

# Organization and Structure: Aids to Productivity for Small Business Owners

By Lydia C. Jones

A small business owner recently complained about long hours and a hectic work schedule. “Nothing gets done without a decision from me,” he said in a manner that clearly indicated his frustration.

The situation was, indeed, unmanageable. In a very brief time, the threat of loss of control emerged as numerous facets of operations awaited decisions from the owner. An employee threatened legal action after wages were withheld from his pay for absenteeism, a large customer withheld payment, and delays to other decisions resulted from the lack of current financial statements.

## Situation

An employee’s wages were reduced to cover time off that the employee claimed should be paid to him as sick days. The company, with 28 employees, had no formal policy to cover similar incidences, and the owner made decisions routinely on a case-by-case basis. His decisions were frequently influenced by undocumented evaluations offered by supervisors.

A critical cash shortage resulted from a large customer’s nonpayment. In the absence of other alternatives, the owner liquidated personal assets and invested more equity in the business to meet cash requirements.

The owner seldom received financial reports, which exacerbated issues created by the customer’s nonpayment and the cash shortage.

Month after month, the small staff promised to prepare enough data for the company’s CPA to finish the statements, but tasks were frequently not completed.

One more critical aspect of the company’s current situation involved sales and business development. Since the owner spearheaded activities in both areas, time devoted to other tasks quickly resulted in declining revenues and a worsening cash deficit.

## Solutions

Business issues are routinely resolved with proper policies and structure. As part of strategic planning, policies and procedures on a number of standard topics are adopted and implemented for future use. Small committees (often as few as three members) oversee adherence to policies and procedures as part of structure.

## Structure Basics: Corporate Policies and Procedures

**Employee Guidelines:** With assistance from legal and human resource professionals, develop written guidelines for employees that include policies for annual leave, sick leave, and all employment-related issues.

**Financial Policies:** Adopt financial policies that include the preparation of financial statements on a monthly basis and procedures that require the reconciliation and detail support of cash, accounts receivable, accounts payable, inventory, sales, and cost of sales.

Establish credit-granting qualifications and collection procedures that clearly define steps to collect overdue amounts. Include credit limits for customers, negotiation parameters allowed for partial payments, and circumstances that require outside collection assistance.

## Structure Basics: Committees

Assign the responsibility of desired outcomes of policies and procedures to committees. The result of the implementation of procedures can be a document, a system, or any number of products. Policy, on the other hand, often results in recommendations for changes, strategy, or even legal action.

Define expectations of output, including quality, timeliness, and adherence to standards. Examples: executive, finance, operations, human resource, crisis management, business development, sales and marketing, and research and development committees routinely provide operational efficiencies.

Structure is essential for the business owner described above. Employment policies implemented by a human resource committee often deter actions by disgruntled employees. Once established, procedures for collection of accounts receivables are routine and often require minimal involvement by an owner. Financial statement reporting is a business essential, and responsible usage is

enormously beneficial for controlling critical aspects of a business.

David Allen, noted author of *Getting Things Done: The Art of Stress-Free Productivity*, recommends that busy people use the “do it, delegate it, defer it, drop it” rule and “feel fine

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## Business Sense

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about what you’re not doing.” With just one or two committees operating as part of a sound business structure, productivity increases as a business owner makes those decisions that require two minutes or less, delegates those decisions that require more time, defers any desired decisions, and drops any task deemed nonessential. Organize it, give it structure, and sleep well!

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