

How to Assess Your Personnel Management Guide to Self Audit the Personnel Management in a Small Business

By BizMove Management Training Institute

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1. Introduction

Small businesses often fail because owners are unaware of the many elements that can prevent the business from growing and being successful. Often, small businesses are organized around the manager's specific area of expertise, such as marketing, accounting or production. This specialized expertise often prevents the business owner from recognizing problems that may arise in other parts of the business.

This guide will provide you, the small business entrepreneur, with the essentials for conducting a comprehensive search for existing or potential problems in your personnel management. This guide was designed with small businesses in mind and addresses their unique problems and opportunities.

The author has combined case evidence, logical procedures, expert advice and systematic thinking to create this planning assessment guide. This instrument is not exhaustive, i.e., the business owner/manager still must rely on personal judgment and past experience. However, it does provide a systematic framework to ensure that critical areas have been addressed before action is taken. This guide is a tool, not a replacement for good management skill. Audits and handbooks cannot do the manager's job; however, effectively designed instruments, such as this audit, can save valuable time for the seasoned as well as the novice small business manager.

How to Use This Guide

In order to gain maximum effectiveness from this guide, you should answer all questions in the audit, with an affirmative answer indicating no problem and a negative answer indicating the presence of a problem in a specific area.

After completing answering the preliminary questions, you can proceed to review the analysis of each section of the audit that follows to determine what action is most appropriate. The audit analysis provides an overview of how the various elements of the audit are related. This audit covers the critical function of personnel management in a small business..

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2. Preliminary Questions

Please answer each of the following questions with a 'Yes' or a 'No', then proceed to the analysis section:

A. Employees know what is expected of them.

1. Each employee has only one supervisor.
2. Supervisors have authority commensurate with responsibility.-
3. Employees volunteer critical information to their supervisor.
4. Employees are using their skills on the job.
5. Employees feel adequately trained.

B. Each employee has a job description.

1. Employees can accurately describe what they do.

2. Employees do what is expected.
3. Work load is distributed equitably.
4. Employees receive feedback on performance.
5. Employees are rewarded for good performance.
6. Employees are familiar with company policies.
7. There is a concise policy manual.

C. Preventive discipline is used when appropriate.

1. Employees are informed when performance is below standard.
2. Unexcused absences are dealt with immediately.
3. Theft prevention measures are in place.

D. Regular employee meetings are conducted.

1. Employees' ideas are solicited at meetings.
2. An agenda is given to employees prior to the meeting.

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3. Personnel Management Assessment Analysis

A. Employees know what is expected of them.

Surprisingly, many employees do not know what is expected of them. This appears to be true even when the employees are family members. In the cases that dealt with personnel problems, this was also the case. Poor communications can result in arguments, hurt feelings and poor performance. Despite all that has been written on the importance of good communications in business, it is still a major problem.

1. Each employee has only one supervisor.

In most of the cases that dealt with personnel issues, the major problems occurred when employees did not know who their boss was. The owners also were very confused about who reported to whom. A simple organizational chart can quickly solve this problem. It is important that every employee have only one boss; two bosses often make contradictory demands that make it impossible for the employee to do either job effectively. This creates ill will and destroys teamwork and productivity.

2. Supervisors have authority commensurate with responsibility.

Too often a supervisor has responsibility without the proper authority. This undermines the supervisor and confuses the employees. When owners do not delegate the necessary authority, they destroy their own profits. Often the ability to delegate authority properly has not been learned by small business owners. The cause of poor delegation is often simply the result of poor planning. Clearly thinking through the mission and purpose of the business and establishing achievable goals is an important part of delegating effectively.

3. Employees volunteer critical information to their supervisor.

When employees volunteer critical information to supervisors, it indicates the presence of trust between employees and management. When critical information is not volunteered and the owner is blindsided by unexpected problems, it becomes essential for the owner and supervisors to work on developing trust. Sharing information and asking for feedback are two very simple things the owner can do to improve communication and productivity in the business.

4. Employees are using their skills on the job.

Employees who have skills that are not being used are a wasted resource that the businessperson cannot afford to lose. Too often employees are not being used effectively because the owner is poor at communicating and especially poor at listening. Employees who are not contributing but have the skills to do so also become a morale problem and cause other employee problems.

5. Employees feel adequately trained.

Too many of the employees in the cases did not have adequate training to do their jobs. The causes were numerous, but one major cause ironically had to do with a too-rapid growth of the business. Another major problem was poor hiring, the owners lacked knowledge about what was required to do the job effectively.

B. Each employee has a job description.

Most of the companies in the study did not have job descriptions for employees. A good job description simplifies hiring, placement and training of employees and improves communication. It is impossible to have a good job description if the owner has not done a good job of planning.

1. Employees can accurately describe what they do.

Being able to communicate what one does at work is essential to effective job performance. It develops pride, increases motivation, reinforces high performance and simplifies decision making.

2. Employees do what is expected.

When employees are not doing what is expected, it is generally the owner's fault, and it is a sure sign of poor communication. Often employers cannot communicate their

expectations because they don't know what is expected either. This problem can be solved only by effective planning and communication.

3. Work load is distributed equitably.

The perception of inequitable work loads destroys morale and productivity. Good planning, clear job descriptions and effective communication will go a long way toward ensuring equitable work loads in a business.

4. Employees receive feedback on performance.

Without feedback an employee cannot change or even know that change is required. Feedback does not cost the owner anything, and it is the single most powerful tool available for improving poor performance.

5. Employees are rewarded for good performance.

Rewarding employees for good performance - whether financially or simply verbally - is the best way to obtain quality performance. However, if the owner doesn't know what good performance is, there is no way to reward it.

6. Employees are familiar with company policies.

Too often policies are in the owner's head and are not written down and distributed to employees. This creates numerous problems for both the owner and employees. There is only one solution. Policies must be written and owners must make certain that employees understand them.

7. There is a concise policy manual.

Manuals must be short, simple and understandable. Massive policy manuals accomplish nothing because they are unusable. Having no policy manual, on the other hand, is also a problem. Stacks of papers that aren't easily found or policies that are not written down put the employee in an impossible situation. Good policies that meet the needs of the business simplify decision making and lead to smoother operation.

C. Preventive discipline is used when appropriate.

Too often, the owner wants to be a nice person and avoids discipline when it is needed. Preventive discipline can take place only after the owner has communicated expectations and provided direction and adequate training. However, when an employee continues to perform poorly after the owner-manager has done what can be done, discipline is imperative. Not disciplining an employee when appropriate causes performance problems, just as overdisciplining does.

1. Employees are informed when performance is below standard.

Poor performance will not improve on its own. The first step is to inform the employee of poor performance. If this does not improve the situation, state the performance problem and what is expected in writing, so that the employee understands the seriousness of

the situation. If this still doesn't work, and the employee is properly trained, immediate disciplinary action should be taken.

2. Unexcused absences are dealt with immediately.

If employees see that unexcused absences are not punished, productivity will decline. The offender's performance will likely decline in other areas and the owner-manager's ability to discipline effectively will deteriorate.

3. Theft prevention measures are in place.

Employee theft is often a serious problem. Different kinds of businesses need different measures in this area, but the owner should be aware of possible problems and have specific policies and procedures to deal with them. Employee theft hurts the performance of those who are not involved and also imperils profits.

D. Regular employee meetings are conducted.

Employee meetings are one of the most effective ways of communicating with employees and spotting areas where improvement in the operation can be made. Too many small business owners do not know how to conduct good meetings, so they don't even try. Those businesses that use employee meetings effectively are often very profitable and have fewer performance problems. If the owner does not know how to conduct an effective employee meeting, training in this area should be suggested.

1. Employees' ideas are solicited at meetings.

Consultants are often hired to tell owners what their employees already know. This is a very costly way of finding out what is needed to improve the business. Simply asking employees what they think and how they would like to see performance improved will often generate many good ideas. However, it is essential that the owner actually use some of these ideas, or employees will soon learn that the owner doesn't really want to improve the business.

2. An agenda is given to employees prior to the meeting.

Giving the employees an agenda prior to the meeting lets them know what is expected of them at the meeting and demonstrates that the owner feels their input is important. It also cuts down on rumors and anxiety generated when employees don't know what is going on.

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Bonus Guide

4. Basics of Human Resource Management

Personnel management is concerned with the effective use of the skills of people. They may be salespeople in a store, clerks in an office, operators in a factory, or technicians in a research laboratory. In a business, personnel management starts with the recruiting and hiring of qualified people and continues with directing and encouraging their growth as they encounter problems and tensions that arise in working toward established goals.

In addition to recruiting and hiring, some of the responsibilities of a personnel manager are:

1. To classify jobs and prepare wage and salary scales.
2. To counsel employees.
3. To deal with disciplinary problems.
4. To negotiate with labor unions and service union contracts.
5. To develop safety standards and practices.
6. To manage benefit programs, such as group insurance, health, and retirement plans.
7. To provide for periodic reviews of the performance of each individual employee, and for recognition of his or her strengths and needs for further development.
8. To assist individuals in their efforts to develop and qualify for more advanced jobs.
9. To plan and supervise training programs.
10. To keep abreast of developments in personnel management.

To understand the personnel manager's job think of how you would deal with the following examples of challenging employee situations:

The firm's employees - especially the most qualified ones - can get comparable, if not better jobs with other employers.

When a firm faces a scarcity of supervisory and specialized personnel with adequate experience and job capabilities, it has to train and develop its own people. This can be time consuming and expensive.

The cost of hiring and training employees at all levels is increasing, for instance, several thousand dollars for a salesperson. A mistake in hiring or in slow and inefficient methods of training can be costly.

Personnel managers must comply with the law by employing, training and promoting women and persons from minority groups. The problem in doing so is that many of these employees have not had appropriate experience and education in the past.

Most employees, whether or not represented by labor unions, continue to seek improvements in direct compensation, employee benefits, and working conditions. All

commitments must be based upon what the firm can afford, comply with current practices of other employers, and be understood and accepted by the employee. To do this, all employee policies and operating procedures should be developed and negotiated with great care.

Some employees may not perform satisfactorily simply because their firm offers competitive compensation, benefits, and working conditions. In addition to these financial or physical compensations, they want responsibility, the opportunity to develop, and recognition of accomplishment in their jobs.

The law have established requirements for pension and other benefit plans, and also bar mandatory retirement at age 65. Complying with such changes presents real challenges.

Personnel management works to achieve practical solutions to such problems. In large firms, it generally provides support to line management. In this staff capacity, the personnel department has the responsibility to develop and implement policies, procedures, and programs for recruitment, selection, training, placement, safety, employee benefits and services, compensation, labor relations, organization planning, and employee development.

Often, the owner-manager of a firm also has to be the personnel manager. In such a case it is necessary to have an overview of current trends and practices in personnel management.

All small businesses must staff their operations. This involves bringing new people into the business and making sure they are productive additions to the enterprise. Effective human resource management matches and develops the abilities of job candidates and employees with the needs of the firm. A responsive personnel system will assist you in this process and is a key ingredient for growth.

Human resource management is a balancing act. At one extreme, you hire only qualified people who are well suited to the firm's needs. At the other extreme, you train and develop employees to meet the firm's needs. Most expanding small businesses fall between the two extremes i.e., they hire the best people they can find and afford, and they also recognize the need to train and develop both current and new employees as the firm grows.

One function of personnel management deals with how to hire and train the right people and addresses the characteristics of an effective personnel system, such as:

Assessing personnel needs.

Recruiting personnel.

Screening personnel.

Selecting and hiring personnel.

Orienting new employees to the business.

Deciding compensation issues.

Another function addresses the training and development side of human resource management. A third function deals with how the personnel system and the training and development functions come together to build employee trust and productivity. These three functions stress the importance of a good human resource management climate and provide specific guidelines for creating such a climate.

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