Often behind schedule.

.... Very slow. Amount of completed work is clearly below normal standards.

WORK HABITS

.... Excellent attendance. Punctual. Never abuses employee privileges.

.... Good attendance. Usually punctual. Rarely or never abuses privileges.

.... Only fair as to timekeeping and attendance. Sometimes abuses privileges.

.... Poor record on timekeeping and attendance. Frequently abuses privileges. Careless of equipment and supplies.

COMMENTS:

....

Either the ratings are carelessly made or supervisors actually do not know which workers are performing well and which are not.

Perhaps the best recommendation is this: If you do not use written ratings, periodically make verbal analyses of each employee's performance. For example, supervisors and the company president might discuss each of the people known to the supervisors. Then the president or the supervisor would talk over with each worker how *both the worker and management think he is getting along.*

It is very hard to persuade supervisors to do this. Yet most of us agree that people should get credit for doing

well and should be told of any areas where, in management's opinion, they are failing. In nonunion firms or companies with ineffective unions, it is too common for employees to learn of management's dissatisfaction with them only when they are dismissed. Honest statements are sometimes not made even at the time of discharge. Aggressive unions may make it hard to fire people who should be fired, but they also usually pressure supervisors into giving weak employees a further chance to improve, before dismissal is considered.

5. INTERVIEWING ON RATINGS

Whether the president of the company or an employee's immediate supervisor interviews on ratings, it is best to start by asking the employee how *he* feels he is getting along. He should also be asked to discuss what he feels the company is doing to help or hamper him in his work.

This approach is the opposite of the method used in conventional employee rating plans. In these, the supervisor tells the employee how he was rated, while the employee—often fearful or resentful—listens. If the employee disagrees with the rating, an argument frequently ensues. The method recommended here reserves any comment by the supervisor until *after* the employee has expressed himself. If the supervisor has criticisms to make during the latter part of the interview, he might open them by saying, "I feel that you . . ." rather than, "You are . . ." The psychological difference between these two ways of communicating is very great. A good interview can develop into a frank discussion of employee strengths and weaknesses, and what can be done about the weaknesses. Often the supervisor finds that he himself has been creating some problems for the worker and agrees to mend *his* ways.

The whole interview should usually be conducted on much the same basis as that recommended for employment interviewing. If the supervisor is a good listener and uses "reflection of feeling" sensitively, results can be excellent. Interviewing does not mean *talking to* someone. The dictionary tells us that it literally means "to see between" or "to see inside"—less literally "to visit one another." These meanings give clues as to what real evaluation interviews should be: two-way attempts at understanding.

VIII. Working Conditions, Benefits, and Services

WORKING CONDITIONS, including problems of safety and employee health, apparently vary more widely in small companies than in large. Some small companies are excellent in these respects, but the percentage with low scores is discouragingly high. This fact shows up dramatically in accident statistics. In small manufacturing companies accidents are worse both in severity and in frequency than in large ones. Heads of small firms often do not seem to be as aware of the benefits of good safety experience as do those of large companies. Also, with no medical departments or safety engineers, they lack the professional assistance that large companies can afford.

The major problem, however, is prevention. Here the small company *should* be at no disadvantage. Insurance company personnel, state and local government inspectors, and other specialists are as available to the small firm as to the large one. The use of safety committees can develop know-how rapidly in the group concerned with maintaining a good health and safety record. Attendance at safety conferences and periodic reading on the subject can be helpful.

Company management can keep alert to the possibility that it has hired some people who are more likely to have accidents than others, and can transfer them to safer jobs or dismiss them. It can conduct educational programs on safety, can keep accurate records of accidents, and study them with an eye to corrective action. Also, the small company has one natural advantage in regard to safety: people who work together in small groups usually feel a mutual responsibility toward one another.

1. CROWDING AND HOUSEKEEPING

Especially when a small business is inadequately capitalized, it may be housed in unsatisfactory quarters. As it starts to grow, crowding is often common. In some cases the company has to live with these problems for quite a long time before it can afford to cure them. Various approaches to maintenance of high morale and motivation may help workers accept cramped, unattractive, or uncomfortable quarters with good grace. The fact is, however, that some small businesses that could profitably improve working conditions fail to take the opportunity. Sometimes this is true because of false economy; at other times management becomes so used to unsatisfactory conditions that inexpensive ways to correct them are overlooked.

To take a simple example, in one small firm the secretarial and bookkeeping employees worked in an infuriatingly crowded and awkward office. Finally, an exasperated part-time office worker came to management with a simple drawing and some other recommendations for space and equipment changes. With very few modifications, the girl's ideas were put into effect. The total cost was less than $400, and the improvement in performance and in labor turnover was outstanding.

Good housekeeping is a major factor in working conditions. It is usually a clue to the quality of management. Messy, dirty work areas, retention of goods or equipment no longer used or usable, files in which no logical filing system is used, and other evidences of lack of orderliness and cleanliness have been reported by Dun and Bradstreet to be characteristic of businesses that are poorly managed in other ways. Considerable time and effort should be spent to get working quarters in good shape and then to keep them that way. In some cases this is slow work, but the dividends paid are quick in coming. One of the most important gains is often a better safety record, since bad housekeeping increases accident hazards.

Another problem in small businesses is that of maintaining adequate cleanliness in employee restrooms and toilets. In very small firms there is often no daytime janitor or maid service. Where possible, one or more employees should be given part-time responsibility for maintenance of restrooms, but much of the answer lies in good employee cooperation. Here is a logical subject for employee group agreement and group self-policing to maintain neat, clean conditions throughout the workday.

2. EMPLOYEE BENEFIT PROGRAMS

The enormous growth since World War II of so-called fringe programs has, of course, brought benefit plans to a point where they cost so much that fringe is not the right word. The small company, on the average, does not have as elaborate a program as the large one, but the expansion of fringe programs in the former has been rapid. Many small companies estimate their fringe costs at 18 to 20 per cent of payroll.

Employees and prospective employees usually appear to be more concerned with the paycheck itself than with benefit programs. Yet employee pressure for such programs is often strong, and union pressure stronger. Managers, on the other hand, sometimes initiate a program after employee problems force the issue to their attention. This is especially true in the case of health and hospitalization insurance and group life insurance.

A very high percentage of small firms offer the following benefits: rest periods (for both men and women employees), paid vacations, paid holidays, and group insurance of various kinds. In addition, office employees are often given sick pay. Shop employees get this benefit more rarely, but they often receive call-in pay and paid cleanup periods. Severance pay, on a formalized basis, and retirement plans are considerably less common. Cafeterias are relatively rare, though lunch rooms with facilities for making coffee and tea and with refrigerators are common even in businesses with ten or so employees. Automatic food and beverage vending machines are now common.

Since costs that are out of line with those of competitors can be very serious for the small firm, it is practical to try to stay close to competitors on fringe programs. If an able management is keeping the firm in a highly profitable position, however, an unusually generous fringe program can be afforded. Benefit plans can be a plus factor in getting and holding productive workers, but are usually more valuable in holding than in recruiting employees.

A considerable percentage of smaller firms set up health and hospitalization insurance and retirement programs on the basis of joint employee-employer contribution. Industry practice and the character of union-management relations affect choice in this matter. There are good arguments for and against contributory programs, but the trend is toward noncontributory ones.

3. BUYING EMPLOYEE INSURANCE PROGRAMS

As with so many other aspects of a personnel program, insurance presents technical and policy questions of considerable difficulty, not covered even in detailed textbooks on personnel management. Specialized material on the subject is available in books and pamphlets on employee insurance programs. Perhaps the best approach for the busy manager is to talk with several salesmen from reputable insurance companies.


HAPPY FAMILY PICNIC

The salesmen should be asked to give prices on an *identical* list of benefits. Otherwise the companies competing for the firm's business will offer their "packages" with enough variations to make cost comparison all but impossible. Even after initial price comparisons, however, the employer who buys a program should (1) discuss claims experience with at least three or four companies that have had similar coverage over a period of four or five years with the insurance carriers in question, and (2) make it clear that he will change carriers if claims service and costs in future years do not appear fair both to him and to his employees.

4. RECREATION

There is conflicting evidence on the value of company-sponsored recreational programs. A few studies have indicated that the employees who are most interested in such programs are on the average somewhat less productive on the job than employees who show little interest in company recreation. On the other hand, there are firms that feel that company picnics, athletic teams, and other recreation programs are valuable. In other cases the company "personality" does not seem to call for planned group recreational activities. One small store owner says, "We're all too tired to want any picnics or athletic endeavors." Many other owners, managers, and employees of small retail businesses might echo this sentiment.

Employers should be aware of community recreation opportunities. They can try to interest employees who are lonely, or for other reasons seem likely to find community programs of value, in joining existing group activities.

If a company program seems worth studying, here is an ideal occasion for the use of group planning. Many small firms find that nonsupervisory employees do an excellent job of deciding what sort of recreation activities they want and then running the program enthusiastically and economically themselves. Some good programs are run at a cost of only $3.00 per year per employee. Profits from vending machines and fines, *decided on by employees and administered by them,* for such offenses as lateness to work have been used in some companies to finance both recreation and charities.

5. OTHER SERVICES AND ACTIVITIES

Employers should know about family counseling services that are available in their communities, and should know what public and private welfare agencies can and cannot do. From time to time employees may need assistance which the employer cannot or should not provide. "Nondirective" counseling by management may be helpful in job problems and some personal problems. Many personal matters, however, are better referred to outside agencies, especially if they are severe or long-continued.

There is rather general agreement that credit unions are the nearest thing to an ideal solution to employee savings and loan problems. Very few firms with less than one hundred employees can manage to develop a satisfactory credit union, however, unless employee turnover is exceptionally low. As a result, most small companies set up policies regarding loans or salary advances to workers, and review such policies from time to time in the light of experience. Informal economic education, especially on installment and small loan interest costs and on family budgeting, can be helpful to employees who have chronic debt problems.

Employees usually resent pressure from management to contribute to charitable organizations. Yet it is interesting to observe what generous amounts are given if employees themselves decide on the plan. In many firms, employee decisions to have deductions made from their paychecks have resulted in contributions of .5 to 1 per cent of annual pay to employee-approved community funds. The wise employer can usually hand over the problem of contributions to an employee association or committee with confidence in their generosity and common sense.

IX. Employee Transfers, Promotions, and Separations

NOTHING BETTER REVEALS a management's approach to personnel matters than its handling of employee movement within the organization and separation from it. Each of these changes in status may call for high levels of judgment and integrity. Sentimental or cowardly managements often dangerously ignore the needs of the business in an effort to give employees what they seem to want. The end of the road for some organizations has been the weakness in performance that results from retaining people in jobs in which they are not effective and from promoting other people because they expect to be advanced on the basis of seniority, or for any other reason. Some companies, on the other hand, are intolerant of outstanding employees, firing them or letting them resign. The superior employee's aggressiveness, his tendency to challenge accepted ways of doing things, his frequent impatience with incompetence, and his tendency to offer a spate of new ideas are hard to take in static or complacent companies.

Other kinds of errors are common. The company that is ruthless in its disregard of employees' feelings about transfer, promotion, and dismissal often harms immediate job performance and damages its long-term reputation as an employer. Worst of all, perhaps, is a mixture of ruthlessness in some cases, softheartedness or favoritism in others, and just plain bad judgment in the rest.

The skill with which people are selected and trained in the first place foreshadows many aspects of transfers, promotions, and separations. If employees are properly chosen for their jobs (with some selected also for promotability) and if training and supervision are competent, a good part of the problem of employee movement within and out of the organization is fairly well solved. Yet conflicts of interest and varying interpretations of what is right in a given situation will always present difficulties in this area. Management has to balance company needs and conflicting employee needs with utmost care.

1. TRANSFERS

In an employee transfer, a change in pay rate is secondary in importance. If there is a significant increase in pay, the change in job should be classed as a promotion. On the other hand, transfers may involve moderate reductions or no change in pay. Occasionally an employee requests a transfer to a lower-paying job because of aspects of his present job that he dislikes, or for other reasons. Somewhat more often management initiates such a transfer to meet the needs of the business or to avoid having to lay off the worker. Some transfers, of course, are temporary. In any case, the company should try to avoid last-minute decisions. If responsible management people know the employees well, transfers will be handled better in most cases.

Where there is a union, the contract may have binding effects on transfers as well as on promotions and separations. Except where union-management cooperation for high productivity is well developed, companies do well to try to seek contracts with minimum restrictions on employee movement inside the firm and with broad, rather than restrictive, seniority provisions.

2. PROMOTIONS AND SENIORITY

Two kinds of promotions are usually distinguished. The first is advancement to a job requiring higher skill but no supervisory responsibility. The second is a promotion to supervision of the work of others, or from one management level to a higher one.

The ladder of promotion is usually fairly obvious in the latter case. In some instances companies fail to analyze opportunities in the former. Not infrequently people are hired from outside for jobs that might have been legitimately viewed as promotions for present employees. Even where work performed is not closely related, an employee on a lower-paid job may have absorbed enough understanding of the work to regard the better job as one for which he may qualify. If the job is filled from the outside, with not even an explanation to the employee who had looked to it as a possible move up the ladder, there is trouble. Perhaps this cannot be avoided. A much better candidate may appear, and thus management's decision to hire the outsider is defensible. The company should at least, however, study every job in relation to other jobs to see what promotional possibilities exist. Although there are people who

do not want promotion, the majority do. Restrictions on the chance to move upward in one's work for reasons that seem indefensible to the employee strike at the very heart of our "open" society.

Employees' lack of faith in management's judgment in selecting people for promotion is a basic reason why seniority is taken so seriously by workers. Even when there is no union to put seniority restrictions in black and white, promotion by seniority represents security and justice to many people. It may be possible that employees' recognition of the fact that seniority has its own injustices may lessen their feelings about job rights in the future. But any organization that frequently disregards seniority is creating morale problems, unless its promotions and other personnel changes are marked by extraordinary wisdom.

3. PROMOTIONS TO MANAGEMENT

The most difficult problems usually occur when promotion is made from a nonsupervisory to a supervisory job or from a junior level in management to a more senior one. There are times when men of unmistakable leadership ability are ready for promotion, but more often than not businesses of all sizes find themselves short of people who appear ready to take on new kinds or levels of responsibility. At other times, qualified people may be available, but management does not recognize and identify them. There is still a large area of guesswork in picking people for positions of leadership.

Complicating the problem is the fact that different kinds of situations call for different kinds of leadership. The man who is a good first-line supervisor may or may not make a good vice-president, and vice versa. Some traits seem to help in all types of leadership, but there are complex ranges and kinds of ability. The extremely able general manager of a large manufacturing concern was described by himself and others as a near failure in his first supervisory job. Sometimes, also, the very competent man starts well in a junior job, but becomes a "problem child" if not promoted rapidly.

4. CLUES TO PROMOTIONAL POTENTIAL

There is at least a fair amount of agreement as to abilities and kinds of job performance that are clues to promotability. It is widely accepted, for example, that the best machinist is not necessarily the man to supervise a department of machinists, the best salesman is not sure to be the ablest sales manager, the most talented accountant is not inevitably the man to direct an accounting staff, and so on. In fact, sometimes the very traits that make a man outstanding in a nonsupervisory position work against his success in managing a group of men.

Clues to leadership potential include:

1) Evidence that the person has already been spontaneously accepted as a leader. He has often had leadership positions in neighborhood, church, civic, school, or other groups, and has usually won some degree of informal leadership among his co-workers.

2) Intelligence at least somewhat above that of the *average* of the group he will lead. Evidence can be found in job behavior, school grades, and intelligence test scores. None of these are infallible predictors, of course, but they are clues. Studies show that people with better than average school grades more often get into positions of leadership than those

with average or below average grades. Also, in general, people who score at least 10 per cent higher than the central or modal point on intelligence tests more often perform well in supervisory positions.

3) Behavior that reveals initiative and imagination. Unfortunately, as we have seen, some supervisors take a negative attitude toward imaginative or aggressive behavior by subordinates. This is especially true if the supervisor is mediocre in caliber or has been in his job so long that he resists all new approaches to problems.

4) Persuasiveness and enjoyment of activities where persuasiveness plays a part. This does not mean that leaders need to conform to the conventional picture of a "good salesman," though some of them do. They may instead be quiet, shy, and introverted, but they are effective in convincing others of the value of a given course of action.

5) Desirable personality and character traits in general. Obviously, the more of such traits a man has, the better. We can list vitality, ability to stand continued pressure and frustration, capacity to plan, adaptability, liking for people, courage in taking an unpopular stand, and responsibility. The most fundamental qualities wanted are competence and integrity. In the long run, integrity can even make up for some lapses in competence.

5. LAYOFFS, DISCIPLINE, AND DISMISSALS

With or without a union contract to set up rules, layoffs present difficult problems for any management. When work slackens, a quick look at operating efficiency suggests that the least needed employees should be laid off. But what if this approach lays off a valuable, experienced man? Instead of waiting out the layoff period, this man may well decide to take another job. What happens if five long-service men are not needed temporarily, while there is still work for unskilled new workers in another department? The employer whose actions are not formally controlled by contractual arrangements will most often use a mixed approach to layoffs, depending upon the men and jobs involved, the expected duration of the layoff, and other factors. In some cases, longer-service employees will be allowed to "bump" into jobs held by shorter-service men, make-work activities will be developed for some employees, and others may be asked to split the layoff period among themselves. If bumping is established company practice, several men may bump in a descending ladder before the first layoff can occur.

As in the other aspects of personnel management, a mixture of realism, judgment, and humanity is required to arrive at the least damaging solution to a layoff problem. The same thing is certainly true of dismissals, in all but the most obvious cases of incompetence or misconduct. Seen close up, even clear-cut cases are often perplexing. For example, major theft is usually considered grounds for discharge. Yet employers sometimes do not even give a disciplinary layoff in certain cases of theft.

Standard disciplinary penalties, including dismissal, should be carefully thought out and frequently reviewed. A few small companies post on a bulletin board a list of causes for disciplinary action. Those with employee handbooks sometimes include in their rules on employee conduct penalties for infractions. The majority of small organizations, however, have no established policies on discipline and discharge. In many cases motivation and employee self-discipline are sufficiently strong that serious problems rarely arise. Even where this is true, however, employees have a right to know the company's rules and to expect impartiality in their enforcement. In some companies they have a hand in making and enforcing the rules. The Nunn-Bush Shoe Company pioneered in a program of making this function almost entirely a union responsibility. It is interesting to see that when employees make and enforce the rules their decisions are usually more severe than are those of most present-day managements.

Fig. 5. Example of company rules.

Harmonious relations among our employees are promoted through compliance with regulations, established for the best interests of the Company and its employees. Violation of any of the rules will be grounds for disciplinary action, ranging from a warning to immediate discharge, depending upon the seriousness of the offense.

Offenses which may be cause for immediate discharge:

1. Making or repairing personal tools, gadgets, etc., on Company property without written authorization from the department head.
2. Sabotage.
3. Deliberately restricting output.
4. Gross insubordination.

5. Deliberate destruction or theft of Company or other employee's property, tools, or equipment.
6. Misuse or removal from the premises without proper authorization of blueprints, Company records, or confidential information of any nature.
7. Falsification of Company records of any kind.
8. Possession of weapons, explosives, or cameras on Company premises except with proper authorization.
9. Permitting another person to use your badge to enter the premises.
10. Deliberate punching of another employee's time card, or alteration of any time card.
11. Possession of, or drinking, any alcoholic beverage on Company property at any time, or reporting to work under the influence of liquor.
12. Fighting or other disorderly conduct while on the Company premises.
13. Distributing literature or articles of any kind, including circulation of petitions.
14. Dangerous horseplay.
15. Immoral conduct or indecency.
16. Unwarranted absence or unreasonable number of absences as well as repeated failure to report absences.
17. Threatening, intimidating, or coercing fellow employees.
18. Willful, deliberate, or continued violations or disregard of safety rules and practices.

Offenses which may require one written warning before discharge:

1. Horseplay.
2. Productivity or workmanship not up to standard, or making scrap due to carelessness.
3. Insubordination.
4. Abuse of Company or other employee's property, tools, or equipment.

5. Leaving the plant during working hours without written permission.
6. Smoking in areas posted with "No Smoking" signs.
7. Requesting or collecting donations, raffling or selling tickets, merchandise, magazines, etc., without proper authorization.
8. Circulating malicious rumors concerning any employee, the Company, or its products.
9. Gambling of any nature on Company property or premises.
10. Running within the confines of the plant.

Offenses which may require two written warnings before discharge:

1. Leaving work station before final quitting signal to punch time clock.
2. Failure to report personal injuries.
3. Failure to wear badge as required.
4. Repeated failure to punch own time card.
5. Habitually reporting late for work.
6. Leaving own department during working hours without proper permission.
7. Taking more than specified time for meal periods.
8. Misuse of Company time, such as loitering, engaging in unnecessary conversation, not keeping engaged in assigned work, and interfering with other employees on work routine.
9. Posting or removal of notices.
10. Washing up or changing clothes during the scheduled work period.
11. Putting away personal tools or cleaning up bench or other work place prior to specified time before end of shift.
12. Returning Company tools to Tool Crib in preparation for going home prior to specified time before end of shift.
13. Operating machines, tools, or equipment to which an employee has not been specifically assigned.

6. VOLUNTARY SEPARATIONS

Since a company normally has at least a $300 investment in any employee who has gone through the hiring and initial training process, it loses money when a satisfactory employee quits. Even the best selection methods will involve the hiring of some "lemons" whose departure is viewed favorably, but every good employee lost through resignation is a cause for concern. This is especially true, of course, if there is much specialized on-the-job learning. A land title insurance company with ninety-five employees attempted to evaluate its investment in the training given its thirty most skilled nonsupervisory employees. It came up with an average figure of $7,800. The reader may recall that $5,000 was the estimated hiring and training cost for high-level manufacturers' salesmen.

Investments like these need to be protected, yet some turnover is inevitable and in limited amounts desirable, in order to keep new blood coming into the organization. The better the company's general and personnel performance, the fewer of its good people quit for reasons other than notably better job opportunities. These, in a sense, of course, are a tribute to the company's skill in selecting and developing superior people.

Losses of people who are performing well and who do not appear to have valid reasons for leaving call for a re-examination by the company of its whole personnel and general management performance. The organization

This questionnaire, which you are not asked to sign, will help us in handling the personnel aspects of our work. Your answers and comments are of real importance in helping us make this Company a better place to work.

The enclosed envelope will return your response at no cost to you, except the few minutes needed for filling in the answers.

Thank You.

Please check how you felt about the following points.

How did you feel about your job?	Liked it		Other comments about your boss............................		
	Indifferent		....		
	Didn't like				
How did your job appear to you?	Essential		Were your responsibilities clear in relation to work of others?	Yes	
	Important			No	
	Unimportant				
Did you consider your schedule of working hours to be	Satisfactory		From how many people did you have to take directions?	One	
	Fair			Two	
	Poor			Three	
				More than three	
How did your earnings here compare with previous earnings?	Better		Did your job use most of your abilities?	Often	
	About same			Sometimes	
	Not as good			Seldom	
Were other members of the work group	Helpful		Was your work tiring?	Often	
	Indifferent			Sometimes	
	Unfriendly			Seldom	
How are working conditions compared with other places?	Superior		Was your job	Interesting	
	About same			Monotonous	
	Inferior				
	Don't know				
Were the people who trained you	Patient		Was your job what you expected it to be?	Almost exactly	
	Impatient			Generally	
	Too busy			Hardly	
				Not at all	
All in all, how would you rate your job instruction?	Good		Did you have serious worries outside of work?	Many	
	Fair			Some	
	Poor			None	
Were you kept informed of your progress?	Often		Did you have a satisfactory place to live?	Yes	
	Sometimes			No	
	Never				
Did your immediate supervisor take a personal interest in your problems?	Often		Was the equipment you used in good condition?	Yes	
	Sometimes			No	
	Never				
Was your immediate supervisor	Helpful		Did you feel that the company gave the public good service?	Always	
	Fair			Usually	
	Good organizer			Sometimes	
	Generally liked			Rarely	
	Sometimes bossy				
	Indifferent				

Why did you leave?..

....

Is there anything which we might have done differently which would have kept you with the Company?..................

....

....

PLEASE USE OTHER SIDE OF SHEET FOR ANY COMMENTS OR SUGGESTIONS.

may also use one of two methods to try to get a better understanding of the separation: an exit interview of a largely nondirective sort, or a letter or questionnaire mailed to the ex-employee a week or so after he leaves (Figure 6). In some cases, former employees are very frank about their reasons for leaving *after* they have left. They are often not so candid in the exit interview, especially if it is not conducted skillfully and with obvious fairness and interest.

Many small employers have understandable difficulty in trying to decide whether to raise an employee's pay to keep him after he announces that he has been offered a better job. There are obvious dangers in doing so, but there are certainly cases where it is more sensible to meet, or partly meet, the outside offer. This is especially true where a raise or promotion was already planned for the employee, and where the company has a firm base for believing that his future performance will be superior.

7. TURNOVER RECORDS

Very few small firms keep labor turnover statistics, but the number that do is growing. The time spent in maintaining a simple monthly report is not great, and only a little more time will yield an annual report. The easiest way to keep turnover percentages is to use a separation rate. Statistically this leaves something to be desired, but it highlights the aspect of turnover that is most expensive. To obtain this figure, average the number of people on the payroll during a month by adding to the number working on the first of the month the number working at month's end, then divide by two. If there were 60 people working on July 1, and 64 on July 31, the average, of course, would be 62.

If five people left or were dismissed during the month, the separation rate is found by dividing the separations by the average number of employees and then multiplying by 100 to obtain a percentage figure. Thus:

$$\text{Separation rate} = \frac{5}{62} \times 100 = 8.06 \text{ per cent}$$

If this figure were typical for the year, annual separations would be running at about 100 per cent. Assuming that average turnover cost per employee is estimated at $500, the cost of this turnover would be about $30,000. If the unavoidable separations are subtracted from this figure, the company still would have a disturbing labor turnover cost.

The turnover record should list separations by causes, grouping them under eight to twelve headings. These usually include:

1) Retirement
2) Death
3) Health
4) Pregnancy
5) Better job
6) Leaving city
7) Discharge for cause

Many clues to better selection, placement, supervision, and other aspects of management may come from such studies. One business with an average employment of forty people kept turnover figures for five years, then restudied them by employee age groups. They decided on the basis of the study to hire women employees only if they were more than thirty-three years old. In the midst of a labor shortage they reduced separations by a third in the next four years, and attributed most of the reduction to the elimination of younger women. This organization was one in which about 75 per cent of the employees were women clerical workers.

X. Some Conclusions

THE SMALL COMPANY that has trouble in getting, motivating, and keeping good employees faces a major problem. It is a common one, but ranges widely in severity from company to company. Sometimes the type of business or industry makes the problem unusually difficult. Often the key to severe and chronic personnel disorders is poor management. The president of the company is most often the author of his own worst problems. Defects of character, lack of judgment, or personality weaknesses on his part are magnified because he sets the character of the firm.

All of us have limitations, which we can modify only with insight and unusual effort. But the manager of an organization needs to make the effort, if he sees that he is seriously harming his company. Sometimes the insight is present, yet nothing comes of it. Mr. A, president of a company with about fifty employees, has said, "I've made this place a success, but somebody else with the same opportunity could have done twice as well. I'm cynical and irritable and suspicious. My employees think I need about two years with a good psychiatrist, and my top men wish I would retire. Instead I'm just going to go on driving myself and everybody else nuts." His statement showed insight, but no motivation to change. Life for him and most of his employees is full of frustration and half-repressed rage. Higher than average pay levels keep labor turnover from being sky-high, and brains and energy keep the company going. Junior management men are a buffer between the president and the rank-

and-file employees. These men, despite their high salaries, are the ones most likely to quit.

Too many businesses have problems like those just described. Booklets on personnel management are not very helpful in such circumstances. Yet there is a concept in this pamphlet which could be a liberating one, even for Mr. A. It involves two parts: listening to other people, and giving them a chance to share somewhat in thinking and planning about their work. Listening tends to dissolve suspicion and hostility and to bring understanding. A share in planning and problem-solving liberates energy and creativeness. There are no panaceas for human inadequacies; but listening and sharing, even imperfectly, are powerful tools in effecting cooperation.

Business needs hardheaded competence; it also needs recognition of the good will and capacity latent in most human beings. It needs the knowledge that people tend to behave as they are expected to behave, and that even "bad" employees sometimes become good ones with patient, hopeful, yet firm leadership. Businesses exist to serve people; people do not exist only to make things or sell things. Happily for our society, work is most often well done when it is itself a meaningful and satisfying part of men's lives. Through daily evidence of the will to understand and respect one another, people in business organizations can achieve success that is human as well as financial.

This presumes no end to human frailty on the job. But men can cooperate better in small groups than in large ones, and the small organization has a great opportunity to create and maintain a good way of life as well as a good record on a profit and loss statement.

XI. Suggestions for Further Reading

FROM THE enormous literature on personnel management and related fields, it seems most valuable to suggest a few general texts and a group of more specialized books. Among the texts, the following contain a great deal of specific material, some of which is adaptable to the small firm: John Aspley, *Handbook of Employee Relations* (Chicago: Dartnell, 1955); Michael Jucius, *Personnel Management* (Homewood, Ill.: Irwin, 1955); and Dale Yoder, *Personnel Management and Industrial Relations* (New York: Prentice-Hall, 1956).

In the field of human relations, two valuable books are *Human Relations in Industry* by Burleigh Gardner and David Moore (Homewood, Ill.: Irwin, 1955) and *Personality and Organization* by Chris Argyris (New York: Harper, 1957). *Human Relations in Small Industry* by John Perry (New York: McGraw-Hill, 1954) is excellent.

Human Relations in the Restaurant Industry by William Foote Whyte (New York: McGraw-Hill, 1948) is full of insights that are meaningful in any industry. The same author's *Money and Motivation* (New York: Harper, 1955) is particularly illuminating for firms that use incentive methods of paying workers, but is also helpful for managers in any kinds of business. It is a generally interesting and entertaining book. Norman Maier's *Psychology in Industry* (New York: McGraw-Hill, 1955) is valuable in its treatment of individual and group behavior and needs, and gives particular attention to the use of group decision as a method of solving job problems. It also has an excellent chapter on interviewing and counseling.

An informative analysis of reasons for labor turnover is presented in *Why They Quit: A Survey of Illinois Employees Who Quit Their Jobs* (Urbana, Ill.: University of Illinois, Business Management Service, 1951). Other studies of voluntary quits have yielded results similar to those reported in this survey.

Not much has been written on personnel and labor relations in small firms. Alton Baker's *Personnel Management in Small Plants* (Columbus, Ohio: The Ohio State University, Bureau of Business Research, 1955) reports the results of questionnaires sent to factories with 300 or fewer employees in the state of Ohio. The National Industrial Conference Board in 1951 published *Personnel Administration in the Small Company. The Influence of Plant Size on Industrial Relations* by Sherrill Cleland (Princeton, N.J.: Princeton University, Industrial Relations Section, 1955) contains useful information.

James M. Black and J. G. Piccoli have written a practical guide for the small firm that is unionized, *Successful Labor Relations for Small Business* (New York: McGraw-Hill, 1953). A helpful booklet, *Collective Bargaining*, has been published by the Institute of Industrial Relations, University of California, Los Angeles, as one of the series to which this present publication belongs. It was written by Edgar L. Warren and Irving Bernstein.

Information on the three participative management plans discussed in Chapter V can be found in several books. Perhaps the best short description of the Lincoln Electric Company's program is given on pages 549–600 in *The Administrator,* edited by J. P. Glover and Ralph Hower (Homewood, Ill.: Irwin, 1957). The La Pointe Machine Tool Company story was first told in *Enterprise for Everyone,* in *Fortune* for January, 1950. This article has been reprinted in Paul Pigors and Charles Myers, *Readings in Personnel Administration* (New York: McGraw-Hill, 1952). There is also information on the La Pointe program in Whyte's *Money and Motivation.* The Nunn-Bush Shoe Company's unusual story is told in H. L. Nunn's *The Whole Man Goes to Work* (New York: Harper, 1953).

For the executive who wants to learn more about formal approaches to wage and salary setting, *Wage and Salary Administration* by David Belcher (New York: Prentice-Hall, 1955) and *Job Evaluation* by Jay Otis and R. R. Leukart (same publisher, 1954) are recommended. *Wages: An Introduction* and *Wage Structures and Administration,* both by H. M. Douty, which are pamphlets published by the Institute of Industrial Relations, UCLA, are valuable for the executive who wants a briefer treatment of wage problems.

If the company is considering profit sharing, P. A. Knowlton's *Studies in Profit Sharing* (Evanston, Ill.:

Profit Sharing Research Foundation, 1953) should be helpful.

Among the periodicals, there are particularly valuable articles in the *Harvard Business Review* (Cambridge, Mass.: Harvard University) and *Factory Management and Maintenance* (New York: McGraw-Hill). If the firm can afford to join the American Management Association, its publications, *Personnel* and the *Management Review,* are worth while. The AMA address is 330 West 42nd Street, New York 18, New York.

Almost all business magazines and specialized trade journals now carry at least one article in each issue on personnel-related topics. Some of these are of dubious value, but they are worth a quick review to determine whether they deal only with gimmicks and pseudo-psychology or are of real value to the businessman who is honestly concerned with the human aspects of his management job.

The management of a small firm can learn how to adapt to its own needs the best of the ideas developed by large companies, or uncovered in research by universities, if it will find time for a few hours a month of reading. The two top executives of a growing firm offer a testimonial. They changed their management philosophy after reading Rensis Likert's "Measuring Organization Performance" in the *Harvard Business Review,* March-April, 1958. They report that sales and profits increased promptly, while competitors continued in their 1957–58 rut. In their opinion, the credit goes to Likert. The results of reading seldom are so dramatic, but they usually pay dividends.

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