

Why create systems? Successful businesses demand it

By Jeff Prager

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In the first of this series, I covered planning. In this article, I will discuss organizing – the second of four management directives. In owning a business, you want to earn money both as an employee and as an investor. So ask yourself: Is my business a job or an investment? **Why organize?** By definition, organization is the efficient management of people, assets, and processes through formalized systems and structures. The purpose of organization is to make your business work for you. No matter how big your business or

your job is, you should be committed to working less and making more money. We all know that the amount of work an owner needs to accomplish is overwhelming. If the business relies on you and/or a few key employees, you don't really have a business. So, to survive you need to start developing a business that can run by itself. The more efficiently people, assets, and processes are organized, the more you can attend to the growth and profitability of your company.

As evidenced by any franchise, such as McDonalds, Wendy's or Subway, if you can create

systems (actions that can be repeated), then you can ensure success. When you reduce problems to procedures, you will dramatically improve productivity. In addition, delegation is a key requirement for growth.

Although setting up systems sounds hard – it's not. It is a means to let you create the lifestyle you want for yourself and your family. Develop checklists and understandable procedures for everything from how you answer the phone to how often you should call a customer. As each process is documented, you'll begin to see how easy it becomes to run your business successfully. **So, what are the major categories I need to document?**

The major classifications of organization are: marketing, (outbound and inbound) sales, pricing, production/construction, personnel and accounting and administration. Although this sounds like a lot to tackle, start with the big picture and keep your outlines simple, short and easily understood. Processes should be constructed so that the forms and systems necessitate adherence to established control procedures. Processes should be designed to reduce errors and omissions.

What are the steps in creating a system?

- Step 1:** Determine the hourly value of your time.
- Step 2:** Outline major work flow
- Step 3:** Outline subtasks
- Step 4:** Document existing responsibilities – who owns

the work?
Step 5: Place an hourly value of the work being performed



- Step 6:** Reallocate responsibilities
- Step 7:** Create process descriptions
- Step 8:** Create checklists and forms where necessary
- Step 9:** Create the job descriptions
- Step 10:** Monitor and adjust

Regardless of how we run our business, all activities of the business should be geared toward customer acquisition and retention. Don't fall into the trap of segregating your company by sales and operations.

Bottom line: Invest the time at the front end of your business. Create effective systems to deliver your product or service consistently. Today's front-end investment means your day-to-day operations remain easy to scale-up as you grow. And when do you start? Today!

Backroom Management Services provides education, support and software designed specifically for the construction and related industries. Jeff is a CPA and teaches economics at CU Denver. Backroom Management Services provides powerful yet simple and easy-to-use tools, and most importantly, the people and the expertise to bridge the gap between financial data and the information required by business owners in order to make effective decisions. Prager can be reached at 303-221-0823 or www.backroommanagement.com.



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