



Part of the Washington SBDC Podcast Series

insight • solutions • success

Organization and Structure:

Aids to productivity for small business owners

Owner said, “Nothing gets done without a decision from me!” Resulting in loss of control emerging as an issue due to lack of action by the owner.

Situation:

- **Wages were withheld from an employee’s pay for absenteeism, a customer withheld a large payment, and other issue due the lack of financial statements and he threatened legal action**
 - The employee’s wages were reduced to cover time off that the employee believed should be paid sick days.
 - The company of 28 employees had no formal policy about days off. The owner made decisions about these on a case by case basis influenced by undocumented evaluations from supervisors.

- **A customer withheld a large payment**
 - This led to a critical cash shortage. The owner liquidated personal assets to invest more equity to cover cash requirements. The owner seldom received financial reports which complicated issues related to the customers nonpayment.
 - Staff struggled to compile enough data each month for the company’s CPA but tasks were frequently not completed.

- **Delays to other decisions resulted from the lack of current financial statements**

- Sales and Business Development problems. The owner spearheaded activities in both areas, so time devoted to both tasks led to declining revenues and a cash deficit that got worse and worse.

Solutions:

- **Business issues are routinely resolved with proper policies and structure.** These should be adopted, implemented, and updated often by small committees (on average 3 people) responsible for these policies.
 - Legal and HR professionals can help develop written guidelines for leave and all other employment related issues.
 - Adopt financial policies. *Monthly* statements should be generated. Create procedures that require the reconciliation and detailed support of cash, accounts receivable, accounts payable, inventory, sales, and cost of sales.
- **Establish credit granting qualifications and collection procedures** that are clear about steps to collect overdue amounts. Include credit limits for customers, negotiation parameters for partial payments, and circumstances that require outside collection assistance.
 - Assign the responsibility of desired outcomes of policies and procedures to committees by creating a document, a system, or any number of products.
 - Policy often results in recommendation for changes, strategy, or legal action.
- **Define expectations of areas of operations** including quality, timeliness and adherence to your standards. Focus on finance, operations, human resources, crisis management, business development, sales and marketing, and research and development committees to routinely provide operational efficiencies. Structure is essential to a business owner.
 - Employment policies implemented by a human resource committee can deter actions by disgruntled employees. This structure can allow for minimal involvement by the owner.
- **Timely review of financials is enormously beneficial** for controlling critical aspects of your business.
- **Do it, delegate it, defer it, and drop it rule.** Feel fine about what you aren't doing. One or two committees can help the owner conduct the following:
 - **Do** make decisions that require 2 minutes or less to make
 - **Delegate** decisions that require more time

Funded in part through a cooperative agreement with the U.S. Small Business Administration.

- **Defer** non critical issues
- **Drop** any task deemed nonessential
- Organize it, give it structure and sleep well

Visit your local SBDC for no-cost, confidential advising services: www.wsfdc.org