

Personnel policy audit



WHY—and HOW— to Conduct a Management Audit



CHAMBER OF COMMERCE
OF THE UNITED STATES
WASHINGTON 6 • D C

INSTITUTE OF
INDUSTRIAL RELATIONS

RECEIVED
MAY 13 1949





THIS is one in a series of American Opportunity pamphlets which has been prepared for use by employers, chambers of commerce, and other community organizations.

The American Opportunity program is designed to stimulate efforts in providing the American people a better understanding of the American economic system.

**Additional copies of this pamphlet are available
at 5¢ each**

Why—and How— to Conduct a MANAGEMENT AUDIT

By **ROBERT M. CREAGHEAD**, *President*
Robert M. Creaghead & Company
Internal Public Relations Consultants
Cleveland, Ohio

WHY SHOULD we expect workers to cooperate with management if they don't understand what management is seeking to do?

How can we achieve this understanding unless the workers are fully informed of the objectives of management and how their own work fits into the over-all pattern?

And how can they do this if their own foremen can't explain to them what the thinking of top management is?

And how can the foremen interpret the thinking of top management if management fails to explain its policies and methods clearly, consistently and currently to its own ranks?

The answers to these questions provide the reason for the basic question—why audit management? Fundamentally, an audit of this character is a tested method for determining whether the supervisory group feels it is effectively participating in the operation of the enterprise, how well it understands its management, and whether its members perform their jobs with eye to broad company policy. It is designed to disclose the various factors which determine the extent

of participation by all supervisors in the individual situation; to bring to light errors of omission and commission in the individual company's policy administration in this regard; and to point the way toward constructive action which will rectify these errors. Over a period of time, it will help to make possible the achievement of one of the most fundamental objectives of management today.

It goes without saying that good management, sound and consistent company policy, must first exist before management can wisely undertake to sell itself to its employees. But its existence is all too often unknown throughout the organization. A management audit is aimed at uncovering the strong as well as the weak points in the present set-up, indicating in what areas overhauling should be done and on what point increased emphasis may logically be laid. In other words, a management audit will not only help to make management representatives an effective sales force for the better understanding of the company among its own employees, but will provide a re-designed and better understood product.

The fundamental objective, then, is the creation of a supervisory group which is both qualified and equipped to "sell" private enterprise to the employees. This should be done in terms which the employees understand—in other words, by relating the principles of free enterprise to their own experience in their everyday work. Essentially this will mean a correct interpretation of the objectives and operation of the individual company. Properly done, it can provide a convincing demonstration that each worker has a real stake in the success of the enterprise, and, through this, in the American Way itself.

Research is an accepted and everyday part of almost every sound business operation. The principles of market research or sales estimates are commonly used by an increasing number of businessmen in planning a sales campaign. Since there is a sales job to be done with the employee group, it is equally logical that objective, analytical research should be employed to discover how this job can best be done.

Background Considerations

Let us see why a management audit can be valuable to the average enterprise.

During the war it was painfully but unmistakably shown that one of management's most vulnerable weaknesses was the inability of supervision properly to represent it to the workers. This is still true to a disturbing extent. In most cases the cause is rooted in the system

by which supervision is developed. The following common practices will illustrate:

1. Most companies commonly choose foremen from within the organization, and rightly so. Yet, insufficient attention is paid to providing them with the background necessary for their successful functioning in their new position. It is too often assumed that the foreman, whose experience is ordinarily limited to one or two organizational situations, has, by some mysterious process, gained the requisite broad knowledge.
2. In promoting foremen from the ranks, the primary consideration is usually technical skill and dexterity. Ability to handle men and to organize work are secondary, in many cases.
3. The need for integrating and coordinating policies and procedures within the average organization is often insufficiently realized. Thus, variations in operational practice between departments are the rule rather than the exception. Result: Greatly lessened foreman confidence in the ability of top management.
4. In most companies organized foreman training and supervisory development has been launched only in recent years.

Supervision, still one of the weakest links in the management chain, must be systematically studied, and systematically improved before management can make itself understood to its rank-and-file employees.

Insulating Effect of Middle Management

But it would tell only part of the story to point a finger solely at foremen. Organizations tend to develop certain characteristics in so-called "middle management" as well, which make for insulation between top management and supervision. Typically, these characteristics show up in two forms. For one thing there may be a failure fully to disseminate necessary information, or to explain policy, due to a desire for self-protection. On the other hand, sincere efforts to carry out policy administration may be inadequate because of a limited understanding of the over-all picture.

This is a natural result of the highly specialized thinking, which tends to over-simplify company problems, and which arises out of the specialized nature of the work of most components of middle management. Many people attempt to run the company for the benefit of the Cost Department, or the Materials Control Department, or the Tool Engineering Department. More broadly, but still as erroneously, efforts are concentrated on company finance, or sales, or engineering. Acting for the benefit of the *whole* company as an integrated unit does not occur to such persons.

Middle management usually places a premium on such specialized thinking. Its comprehension of policy-making management's problems is limited. Individuals in middle management are often motivated by fear of losing their jobs or of appearing at a disadvantage before their contemporaries. As a result, middle management is an extremely poor conductor of ideas. It tends to color them with its own specialized thinking. By the time information on policy and company problems trickle down through this screen, it is completely unintelligible to the foreman, capable, management-minded and thoroughly prepared to understand them though he may be. Thus, middle management often unconsciously makes company policy unintelligible, because inconsistencies in its presentation are not resolved at a higher level.

Top management has all too frequently failed to realize the importance of systematic transmission of information and consistent administration of policy throughout the organization. It has underestimated the amount of planning that it takes to provide a smooth and steady flow of correct information for every element in the company.

With middle management such an effective insulator, with foremen such poor receivers of ideas, a management audit, designed to find out how much unity of purpose and breadth of understanding actually does exist, becomes a basic necessity to company planning. Even the existence of these elements cannot be assumed. The points at which understanding or misunderstanding tends to concentrate, and the reasons for it, must be determined. The relation of middle management to the management audit lies in this, rather than in any basic necessity for sounding out their feelings. Since they are not the men who are in closest contact with the rank-and-file, they are not the prospective salesmen. The emphasis should be, in their case, not on the removal of grievances, but on instilling in them a better understanding of their place within the broad outlines of the organization's structure.

Materials are audited through inventory; man hours are audited

through time cards; design engineering is audited through customer preference surveys, and accounting is used to audit the major actions of department heads and chief administrative executives. It is equally logical, therefore, to audit regularly the human structure which is composed of the men who direct all the company operations to determine whether improvements in this system can be made.

How to Conduct the Management Audit

It should be clear by now that a management audit is designed to ascertain what supervision knows, what it thinks, and what it feels. Though we like to think that foremen are members of management, they are that segment which is farthest removed from the policy-making level. Thus, the flaws in top management will tend to show up on the firing line in exaggerated form, as ineffective supervision, as worker dissatisfaction, as lowered production.

Poor supervision usually results from one or a combination of several simple things:

1. Improper selection of foremen.
2. Inadequate training of foremen.
3. Organizational maladjustment resulting from such things as inconsistencies in regulations or paper work or procedure, deadwood, "sacred cows," bottlenecks, improper organizational balance, and basic inconsistencies in company policy.
4. Absence of a planned and adequate information program of internal communication.

A successful audit is almost invariably based on top policy-making management's dissatisfaction with a "Model T" type of organizational operation which has previously clung to many of these misconceptions. It involves a firm resolution to adopt sound methods of analysis and control in building employee cooperation similar to those applied to the rest of the business. Unless such determination exists, middle management can unconsciously sabotage any research project through its instinct for self-preservation. The development of any worth-while findings depends, in short, on the freely expressed *desire* to correct existing imperfections, and to remove the obstacles to a smooth flow of policy decisions uncolored by departmental distortions.

Top Management Support Required

It is vitally important that any project conducted along these lines emanate from and have the full support of the top executives. Details, of course, may and should be delegated. But whether the company calls in an outside consulting agency or whether the project is headed up from within the organization, there are two fundamental considerations to be observed. First, the audit must always be completely objective, as it necessarily involves a thorough dissection of every element of the organization. Therefore, only the full backing of top policy-making management will make it possible to obtain the full benefit from the management audit. Secondly, management must be prepared to accept the results of the audit, regardless of where the chips fall, and to act in eliminating the faults that may be disclosed. Properly conducted, properly reported and properly utilized, the management audit can be of vital importance in a program for reporting the story of American Opportunity to the employee group.

Introduction of the Audit

Let us, therefore, assume that top general management is sincere about such a program. It is then possible to set up the conditions whereby the foremen can be encouraged to express themselves fully and honestly on the important subjects involved.

Introduction of the management audit to the organization must be accomplished tactfully and objectively, once it is decided to undertake it. It is one of the conditions of success that the audit receive the cooperation of all supervisory representatives. Normally the first step is to convince the top production executive that he need not be afraid of the findings, and that they can be of great assistance to him. He should be made to feel that they can provide a basis for the solution of many of the most puzzling problems which beset him. He should be shown how they can improve plant productivity through heightened morale and more efficient supervision.

Succeeding introductory steps will be determined largely by the structure and size of the individual organization. In every case, however, the audit proposed should be carefully disclosed to each lower management echelon in turn. A superintendent's meeting can be of value for this purpose after the cooperation of the factory manager has been secured. Foremen's meetings can then be held by the superintendents. In each instance it should be made clear that the audit is

not concerned with individual shortcomings. The emphasis is rather on determining whether the team knows the signals and the play assignments.

It should also be pointed out to each management level that rank-and-file workers cannot be expected automatically to acquire an interest in their jobs. This is the inevitable result of mass-production techniques, of the departmentalization of companies, the increased size of business organizations, and the consequent lessening of the individual worker's understanding as to where the importance of his particular task lies. It should also be pointed out that there are outside influences on an employee's mental processes which contribute substantially to his like or dislike of his job.

Research Activity

With the introduction of the audit completed in proper sequence, the researchers themselves should be introduced to the personnel to be interviewed. Unusual qualifications are required for this type of job. In the first place, the researchers must strive to maintain absolute objectivity. Secondly, they must have had actual experience with shop procedure. They should preferably have "punched a clock," and they must be able to speak the language of the foremen. Moreover, they must be skilled in guided interviewing techniques. Lastly, they must combine a genuine liking for and interest in people, with tact, diplomacy, and the ability to inspire confidence.

The interviewers customarily work with one department at a time, starting with the general foremen, later the foremen, first in group meetings to clarify objectives, and then in individual interviews. These guided interviews last approximately one hour apiece, to allow adequate coverage of the following major points of discussion:

1. Does the foreman feel he is a part of management?
2. Does he understand company policy?
3. Is he fully acquainted with procedures and paper work?
4. Can he visualize the reasons for the present organization structure?
5. Does he feel that his authority is commensurate with his responsibility?

6. How does he feel that his suggestions and recommendations are treated?
7. Does he feel free to seek counsel on problems of an unusual nature, related to, but not a part of his regular job, which arise from time to time?
8. Does he feel closer to the people he supervises, or closer to the people who supervise him?
9. Does he feel that promotions in the organization are generally awarded to proper and deserving individuals?
10. Does he feel that his superiors supply him with the necessary tools so he can truly function as a part of management?
11. Does he feel that he gets proper cooperation from other departments, shifts or plants of the company?
12. Does he feel that his compensation is adequate?
13. How much does the foreman know about the industry, the standing of his company in the industry, the company generally, its products, and the plant which produces them?
14. How does he think his work could be made more effective?

In every case, supervision is provided ample opportunity to volunteer comments and suggestions, within the limits of the interview. However, any discussion of personalities is discouraged.

Report on the Audit

Taken together, these interviews should provide the raw material on which the researchers' subsequent report and recommendations are based. Tabulation and careful, qualified analysis of the findings are made, designed to present a dual picture of the company's human structure.

The first is a statistical pattern. The second can best be described as a compilation of grievances. The various complaints, suggestions, and feelings of the foremen form a picture of the sources of friction in the organization which are leading to low productivity, and which largely account for any low morale disclosed.

The statistical picture by and large, will consist of generalities. Typical are such statements as: 60% of the foremen feel that they are a part of management, 25% are not sure, and 15% feel that they are "in the middle." These statistics must be taken in conjunction with the grievance picture to give a reasonably accurate appraisal of the supervisory situation. The statistics show what the supervisors feel; the compilation shows what is behind such feelings, and what is needed to correct them.

How to Use the Audit Findings

The recommendations which result from the audit and its findings will, of course, vary with each individual company. In every case, however, these recommendations are the result of carefully planned, objectively conducted, and minutely analyzed research. They will in each instance show what should be emphasized in carrying out a broad and effective internal public relations program. Some or all of the following elements will usually be included:

- 1. Correction of Structural Faults.** This will typically include standardization and clarification of policy; balancing of authority and responsibility; removal of gaps or overlaps in organization structure; and improvement of balance between line and staff functions.
- 2. Improvement of level of foreman understanding.** Frequently the foreman's complaints are based not so much on inherent defects in a situation, but upon incomplete understanding of the picture as a whole.
- 3. Supervisory development and training.** This will logically encompass better foreman management contact; better supervisory and pre-supervisory training; better foreman induction; meetings and communication programs designed especially for foremen; and study and inspection of other organizations to broaden the experience of foremen.
- 4. Provision of a basis for more effective employee communication.** While the management audit does not specifically research this subject, the comments and suggestions of the foremen can often point up the need for better communications.

5. Development of a more systematic program of foreman recognition. This would usually center upon a check of wage schedules, review of the promotion policy, and provisions for tangible, specific recognition of jobs well done.

It should be emphasized that the entire value of the audit may be lost if it is not accepted with confidence and understanding by all levels of management. Should this operation be headed up by a personality within the organization who—despite title—does not command the respect of supervision, more harm than good will be done. In other words, this project must be appropriately led and effectively executed.

In summary, then, the management audit, correctly conducted, supported, and introduced, can provide management with a clear picture of organizational weaknesses and strengths; of employee understanding, and reasons for misunderstanding of company policies; of causes of friction, low morale, and lack of worker job interest.

If the findings of the audit—which is, after all, only the appropriate modification of a technique which is used as a matter of course in other elements of business operation—are fully utilized, management will have a platform upon which to build a strong selling force for human relations within the organization. A dissatisfied, ineffective, and lethargic group can be changed into a constructive, informed, and even enthusiastic element of the organization.

This done, the objective which management has set out to accomplish will become far easier. Within its own employee group it can take steps to correct “public” misinformation, to explain the business system and its merits in terms of its own operations, and, last but not least, to give its supervisors a feeling of individual importance. Moreover, these steps are likely to prove successful, because the worker will no longer encounter so much inconsistency between what he is told and what he experiences every day on the job.

In the last analysis, only a truly blind management will seek to avoid recognition of its own weaknesses, and of its own strength.