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Outline for a management audit

Metropolitan Life Insurance Company. Policyholders Service Bureau

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Outline for a Management Audit

A Report Prepared for Metropolitan Group Policyholders

POLICYHOLDERS SERVICE BUREAU
METROPOLITAN LIFE INSURANCE COMPANY
HOME OFFICE: NEW YORK
Pacific Coast Head Office: San Francisco  Canadian Head Office: Ottawa

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METROPOLITAN LIFE INSURANCE COMPANY
HOME OFFICE: NEW YORK
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# OUTLINE FOR A MANAGEMENT AUDIT

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Prepared by
Policyholders Service Bureau
Group Insurance Division
METROPOLITAN LIFE INSURANCE COMPANY
OUTLINE FOR A MANAGEMENT AUDIT

How productive is your management? Does it measure up to present day requirements?

Most progressive companies make it a point to audit their accounts at least once a year in order to establish the adequacy and accuracy of such accounts and to reveal fiscal weaknesses that may need correction. The periodic inventorying and appraising of physical assets is also an accepted practice.

There is need for the same sort of stock-taking as applied to the management of a business. This can be accomplished through the medium of a management audit. Through this device, a business executive undertakes, in effect, to back off and survey his company critically and objectively. A comprehensive management check list is helpful in this connection.

This report presents such a check list arranged in a manner calculated to be most helpful for auditing purposes. It consists of a series of questions on fundamental management policies and practices most of which are common to all types of business activity. These questions should prove suggestive. They are grouped under the major divisions of management, viz., Personnel, Production, Sales, and General Management. The list could be expanded considerably but, in the interest of brevity, has been restricted to questions of special timeliness and importance.

PROBLEMS OF THE SMALL ORGANIZATION

The smaller organization has essentially the same management problems as a large concern. Naturally, the emphasis on specific problems is different in the small company because of the close personal contact between management and employees and because the executive must necessarily be a jack of all trades. However, these differences are primarily superficial and they should not blind the small company's management to the real nature of their job.

The check list shown in this report raises a wide variety of questions on basic management problems. The importance of each problem will naturally vary with the individual concern, depending on its size or its field of operations. Some of the questions are more important to large organizations than to small ones, and vice versa. However, all companies, irrespective of their size or industry, will find in these questions an outline of their basic management problems.

To use the check list effectively, attention should be paid to the substance rather than to the exact wording of each question, because the wording may seem to be directed at the problems of the large company. Conversely, the wording will be pointed toward the small company if the problem involved is of greater importance to it.
GENERAL MANAGEMENT

Organization

1. Is your organization set up in accordance with a definite plan, or has it developed in a "hit-or-miss" fashion with little or no recognition of basic functions or logical groupings of activities?
   (a) Have you conducted organization surveys to correct wartime distortions or to adjust to postwar changes in the volume or nature of operations?

2. Are the functions and responsibilities clearly defined for each department and division of your business and for individual executives?
   (a) Are lines of authority clear-cut and direct?
   (b) Does every individual know to whom he reports and who reports to him?

3. Has the organization been put on paper in the form of carefully prepared organization charts or written outlines of duties?
   (a) Is there some provision for keeping these up to date?

4. Has your policy of centralizing the administration of various functions or activities been such as to get the maximum benefits from the specialization of personnel - at the same time, have you had in mind the possible value of some decentralization of management as a means of executive development and of encouraging initiative?

5. Do you follow the principle of an understudy for every executive position to provide for contingencies and to insure continuity?
   (a) Have you some means of locating and developing potential executive ability?
   (b) Have you some plan for rewarding executives in proportion to results secured?

6. Do you employ committees or some other practical means of coordinating all the different phases or activities of your company so that the organization operates as a team and not as a collection of individuals and independent departments or divisions?

7. Are you making the best use of the "line and staff" organization plan as a means providing specialized staff assistance at various organization levels?
   (a) Are line and staff relationships and authorities clearly established?

Executive Control

1. Are you making the most effective use of control techniques, i.e., the establishment of practical standards or yardsticks, the measurement and reporting of performance, and the initiation of corrective action?
(a) Does your control procedure serve to spotlight conditions requiring action in
time for such action to be taken?

2. Is your accounting system designed to furnish significant control information
both by functions and by departments?

3. Do you get current and reliable information on the costs of individual products
or services, processes, customers, and localities?

4. Do you operate under a budget?
   (a) Are budget allowances and classifications designed to reflect individual
       executive responsibilities? Is there provision for frequent comparison of
       budgeted with actual performance?

5. Have you taken steps to develop or to reinstill a spirit of cost consciousness
throughout your organization so that each action will be weighed in terms of the
costs involved?
   (a) Do you hold regular cost analysis meetings of operating executives and super­
       visors for this purpose?

6. Have you examined and appraised all your control reports and records from the
standpoints of (a) the value, adequacy, and timeliness of the information fur­
nished; (b) economy of executive time; (c) cost of preparation? Do you check
this at least once a year?
   (a) Do you require that those submitting reports include a brief interpretation
       of the significant points revealed?

7. Is there provision for acquainting executive and supervisory personnel with the
company’s basic policies?

Finance

1. Is your company’s capital structure adequate for your present requirements and
   the most advantageous to be had under present monetary conditions?

2. Are your cash resources and requirements planned and correlated for a reasonable
   period in advance through some form of cash budget?

3. Do you control the size and activity of bank accounts in individual depositories
   so as to minimize bank service charges?

4. Are all executive actions and decisions weighed from the standpoint of their
effect on the company’s tax liability?

5. Does the company have inactive or obsolete assets that might profitably be con­
   verted into cash?
6. Have you a plan of internal audit that safeguards against unauthorized or excess payments and serves to detect inaccuracy or dishonesty in the company's accounts?

(a) Does this apply also to branch locations?

7. Is it your policy to take advantage of all cash discounts on purchases, and is there some means of insuring that this policy is consistently followed?

8. In the granting of credit, are credit decisions based on an objective appraisal of the risk involved but with a practical consideration of the sales angle?

9. Are you reappraising the credit status of old customers in terms of post-war conditions?

(a) Do you age your accounts receivable at frequent intervals and keep close check on their liquidity?

(b) Have you investigated the possibility of eliminating the mailing of monthly statements to customers?

**Legal and Legislative**

1. Is there provision for company executives to get advice on the legal aspects of the day-to-day decisions they must make?

2. Are one or more people in your organization specifically charged with responsibility for keeping informed on new statutes and legislative developments - Federal, State and local, as well as new regulations, interpretations, etc., of Governmental agencies?

3. Is there some provision for the dissemination of information on such legislative and regulatory matters throughout the company?

(a) Is it someone's job to see that they are uniformly interpreted and complied with?

4. Do you maintain membership in appropriate trade association or management groups that might serve to keep you in touch with current developments, both generally and in your specific field?

**Procurement**

1. Is the responsibility for purchasing all company requirements concentrated in one or more specialists, or is it left up to the operating executives and department heads to negotiate for their individual requirements?

2. Where there are operations at more than one location, have you centralized the purchasing of as many common items as possible to get the advantages and economies of volume buying?
3. Are the number and variety of items purchased controlled by a program of standardization and simplification?
   (a) Are these standards enforced?
   (b) Must every purchase request be justified?

4. Are purchases made on the basis of carefully prepared specifications and competitive quotations, and do you check the quality and quantity of the goods or services received?

5. Have you built up lists of approved vendors that provide a satisfactory variety of suppliers?
   (a) Is it your practice to maintain alternative sources of supply for critical items as a safeguard against emergency situations?

6. Do you make the most of your contacts with suppliers' sales representatives to keep in touch with new technological developments, substitute or alternative materials, supplies, etc.?

7. Are the records of your purchasing department designed to provide all the information needed as regards commodities, vendors, price fluctuations, delivery performance, etc.?

Inventories

1. Are your inventories adequately controlled from the standpoint of both physical storage and accounting records?
   (a) Does this enable you to relate the size of your stocks and your storage facilities to changing volumes of business?

2. Are the number and variety of items carried in stores controlled by a program of standardization and simplification?
   (a) Are efforts made to substitute in-stock items wherever possible for those requiring an additional purchase?

3. Do your inventory records reveal how frequently you are out of essential goods?

4. Have you worked out a practical formula for determining the minimum and maximum limits for each item carried in stores? Is your rate of stock turnover satisfactory? Have you some basis for spotting slow-moving items quickly?

5. Do you have some method of periodically identifying and disposing of obsolete and unusable items in stores?

6. Are your storerooms located for maximum accessibility, and are they efficiently arranged? Are they under central supervision and control even though physically decentralized?
7. Have you some systematic method of verifying the book inventories at least once a year by a physical count? Is this planned so as to interfere as little as possible with operations?

Traffic and Transportation

1. Does your organization include a specialist on traffic and transportation matters with a knowledge of shipping rates, classifications, etc.?

2. Have those responsible fully investigated alternative transportation services to those now in use for possible economies or advantages?

3. Have you carefully investigated the merits of operating your own trucks as compared with contracting for such service? Have you done the same as regards servicing or maintaining your automotive equipment?

4. If your executives do considerable traveling, have you considered setting up a central travel bureau to arrange the necessary transportation and hotel accommodations for them?

Insurance

1. Has responsibility for insurance matters been centralized in the hands of one or more specialists in your organization to insure experienced handling?

2. Is there some one executive directly responsible for the administration of your company's Group insurance program?

   (a) Is he fully informed on the underwriting and operating problems involved and the services available from the insurance carrier?

   (b) Is the plan being administered and publicized within the company so that maximum benefit results from the standpoint of good industrial relations?

3. Are all insurance risks subjected to periodic review and appraisal to reveal whether they are overinsured or underinsured due to changes in wage rates, material costs, etc.?

4. Have you made a survey of all the hazards to which your business is subject with the thought of developing a well-rounded, comprehensive insurance program?

5. Have you read your insurance policies to make certain that they give the type and amount of protection you want and think you are getting?

6. Are you taking full advantage of the various rate and premium reduction practices available along the lines of safety, health, and fire-prevention devices and practices?

7. Have you taken steps to cushion the shock to the company from the loss of certain key executives by providing so-called "keyman" insurance programs?
Office Management

1. Is there an executive in your company with specific responsibility for office personnel, office equipment or facilities, and office methods?

2. Are you in touch with the latest developments in the field of office machines?
   (a) Have you investigated the practicability of mechanizing certain clerical operations?
   (b) Do you review this situation from time to time in the light of changes in the volume and nature of clerical activities?

3. Have you checked on the extent to which your present office machines and equipment are being used?
   (a) Would rescheduling or planning the work make machines available for additional applications?

4. Do you have an office methods unit to devise the "one best way" for each clerical operation?
   (a) Do you employ work simplification techniques for the purpose of locating superfluous operations or steps, duplication of records, and unnecessary back-tracking?

5. Do you check up periodically to satisfy yourself that all the various reports, records, and forms prepared in the office are serving a useful purpose?

6. Have you investigated the economies to be secured through centralization of office services such as transcription, filing, record duplication, mail and messenger, communication, etc.?

7. Do you use written standard practice instructions as a means of securing uniform procedures when training new office workers?

8. Do you have a systematic program for the weeding of filed records?
   (a) Have you developed a record-destruction schedule which provides the "period of keep" for each record?
   (b) Have you investigated the possible advantages of microfilming some of your inactive records?

9. Have you taken any steps to improve the quality of the letters going out from your company?
   (a) Are you making use of carefully prepared form letters and form paragraphs as a means of facilitating correspondence?

10. Is your office laid out so as to get maximum utilization of space and efficient flow of work?
(a) Are the number of private offices kept at a minimum and located so as to interfere as little as possible with light, heat, and ventilation in the general office areas?

11. Do you employ some form of departmental audit for an objective review and appraisal of the performance and efficiency of each office department?

PERSONNEL MANAGEMENT

Organization

1. Is there provision in your top management organization for the representation of the personnel viewpoint on matters requiring executive action? Have you centralized responsibility for personnel administration and labor relations in one senior executive?

Employment

1. How can hiring techniques be improved so that fewer errors in selection will be made?
   
   (a) Do you employ tests in this connection?
   
   (b) Are employment interviews so conducted as to create a favorable impression of the company and put applicants at ease?

2. Have you a plan for "introduction to the job," and is it carried out in the manner intended?
   
   (a) Does management provide for the introduction of new employees to supervisors and co-workers, for the explanation of company policies, rules and job details, and for showing new employees the location of personal facilities?
   
   (b) Is your employee handbook (or similar literature) up to date, attractively presented, and of help to new employees in getting them started properly on their jobs?

3. Are pay adjustments, promotions, attendance control, and terminations adequately facilitated through existing personnel records?
   
   (a) Do these records provide all the information required by statutes and Governmental regulations?

4. Is each employee whose services may be terminated given an opportunity for an interview with a representative of management?

Training

1. Are new employees given adequate training in their jobs, including systematic assistance in acquiring necessary skills and safe work habits?
(a) Are written instructions or manuals available for reference in this connec-
tion?

2. Is there a retraining provision for former employees who have returned to work?

3. Are employees who are qualified for promotion encouraged and helped to prepare
themselves "for the job ahead"?

4. Is there a program for developing supervisors in human relations, and in general
supervisory duties?

5. Are those responsible for training others given instruction in proper training
techniques?

Compensation

1. Is your compensation plan designed to insure fair pay for the work performed?
   (a) Are wage and salary schedules based on job analyses and job evaluations?
   (b) Is the wage scale for similar types of work in line with that of other com-
       panies in your community?
   (c) Do the annual earnings of your employees compare favorably with those of near-
       by companies?

2. Does your compensation plan provide an incentive for extra effort or increased
   productivity?

3. Have you some form of salary administration that insures equal pay for equal work
   and that provides for recognition for length of service and merit rating?

4. Do you have a paid vacation plan for hourly wage-earners?
   (a) Do its conditions give recognition for service?
   (b) Is it as liberal as the plans of other companies that compete with you for
       labor?

5. Do you give a termination allowance to employees who are laid off through no fault
   of their own?

Promotion

1. Are promotions based on merit, length of service, and over-all value to the com-
   pany?

2. Are promotions made on a company-wide rather than a departmental basis?

3. Wherever possible, do you follow a policy of promoting from within the company?
Financial Security

1. Do your competitors in the labor market offer more than you in the form of Group Life insurance, sickness and accident benefits, medical insurance, hospitalization and surgical benefits, and pensions?

2. Do you have a uniform policy, based on length of service, for supplementing sickness and accident benefits with salary payments, in order to round out the security program?

3. Do you have some plan, such as a credit union, for promoting thrift among your employees?

Health and Safety

1. Do you provide for physical examination of your employees, either periodically, or preliminary to employment?

2. Do you have first-aid facilities which include medically approved modern first-aid equipment and the emergency services of an employee qualified in first-aid treatment?

3. Are accidents investigated, and is previous accident experience analyzed as a basis for preventive activities?

4. Is employee cooperation in on-the-job and off-the-job safety fostered through employee safety committees and meetings, and through such educational material as posters and leaflets?

5. Have you given attention to the effect on health and morale of improved working conditions, such as proper heating, lighting, ventilation, and layout, and clean and adequate sanitary rest-room and locker-room facilities?

6. Have you taken any steps, through laboratory tests or otherwise, to determine whether your employees are exposed to harmful or objectionable working conditions due to dust, noxious fumes, or gases?

   (a) Would an analysis of an air sample from your establishment reveal ingredients that might constitute an industrial hazard?

Employee Services and Facilities

1. Are transportation facilities to and from your plant satisfactory?

2. Are satisfactory lunchrooms available at or near your plant?

3. Do your employees have proper facilities for athletic and recreational activities?

4. Are drinking facilities adequate and so located as to serve employees and conserve time?
5. Have you recently reviewed your policy as regards smoking by employees, either on the job or during recess periods?

Employee Morale

1. Do all employees have some degree of personal acquaintance with the general manager, or, in larger companies, with a senior executive?

2. Are supervisors sufficiently acquainted with each employee to know something about his personal background?

3. Are employees kept informed about basic matters affecting the company and their jobs, and is consideration given to their views before important decisions are made?

4. Do you report to your employees from time to time on the company's operations and progress?

5. Are absenteeism and labor turnover lower than in similar or near-by plants?
   (a) Have you ever estimated these costs?
   (b) Do you regularly compare your experience with that of other plants in your community or industry?

6. Have you considered the possible advantage of music in your plant or office during working hours?

7. Do you publish a company magazine or newspaper for your employees as a means of keeping them informed and improving their morale?
   (a) Have you checked up to see if this is doing the job it is designed for?

8. Have you made any provision for employees, particularly your women employees, to receive sympathetic counseling or advice on their personal problems?

9. Do you have some formal procedure whereby employees are encouraged to submit suggestions related to the operations of the business and the performance of their jobs?
   (a) Is there some plan of financial award to employees for suggestions accepted?
   (b) Is the suggestion program promoted and publicized in a way to maintain employee interest and participation?
PRODUCTION MANAGEMENT

The Plant

1. Have you given careful consideration to the location of your plant, both now and for the future?

   (a) In this connection, have you considered such factors as (1) the local labor market; (2) community and State legislation affecting business; (3) transportation facilities with relation to sources of raw material and product distribution centers; (4) housing, living, and school conditions; (5) availability and cost of power, water, gas, and other auxiliary services; (6) parking space for employees' automobiles; (7) availability of suitable plants or sites?

2. Have your present facilities grown to the point where economies might result from some decentralization of operations in the future?

3. Is your present building suited to your purpose, with particular reference to (1) number of stories; (2) design and construction; (3) adequacy of light and ventilation; (4) handling of materials; (5) adaptability to future expansion; (6) location on the site; and (7) accessibility to transportation?

4. Have you considered the relative advantages of owning or renting the premises?

5. Is your plant laid out in accordance with a long-range plan so as to minimize the cost of subsequent changes?

   (a) Do you make engineering studies, including template layouts on paper, of each proposed change or rearrangement?

6. Is your layout designed to (1) relieve congestion; (2) provide adequate working space; (3) facilitate supervision; (4) minimize the handling and transporting of materials; and (5) obtain maximum utilization of present facilities?

7. Are you spending your money for the purchase of new machinery or equipment where it will count the most in terms of total cost of your product?

8. Are you investigating the possible economies through the replacement of the manual handling and transporting of materials within the plant by mechanical means?

   (a) At the same time, are you making sure that such material-handling equipment is sufficiently flexible to meet changes in schedules, variations in products or processes, etc., and that savings are not offset by changes necessitated elsewhere?

Maintenance

1. Is your maintenance program planned to keep buildings, machines, and equipment in good operating condition?
1. Have you taken steps to catch up on deferred maintenance resulting from war-time operations?

2. Are you prepared to handle breakdowns expeditiously either (1) with standby equipment for temporary replacements, or (2) with an emergency crew?

3. Do you have a plan of periodic and systematic inspection of facilities and equipment that puts the major emphasis on preventing rather than correcting trouble?
   (a) Do you use some form of check list in this connection?

4. Is your maintenance, repair, and overhauling work scheduled so as to interfere as little as possible with production operations?

5. In setting up your maintenance organization, have you made the fullest possible use of specialized units, such as engineering, plumbing, millwright and carpenter, electrical, painting, sheet metal and welding, a machine shop, and one for new construction?
   (a) Is your maintenance force qualified to handle the erection of new equipment and rearrangement projects as well as regular repair and maintenance work?

6. Is maintenance given adequate consideration in selecting and installing new equipment, even possibly to the extent of a larger purchase outlay to secure more economical upkeep?

7. Do you select materials, finishes, and surfaces that are easy to keep clean and to maintain in good condition when erecting new or changing existing facilities?

8. Do you encourage your maintenance personnel to suggest changes or modifications in the design of machines or equipment that will increase operating efficiency, reduce liability of breakdown, and decrease maintenance costs?

9. Are maintenance costs budgeted and controlled in a systematic manner?
   (a) Do you require cost estimates and written authorizations in advance for specific projects?

10. Do your records reflect the amount, frequency, and cost of repair and maintenance for individual structures or pieces of equipment?
    (a) Do you use such information as a guide in determining the economical disposal or trade-in point?

11. Have you investigated the possible advantages of contracting with outside agencies for certain forms of maintenance work?

Protection

1. Is your plant and office well protected (1) against fire and other physical hazards; (2) against intrusion by unauthorized persons?
2. Have you organized a plant emergency squad to deal with fires and other emergencies?
   (a) Does each member of the squad understand his specific assignment?
   (b) Do you have practice drills?
   (c) Are you capitalizing on the training received along these lines by employees in the armed services?

3. Is your fire-fighting and other emergency equipment kept in good working condition at all times?
   (a) Is it subject to regular inspection?
   (b) Do you take full advantage of the services offered by your insurance carriers?
   (c) Have you considered the advisability of inspections by the city fire and police departments so they may be familiar with your surroundings?

4. Are your plant housekeeping conditions such as to minimize the fire hazard? Are yards and work places free of excess and inflammable materials?

5. As regards the exclusion of unauthorized persons: (a) are fences, gates, and windows in good order and adequately guarded? (b) Is there adequate illumination of yards and buildings to discourage prowling? (c) Have you some effective system of identifying employees and authorized visitors for admission to the premises? (d) Do you have a package pass system for both incoming and outgoing packages?

6. Are you taking adequate precautions in the handling of inflammable and injurious substances, particularly as they affect facilities, product, and personnel?

Lighting

1. Are you keeping abreast of developments in industrial and commercial lighting both in the incandescent and fluorescent fields?

2. Have your lighting facilities and equipment been checked from the standpoint of (1) general illumination for large work spaces, (2) localized lighting for individual machines, (3) continuous strips for assembly and inspection operations, (4) adequate illumination for office and engineering departments, (5) exterior flood lighting of buildings and yards?

3. Do you know the number of foot-candles of light being furnished at the working level of each desk, machine, or work bench for different hours of the day and different seasons of the year?
   (a) Have you compared these with accepted standards for such work?
4. Are your walls, ceilings, and floors of such a color and finish as to reflect rather than absorb the light?

(a) Have you considered the merits of certain colors and finishes on machines and equipment as a means of improving lighting and reducing accidents?

5. Are lighting fixtures, walls, and ceilings cleaned frequently to insure maximum return from the electric current used?

**Heating and Ventilating**

1. Does your present heating and ventilating equipment provide suitable working conditions and comfort for the employees?

(a) Have you facts in terms of actual temperature, humidity, and air movement statistics on which to base this opinion?

2. Have you considered the effect of atmospheric conditions on manufacturing processes and products?

(a) Would humidity and temperature control facilitate manufacturing processes, improve the quality of the product, or reduce spoilage?

3. When planning a rearrangement or installation of new equipment which requires air exhaust, do you consider:
   - Where the make-up air will come from?
   - Whether the resulting increase in the velocity of the air in the work space will cause discomfort to employees?
   - Whether it will be necessary to preheat the make-up air during the winter or cool it during the summer?

**Production Control**

1. Have you a production control system designed specifically for your needs?

(a) Does it serve to make full use of available men and machines, permit advance planning for labor and materials, and provide for the follow-up of work in process?

2. Does it include centralized scheduling, routing, and dispatching of work through the plant?

3. Does it provide an up-to-the-minute picture of the status of work in process at any time?

4. Does it enable you to schedule completion and delivery dates with reasonable accuracy?

5. Is it designed to reveal where production bottlenecks are likely to develop?
6. Do you get current statistics on idle men and machines as an index of the effectiveness of your production planning?

7. Can fluctuations in your factory operations, either seasonal or otherwise, be leveled off by better production planning?

8. Is your production planning and control well coordinated with purchasing, stores, and personnel requirements?

(a) Are power needs anticipated?

9. Do you employ a planning board or some other graphic or visual means of viewing the progress and status of work?

10. Are your production records designed to reflect the performance of individual workers, machines, and departments?

11. Does your protection control system serve to give management advance information on probable available plant capacity or on changing rates of operating activity so that these can be planned for in an orderly manner?

**Quality Control**

1. Where in your organization is responsibility placed for controlling the quality of your products or services?

(a) Is it centralized in an inspection division?

(b) If so, is this setup sufficiently independent of the shop supervisors to insure an objective approach?

2. Is your inspection work organized so that defective materials or unsatisfactory workmanship will be discovered as early in the production process as possible?

(a) Is there provision for floor inspection and gauging "on the job" as a means to this end?

3. Have you arranged for inspection of work in process, between shifts and between moves from one department or operation to another, in order to localize responsibility for defective work and to interfere as little as possible with operations?

4. Is it your practice to require the foreman or supervisor to check the first few pieces produced on each lot to insure proper machine adjustment, etc.?

5. Are you making the fullest possible use of mechanical appliances and precision devices so as to expedite the inspection processes and to reduce the dependence on personal judgment and opinion to a minimum?

6. Are your inspection gauges, meters, scales, etc., checked at frequent intervals?
7. Do you get formal inspection reports and are they analyzed to identify the causes of unsatisfactory results?

**Waste Elimination**

1. Have you taken steps to build up waste consciousness throughout your organization?

2. Do you encourage suggestions from employees for waste elimination or spoilage reduction practices?

3. Are manufacturing materials selected and is work laid out so as to minimize scrap?

4. Do you segregate scrap and turnings into practical salvage classes?
   
   (a) Is a distinction made between material to be sold and material to be reclaimed and used.
   
   (b) Do you dispose of scrap material promptly?

5. Is appropriate use made of centrifuges and filters to reclaim oils and compounds from scrap?

6. Are steps taken to use scrap and waste materials on the premises - either as a by-product or in a new product line?

7. Is the scrap to be sold baled, packaged, or stacked in a manner to facilitate handling and to minimize handling costs?

**Industrial Research**

1. Is your company organized and equipped to keep abreast of developments relating to new types of materials, new applications of old materials, more efficient machines, and new or better manufacturing processes?
   
   (a) Do you maintain a research laboratory or similar facilities and one or more technical specialists for this purpose?

2. Do you tap all available sources of ideas for new products, new applications, new processes, etc., including company employees, suppliers, customers and users, and independent inventors?

3. Are you in touch with the many technological improvements that were developed during the war emergency and that might be applicable to your business?

4. Are your production and sales organizations adequately tied in and coordinated with your industrial development activities so that the special interests of each of these groups will be given consideration?

5. In the development of new or improved products, is sufficient consideration given to the type of labor and equipment required?
(a) Do you work toward the utilization of standard materials or parts which can be bought in the trade rather than being made special?

6. Do you make it a practice to work out the "bugs" in a new product or process through trial lots in a pilot plant before attempting full-scale production?

7. Have you an adequate control over the cost of your industrial research activities?
   (a) Is the over-all amount limited by some form of development budget?

8. Is your cost accounting procedure designed to develop detailed costs on development projects?
   (a) Is a reasonably accurate estimate of the cost of individual projects required as a preliminary to authorization?

9. How are the results of your industrial research activities brought to the attention of the top executives? What means do you have to insure that these projects receive adequate consideration from the executives and that action is taken on them.

10. Have you established some form of technical library or reference file as an adjunct to your industrial research activities?

MARKETING MANAGEMENT

The Sales Program

1. Do you and your advisers regularly sit down together to take stock of your overall sales program, and to plan where you are headed?

2. In so far as possible, are your sales decisions based on facts rather than on "hunches"?
   (a) Do you get the basic sales data in the form and at the time needed to permit intelligent sales direction?

3. Do you have a sales plan which includes quotas for individual salesmen, and do you feel that these quotas are equitable?

4. Do you control selling expense through a budget?

The Sales Personnel

1. Do you feel that you are contacting the best sources for recruiting your sales force?

2. Is your selection of sales personnel based on a combination of interviews, application forms, and aptitude tests?
3. Has your salesmen's compensation plan been tailored to meet the special requirements of your situation?
   
   (a) Does it provide an incentive for the salesman to put forth his best effort?
   
   (b) Does it provide relatively stable earnings?
   
   (c) Does it encourage a well-rounded selling job, with emphasis on the phases of greatest advantage to the company?
   
   (d) Is there a uniform traveling expense control policy?

4. Do you have a comprehensive sales-training program which includes the elements of explanation, demonstration, field practice, and follow-up?
   
   (a) Is there a provision for discussion groups based on practical field problems?
   
   (b) Is your sales manual an integral part of the training program, and is it modernized as to content and method of treatment?
   
   (c) Do you provide a retraining or "refresher" program which re-emphasizes fundamentals and features new developments or changing conditions?
   
   (d) Does the training program extend down to your distribution organization?

5. Do your salesmen understand that courtesy and service to customers are expected at all times?

6. Are your sales operations effectively supervised?
   
   (a) Do you secure a fair share of your territorial potentials, especially in the more profitable product lines?
   
   (b) Are you able to detect weak points in your field organization and take prompt corrective action?
   
   (c) Is the salesmen's time controlled through some form of plan or work budget which insures maximum time on direct selling activities?
   
   (d) Are salesmen's reports designed to produce the significant data required for intelligent sales direction with a minimum of clerical effort?

The Market

1. Do you know the present and potential markets for your products or services, and are you kept informed on changes in these markets as they develop?

2. Are you systematically investigating and developing new markets?

3. Do you undertake to appraise markets and customers from the standpoint of their relative profitability?
4. Do you know the degree of market coverage you have attained, and have you con­sidered steps that might be taken to improve the coverage?

5. Is there a need for a reallocation or rearrangement of sales territories in order to secure better market coverage, equalize the opportunity of salesmen, or reduce traveling time?

6. Have you determined the buying habits, preferences, and needs of the various ele­ments of your market?

   (a) Are you rechecking this at intervals to keep in touch with changes?

The Product

1. Are your product and your packaging designed to conform with market needs, as de­veloped in your market studies?

2. Are you meeting present standards and customer requirements in the grading and labeling of your product?

3. Do you know the selling cost and the profitability of your various products?

4. Has your product line been simplified or standardized to promote customer service, eliminate unprofitable items, and facilitate production?

5. Are your prices in line with those charged for similar goods or services by com­petitors?

6. Are your charges for transportation, small orders, and product servicing, and your terms of payment, as favorable to customers as those generally prevailing in your industry?

Distribution Channels

1. Have you checked to determine whether you are using the most effective channels for distributing your products or services?

2. Have distribution channels been considered separately for each group of products and each type of market?

3. Have you been selective in your choice of distributors, and do they provide ade­quate representation?

4. Is there a need for additional branch warehousing facilities to insure adequate service or to reduce transportation costs?

Advertising and Sales Promotion

1. Are your advertising and sales promotion programs closely coordinated with your direct selling effort?
2. Do you feel that your advertising is as effective as that of your principal competitors?
   (a) Have you some orderly method for checking this?

3. Are you using the best advertising mediums for your purpose?

4. Are your salesmen giving proper emphasis to prospecting?

5. Is there a procedure for keeping mailing lists up to date?

6. Does some individual or unit have responsibility for the development of sales promotional material?

Customer and Public Relations

1. Are customer complaints or dissatisfactions brought to the attention of responsible sales executives?
   (a) Are they so handled that the complainant will be mollified and the company's operations improved?

2. Is authority for publicity and for public announcements so assigned and restricted as to promote good public relations for the company?

3. Do you welcome or encourage the public to visit your establishment as a means of creating an interest in and an appreciation of the company's place in the economic life of the community?
   (a) Have you held an "Open House" with planned tours of your facilities for either the general public or employees' families?

4. Does the company participate in worthy community activities and give consideration to requests of local groups for charitable contributions?

5. Do you make an effort to be a "Good Neighbor" in the community by eliminating or controlling conditions that might constitute a public nuisance or to which neighboring residents might object?

6. Are your local press relations such as to promote favorable publicity for your company?
MORE THAN 300 STUDIES
ON MANAGEMENT PROBLEMS

Many of the basic problems listed on the check list in "Outline for a Management Audit" are dealt with in the more than 300 studies which have been prepared in report form and issued as part of the Metropolitan's unique program of services for its Group policyholder companies.

These reports — prepared by a trained staff of specialists — are the outgrowth of the consulting and advisory services which Metropolitan Group policyholders may call upon at any time in connection with specific problems in such fields as employee and industrial relations, industrial health and safety, personnel management, working conditions, production, and marketing.

If the question is believed to be of sufficiently general interest, the findings of the study are published in report form and made available on request to the executives and key personnel of Metropolitan Group-insured companies.

A listing of most of the studies now available is included in the INDEX OF REPORTS. The report titles themselves constitute a partial guide to the management topics upon which the Metropolitan's staff of specialists is prepared to give personal consulting service. These specialists include industrial relations consultants, engineers, editors, writers, statisticians, industrial hygienists, safety experts, nurses, physicians, and public health authorities.

In the face of present-day business competition and increased emphasis in the field of industrial relations, the services of these men and women are being called upon in an ever-widening degree. Titles of new reports reflect contemporary concerns of management such as "Training Supervisors in Human Relations," "Office Planning and Layout," "Methods of Testing and Protecting Eyesight in Industry," and "Information Manuals for Employees."

Reports and studies like these provide factual data on basic management problems such as those which may confront you in your own audit. Through the INDEX OF REPORTS you will be able to locate available studies related to the check-list questions which are of current concern.

If you do not see a listing in the INDEX OF REPORTS on some particular problem in which you are interested, write to the Policyholders Service Bureau, stating the problem. It may be included as part of another subject, or the Bureau may have a new report on it, not yet included in the INDEX. There may be unpublished material in the Bureau files on the subject, or information may be available in the outside publications carried in the Metropolitan library.

The INDEX OF REPORTS also lists selected articles published in the last three years in the "Executives Service Bulletin," a monthly magazine of current business methods and practices issued for executives of Group policyholder companies.

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