



The SESCO Report

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Your “Human” Resource Since 1945

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Does Your Management Team Affect Your Organizational Culture?

A good, positive organizational culture is critical to an organization’s success. From recruitment and retention of employees, good morale and productivity and support for organizational growth are the results of a good organizational culture. Organizational culture is shaped by many factors, leadership chief among them. The values, vision and goals of your organization come from the top down. Management’s actions can encourage a quality culture that keeps employees happy, attracts new talent and builds a quality job environment. On the other hand, managers may negatively affect the culture and move it away from its intended form.

What Makes a Good Organizational Culture?

A good organizational culture does not spontaneously occur. You build it in large and small ways throughout many areas of the organization. For example, your hiring process needs to go beyond looking at applicants to meet the base job requirements. New hires should share similar values to your business to fit in immediately.

Your organization’s vision should be more than just a pithy statement on your “about” page. It should be the driving force behind your company, guiding all critical decisions.

The most important question you can ask yourself is do you provide sufficient resources to empower and develop your staff and managers? Your managers and employees

need the right tools to handle their job duties to work toward the long-term goals of the organization. These resources may include new technology, a specific type of workspace or foundational skills training. Employees should be fulfilled by their positions. If they don’t understand their place in your organization or feel that their input is not valued, they will not maintain the company’s culture. Managers also need to watch closely for signs of disengagement and proactively address problems before they negatively impact the team.

How Managers Reinforce Your Company’s Culture

Managers directly influence corporate culture through leadership, communication and delegation. They can strengthen your business culture by ensuring that their actions and words adhere to the values and vision of the organization. Managers need to set a good example for their team to encourage adoption of the culture. Clear and transparent communication promotes frequent feedback, sharing and collaboration with staff. Managers have an easier time in conveying cultural values when they have the communication channels readily available.

Your managers’ leadership style should be shaped by the culture. If your company emphasizes a positive work-life balance and working together, then managers should show that through their actions. The team needs a positive role model to look up to and emulate. In this environment, managers should collaborate with other teams as a way of bringing these values into their leadership skills. Delegation also plays a role in cultural reinforcement. Your managers empower team members with responsibilities capable of showing them a big picture of their work. They have ownership of this duty and un-

derstand how it fits into the company’s plan. Their job isn’t disconnected from the vision. In fact, it’s an integral part of it. Effective delegation gives your managers more time to emphasize the organization’s values and builds trust within the team.

The Importance Proper Training Has on Culture

Proper communication techniques are the most important tools to influence organizational culture in a positive fashion. Managers must take steps to increase their team’s comfort level. If employees don’t feel confident talking to leadership, opportunities to reinforce culture get lost. Your company’s values get lost due to mixed messaging as upper management says one thing, but front-line managers say another. This confusion makes it difficult for employees to remain engaged, so their communication skills are one of the best tools a manager can have.

However, effective communication skills don’t spontaneously appear. Managers require proper training to know how to handle employee communication, the right practices to put into place and listening strategies. Organizations who want to establish and maintain a very positive culture, which results in a satisfied workplace thus creating high morale and subsequent efficiency and productivity, must invest in training and developing managers. Companies also need to give managers the resources and support they need to achieve the desired culture. SESCO strongly suggests that in 2023 a priority should be on developing and training managers to support the organization’s culture. The benefits of training greatly outweigh the expenses related to a negative company culture resulting in high turnover, low morale and subsequent poor productivity and quality.

See “ORGANIZATIONAL CULTURE,” page 2

Inside This Issue

Does Your Management Team Affect Your Organizational Culture?	1
The Most Common FLSA Misclassification Mistakes	2
New Association Client.....	4

ORGANIZATIONAL CULTURE

Clients are encouraged to explore SESCO's leadership programs to include:

- **SESCO's Effective Leader**
 - Understanding Leadership
 - Overview of Basic Employment Regulations
 - Developing Your Interview Skills
 - DiSC Personal Profile
- The Art of Delegation
- Managing Generational Diversity
- Performance Management
- Conflict Resolution
- Discipline and Discharge
- Practical Supervisor/HR Management
- **John Maxwell Training** – SESCO is a certified John Maxwell presenter.

- **One-on-One Coaching and Individual Development**
- **Team Development and Building**

Our resources are vast, our trainers are professional and certified, and your return on this investment will be immediately noticeable.

The Most Common FLSA Misclassification Mistakes



SESCO was founded in 1945 by an ex-Department of Labor, Wage and Hour Investigator, Dr. J.W.R. Lawson, Sr. (Uncle Joe). Lawson worked with the Department of Labor in 1944 when a Federal Judge, based on his work ethic, recommended that he provide assistance to business and industry in understanding and complying with the Fair Labor Standards Act. The founding of SESCO Management Consultants resulted in the first such consulting firm in America.

One would think after 85 years of existence, that employers would understand and comply with the FLSA. However, still today

non-compliance with the FLSA - Wage and Hour Regulations - is the number one compliance regulation that affects employers across all states and all industries.

SESCO specializes in Wage and Hour Accounting and ensuring our clients understand and comply with the FLSA. SESCO also represents clients before the Department of Labor during audits and/or facing back wage liability. With our vast experience, we have identified the most common mistakes and misunderstandings in applying one of the key requirements of the FLSA - determining who is exempt from the Act and who must be paid overtime for hours worked in excess of 40 hours per week.

Under the FLSA, employees must be classified as either "exempt" or "nonexempt" from the FLSA's minimum wage and overtime provisions. All nonexempt employees must:

- Maintain a record of hours worked on a daily basis,
- Receive at least minimum wage (federal is currently \$7.25 per hour),
- Receive overtime on all monies earned **(including spiffs, commissions and bonuses) at a rate of time and one-half.**

Of course, it behooves employers to also determine which positions can be exempt from the above basic regulations. To do so, the FLSA has outlined what they call "white-collar" exemptions which include the Executive, Administrative, Professional, Outside Sales, Computer and Highly Compensated. To be exempt, **both of the following must be met:**

- Receive a guaranteed salary of at least \$35,568 per year

See "MISCLASSIFICATION MISTAKES," page 3

SESCO Client Feedback

"Bill, I am on the board of the IOLCF and told the board we have been using you guys for over 20 years and have been very pleased with our relationship and highly recommended you guys. Let me know if there is anything I can do to assist you." ~ Craig

"Hi Bill, just following up that this claim was denied. Thank you again for your advice and the additional detail, statements and notarizing the letter to help us win this one." ~ Molly Nelson - Kiene Diesel Accessories, Inc.

"Gentlemen - thank you for your promptness in replying! That being said, I did not mean to make you both work on a Sunday! Definitely was not my intention! Bill - I figured that was the answer. But I still may call you tomorrow to chat. Thanks again. Enjoy the rest of your Sunday." ~ Michele

"Bill, here is our signed agreement. Please send info on how I schedule manager harassment training, etc. Thank you for providing these services at a low cost we can afford." ~ Karen T. Kirk, CNE, CNC, President & CEO - Lydia's House, Inc.

"Joel, thank you for the excellent DiSC and Customer Service Training this morning. I've heard several positive comments already this afternoon, so much so that I wanted to send this email sooner than later." Bob Gordon, SPHR, HRM-SCP, CBP, CCP, Chief Human Resources Officer - Mount Rogers Community Services

"Joel, you made our day! Thank you for sharing your expertise with our staff. I think the day went extremely well thanks to you." ~ Althea Johnson, MSM, Chief Executive Officer - MedNorth Health Center

MISCLASSIFICATION MISTAKES

and (not or)

- The position must meet the tests as prescribed for each of the above-noted exemptions.

In doing so, we find the following common misunderstandings and misapplications:

1. Classifying all "salaried" employees as exempt.

Just because you pay someone on a guaranteed salary basis does not mean that they are exempt from overtime. Please, again, refer to the above two (2) requirements and that is not only guaranteeing the salary amount but also the position must meet the duties tests as prescribed.

2. Making determinations based on title alone.

A common mistake based on our auditing practice and assisting employers in complying is placing reliance on a title. Even though a job description may read as the position is "exempt", know that DOL investigators do not ask for job descriptions. When conducting audits, the first question in their one-on-one confidential interviews with the employee (not HR or the employer representative), "What do you do most of your time?" The DOL does not rely on titles nor job descriptions and in every employment setting, employees may be required to perform varying duties and wear multiple hats creating the need for the DOL to determine through investigation what the employee does most of his or her time on a daily and weekly basis.

3. Assuming that all "administrative" positions are exempt.

We have found that the Administrative exemption is the most difficult to apply. It is very gray as it reads and also the practical application of the Administration exempt by the Department of Labor is much more stringent than as the exemption's duties tests reads.

In reality, most administrative staff do not qualify for the Administrative exemption because of the duties test requiring that the employee's primary duties "**involve the exercise of discretion and independent judgment with respect to matters of significance.**" Examples of exercising discretion and independent judgment include the independent authority to formulate, affect, interpret or implement management or operating policies; the

authority to deviate from company policy without prior approval; and the authority to commit the employer in matters that have significant financial impact, among others. Additionally, many administrative positions perform regular and routine work such as accountants (payroll, receivables, payables, month-end duties) and as such, are considered nonexempt.

4. Assuming that all supervisors are exempt as managers.

Another common mistake is where an employer automatically assumes that a foreman, supervisor, manager or other similarly titled positions automatically qualify for the Executive exemption.

In addition to the Act requiring that the "manager" be exempt as an executive must manage two (2) or more employees on a daily basis, they must also "manage" as defined as a primary duty. Samples of managing on a daily basis include:

- Hiring and firing
- Counseling and disciplinary interviews
- Making determinations of performance and potential pay increases
- Training, scheduling and conducting meetings

If the "manager" is working side-by-side and performing the same duties that he or she supervises or performs nonexempt work a significant part of their work cycle, then the position would be nonexempt.

5. Assuming IT staff qualify for the Computer exemption.

The Computer exemption is also another very high-level exemption and it is very difficult to apply the duties test to most IT professionals.

Those who install software, work as a help desk, maintain and install systems, train employees, maintain marketing and company websites, etc. are all nonexempt duties.

To qualify for the computer exemption, the employee must be a systems analyst, design and/or create computer systems and programs, design and/or test machining operations systems, or some combination of these noted criteria.

6. Relying on incidental duties in making exemption classifications.

Most posi-

Special Thanks to New SESCO Clients!

Stony Creek Community
Health Center
Stony Creek, VA

Mountain Laurel Learning Cooperative
Davis, WV

Crossroads Community Services Board
Farmville, VA

Chicago Automobile Trade Association
Oakbrook Terrace, IL

Schuler Service, Inc.
Allentown, PA

Beck's Auto Center
Lafayette, IN

Lydia's House, Inc.
St. Louise, MO

Sandyside Senior Living
White Lake, MI

Fairview Housing Management
Corporation
Bristol, VA

McCracken Auto
West Roxbury, MA

tions will either fall clearly in or out of one of the exemptions. However, an employer must be careful when employees perform both a mix of "nonexempt" work and "exempt" work that meets the criteria. Another mistake is applying duties that are not primary activities such as human resources stating, "Well, this employee will fill in for the manager when he or she is not here and/or on vacation." Clearly, this kind of additional duty will not qualify for exemption.

7. Monitor state law.

The FLSA is the primary federal statute that governs employee compensation. However, many states have enacted their own laws governing employee classifications which impose more restrictive standards. As a side note, in addition, many states have prohibited "partial" exemptions that employers can apply such as the "Retail 7(i)" exemption from overtime only. As SESCO practices in all 50 states, we are aware of the nuances between federal and state Wage and Hour Regulations.



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Founded in 1904, the Chicago Automobile Trade Association is one of the nation's oldest and largest metropolitan new-car dealership associations.

Today, CATA's member dealerships employ more than 20,000 people in Chicagoland. These locally-based small businesses provide good-paying jobs for their employees who, in turn, contribute to their communities.

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- Promoting honesty and dependability in business operations;
- Employing truth and accuracy in dealer advertiser;
- Standing by guarantees;
- Improving business methods and ethics in keeping competition fair so that the dealers and the public are well-served; and
- Refraining from practices detrimental to the industry or contrary to the public interest.

As a retained resource, SESCO provides both unionized and union-free dealerships with telephone, email and research on human resource and employment law matters. SESCO also provides member communications and employee handbook reviews services.