

Organizations – A Living Entity

Real Life Lessons Learned is a series of brief discussions that deal with the hard knocks, bruised shins, laughs, frustrations and joys of being in business. It is interesting to see that according to the 2004 Census report that shows businesses with 1 to 19 employees comprises over four million firms meaning 20.4 million employees with annual payroll of over \$530 million.¹ The same report indicates that for 2002 the total receipts for these size firms were in over \$2.8 billion. The 2004 data regarding receipts was not published. Our perspective is that Small Businesses drive a major aspect of the economy and as with any business, began with the idea of one person and then expanded. Your business may be the legal entity of Sole Proprietorship or you developed with partners and are legally a Partnership or even transitioned to a LLC or “S” Corp. The realities are that you have walked an exciting road with many challenges and successes. Yet, every company looks at ways to improve in one or more of the critical components of how to make our business better. NCDCS, Inc is a trusted partner desiring to see you reach your desired level of efficiencies and success.

I sat back in my office chair, pushed off from the desk with the palms of my hands and spun the chair. Where is this idea going to go? What do I have to do to get this out to all the companies that seem to need what the idea will produce? Wow!! How do I replicate myself? What should my business look like? Good gravy, I have to form a company!!

Now the search begins. Who do I talk to? What web sites will give me the best answers? What can the SBA (Small Business Administration) do for me? What bank do I use? Do I really need an attorney? How do I keep my books (financial and accounting)? Where do I go to file as a business? How do I protect my idea? *MOST OF ALL* –

WHAT ARE ALL THE OTHER QUESTIONS and WHO HAS THE ANSWERS?

So you get busy developing the questions and then busy finding the answers. Many of which we will deal with in this series. But one of the most critical questions that get lost is:

What is an organization and what should mine look like?

So what I have learned in Real Life Lessons others have studied academically or like me completed their corporate life cycles and some have built really good high-powered consulting practices around and they may have even written some darn good books too. But you don't have the time in the middle of figuring out your business to read all the books. Heck, you have a business to manage and an organization to build. So what I have scraped my shins on I'll share and I'll even reference for you some of the terms I wish I'd coined. The bottom line to these comments is that there are commonalities and very fundamental principles to successfully grow an organization and business. But often we get caught up in the extremely fast pace of starting up a business and then the protracted battle of keeping on – keeping on. With that we sometimes miss some of the key fundamentals that will make the business function more efficiently and you don't have the time now to go back and start over. So how can you redeem the time and efforts to

¹ <http://www.census.gov/epcd/www/smallbus.html>

increase that efficiency to positively affect the bottom line? Heck, if you could just make stuff run more smooth with better interpersonal, employee and customer relationships that would be peachy.

About 100 years ago, well OK maybe 30 years ago when I was working on my Behavioral Science degree, it made sense to me to look at a company as 'A Living Entity'. I may be late to the party with all the jargon but I have known for years what makes good sense and what turns out to be cow plops. So to get a sense of how a business is that 'Living Entity' let's first look at some common definitions and how a personality develops around those definitions.

Sole Proprietorship

Now the legal definition gives you the sense of beginning:

- A business structure in which an individual and his/her company are considered a single entity for tax and liability purposes. A sole proprietorship is a company, which is not registered with the state as a limited liability company or corporation. The owner does not pay income tax separately for the company, but he/she reports business income or losses on his/her individual income tax return. The owner is inseparable from the sole proprietorship, so he/she is liable for any business debts. Also called proprietorship.

So the idea is that *You're* it baby!! The structure is all focused on you, the liabilities are focused on you and yep; the taxes are all yours. So *you* breath the Life into the Entity and like any new birth of a child, this company will shape its personality around and through you. This impacts your personal life, how your customers view your business and this sets the environment for your employees to replicate and nurture this entity. What personality does your business present? What DNA have you injected into your structure, decision-making and motivators? There is a consulting group that has done a lot of work around the term and concept "Organizational DNA"² and they're way more spendy than I am. OK, go check out their web site if you really want to but remember that I've got over 30 years of hard knocks management experience that brings the common sense approach to you, the SMB³. But, the real point here is that ***YOU*** as the 'Sole Proprietor' set the whole flavor for the company.

Is there anything wrong with that? Not necessarily as long as you have developed really good operating procedures, have a dynamic strategic objective which is well communicated to the employees, have defined your organizational structure with job descriptions and reporting criteria (for us ole' military types; the chain of command) and have quantifiable motivators to incent employees. Oh yeah, do you have a really good information and communication process? In other words, does your team know everything they need to know to be individually successful and therefore make you, the company, that 'Living Entity', successful?

Oh man!!! Not only are you spinning in your chair with this discussion, you're trying to digest all this while changing hats in the performance of all your duties – Manager, Sales, Accountant, Planner, Hands on Worker, Customer Service, etc. Gosh, how many hats do you wear and how often do you spin them around?

² Booz, Allen, Hamilton - <http://www.orgdna.com/about.cfm>

³ SMB – Small and Medium Business

Now let's look at the concept that a couple or a few of you came up with this bright idea to be entrepreneurs extraordinaire and you all formed the:

Partnership

- A type of unincorporated business organization in which multiple individuals, called general partners, manage the business and are equally liable for its debts; other individuals called limited partners may invest but not be directly involved in management and are liable only to the extent of their investments. Unlike a limited liability company or a corporation, in a partnership the partners share equal responsibility for the company's profits and losses, and its debts and liabilities. The partnership itself does not pay income taxes, but each partner has to report their share of business profits or losses on their individual tax return. Estimated tax payments are also necessary for each of the partners for the year in progress. Partnerships must file a return on Form 1065 showing income and deductions. Estimated tax payments are also required if they expect their income to be greater than \$1,000.

Ahhh, This is where the fun really begins when it come to the "Living Entity". I've been in Partnerships and I must admit that I have had very positive experiences. But the way that our baby formed its personality is proof of the idiom; "Strangers do not make good bedfellows." You see the partnerships I was in were with people that settled the hard knocks and schizoid issues before we sign the legal documents. Not like a pre-nuptial but you know, the rather loud and obnoxious conversations with (in the ole' days of not having to play tolerant) some actual physical resolution alignment and human interaction stuff like that.

Once again, you get the point! A Partnership derives its personality through and from the combined individuals who are the General Partners and may be influenced directly or indirectly by the Limited Partners. The same general factors affect the personality of this 'Entity' as do the Sole Proprietorship with the synergistic joy or exasperation of the interaction dynamics of the partners. Several of the additional key factors to success are the well-defined organizational structure and role/job description definitions, information and communications processes and common procedures. There are many really good revenue driving SMB's but what is the personality of the organization? Are there symptoms of schizophrenia or maybe a little Bi-polar floating because of how quickly the Partnership came together and many of the personality issues have not been fully facilitated through? Please, don't go for the lawyer just yet, contact someone that can work with the Entity and bring the various body parts (Living Entities do have body parts) together and assuage the complexity into a fruitful outcome.

But I'm delighted that you all are best of buds and partners and your employees have a clear sense of your objectives and they are efficiently contributing as highly motivated participants in the personality and success of this 'Living Entity'. There is so much more on my mind here but I have to remember what we're discussing and attempting to stay focused on the 'Living Entity' with a personality such that everyone contributes to it and expresses that positive personality to your customers and vendors.

Now comes the time to consider those personal and tax liabilities as well as a whole cadre of critical operational issues. Gosh, it would be nice, if practical, to have someone else ultimately responsible for all that. Hence:

Corporations

- The most common form of business organization, and one which is chartered by a state and given many legal rights as an entity separate from its owners. This form of business is characterized by the limited liability of its owners, the issuance of shares of easily transferable stock, and existence as a going concern. The process of becoming a corporation, call incorporation, gives the company separate legal standing from its owners and protects those owners from being personally liable in the event that the company is sued (a condition known as limited liability). Incorporation also provides companies with a more flexible way to manage their ownership structure. In addition, there are different tax implications for corporations, although these can be both advantageous and disadvantageous. In these respects, corporations differ from sole proprietorships and limited partnerships.

I'm not going to get into the details of the LLC compared to the 'S' Corp to the 'C' Corp. What is important to look at is that a Corporation is legally its own 'Living Entity'. So how does it develop its personality? No time for a book here so let's go through some of the common dynamics that we've already discussed and identify as the influencers on this Entity.

The first realization is that a corporation is a separate entity from its owners. For the purposes of this discussion, it can be classified as a person. The leadership of the corporation could be viewed as the central nervous system. For this discussion purpose the Board of Directors is the conscience or soul and the executive team is suppose to be the brain (mind) and heart. But in my opinion a 'Living Entity' is not alive without spirit. Let's look at the employees as that spirit as defined as having a sense of enthusiasm and loyalty that somebody feels through belonging to a group. Simply, the employees are the reflection and presentation of the soul, mind and heart. Now if the corporation is private, this is pretty much the sum total of its influencers but if it is a public corporation, then the stockholders are those outside elements that influence the board and like the weather can change temperature and blow with the winds of the markets.

Let's just take a few moments to reflect on the basic inter-relational mix of the soul (the board) and mind and heart (the executive management team). Some people and mostly the employees may perceive this relationship as noted in figure 1.



figure 1.

So who is setting the personality for the company? In the birthing of the corporation, there is any number of combinations of who is spinning up whom. So it is very, very, very important that the 'articles of incorporation' and the 'corporate bylaws' are well defined regarding the relationship.

There is a book coming out that will detail this in great detail. Yup, I'm writing a book that you may not have the time to read, hence this quick paper. Here I will focus on a brief dialogue around the privately held SMB type of corporation. My fundamental reason for this is that you are the folks that I'm most interested in and concerned for.

With that here we go. The Board (the soul) is usually made up of one to two executive managers, maybe one or two investors but usually, you've chosen people who can give leadership and governance to your CEO and influence strategy with their knowledge and insight of your business and market. If you invited friends or family to the board, you'll have many challenges. PLEASE REMEMBER, removing board members can be challenging and the members can really send the company into the ditch. There is a great deal that can be discussed about the makeup of the board and how to select members but the key here is: what is the soul's contribution to the 'Living Entity'? What personification of positive qualities manifesting good consciousness, thought, moral nature and will is the 'board of directors' influencing the executive management team with?

The great challenge is for the executive management teams not to be chasing their tail or perceived as doing so. They have the difficult job of developing the detail components of the company's personality. As the mind and heart of the 'Living Entity', they set the core relational values of the personality.

In being the mind the executive management team is the embodiment of the consciousness transferred from the BOD. They have the capacity to think and develop the strategy and focus on the execution of that strategic plan. The mind sets the pattern of thinking and feeling that is typical of the Living Entity's personality. They are actively responsible to pay attention to everything so as to avoid danger and remain aware as to when to take corrective action while being the shepherds over the employees.

As the heart the executive management team establishes the essential character of the personality for the Living Entity. They set the mood and state of mind by being the source and center of emotion. How the executive management team functions is the heartbeat, the driving force behind the personality and life of the Living Entity. In as much as the heart sets the positive emotional state of the personality it can bring intense disappointment by decisions and actions.

Wow, we have just quickly walked through the soul, mind and heart that contribute the fundamental elements of the personality of the corporation, that Living Entity. Now a moment of reflection on how the persona is lived out. The spirit is in the employees. The employees display the attitude of personality characterized through the soul, mind and heart. The prevailing mood exhibited by the spirit is the essence of the personality. What your customers see is usually this exhibited mood. The question then becomes: do the employees, like many human beings, put on a mask to exhibit what personality they think the observer of that person wants to see or are they really honest in their exhibition of the personality of the entity? In other words, does their mood and attitude towards the company that is set by the management team truly represent what you want the customers to see? Do they understand all that you think you are communicating for the entities success? How are they motivated? What can be done to bring out the personality that the leadership desires to be expressed?

What is the condition of the corporations' spirit?

Wow, Now what?

The elements that contribute to the formation of the personality are fundamental to every form of business entity that we have been discussing. What chromosomes are contributing to the DNA of the personality? What are the decision making processes that you are using? What motivators are being developed to incent the employees? What processes and procedures are effectively being implemented? How are your communications processes and information sharing? What is your organizational structure and how efficient is it?

Reflecting on the soul, mind and heart: what is the condition of the spirit? In each business type these fundamentals make up the personality. Each has a need for inter-relational operations and health. If one component is out of synchronization with the whole, the fact is, there are issues. Addressing them is not always easy or desired. Gosh, we're getting by just fine. Yup, life is good. Well, maybe we could do better or take a look at... No time, don't really care or what's that really got to do with the bottom line? Hmm, what is my company's personality and where do I fit in as an influencer to its persona?

What I have learned through the hard knocks and chin scrapes is that having good coaching and counsel is critical not only in a startup environment but with successful SMB's increasing efficiencies. Running at warp speed, spinning many hats and self-learning to be successful always leaves room for having those like myself come along side as your trusted associate. The challenge for you is to take the few moments to self asses how you can gain more at the bottom line by looking at the personality of your company and its efficiencies.

Next: Real Life Lessons Learned will discuss Communications, Organizational Structure, Process and Procedures.

NCDCS, Inc is a consulting company that views business from a holistic approach. We understand that change management affects every aspect of an entities operation and personality such that making a change in a couple areas, technology or process, will affect other areas of the businesses personality. We believe in trusted relationships that influence success in all aspects of your organization.

Please contact us for more information as to how the NCDCS, Inc team can benefit your organization. Visit our web site and engage us in a conversation.