STARTUP SOCIAL RESPONSIBILITY: A CONCENTRATED SOCIAL AUDIT OF HALT MEDICAL INC.

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ABSTRACT

STARTUP SOCIAL RESPONSIBILITY: A CONCENTRATED SOCIAL AUDIT OF HALT MEDICAL INC.

By Matthew Frank Rosa

Halt Medical Inc. is a biomedical device startup whose managers are interested in assessing their levels of employee satisfaction and organizational well-being. They want to know if their employees are cooperating, if departments are cohesive, and if everyone is happy. To evaluate Halt Medical’s social capital and environment, a social responsibility audit will be conducted concentrated specifically on the organization’s social and ethical initiatives to its employees. This analysis requires interviews of managers, observations of cultural diffusion, and employee opinions on a variety of business areas. The five areas of focus for this audit are the company’s accommodation of each individual, team development, interdepartmental interactions, managerial capacity, and corporate culture. Employee opinions are quantified through a catered survey and used to determine which focus areas are strong or in need of improvement. Employee data is compared to management expectations and observations to assess organizational health. Personal accommodation and team development are determined as Halt’s strong areas of social and ethical initiatives. Interdepartmental cohesion, management capabilities, and culture are seen as areas for improvement. Important recommendations made include reviewing employee performances more frequently, rewarding collaborative efforts, establishment of visual cues for disclosure system guidelines, and several tips for continuously improving managerial capabilities, amongst other recommendations. An economic justification is also performed to encourage repeated in-house social audits.
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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIST OF TABLES</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>vii</td>
</tr>
<tr>
<td>I. Introduction</td>
<td>1</td>
</tr>
<tr>
<td>II. Background</td>
<td>5</td>
</tr>
<tr>
<td>- Startup Existence</td>
<td>6</td>
</tr>
<tr>
<td>- Differences in Development Stages</td>
<td>10</td>
</tr>
<tr>
<td>- Customer Development</td>
<td>18</td>
</tr>
<tr>
<td>- Team Construction</td>
<td>21</td>
</tr>
<tr>
<td>- Financial Considerations</td>
<td>25</td>
</tr>
<tr>
<td>- Marketing Strategy</td>
<td>29</td>
</tr>
<tr>
<td>- Social Management</td>
<td>31</td>
</tr>
<tr>
<td>- Company Culture</td>
<td>47</td>
</tr>
<tr>
<td>- Social Audit Clarification</td>
<td>54</td>
</tr>
<tr>
<td>- History of Halt Medical Inc</td>
<td>62</td>
</tr>
<tr>
<td>III. Design</td>
<td>67</td>
</tr>
<tr>
<td>- Design Approach</td>
<td>67</td>
</tr>
<tr>
<td>- Scope of Audit</td>
<td>68</td>
</tr>
<tr>
<td>- Constraints and Considerations</td>
<td>70</td>
</tr>
<tr>
<td>- Design Requirements</td>
<td>72</td>
</tr>
<tr>
<td>IV. Methods</td>
<td>74</td>
</tr>
<tr>
<td>- Management Perspectives and Observations</td>
<td>74</td>
</tr>
<tr>
<td>- Survey Structure</td>
<td>75</td>
</tr>
<tr>
<td>- Survey Administration and Data Collection</td>
<td>78</td>
</tr>
<tr>
<td>V. Results</td>
<td>80</td>
</tr>
</tbody>
</table>
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Survey rating scale</td>
<td>76</td>
</tr>
<tr>
<td>2.</td>
<td>Personal accommodation Likert items</td>
<td>88</td>
</tr>
<tr>
<td>3.</td>
<td>Initial team development Likert items</td>
<td>90</td>
</tr>
<tr>
<td>4.</td>
<td>Finalized team development Likert items</td>
<td>92</td>
</tr>
<tr>
<td>5.</td>
<td>Interdepartmental Likert items</td>
<td>94</td>
</tr>
<tr>
<td>6.</td>
<td>Management Likert items</td>
<td>96</td>
</tr>
<tr>
<td>7.</td>
<td>Culture Likert items</td>
<td>98, 99</td>
</tr>
<tr>
<td>8.</td>
<td>Audit objectives approximated times</td>
<td>110, 111</td>
</tr>
<tr>
<td>9.</td>
<td>Differences between first-time and experienced practitioner</td>
<td>114</td>
</tr>
</tbody>
</table>
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Startup development phases</td>
<td>10</td>
</tr>
<tr>
<td>2.</td>
<td>Five stages of small business development</td>
<td>14</td>
</tr>
<tr>
<td>3.</td>
<td>Customer development model</td>
<td>19</td>
</tr>
<tr>
<td>4.</td>
<td>“Hungry” startup approach to raising capital</td>
<td>27</td>
</tr>
<tr>
<td>5.</td>
<td>Edited layout of Halt Medical’s Brentwood facility</td>
<td>84</td>
</tr>
<tr>
<td>6.</td>
<td>Personal accommodation Likert scale graph</td>
<td>89</td>
</tr>
<tr>
<td>7.</td>
<td>Correlations of team development Likert items</td>
<td>91</td>
</tr>
<tr>
<td>8.</td>
<td>Team development Likert scale graph</td>
<td>93</td>
</tr>
<tr>
<td>9.</td>
<td>Interdepartmental Likert scale graph</td>
<td>95</td>
</tr>
<tr>
<td>10.</td>
<td>Management Likert scale graph</td>
<td>97</td>
</tr>
<tr>
<td>11.</td>
<td>Culture Likert scale graph</td>
<td>99</td>
</tr>
<tr>
<td>12.</td>
<td>Marketing potential Likert item graph</td>
<td>103</td>
</tr>
<tr>
<td>13.</td>
<td>Auditing process objective costs</td>
<td>113</td>
</tr>
</tbody>
</table>
I. Introduction

The subject of this report is the formation, analysis, and recommendations of a social audit of Halt Medical Inc., a biomedical device startup. Rather than being a comprehensive audit of all possible affected areas of a business’s social responsibility, this audit focuses on the social and ethical performance of Halt Medical’s internal operations. An emphasis is put on the employee, with their satisfaction and the organization’s health as indicators of performance.

Startup companies often have a passive perspective on social management and group dynamics than large established corporations. There are far fewer workers, and the work is less specialized; employees are often diversified in a variety of fields. With a smaller population and an abundance of work, managers might see it as a waste of scarce resources to spend time and money on analyzing and fostering company social relations and interpersonal skills. Large organizations have to focus resources on the social environment of their company, especially massive multinational organizations with hundreds of employees in each branch. These companies define their organizational culture, norms, values and beliefs, hold company-bonding exercises, and have a proactive and engaged HR team. Good social relations between employees are vital to a successful and efficient organization; information becomes more transparent across all levels of the business, employees are happier and respectful with one another, and employees tend to resolve conflicts constructively, as well as avoid individual ulterior motives.

While startups often have mission statements and a desired culture at inception, social engagement between employees is often subconscious and ignored conceptually. Startups transition through many stages of development, experiencing drastic changes in the necessary approach to business strategies and managerial decisions. As the company grows, additional
employees are hired increasing the number of people interacting within the corporate social environment. Disagreements are a part of social interaction, but without the proper norms or social awareness, disagreements can quickly turn unhealthy. Employees have lower job satisfaction when they work with people they dislike or resent, and they are less motivated to fulfill their operational tasks efficiently when they dislike where they work. A considerable number of startups fail before they become acquired or return a profit to investors, but the proportion of failed startups attributed to social issues alone would be rather difficult to determine. But social issues can cause high employee turnover, waste time and precious resources, and cost a company money; a vital resource that startups cannot spare.

So should startup companies allocate resources on fostering group dynamics and social relations of their human resources? Or are some startups small enough that managers do not need to assign considerable attention towards their social environment?

These questions are difficult to answer without analyzing many types of startups in a variety of industries, which is difficult to do with time constraints, but Halt Medical is wondering about these questions for their own company. The idea for this project originated from discussions held with Robert C. Skidmore, the vice president of operations and manufacturing at Halt Medical. Mr. Skidmore showed interests in examining his organization’s level of consciousness regarding their social environment. Should Halt Medical spend time and money in an attempt to improve their social capital, or are current states of employee satisfaction and departmental cohesion sufficient at their stage of development?

In order to determine the level of involvement Halt Medical should commit to, there are several particular objectives that need to be accomplished. A social audit will be developed from scratch, and catered to the specific company in question. The audit development process will be
noted to create a step-by-step process as future guidelines for repeatability. The final key deliverables of the audit include: an analysis of the current social environment, a report of recommendations to improve current management processes, a presentation on the audit and recommendations, and guidelines on how to perform social audits in the future. The following is a summary of the objectives in the designed auditing process:

- Study startup principles and theories of social management
- Investigate the impact of Halt’s current supportive organizational culture
- Interview management and gain top-down perspective of team performances
- Develop a system to examine any marginalized employee opinion confidentially
- Analyze current state of Halt Medical’s social environment
- Complete a recommendations report with guidelines and process improvements
- Budget cost of maintaining satisfactory levels of organizational health

The objectives are first met by researching theories, issues, and methodologies of the management of social capital, comparing differences across different development stages. Then interviews will occur with available department heads to determine management’s perspective of current social performance. Then Halt Medical’s employee handbook and training manuals will then be reviewed to determine what cultural norms and values Halt Medical attempts to instill in its employees. Management will then help in the formation of a confidential survey to administer to each employee. The survey will focus on particular areas of interest and be catered to Halt Medical’s employees. After administration, the data will be collected and analyzed to determine differences in employee satisfaction relative to facility location. The current state of Halt Medical’s social environment will then be compared against researched theories and management sciences. Using the comparison and analysis of employee input, recommendations
will be constructed. Proposed changes in the management of social capital will be presented to management, with a financial evaluation of implementation and continued in-house auditing.

Although influenced by business management and human resource methodology, Industrial Engineering methods were extensively utilized in the completion of this project. Management theories of manufacturing organizations (IME 421) serve as a foundation for much of the ideology of the project, including the concept of continuously improving management capabilities. Project organizational (IME 303) skills were used to design, plan, and schedule the project. Work design and measurement strategies (IME 223) were explored in the survey construction. Engineering test design and analysis (IME 326), as well as other statistical concepts, were implored in the assessment of employee data. Additionally, human factors (IME 319) and ergonomics were heavily considered in the determination of recommendations, and industrial costs and control (IME 239) methods were used in the economic justification.

The first portion of the report concerns the theories in social management and their applications at different development stages, followed by additional background information on the audit specifics. Then a description of the survey formation as well as the data collection process is given, followed by analysis. The report concludes with the determined recommendations and a cost-analysis of continued audits.
II. Background

The background of this report is composed of a large literature review on the formation of startups and characteristics associated with their development and maintenance. Established business methodology is compared, and differences are noted at certain stages in development. The literature review may seem extensive, but it is to serve as a resource to the company in the future, as well as a resource to complete the audit. Additional background information is provided following the literature review that clarifies aspects of social audits, as well as detailing the setting and history of Halt Medical Inc.

Literature Review

The literature review is composed of eight separate parts; startup existence, differences in development stages, customer development, team construction, finances, marketing, social management, and company culture. Startup existence describes the role startup companies play in our society, as well as listing the differences between large companies, small businesses, and startups. The section on development stages of startups details the relatively new theories on startup development and compares them to well-established literature on small business lifecycles; this comparison provides a further complex distinction between startups and small businesses. Customer development focuses on product definition with an emphasis on customers. Team construction covers startup hiring and firing, including the criteria and differences of each at certain stages of a startup’s lifecycle. The section on financial considerations describes the different sources of capital available to startups, and at which stage each source should be sought. Marketing strategy stresses the importance of early market emergence and briefly
describes a successful strategy. The extensive section on social management covers areas of the social environment, work teams, management development, key performance indicators, feedback, rewards, and the pursuit of power. The last part of the literature review covers company culture, discussing desired cultural features, successful managerial strategies to developing a cohesive culture, and the background of organizational wrongdoing.

**Startup Existence**

Often times the term “startup” is used interchangeably with “small business,” with little to no thought put into differentiating the two. “Startup” became a popular term following the dot-com bubble in the late 1990’s (Blank & Dorf, 2012); prior to the coining of this term companies that were fundamentally startups were often called entrepreneurships. This term is synonymous to startup, and is often still used today; entrepreneurs are usually the founders of startups.

The U.S. Small Business Association defines a small business as “an independent business having fewer than 500 employees” (“SBA Office of Advocacy,” 2014), with past definitions pointing at a lack of industry dominance, hinting at small-scale operations. Sometimes the definition of a small business can slightly change depending on the industry they operate within. Startups are more accurately defined as temporary organizations operating in a type of “search mode,” searching for a repeatable and profitable business model (Blank & Dorf, 2012). Established companies already have a repeatable and profitable business model; all they do is execute that model.

A startup strives to grow their enterprise relatively quickly, and either disrupt an existing market, take customers from established companies, or more commonly create an entirely new market; they are considered temporary with the usual goal of selling the company once the
business model has been validated (Blank & Dorf, 2012). Although small businesses can eventually be sold or acquired, that generally isn’t their initial intention. Small businesses encompass “mom and pop” stores, bicycle shops, and family owned restaurants; the owners strive to be their own boss and attempt to maintain a permanent place in a local market, occasionally halting future growth of their business for stability (Pope, 2014). The contribution that small businesses make to the local economy cannot be overstated, however the motivation behind a small business is fundamentally different from that of a startup (Pope, 2014). Confusion between the two terms still exists today; some people still use “small business” to refer to entrepreneurship.

The SBA uses the term “startup” to solely refer to new small businesses (“SBA Office of Advocacy,” 2014), yet the point that this “new” business becomes an “old” small business isn’t clearly defined. Many other organizations and regulatory agencies make the same mistake by considering startups as the early stages of a business, but many useful defining characteristics of entrepreneurship are lost in these considerations. The distinctions between startups and small businesses are not widely known or established, and many data collection agencies group startup and small business data collectively, making it difficult to determine startup percentages and trends that are of interest. For the purpose of this report startups will be used to solely refer to entrepreneurship, and small businesses will be considered localized models of established business.

There are 5.9 million small businesses in the U.S. that make up 99.7% of all U.S. companies; these “small” organizations employ 50% of all nongovernmental workers in a variety of industries, and can specialize in new product/service ventures (Morris, 2013). However 9 out of 10 new products fail, whether startup or established corporate giants, high-tech or low-tech,
online or off, consumer or business, well funded or not (Blank & Dorf, 2012). A large established company can easily recover from the failure of a new product venture; the same cannot be said of startup companies. However startup environments offer versatility necessary for innovation and creativity unparalleled in small and large businesses.

Blank & Dorf (2012) have theorized defining attributes that classify startups as fundamentally and functionally different than small businesses. They state that in established businesses customers, problems, and desired product features are considered “known” variables. Startups are built around a general product idea, usually a highly innovative one that can often create a new market with unknown variables. They recognize that the size and culture of large companies, as well as the “execute” nature of their business models, make disruptive innovation extremely difficult. Startups “search” for their business model, offering flexibility for idea generation and promoting disruption (Blank & Dorf, 2012).

Startups begin with a vision, a hope for what could be, and a goal only few others can see. To succeed the status quo must be abandoned and a team that shares the vision must be recruited. They strike out on a new path often shrouded in uncertainty, fear, and doubt. However the path to startup success is well traveled and well understood, there is a true and repeatable path to success. Winners in startups tend to throw out the traditional product management and introduction processes utilized at established companies. Instead they combine agile engineering and customer development to iteratively build, test, and search for a business model, turning unknowns into knowns (Blank & Dorf, 2012).

Startup losers blindly execute a rigid production management and introduction methodology similar to established companies. They assume that the founder’s vision drives the business strategy and product development plans, and that all they need to do is raise funds for a
successful execution (Blank & Dorf, 2012). Some problems and limitations of startups in the last 40 years have been lengthy technology development cycles, high costs to build, limits on venture capital, lack of expertise on how to build startups, and a slow adoption rate of new technologies by governments and industry. In the second half of the 20th century a majority of startups assumed the correct path to corporate success was an adopted methodology for product development, launch, and life cycle management almost identical to big business (Blank & Dorf, 2012).

These assumptions proved to be fatal; startups are not simply smaller versions of large companies (Blank & Dorf, 2012). There are still aspects of established businesses that when adapted appropriately can help startups achieve operational goals and high performance ratings. Corporate experience can be beneficial to acquiring knowledge of a specific industry, learning how to make effective business decisions, discovering certain business problems, or it can help in developing contacts to provide access to customers, capital, and talent (Cohan, 2012). However the process of reapplying certain methodologies isn’t necessarily explicit; all startups differ in marketability, size, stage of growth, management style, and in the collection of personalities. However refusing to incorporate certain functions of successful business practices can cripple a startup as it grows and reaches later stages of development.

This literature review explores the methods and reasoning behind specific techniques, systems, and practices in key aspects of business and industry that lead to success and prosperity in startup companies. It also addresses specific established business methods (both small businesses, and to a lesser extent large businesses) and when they’re applicable to startups.
Differences in Development Stages

There are many crucial differences between small business and startup lifecycles; these can revolve around funding, hiring, and administration, amongst other components. There happens to be an abundance of literature on small business development and a significant lack on startups. Much of the theory revolving around business development emerged in the 1970’s and 1980’s, before the dot-com bubble and the distinction between startups and small businesses was created. However small business lifecycles should not be applied to startups, as they can be fundamentally different from the lifecycles of startups. A lack of literature on the startup lifecycle can be attributed to the short existence of “startups” as separate entity, but also because the standardized theories of development stages have been in conflict with the ever-changing innovative mentality on entrepreneurship. There has been recent progress in development theory for startups, but startups are encouraged to approach these hypotheses with an even more detached stance than small businesses and their associated lifecycle theories.

This framework is of importance because with these outlines startups can determine and communicate much faster around their current development stage or the stage they are trying to reach (“Startup Commons,” 2015).

Figure 1: Startup development phases (“Startup Commons,” 2015)
The first stage (labeled phase -2) is called ideation, hinting at its idea generating nature. This stage is characterized by the founder’s ambition and the conceptual creation of a scalable product or service for a large enough market. The initial business idea is questioned on why it should exist and how value is created from it. The mission of the company is starting to be defined in this stage. The basis of the business plan can be determined by predicting necessary resources, potential cost structure, and target customer base; all of these are still rough estimates. Usually at this stage there is still only the founder, as no confirmed commitment yet exists; there has yet to be a balance of skills in structure of the team (“Startup Commons,” 2015).

The second stage (labeled phase -1) is called “concepting,” a term synonymous with conceiving implying further idea generation and early fruition. This stage is characterized by finalizing definitions of both the mission and vision through determining the initial strategy and key milestones. Milestones should be planned for at least the next three years, and steps determined on how to accomplish them suggested. By now there are usually around two or three core cofounders with complementary skills and a balanced ownership plan set in motion. There is a possibility that there are supplementary team members for additional roles and ownership, but it is not always necessary at this stage. Early plans for customer acquisition are established (“Startup Commons,” 2015).

The third stage (labeled phase 0) is called commitment. This is potentially the operational launch of the company, while the first stage (phase -2) was the theoretical launch. This stage is characterized by establishing a committed and balanced co-founding team that shares the same vision and enthusiasm as the founders. The team is tasked to develop at least the minimum viable product (MVP), focusing on solely core features. This “prototype” is deployed to early
customers quickly to test the startup’s product hypothesis while saving time and resources. If the shareholder agreement hasn’t been signed, then it should be done in this stage. The agreement has listed milestones, committed times, and planned uses for money. By the end of this stage, hypotheses are validated and additional desired product features are noted (“Startup Commons,” 2015).

The fourth stage (labeled phase 1) is called validation. Although the initial prototype (MVP) has been validated previously, there are continuous iterations and validations done in this stage until a more intricate and desirable solution is obtained. There is also a pursuit of additional customers and early revenue. In this stage key performance indicators are identified, and additional investment based resources (money or sweat equity) are attracted and sought in exchange for equity, revenue sharing, or future revenue (“Startup Commons,” 2015).

The fifth stage (labeled phase 2) is called scaling. The major focus of this stage is on growth, analyzing and improving not only the growth in key performance measurables, but also by the growth of customers, revenue, and in the company’s market presence. This is the stage that a startup wants to build momentum and scale quickly. By now it is likely the business has attracted significant funding or would be able to do so if desired. There are significant increases in the amounts of hiring, implemented quality improvements (process and product), and in adopting formal processes (“Startup Commons,” 2015).

The sixth and final stage (labeled phase 3) is called establishing. By this stage the startup has achieved great growth and it can be expected to continue. The company attracts financial and human resources with ease. Depending on the established vision, mission, and prior commitments, the company will continue to grow while trying to maintain the “startup mentality” it culturally established in the beginning. This is often when founders or investors can
exit from the company. The end of this stage, and thus the lifecycle, is accomplished by an acquisition ("Startup Commons," 2015).

There are a variety of different lifecycle theories that have been proposed for small businesses, with most scales defining between 4-6 distinct different stages. There are many classifications and some lifecycles overlap, but many theories have different names for each stage; some development stages classified as two separate stages in one theory are found combined into one stage on another theory. The models proposed for small businesses will not be described in detail due to the focus of this report, but will instead be compared and contrasted with the development stages of startups. A small business lifecycle that shares many common traits and stages with most theorized small business models can be seen below, listing the five different stages as: inception, survival, growth, expansion, and maturity.
Small businesses have a unique life cycle that’s different from the life cycles of corporations, funded startups, and franchises (Gilkey, 2014). Although many differences exist there are a few commonalities between the lifecycles of a small business and a startup. Both of the cycles have distinctively different stages affected by a variety of internal and external factors, with each stage defined by unique challenges (Scott & Bruce, 1987; Blank & Dorf, 2012). Both lifecycles start with determining a potential product and an associated market that needs it (Gilkey, 2014; “Startup Commons,” 2015), and problems can arise from efforts in determining the appropriate customer base for both types of enterprises (Gilkey, 2014; Blank & Dorf, 2012).
Small businesses and startups alike can risk over stretched resources with the acquisition of long-term funds by scaling too quickly (Scott & Bruce, 1987; Blank & Dorf, 2012). Both types of organizations risk issues with company politics. Both cycles are to be solely used as a reference for company awareness; they are not to be used as a tool for decision-making. In doing so either lifecycle can be mismanaged and abused (Scott & Bruce, 1987; “Startup Commons,” 2015). Despite the commonalities there are significantly more differences between the startup and small business lifecycles, and these should be carefully taken into consideration.

At the initial stages of small business development the company determines what market to operate in and how large its scope is (Scott & Bruce, 1987). In startups the market is a function of the founder’s initial ideas and aspirations, which usually revolve around a solution that isn’t in existence (“Startup Commons,” 2015).

Small businesses are concerned with market competition (Gilkey, 2014), while startups generally operate in new, untapped markets. In addition to market focus the startup founders drive the vision and mission to a larger extent, as small businesses build off of already established business models (Pope, 2014). Although the founder’s vision should not be considered the sole driver of business strategy and product development (Blank & Dorf, 2012), the mission and vision of a startup are unique and specific to that company, and considered stronger than iterations of an existing business goal.

Small businesses are primarily concerned with the expansion and maintenance of its clientele. The customers drive aspects of operations at every single stage (Gilkey, 2014). This is because small businesses operate in an already defined market, and constant analysis of customers is vital for a competitive edge (Scott & Bruce, 1987). Although still customer driven, startups have little to no competition in a market that they themselves are creating (Pope, 2014).
Startups are primarily concerned with team development and the addition of conscientious and productive employees (“Startup Commons,” 2015; DeBaise, 2009). They focus more on establishing internal enthusiasm, and a larger emphasis is put on culture (Cohen & Feld, 2011). Startups recognize that a competent and diverse team with balanced skills is a necessity to discovering a profitable business model (“Startup Commons,” 2015).

Small businesses strive to acquire working capital much quicker than startups, as the founders accrue debt in establishing their business (Gilkey, 2014). Small businesses can only seek equity partners after establishing a profitable company and building a reputation (Scott & Bruce, 1987). Although founders in startups can often contribute portions of the initial finances, equity is offered to potential investors earlier and more often than in small business (“Startup Commons,” 2015). Startups have a unique idea and a big plan to change the world or market, and they strive to be purchased by a large established corporation; investors see value in that (Pope, 2014). Small businesses are using a proven business model and slightly altering it for a local market (Scott & Bruce, 1987), which isn’t as appealing to investors.

One or a few people claim ownership of a small business, with the initial founder maintaining a majority share (Gilkey, 2014). In startups ownership is shared at the beginning, with investors and co-founders alike (“Startup Commons,” 2015). Additionally startup employees are given a sense of ownership to feel empowered and motivated to commit to the organization’s cause (Blank & Dorf, 2012).

Small business production starts much earlier, as the market and basis for the product are already determined. Little iteration and validation is necessary to determine what product to initially produce (Hisrich, 2004). Startups deal with substantially more planning prior to large-scale production (“Startup Commons,” 2015). The market is undefined and variables are
unknown; special care must be taken to test customer interest (Blank & Dorf, 2012). Prototypes are built to reduce unnecessary costs, and continual iterations and validations are made to develop the product’s additional features (“Startup Commons,” 2015). It will also be a longer period of time before startups see any profit; plans are necessary for measuring progress in the absence of revenue.

Small businesses can become profitable much earlier, although these profits are often very small in scale. Small businesses strive to make their operations their main source of finance, and they do so incrementally (Scott & Bruce, 1987). They move at a much slower rate, maintaining profits while slight growth is made (Gilkey, 2014). Earnings from a small business can often be reinvested into the company by the discretion of the owner (Scott & Bruce, 1987). Startups scale much faster with hopes of being bought out as quickly as possible, hoping to establish and carry momentum and grow (Pope, 2014). Main sources of funding come from investors, and usually substantial earnings are often reimbursed. Startups can have more funds readily available at early stages, as they rely on investors and not profits as sources of finance (Blank & Dorf, 2012). However it usually takes longer for a startup to become profitable.

As a small business develops many administrative functions are systemized for control and cohesion between employees and managers. However expense control and optimizing productivity occur in the last stages of development for a small business (Scott & Bruce, 1987). Startups have admin functions in place initially to structurally appeal to large companies and investors, with a few changes made as transitions occur (Cohan, 2012). Startups potentially have a smaller risk of company political problems, as employees maintain a startup mentality, often a type of close-knit “family-like” culture driving communication and cohesion (Pope, 2014), as
opposed to being driven by admin systems (Scott & Bruce, 1987). When stages shift away from innovation to production and marketing the business may take a more serious tone.

In the final stage of development, small businesses are often maintained by the original founder and kept as a sustainable form of income to continually generate revenue (Gilkey, 2014). Relinquishing control of the company would defeat the original purpose of why the owner created the business. Startups almost always seek to sell their business to a larger company, and company relinquishment is often necessary for the product and the customer base to continue growing (Pope, 2014).

**Customer Development**

Traditional business product introductions are useful in well-defined markets when customers are known and the basis of competition is understood. In startups this is a death sentence, as the customers are rarely known and understood during the initial stages of concept generation and product development. Hence startups need to strategically analyze who their target customers might be. The customer development process gathers customer feedback about the product, channel, price, and positioning, all of which can be modified and tested in near-real time, and used with immediate feedback to iterate and optimize. An example of this would be the testing of video games; over a decade ago gamers were observed through a one-way mirror playing a game that was being tested. Designers would go back and make changes to the game, one change at a time, and then retest it. Now game developers have the capacity to tune difficulty or other game variables with a flick of a switch or with a quick update during public beta tests (Blank & Dorf, 2012).
Products developed by founders who get out in front of customers early and often usually win. Products handed off to sales and marketing organizations that are only tangentially involved in the new product’s development will lose. The mix of customer development and agile engineering dramatically increases the odds of a new product and company success, while reducing the need for upfront cash and eliminating wasted time, energy, money, and effort (Blank & Dorf, 2012). Lean or agile methodologies instruct founders to invest in staying small, streamlining operations, incorporating customer feedback, and pivoting often. It focuses employees to listen to customers, adapt quickly, and to remain true to core competencies (Nager, Nelson, & Nouyrigat, 2012). Agile methodologies put an emphasis on keeping things simple and understandable for easy revisions, reducing prototype and redesign costs during the creation of product features desired by the customer. Startups can focus on scaling their business once customers have been developed and a desirable and viable product has been created.

The customer development model is broken into four steps: Customer discovery, customer validation, customer creation, and company building, as shown in the model below.

![Figure 3: Customer development model (Blank & Dorf, 2012)]
Customer discovery (step 1) first captures the founders’ vision and turns it into a series of business model hypotheses. It develops a plan to test customer reactions to those hypotheses and turn them into facts, determining who potential customers are. Customer validation (step 2) tests whether the resulting business model is repeatable and scalable. If it is not a repeatable and scalable business model, the organization must return to customer discovery; execution can begin after the search for the customer is complete. Customer creation (step 3) is the start of execution, in which the company builds end-user demand and drives it into the sales channel to scale the business. The final step (step 4) is called company building, a transition of the organization from a group of ideas to a company focused on executing a validated model. The focus during company building is feasible scalability. The customer development model is the polite way of saying “startups are unpredictable and will have failures,” but that is okay as moving backward plays a natural and valuable role in learning and discovery (Blank & Dorf, 2012). It is better to discover errors in product and customer development early on, as failing in later stages could be fatal to the company.

There are certain pitfalls that startups should avoid when developing a product and targeting customers. Startups cannot assume that they know exactly what the customer wants or what specific features are desired. No business plan survives first contact with customers, and time spent optimizing unwanted product features is time lost. Customer development should not lead to a list of included features given by customers; it should develop an understanding of what features not to include. Startups should also avoid focus on a specific launch date. Putting a time constraint on a project will lead to management and investors being intolerant of “wrong turns” that result in delays. Wrong turns should be an accepted part of the customer development process and a learning experience for the whole organization. A pitfall of all employees,
managers included, is that they believe they are hired for what they already know and not what they can learn (Bank & Dorf, 2012).

Sometimes there can also be an emphasis solely on the execution of the plan instead of on hypotheses, testing, learning, and iteration. Measuring progress against a product launch or a revenue plan is simply false progress, since it transpires in a vacuum absent of real customer feedback. Instead an organization should search for an understanding of customers and their problems, repairing assumptions with facts. It is important to completely understand the market before a sales and marketing team extend their efforts in moving forward (Bank & Dorf, 2012).

**Team Construction**

Hiring people is a critical aspect in the development of an organization. The founder of a company cannot complete every job role on their own. Tasks must be delegated, and a taskforce must be hired (Warner, 1987). People are the most important asset to any company (Nager, Nelson, & Nouyrigat, 2011). The quality of an organization is to a large degree determined by the quality of the people it employs (Robbins, Coulter, & Langton, 2007), but the right mix of skills to boost the venture’s chances for success is dependent on the industry of operation (Cohan, 2012).

Fewer finances readily available force startups to search for employees who are diverse in many fields of expertise. Care must be exercised when hiring, as startups cannot afford underperformers, and competencies differ at different stages of development. A human resource deemed necessary at the early idea generating stages might be a financial burden during the scaling stage. Hiring a certain individual could potentially mean the success or failure of a startup company.
It is important for startups to identify the skills they will need in the future, finding gaps between the founders strengths and future needs of the business, and hiring people who can close those capability gaps. Founders need to decide on specific values that reflect on what they believe will be important to the startup’s ability to gain market share. A strong culture can help dictate who gets hired, who gets promoted, and who needs to leave the company. These values can restrict reaction later to changing technology, evolving customer needs, or upstart competition (Cohan, 2012).

Initially funds are extremely limited, and there are only a handful of employees, perhaps only just the founder(s). Owners may want millions of dollars, a legal advisor, a research team, and an intricate supply chain network. But what startups need during early development are talented energetic people who are willing to adapt themselves to a project (Nager, Nelson, & Nouyrigat, 2011). Early hires are sometimes colleagues, friends, or associates of the founder, but the value that a resource can add to the company must be defined before hiring is considered. The skill sets of friends and colleagues can compliment the founder well and help the venture grow, but disagreements on strategy and direction of the company can result in termination of both the startup and the friendship (Cohan, 2012).

When startups acquire additional finances from investors they are able to test the repeatability and scalability of their hypothesized business model. The incoming funds are often misused however, and over staffing is common. The utilization of each human resource must be taken into consideration prior to commitment in order to avoid a hiring spree. During the scaling stage startups usually require more human resources in an effort to capture as much of the market as possible (Cohan, 2012); this is a common stage of over hiring however. Priorities can change during stage transitions from product development to marketing, reducing the need for engineers.
In the last stage of development startups focus on becoming an established lucrative business. A lot of firing can take place when the business model becomes stabilized or if the startup is acquired and assimilated into a corporation (FS Analyser, 2015).

Each hiring and firing impacts how much the enterprise's productivity is improved and whether its culture is reinforced or dissipated (Lidow, 2014). Constant hiring and firing have become engraved into the nature of startup methodology, and can be necessary in making the transition from each development stage successfully. Founders and management can only hope to reduce the amount of layoffs by being sensible with hiring. Resources should be planned initially with a long-term approach before hiring is considered. Employee planning should be implemented by periodically assessing current human resources, and by developing a strategy to meet future any resource needs (FS Analyser, 2015). Job descriptions with shared company visions and values should be written out for candidates to self-evaluate their cultural fit with the company. Startups are encouraged to explore the use of cost effective interns or contract employees, proactive recruitment prior to hiring, or implementation of employment trial periods in efforts to reduce turnover (Cohan, 2012).

Startups should never settle when hiring employees; management should consider applicants who bring new and desired traits or characteristics to the team. Employees who possess skills that other team members don’t will challenge the team to develop, expand, and enhance their set of skills. Great people feed off of each other, and great teams of people move at a much faster rate. Knowledge grows exponentially, and the more a team knows the more they will learn. Better team members are easier to manage and are more self-directed, and hiring proficient people reflects positively on management (Cohen & Feld, 2011). In building a team managers should look for complementary skills, clear and aligned interests, and energy and
enthusiasm from potential employees (Nager, Nelson, & Nouyrigat, 2011). Qualified and motivated employees are the difference between a good idea that never goes anywhere and a billion-dollar firm (Blank & Dorf, 2012).

Traditional business philosophy dictates employees are hired based on their skill set and not their personality traits (Warner, 1987). This is manageable in companies with established business models where jobs are highly specialized and roles are defined with fewer employee interactions. A startup’s task force is more of a family than a loose collection of employees; it is also important to hire positive minded people to encourage others and foster workplace morale. Company cohesion is necessary to accomplish operational goals, and not every potential candidate is willing to commit culturally.

Although many managers want to avoid the interpersonal conflict associated with firing their employees, it cannot always be ignored. A company is only as strong as its weakest employee, and great startups reject those who are not meeting a high bar (Cohen & Feld, 2011). Startups are one of the most competitive environments, but performance is not the only justification for firing. Sometimes downsizing is a necessity due to an economic crisis, declining market share, overly aggressive scaling, or due to mismanagement (FS Analyser, 2015).

Downsizing has become a relevant strategy for meeting the demands of a dynamic environment (FS Analyser, 2015); startups cannot afford underperformers. Also firing can be a result of a lack of cultural cohesion with an employee, and in that particular case reminding the employee of the cultural disconnect can make the firing process easier for both parties (Cohan, 2012). Firing should be respectful of the employee’s feelings with swift and emphatic termination. Honesty is vital with remaining employees about an employee’s termination; gossip as the first source of information can be frightening and harm employee loyalty. To keep morale
and productivity high, managers should make every attempt to ensure that individuals still working in the organization know that they’re valuable and much-needed resources (Flamenholtz, 1986).

Disruptions in the workplace and in employees’ personal lives are to be expected after downsizing. Both victims and survivors alike experience stress, frustration, anxiety, and anger (Flamenholtz, 1986). Often times firing isn’t the preferred option, and is done because of a lack of funding. Letting valued employees go who have helped shaped the direction of the company is a difficult task for management, but it is an attribute of startup development and culture.

**Financial Considerations**

Money is the lifeblood of startups; they stay in business until they run out of it. Great startup cultures make every penny count (Cohen & Feld, 2011). If companies aren’t aware of their finances or of their financial consequences, if financial reporting is constantly postponed or delayed or ignored, then that business probably will not prosper (Warner, 1987). Although all different types of businesses must concern themselves with financial aspects of their company, a startup has to manage and find sources of finance in a different manner than well-established businesses.

Financial progress in established businesses is tracked using metrics like income statements, balance sheets, and cash flows, even when there’s no revenue to measure. None of these metrics are useful for startups; they do not track progress against the startup’s goal, which is to find a repeatable and scalable business model. Performance metrics that help smaller companies with financial assessments would be cash-burn rate or the number of months worth of cash left in the bank (Bank & Dorf, 2012).
There are a variety of ways to raise money including through friends and family, crowdfunding, angel investors, venture capitalists, and corporate partners (Bank & Dorf, 2012). However there can be a distinct lack of clarity and consistency among investors and their desires, as investors can be multi-dimensional. Most investors look for sales and market readiness as a factor of commitment, but the evaluation of market readiness varies considerably across the many different types of investors (Gilbert & Davies, 2011). Also certain types investors demand a company to pay its stakeholders back as soon as possible with early profits from sales. This hinders a startup’s ability to scale, forcing them to part with generated funds rather than reinvest them back into the company.

Banks usually only invest in startups operating in industries with a large amount of valuable collateral. These types of industries are the opposite types of industries that interest VC firms; VCs look for high tech companies such as information technology firms or biotechnology startups. Family members and friends are good sources of finance in early stages, but it can be difficult to acquire larger amounts of capital from them (Cohan, 2012). Angel investors are wealthy individuals who make a living by investing in startups with high amounts of profit potential. Their previous experience in industry can be beneficial to a venture’s growth, but some angels can get overly aggressive about imposing their views on the company’s founders. These investors are less likely to finance a first-time entrepreneur (Cohan, 2012).

Startups can seek investments from VC firms, but this requires selling shares and losing a portion of control to an external entity. Although VCs can bring prestige, access to new customers and partners, and unique skills to the startup, it also may use the acquired share as leverage to replace managers or founders, maybe even shutting the firm down if performance
goals aren’t met. It is important to wait until the venture’s business model has demonstrated viability to negotiate favorable terms with VC firms (Cohan, 2012).

Sometimes founders want to avoid selling equity to investors to maintain control of their company. It is rare, but sometimes startups can operate in a way where their customers finance the growth of the company, but there are few examples of this. The downside of these growth models is that the startup can be at the mercy of the customers often leading to a very low priced acquisition (Cohan, 2012).

![Figure 4: “Hungry” startup approach to raising capital (Cohan, 2012)](image)

The figure above depicts a hypothesized approach to raising capital that can help founders of a startup maintain control of their company. By delaying the selling of equity the startup boosts company value high enough for greater negotiation leverage, and there is less potential for capital providers to remove the founder (Cohan, 2012).
Founders are discouraged from seeking out VC firms and corporate investors in early stages of development. Initially founders should seek out friends or family for initial capital or resort to their personal finances, but care must be exercised. It can be frightening for a founder to burn through their savings before a viable prototype is built. Also it is difficult to solely rely on friends and family in technology-based markets, as the potential for rapid growth is higher than most families can fund. Earlier consideration for angels or capital investors may be necessary in high-tech markets. Founders should assess their available resources and develop an initial budget; if additional resources are needed in the prototype stage, a business plan should be developed and presented to interested parties (Cohan, 2012).

In order to build up a customer base most companies need to hire additional employees to expand their marketing potential; this can be impossible to do with limited capital. With positive feedback generated from a successful prototype, startups can acquire investments from angels. It is important to have a well-developed business plan coupled with an estimate of the potential number of customers. Angel investors, if compelled, can have a strong desire to help a company that they are investing in. Angels may be experienced in hiring and firing, additional fund-raising, product design, organizational structure, or in acquisitions due to former investments (Cohan, 2012).

Startups should pursue sources of larger capital investment after a product has been developed and their customer base has been expanded. Founders must raise capital to fuel stages of growth in order to lead to a startups initial public offering or sale to another company. It should be noted that it is possible for providers of expansion capital to demand the CEO’s exit from the company, expecting the outcome within two or three years. VC firms should be chosen not just by the capital they will provide, but also by the value that they add to the company. If the
A business model is considered successful or has the potential to be, startups can screen multiple VC firms to pursue the best possible partner. VC firms look at the team’s track record, the company’s potential to build a billion dollar firm, and personal affinities to the startup’s core values and mission. Founders must take care when negotiating a deal with VC firms; it is not uncommon for venture capitalists to construct contracts with hidden clauses to gain control of additional board seats and further increase the power a VC firm has over the company (Cohan, 2012).

**Marketing Strategy**

The ability of a company to acquire various sources of capital is dependent on their talent to market themselves to capital investors and customers. Even the greatest product in the world will fail without the ability to successful pitch ideas to customers and investors. Marketing is a necessity to scale a startup.

Typically startup organizations will take a product to market focusing on the technology and its features, with no attention paid to the actual execution of sales. Traditional product commercialization efforts often amount to a “build it and they will come” approach. Consequently many companies are only modestly successful in their early growth efforts, and seek structured external funding before fully exploring the opportunities afforded by their selling model (Gilbert & Davies, 2011).

A sales execution strategy can help a company take a product or service to market more efficiently by focusing on the demographic of customers that generate the majority of the revenue. Sales execution strategies can help a startup potentially reduce or even eliminate the requirement for external investment when combined with effective recruiting and measuring
sales outcomes (Gilbert & Davies, 2011). Sales execution strategies can assist in the ability to market a startup to investors, increasing negotiating leverage when investment is still required.

A sales execution strategy is a working document that contains a clearly defined set of goals, targets, and sales collateral that if correctly implemented will allow a startup to significantly scale sales. The execution strategy becomes a working document that contains clearly defined and tested product value, price points for the product, including quantity discounts, and adapting pricing options along the adoption lifecycle. It also includes a defined target profile of key customers, clear competitor differentiation, a timeline for product releases based on realistic product development strategies, and a clearly defined plan for ongoing customer service. The sales execution strategy implemented, along with the appropriate sales vehicle, will enable rapid and high-probable engagement with the target market, while minimizing cost of sales (Gilbert & Davies, 2011).

There are a variety of vehicles to chose for sales execution including in-field sales staff, call center/reseller, or a web-centric approach. The appropriate vehicle should be selected based on the price of the product, the strategic impact on customer’s business, and the scale of the market and depth of relationships required. The lower the price and strategic impact of the product, the more likely a vehicle will be used such as telephone sales professionals, emails, or through the use of digital media (Gilbert & Davies, 2011).

The sales team requires a supporting technical infrastructure; they need tools such as web tracking, email automation, and customer relationship management software. All these tools are very cheap and accessible, but are often times neglected. Aside from physical resources, it is also of importance for the company to engage, motivate, and provide ongoing support to the sales
team. Higher performance sales teams lead to higher performance levels of all staff members (Gilbert & Davies, 2011).

There are many internal and external reasons why sales execution strategies are under-emphasized in startup companies. External reasons generally pertain to the customer and the market, and are often out of the company’s span of control. Internal reasons can consist of a limitation on funds, or the available sales talent being inexperienced or schooled in the corporate approach to customer engagement. Only a small percentage of salespeople are top sales talents. When recruiting sales team members, recruit for demonstrated competency and capability; look for sales leaders that can elevate beyond sales theory and actually establish an execution strategy. Market and domain experience is important, but can easily be overrated (Gilbert & Davies, 2011).

Early startup operations are focused on feature development, not on scaling their sales. To scale sales a company must put product feature development along side an objective view of growth metrics. This requires a fundamental shift in organizational mindset to allow operations to support the efforts of the sales team. Corporate focus should be on realistic product development strategies, a defined operations process, and improving subcontractor – developer relations (Gilbert & Davies, 2011).

**Social Management**

The management of a startup organization encompasses nearly every aspect of a business, but often neglected is the management of a startup’s social capital. Social capital refers to the quality of interactions between employees and managers and their tendencies to perform favors for each other. Social management is concerned with the optimization of social capital in
hopes of maintaining high levels of cooperation, cohesion, and employee satisfaction. Part of being a capable and successful social manager is to understand and manage the social environment of the company. Dilemmas arise naturally from social environments that startups are very susceptible to experiencing.

**Social Environment**

Organizations are populated by people who are linked to each other by social relationships based on proximity in physical space and the division of labor. People appraise alternative ways of thinking and behaving based on whether they are in line with expectations of those with whom they interact. An employee’s desire for a particular reward or aversion for a particular punishment will tend to align with the desires and aversions of others in the social environment (Palmer, 2012). These expectations are also called norms, and although often established by management they also form naturally from continuous social interaction. Natural established norms can be beneficial for startups as sometimes formal structures of guidance and assistance cannot be provided with the given funds and resources. However caution must be asserted when promoting group independence as informal groups form and associate with those in the group, and disassociate themselves from those that are excluded. This can lead to problems in communication and cooperation in the workplace.

Informal groups form and sometimes evolve rudimentary structures of their own, without managerial direction. Organizational participants form groups to meet the basic human need for affiliation, and to obtain rewards that the organization cannot otherwise provide, such as the satisfaction of working with someone with similar goals and outlook. Informal groups develop norms that dictate how members should think and act. Principal reward for conformity is acceptance, while the principal punishment is exclusion (Palmer, 2012).
Problems can arise when groups are highly cohesive; members tend to censor their own ideas or a fellow group member’s contribution to collective decisions. This can be a subconscious act of loyalty to the group and its initially determined ideas and game plan. This can cause the group to converge too quickly on a preferred decision, focusing on information confirming their hypotheses, while foregoing the search for potentially disconfirming information (Palmer, 2012). This is known as the theory of Groupthink, and it can cause problems in employee decision-making and fulfillment of moral obligations to the company and its stakeholders by not fully researching all available options and possibilities of a problem or solution.

It is important for managers to understand the extent of the social environment to develop useful management practices. Although startups are smaller in terms of available employees, they rely heavily on cooperation due to the variety and difficulty of operational tasks. Continuous social interaction can result in the formation of informal social groups. Sometimes beneficial, informal groups have the ability to ostracize members of the organization and mislead project development. Management has to account for theories of behavioral science in an effort to control the social environment, and develop high performance work teams.

**Work Teams**

Work teams are being implemented more often in a variety of organizations. Some of the tasks employed to teams include day-to-day operations, problem solving, budgeting, planning committees, production, management, and project development. In traditional work groups low-leveled members have less power while the manager holds all decision-making capability. In work teams power is decentralized and ideas are judged by quality instead of hierarchy. Work
teams are productive in fulfilling tasks that are accumulative, connected, redeeming, discontinuous, and voluntary (Levi, 2010).

The three criteria to define a team’s success are: completion of the task, development of good social relations between team members, and whether or not the task aids in the individual’s personal and professional development. The first criterion of task completion is a measure of success, but project success doesn’t necessarily equate to team success. If an assigned team rarely interacted, and social relations were not established, and no challenges were met in the completion of their task, what was the benefit of implementing a team? Work teams are advantageous in overcoming unforeseen problems; individual cognitive limitations can be resolved with multiple perspectives. A successful team enjoys good working relations, using strong emotional ties, personal understandings, and trust to improve performance with each subsequent task. People particularly enjoy working in cooperative and friendly environments, as it increases the social and emotional support that they receive. Yet if members cooperate effortlessly without any trials or confrontations, completion of task objectives becomes repetitive and uneventful. Participation needs to be personally rewarding for members to meet the third criterion of team success. Overcoming limitations with the assistance of a diverse team presents many opportunities to learn and develop professionally. A team is truly successful when they are cohesive and can successfully complete operational tasks while challenging its members to personally grow (Levin, 2010).

Before a newly developed team goes about it’s task, it should focus on developing social relations between team members. This can prove helpful during early stages of project development, but requires time. Cohesion in team performance leads to satisfactory jobs, reduced stress, improved performance, and a team that is better equipped to handle new
problems. Team socialization can affect a person’s commitment and desire to maintain a relationship with the team. The individual evaluates whether the benefits of group participation outweigh the costs. Also individuals can have hidden agendas, conflicting with the team’s interests. Team norms address hidden agendas by establishing expectations about teammate behavior, as well as maintaining a respectful and sincere working environment. Norms allow fairer communication, mutual respect, and equal distribution of power. However they can enforce conformity and are resistant to outside influences (Levi, 2010).

Conflicts within teams are considered normal; it can be beneficial to have healthy disagreements between team members. Sometimes a lack of conflict can be a sign of the team suffering from unhealthy agreements, or having a dominating leader who suppresses all conflict or debate. Healthy sources of conflict are ones that focus on task issues, legitimate differences of opinion, values and perspective, and in differences in expectations on the impact of team decisions. Unhealthy sources of conflict are competition over power or rewards, personal grudges from the past, faulty communications, poorly run meetings, and conflicting goals. In order to avoid unhealthy sources of conflict all team members should constantly ask questions, listen actively, give constructive feedback, and manage their feelings as well as the feelings of others. Emotional highs and lows are a normal part of team development, however a team may go through periods of lower task performance when trying to solve problems (Levi, 2010).

People act competitive in teams either inherently, as a competitive nature to be better than others, or to fulfill personal goals. Individual competition disrupts a team’s focus on its common goals. Competition between different teams causes each team to see the other in negative terms, forming prejudices about its members, leading to conflicts between teams becoming a regular occurrence. Hostility is generated when one team fulfills its goals and the
other team doesn’t; the “winners” ignore any problems found and they go unsolved, while the “losers” get blamed and become a scapegoat (Levi, 2010). Managers shouldn’t value competition; instead value should be placed upon cooperation.

There are a variety of constraints on the criteria of a team’s success. The personal benefits of a successful team can vary from differences in social needs; some people might be introverted, some people already have good teamwork skills, or maybe a past experience with a dysfunctional team is affecting a member’s commitment. While work team’s success is dependent on meeting multiple criteria, managers often only focus on the completion of tasks. This simplistic view causes managers to concentrate on the wrong areas when trying to remedy a team. Being active on a work team should reasonably help in the development of an employee’s career with the organization, however that is not always the case; many companies focus on evaluating the individual rather than evaluating teams. Being a good team player may go unrecognized, while individuals who distinguish themselves from the team are rewarded. Methods of evaluating the productivity of the individual rather than the cohesion and capacity of the team are flawed, and much useful information of the team’s abilities is lost (Levi, 2010).

An organization provides a supportive context for their teams by having clear-defined goals and tasks, supportive organizational cultures that encourage open communication and collaborative effort, and by supplying adequate resources and reliable information. Management should explain the input and output of the team’s performance with expectations provided. It is important for team members to feel psychologically safe in order to share ideas otherwise problems will arise. Work teams are an effective way to improve performance and job satisfaction, improve efficiency and quality, and provide a company with flexibility. However teamwork programs are often implemented with little consideration for applicability, which can
lead to teams encountering problems with norms and cohesiveness. Ill-defined responsibilities of a role cause ambiguity and stress (Levi, 2010).

Cooperation motivates team members by their common goals; they help and learn from one another, creating better social relations, and generating self-esteem through their high performances. However teams can be too focused on maintaining social relations internally, dealing with every conflict, which can be a waste of company time and resources. Too much cooperation leads to conformity and unhealthy agreements (Levi, 2010).

**Management Development**

Having prior knowledge of social environments and group dynamics sometimes isn’t enough for a manager to be successful in their responsibilities to their employees; they need to constantly seek to improve their capabilities as a manager and always consider the individual in their actions and intentions.

Management development is the process of building the present and potential performance capabilities of an organization’s managers. It measures managerial skills, attitudes, and experiences as well as manager’s perception of their role. It is an investment in the human capital of an organization: the skills, knowledge, and experience of employees. Developing management systems helps a company coordinate the functions of its personnel and departments. Employees need to be provided direction and be motivated to achieve organizational goals; that is the responsibility of the managers. The organization needs to operate in a comfortable atmosphere where conflicts are confronted and poor performances are eliminated in order for the company to continuously improve (Flamholtz, 1986). The complexity of the management system is dependent on the stage in development and the number of employees a startup has.
Whether an experienced manager is hired or managers are built from within, management development is vital in shaping and maintaining effective leaders. Management development systems can enhance the skills of a firm’s manager, help define or redefine corporate culture, help promote desired styles of leadership, and serve as a reward to or recognition of good managers (Flamholtz, 1986).

Effective leadership is a prerequisite to successfully making the transition from one stage of a firm’s development to another, but also to operating effectively at any stage. Leadership is the process whereby an individual influences the behavior of people in a way that makes them more likely to achieve organizational goals. Leadership is an ongoing process, not a set of traits a person possesses. It is the leader’s ultimate objective to create goal-congruent situations in which employees can satisfy their own needs by seeking to achieve the goals of the organization (Flamholtz, 1986). The best leaders are the ones who generate capability and capacity in their staff (Nager, Nelson, & Nouyrigat, 2011).

Leaders can be developed and they can learn what it takes to be effective. They should have an enthusiasm for the achievement of organizational goals, and they should be able to coordinate people and facilitate effective interactions. Effective leaders can take a nondirective approach by acting as a facilitator at meetings; helping to summarize what people are doing and asking nondirective questions. Positive feedback is included in facilitating as it reinforces appropriate goal-oriented behavior and increases the chances that the behavior will continue to be performed. Effective leaders help to develop people, motivating them to be concerned about their future development (Flamholtz, 1986).

High performance management holds people responsible for deliverables, and is decisive about non-performers by always focusing on the achievement of results, maintaining clear
accountability for performance, and by making tough decisions. At the same time management allows experiments and mistakes by permitting employees to take risks, being prepared for associated consequences, and analyzing mistakes as an opportunity to learn (Waal & Jansen, 2013).

A formal system of management can be broken down into three distinct areas: the planning system, the organization system, and the control system (Flamholtz, 1986).

Planning systems are types of strategies that encompass the decisions of the organization’s future and desired organizational capabilities. This involves analyzing the organizational environment to assess future opportunities and threats, formulating objectives, specific goals to be achieved, dealing with company markets, external business opportunities, and internal organizational capabilities required for future growth (Flamholtz, 1986). Planning systems were described in earlier parts of this literature review; customer development is a type of planning system.

Organization systems are concerned with the division of departments and the descriptions of each team member’s role in relation to each other. Roles and responsibilities of position holders and formal links between various positions need to be identified, formalized, and distributed in written form to all employees to avoid confusion of responsibilities (Flamholtz, 1986). Employee roles should be designed with all other job roles in mind, as to avoid conflict and competition between them (McGill, 1977). This also aids in the hiring of a new employee with desired skill sets and roles in relation to previously defined roles of current employees. As a startup grows and additional employees are hired there is a greater need for more organization and structure.
All enterprises regardless of their stage of development require some form of control. Management’s ability to maintain control over all aspects of a company’s operations will begin to diminish as a company becomes larger. There are always growing pains related to ineffective control systems; there needs to be an established ability to influence or channel peoples behavior to help ascertain the company’s objectives. There are a variety of methods to gain control of people’s behavior: personal supervision, detailed job descriptions, rules, budgets, and performance appraisal systems are a few (Flamholtz, 1986).

Control in a workplace setting should be defined as the process of influencing the behavior of employees. Organizational control aims at the achievement of goals, while trying to be probabilistic and focusing on the behavior of people. Its intent is not to control people’s behavior, but to influence them to make decisions and take actions that are likely to be consistent with the organizational goals. Control systems influence people’s decisions and actions in appropriate directions, they coordinate the efforts of diverse parts of an organization, and they provide information about the results of operations and peoples performance. Control of the organization does not mean that the founders and managers have control over all aspects of a product, organization, or decision-making (Flamholtz, 1986).

Control systems in startups do not have to be as complex and formal as those in larger companies, at least in earlier stages; a strong company culture is one of the best motivators for startup employees. A strict control system in an environment that needs an abundance of idea generation or design capabilities puts a limit on the organization’s capacity to grow and develop. There needs to be a much larger degree of freedom for startup employees to explore all viable customer preferences and product options. There can also be unforeseen delays when treading in unknown circumstances, so time constraints are often not helpful. However startups can tend to
dismiss control mechanisms, falsely believing that they hired the right people from the start. A
general lack of control can lead employees to ulterior motives and a lack of motivation.
“Control” has an abundance of negative connotation associated with it; a more positive term
often used in startups for the motivation and direction of employees is “guidance.” In order to
appropriately provide guidance managers need to not only have a sense of direction, but
knowledge of the current status of an employee’s progress and productivity.

**Key Performance Indicators**

Key performance indicators (KPI) are measures of an organization’s or a department’s
performance. They define and evaluate progress towards organization goals essential to current
and future success; KPI’s have to be quantifiable and accurately defined to be of any value (John
Reh, n.d.). Many organizational aspects are measurable, but that does not necessarily make them
key to the organization’s prosperity. There are an abundance of developed performance
indicators but much of the information provided is often not relevant or meaningful to a specific
company. Each organization has different performance indicators, defined by the elements
imperative to reach their established goals. A KPI must translate a certain amount of employee
effort into a quantitative assessment of their performance (Parmenter, 2010).

KPI’s connect day-to-day activities to the strategic objectives of the organization, yet it is
important to only have a few performance indicators to keep everyone focused on the same
critical factors for success. KPI’s affect the entire organization, thus no performance indicator is
specific to one team (Parmenter, 2010). Indicators can cover areas of customer focus, financial
performance, growth, production processes, company cohesion, and sustainability. They can be
developed completely from scratch, or can be adopted from previously established indicators
when applicable (John Reh, n.d.). KPI’s are often mislabeled or misused, and can have a lack of
focus, alignment, and objective. To be a functional management tool, indicators must suggest preventive or corrective steps to be taken (Parmenter, 2010).

Some PIs can lower productivity and negatively impact employee behavior. Measurement initiatives are often viewed as managerial control devices solely for the benefit of management. As a result, employees often tend to respond to KPI implementation with distrust. Indicators can become a source of division and conflict between managers and their employees. Traditional evaluations of individual employee performance or productivity do not take teamwork into account. This indicator can hinder employee cooperation inside a company. Some performance indicators measure employee’s productivity in comparison to their peers. These relative indicators actually develop unwanted competitive environments amongst work teams. They don’t properly appraise the collective efforts by the team members. Additionally, KPI’s can be misleading by setting targets too distant in the future to obtain meaningful analysis upon. Approaches to evaluations need to be consultative, promote partnership, and obtain behavioral alignment (Parmenter, 2010).

Collective indicators measure group effectiveness instead of measuring each employee individually. These KPI’s are generally thought to improve cohesion and cooperation. There can a slight tendency for a freeloader to develop amongst team member when collective indicators are first implemented, and especially in the absence of individual indicators. It is not a common occurrence and can actually be self-corrected. The idlers are often reported, not by the hierarchy but by their peers. Other group members collectively pressure their peers into contributing; any initial loafing issues settle relatively fast. Managers are encouraged to develop and apply collective indicators; KPI’s must be established that supports and expands ideas of cooperative
partnership. Metrics need to allow team members to evaluate their performance, and needs to connect the work of the team to key business indicators (Parmenter, 2010).

Some key performance indicators of value measure customer satisfaction, internal quality of a system or process, employee satisfaction, or finances. Good KPI’s are measured frequently and are acted upon by the CEO and management team. Understanding the measure and corrective action required by all staff leads to successful practices. Strong performance indicators tie the responsibility to the individual team, significantly impacting cooperation and other performance measures in a positive way. The appropriate performance measures will help teams align their behavior in a coherent way to the benefit the entire organization. It is the wish of every manager that employee’s daily operations align with strategic organizational objectives, which is rarely the circumstance (Parmenter, 2010).

**Feedback**

Gauging startup performance to a standard can properly assess organizational health and productivity levels, but can require a variety of measurements and process data. Different departments should have appropriate metrics that evaluate productivity against their team’s operational tasks. Constructive criticism on process interactions may prove beneficial to organizational health, as well as thorough analysis of employee satisfaction surveys, team/individual evaluations, and audits on social capital.

Leaders can promote personal and team developments through constructive feedback on group performances indicators. Group process observations improve a team’s interactions by pointing out neglected problems and by helping them fix it (Levi, 2010). However measuring has an effect on human behavior that causes people to tend to pay more attention to the aspects
of their jobs or tasks that are being monitored. The medium of measurement is itself a stimulus and should be accounted for (Flamholtz, 1986).

It is important for management to check in with employees as conveniently and often as possible. Managers in a department should review what each person on their team has done during the past week and then lay out what each person will do in the week to come. Long-range plans should be considered when providing feedback on operational tasks. Feedback should be implemented both ways; employees should also be encouraged to provide feedback on managerial decisions and actions. Meetings should have a reserved amount of time for new ideas and contributions from the staff. It is important to keep the meeting brief as long meetings become expensive, but managers should never skip a weekly meeting (Warner, 1987).

Surveys provide information about employee’s attitudes, opinions, and beliefs about the organization and its inner workings. Management should try to ask questions through survey implementation about critical human processes and interactions pertaining to levels of communication, member roles, decision-making, group dynamics, leadership, authority, intergroup cooperation and competition. Participants can be inquired about strengths and weaknesses of their department, as well as the whole company (McGill, 1977). Employee suggestion and participation should be encouraged; managers should never undervalue any employee opinion or suggestion.

Good managers make it easy for their employees to do their job. Employees should be equipped with the information and tools needed to complete their job, encouraged to ask questions, and then left alone. To make sure the workplace is convenient and as comfortable as possible managers have to respect employee privacy; they make themselves available, but do not hover or snoop (Warner, 1987).
Also management should never ask someone to do something they would not do. They should make time to listen and not just to give orders; it is important to respect and listen to employee’s opinions and ideas, otherwise employees will feel their work isn’t appreciated or valued. Good managers give credit where credit is due, and take responsibility for their employee’s mistakes; perhaps management could have prepared the team better or made tools more readily available. Rarely does it pay to save money by buying poor tools. The right tool at the right time means the job gets done as efficiently as possible (Warner, 1987).

**Rewards**

Some employees may engage in social loafing; some people may just be lazy and don’t feel like contributing. Others might feel inclined to “slack off” to avoid not having their ideas exploited. Giving challenging tasks and having rewards, while establishing identifiers for individual performance, can prevent this. Difficult tasks motivate teams by instilling the responsibility of individual and collective work, fostering the balance of individual and team based rewards, and by maintaining a high collective team efficiency (Levi, 2010).

Rewards can come in the form of compensation, bonuses, recognition, or promotion. There can be extrinsic rewards where people perform tasks because of the monetary rewards they expect to receive, or intrinsic rewards where people perform tasks because they find their work and the end result interesting and compelling. Rewards in the past have been seen as desirable outcomes to types of behavior; management science stated that the nature of rewards should reinforce positive performances and correct negative performances. Different rewards were believed to motivate different types of behavior, bringing focus to selecting the appropriate rewards for a process (Flamholtz, 1986).
A fair reward and incentive structure for individual performances has failed to show a significant correlation with organizational performance. Different types of bonuses or certain types of reward systems generally do not have a positive or negative effect on performance. However the lack of a rewards system can affect motivation negatively. If the organization does not have an appropriate reward system employees will not be motivated to excel. The lack of a formal rewards system leads to decreased levels of employee motivation as their opinions and ideas feel unappreciated and exploited. Without any incentives why should an employee contribute? (Waal & Jansen, 2013).

Startup companies should put an emphasis on intrinsic rewards, highlighting and promoting growth and teamwork. Management should not waste time and company resources on designing and implementing elaborate and sophisticated reward systems in an effort to improve performance. The reward system has to be appropriate enough; considered fair and equitable by all employees (Waal & Jansen, 2013).

**Pursuit of Power**

Startup companies need to account for employee pursuit of formal and informal power. Formal power, or authority, is the role and relationship between superiors and subordinates governed by the subordinate’s ability to comply with demands (Palmer, 2012). Regardless if it is centralized or decentralized, formal authority has to exist in some form or another.

Informal power describes when a person is highly dependent on another person or the resources they have influence over; this leads to the ‘subordinate’ tending to comply with the power holder’s commands. Both workers and managers alike can succumb to the desire of informal power, periodically engaging in conflict and winning as a necessity to enhance other’s perception of their power. These people value power as an asset in itself, and as a consequence
they become more likely to pursue power as an end, rather then as a means to an end. These people advance their interests at the expense of the company, withholding information from the employees and violating various norms (Palmer, 2012).

Access to power increases the probability it will be used. When used, the power holder takes more credit of a project or end result (Levi, 2010). As people become more powerful they tend to devalue the approval of others, becoming more likely to pursue courses of action that are socially disapproved. Powerful people tend to overlook the distinctive features of those whom they have power over, increasing their propensity to stereotype and discriminate against them. They tend to ignore the needs, emotions, and aspirations of those subject to their power, increasing their willingness to harm them (Palmer, 2012). Managers need to be selected, trained, and maintained to be aware of the power struggles that exist within an organization. Attention should be drawn to how detrimental they can be to operations, as well as to the potential effect on employee health and job stability.

**Company Culture**

The culture of a company is often undervalued and forgotten in startups, but cultures can have a profound impact on an organization’s success or failure; it can determine the degree of employee commitment to a firm and affect the way customers and investors perceive the enterprise. Without a common culture employees can differ and oppose each other’s values, beliefs, and norms, generating unnecessary conflict. Culture needs to be conducive to accomplishing the tasks of a professionally managed firm (Flamholtz, 1986). Company culture does not just embody operating values such as the business’s vision and mission; it encompasses
the attitudes and values of the working environment and determines how employees interact with one another.

The culture of an organization comprises the shared values, beliefs, understandings, assumptions, and norms that strongly influence the attitudes, expectations, and behavior of individuals within the organization (Deresky, 2002). The culture reflects what the organization stands for in its products or services, the management of its people, and the way it conducts business (Flamholtz, 1986). Leaders play a crucial role in developing and disseminating organizational cultures (Palmer, 2012). Managers serve as role models to employees; they need to embody the cultural principles that they wish to instill in those around them.

In great startups there should be high energy throughout the office that can be felt. Great startup cultures create a sense that everyone on board is building something significant, an enterprise that will be valuable in the long term. They create a great strategy and align it with their vision, encouraging their employees to think of their job as more of a mission. They judge ideas based on merits and contribution rather than on hierarchy. There is an established sense of mutual respect for what each party brings to the table, and the company celebrates wins from wherever they come (Cohen & Feld, 2011).

Conventional wisdom says that companies must always put the customer first, but true valued is created in the interface between the customer and the employee. By putting the employee first, managers can bring fundamental change in the way a company creates and delivers unique value for its customers and differentiates itself from its competitors. Companies that place the needs of their employees as a priority have a marked positive effect on performance, adding value to their process without massive initiatives or expenditures, helping
the company through good times and bad. The customer stands to gain the greatest benefit, and will ultimately come first (Nayar, 2010).

To prioritize employee needs, managers have to be able to reflect on their decisions and on their presentation, owning their actions and accepting mistakes that they themselves are partially or solely responsible for. A manager isn’t considered credible if they aren’t accountable (Nayar, 2010). By holding themselves responsible, managers encourage a culture of accountability to manifest throughout the company.

Employees also need to be empowered to make decisions, and made to feel that they have a stake of ownership in the processes and the collective company. Founders and managers have to learn to step back and release some aspects of control to employees to allow the company to grow. The single best way to motivate employees is to make them feel like they are part of the success of the company (DeBaise, 2009). A structural flaw of traditional management systems is that the leader holds too much power. This prevents the organization from becoming democratized and the energy of the employees from being released. Managers must stop thinking of themselves as the only source of change; they need to avoid the urge to answer every question or provide a solution to every problem. By seeking others as a source of change, managers transfer the ownership of the organizations growth, creating a company culture that is self-run and self-governed; employees that feel like owners are excited by their work and are committed to something that they have a stake in (Nayar, 2010). A culture of empowerment works wonders in the guidance of startup employees.

Transparent communication is a hallmark of a great startup culture. There is a need to address hard issues directly, rather than ignoring them, as every startup goes through its ups and downs (Cohen & Feld, 2011). It’s important to determine the cause when problems do arise. It
may be the supervisor, it may be unclear responsibilities, or it may be a mismatch of the job to the employee. An astute manager can address the issue appropriately by getting to the root of the problem (DeBaise, 2009).

Management needs to establish open levels of communication with their employees, offering a sort of support system to disclose information that could be affecting employee satisfaction or productivity; this can include personal issues that occur outside the workplace. Even if the manager does not have a remedy available, the ability to openly discuss problems in the employee’s life can help them sort and clarify their feelings, and potentially get a new and different opinion on matters. Managers that offer emotional support can alleviate employee stress and discover the source of an issue before it becomes a major problem. Additionally, employees feel valued when management genuinely listens to their concerns and issues.

During a firm’s early stages of growth, culture is transmitted informally through employee-manager day-to-day actions; as the firm grows the manager has less time for contact with every individual employee. A formal mechanism must be substituted for the process of cultural transmission by diffusion or the firm will find that its people no longer have a shared vision of what the company is and where it’s going (Flamholtz, 1986).

Organizational cultures will be resistant to change, and if changed subject to reversion, because cultures tend to be anchored in a number of stable internal and external structures. Instant change in culture or leadership won’t necessarily take affect (Palmer, 2012). Any transformation in a company requires a level of trust between management and employees, established through transparency and genuine consideration of employees’ satisfaction and future development. If management is willing to share important information, including the “bad stuff,”
its intentions can be trusted (Nayar, 2010). Trust requires credibility, reliability, intimacy, and self-orientation.

A cultural changing process should begin with an audit or assessment of what the firm’s present culture is. This can be done by questionnaires, interviews, analysis of stories, and internal corporate materials. Anonymity helps employees express their opinions, and can lead to higher levels of honesty. The desired culture should be compared to status assessments (Flamholtz, 1986).

Company-wide activities such as picnics, parties, and luncheons reduce the resistance to whole-company loyalty. They can establish lines of communication, enabling employees from different areas to be comfortable and friendly with one another (Flamholtz, 1986). Other activities that foster company-wide social relations are starting company teams in adult sports leagues. Also shared meals promote team building and help relieve stress and high tempers during confrontational times by allowing all parties to enjoy their break together. Even a field trip to a museum or national monument could prove to be beneficial for cultural development.

Another way to establish communication could be through a company-wide newsletter that is sent to every employee every other week. In the newsletter management could update employees on company status to keep everyone informed and establish transparency. Attention could be drawn to outstanding employees of the week to show value in human assets. This serves as a symbol of the company and management caring about its employees, and eliminates the need to rely on the “grapevine” or gossip for information (Flamholtz, 1986). This can require a reasonable amount of time and resources to establish and maintain, and may not be feasible for a startup at earlier stages.
Culture has a profound impact on the ethics of a company’s employees. A high level of business ethics is crucial when offering a superior service or product; consumers look for ethically conscious companies when differentiating between similar products from competitors. Great startup cultures do not cut corners; they maintain the highest integrity possible (Cohn & Feld, 2011).

Organizational wrongdoing describes any behavior that organizational participants perpetrate in the course of fulfilling their organizational task or role that the state, professional associations, interest groups, or the media judges to be wrong. The underlying criteria in determining wrongful organizational behavior are the law, ethics, and social responsibility. Ethics pertains to the violations of basic human rights; including the rights to free speech, to privacy, and to due process. Social responsibility is the assessment of how sensitive and successful actions are in relation to social, ethical, economical, and environmental demands. Organizations care about their social responsibilities to both internal and external stakeholders (Palmer, 2012). The use of finite resources is primarily an environmental consideration of a company’s social responsibility, while the fair treatment amongst all employees is primarily a social consideration.

Wrongdoing in a workplace was traditionally considered a clear departure from the norm, and thus thought of as implicitly rare. Now more people are accepting it as “normal behavior,” as competitive pressures often require people working in organizations to operate close to the line separating right from wrong. In the immediate vicinity of that line is a grey area, and organizational participants operating in this area are faced with significant cognitive and behavioral challenges in their efforts to approach, but not cross that line. Many wrongdoers are ordinary and not inherently evil, although some could be and those that consciously engage in
wrongdoing recognize and reinforce their actions once a reward is visible. For others the world is a complicated place and at times the required amount of information to make an appropriate decision isn’t readily available. People are bounded rationally; they are cognitively limited in their ability to make thorough cost-benefit calculations, normative assessments, or ethical decisions even when the amount of information necessary is modest (Palmer, 2012).

Social relations through rules, standard operating procedures, small-group dynamics, formal authority, resource dependence, and task interdependencies can affect wrongdoing. It is plausible that people participate in wrongdoing over time in a mindless fashion, influenced by their social context without ever developing a positive inclination to do so. Even the most ethical, socially responsible, and law-abiding citizens are at significant risk of becoming entangled in wrongdoing when placed in an organizational context (Palmer, 2012).

Culture can give rise to wrongdoing when its norms, values, and beliefs endorse wrongful courses of action as right or tolerable. Some cultures convey it as acceptable for people to engage in wrongful behavior if no one is harmed in the process or if their unethical actions are less severe than others. Some cultures convey the message that wrongful behavior is acceptable if while engaging in wrongdoing a higher moral goal is achieved. People only internalize cultural content, meaning they embrace it as their own point of view, after they have tailored it to successfully cope with the problems they confront in their organizational life (Palmer, 2012).

Sometimes superiors distance themselves from an employee’s work, and it comes down to the worker’s own moral code of ethics. They have to decide where to draw the line against injustice and where to operate with integrity, otherwise the line moves further and further away with each transgression (Deresky, 2002). Ethical decisions are on a situational basis; those making the decision tend to underestimate the range of potentially affected parties and disregard
low probability consequences when contemplating ethical decision options. People often view others as homogeneously inferior and themselves to be uniquely superior both intellectually and morally. Systematic errors in reasoning can cause otherwise ethical people to be insensitive to ethical issues, misapply ethical principles, fail to develop ethical motivations, and engage in unethical behavior. People will often struggle to store, process, and accumulate information needed to make a sound ethical decision in an organization. It depends on the complexity of the decision, what the uncertainty is of the consequences, and the inaccessibility of information on available options (Palmer, 2012).

It is the responsibility of the company and of management to provide guidelines for the actions and decisions made by its employees (Deresky, 2002). Startup companies need to stress a high level of ethics, both in their business operations and in social interaction throughout the company.

Additional Background Information

Upon completing the literature review, additional background information was required to review the different types of audits available. The clarification on social audit elements was necessary in the creation of the design of this project. Furthermore, a description on the history of Halt Medical was needed to indicate the setting of the project.

Social Audit Clarification

An audit is the on-site examination of a process or system to verify performance and compliance to requirements. They are conducted to measure strengths and weaknesses against specific procedures, methods, or external standards adopted or imposed on the organization. An
audit can apply to all facets of an organization, or it could be performed on a certain component of a system, process, or production step (Russell, 2013).

The relation of the practitioner to the organization helps classify the audit. First-party audits are performed internally by employees or employed practitioners with no vested interests in the audit results. Second-party audits are desired through supplier relationships, and are supervised externally by a customer or contracted organization on their behalf. Third-party audits are also done externally, by an audit organization independent and free from conflicts of interest. Some audits are named according to their purpose or scope, such as a financial audit for third-party examinations of an organization’s financial statements (Russell, 2013).

Audits can develop recommendations, but most corrective actions cannot be performed at the time of the audit. This may require the audit practitioner to perform a follow-up audit to verify proper implementation of corrective or preventative actions. Audits can be expensive, so follow-up audits are usually combined with the next scheduled audit of that area (Russell, 2013).

A social audit is the process of evaluating and reporting an organization’s performance of fulfilling the economic, environmental, legal, ethical, and social responsibilities expected of it by its stakeholders. Other names for a social audit are “social responsibility audit” or “corporate citizen audit.” It is an assessment of a business’s social responsibility; it identifies risks, noncompliance with laws, company policies, and areas that need improvement (Thorne McAlister, Ferrell, & Ferrell, 2010).

Social audits are an objective approach to incorporating accountability into strategic actions, ranging from long-term planning to everyday decision-making on business components such as governance, diversity, and social issues. Financial and social audits are similar in that they both employ comparable methods and procedures to create a system of integrity with
objective reporting. Like a financial audit, social audits should be conducted regularly, instead of as a control process used only when there are problems or questions about a firm’s priorities or conduct. Unlike financial audits, social audits are not associated with regulatory requirements and are often voluntary, informal, and internally performed (Thorne McAlister, Ferrell, & Ferrell, 2010).

Areas of responsibility assessed in social audits can include:

- Community involvement
- Environmental policies
- International relationships
- Marketing strategies
- Fiscal responsibilities
- Financial monitoring
- Fair working conditions
- Consumer welfare
- Sustainable development
- Customer/vendor/supplier/shareholder relations
- Industry reputation
- Management practices
- Ethics programs
- Human Resources
- Diversity (Kokemuller, n.d.; Thorne McAlister, Ferrell, & Ferrell, 2010)

Social audits can improve financial performance, increase attractiveness to investors, improve relationships with stakeholders, and identify potential liabilities. Organizational effectiveness can
be improved, and the risk of misconduct and adverse publicity reduced (Thorne McAlister, Ferrell, & Ferrell, 2010). Social audits promote local democracy by benefiting disadvantaged groups, encouraging community participation and promoting collective decision-making responsibilities. They can focus on neglected aspects of social impacts, and fundamentally develop an organization’s human resources and social capital (Srivastava, n.d.). Research has shown that integrating business strategy and corporate social responsibility contribute to increased employee satisfaction and improved community relations. Good social responsibility practices can reduce operating costs and promote positive brand awareness (Price, 2012).

It is critical that top managers understand and embrace the strategic importance of a social audit (Thorne McAlister, Ferrell, & Ferrell, 2010). Social auditing values the voice of the stakeholders, including any marginalized groups whose voices are rarely heard (Srivastava, n.d.). Stakeholders can include the employees, customers, investors, suppliers, community members, activists, the media, and regulators. Transparency of all measured outcomes and recommendations helps establish trust; all stakeholders become aware of desired achievements and of the company’s progress towards those objectives (Thorne McAlister, Ferrell, & Ferrell, 2010). Measuring social and environmental impact isn’t easily quantifiable however (Heussner, 2012). Without reliable measurements of progress towards social objectives, a company has no concrete way to verify an objective’s importance, link them to organizational performance, or address stakeholder concerns. In order to collect meaningful data, a social audit needs to develop a systematic and empirical survey of the firm’s ethics, culture, and values (Thorne McAlister, Ferrell, & Ferrell, 2010).

Social audits should be unique to each company based on size, industry, and company culture; they are also dependent on the regulatory environment in which the organization
operates and the level of managerial commitment to social responsibility. Social audits should be an individualized process with individualized outcomes for each firm. Companies may also choose to concentrate their initial auditing efforts to promote acceptance and facilitate habitual audits. Focusing on only primary stakeholders in an initial audit can simplify the process, showing value in the analysis of specific components and impact on stakeholders, before expanding to secondary stakeholders in subsequent inspections. Social audits may be comprehensive and encompass all of the social impact areas of a business, or it can be specific and focus on one or two areas. An example of a specialized audit is an environmental-impact audit where only environmental and sustainable issues are analyzed. Another example of a specialized audit could include areas of diversity, ethical conduct, employee benefits, and workplace conditions (Thorne McAlister, Ferrell, & Ferrell, 2010).

A practitioner with adequate technical training and proficiency is required to perform a social audit (Thorne McAlister, Ferrell, & Ferrell, 2010). Credibility is essential if management and stakeholders are to seriously consider the results (Price, 2012). There needs to be cognitive independence and a mental attitude of a facilitator, avoiding direct participation. The audit has to be adequately planned, and the development of the audit controlled with respect to constraints. In order to provide a reasonable basis for the conclusion and recommendations, a sufficient amount of evidence is needed (Thorne McAlister, Ferrell, & Ferrell, 2010). Practitioners must be allowed to seek clarifications and scrutinize existing schemes, and they need access to documents relating to evaluated areas (Srivastava, n.d.). Audits can be expensive and rather time consuming; selecting auditors may be difficult if objective and qualified personnel are not available (Thorne McAlister, Ferrell, & Ferrell, 2010).
Although problems may be encountered, social audits can produce many benefits; they can demonstrate a positive impact of social responsibility efforts on a company’s bottom line, convincing stakeholders of the value of socially responsible business practices (Thorne McAlister, Ferrell, & Ferrell, 2010).

Corporate social responsibility has been traditionally more associated with multi-national organizations than with startups (Farbey, 2014). Incorporating social responsibility in a startup may seem daunting when making payroll and finding the next customer are imperative objectives (Price, 2012); startups can often barely afford proper office space and marketing budgets (Heussner, 2012). It can be challenging enough to manage the traditional bottom line of profits, let alone the triple bottom line of social and environmental responsibilities: people, the planet, and profits. Yet social responsibility is becoming an increasingly popular idea in tech startups and investors (Heussner, 2012; Lawrence, 2014).

While the benefits of developing a social audit of a startup might not be readily evident (Lawrence, 2014), balancing social responsibility with business performance is necessary in the early 21st century corporate arena. Preserving the environment has become integrated into business philosophy, amongst other social and ethical issues (Kokemuller, n.d.). Embracing social responsibility makes perfect sense for startups: by thinking seriously about the responsible use of resources and engagement with the wider community, startups can strengthen their brand and operate in a more efficient way (Farbey, 2014). The value and satisfaction of adhering to the triple bottom line often surpasses the cost (Lawrence, 2014). It should be noted that startups face many problems in the consideration of social responsibility.

The bottom line value of social responsibility is not easily quantifiable (Lawrence, 2014). Additionally, entrepreneurs might fear that a cultural objective of setting the interests of the
greater community above the shareholder’s will alienate potential investors (Heussner, 2012). Also many startups put off social responsibility until they become well established and comfortable, and begin making a profit as a company. These startups view social responsibility as curb appeal, and not as a core company value, where social initiative has the greatest impact and can produce the greatest results. Startups need to visualize how their social performance compliments their company’s success (Lawrence, 2014).

Social responsibility has become an integral aspect to an organization’s collective performance, and more startups are beginning to incorporate it into their business strategies (Price, 2012). Social responsibility helps develop startup values, encourage ingenuity, and provide opportunities for employees to impact society. Social initiative builds pride, motivates employees, and creates cohesion among the staff at all levels. Employees are ultimately more productive when they have a feeling of purpose or self-work (Lawrence, 2014).

Additionally, social responsibility has been shown to have a significant impact on a product’s earning potential (Lawrence, 2014). In 2013 a global survey of over 29,000 online consumers in 58 different countries was conducted; 50% of consumers surveyed said they would gladly pay more for a product or service from companies with social responsibility programs in place (“Nielson,” 2013). By taking social responsibility seriously, a startup can send out valuable trust signals to potential customers. It can build an affinity with customers by showing it shares the same concerns. If the organization cares about the bigger picture, they are seemingly more likely to care about meeting customer expectations (Farbey, 2014). Social responsibility enhances a startups reputation in more ways than one; a startup’s philanthropy can impact their stock value and shareholders’ interest. Investors see sustainability efforts as a good sign of company health and future profitability (Lawrence, 2014).
Investors are more willing to put money into a startup if they have the personal satisfaction of knowing the startup is heavily involved in social responsibility. Efforts made on social and ethical specifications can improve a startup’s stock price; good environmental initiatives can lead to certifications of sustainability that distinguish the startup from others when the company goes public. Ranku is a startup that has successfully incorporated social responsibility at the core of their company, and as a result were one of the top startups in 2013. Ranku noticed that their philanthropic strategies and strong-shared values were important factors in investors choosing to work with them. Social responsibility enhances a startups reputation; investors see sustainability efforts as a good sign of company health and future profitability (Lawrence, 2014).

Initiatives become a core value of the hiring process in socially responsible startups; candidates get evaluated on their ethics, as well as on shared values and objectives with company. The opposite is also true; similar to how customers desire products and services from socially responsible companies, employee candidates want to work for companies with more social initiative (Forrest, 2015). A 2007 survey conducted in the U.S. found that 77% of participants indicate that a company’s commitment to social issues is important when they decide where they want to work. In a separate study conducted in 2006, 78% of participants from the ages of 14-18 said money was less important to them than personal fulfillment (Strandberg, 2009). Social responsibility is a strategy for the long-term health of a company (Lawrence, 2014), attracting potential customers, investors, and the next generation of employees.

Founders need to consider their desired company image and define social responsibility early to prioritize it and make it an integral part of the company’s mission. After establishment of organizational scope, it’s paramount that key initiatives are communicated clearly to both
internal and external stakeholders. Startup founders have a unique opportunity to weave social responsibility into the fabric of their company from its inception, establishing company-wide norms and values that generate progress and growth. But until the values of a company are put into writing, they don’t mean anything (Forrest, 2015). What a startup actually does is more important than what the company says it believes in (Heussner, 2012). It is important for managers to make social initiatives a part of daily conversations to build a culture around it. It should be visible throughout the office and discussed in all-hands meetings, company updates, and with new team members and customers. Beginning every meeting with how much the organization is giving and how the organization is doing in respect to their objectives reaffirms the desired culture. Managers can help employees realize that their organizational roles are making a difference with feedback, enabling employees to see the big picture (Forrest, 2015).

Social responsibility of an organization may be a comprehensive concept, but it is also scalable to fit the constraints of startups. A manageable practice for any size company is the reduction of waste by keeping overheads to a minimum and encouraging employees to power down work equipment when not in use. The organization could try to achieve a paperless office strategy if feasible in their industry. Startups can implement innovative employment practices, liaising with local colleges and universities in a commitment to the wider community. Although six-figure endowments are far from feasible for an entrepreneurship, the organization can still get involved with charity on some level, maybe developing partnerships with non-profit organizations. Startups can also encourage the social responsibility efforts of its existing partners, suppliers, providers, and investors (Farbey, 2014).
**History of Halt Medical Inc.**

Halt Medical Inc. is a biomedical device startup company based in Brentwood, CA. that was founded by Dr. Bruce B. Lee and Jeffrey M. Cohen in 2004. Dr. Lee is a gynecologist from Monterey, CA, who had recognized that many women suffer debilitating symptoms of uterine fibroids. The effective treatment options for a woman’s fibroids have been somewhat limited outside of a hysterectomy, a major invasive surgical procedure. Dr. Lee devised a new and revolutionary surgical procedure that was minimally invasive and one in which patients could leave the hospital the same day. This new laparoscopic procedure, later termed the Acessa™ procedure, utilizes radiofrequency ablation to treat fibroids. Halt Medical Inc. was founded to develop, manufacture, and commercialize the Acessa System for the treatment of symptomatic uterine fibroids without damaging or removing the uterus (“About Our Company,” n.d.).

As many as three out of four women may have uterine fibroids at some point during their lives (“Uterine Fibroids,” 2014). Uterine fibroids are growths made up of muscle and connective tissue within the uterus that can result in pain and discomfort. They can range from being microscopic in size to being larger than a grapefruit. Not all fibroids can cause symptoms and they are almost always noncancerous, but for a few the symptoms are rather painful. The rate of growth for fibroids is unpredictable, and a woman may have more than one fibroid at a time.

Fibroids are very common in women of childbearing age. There are a few factors that increase a woman’s risk of developing fibroids; African American women are more likely to develop fibroids. A family history of uterine fibroids and reaching puberty early also increases the risk of developing fibroids. Having uterine fibroids does not increase a woman’s risk of developing uterine cancer (“Understanding Fibroids,” n.d.).
Although fibroids are generally benign, they can cause a variety of symptoms. Some symptoms include constipation, pelvic pain, painful intercourse, and fertility and urination problems. Heavy menstrual bleeding and painful periods are less common. When large enough uterine fibroids can compress nearby structures such as organs and nerves. Fibroids can compress the bladder, effectively decreasing its capacity and increasing the frequency of urination. Rare symptoms include kidney blockage, decreased fertility, and the potential for a miscarriage. None of the drug therapies for uterine fibroids remove them entirely; some drugs work by lowering estrogen and placing women in a state similar to menopause. Other treatment options include uterine artery embolism or a non-surgical endometrial ablation procedure, depending on the location and type of fibroids. Another option is a hysterectomy, an open surgical removal of the entire uterus (“Understanding Fibroids,” n.d.). Half of the 600,000 hysterectomies performed annually in the U.S. are for the treatment of fibroids (“About Our Company,” n.d.).

As uterine fibroids are the most common in women of childbearing age a hysterectomy is not the preferred option. The Acessa procedure presents a new option for women who seek symptomatic relief of pelvic pain and pressure without a complete or partial removal of their uterus. The procedure is performed under general anesthesia, and only two very small abdominal incisions approximately ¼” are needed. There is no cutting, suturing, or removal of the uterus itself. The Acessa procedure uses a handpiece inserted through the abdominal incision that uses radiofrequency ablation to treat each individual fibroid. Both laparoscopy and ultrasound are utilized to map the location and size of the fibroids, as well as to safely guide the handpiece while inside the uterus. The appropriate duration of ablation is determined, the treatment is
applied, and any bleeding is controlled as the handpiece is withdrawn. The surrounding healthy uterine tissue is not damage or otherwise affected (“The Acessa Procedure,” n.d.).

Surgery can typically last several hours, but it is an outpatient procedure and women are able to go home on the same day. Patients typically return to work in three to five days following the procedure. Pain is not felt during the procedure; symptomatic relief is typically seen shortly after the procedure is performed. Over time the treated fibroid tissue shrinks and may become completely reabsorbed by the body. Once a fibroid is destroyed it cannot grow back, and the need for further treatment is less than 5% of patients annually (“The Acessa Procedure,” n.d.). 94% of patients who have had the Acessa procedure felt it was effective in addressing their symptoms and would recommend it to a friend; many gynecologists across the country recommend the Acessa procedure for the treatment of uterine fibroids. A majority of patients experience a significant reduction in their symptoms and an improvement in their quality of life (“About Our Company,” n.d.).

It can be easily recognized that Halt Medical was founded to serve a noble cause: to provide a new and safe alternative to the treatment of uterine fibroids without major invasive surgery. With 75% of women likely to develop fibroids at some point in their life, the procedure Halt Medical has developed can benefit many patients.

Halt Medical has existed as an organization for over eleven years, significantly longer than most tech-based startups survive. During that time span Halt has faced many hurdles in attempting to become the standard of care for fibroid management. It took eight years for the Acessa system to get FDA approval for a U.S. commercial launch, as this was the first use of this type of technology in the uterus. Much clinical information was necessary; three multi-center clinical trials with more than 200 patients were required to obtain clearance. The regulatory
aspect of their operations demanded much scrutiny on quality and health standards, both on their product and throughout their business operations, requiring almost all aspects of operations to be documented. In 2012 Halt Medical finally got FDA approval, but has still faced a few problems since then, namely with reimbursement and market scalability. Halt was also forced to downsize prior to this audit, thinning out in most departments in order to meet long-term goals.

Managers at Halt Medical have felt that their teams are very capable in making necessary jumps to achieve the corporate objectives. They have structured yet flexible departments, and an awesome product that has passed the rigorous scrutiny of regulatory bodies, but they have yet to obtain higher levels of reimbursement and market outreach. Halt Medical has made multiple transitions through stages of development, and they are considerably larger in workforce since their foundation. At the beginning of this audit Halt Medical had over 40 employees, operating at two different facilities and a handful of remote locations. There has been some employee turnover, but the core founders and developers have mostly stayed intact; social interaction amongst employees isn’t generally viewed as a problem. Still managers at Halt have expressed interest in evaluating the health of their company; they’re interested in the status of employee satisfaction and their organizational well-being. Sometimes growth in startups leads to an inability of managers to properly influence their employees. Startup’s lifestyle can be demanding and taxing, and the future of the company can be felt as unclear. Halt Medical is interested to know where they stand and how their employees feel, and is willing to take the necessary steps to improve and thrive as an enterprise.
III. Design

The path to evaluating the status of Halt Medical contains many limitations and demands; a design strategy must be developed to create a useful and informational audit. The focus of the audit needs to be refined, and the steps in the approach identified. Restrictions need to be accounted for in initial plans, and methods need to be determined to limit the impact of constraints. The steps in the development of this audit are heavily influenced by the literature review provided in the background. With these considerations, the following design section defines the design approach, audit scope, constraints, and requirements.

Design Approach

The overall goal of this audit is to determine the status and quality of Halt Medical’s employee satisfaction and organizational health. With regard to utilization, it is vital to narrow the scope of the audit to develop meaningful recommendations despite system constraints. The primary concerns in the design of this audit are feasibility, functionality, and acceptability. To maximize the incorporation of these considerations the following list outlines the steps taken to develop and perform an audit of Halt Medical.

1. Define audit scope
2. Review managerial assessments
3. Observe evidence of cultural diffusion
4. Quantify and analyze employee perspective
5. Provide recommendations
6. Economically justify repeatability
7. Follow-up assessment

The audit has to be practical with attainable objectives in regard to feasibility. Constraints must be determined, with viable options noted in efforts to control these limitations. The recommendations that are developed must also be suitable to Halt, with consideration given to company restrictions on available time and money. In regard to functionality, the audit has to measure and analyze organizational aspects that are of importance. Assessments of the organization’s status have to be realistic in relation to company objectives. The analysis of employee and managerial input has to amount to recommendations that are useful and easily exercised. In regard to acceptability, all affected parties must be willing to make any proposed changes. Recommendations must be reasonable to promote policy adoptions. The stakeholders need to be identified and encouraged to partake in the auditing process. Employees and managers have to be given motivation to participate, and shown the impact of the results. With these factors in mind, the audit’s scope helps in the realization of the proposed design.

Scope of Audit

Halt Medical’s managers want to know the status of their organizational health and levels of employee satisfaction. They would also like to discover how effective their management techniques have been and what improvements could be made. Additionally Halt Medical wants to know if their social structure creates an environment that promotes cohesion and cooperation. These concerns held by Halt’s managers are common concerns of many businesses. An appropriate evaluation of Halt Medical requires an identification of stakeholders and responsibilities, a selection of fitting metrics, and an establishment of the areas of assessment. This section of the design focuses on defining the audit’s scope.
Due to Halt Medical’s managers showing interest in their responsibilities to employees, a social audit is selected as the type of audit to be performed. A traditional “corporate” social audit can evaluate environmental, economical, ethical, and social responsibilities; this specialized audit will focus primarily on the social and ethical responsibilities of Halt Medical. Additionally, a traditional social audit often concerns a variety of stakeholders, ranging from customers to shareholders. The concerns of this social audit will be specifically on Halt Medical’s internal stakeholders, their employees and managers. Narrowing the scope of the project will help refine the analysis and recommendations.

This social audit has to assess specific areas within a business that have a profound social and ethical influence on the lives and interactions of employees; the following are a select few areas with profound influence:

- Accommodation for the individual (working conditions, empowerment, etc.)
- Team development
- Social structure
- Management
- Established company culture

Halt Medical’s social and ethical responsibilities will be evaluated in these selected five focus areas. Additionally, community involvement and decision-making are marginally considered in the recommendations. Evaluations of these focus areas require quantifiable metrics that measure Halt Medical’s performance of their social and ethical initiatives. Employee satisfaction and organizational health were the initial concepts Halt Medical was interested in; through psychometric analysis employee satisfaction levels can be calculated and statistically analyzed.
A comprehensive survey will be developed where employees are asked numerous questions on various business practices and capabilities in the five focus areas. Levels of agreement will then be scored, categorized, and analyzed; the summative results serve as performance indicators of social initiative in each of the five areas. Halt Medical’s social and ethical responsibilities to their employees are of interest, so the use of employee perspectives as an indicator of initiative performance can be justified. Corporate strengths and weaknesses will be determined through; the frequency and distributions of responses; benchmarking between focus areas; and estimates of reliability.

Organizational health however is extremely subjective and rather difficult to quantify into measurable units. Through a fact-based analysis, managerial assertions of organizational health can be gathered and compared to employee opinion and observable evidence. This assessment is qualitative rather than quantitative, and recommendations will be constrained on their applicability.

Constraints and Considerations

There are several limitations to the development of this social audit, particularly in regard to the objectives in the design approach. Time is the greatest limitation, constraining many aspects of the project. The amount of literature available on startups is insurmountable and only a reasonable amount of time can be allocated to reviewing it. Time spent on the collection of useful audit information is limited by project deadlines and deliverables; company tasks and objectives also put time constraints on the availability of some managers and employees. Another constraint on the audit is the proximity of Halt Medical’s facilities. The main facility
located in Brentwood, CA is moderately far away which limits the amount of observations that can be made.

Because this audit involves the analysis of personal opinions, cognitive biases are a major constraint. Biases are systematic errors in perception and rationale that all human beings are subject to; they can be caused by motivational factors, individual observations, psychological limitations, or environmental adaptations (Palmer, 2012). Managerial biases might project organizational performances in an idealized manner. An angry employee might discredit cohesive team performance. Cognitive biases can affect all aspects of the information gathered throughout the auditing process, and can alter the determination of recommendations.

When trying to examine the level of cultural diffusion at Halt Medical, only aspects that are readily observable will be noted. Only a specific amount of time can be spent at Halt’s facilities, and all possible instances of management-employee interaction or system functions cannot be witnessed completely. There are also constraints in the calculation of an economic justification for repeatability. The amount of time spent on this audit is considerably longer than future renditions due to an extensive literature and background review, amongst other project aspects. The specific costs of this type of audit are largely unknown, and must be approximated in their calculations. A major constraint on the desired measurables of employee satisfaction and organizational health is that opinions and perspectives are subjective, and are qualitative rather than quantitative. Even when psychometric theories and analysis are performed the resulting data is often ordinal (categorical), at best. An effort must be made to avoid the impact that these constraints pose on the audit design. Through recognition of these constraints and limitations, necessary requirements for the audit’s development can be determined.
Design Requirements

An extensive, but feasible amount of literature review is necessary to compare and contrast the analysis of Halt Medical to a standard. This information needs to be comprised of management techniques, business principles, cultural elements, and values that are applicable to startups; this has been completed and provided in the background. Available managers need to be interviewed; this requires time, but also a great deal of commitment from one or a few managers. In order to gain a proper understanding of the level of cultural diffusion, admittance to facilities is required. While inside the facilities attention to detail is a necessity, and access to any employee training documents or handbooks will be helpful. When collecting employee data an understanding of cognitive biases is necessary and needs to be factored into the analysis. There needs to be an ability for each employee to be honest and speak their mind; honesty is vital to properly assess Halt Medical’s state, and without the inclusion of polarized opinions the gathered data and resulting recommendations can be biased. Employees also need to be motivated to participate in the audit; a compelling reason needs to be given. A major requirement is the incorporation of a psychometric system to measure individual and collective employee opinions. The data collected and analyzed from a structured employee survey will assist in the determination of employee satisfaction and organizational health levels. The analysis requires knowledge on useful statistics and their application; any statistical analysis performed will require the use of statistical software. The status of Halt Medical’s organizational health and employee satisfaction should then be compared to the literature review, and any recommendations constructed from the analysis require an action plan for implementation. Finally, an economic justification of repeated in-house audits will need various assumptions of cost figures and timetables.
The design focus, constraints, and requirements lay the foundation for the development of this social audit. The following methods section of this report details the steps taken in this audit, describing progress made and information acquired at each juncture. It also outlines how the audit’s design requirements were met and how limitations were controlled. The actual data analysis is reviewed and depicted in the results section, with problems and limitations of the analysis listed. Important results and determinations are summarized in the conclusions section, with recommendations and improvements for future social audits proposed. An economic justification is provided in the conclusion for repeatable in-house social audits.
IV. Methods

The key to developing an impartial audit is the consideration of all affected parties and relevant information. This was the attempt of the audit on Halt Medical’s social initiatives despite the given constraints. The following methods explain the observational process, the formation of the employee survey, and administration and collection of employee data.

Management Perspectives and Observations

The commitment of an authoritative figure was necessary for company influence and compliance; the head of the manufacturing department, Robert C. Skidmore, was very interested and dedicated to the development of this audit. The manufacturing department collaborates with both the R&D and the RA/QA department extensively, seemingly at the center of operations at the Brentwood facility. Mr. Skidmore, along with the human resources administrator, served as the audit “committee” in the formation of the employee survey. Mr. Skidmore was interviewed on a variety of occasions to determine his managerial perspective on the quality of Halt Medical’s social and ethical initiatives. These interviews aided in the design of audit focus areas and the development of the employee survey, and served as the primary source of the company’s status from a managerial perspective. Due to time constraints and irregular work schedules, the two other Brentwood department heads were unable to be directly interviewed during the auditing process; these limitations are discussed further in the conclusions.

An effort was made to examine social interaction at the facility, although constraints on time limited the amount of observable behavior. The layout design of the facility was noted, and the locations of each department in relation to each other considered. The facility was
investigated for noticeable signals or symbols of cultural diffusion. The Halt Medical employee handbook was also explored, with attention drawn to company policies and employee benefits. Conclusions on all observable evidence were compared to the literature review and business standards, and descriptions are available in the results section.

**Survey Structure**

The consideration of the survey design was very important as the employee satisfaction levels serve as the primary performance indicator. Upon determining the audit focus areas, questions pertaining to each area were developed with respect to the literature review, managerial perspective, and observations. Over 120 questions were initially developed. Most of the questions were on the five areas of interest while the remaining questions were on marketing, employee training, community involvement, and various other business elements. These questions were included to serve as filler, and indicators of other areas to be potentially evaluated if responses were extremely negative. The audit committee heavily scrutinized the original list of 120 questions, simplifying and combining synonymous questions, while removing others that served little function. The remaining questions were then turned into statements to correspond to scaled levels of agreement. An effort was made to balance the number of positively and negatively stated statements to avoid an acquiescence bias. This occurs when survey participants agree with statements as they are presented; this is a very common bias in people who are eager to please ("Statistics Cafè," n.d.).

The final revision of the survey was composed of 80-scaled statements and 9 True/False statements; the employee survey with solutions can be seen in Appendix A. The True/False section served as an introduction to the survey; most of the statements had a definitive answer
and they promoted higher levels of thinking by ranging from obvious to thought provoking. This section also was an effort to avoid aspects of the central tendency bias. This bias is when participants avoid stating extreme answers in early survey questions in an effort to “leave room” for stronger responses later on (“Statistics Café,” n.d.). The nature of the questions was general, did not affect the performance indicators, and only left room for two possible solutions. The data to be collected from this section was nominal, limiting available statistics. Graphs on the True/False section responses can be found in Appendix B. Following the True/False section were the 80-scaled statements; a 5-point scaling system was used to measure levels of agreement, and can be seen in the table below.

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Table 1: Survey rating scale**

The participant would read the statement and then circle the number corresponding to their level of agreement. The scale was designed to show employees that the possible answers were equidistant, an important feature for data analysis. Of the 80 statements in the survey 48 were stated in a positive manner while 32 where stated negatively. Some statements didn’t make sense when expressed in negative terms. Effort was made to spread out the polarized statements in a seemingly randomized order. Although there were an abundance of statements in each initiative area of focus, there needed to be a way to evaluate the satisfaction level of the overall area.
The implementation of Likert scales was proposed to summate the levels of satisfaction on similar questions. A Likert scale is a psychometric scale used often in survey research. It adds the sum of responses on several statements measuring agreement levels of a common focus area. Due to its name, Likert scales are often confused with individual statements with scaled responses. To avoid confusion, the individual statements are called Likert items and the summation of the items is called Likert scales. Strong Likert scales are made of six or more items, have a balanced number of positive and negative items, and use an equidistant rating for each item. The individual Likert items need to measure a common latent variable to make the summative scale useful. The individual items are ordinal variables, and only descriptive statistics can be used. Likert scales may be treated as interval data if the criteria are met, enabling the use of inferential statistics (“Statistics Café,” n.d.).

In order to determine the accuracy of the Likert items evaluating the same latent variable, a measure of internal consistency was needed. Cronbach’s $\alpha$ (alpha) was used to calculate how closely related the sets of items were. Cronbach’s $\alpha$ shows correlations between Likert items, making it an estimate of reliability. Cronbach’s $\alpha$ is a number between 0 and 1. Values of $\alpha$ are considered “acceptable” if higher than 0.7. Generally, $\alpha$ increases when the correlations between items increase (“Cronbach’s Alpha,” n.d.). A problem with $\alpha$ is that it is also dependent on the number of items in a scale, making the scale seem more credible when the number of items is increased. Also, redundant items that ask the same question in a marginally different way distort the scale. Cronbach’s $\alpha$ values of 0.95 or higher usually indicate repetition (Tayakol & Dennick, 2011).

The survey would be administered to Halt Medical’s employees, and after collection, the Likert scales would be summed from the individual statements (items) that measure the same
latent variable. The Likert items would be measured by Cronbach’s $\alpha$ to determine the reliability of the scale; Cronbach’s $\alpha$’s are calculated from tabulated employee data using the statistical software JMP. If the scale is deemed unacceptable the individual correlations would be examined, and the Likert items that do not measure the same latent variable would be removed. Acceptable Likert scales measuring employee levels of agreement in the audit focus areas will then be analyzed.

Survey Administration and Data Collection

The audit committee determined that making the survey optional was the best plan. If every employee were forced to fill out an extensive survey, employees that did not want to participate would be angry or upset, and would skew the results negatively. In order to maximize the number of participants, motivation was needed. During observational facility visits in Brentwood encouragement was given to all encountered employees. Additionally the audit committee members encouraged employee participation at both the Brentwood and Livermore facilities. A useful tool used for motivation was a memo sent out to all employees via email. This memo was sent out weeks before the administration of the audit; it stressed the importance of the opportunity to have their voice heard and opinions factored into recommendations. The memo can be found in Appendix C.

The audit committee also determined that it was best to keep the survey anonymous. Employees were told to refrain from writing their names on the survey. This would encourage employees to participate if they were afraid that their extreme opinions would lead to penalty or discipline. This also removed the chance of a favoritism bias when analyzing data. All employee
opinions would be weighed equally regardless of their level of agreement or the department that they’re in.

The survey was administrated to 36 employees at both Halt’s facilities in Brentwood and Livermore, as well as to the remote employees in various locations. Participation was encouraged, but not required, and the participants were given ample time to complete it. 18 surveys were submitted and received within two weeks after the administration date. The audit committee was satisfied with the number of participants, as they were not expecting half of their employees to partake in the survey. However, this sample size imposed a few constraints on the statistical analysis of employee data. In addition to issues with sample size, over half of the completed surveys were missing the last page that contained statements 67-80. It occurred from an error in printing and distributing the packaged surveys. Analysis on these questions was omitted, as most were just closing statements, with no affect on the desired Likert scales. These questions can be seen towards the end of Appendix A.

The employee data was formulated using Microsoft Excel (Microsoft® Office 2008 for Mac, Version 12.0.0), and 5 separate Likert scales were grouped together based on statement focus area. Statements that were expressed negatively were reversed prior to summation with their answers reversed. Strongly disagree (1) answers were switched with strongly agree (5), disagree (2) answers switched with agree (4) answers, and neutral (3) responses remained unchanged. Cronbach’s 𝛼’s and correlations were calculated from the tabulated data using JMP® 12 statistical software to test the scale’s reliability. The responses of the statements were then summed by their frequencies, and the summations were graphed by their percentages. Graphs were also made of each individual Likert item to draw attention to potential specific areas of weakness within the larger focus area.
V. Results

The following results section describes the information collected through management perspectives, observations, and employee survey. Manager interviews are the main source of management perspectives. Observations are made on the facility layout and on employee documents. The analysis of employee data is organized by focus area of each Likert scale. The information gathered through the three different mediums is then compared to consider Halt Medical’s organizational health.

Managerial Perspective

The main issue that Halt Medical has been facing is reimbursement, according to management. There was still interest in the company’s social responsibility to their internal stakeholders, regardless of it not being a major issue or concern. Managers want to know if their company is doing well; they want to know if the company is on the “middle of the road” on the path to organizational goals, or if they are “on the edges.” Management feels that employee satisfaction and organizational health are two desirable indicators of the company’s internal operations. Halt Medical’s managers realize that their employees are the most important assets to their company, and they want to decrease any potential turnover and increase employee retention.

Robert Skidmore, the head of the manufacturing department, felt that everything generally runs smoothly, and that all employees are attempted to be involved in operations. Mr. Skidmore claimed that the overall social performance of Halt Medical to be “okay.” Prior to this audit, the management of social capital was only a subconscious worry to Halt Medical. Their
managers felt that social accountability existed within the company and between employees, but all facets of it were not completely written down. The human resources department was perhaps a bit underutilized, as it often only facilitated high-level payroll functions according to management. Even hiring was left up to each department’s manager at Halt Medical. It was recognized that the HR role sort of just came about. Robert Skidmore noted that at the 5 startups he has worked at, each has had little to no HR involvement. Mr. Skidmore felt that it normally was not an issue at below 25 employees, although Halt Medical had closer to 40 during this stage of the audit.

Management has felt that some aspects of the company that could be ignored are social aspects, including interpersonal relationships, interdepartmental cohesion, and community involvement. Out of a few common responsibility areas on a general social audit, Halt Medical managers felt questions should be related to themes such as employee rights, privacy, hiring and employee retention, discrimination, community development/philanthropy, and marketplace practices, amongst others. The managers also made plans to repeat the social auditing process; they strategized to make the social audit an event, to take the output of the audit and look at the before and after status of the company, and to later document the auditing process through company standards and procedures. Managers were excited about the idea of a questionnaire/survey to gather employee opinions, but felt that it needed to be truly anonymous and should be taken and administrated in person. In reference to how often a social audit should be repeated, managers stated that financial audits are done once a year, performance audits are done on every employee 4 times a year, and supplier audits are done 4-5 times a year.

Managers have felt that the company is very transparent, that accounting practices and manufacturing processes are well established and functioning, and that the company feels they
are very ethically responsible. Due to the type of industry that Halt Medical operates in, managers value ethical behavior just as much as they do profits. Decision-making is seen as decentralized; each manager has the power to make a final decision, but all employees within the department are empowered to make decisions. Managers are encouraged to push down the decision process as far as feasible. This is preached, but managers are not sure if it is practiced completely. Management hopes that employees are motivated by their goals, and the end result of company success. Managers feel that meetings are improving, as in the past they have been unproductive or maybe even undemocratic. Management recognizes that people tend to be better talkers than listeners.

Managers feel that Halt Medical’s sales execution is excellent, that their depth and ability are of the highest order. Any market scalability issues stem from efforts in establishing an expansive influence from physician acceptance or endorsement. Managers also feel that there hasn’t been any recent recollection of employee misconduct. When employees have left the company before some working knowledge has gone with them, but management feels that the team left can generally operate the company with little disruption. Managers do notice that performance indicators are almost absolutely different for each department. They could be no stock out, product completed on every order, meeting 100% sales requirements, etc. Managers recognized that sometimes PI’s conflict between departments, and can lead to interdepartmental issues. Managers felt that the department social groups do look out for their goals first.
Observations

Only the Brentwood facility was thoroughly examined due to time constraints. The number of employees at the Brentwood facility greatly outweighed the number of employees in Livermore. In addition to the number of employees, the Brentwood facility was the only location in which multiple departments interacted on a daily basis. In actuality, their success depended on the interaction of different departments and on the collection of their performances. Due to the high level of interdepartmental interaction effort was made to spend time at the Brentwood location to observe multi-level interactions and the corporate efforts of cultural diffusion. Their employee handbook was also reviewed; the handbook serves as a resource tool for company policies in accordance to legal and ethical requirements and employee benefits.

Effort was made to observe the social environment while in the Brentwood facility. Most employees encountered seemed very diligent and busy, but would also stop to socialize and greet one another. Employees that interacted seemed happy and indifferent; no negative attitudes were visible or witnessed. The facility itself however, seemed to be inclusive. The building was actually quite large, but the floor plan wasn’t very open. A layout of the facility can be seen below.
The building was originally built to be multiple adjacent office buildings for financial companies or similar enterprises. Halt Medical purchased all of the adjacent offices, and knocked down walls to connect them, building a machine shop for designing and a clean room for manufacturing. Red lines on the figure above represent the walls that Halt Medical has removed. The department teams reside in fundamentally different parts of the building, due to the building layout providing an abundance of space. This space is almost more space than needed. The R&D team operates in locations marked by yellow stars; they are the most secluded department, operating off in the top left-hand corner of the building. The manufacturing team operates in locations marked by red stars; although some of their employees work in the back of the building, the office for the head of manufacturing is at the front of the building and in the middle.
between both of the other departments. The RA/QA team operates in areas marked by blue stars; they operate in the area of the office with the most space, with access space available for other employees. This side of the office also contains the lunchroom, marked by the green star in figure 5. This area can have a reasonable amount of interdepartmental interactions, but unfortunately many employees eat out during their lunch break reducing the amount of employee interaction. An unmarked layout of the facility can be found in Appendix D.

Upon realizing where each department is located, it is easy to determine that it is not conducive to interdepartmental communication. The locations of the departments might have been in an effort to utilize and maximize the available space, as the functions of the company are spread out as far as possible. Although the office space is utilized in this particular manner, it is evident the building was once divided into multiple workspaces. To walk the length of the building, direction must frequently be changed, and hallways feel random and unnatural. In certain areas between each department are empty cubicles, multiple vacant conference rooms, and offices with old and unused equipment. In efforts to utilize office space to promote department freedom, certain portions of the office go completely unused. The separation of the departments could lead to employees not even seeing other employees in other departments throughout the course of the day, despite being in a relatively small startup.

Even with the space and distance between departments there is an absence of visual cues such as motivational posters, company policies, certain process guidelines, or even visually aesthetic pictures. Although not necessarily an expectation, the seemingly closed floor plan provides multiple hallways and doorways where visual cues could be advantageous. There were a couple small random portraits here and there, and a sign with the company logo at the front door, which might be an effort to appeal to potential visitors, investors, or auditors. In the main
conference room was a company plaque with the company slogan on it; the slogan is “the three C’s,” representing the customer, compliance to regulations, and continuous improvement. This was essentially the only visual indication of attempted cultural diffusion, and the employees are not incorporated into the scope of the three C’s.

The Halt Medical employee handbook was also reviewed for signs of social and ethical business initiatives to customers; the established handbook shows norms and values expected and desired by the company. The handbook covered a variety of behavioral policies and employee benefits, very similar to what can be expected in standard employee handbooks. The handbook does preach the importance of employee contribution to Halt’s success. Employees are advised of any changes or amendments to the handbook, highlighting corporate transparency.

Management expects employees to be ethical in conduct; there are a variety of behavioral guidelines and policies for conduct and employee interaction. There is a section on workplace etiquette to maintain respect and courtesy amongst employees. The handbook preaches for employees to approach their manager or the HR administrator if issues arise in a variety of business areas, but employees are encouraged to solve personal disputes prior to manager involvement. Handbook stresses the importance of avoiding public accusations or criticism, and instead addressing such issues privately or with a supervisor. There is also an elaborate open-door policy that encourages suggestions in efforts to improve Halt Medical; the handbook stresses the value in every employees input. Something that the handbook stresses is to minimize unscheduled interruptions of other employees while they are working, encouraging emails or phone calls instead of face-to-face interactions. Although this may help with privacy, this seems counterintuitive for startup cultures that need to optimize employee cohesion through interaction and face-to-face communication.
There are many policies on volume control, workplace cleanliness, appropriate conversation topics, etc.; standard policies on immigration law compliance, equal employment opportunities, non-disclosure agreements, employment of relatives, employee benefits, employee education, and performance evaluations. There are also details of employee’s job duties, guidelines for respectful resignation, and progressive discipline steps for different levels of misconduct. Every employee that first reads the handbook has to fill out an acknowledgement form, promoting accountability and awareness. There are many formal sections that are in place for company liability purposes, detailing specific definitions and business procedures to be cited in cases of discrepancy.

Although there are many useful functions of the employee handbook in promoting social and ethical initiatives to employees, the widespread knowledge of such information is in question. The handbook could only be reviewed in early introductory periods after initial hiring of an employee, and thus wouldn’t be referenced often. It is unlikely that most employees remember every problem resolution concept over the course of their employment.

Employee Survey

The analysis of the employee section is organized by the order of the Likert scales formulated from the collection of employee data.

**Personal**

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
<th>Negative?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Working for a startup has its advantages</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Working for a startup is beneficial to my personal development</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Being part of something bigger than myself is not important</td>
<td>x</td>
</tr>
</tbody>
</table>
4 I have an appropriate workspace in order to be productive
7 I am safe performing the tasks delegated to me
8 I am satisfied with my job
10 I don't feel like I can make a difference x
12 I feel under stress while at work x
20 I was given an accurate description of my job duties when I was hired
23 I am compensated fairly for my work
47 I can't satisfy my own needs when seeking to achieve the goals of the organization x
49 I am expected to rearrange my life at short notice x

Table 2: Personal accommodation Likert items

The statements listed above were the Likert items used in the formation of a Likert scale measuring employee satisfaction of Halt Medical’s initiatives to accommodate for each individual. Accommodation for each individual was governed by the workplace conditions and employee empowerment. 12 statements were used in the Likert scale, with 7 statements expressed positively and 5 statements expressed negatively. This Likert scale may be slightly positively skewed due to the imbalance of positive and negative statements, but the large amount of items used in the scale’s formation reduces the skew’s impact. Cronbach’s $\alpha$ of the statements was calculated at 0.8780, well above the acceptable limit of 0.70.
Levels of employee satisfaction on Halt Medical’s initiatives of individual accommodation were relatively high. Cumulatively, over 70% of responses were positive, while approximately only 10% of responses were negative. This was one of the stronger areas for Halt Medical, and wasn’t seen as an area of concern. Halt Medical’s employees felt that they had enough workspace to be productive and that they felt safe performing assigned tasks. Employees recognized the advantages of working for a startup, and felt that it is beneficial for personal development. Most employees are satisfied with their jobs, and feel that job descriptions were accurate when they were hired. However there were high amounts of reported stress, and a few employees felt that their personal lives come second to their organizational tasks. Graphs of
individual Likert items for this Likert scale can be found in Appendix E. Recommendations based on the personal Likert scale are provided in the conclusions section.

**Team Development**

<table>
<thead>
<tr>
<th>#</th>
<th>Statement</th>
<th>Negative?</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>I’d rather work alone than in a team</td>
<td>x</td>
</tr>
<tr>
<td>9</td>
<td>I am satisfied working within my department</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>I can freely share ideas and thoughts within my department</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>My team is poorly equipped (e.g. tools, resources, people)</td>
<td>x</td>
</tr>
<tr>
<td>15</td>
<td>My department is flexible with switching tasks</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>My department is highly cohesive</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Department meetings feel democratic</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>I tend to align my interests and desires with others from my department</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>My department is often overworked</td>
<td>x</td>
</tr>
</tbody>
</table>

**Table 3: Initial team development Likert items**

The statements listed above were the Likert items initially used in the formation of a Likert scale measuring employee satisfaction of Halt Medical’s initiatives to team development. The Cronbach’s $\alpha$ of the initial scale was only 0.5810, well below the acceptable range of values. Factor analysis was necessary to change the Likert scale to obtain higher values of $\alpha$; individual respondent scores were analyzed for outliers, and statements were analyzed to correlate to the desired latent variable. 1 of the 18 participants had not answered multiple questions in the scale, which was initially mathematically represented by a zero instead of 1-5. The zero values were
skewing the data, so the participant’s answers were excluded from the Likert scale. After removing the outliers, the Cronbach’s $\alpha$ was calculated as 0.6221; although a better value, it still was not acceptable. Individual correlations between each statement were calculated, and can be show in the figure below.

![Correlations of team development Likert items](image)

Figure 7: Correlations of team development Likert items

Statement 16 (Q16) was seen as a representation of the scale’s desired latent variable, as statement 16 expressed whether department teams were cohesive. Many correlations existed between Q16 and other Likert items, but the weakest correlations existed with statements 6, 18, and 19. The correlations of Q6, Q18, and Q19 were also weak with many of the other statements that were included in the Likert scale. Q6 states “I’d rather alone than in a team,” indicating that a desire to work in the team or not has little to no correlation with the team’s cohesion. Similar comparisons to Q18 and Q19 can be made, showing that the cohesiveness of department work teams at Halt Medical have no clear correlation to aligned team interests or to abundance of work. Statements 6, 18, and 19 were removed from the Likert scale, and the new calculated Cronbach’s $\alpha$ became 0.7539, above the acceptable limit. More changes could have been made
to obtain a higher Cronbach’s $\alpha$ value, but this required more data manipulation and the Likert scale could lose desired attributes. Further Likert scale changes were avoided.

<table>
<thead>
<tr>
<th>#</th>
<th>Statement</th>
<th>Negative?</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>I am satisfied working within my department</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>I can freely share ideas and thoughts within my department</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>My team is poorly equipped (e.g. tools, resources, people)</td>
<td>X</td>
</tr>
<tr>
<td>15</td>
<td>My department is flexible with switching tasks</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>My department is highly cohesive</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Department meetings feel democratic</td>
<td></td>
</tr>
</tbody>
</table>

**Table 4: Finalized team development Likert items**

Only 6 statements were used in the Likert scale; although the number of Likert items used was still the acceptable amount, the imbalance of positive and negative statements (5 positive to 1 negative) potentially created a rather large positive skew.
Employee levels of agreement on Halt Medical’s initiatives of team development were extremely high, but there was a positive skew on the included Likert items. Cumulatively, over 70% of responses were positive, and less than 5% of responses were negative. There was a slight increase in the percentage of neutral responses. This was seen as one of the stronger areas for Halt Medical, along with accommodation of the individual. Although not an area of concern, there were still some improvements that could be made. Employees were generally satisfied with their department teams, and felt that they were cohesive and very democratic. A few responses were received of employees feeling marginalized within their department meetings. Graphs of individual Likert items for this Likert scale can be found in Appendix F. Recommendations based on the team development Likert scale are provided in the conclusions section.

**Interdepartmental**
The statements listed above were the Likert items used in the formation of a Likert scale measuring employee satisfaction of Halt Medical’s initiatives to interdepartmental cohesion. Only 5 statements were available to include in the Likert scale, which is 1 less than desired characteristics of strong Likert scales. This Likert scale originally had more statements included, but the wording of some of these statements was incorrect and created confusion amongst employees. The Likert scale was still calculated and analyzed regardless of limited items, as this was a focus area of interest to Halt Medical and its managers. Of the statements incorporated, 3 of them were positive and 2 of them were negative, resulting in a slight positive skew. The Cronbach’s $\alpha$ was calculated to be 0.7961, which was surprisingly above the acceptable value of 0.70, despite having a lower number of Likert items. The individual statements were found to have strong correlations to each other.

Table 5: Interdepartmental Likert items
Employee levels of agreement on Halt Medical’s initiatives of interdepartmental cohesion were lower than on the two previous Likert scales. Cumulatively, only about 40-45% of responses were positive, while about 30% were negative. This was one of the weaker areas for Halt Medical, and was seen as an area of concern. Although department teams are highly cohesive internally, externally they encounter problems when cooperating together. Meetings between multiple departments are not seen as democratic, and employees have difficulty in sharing ideas and thoughts with those from other departments. There is a lack of mutual respect, and a department doesn’t seemingly offer help to other departments. However, departments celebrate the success of other departments, implying at least care about another department’s end result. Graphs of individual Likert items for this Likert scale can be found in Appendix G. Recommendations based on the interdepartmental Likert scale are provided in the conclusions section.
Management

<table>
<thead>
<tr>
<th>#</th>
<th>Statement</th>
<th>Negative?</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td>Managers skill sets and capabilities are sought to be improved</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>I am provided direction from management</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>My deadlines aren't realistic</td>
<td>x</td>
</tr>
<tr>
<td>40</td>
<td>Management motivates me to do my tasks</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>My performance isn't properly appraised</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>I am sometimes confused for who is responsible for certain deliverables</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Management provides me is constructive</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Criticism management maintains clear accountability for performance</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>Management maintains clear accountability for performance</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Management isn't concerned with my future development</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>Management focuses on employee satisfaction as well as business operations</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Management rarely measures the overall health of the organization</td>
<td>x</td>
</tr>
<tr>
<td>51</td>
<td>The goals management has set are appropriate</td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>My performance is rarely reviewed</td>
<td>x</td>
</tr>
</tbody>
</table>

Table 6: Management Likert items

The statements listed above were the Likert items used in the formation of a Likert scale measuring employee satisfaction of Halt Medical’s initiatives to management’s capabilities. 13 statements were used in this Likert scale, 7 of them were stated positively and 6 of them were
expressed negatively; the slight positive skew from this Likert scale was considered negligible due to the excess of Likert items used in the scale. The Cronbach’s $\alpha$ of this scale was calculated to be 0.8772, well above the acceptable limit of 0.70.

![Management Likert scale graph](image)

**Figure 10: Management Likert scale graph**

Employee levels of agreement on Halt Medical’s initiatives of management capacity and development were somewhat polarizing. Cumulatively, only about 50% of responses were positive, while around 25% of responses were negative. Although the percentage of disagreement was lower on the management scale than on the interdepartmental scale, the management scale had many more Likert items, and thus had more overall negative responses. This was one of the weaker areas for Halt Medical, and was seen as an area for improvement. Employees felt like there was confusion amongst responsibility of tasks, and there was disagreement to the amount of and quality of performance reviews. Most employees felt that management focuses more on business operations rather than employee satisfaction, and felt as if
management was not concerned with employee personal development. Also a majority of the employees agree that the overall health of the organization is rarely considered. Many of the Likert items received answer distributions that resembled a somewhat normal distribution; employees disagreed on a variety of statements with many statements having a somewhat balanced spread of responses, although still maintaining a slight skew. Graphs of individual Likert items for this Likert scale can be found in Appendix H. Recommendations based on the management Likert scale are provided in the conclusions section.

**Culture**

<table>
<thead>
<tr>
<th>#</th>
<th>Statement</th>
<th>Negative?</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>People make me feel uncomfortable at work</td>
<td>x</td>
</tr>
<tr>
<td>33</td>
<td>I have a desire to maintain relationships with coworkers after work</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Halt suffers from unhealthy conflict</td>
<td>x</td>
</tr>
<tr>
<td>35</td>
<td>Meetings are longer than they have to be</td>
<td>x</td>
</tr>
<tr>
<td>44</td>
<td>Ideas are chosen solely on quality</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Mistakes are seen as a learning opportunity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communication and strong personal relationships are motivation to complete my goals</td>
<td></td>
</tr>
<tr>
<td>54</td>
<td>Halt has a weak corporate culture</td>
<td>x</td>
</tr>
<tr>
<td>57</td>
<td>Halt is transparent with info</td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>Halt fosters a culture of continuous learning and knowledge sharing</td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>There is a high level of energy in the office</td>
<td></td>
</tr>
<tr>
<td>61</td>
<td>Not everyone at work participates towards goals</td>
<td>x</td>
</tr>
<tr>
<td>62</td>
<td>There is a whistle blower/disclosure system in place</td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>Halt has a high level of business ethics</td>
<td></td>
</tr>
</tbody>
</table>
Corporate culture is undervalued at Halt

Table 7: Culture Likert items

The statements listed above were the Likert items used in the formation of a Likert scale measuring employee satisfaction of Halt Medical’s initiatives to the management, maintenance, and development of its corporate culture. 15 statements were used with 9 items expressed positively and 6 items expressed negatively; even with a large amount of incorporated Likert items, there was still the possibility for the scale to have somewhat of a positive skew. The Cronbach’s $\alpha$ was calculated to be 0.7569, above the acceptable limit of 0.70, but also far below the limit of potential redundancy of values above 0.95. This was of concern on this Likert scale as this scale had the most Likert items, and Cronbach’s $\alpha$ is usually sensitive to the number of items.

![Culture Likert scale graph]

Figure 11: Culture Likert scale graph
Employee levels of agreement on Halt Medical’s initiatives of culture impact were somewhat negative. Cumulatively, only about 40% of responses were positive, the lowest out of all 5 formulated Likert scales. Also cumulative responses were around 30% negative. This was one of the three areas of weakness for Halt Medical, and was seen as an area for improvement. Although mistakes are seen as a learning opportunity, employees felt either confused or unable to utilize the whistle blower system in place. There was almost a unanimous response that Halt Medical suffers from unhealthy conflict, with many employees agreeing that meetings are longer than they have to be. Employees felt like there wasn’t a high level of energy throughout the office, and that some people are not contributing towards goals. Overall corporate culture is pretty undervalued. Graphs of individual Likert items for this Likert scale can be found in Appendix I. Recommendations based on the culture Likert scale are provided in the conclusions section.

Organizational Health: Input Comparison

There are many difficulties in assessing a company’s organizational health; careful consideration of all possible perspectives is necessary. In assessing Halt Medical’s organizational health, management’s perspective is compared to employee opinion and physical observations. Management was accurate with predictions of certain social aspects being ignored, in particular aspects of interdepartmental cohesion. Many employees agreed with statements of there being a lack of social awareness internally. It is a good thing that managers were committed with the audit from the beginning, and choosing to continue performing these audits shows commitment to their employees.
Halt Medical’s managers believed that all employees are involved in the operations, but some employees don’t feel that they can make a difference. The employee handbook preaches the importance of employee contribution, but employees may only read the handbook once. A few employees felt that meetings weren’t democratic; 11.11% of employees felt internal meetings weren’t democratic, while 33.33% of employees felt that interdepartmental meetings weren’t democratic. Managers may have thought that meetings were improving, but there is obviously still room for improvement. The level of employee empowerment is also in question; managers felt that decision-making was decentralized, but 16.67% of employees felt that they couldn’t make a difference.

Employees did generally agree with managers that business practices were ethical, but 38.88% of employees felt that management doesn’t focus on employee satisfaction as much as they do on business operations. The lack of cultural visual cues in the facility doesn’t help in the company’s attempts to show value to their employees. The managers felt that their company was very transparent, with most employees agreeing. Only 27.78% of employees disagreed that Halt Medical is transparent with information, while 44.44% agreed that it is transparent. The employee handbook preaches company transparency, with amendments to the handbook advertised to all employees. Managers thought employees were motivated by the company’s goals and by hopefully visualizing the end result. 66.67% of employees felt that management motivates them to do their tasks, a very positive number of responses.

The predictions of possible interdepartmental conflicts were very accurate by managers. 50% of employees agreed that Halt Medical suffers from some sort of unhealthy conflict, 27.78% of employees felt that other department’s employees do not value their opinion, and 33% of employees felt like there is no mutual respect across departments. The interdepartmental
Likert scale had one of the largest negative accumulative responses of around 30%. The layout of the facility has no doubt had some affect in the interdepartmental issues. Although the utilization of space has provided freedom to departments and strengthened internal cohesion, it has not been conducive for interdepartmental interactions. The employee handbook does stress avoiding public humiliations, and lists the steps in following an open door policy to report problems and make suggestions. The handbook also has a ridiculous statement that encourages employees to avoid face-to-face interaction with “unscheduled” communication, which could negatively impact cooperation between multiple departments. It is assumed, however, that the employee handbook isn’t viewed often, and the impact that it has on interdepartmental interactions is minuscule.

Managers felt that there hadn’t been any recent misconduct, but 33.33% of employees have been made to feel uncomfortable by fellow employees. Employees may not know what their options are in the case of misconduct; it is not known how often employees frequent their handbooks, and the facility lacks a poster of guidelines an employee may follow in the utilization of the disclosure system. Although not an area of focus, management briefly mentioned that their sale’s execution is great, but employee opinion disagreed. 44.44% of employees didn’t think Halt Medical was utilizing its marketing potential, while only 33.33% of employees felt that it was utilizing its potential. This could have been a bias some employees may have held at that time, or it could perhaps be something Halt Medical can include in the focus of future social audits. A graph of this “filler” statement on marketing potential can be seen below. Graphs of other individual statements not used in any of the five Likert scales can be found in Appendix J.
In general Halt Medical’s organizational health is satisfactory, but it can definitely improve. Robert Skidmore was essentially accurate in his description of his company’s social performance being “okay.” Individual employee accommodation and department team cohesion were seen as the two strong areas of Halt Medical’s social initiatives. Interdepartmental cohesion, management, and corporate culture were seen as weaker areas in need of improvement. Regardless of being seen as “weaker,” the Likert scales didn’t have more than approximately a 30% negative response accumulatively for any of the focus areas. The accumulative positive response for any area was always above 40%. If Halt Medical acts on the recommendations provided in the conclusion, and continues to monitor employee satisfaction and organizational health, the company will make strides in its ability to meet social and ethical initiatives to their employees.
Audit Limitations

The design of this audit has many limitations on the developed analysis, and impacts the functionality of the recommendations. The biggest limitation on data analysis is the small sample size of survey participants. Relatively small population sizes require large encompassing samples to accurately make inferential conclusions (Morris, n.d.). The sample size of 18 employees is much too small to make inferences on the larger population of 36+ employees. Originally the data was collected and organized by the particular location of different employees. Groups of data were determined from Brentwood employees, Livermore employees, and employees working from remote locations. However, the sample sizes of each three groups varied too much, and the variation amongst groups was too high to make any useful conclusions through the use of ANOVA or other nonparametric variance analysis. The small samples and discrepancies amongst their sizes prohibited the ability to make inferences on which locations of employee have more or less positive or negative responses.

Due to the amount of employees that participated there is a limitation that the data may be a misrepresentation of general employee opinions. The other half of the employees that didn’t participate might actually have polarizing perspectives that are contrary to the data collected. Comparisons on observations and employee data could be further affected by the audit’s practitioner’s biases or founding framework for the audit. Another limitation on the survey was the structure and order of the different Likert item statements. The Likert items that were used in the same Likert scale were all close in proximity to each other on the survey, if not directly in sequence. This could have affected survey participants awareness of the subject content, potentially creating biases and affecting opinion. Only a truly randomized statement order could promote honest employee opinions. There are also limitations on the repeatability of the Likert
scales created in this audit. The Cronbach’s alpha values are very dependent on the data used to calculate them, so the reliability of the created Likert scales could be distorted. If the future scales were used they might not have acceptable Cronbach’s alpha values with different data, showing the scale to be unreliable in measuring the desired latent variable. Due to time constraints and a lack of access to other companies, these Likert scales weren’t properly tested and analyzed before being applied on Halt Medical employee opinion.

The observational process of the audit also had constraints, as there was a lack of examination done at the Livermore facility. Although there are more interdepartmental interactions at the Brentwood facility, there are still aspects of operations that went unnoticed in Livermore. There was also a lack of other management opinions due to time constraints and irregular work schedules. Although Robert Skidmore, head of the manufacturing department, does represent a good portion of the management team, he alone cannot account for the other department heads. The data collection and analysis process took a lot of time, and as a result the follow up portion of the audit could not be included in the report. Although recommendations have been provided to Halt Medical, the status of employee satisfaction levels is unknown since the presentation. A shorter follow-up survey has already been administered to the employees, but submission of completed surveys and data analysis has yet to occur. Information from the follow-up audit will be submitted with future report revisions.
VI. Conclusion

The purpose of this audit was to examine the performance of Halt Medical’s social and ethical initiatives to its internal customers. The indicators of performance were employee satisfaction and organizational health. The indicators were determined by:

- Performing a literature review
- Defining the audit scope
- Reviewing managerial perspectives
- Making observations
- Implementing an employee survey
- Comparing all available evidence

The conclusions section is composed of a recap, a list of recommendations given to Halt Medical, an economic justification, and recommendations on future audits of similar nature.

Survey Recapitulated

Halt Medical’s employees took a structured survey to measure their levels of agreement with five business areas of interest. The five focus areas were accommodation for the individual, team development, social structure (interdepartmental interactions), management, and company culture. The following is a list of the summarized analysis.

- Personal accommodation and team development were strong areas for Halt Medical
- Personal accommodation had approximately 70% positive responses; 10% negative
  - Pros: Enough workspace, employees feel safe, accurate job descriptions, startup culture advantageous, general satisfaction
• Cons: Employees under stress, life sometimes feels rearranged, some discrepancies on empowerment

• Team development had approximately 70% positive responses; less than 5% of responses were negative
  o Pros: Teams highly cohesive, can freely share ideas, very satisfied within teams, teams are flexible, teams well equipped
  o Cons: Discrepancies on how democratic meetings are

• Interdepartmental, management, and culture were considered weak areas
  • Interdepartmental was between 40-45% positive; 30% negative
    o Pros: Departments celebrate each others’ wins
    o Cons: Interdepartmental meetings not democratic, lack of mutual respect, ideas not heard, inappropriate service or support

• Management levels were approximately 50% positive; 25% negative
  o Pros: Provided direction, realistic deadlines, appropriate goals, management motivates, performance properly appraised
  o Cons: Performance appraisals not frequent enough, criticism could be more positive, worries about personal development, management development can improve, concerns that organizational health is rarely measured

• Culture levels were approximately 40% positive; 30% negative
  o Pros: Mistakes are learning opportunities, high level of business ethics
  o Cons: Low level of energy in office, some discrepancies on transparency, people are sometimes made uncomfortable, unhealthy conflicts, weak corporate culture
The results of the employee survey were compared against managerial perspectives and observations. Recommendations were formulated and provided to Halt Medical.

**Recommendations**

The recommendations were given to Halt Medical through a recommendations report and an all-hands presentation. The recommendations report can be found in Appendix K. The following is a list of summarized recommendations that were provided to Halt Medical’s managers.

- Alleviate stress; don’t promote overwork or working through lunch
- Offer a support system to all employees; safe environment to disclose info
- Have visual cues in the facility of guidelines to follow in the event of misconduct
- Larger emphasis on meeting cohesion; establish communication guidelines; encourage participation from all employees
- Create culture of valuing all inputs; work together, recognize/reward collaboration
- Complete performance reviews more frequently
- Continuously seek to improve managerial capabilities
  - Learn to take the personal approach
  - Criticize without being critical
  - Be available and open to employees
  - Encourage personal development
  - Give employees something to work towards (authority/responsibility)
- Improve company culture and utilize visual cues for cultural diffusion
  - Articulate the vision and mission in relatable terms
o Communicate clearly and openly (transparency!); establish all employee expectations

o Always address problems and concerns

o Reward excellence and collaborative efforts (teamwork!)

o Look at mistakes as learning opportunities (when feasible)

Although Halt Medical’s department locations are not conducive to positive interdepartmental cohesion, a facility redesign may be disadvantageous to certain employees. In this situation a facility redesign would only be the relocation of departments to be closer to each other. Many long time employees have a number of personal items and documents located at their cubicle, and a relocation of these employees’ workstation would take several hours to complete. In addition to the lost man-time, a few of the departments would lose some liberties; the R&D department is accustomed to casual and disruptive conversations, and would have to refrain from disrupting others if they worked closely to other departments. Much of the cubicle space adjacent to each department is also utilized for additional storage space, and a relocation of a department would require those employees to walk across the facility to use their utilities. Halt Medical is encouraged to assign any future new employees to the cubicles in the locations between currently occupied cubicles; this would help in the effort to spread office energy and maintain a line of communication across departments.

**Economic Justification**

All of the recommendations provided to Halt Medical are either free to implement or costs are inexpensive and negligible. The amount of time that may be lost in providing a support system to employees is impossible to accurately predict, and value is added in the problems that
are addressed and solved during that duration of time. Social audits of this nature can be advantageous to reiterate, but how feasible are they to routinely perform in-house? In order to determine the cost of future social audits to Halt Medical, the time to complete many audit objectives was approximated and recorded. Some portions of the audit process are ignored in the time calculations, as an internal audit practitioner at Halt Medical would have this report’s literature review available, and wouldn’t need to perform a lengthy literature review of their own. Some estimated times have a maximum and a minimum value representing the learning curve of performing the audit; once the practitioner accomplished audit objectives a first time, subsequent audits would become much easier and faster to perform. The practitioner would have deliverables more similar to the recommendations report than to this audit report. Approximated times can be seen in the table below.

<table>
<thead>
<tr>
<th>Action</th>
<th>Min Time</th>
<th>Max Time</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review former audit information</td>
<td>1 hr</td>
<td>2 hrs</td>
<td></td>
</tr>
<tr>
<td>Interview managers</td>
<td>1.5 hrs</td>
<td>2.5 hrs</td>
<td></td>
</tr>
<tr>
<td>Determine focus areas</td>
<td>0.5 hrs</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Make facility observations</td>
<td>1.5 hrs</td>
<td>3 hrs</td>
<td></td>
</tr>
<tr>
<td>Establish Likert scales &amp; Likert items</td>
<td>1 hr</td>
<td>3-4 hrs*</td>
<td>*For new items/scales</td>
</tr>
<tr>
<td>Format survey</td>
<td>0.5 hrs</td>
<td>1 hr</td>
<td></td>
</tr>
<tr>
<td>Write and send out notification</td>
<td>1 hrs</td>
<td>1.5 hr</td>
<td></td>
</tr>
<tr>
<td>Print &amp; Administer</td>
<td>0.25 hrs</td>
<td>0.5 hrs</td>
<td>*In-house employee can be working elsewhere during this allocation</td>
</tr>
<tr>
<td>Time allocated to take survey</td>
<td>-</td>
<td>8 hrs*</td>
<td></td>
</tr>
<tr>
<td>Collect surveys</td>
<td>0.125 hrs</td>
<td>0.5 hrs</td>
<td></td>
</tr>
<tr>
<td>Task</td>
<td>Approx. Time 1</td>
<td>Approx. Time 2</td>
<td></td>
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<tr>
<td>-------------------------------------------</td>
<td>----------------</td>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>Hand tabulation of employee data</td>
<td>2 hrs</td>
<td>4 hrs</td>
<td></td>
</tr>
<tr>
<td>Calculating and graphing Likert scales</td>
<td>1.5 hrs</td>
<td>3 hrs</td>
<td></td>
</tr>
<tr>
<td>Measuring reliability of scales</td>
<td>0.5 hrs</td>
<td>1 hr</td>
<td></td>
</tr>
<tr>
<td>Graphing individual Likert items</td>
<td>1.5 hrs</td>
<td>4 hrs *</td>
<td></td>
</tr>
<tr>
<td>Compare all perspectives/data</td>
<td>2 hrs</td>
<td>4 hrs</td>
<td></td>
</tr>
<tr>
<td>Writing recommendations report</td>
<td>2.5 hrs</td>
<td>3.5 hrs</td>
<td></td>
</tr>
<tr>
<td>Present findings</td>
<td>1 hrs</td>
<td>2 hrs</td>
<td></td>
</tr>
</tbody>
</table>

*Probably not necessary

**Table 8: Audit objectives approximated times**

There are many assumptions with these time approximations for future in-house audits. This table assumes that the audit practitioner has access to this audit report, or similar reports with previous audit details and results. Interview management is dependent on the number of managers interviewed, but the practitioner is encouraged to interview all department heads. Time of facility observations is dependent on the level of depth the practitioner wishes to examine cultural facets. Establishment of Likert scales will almost always take about 1 hr if the same Likert scales are used. It is recommended that the practitioner reuse similar Likert scales for ease of repeatability; structuring new Likert scales is a complex process, and should only be done if the focus of the audit is being expanded to include other areas of responsibility. Survey and notification formats can be structured similar to former surveys and memos of notification. It is assumed that the audit practitioner is administering and collecting the survey in the same facility that they work in. 8 hrs allocated to employees to take the survey is a reasonable amount of time to ask employees to complete a survey of around 60+ questions/statements. Future audits will be performed in-house, and may become mandatory for all employees if fully adopted. The audit
practitioner can also be working on their operational tasks while they wait for the facility to complete the survey. Although employees taking time out of their work schedule to work on a survey does cost money, the differences in salary vary greatly from employee to employee; for the case of these estimations we will assume the survey is completed on the employees own time, maybe during lunch or stress breaks. The last assumption is not every Likert item needs to be graphed. Graphing each and every individual Likert item is very time consuming, and if the Likert scales have been tried and tested only specific Likert items of interest need to be graphed and represented.

If an audit practitioner created their first rendition of this social audit, and they used the same Likert scales and only graphed a reasonable amount of individual Likert items, and interviewed as many managers as possible and spent the max amount of time making observations, the audit would take about 39.5 work hrs to complete. If the workdays were 8 hrs long, it would take just about 5 days of continuous work to complete the audit. This approximation includes the 8 hrs allocated for employees to complete the survey, which isn’t factored into the cost of the audit. The audit would take the practitioner 31.5 hrs of direct labor to complete. The average salary of a startup employee varies greatly dependent on their specialty and level of education, but this type of audit would be within the assigned job duties of a human resource manager. Human resource managers made a median average of $99,720.00 per year in 2012, which equates out to about $47.95 an hour (“Bureau of Labor Statistics,” 2014). Although most full-time startup employees are on salary, lets assume the hourly pay averages apply for audit cost calculations. 31.5 hrs of labor on a concentrated social audit performed by a human resource manager would cost Halt Medical $1,510.43 on purely just man-hours. This is not that much of a cost for an audit in comparison to most financial audits. A financial audit performed
by an external organization can cost a small or midsize private company upwards of $4,000 - $50,000 depending on audit firm, geographic location, and complexity of the business (Perkins, 2009). Even hourly rates often exceed $100 per hour, and external audits often take hundreds of hours to complete. The approximations of time are made with the assumption that repeated audits will take on a similar form and focus to this one; the Likert scales are already established, the focus areas are determined, and the performance indicators are defined. Approximated times to perform audit objectives change with any additional focus areas or changes to the Likert scales or performance indicators. The cost of the audit is broken down by each objective in the figure below.

Figure 13: Auditing process objective costs
In time and practice, the audit practitioner would become familiar with steps in the auditing process and the time to complete them would decrease. The minimum time to complete the concentrated audit could potentially be as low as 26.375 hrs, with only 18.375 hrs being paid man-hours. This would take a little over 3 workdays and would only cost Halt Medical $881.08 to complete the audit internally, assuming the same cost figures. From the initial max cost for a first-time practitioner, that is a savings of $629.35 on audit fees. The difference in time and cost between first-time practitioner and experienced practitioner can be seen in the table below. This improvement in man-hours and overall cost wouldn’t happen immediately, it would be slow development over the course of multiple performed audits. These assumed cost figures do not consider any extensive recommendations that require additional resources or expenses. Halt Medical has a financial audit only once per year, but supplier audits 4-5 times a year. This type of social audit should be performed at least once a year, preferably twice a year.

<table>
<thead>
<tr>
<th></th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to complete (hrs)</td>
<td>26.375</td>
<td>39.5</td>
</tr>
<tr>
<td>Time of dedicated work (hrs)</td>
<td>18.375</td>
<td>31.5</td>
</tr>
<tr>
<td>Cost</td>
<td>$881.08</td>
<td>$1,510.43</td>
</tr>
</tbody>
</table>

Table 9: Differences between first-time and experienced practitioner

The value that an audit can provide on a company’s social and ethical initiatives is impossible to quantify, and might be easily discouraged. Financial audits are almost a requirement for corporate validity amongst shareholders and to expand marketability, social audits are relatively unheard of. Additionally, most types social audits focus on ethical responsibilities to external stakeholders, and are usually done to increase the company’s visual
appeal. Examining the social and ethical initiatives a company has towards its employees is for the sole benefit of the employee and the organization’s health. By auditing a company’s social performance, the organization can address issues before they become bigger problems. Social audits improve cooperation, cohesion, and effectiveness, and they decrease the risk of employee misconduct and adverse publicity. Good social responsibility practices improve all facets of a company’s social interactions, establishing trust and showing value that each employee brings. Social accountability in these concentrated focus areas can only lead to greater accountability in other responsibility focus areas.

**Improvements for Future Audits**

If a practitioner of future repeated audits desires to make meaningful statistical inferences on different groups of employees, it is recommended that the practitioner take appropriate sample sizes. If the population size is small, as is the case for Halt Medical and many startups, the practitioner should attempt to survey almost the entire population. A large sample size will determine a proper representation of the population’s levels of agreement. If there is a need for multiple groups to be analyzed, ensure that the sample size for each focus group is as even as possible.

Future practitioners are encouraged to use and test the validity and reliability of the designed Likert scales. One limitation of the audit was that the Likert scales weren’t tested on multiple different data sets and on different types of employees. The Likert scales that proved reliable may or may not be consistent with additional surveys. Future audits can test the validity of the Likert scales, and the more reliable a scale is the more useful its information can be to management. Also future practitioners are encouraged to randomize the Likert items in the order
they are presented in the survey. All efforts should be made to remove as many biases as possible. It is additionally recommended for a deeper analysis to be performed during the observational and interviewing process. As many managers as possible should be interviewed in detail to gather a complete top-down perspective, and a larger emphasis should be put on witnessing employee interaction and detailing hidden aspects of the social environment. Less time should be spent reviewing the background information and more time should be spent interviewing, observing, and gathering employee opinions. Understanding and overcoming audit limitations essentially requires designing an audit from concept. This report has laid the framework for more developed and efficient social audits to be performed internally at Halt Medical.
References


117


Appendix A: Employee survey with solutions

{THE SURVEY WAS NOT ORIGINALLY NUMBERED UPON ADMINISTRATION TO EMPLOYEES}
{THE FORMAT OF THE SURVEY HAS BEEN COMPROMISED BY COMBINING DOCUMENTS}

The following survey is optional. Answers to any questions are confidential and will remain anonymous. Please avoid writing or signing your name.

Short True or False: For each of the following questions, please circle either Yes or No corresponding with how you feel in response.

1.) Does your company have a code of conduct?  Yes  No  18
2.) Are you made aware of your rights as an employee?  18
3.) Are you made aware of the company's policies and procedures?  18
4.) Do managers within your department hold weekly meetings?  13  5
5.) Has your department established norms for how the team should operate and communicate?  13  5
6.) Have you witnessed any employees misuse authority?  9  9
7.) Do you feel everyone is treated equally?  9  9
8.) Does Halt have a policy against discrimination?  17  1
9.) Do managers hold the same value on ethical behavior as they do on profits?  15  2

(for #9 one person said “for majority”)  N/A= 1
For each of the following statements below, please circle the response that best characterizes how you feel about the statements, where:

- 1 person didn’t see the first page

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.) Working for a startup has its advantages</td>
<td>2</td>
<td>8</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.) Working for a startup is beneficial to my personal development</td>
<td>2</td>
<td>7</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.) Being part of something bigger than myself is not important</td>
<td>4</td>
<td>7</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>4.) I have an appropriate workspace in order to be productive</td>
<td>3</td>
<td>7</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.) Sometimes people make me feel uncomfortable at work</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>6.) I’d rather work alone than in a team</td>
<td>9</td>
<td>6</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.) I am safe performing the tasks delegated to me</td>
<td>1</td>
<td>4</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.) I am satisfied with my job</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>9.) I am satisfied working within my department</td>
<td>3</td>
<td>9</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.) I don't feel like I can make a difference</td>
<td>5</td>
<td>8</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>11.) Halt is making progress</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>12.) I feel under stress while at work</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>7</td>
<td>1</td>
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123
<table>
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<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.) I can freely share ideas and thoughts within my department</td>
<td>1</td>
<td>10</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.) My team is poorly equipped (e.g. tools, resources, people)</td>
<td>3</td>
<td>6</td>
<td>7</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>15.) My department is flexible with switching tasks</td>
<td>1</td>
<td>2</td>
<td>9</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>16.) My department is highly cohesive</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.) Department meetings feel democratic</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>18.) I tend to align my interests and desires with others from my department</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>19.) My department is often overworked</td>
<td>4</td>
<td>9</td>
<td>5</td>
<td></td>
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<tr>
<td>20.) I was given an accurate description of my job duties when I was hired</td>
<td>1</td>
<td>3</td>
<td>9</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>21.) I could benefit from employee workshops</td>
<td>2</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>22.) Incoming employees are sufficiently trained</td>
<td>2</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>23.) I am compensated fairly for my work</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>24.) Halt makes every dollar count</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>3</td>
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<tr>
<td>(1 N/A)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>25.) This enterprise will be valuable in the future</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>8</td>
<td>7</td>
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<tr>
<td>26.) Halt is utilizing its marketing potential</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Question</td>
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<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
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<td>------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>27.) Meetings between multiple departments feel democratic</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>28.) I am not heard when I share my ideas and thoughts with people in other departments</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>29.) My department does not get the service and support from other departments</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>1</td>
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<tr>
<td>30.) There is mutual respect across departments</td>
<td>6</td>
<td>7</td>
<td>2</td>
<td>3</td>
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<tr>
<td>31.) My department celebrates the success of other departments</td>
<td>3</td>
<td>10</td>
<td>5</td>
<td></td>
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<tr>
<td>32.) The regulatory environment (FDA, ISO, etc.) negatively affects interaction between employees</td>
<td>4</td>
<td>5</td>
<td>5</td>
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<tr>
<td>33.) I have a desire to maintain relationships with coworkers after work</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>3</td>
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<tr>
<td>34.) Halt suffers from unhealthy conflict</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>8</td>
<td>1</td>
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<tr>
<td>35.) Meetings are longer than they have to be</td>
<td>4</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td></td>
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<tr>
<td>36.) Halt has informal cliques</td>
<td>5</td>
<td>7</td>
<td>3</td>
<td>3</td>
<td></td>
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<tr>
<td>37.) Managers skill sets and capabilities are sought to be improved (NA = 1)</td>
<td>1</td>
<td>4</td>
<td>8</td>
<td>4</td>
<td></td>
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<tr>
<td>38.) I am provided direction from management</td>
<td>1</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td></td>
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<tr>
<td>39.) My deadlines are not realistic</td>
<td>4</td>
<td>8</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Number</td>
<td>Statement</td>
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<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
</tr>
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<td>---------------------------------------------------------------------------</td>
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<td>-------</td>
</tr>
<tr>
<td>40.)</td>
<td>Management motivates me to do my tasks</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>41.)</td>
<td>My performance is not properly appraised</td>
<td>1</td>
<td>9</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>42.)</td>
<td>I am sometimes confused for who is responsible for certain deliverables</td>
<td>1</td>
<td>8</td>
<td>1</td>
<td>8</td>
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<tr>
<td>43.)</td>
<td>Criticism management provides me is constructive</td>
<td>2</td>
<td>6</td>
<td>8</td>
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<tr>
<td>44.)</td>
<td>Ideas are chosen solely on quality (1 N/A)</td>
<td>7</td>
<td>6</td>
<td>3</td>
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<tr>
<td>45.)</td>
<td>Management maintains clear accountability for performance</td>
<td>1</td>
<td>3</td>
<td>4</td>
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<tr>
<td>46.)</td>
<td>Mistakes are seen as a learning opportunity</td>
<td>5</td>
<td>10</td>
<td>3</td>
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<tr>
<td>47.)</td>
<td>I cannot satisfy my own needs when seeking to achieve the goals of the organization</td>
<td>2</td>
<td>9</td>
<td>5</td>
<td>1</td>
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<tr>
<td>48.)</td>
<td>Management is not concerned with my future development</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>49.)</td>
<td>I am expected to rearrange my life at short notice</td>
<td>3</td>
<td>7</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>50.)</td>
<td>Management focuses on employee satisfaction as well as business operations</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>51.)</td>
<td>Management rarely measures the overall health of the organization</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>52.)</td>
<td>HR department provides appropriate services and information to departments as needed</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td><strong>53.) The goals management has set are appropriate</strong></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
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</tr>
<tr>
<td><strong>54.) Communication and strong personal relationships are motivation to complete my goals</strong></td>
<td>3</td>
<td>2</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>55.) My performance is rarely reviewed</strong></td>
<td>3</td>
<td>2</td>
<td>8</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>56.) Halt has a weak corporate culture</strong></td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>57.) Halt is transparent with info</strong></td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>58.) Halt is an organized civil society</strong></td>
<td>3</td>
<td>3</td>
<td>10</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>59.) Halt fosters a culture of continuous learning and knowledge sharing</strong></td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td><strong>60.) There is a high level of energy in the office</strong></td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>61.) Not everyone at work participates towards goals</strong></td>
<td>2</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>62.) There is a whistle blower/disclosure system in place</strong></td>
<td>3</td>
<td>7</td>
<td>7</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>63.) Halt has a high level of business ethics</strong></td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td><strong>64.) I would be in favor of more company-wide events</strong></td>
<td>1</td>
<td>4</td>
<td>11</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>65.) Halt should be doing more within its community</strong></td>
<td>3</td>
<td>9</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>66.) Corporate culture is undervalued at Halt</strong></td>
<td>2</td>
<td>11</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
<tr>
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<td>----------------</td>
</tr>
<tr>
<td>67.) All the right decisions are being made</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>68.) Most of the decisions are made at the management level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>69.) All employees are empowered to make decisions</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>70.) Decisions are made on the best interest of all employees</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>71.) Sometimes a decision is made before all choices are explored</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>72.) I am happy when I come into work every morning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>73.) My manager inspires me</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>74.) The days I do not want to come in outnumber the days I want to come in</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>75.) I am proud to tell people where I work</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76.) I don’t have the tools to do my job effectively</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>77.) I have the opportunity to contribute on decisions that affect me</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>78.) I understand how my role achieves business outcomes</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>79.) I do not trust the information I receive</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>80.) I feel undervalued for the work I do</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

{The last page was omitted from the analysis, as half of the employees didn’t receive it}
Appendix B: Graphs of True/False questions

1.) Does your company have a code of conduct?

2.) Are you made aware of your rights as an employee?

3.) Are you made aware of the company's policies and procedures?
4.) Do managers within your department hold weekly meetings?

5.) Has your department established norms for how the team should operate and communicate?

6.) Have you witnessed any employees misuse authority?
Appendix C: Memo to encourage employee participation

To: All Halt Medical Employees
From: Matthew Rosa
Re: Senior Project – Social Audit

Over the course of the next few months I will be working with Wendy Burg and Halt Medical on my senior project. I will be conducting a corporate social audit.

You may be asking yourself, what is a social audit or why could it be necessary to perform one at Halt Medical? This memo/letter will answer those questions and serve as an introduction of the audit for all employees.

A social audit has many similarities to a traditional financial audit, but instead of a focus on finances, a social audit focuses on improving an organization’s social and ethical performance. Social auditing values every employee’s opinion. It can enhance local governance, strengthening accountability and transparency. The process of social auditing can also help an organization identify future risks and liabilities, as well as improve its compliance with the law and ethical norms of the industry.

Corporate social audits are important to large-scale companies because of the large number of employees and offices that have to communicate with each other, work together towards organizational goals, as well as maintain ethical integrity. People may tend to think that social or ethical dilemmas in start-ups are not relevant, but that is not always the case. I believe social audits should be conducted internally and regularly, regardless of how many people are on the payroll, rather than a type of control process used only when a crisis occurs.

I will be using a variety of methods to assess the social and ethical performance of Halt Medical, but the most important tool to understanding as many perspectives as possible will be a survey/questionnaire that will be distributed to every employee. Your participation will be optional, but I would appreciate and want to stress the importance for all employees to take part in the survey. This is an opportunity for your voice to be heard and all opinions will factor into my recommendations and results. All answers from the surveys will remain anonymous and confidential. Privacy will be respected and the process will be discrete.

I have experience in both project management and in engineering management sciences, and I am also very passionate about the social dynamics of businesses. I will be forever grateful for the opportunities that Halt provided for me, and appreciate your help and participation as I embark on this project to the best of my abilities.

Sincerely,

Matthew Rosa
Appendix D: Unmarked layout of Brentwood facility
**Appendix E: Graphs of personal Likert items**

1.) Working for a startup has its advantages

2.) Working for a startup is beneficial to my personal development

3.) Being part of something bigger than myself is not important
4.) I have an appropriate workspace in order to be productive

7.) I am safe performing the tasks delegated to me

8.) I am satisfied with my job
10.) I don't feel like I can make a difference

12.) I feel under stress while at work

20.) I was given an accurate description of my job duties when I was hired
Appendix F: Graphs of team Likert items

9.) I am satisfied working within my department

13.) I can freely share ideas and thoughts within my department

14.) My team is poorly equipped (e.g., tools, resources, people)
15.) My department is flexible with switching tasks

16.) My department is highly cohesive

17.) Department meetings feel democratic
Appendix G: Graphs of interdepartmental Likert items

27.) Meetings between multiple departments feel democratic

28.) I am not heard when I share my ideas and thoughts with people in other departments

29.) My department does not get the service and support from other departments
30.) There is mutual respect across departments

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

31.) My department celebrates the success of other departments

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree
Appendix H: Graphs of management Likert items

37.) Managers skill sets and capabilities are sought to be improved

38.) I am provided direction from management

39.) My deadlines are not realistic
50.) Management focuses on employee satisfaction as well as business operations

51.) Management rarely measures the overall health of the organization

53.) The goals management has set are appropriate
55.) My performance is rarely reviewed
Appendix I: Graphs of culture Likert items

5.) Sometimes people make me feel uncomfortable at work

33.) I have a desire to maintain relationships with coworkers after work

34.) Our team suffers from unhealthy conflict
59.) Halt fosters a culture of continuous learning and knowledge sharing

60.) There is a high level of energy in the office

61.) Not everyone at work participates towards goals
Appendix J: Graphs of statements not used in Likert scales

6.) I’d rather work alone than in a team

11.) Halt is making progress

18.) I tend to align my interest and desires with others from my department
32.) The regulatory environment (FDA, ISO, etc.) negatively affects interaction between employees

36.) Halt has informal cliques

52.) HR department provides appropriate services and information to departments as needed
Appendix K: Recommendations report

Social Internal Audit of Halt Medical:
A Recommendation Report

Introduction
Like many other startup organizations, Halt Medical is interested in the analysis of their organizational well-being and employee satisfaction. Problems in the past have pertained to either regulations imposed upon Halt by regulatory bodies or to the handling of venture capital. Halt Medical currently has a capable and proficient staff, structured yet flexible departments with motivated managers, and a product/procedure that has passed the rigorous scrutiny of the FDA. Why might Halt be concerned with their social capital?

Social issues have a tendency to develop in many startups, often due to changes in the development stages or negligence. There can often be a lack of social management within startup/smaller organizations early on; with scarce resources, employees are spread thin and required to have a diverse skill set applicable to a variety of fields. Often times when a startup makes the jump from one stage of development to another, the necessary changes in the management of social capital are not made to cope with new business functions. Additionally the startup environment can make employees feel the future of their employment is unclear, and the associated pressure can cause anxiety and tension amongst employees. With social conflict comes lack of cohesion and cooperation, decreased productivity, and difficulties in employee retention. Changes in the management approach and corporate culture at Halt Medical may be desired, and the following report is intended to analyze the current social environment, as well as provide tactics and management theories intended for increasing organizational health and employee satisfaction.

Methodology
For this report employees were surveyed from both of Halt’s office locations, as well as a handful of remote employees across the country. 36 employees were encouraged to take the survey, but due to the optional nature of the questionnaire, only 18 completed surveys were submitted.

Primary Research Findings
A survey of Halt employee’s concerns and opinions was conducted in order to discover potential areas of consideration within the company. Survey questions were similarly themed in order to create Likert scales after completion and submission in order to determine which areas have the largest room for improvement. Those Likert scales were then analyzed using Cronbach’s alpha, a multivariate correlation used to check internal consistency of psychometric scales. Cronbach’s alpha values between 0.70 and 0.95 are considered acceptable levels of correlation. If below
0.70, there is reason to believe the Likert scale is measuring more than one latent underlying variable. If above 0.95, a portion of the items being analyzed is redundant or there are too many items distorting any potential differences.

Five Likert scales were formed each measuring an area of interest:

- Individual accommodation within the company
- Cohesiveness of department work teams
- Cohesiveness between multiple departments
- Managerial capability relative to the individual
- Strength of corporate culture

**Personal**

**Figure 1**

With close to 70% of all employee responses being positive on a variety of questions pertaining to the individual, it is evident that Halt does an excellent job accommodating for each individual employee. Employees see startup life at Halt as advantageous and beneficial to personal growth. It is ensured that employees feel safe on the job, have enough workspace to be productive, and are generally satisfied with their jobs. Employees feel that they can make a difference, and stress levels are moderate. The Cronbach’s alpha of the personal Likert scale was 0.878, relatively high and deemed acceptable.

**Team**

The Likert scale for team dynamics was originally constructed without concerns, as this was one of the strongest areas for Halt’s employees prior to this audit. However calculating Cronbach’s alpha for the scale resulted in 0.51, an alpha far below the acceptable range. The table below lists the questions used in the original Likert scale.
Table 1

<table>
<thead>
<tr>
<th>Question</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>I’d rather work alone than in a team</td>
</tr>
<tr>
<td>9</td>
<td>I am satisfied working within my department</td>
</tr>
<tr>
<td>13</td>
<td>I can freely share ideas and thoughts within my department</td>
</tr>
<tr>
<td>14</td>
<td>My team is poorly equipped (e.g. tools, resources, people)</td>
</tr>
<tr>
<td>15</td>
<td>My department is flexible with switching tasks</td>
</tr>
<tr>
<td>16</td>
<td>My department is highly cohesive</td>
</tr>
<tr>
<td>17</td>
<td>Department meetings feel democratic</td>
</tr>
<tr>
<td>18</td>
<td>I tend to align my interests and desires with others from my department</td>
</tr>
<tr>
<td>19</td>
<td>My department is often overworked</td>
</tr>
</tbody>
</table>

Closer examination of the data set led to the realization of a potential outlier for this particular Likert scale. One of the eighteen employees had left multiple questions blank on this Likert scale for some unknown reason. Their blank answers were calculated as zeroes and were skewing the correlations. This employee’s data was omitted, although their input was not seen as an outlier on other Likert scales. After the removal of the outlier, the Cronbach’s alpha was calculated at 0.62, still low, but reasonable higher than before. Individual correlations were examined, shown in the figure below.

Figure 2

<table>
<thead>
<tr>
<th></th>
<th>Q6</th>
<th>Q9</th>
<th>Q13</th>
<th>Q14</th>
<th>Q15</th>
<th>Q16</th>
<th>Q17</th>
<th>Q18</th>
<th>Q19</th>
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</thead>
<tbody>
<tr>
<td>Q6</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Q9</td>
<td>-0.3656</td>
<td>1.000</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Q13</td>
<td>-0.0068</td>
<td>0.2155</td>
<td>1.000</td>
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</tr>
<tr>
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<td>0.3529</td>
<td>-0.0049</td>
<td>0.0351</td>
<td>0.3529</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q15</td>
<td>-0.1866</td>
<td>0.6031</td>
<td>0.2990</td>
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<tr>
<td>Q16</td>
<td>0.0181</td>
<td>0.5478</td>
<td>0.5689</td>
<td>0.2771</td>
<td>0.7850</td>
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</tr>
<tr>
<td>Q17</td>
<td>0.0062</td>
<td>0.2668</td>
<td>0.5904</td>
<td>0.0385</td>
<td>0.3395</td>
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<td>Q18</td>
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<td>-0.0062</td>
<td>-0.2162</td>
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<td>-0.1004</td>
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<td>0.0115</td>
<td>-0.0115</td>
<td>-0.1098</td>
<td>-0.0490</td>
<td>1.000</td>
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Question 16 directly asks each participant if they thought their department is highly cohesive. This question became the standard to check correlations against. Looking at question 16, four other questions have low to negative correlations to Q16, with three extremes being questions 6,
questions 18, and questions 19. Looking at those individual question’s correlations there was a resounding number of disassociations, with almost all other questions being negative or extremely low. Calculating a variety of Cronbach’s alphas with variations in which questions included produced an optimal Cronbach’s alpha of 0.75, with the omitting of one employee’s data, as well as questions 6, 18, and 19.

Figure 3

The Likert Scale for team cohesion was also overwhelmingly positive, at about 70% cumulatively (both agree and strongly agree combined). Employees feel very comfortable amongst their department, they are satisfied with who they work with, and they feel very capable accomplishing tasks as a unit. Departments are highly cohesive and considered flexible. The cohesiveness of the work teams is a result of the success in the departmental structure and the maintenance performed by each department manager.

*Interdepartmental*

Figure 4
Although close to a majority of responses were considered a positive response (almost 45%), there was a significant increase in the frequency of negative responses, up to 30%. This is an area of concern for Halt, as employees feel that there is not mutual respect across departments. Interdepartmental meetings are not as productive as meetings within departments. Some employees even feel that other departments are directly in the way of accomplishing their operational tasks. However completed objectives in other departments are celebrated throughout the company. The Cronbach’s alpha for this set of Likert items was 0.80, above the acceptable limit.

Management
Figure 5
Mostly positive results (about 50%), but some results are mixed. Employee opinion states that management is very productive at providing motivation and direction, as well as setting appropriate goals. However there is concern to how often management analyzes employee satisfaction, as well as consider individual employee development, and the overall organizational health. Additionally there is confusion regarding responsibility of deliverables. It seems that management has the capacity to be extremely capable social managers, but perhaps some of that potential is untapped. The Cronbach’s alpha for this scale was 0.88, showing strong correlation between the Likert items.

*Culture*

**Figure 6**

About 45% responses were positive, but close to 30% were negative. Although Halt is transparent with information and mistakes are seen as a learning opportunity within the company, they were many negative opinions to how solution ideas were selected amongst employees. Also there were alarming solutions to individual questions asking if the employee felt that company culture was weak or undervalued at Halt. Many employees feel that Halt suffers from unhealthy conflict. This was absolutely seen as an area for improvement. Culture is tied to management, as managers are in charge of its establishment and maintenance, and both are areas of attention. The Cronbach’s alpha for this Likert scale was 0.76, so this scale was acceptable.
Conclusion
The survey indicates that company culture within Halt is undervalued and not often stressed. Although highly capable when working with themselves, departmental teams encounter difficulty communicating and cooperating with one another. Managers’ skill sets are not actively sought for improvement, and an emphasis seems to be on business operations (although very competent in that area). Based on separate individual questions (not used in a Likert Scale) there seems to be some confusion around the code of conducts. Through this survey we have developed some recommendations for increasing organizational well-being.

Recommendations

• Offer a support system to employees where they have a safe environment to disclose information. Listen, never discredit feelings, always be available
• Avoid overwork and employee stress by promoting stress breaks and discourage working during lunches
• Revisit/revise the code of conduct, and make visual cues of the step by step process to follow in the event of misconduct
• Put a larger emphasis on meeting cohesion, perhaps establish guidelines on open communication, allow everyone a chance to participate
• Constantly strive to improve managers capabilities
  o Empower employees; rewards self improvement, encourage safe failure
  o Personal approach: Employees are people first, respect them
  o Criticize without being critical; maintain kindness and politeness
  o Always be available and open to employees (support system)
  o Encourage self improvement
• Revitalize company culture
  o Stress company vision and use it as a purpose for goal completion
  o Strive to improve interdepartmental collaboration; focus on creating small wins and shared commonalities
  o Encourage people to socialize outside of work
  o Reward excellence and celebrate milestones, but accept mistakes as learning opportunities
  o Establish open communication channels; be transparent as possible
**Closing**

Social management is not only a problem for Halt Medical, but for all startups and large corporations alike. It is important to take whatever steps necessary to constantly show value to employees and concern for their future development. Based on the research made, these recommendations will go a long way in helping to increase organizational health and employee satisfaction at Halt medical, or in fact, any start up organization that is willing to implement these procedures within their business.