Management

Although entrepreneurs get involved in financing, market development and other aspects of business development, remember that the heart of a business is business management. If a business doesn’t focus on management operations, it cannot bring the desired product to the customer at the required price.

Good managers realize their strengths and weaknesses and find experienced people to handle the tasks they do not understand or do not have the time or experience to manage properly. Help is available from several sources.

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.

Managing People

The first tenet of business should be, “People do business with people.” This statement applies to your relationship with your banker and partners. It applies to how you market to clients and manage their accounts. It applies to those who supply inputs to your business. But it also applies to the people who work for and with you in the business.

The reason that statement is profound as applied to your business culture is that it makes all these transactions personal. Whenever you hear someone say, “it’s not personal, it’s just business”,
you should cringe. We live in an age when increasingly people want to know who it is they are buying from. Food supply chains are not only linked more and more they are overlapped through personal relationships. These bonds lead to loyalty, better communication and personal commitment.

**Employees**

Even a small business will likely need employees or associates to “git’r done!” Smart companies embrace this need as an opportunity to gain continuity, innovation and growth to the business. If these are outcomes you might value in your endeavor, you need to apply measures that lead there.

Don’t think of your business in terms of money and units sold, etc. Think of your business as a culture. Similar to a family or community your business will be made up of people who have different strengths and weaknesses. They can play different roles; they can be so different and yet your business should appear to run seamlessly. Your challenge as a manager is to first identify the roles and second get the right people in the right roles.

Organize your business by establishing an organizational chart. Start by identifying all the essential functions and then put names there to identify who is responsible. But as a manager you must take an additional step. You need to make sure those responsible also have sufficient authority to do what needs to be done. This means letting them know they are expected to make decisions and get the job done. Take the approach that we’re all associates in the business. Instill a sense of pride. Ask their opinion and consider their good ideas seriously. The tone is set from the top. If you see your business, its suppliers and customers as a community of people acting to common ends, a culture of interdependence and pride can develop.

Use benchmarks when establishing wages and salaries. The business must show a net profit but at the same time, your employees are so important that you must be sure the pay fits the job and the person doing it. Seek out advice if needed when trying to get the pay right. Be sure you pay yourself. Don’t forget benefits. Talk to your tax consultant about setting up retirement accounts if the idea applies. Money and benefits will not be the most important day to day reason your best people work for you. But these things rise to the top occasionally.

Consider profit sharing or other incentives that vest your employees in the business growth and customer satisfaction. Help them improve themselves financially and you foster a culture in the business where everyone takes ownership.

**Family**

There is one giant pitfall (among the many) lurking out there for many an entrepreneurial enterprise. That is the tendency to abuse family while lurching toward your goal. These efforts are so all consuming that they lead to neglect of the things that matter most. Please don’t forget this.
Also, put family members on a business basis with the business, just as you would those coming from outside your family. While family relationships in business can be nettlesome at times, one way to avoid problems is by defining the relationship in the business. Here again, come back to that organizational chart and talk about it openly.

- Define the roles and treat family members on merit.
- Be careful of the pitfall of “too many chiefs.”
- Don’t leave undefined assumptions about shares in the business or who gets credit for what.
- Don’t play favorites with family and create frustration among other employees.
- Don’t jam family members into the wrong roles just to bring them on board.

**Conclusion**

The major issue in employee or family relations is communication. Keep things open and appropriate. Ask for input an act on that seriously. Plan for successful and long term relationships because it is disruptive and expensive to replace people. Help yourself and your people by finding continuing education options and training. This shows commitment to them and induces an expectation as well. Budget enough…your people are your business.

**Succession Planning**

Most of us are in various stages of denial about the fact we are getting older. As time marches along, things change and the business you start may deserve to continue even if you are unable to. If a plan is in place that identifies key elements of succession and procedures to implement a plan, the possibilities are endless. Consider how you might exit the business. Think about the sort of person(s) you would like carrying on your dream. Consider your business from a legacy standpoint and then find the assistance necessary to put these considerations to paper. There is help available.

**Iowa State University Beginning Farmer Center**

The Beginning Farmer Center (BFC) offers an elemental range of services that can assist in creating succession plans. At the center they like to look out across perhaps ten years or more with you. This gives your plan a chance to mature and meld into emerging realities over time.

One important aspect is an overall analysis of your business and desires. This affords a third party objective look at your realities and can be very important as a first step in determining the next steps.

At the BFC they offer individual consultations and can bring tools and seminars to help you become versed in the things that might work in your situation. The individual service allows this process to develop at a very personal level and in a way that deals with realities, not abstractions.
The BFC can also direct you to possible loan funds and other programs to aid the next generation in making the transition with you.

Check out the programs at: http://www.extension.iastate.edu/bfc/programs.html#Farm%20On
Or call: 1.877.BFC.1999

**Ohio Center for Employee Ownership**

Other resources exist. The Ohio Center for Employee Ownership specializes in all things succession. One method is the employee buyout. This can be accomplished in a sudden way or it can be done over time through employee purchases of stock or accumulation of options.

The planning itself is not difficult be getting started is. To know where to begin we suggest the publication, “An Owner’s Guide to Business Succession Planning.” This is available for a small fee.

Phone for the Center is: 330.672.3028
Website is: http://dept.kent.edu/oeoc/

**Other Resources**

Consultants and Service Providers Directory

Iowa State Resources

State Resources

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