



## Organizations

Business & Organizational Structure

## Business Structure

- ❖ Before you can determine the organizational structure of your business, you need to know what the legal business structure is.
- ❖ Some of basic types of business structures or entities are:
  - Sole proprietor
  - Partnerships
  - Co-ops
  - Corporations
- ❖ Some types of businesses have minimal organizational structure and some have more complex organizational structure.



## Franchising

- ❖ Franchising is a particular type of business, where you are not developing your own products and services, but licensing the right to do business under the name, and product/services of another company.



## Establishing Operating Structure

- ❖ The four stages for organizing a business are: Establish a list of the tasks using the broadest of classifications possible.
- ❖ Organize these tasks into departments that produce an efficient line of communications between staff and management.
- ❖ Determine the type of personnel required to perform each task.
- ❖ Establish the function of each task and how it will relate to the generation of revenue within the company.

Entrepreneur Magazine, (2016). Elements of a Business Plan. Retrieved from Entrepreneur.com: <https://www.entrepreneur.com/article/38308>



## Organizational Charts

- ❖ Organizational charts are often used to visually display how a business is organized and lines of authority
  - Very small businesses, such as sole proprietors and partnerships or small corporations with few employees really have no need for an organizational chart, often each person handles several different aspects of a company.
    - Organizing tasks into a chart may help to establish an organizational chart if the company grows.
- ❖ Over time organizational charts may need to be reorganized



## Key people

- ❖ Information on key people within the company should be part of the business plan
  - Owners of the company
  - Other key people and the roles they fill.
- ❖ Include:
  - What unique skills do these people bring to the company?
  - What experience do they have?
  - What is their educational background?
  - Resumes should be included in the appendix.





## Inventory & Capacity Management

a balancing act

## Inventory & capacity

- ❖ If you are selling products, you will need to keep track of **inventory** - how much stock you have on hand
  - You need to have sufficient products on hand to meet demand, but not so much that you have to store excess items or end up with stock that is too old to sell.
- ❖ If you are producing products or selling services, then you will need to keep track of your **capacity**- how much stock can be produced in a given time frame or how much services can be provided in a given time frame.
  - Do you have the capacity to produce enough to meet demand of customers.



## Counting Inventory

- ❖ If you have inventory, at least once a year the inventory will need to be counted (usually at the end of your fiscal year).
  - Some companies do inventory counts on a more frequent basis.



## Reconciling inventory

- ❖ The number of actual products in your inventory should match your accounts
  - If you have suppose to have 5 widgets in stock and you count only 4, then there is one widget missing. It needs to be accounted for in some way.
    - ❑ Reconciling can help reconcile some discrepancies as errors can be made in the count.
    - ❑ If miscount is not the problem, then searching through records and talking to people can determine if something was not properly recorded.
      - if was something sold and not recorded
      - was something missing from an incoming shipment of inventory
      - was something broken and taken out of inventory but not recorded.
    - ❑ If it can't be reconciled in any other way, then it can be considered lost or stolen and can be written off inventory



## Inventory on an Island

- ❖ Chances are if you are selling products in Hawaii, there is shipping involved.
  - Products that aren't produced locally are shipped in
  - Products that are produced locally, but require materials from elsewhere have shipping involved.
  - Products that are locally produced and require only local materials may not involve shipping -- unless of course, the products are sold elsewhere.
- ❖ If you run low on inventory on the mainland, you may be able to get new stock in within a day or so.  
(continued)



## Inventory on an Island (cont)

- ❖ In Hawaii, it's either spending a lot more money for air freight or have several weeks delay in obtaining new stock and possibly losing sales or alienating customers.
    - Shipping involves not only additional expense, but there may be a time lag in obtaining what you need if you want to ship it economically.
  - ❖ Keep in mind shipping times when reordering products - don't wait until the last minute to reorder.
  - ❖ Keeping track of inventory and expected demand is a difficult balancing act anywhere, but locally it can be compounded by shipping delays.
- Note: Shipping also feeds into the need for higher prices.





## Organizational Management

## What is Management

- ❖ Working with people, resources, and information to achieve goals in an efficient & effective manner often including;
  - Communicating
  - Leading
  - Staffing
  - Motivating
  - Organizing
  - Monitoring
  - Innovating & problem solving
  - Planning
  - Dealing with change



## Communication

- ❖ Communication is successfully conveying information from one person to another
- ❖ Effective communication is the most important management skill & it is the basis for many of the other skills.



## 10 C's of Communication - Sending

- ❖ Clear
  - Message is clearly stated.
  - Don't mix messages
  - Understandable language is used
- ❖ Concise
  - Say what needs to be said in minimal amount of words.
- ❖ Concrete
  - Convey a clear image
  - Use facts to back up statements
- ❖ Correct
  - Factual information
  - Grammar, spelling
  - Appropriate word choice and terminology
- ❖ Coherent
  - The ideas in the message are all related and logically organized
- ❖ Complete
  - All the information needed is presented, and excess of information is NOT presented

## 10 C's of communication - Receiving

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>❖ Concentration           <ul style="list-style-type: none"> <li>➢ Give your full attention</li> </ul> </li> <li>❖ Comprehension           <ul style="list-style-type: none"> <li>➢ Take time to fully understand the message</li> <li>➢ Ask questions</li> </ul> </li> <li>❖ Comment           <ul style="list-style-type: none"> <li>➢ Provide feedback</li> </ul> </li> </ul> | <p>Courteous</p> <ul style="list-style-type: none"> <li>❖ Sending           <ul style="list-style-type: none"> <li>➢ Put yourself in your audience's place.</li> <li>➢ Be honest, but polite</li> <li>➢ De-personalize criticisms, personalize praise</li> </ul> </li> <li>❖ Receiving           <ul style="list-style-type: none"> <li>➢ Be courteous when receiving a message</li> <li>➢ Respond courteously</li> </ul> </li> </ul> |
|---|---|

## Motivating

- ❖ Motivation is the desire & inspiration to start and continue working toward a goal.
- ❖ Motivation improves well being, increases efficiency, and helps retain employees
- ❖ Entrepreneurs need to be self motivating as well as working to motivating staff.
  - Your enthusiasm can motivate others.



## Additional factors in motivating others

- ❖ Match management style with employee's working style
  - ❖ Follow good ethics
  - ❖ Build compatible teams
  - ❖ Provide safe, clean working environment
  - ❖ Keep an enjoyable atmosphere
  - ❖ Empower others
  - ❖ Express appreciation & respect
- 

## Dealing with Change

- ❖ Change is a part of everyone's life
    - Some changes are welcome
    - Some changes are not
    - Accepting change helps smooth transitions
  - ❖ Helping other to accept change can be a challenge for managers
    - Communication is key
      - ❑ Provide information on change as soon as possible
      - ❑ Allow for feedback before change is made
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## Dealing with Change (cont.)

- ❖ Empowerment helps
    - If possible, provide choices
    - Ask for suggestions concerning the change
  - ❖ If a replacing a manager or purchasing an existing company, never promise things are not going to change.
    - It is almost never true, so it does nothing to smooth people's fear of change
  - ❖ Understand that change may result in a grieving process.
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## The grieving process

- ❖ Steps in the grieving process
    - Shock/Denial
    - Anger/ Fear
    - Bargaining
    - Depression
    - Acceptance
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## Innovating

- ❖ Innovation can create solutions to needed change.
- ❖ Innovation sometimes creates need for change
- ❖ Best way to innovate

Think outside the box!



## Problem Solving

- ❖ A systematic approach can help solve problems
  - 1. Define the problem
    - Make sure you understand what the problem really is.
  - 2. Identify the objectives or goals
    - Define what needs to be accomplished to solve the problem and why the problem needs solved
  - 3. Define steps needed
    - What steps need to be taken to reach goal
  - 4. Investigate alternatives
    - What are the different methods of accomplishing the goal  
brain storm! (continued)
- 

## Problem solving (cont.)

5. Determine best method
  - Analyze which method is easiest, takes least amount of time, is most cost effective - weigh these factors according to your needs and preferences
6. Formulate a model for accomplishing your goal
  - Create a scaled down working model
7. Test the model
  - Does the model give you the desired results
8. If doesn't give desired results make any changes and re-test
  - If it does give the desired result - implement.





## Organizing & Procedures

Documenting Work

## Organize to work efficiently

- ❖ Organize from the beginning
  - If organizing later, start small and work at it in steps.
- ❖ Document everything!
  - It makes it easier for someone else to take over responsibilities as the company grows

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## Organize to work efficiently (cont)

- ❖ Determine what work and resources are needed to accomplish a goal and arrange the workload and resources for the most efficient way to accomplish the goal.
  - Review the plan
  - Break into manageable tasks
  - Determine order of tasks
  - Prioritize
  - Eliminate redundant or unnecessary steps
  - Decide which are the best resources to accomplish the tasks
    - ❑ Assign people to tasks
    - ❑ Obtain materials & equipment
  - Create a time line of tasks
    - ❑ Deadlines help get things accomplished
    - ❑ Helps fit tasks into your schedule



## Work Flow Charts

- ❖ Diagram the flow of work
  - Each step is listed and connected to other steps.
  - Allows for branching
  - Visual flows are quicker to understand
- ❖ Creating a flowchart
  - If you are interested in creating flow charts, You can create them using any Microsoft Office product by following this tutorial: [Creating a flowchart in Microsoft Office](#)
    - ❑ It can be time consuming to do so.
  - When doing a lot of flow charts, it's may be better to purchase flow chart software that makes it easier and quicker



## Flow Chart Example



## Writing Procedures

- ❖ Instead of creating a flow chart, a written list of steps can be created.
- ❖ For more information on how to write procedures see: [Mindtools - Writing Procedures](#)



## Example: Checking mail

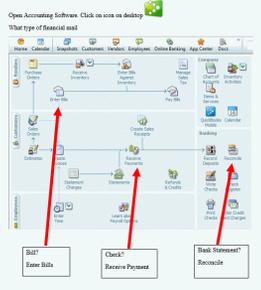
- ◆ Is the incoming mail
  - Junk?
    - Throw in trash
  - Financial?
    - Open accounting software and do financial routine
    - Other important item?
      - Put in boss' inbox
- ◆ Financial routine - which type
  - Bank statement?
    - Open reconciliation
    - Check off payments & deposits that have cleared
    - Investigate discrepancies
  - Bill?
    - Open bill payment
    - Enter bill
    - If paid online
      - Log on to account & pay
- If paid by check, wait until all bills are process then
  - Print checks
  - Ask boss to sign checks
  - Mail checks
- Payment?
  - Open payment
  - Match payment to invoice
  - Mark invoice paid
- ◆ If payment is check
  - Stamp back of check
  - Add to deposit slips
  - At end of week, deposit in bank
  - Report deposit
- ◆ If payment is direct deposit
  - Check bank account
  - Record deposit

## Illustrate Procedures

- ❖ Remember the old saying - *A picture's worth a thousand words?* Adding illustrations can clarify written procedures. If a computing device is involved in the process, then screen shots can be taken and then annotated to make it clear what to do.
  - Windows - Hold the **Windows** key and press **PrtScr** key takes a snapshot of the screen and normally saves it to a folder called *Screenshots* which is within the *Picture* folder.
  - Mac - Hold the **Command** and **Shift** keys and press the number **4** key takes a snapshot of the screen and normally saves it to the desktop.
  - Other computing devices also have this capability, just check with the documentation for the device to learn how.
- ❖ Other procedures can be photographed or even video recorded to demonstrate procedures.

## Example of Illustrated Instruction

### Processing Financial Mail



## Project Management Charts

- ❖ Some projects that your business may work on might require detailed work flow and project management.
- ❖ Project management charts can
  - Help determine work flow for a project
  - Breakdown of individual tasks required for the project completion
  - Time frame for tasks to be completed
- ❖ Types (click on the links to learn more about these types)
  - [Critical Path Method / Pert](#)
  - [Gantt](#)
  - and more



## Financial Matters

It's all about the money

## Financial Basics

- ❖ In order to be successful, you will need to have a clear understanding of your company's finances.
- ❖ These are some of the factors you will need to know about your company
  - How much money is needed to run the company?
  - Will your sources of income be enough?
  - Do you have enough cash reserves to weather some bad times?
  - Can you handle the lag time between spending money and receiving income?
  - Will you need obtain outside funding?



## Lag Times

- ❖ One important concept to understand is how long it may take between spending money and receiving income.
  - If you are selling products, you may need to purchase the products first, then receive income after you sell them.
  - If you are producing products then you may need to purchase raw materials and spend time and wages producing, then receive income after you sell them.
  - If you are providing services, there may be a lag time between providing the service and receiving payments. Often people or companies won't pay until after the service is provided.

Continued



## Lag Time (cont.)

- ❖ Selling products or services to individuals, payment is often received at time of purchase or service.
- ❖ Selling products or services to companies, often requires that an invoice be sent, then payment is made usually within one month of the invoice, however there may be longer lag times.
  - When I was in business providing services, one company routinely put off paying for 3 months, another would only pay right before they needed my service again.
- ❖ Surviving the lag times is crucial.



## Cash Reserves

- ❖ Cash reserves is money that is readily available, but is not spent for routine expenses. It is held for unexpected or emergency situations.
  - Cash reserves is often money kept in a bank account or short-term investments and not cash you keep on hand.
  - It's money you can access readily or within a very short period.
- ❖ When you start out in business, your cash reserves will probably be minimal, but it's important to start building up reserves to help you weather any bad times.
  - Consider contributing to cash reserves as a routine expense, at least until you have a reserve built up.



## Why do you need cash reserves?

- ❖ Many types of circumstances beyond your control can affect your income such as:
  - Natural disasters including hurricanes, tropical storms, flooding, lightning strikes may be devastating
  - Illness can keep you from doing your work. Even a few days missed due to illness may have an effect on your income.
  - Other factors including construction, water main breaks, street repairs, electrical outages and other factors can slow business in your area.





## Keeping Track of Finances

Accounting for your money

## Accounting!

- ❖ To be successful in business, you need to always know the status of your finances
  - ❖ Accounting is keeping track of the flow of money in and out of your company
  - ❖ Accounting helps with the paying of taxes and the filing of reports
  - ❖ Always make time to keep up with the bookkeeping tasks needed for accounting
    - Bill customers as soon as possible
      - It's harder to collect money on invoices that go out late
      - Record payments received and deposit as soon as possible
    - Pay bills on time to avoid late charges
      - A few companies give a discount for quick payment.
- (Continued)



## Hire an Accountant

- ❖ Although you can keep up with the day-to-day bookkeeping tasks required by accounting, it's important to consult with an accountant to help file the proper reports required by law.
- ❖ Accountants can answer your questions on how to record particular transactions that might be out of the normal flow.
- ❖ Accountants can also help you choose the best accounting software for your business.
  - Accounting software makes keeping track of your finances a lot easier.
- ❖ Even though you have an accountant, it's important to have a basic understanding of accounting principles.



## Accounting! (cont.)

- ❖ Each week check make sure everything regarding finances is recorded and completed.
  - Make checklists
- ❖ Each month run aging reports
  - Customers that haven't paid your invoices within 60 days
  - Bills you haven't paid within 30 days
    - Also look for bills you haven't received and inquire about them.





## Taxes, taxes, taxes

Keep paying those taxes

**Disclaimer:** This lesson is to make you aware of taxes, it should not be taken as advice on taxes. Consult an accountant or tax advisor for accurate, up-to-date information concerning your tax situation.

## About Taxes

- ❖ Government at all levels want their taxes. Some examples of taxes
  - Honolulu county - 0.5% Excise tax
  - Hawaii state - 4% Excise tax
  - Hawaii state - Income tax (either personal or business)
  - Federal Government - Income tax (either personal or business)
    - ❑ If you have employees, you collect taxes from their income that you have to pay the government.
  - Federal Government - Medicare & Social Security (Self-employment tax goes toward these.)
    - ❑ If you have employees, Medicare & Social Security is paid partially by employee (which is deducted from their paycheck) and partially by company - The company has to pay the government what was collected from employee (as payroll deduction) and the company's responsibility.
- ❖ These are examples of some of the taxes you may have to pay as a business.



## Hawaii's Excise Tax

- ❖ Hawaii does not have a sales tax, but Hawaii does have an excise tax. This tax is taxed on the **total amount received** from sales of products and services. (Yes, services are subject to the excise tax.)
- ❖ If you are in business in Hawaii, then you **must** have an excise tax license.
- ❖ The total amount received includes the amount of tax you charge the customer.
  - Someone purchases \$100 services from you.
  - The excise tax is 4%, so you might think that the tax to collect from the customer and also to pay to the state would be \$4, but that is incorrect.
  - If you collect \$4 in tax from the customer, the \$4 is added into the amount received so you have to pay tax on \$104 which comes out a tax of \$4.16 and if you charge the customer \$4.16, then you have to pay tax on \$104.16 which comes out to \$4.17. (continued)



## Hawaii's Excise Tax (cont)

- ❖ For sales on Oahu, there is a half percent county excise tax and again it's on the total amount received.
  - So for the \$100 services and if you passed on the taxes to the customer, the total tax for state & county would be \$4.71.
- ❖ If you make sales on different islands or out of state, you need to keep straight which tax to charge which customers and what to pay in excise taxes.
- ❖ The state collects the money for both state and county, so you don't need to fill out two different forms.
  - Depending upon how much sales you have, you may have to file monthly or quarterly or semi-annually.
  - Important thing is to BUDGET for that money you need to send in taxes.



## Hawaii Excise Tax (cont2)

- ❖ Sales to federal government, state government, out-of-state and certain tax-free zones, are not taxed the excise tax, so those customers should not be charged excise tax. These amounts must still be kept track of as they must be reported on the excise tax form.
- ❖ There is also a wholesale tax, if what you sell is to be resold by someone else then you pay 0.5% on what you sell to other businesses for them to resell. And if you purchase your merchandise from the mainland or anywhere outside of Hawaii, then you have to pay 0.5% import excise tax.



## Federal Employment Tax ID

- ❖ You may need to obtain a Federal Employment Identification Number (Sometimes called FEIN or just EIN). If any of the following are true for your company then you will need to apply for this ID
  - The company is a corporation or partnership
  - The company or organization has employees
  - The company has a Keogh plan
  - The company or organization has to file federal tax returns for employment, alcohol, tobacco & fire arms or federal excise tax
  - The company or organization withholds taxes on income or other wages
  - The organization deals with trusts, estates, real estate mortgage investment conduits, plan administrators
  - The organization is a nonprofit organization or a farmers' coop



## Determining the Tax Year

- ❖ Sole proprietors, partnerships, LLC, and S-Corp are required to use the calendar year as their fiscal year unless special permission is obtained from the IRS.
  - It simplifies filing of your personal income tax to have the fiscal year & calendar year be the same.

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## Determining the Tax Year (cont.)

- ❖ C-Corp company taxes can be paid either by
  - calendar year (January 1 to December 31)
  - fiscal year (Any 12 consecutive months) ending on the last day of any month (other than December).
  - fiscal year (52-53 weeks) Can end on any day of the month and varies from 52 to 53 weeks.
- ❖ Companies often determine their fiscal year by the month the company was founded.
- ❖ Other companies choose to have a different fiscal year other than a calendar year as December/January may be a busy time for businesses
  - Extra work may be involved of counting inventory & reconciling it and closing out the previous year's books, so a slower time of year might be better.

## Paying Taxes

- ❖ You may need to pay estimated taxes throughout the year for your business if your income is above a certain level.
- ❖ If you are a sole proprietor and your income is less than a certain level, you pay your taxes when you file your annual tax return and include Schedule C.
- ❖ If you have employees, you will need to pay their taxes on a regular basis for both federal and state.
  - You can hire a company and for services to take care of your employee's paychecks and submit the appropriate taxes. Companies such as PayChex, Surepay, Intuit and others make it easier to deal with these obligations. They can do automatic deposits for employees and deduct salaries and taxes from your bank account and do direct payments to the appropriate government agencies.

## Paying Taxes - Important

- ❖ The important thing to remember is to budget the money for taxes & pay your taxes on time! Late taxes often incur penalties and interest.



## Getting Funding

Financing your business

## Funding Needs

- ❖ Sometimes in small business, you may need to acquire money to achieve a goal that you couldn't otherwise achieve, such as
  - Costs involved in a starting up might be greater than you can afford
  - Cost to purchase high price equipment needed for the company
  - Money needed for emergency situations if you don't have the savings to cover the expenses involved.



## Funding Needs (cont)

- ❖ Some funding will result in debt, which just like in your personal life, is something you want to avoid as much as possible.
  - Debt is something you don't want to incur for routine expenses.
    - For instance, if purchasing routine items for your business on a credit card - pay off the balance each month.
    - Making minimum payments results in debt and the added expense of interest.
  - Use debt funding wisely.

