

SESSION 6: MANAGEMENT

FIRST THINGS FIRST!

Your Personal Management Skills

Business owners need skills in some basic business areas. If you don't have those skills, you'll need to get help from other employees, or from outside advisors.

Use the following chart to assess your personal management skills.

Basic Management Skills Worksheet

Basic Management Skills	I have no skills	I have some skills, but I need help	I have enough skill to get by	I have really good skills
Building a team and leading it				
Organizing and planning				
Problem solving				
Money management				
Superior customer service				
Public relations				
Sales				
Other:				

Now, think about your own working style, and complete the following statements:

My ideal work location would be in _____

My idea of a perfect office is _____

I was very successful when I _____

I work best when I can _____

I communicate best with people by _____

I'm motivated to do my best when _____

Understanding the type of working situation that's best for you may give you a better idea of how to manage others. Surrounding yourself with employees who share your standards and value similar things makes managing them easier.

Managing Time

Perhaps the most important thing a small-business manager can learn is how to prioritize tasks and use time efficiently. Answer the following questions about time management and priorities.

1. How will you keep track of the things you need to accomplish each day?

2. How will you decide which things are most important to get done during your business day, and which can be left until later?

3. Rank the following items in order of importance, using 1 for “very important,” 2 for “somewhat important,” 3 for “not very important,” and 4 for “least important.”

An unhappy customer comes to your business and wants his or her money back. _____

A good friend drops in to visit with you during working hours. _____

There's a game on your new computer that you want to learn to play. _____

You need to read some information about a new product you want to introduce. _____

The phone rings while you're on the other line. _____

You're often late getting home for dinner. _____

Managing Business Communication

Bearing in mind that “communication” can mean how you look, how you answer the phone, how your employees conduct themselves, and so on, answer the following questions:

1. How important is phone etiquette to your business? What rules of phone etiquette will you follow?

2. How will you make sure important messages and information are communicated within your business?

Managing People

It's important to think about the qualifications of the people who may be helping you manage and direct your business.

1. Who are the owners and/or managers of your business, and what are their titles?

Name	Owner	Manager	Title
<i>Example: Jane Smith</i>	X		CEO

2. Who will manage the day-to-day operations of the business?

3. Why did you choose the people named in Question #2? What qualities, abilities, or experience do they have?

4. What management philosophies will you use? Are these philosophies similar to those of the people named in Question #2?

Managing People—continued

Identify Key Management Activities

Which skills do you have in house, and which do you need to seek from outsiders? To answer these questions, identify the key activities of your business, and then analyze your skills and the skills of potential team members.

The *Basic Management Skills Worksheet* at the start of this session got you thinking about some of the skills you need to be a good manager. The purpose of this *Management Skills Matrix Worksheet* is to get you to think about areas where you need help now, or in the future. This is the next step to building your management team.

Review each skill area in the *Management Skills Matrix Worksheet*. In the “Adequate Knowledge” column, write the name of your management team member (you, other owners, or a key employee) who has skill in that area, or write an “O” to indicate that an Outsider currently provides the skill.

If you don’t know whether you need to seek help from an outsider, place an “X” in either the “Assistance Needed” column, or the “Education Needed” column. For those skills that require education, research the cost of that education, and enter it into the last column.

Management Skills Matrix Worksheet

Skills	Adequate Knowledge (write in the name)	Assistance Needed (X)	Education Needed (X)	Cost of Education Needed (\$)
Overall Decision Making				
Planning				
Organizing				
Accounting & Taxes				
Financial Management				
Cost Control				
Pricing				
Quality Control				
Equipment Management				
Inventory				
People Management				
Personnel Policies				
Time Management				
Sales				
Marketing				
Promotion				
Customer Service				
Credit & Collections				
Other:				

Managing People—continued

Next, look at the skills for which you checked “Assistance Needed” or “Education Needed,” or left blank. Would it be better to train someone inside your business to do these tasks, or would it be better to use outsiders on a contractual basis (e.g., independent contractors)?

Do you have the time and resources to educate yourself, or one of your management employees? The next section may help you answer these questions, by looking at the use of outside services and advisors.

Outside Services

You can obtain skills that you or your employees lack by using outsiders. Almost all small businesses make some use of attorneys and accountants. Besides using traditional professional services, you may consider contracting for more routine services such as secretarial, equipment and building maintenance, and janitorial services. This practice is called outsourcing. It allows you to “rent” the expertise you need, without permanently increasing your employee costs (e.g., payroll, payroll taxes, employee benefits, etc.). Be sure you consider the legal issue of independent contractors vs. employees—as defined by the *IRS Twenty-Point Checklist*—when deciding which functions you want to outsource.

On the *Management Skills Matrix Worksheet*, you identified skill areas you could outsource. With that in mind, complete the *Outside Services Worksheet* below. You’ll need to research the cost of each outside service. Consider obtaining two or three bids for each service category, which will help you develop realistic budget figures.

Calculate the monthly expense of each outside service, then add up the total annual cost. That way, you can compare the cost of using outside services to the cost of training and employing someone to do the same work.

Outside Services Worksheet

Category of Service	Who	Cost per month	Cost per year
Accountant/Bookkeeping			
Lawyer			
Banker			
Insurance Broker/Agent			
Marketing/Promotions			
Secretarial/Administrative			
Maintenance			
Janitorial			
Other:			
Total Monthly Cost			
		Total Annual Cost	

Managing People—continued

Advisory Board

Advisors can add expertise and unbiased views to your business at a low cost. Many advisory boards are set up to meet a limited number of times during the year, while others meet on a regular basis. Most small-business advisory board members serve on an unpaid basis. They're often rewarded simply by having their meeting meal paid for, or with discounts on products or services. The board may consist of family members, business professionals in the community, former or current owners of similar businesses, customers, mentors, or interested observers.

Here's an example of an effective business advisory board. A clothing store decided to open a teen department. It contacted each of the local high schools, and chose four teenagers from each to sit on its board. The students were taken to a big buying show in a major city, where they helped the adult buyers choose teen styles for the department.

The result was a teen clothing department that carried clothing picked by teens, which meant that adults didn't have to guess what teens would wear. Students were also featured in the local newspaper, as the clothing store's way of saying "thank you" for their help.

Using the worksheet below, identify potential Advisory Board members by category, and then by name (if you know someone who fits in that category).

Advisory Board Worksheet

Advisory Board Member	Knowledge or Expertise Desired	Potential Advisory Board Member Name

1. How often would you like your advisory board to meet? Where? How will you compensate members?

Managing People—continued

Employees

Now that you've identified management and outside services, you should figure out how many employees you need. What will employees do and what skills will they need?

It's important to know how to find qualified employees. Written job descriptions that clearly define the duties of each employee, and a manual that spells out the relationship between employee and employer, are a must. Training employees well is critical to successful operations.

Identify your non-management employees' needs by using the worksheet below. Identify full and part-time positions, and when they are needed (seasons, specific hours of the day, etc.). Then, answer the questions below the worksheet.

Employee Needs Worksheet

Job Title	Skills and Qualifications	Job Responsibilities	Full or Part Time	When Needed

- 1. Do you have current job descriptions written for your management and personnel positions?** ____ Yes ____ No . (If no, make a note on your Action Log from Session 1 that this is an activity that needs to be scheduled and completed.) Include copies of job descriptions and/or resumes in the Attachments section of your business plan.
- 2. Do you have a written personnel/policy manual?** ____ Yes ____ No. If no, add this activity to your Action Log from Session 1, if your instructor thinks it would be helpful to your business.
- 3. Do you expect to have any problems attracting the type of employees you want?** ____ Yes ____ No. If no, explain where you'll find these employees, and how you'll get them to work for you.

Managing People—continued

4. How will you screen and hire personnel (will you use job skill testing, job interviews, drug testing, etc.)?

5. What training will new employees need? Specify training needs for each position. Who will conduct employee training (in-house; community college; etc.)? How much do you think it will cost?

6. What paperwork will be required when you hire new personnel? (*Hint:* every new hire must complete a W-4, I-9, and optional benefits acceptance/decline form if eligible for benefits.) What other legal requirements apply?

Salaries and Wages

How much do you think you'll spend on salaries, hourly wages, and benefits for your employees? Remember to include payroll taxes, and optional fringe benefits, in your calculations.

The number of employees, and the hours they work, will probably change from month to month, especially if your business has seasonal highs and lows. Don't forget to include the wages of part-time employees. Compare the type and cost of benefits you offer to industry averages, and to your local competition. Then, when you see the cost total, determine if you need to make some changes.

Managing People—continued

Employee Salary/Wage & Benefits Worksheet (monthly) See directions on next page.

Title:		Notes:	
Work Performed:			
Salary/Wage per Hour/Month: \$			
Mandatory Benefits:		Optional Benefits:	
Social Security (FICA)	\$	Medical Insurance	\$
Federal Unemployment	\$	Dental Insurance	\$
State Unemployment	\$	Vision Insurance	\$
Workers Compensation	\$	Life Insurance	\$
Other	\$	Disability Insurance	\$
		Pension Plan	\$
		Profit-sharing Plan	\$
		Other	\$
Total Mandatory/Month	\$	Total Optional/Month	\$
		Grand Total/Month	\$

Employee Salary/Wage & Benefits Worksheet (monthly)

Title:		Notes:	
Work Performed:			
Salary/Wage per Hour/Month: \$			
Mandatory Benefits:		Optional Benefits:	
Social Security (FICA)	\$	Medical Insurance	\$
Federal Unemployment	\$	Dental Insurance	\$
State Unemployment	\$	Vision Insurance	\$
Workers Compensation	\$	Life Insurance	\$
Other	\$	Disability Insurance	\$
		Pension Plan	\$
		Profit-sharing Plan	\$
		Other	\$
Total Mandatory/Month	\$	Total Optional/Month	\$
		Grand Total/Month	\$

Managing People—continued

Make copies of the Employee Salary/Wage & Benefits Worksheets on the prior page.

- Step 1: Make enough copies of the worksheets for the number of employees you think you'll need. Fill out one worksheet for each employee (including active owners and managers who will be paid a wage). Use the "notes" section to document anticipated wage level changes, bonuses, seasonal requirements, etc. (Note: This is a monthly worksheet, so for part-time or seasonal employees, show the months they will be working, or anticipated seasonal monthly hours.)*
- Step 2: List the job title for each employee you think you'll need on the Employee Salary/Wage & Benefits Summary Worksheet below. Don't forget to include active owners (i.e., those who will be paid a wage, not owners/proprietors taking a draw) and managers.*
- Step 3: Fill in the amount of the salary/wage and cost of benefits to be paid each employee for each month on the summary worksheet below. (Don't forget seasonal fluctuations.)*
- Step 4: Calculate the total monthly salaries by adding down the columns, and the total yearly salaries for each by adding across the rows.*

Employee Salary/Wage & Benefits Summary Worksheet

[illegible]

Managing People—continued

Other Employee-Related Issues

Motivating and rewarding your employees is important to the survival of your business. Motivating *yourself* also needs to be a part of your business plan! Don't forget to include your personal motivators when answering the questions below.

1. What motivational incentives will you create?

2. Will you have a Personnel Manual? If so, how will it affect employee motivation?

3. What policies will be in place for resolving employee problems?

4. What policies and/or procedures will be in place for firing employees?

5. Describe your overall philosophy of managing employees. (Remember, “employees” may also include family members.)

Managing Risk

Each business has special risk management needs. You need to think about managing the risks your business faces, and plan to address any special needs your business has.

Managing risk generally begins with the issue of insurance. You should review your insurance needs with an insurance agent. After this consultation, you'll be in a position to determine the coverage you need, and the cost of each type of insurance.

1. **What kind of insurance will you need to protect yourself and your business?** (Make preliminary notes on the lines below, then fill out the *Types of Insurance Worksheet* on the following page after talking to an insurance agent.)

2. **What other risks might affect your business? How will you protect your business from them?** An *inside risk* might be a structural threat like fire damage. What management policies and procedures will protect you, your employees, and your business? An *outside risk* might be someone coming to rob your business. Again, what management policies and procedures will protect you, your employees, and your business?

Other Risks Worksheet

Description of Risk	Inside or Outside	Policies/Procedures to Manage Risk

3. **Will you have an Operations Manual for the daily activities of your business? If so, how will it help reduce the risk of running your business?**

Managing Risk—continued

Types of Insurance Worksheet

Types of Insurance	Required	Type/Coverage	Annual Cost
Protecting Your Business			
General Liability			
Product Liability			
Completed Operations			
Errors/Omissions			
Professional Liability			
Automobile Liability			
Business Property			
Fire and Theft			
Flood Insurance			
Business Interruption			
Fidelity/Surety Bonds			
Electronic data/Computers			
Other:			
Protecting Yourself			
Personal Disability			
Key-Person			
Life Insurance			
Medical			
Other:			
Protecting Your Employees			
Group Health			
Life			
Pension Plan			
Workers' Compensation			
Other:			

Your Worksheets Assignment Due for Session 7



Please work on the following worksheets at home:

- *Management Skills Matrix Worksheet* (review)
- *Outside Services Worksheet* (complete and get costs)
- *Employee Salary, Wage and Benefits Worksheets* (finish and work on costs)
- *Types of Insurance Worksheet* (contact insurance agent and work on costs)

Review the other worksheets that we worked on during Session 6 class time. Write down any questions you have, so we can discuss them at the start of Session 7.

Writing Your Business Plan



Use the information you researched, and the worksheets in this session, to write the following sections of the business plan. Use the headings and subheadings just as they're shown. Then, follow the instructions under the subheadings in order to decide what information you should include in each part.

Section IV. Business Organization

B. Management Issues

Managing People

Internal Management Team

*Review the **Managing People Worksheets**. Describe your management team. Include details about your key owners and managers, and why they were chosen. In the **Attachments** section, include a resume for each owner and key manager. If a management position is unfilled, include the job description instead of a resume. This section should tell your reader why you and your team are qualified to manage your business. If applicable, include an organizational chart for your business to help the reader see the roles and responsibilities of your management team.*

Employees

Describe your non-management employee needs. Include job descriptions. Discuss where and how you will find new employees, and what screening processes you will use in hiring. Discuss whether you think you'll have trouble finding qualified employees for your business. Also discuss how you'll train employees (both new employees, and ongoing training).

NOTE: *These instructions continue on the next page.*



Writing Your Business Plan—Section IV. continued

Outside Services/Advisors

*Review the **Outside Services and Advisory Board Worksheets**. Discuss the outside services you'll need, and why you decided to use them instead of hiring an employee to do the work. Then, discuss whether or not you'll use an Advisory Board. Describe who (by member type, not names) might be on the Advisory Board, and what information they can provide to help your business.*

Risk Management

*Review the **Types of Insurance and Other Risks Worksheets**. Explain how you'll manage risk. Include the types of insurance you need, and the anticipated costs. Also, write about other inside and outside risks your business faces, and what management policies and procedures will help you manage those risks.*

Special Note: The financial/cost information you're gathering throughout these early sessions will be used in later sessions. As you continue making decisions, you might want to review worksheets that ask for costs to see if they need revising along the way.

This image shows a single page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, leaving small margins at the top and bottom. There are no vertical margin lines, and the page is completely blank except for the lines themselves.