

12.6: The Three Threads

Learning Objectives

1. Explain how people and organization can add to customer value.
2. Explain how decisions about people and organization can impact cash flow.
3. Explain how technology and the e-environment are impacting people and organization.

Customer Value Implications

By definition, a small business is small. The CEO and the top management team have a much greater understanding of the tasks and operations of the entire business and what their employees are doing. (Sometimes their employees wish they did not have such a good knowledge of the tasks they, the employees, are supposed to be performing.) In a small business, it is much more likely for the CEO and the top management team to have a personalized relationship with their customer base. Sometimes this functions on a one-to-one basis and is predicated on a true sense of personal friendship. This intimacy between those at the top of a small business and their customers or clientele can yield tremendous benefits for both the business and the customers. Knowing the true needs of the customer on a personalized level greatly enhances the value produced by a business.

Small business organizations are flatter and less bureaucratic. Sometimes they are less centralized. This enables frontline personnel to be closer to the customer, where they can better ascertain the needs of the customer and make decisions more quickly to satisfy those needs. This adds to the value of these businesses in the eyes of their customers because of a more positive customer experience.

In addition to being closer to the customers, the owner of a smaller business has a closer relationship with the employees. There generally is no need for a formal “human resources” department that bureaucratizes relationships. The owner knows the strengths and the weaknesses of the employees and will best use them in the business. The owner can develop personal relationships with employees that are impossible in larger organizations. This closeness can often translate into an intangible strength—loyalty. Employees who are happy with their employment will provide greater value to the customer.

Cash-Flow Implications

The simpler the organizational structure, the more positive will be the impact on cash flow. Having unnecessary positions will negatively impact small business operations in terms of not only costs but also efficiency and effectiveness.

Improper hiring and termination procedures will also adversely affect cash flow. Recruiting employees is an expensive process, so errors in the hiring process will be a drain on the cash flow of a business and, as a result, its profitability. Termination is a particularly sensitive process, so a careful and thoughtful procedure should be developed for carrying it out. Errors in either hiring or termination may open up a business to lawsuits, another major hit to cash flow and profitability.

Technology adoption for office productivity improvements (e.g., social networking, iPads, and smartphones) may adversely affect the cash flow in the short term, but (hopefully) the higher productivity should offset those losses in the longer term. As an example, recall Lloyd’s Construction in Eagan, Minnesota, from [“Foundations for Small Business”](#). The company switched to a **smartphone** system that allowed for integrated data entry and communication. The company reduced its routing and fuel costs by as much as 30 percent, and they estimated that they saved \$1 million on a \$50,000 investment. Jonathan Blum, [“Running an Entire Business from Smartphones,”](#) *CNN Money*, March 12, 2008, accessed February 3, 2012.

Implications of Technology and the E-Environment

New technology solutions are being introduced every day, many of them potentially very useful for small businesses. This chapter discussed the productivity enhancement possibilities offered by social networking, the iPad, smartphones, and collaboration tools, but the discussion was only the tip of the iceberg. Technology is so pervasive in today’s workplace that ignoring it will be done at each business’s peril. Mobile technology is now even pervading the hiring process; the world of recruiting via mobile technology is moving at the speed of light. The result? More and more organizations are trying to figure out how to start using mobile devices to recruit new employees. Julie Bos, “Top Trends in Staffing: Is Your Organization Prepared for What Lies Ahead?,” *Workforce Management* 90, no. 2 (2011): 33–38. The prospect of targeting all populations of people is an exciting—but certainly challenging—one.

Another interesting technology product is talent management software developed by [Taleo](#), which is targeted to the small business to simplify recruiting, hiring, and performance management with “unmatched flexibility.” “[Taleo Business Edition](#),” *Taleo.com*, accessed February 3, 2012. There are undoubtedly other similar products available. The point is that this is an example of the small business technology solutions that are available for exploration and consideration.

The e-environment is a small business facilitator extraordinaire. The web is a fabulous place, making collaboration and communication so much better and faster. It has opened the door to enhanced productivity, and a potentially important part of that is the virtual employee. Small businesses should seriously consider the advantages of virtual employees because they can help the small business expand its reach, increase employee morale, and contribute to a much better work-life balance.

KEY TAKEAWAYS

- The less bureaucratic organizational structure of small businesses tends to open the door for more personalized relationships between the CEO and other top managers and customers. This adds considerable value to the business and the customer experience.
- The simpler the organizational structure, the more positive the impact on cash flow.
- Technology investments for increased productivity will be a drain on cash flow in the short term, but productivity improvements should offset the loss in the long term.
- New technology products are being introduced every day, many of them geared to the small business. Small businesses should make it a point to learn about what’s available and keep an open mind about adopting a new solution to an old problem.
- The e-environment has opened the door to multiple ways to improve office productivity, not the least of which is the virtual employee.

EXERCISE

1. Select a small business with between fifty and seventy-five employees. Set up an interview with the president or one of the other members of top management. Ask the person to describe the organizational structure of the business, and then ask him or her to discuss whether the structure helps or hinders his or her relationships with customers. Lastly, ask if there is anything about the organizational structure he or she would change—and why.

Disaster Watch

John owns a very successful electronics business. He has been in business for only three years and already has several large stores. He has seventy-five part- and full-time employees. The business thrives on a sales force that must be able to close deals, particularly on high-priced items.

Jennifer is John’s administrative assistant. She has been with him from the beginning, and John considers her to be a vital element in the success of the business. He had wooed her away from another large electronics chain. On Tuesday, Jennifer requested a private meeting with him. She arrived at the meeting clearly distressed. He asked her to sit down and tell him what was troubling her. She struggled not to cry but could not hold back the tears. She recounted the following story.

Ed Smith, a salesperson, had for the last five weeks been making inappropriate and suggestive comments to her. She told John that at first she tried to dismiss and deflect Ed’s comments with humor, and the humor clearly indicated that she had no interest. The result was that the comments became more frequent, more aggressive, and more vulgar. At this point (last Friday), Jennifer indicated to Ed that she found his remarks offensive and harassing. He laughed and, in the intervening days, continued the remarks, which became even more progressively lewd. It was Jennifer’s opinion that Ed was incapable of understanding how inappropriate his behavior was. She believes that his presence creates a significantly hostile working environment for her and other women. She thinks it would be best for the organization if Ed were fired immediately.

John expressed his profound sympathy to Jennifer and said that he would speak to Ed right away. This clearly was not what Jennifer wanted to hear. She left John’s office simply stating, “It’s either him or me.”

Although John was extremely sympathetic to Jennifer’s position, he recognized that he had to speak to Ed to protect himself. Further, John had to consider the fact that Ed was unquestionably his best salesperson. Two hours later, John called Ed into his office and related Jennifer’s story. Ed laughed it off as harmless word play, even going as far as saying, “Could you possibly see me being interested in a woman who looks like she does?” He then countered with, “Look. You know I’m your best salesman, and if I’m fired because of some slanderous comments, I’ll sue.” He then stormed out of John’s office.

What should John do?

This page titled [12.6: The Three Threads](#) is shared under a [CC BY-NC-SA](#) license and was authored, remixed, and/or curated by [Anonymous](#).

- [12.6: The Three Threads](#) by Anonymous is licensed [CC BY-NC-SA 3.0](#). Original source: <https://2012books.lardbucket.org/books/modern-management-of-small-businesses/>.