

Managing Small Business

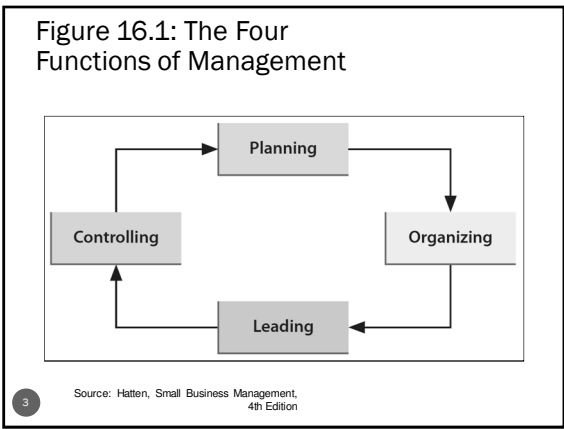
Chapter 16

Professional Small Business Management

The Four Functions of Management

- Management
 - The process of planning, organizing, leading, and controlling resources in order to achieve the goals of an organization.
 - These four functions are *continuous* and *interrelated*.
- Planning—determining what to do
- Organizing—assembling resources
- Leading—maximizing output from resources
- Controlling—comparing performance to plan

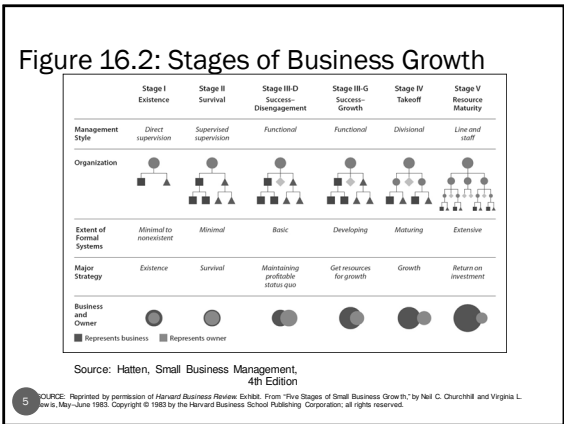
Source: Hatten, *Small Business Management*, 4th Edition



How Managers Spend Their Time

- Managers
 - Work continuously on a wide variety of brief and discontinuous tasks.
 - Have regular duties but irregular schedules.
 - Depend on judgment and intuition rather than technology.

Source: Hatten, *Small Business Management*, 4th Edition



Small Business Growth

- Complicating Factors in the Transition to Professional Management:
 - Highly centralized decision-making system
 - Overdependence on one or two key individuals, with little delegation
 - Entrepreneur's inadequate repertoire of managerial skills and lack of training in all areas of the business
 - Paternalistic atmosphere within the company

Source: Hatten, *Small Business Management*, 4th Edition

Table 16.1:
What's Bugging You?

Measures of Small Business Problem Importance					
Problem	Rank	Mean Rating	Standard Deviation	Percent "Critical"	Percent "Very Bad"
Cost of Health Insurance	1	1.75	1.02	65.4	1.4
Cost and Availability of Liability Insurance	2	2.36	1.02	30.1	6.4
Workers' Compensation Costs	3	2.03	2.08	22.8	11.8
Cost of Retirement Programs	4	2.01	1.08	26.1	6.3
Excessive Demand for Cash	5	2.00	1.19	25.2	6.8
Federal Taxes on Business Income	6	2.18	1.08	23.7	7.7
Property Taxes (Real, Personal or Combined)	7	2.26	1.04	21.8	7.1
Cash Flow	8	2.26	1.00	20.2	6.6
State Taxes on Business Income	9	2.25	1.07	19.5	6.7
Unemployment Compensation Requirements	10	2.42	1.19	15.1	7.8
Excessive Costs (Other)	11	2.45	2.02	16.8	6.8
Locating Suitable Employees	12	2.56	1.06	16.8	5.2
Fuel Expenses	13	2.58	1.05	14.3	6.5
FICA Social Security Taxes	14	2.59	1.19	11.7	6.2
Cost of Payroll/Overhead	15	2.72	1.09	12.7	6.1
Proportion of Payroll Tax	16	2.72	1.09	12.7	6.1
Leases and Rents	17	2.73	1.09	11.6	6.3
Telephone Costs and Service	18	2.73	1.09	11.6	6.3
Obsolescence of Equipment	19	2.74	1.09	12.2	6.6
Federal Paperwork	20	2.89	2.08	16.4	6.2
State Paperwork	21	2.89	1.81	11.4	6.5
Cost of Health Business Services (Other)	22	2.89	1.75	6.5	6.8
Competition from Large Businesses	23	2.89	2.09	15.3	6.6
Highly Variable Earnings (Profit)	24	2.89	1.88	10.6	6.5
Ability to Cash (Financial) Advances	25	2.92	1.02	11.6	6.6
Proportion of Sales Subject to Taxes	26	2.95	1.12	7.4	6.9

Source: Hatten, Small Business Management, 4th Edition

The Next Step:
An Exit Strategy (cont'd)

- Exit Options:
 - Sell to a financial buyer.
 - Sell to a strategic buyer.
 - Sell to a key employee or group of key employees.
 - Sell to all employees via an employee stock ownership plan (ESOP).
 - Take the company public.
 - Create a family succession.
 - Undertake a planned liquidation.

Source: Hatten, Small Business Management, 4th Edition

Leadership in Action

- Importance of Leadership for Small Businesses
 - Leadership abilities are crucial for small business owners because they work closely with people.
- Credibility
 - The foundation of leadership
 - DWWSWDD (Do What We Say We Will Do)
- Leadership Defined
 - The process of directing and influencing the actions of group members—along with an amount of planning, directing, and controlling

Source: Hatten, Small Business Management, 4th Edition

Leadership in Action (cont'd)

- The Art of Negotiation
 - Stay rationally focused on the issue being negotiated.
 - Exhaustive preparation is more important than aggressive argument.
 - Think through your alternatives.
 - Spend less time talking and more time listening and asking good questions.
 - Let the other side make the first offer.
 - Engage in a bit of play-acting.

Source: Hatten, Small Business Management, 4th Edition

Leadership in Action (cont'd)

- Delegation
 - Granting authority and responsibility for a task to another member of an organization; empowerment to accomplish a task effectively.
- Benefits of Delegation
 - Allows a manager time to concentrate on more important matters.
 - Empowers employees by increasing involvement in their work.
 - Enables manager to maximize the efforts and talents of everyone in the company.

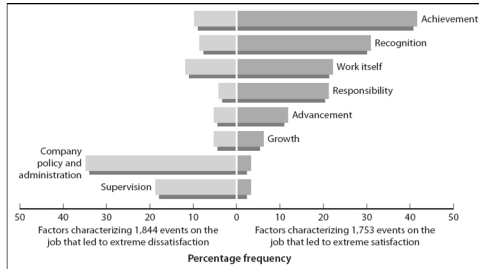
Source: Hatten, Small Business Management, 4th Edition

Motivating Employees

- Motivation
 - The forces that act on or within a person that cause the person to behave in a specific manner.
 - The reason an individual takes an action in satisfying some need.
 - Key to motivating employees is to know what is important to them

Source: Hatten, Small Business Management, 4th Edition

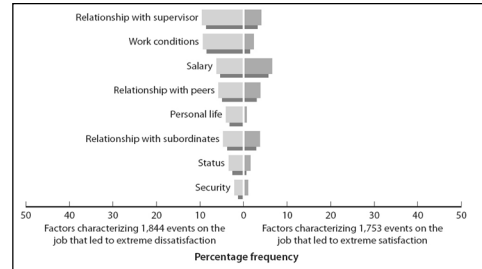
Figure 16.3: Job Satisfiers and Dissatisfiers



Source: Hatten, Small Business Management, 4th Edition

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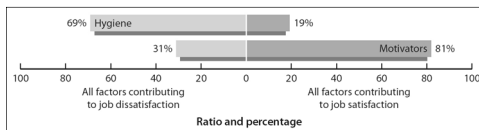
Figure 16.3: Job Satisfiers and Dissatisfiers (cont'd)



Source: Hatten, Small Business Management, 4th Edition

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Figure 16.3: Job Satisfiers and Dissatisfiers (cont'd)



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Motivation Myths

- All employees need external motivation.
- Some employees don't need any motivation.
- Attempts to motivate always increase performance and productivity.
- Money always motivates people.
- Intrinsic rewards provide more motivation than money.
- Fear is the best motivator.
- Satisfied workers are always productive.
- This generation of workers is less motivated than the last.

Source: Hatten, Small Business Management, 4th Edition

16

Can You Motivate?

- What motivates the people who report to you?
- To what extent are they motivated by money? By recognition? By opportunity for growth?
- Have you done anything in the last week to motivate someone else?
- Have you done anything lately that would undermine an employee's motivation?
- Have you praised anyone today?

Source: Hatten, Small Business Management, 4th Edition

17

Employee Theft

- Protecting the Business
 - Get an insurance policy covering outside theft, employee theft, and/or computer fraud.
 - Use an integrity test to screen applicants.
 - Create a culture of honesty with a written code of ethics and conduct.
 - Minimize cash on hand; put excess cash in a safe.
 - Change times and routes to the bank for deposits.
 - Never schedule an employee to work alone.
 - Monitor deposits, checks, and bank statements.
 - Divide up financial tasks.

Source: Hatten, Small Business Management, 4th Edition

18

Special Management Concerns

- Time Management
 - Investing in what is important in life
 - Making time management a goal-oriented activity
- Indicators of Time Management Problems
 - Frequently late for or forget meetings and appointments
 - Consistently behind in responsibilities
 - Don't have time for basics – eating, sleeping, family
 - Constantly working and still miss deadlines
 - Often fatigued, both mentally and physically

19

Source: Hatten, Small Business Management,
4th Edition

Special Management Concerns (cont'd)

- Stress
 - Emotional states that occur in response to demands, which may come from internal or external sources
- Distress
 - The negative consequences and components of stress
- Situational Conditions that Create Distress
 - The outcome is uncertain.
 - The outcome is a matter of importance to the person.

20

Source: Hatten, Small Business Management,
4th Edition

Stress Management

- Relaxation Techniques
 - Sit in a comfortable position in a quiet location. Loosen any tight clothing.
 - Close your eyes and assume a passive, peaceful attitude.
 - Relax your muscles as much as possible.
 - Slowly breathe through your nose and develop a quiet rhythm of breathing.
 - Continue relaxing muscles and concentrate on breathing for 10 to 20 minutes. Open your eyes occasionally to check the time.

21

Source: Hatten, Small Business Management,
4th Edition