

# How to Assess the Internal Operations of Your Small Business

## *Avoiding the Seven Deadly Sins of Business Operations*

By Pamela Mills-Senn

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There has never been a better time for small-business owners to assess their internal operations, particularly when it comes to employees, says Peter Tourtellot, managing director of the Anderson Bauman Tourtellot Vos Co. Tourtellot, a Greensboro, N.C.-based management turnaround consulting firm.

Business owners should consider how personnel in every department are producing—it's critical to replace those who aren't pulling their weight. And, says Tourtellot, thanks to all the talent currently available for hire, this task will prove easier than ever before.

Although he allows that many small-business owners might find this prospect unsettling, since they tend to develop such personal relationships with their employees (a problem he encounters even in much larger organizations) they nevertheless must entertain the idea or risk their survival. He advises drawing a blank organizational chart. As you fill in names, consider if each specific employee is getting the job done *today*. If the answer is “no” or “don't know,” that person is a candidate for change.

Failing to evaluate employee performance is one operational misstep placing companies in jeopardy, but there are others (Tourtellot calls these the “seven sins of business behavior”) that land you in harm's way. These are:

- **Dependence on a few large customers.** If 70 percent of your business is tied up in one customer, you have a problem. If that customer sneezes, says Tourtellot, you'll catch pneumonia. Work on diversifying. No one customer should account for more than 15-to-20 percent of your business.
- **Seat-of-the-pants management.** Without strategic development and business plans, you're winging it—a recipe for confusion and compromised productivity. You need a way to get everyone pulling in the same direction. Start with the strategic development plan before tackling the business plan.
- **Denial.** Denying underperformance or dire financials won't improve the situation. If you haven't questioned your strategy, or looked at your employees and their contributions, you're in denial. Listen to what staff and customers are saying. If you have over 25 employees, create an advisory board comprised of people both inside and outside of the company who have full access to how the business is really doing.
- **Relying on a new product to shore up business.** A new product won't compensate for inefficiencies. Plus, what if it's a bust? Focus on creating efficiencies.
- **Poor lender relationships.** In tough times many companies stop talking to lenders; hugely upsetting to them. When communication stops, lenders become unreasonable—a problem for you. Be transparent, even if the news is bad.
- **Venturing into the unknown.** Tourtellot uses the example of furniture manufacturers opening retail outlets, calculating that selling direct is more efficient and profitable. But retail and manufacturing are completely different animals, as many furniture manufacturers painfully discovered. Lesson: Lack of experience can result in much higher barriers to entry than originally calculated.
- **Inflexible business plan.** When the business landscape changes, you must respond accordingly. Remaining open to change is essential.

Find yourself committing one or more of these seven sins? Understand the importance of taking a hard look at your internal operations, says Tourtellot, and work to rectify weaknesses—*now*.