Business Structure

A clear understanding of the organizational structure and resulting accountability is essential for the company and will determine at least in part how the business interacts internally. The organizational chart depicts an understanding of executive management, middle management and general labor structure within the organization, provides detail in how upper level management and labor align and, therefore, the flow of accountability. It is important that management clearly understands initial and ongoing staffing needs including qualifications and required experience of all positions from the BOD (Board of Directors) and top level management to production/assembly/customer service and administrative support. It is necessary for communication and internal flow of information to have this structure in place. The org chart is also a necessary part of the business plan and will be something investors will want to know exists.

It is imperative that good continuity and a compassionate commitment to the success of the company exist among founders and executive management. Executive management will determine the personality of the company as most employees will take on the same basic personality as those who hire them and direct them. At least general experience in business operations is necessary among founders to bring the vision to reality.

Understanding critical issues of success will be necessary to take the proper steps both initially and ongoing. In general these critical issues should be listed and should revolve around:

- Business structure
- Decision making mechanisms
- Flexibility of structure and operations
- Board of Directors composition and experience
- Financial experience in managing costs and inventory control
- Marketing and sales (gain intimate knowledge of each existing and new market and know clearly the competitors strengths and weaknesses)

Success in any business venture evolves from good vision and flexibility. A good product, priced competitively and backed by excellent customer service are the keys to prosperity. The board of directors and executive management must have a common vision and clearly recognize and respond (NOT react) to changes in the market with relating changes in company philosophy. Critical networks and cooperative opportunities must be identified early on, clearly understood and cultivated. Striving to control costs is continuous. Flexibility and the ability to make informed decisions in a timely manner is a must.

Business Structure

In a prior section, several legal business structures are discussed. This should be given careful consideration in the beginning as to how the vision and planned company structure fit a particular entity. In most cases, a company can more than likely operate under one of several legal business structures, but there are certain nuances to each and consultation with an attorney and/or someone familiar with various legal business structures is preferable.
There are times when more than one legal entity can serve different operations of the same business. An example is a local wine venture where the grower and investor part of the operation is a cooperative and the winery is an LLC. Cooperatives have become more popular in recent years and there are grant or loan opportunities specific to Coops. One of the aspects of a cooperative that can have a significant impact on the business is the inherent ability to create a sense of ownership in all members. This can, however become the Achilles heel when it isn’t clearly presented and understood by all members that this is a business directed by a board of directors and managed by a group of experienced professionals. It is imperative that all members understand this and place their trust in the elected board of directors to provide oversight of the business operations.

**Conclusion**

Several aspects of the internal workings of a company are presented and communication is inherent to each one. Without communication, the ‘glue’ that holds the company together as one is lost. Strong communication must be a significant part of the very first steps along the way of creating a successful business and must remain strong over the life of any ‘successful’ enterprise.

**Resources and Links**

[AgMRC Starting a Business](#)
[AgMRC Getting Prepared](#)