



Building Cash Cows™  
Improving Quality of Life™

## The Strategic Edge™

Insights for improving profits, cash-flow, and quality of life

Summer 2007

### Have you checked "under the hood" of your business lately?

Operations of a business are like the working parts of an engine. If one part is not working properly, the performance of the engine suffers. Periodic maintenance is important to stay abreast of changes in sales, marketing, operations, accounting, personnel, and other functional areas of your business. Changes in staff, information systems, or production result in process changes, and it is necessary to effectively evaluate these changes throughout the organization in order to not lose efficiency and impact.

Following are three areas to review when looking at your processes:

- Organizational Structure/Effective Position Descriptions
- Written policies and procedures
- Information systems

In this article, we will focus on the organizational structure and position descriptions of a business. Every company has an organizational structure, whether formal or informal, written or unwritten, explicit or assumed. An organizational chart is more than squares connected by lines showing who the boss is. It should provide a visual understanding of how the company is structured, how departments interact, and how work flows through the organization. It also indicates responsibility, relationships, and communications between employees. Do you have a written, accurate, and updated organizational chart? It is a powerful tool that should be updated whenever changes occur in the organization.

The typical small business has a flat organizational structure with no position descriptions. It is usually comprised of a President/Owner, a manager or two (the president could even be one of these managers), and a group of individual contributors with defined and/or undefined roles and responsibilities. Ultimately the business has a group of people wearing many hats and possibly reporting to more than one person. What is the effect of an organization that is structured like this? There will be frustration and confusion for employees. Moreover, that frustration and confusion will increase exponentially as the business grows and critical duties fall through the cracks. Eventually, it will stop the business' growth, often causing it to shrink and sometimes fail. If a business owner wants to grow the business he/she must learn how to operate the business through a management team, and empower that management team to hire, train, manage, and challenge

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employees in their daily responsibilities. Clear lines of communication between a manager and the employees will help alleviate the frustration because the employee now knows who they directly report to and what is expected of them. Members of the management team communicate with the business owner on a consistent basis regarding the status of sales, production, goal attainment, profit, etc.

Once the organizational structure is defined, position descriptions should be written for each position. A good position description is more than just a job description. It includes the key areas of Responsibilities, Authority, Duties, and Performance Measures.

Overall, an effective organizational structure, with the right people doing the right things (good position descriptions) keeps the company on the right track. Morale is positive and people are productive when there is clarity of responsibility, authority, duties, and communication lines - no matter how big or small the organization. If your engine is running poorly, you get poor gas mileage, which today means more "pain at the pump line." An ineffective organizational structure and lack of good position descriptions can result in confusion, duties dropping in a crack, poor productivity, and turnover. This is "pain at the profit line." Avoid this pain by checking under the hood of your business and achieve maximum performance!

Best wishes for a successful and profitable summer!

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**American Business Advisors, Inc.**

[www.ABAdvisors.com](http://www.ABAdvisors.com)

6635 South Dayton Street, Suite 210

Greenwood Village, CO 80111

Phone: 303-335-4218, Fax 303-220-1937, Toll Free: 877-902-3600

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