

Start-up organisational structures alternatives for South African entrepreneurs

Costs of setting up a suitable organizational structure can be too high for a small starting organization. This scenario limits the business's potential for success as expert labour is a basic requirement rather than an option for businesses.

With specific reference to technical and professional business fields where highly qualified staff is even more necessary, the inability to support the payroll can virtual stifle a promising business venture Hiring experienced and qualified personnel and the provision of material resources to support such personnel can easily dislodge cash projections for start-ups.

This article focuses on outsourcing, consultancy, flexi-timing and the use of social connections as possible ethically acceptable compromises to the traditional flat or tall organizational structures. The compromises attempt to ensure that an entrepreneur gets the benefits that often come with a fully-fledged organizational structure but with a few trade-offs.

Outsourcing

Outsourcing involves contracting outside practitioners to carry out specific organizational functions for a given period of time under certain agreed terms and conditions. It is a common and highly acceptable way of doing things in South Africa. Outsourcing has many benefits for a new organization.

Core business focus

Firstly, outsourcing allows the organization to concentrate on its core business-its actual cash-generating operations. Inadequacies in both human and material resources can have a negative effect on operations. Too few resources can fail to support the levels of operations needed to make a meaningful return. When outsourcing is involved the new organization gets additional resources. Besides, it can concentrate its own resources where they are most optimal i.e. where they are most needed.

Organisational technical efficiency

Outsourcing quickly creates organizational efficiency in areas where it may take years to develop the same efficiency. As an example, an organization may require top tier information and communication technology personnel and infrastructure to realize a return from opportunities. Such requirements can obviously not be developed overnight.

Furthermore, learning and experience issues can limit an organization's immediate realization of positive returns from its opportunities. With outsourcing, the issues relating to experience and learning curves are done away with as the entrepreneur immediately engages qualified, experienced and well-resourced teams.

Variable cost advantages

Outsourcing can also help turn some fixed costs into variable costs. Fixed costs are costs that a business incurs regardless of the level of operation and production. They have to be paid somehow regardless of whether there has been any business activity or not. Variable costs on the other hand are business activity related costs. These are costs that vary with the levels of business as measured by volumes of production, sales volumes or any other activity measure. Because a business only pays for outsourced services as and when they are used they are a variable cost.

Fixed costs are not good for a business model where volumes are not consistent especially where they drop significantly at given times.

New expertise

Outsourcing also brings in new expertise and can be tapped as a knowledge and technology transfer source. An organization can learn from entities it outsources its services as well as experience new technology. The organization can use this as it grows to develop its own capacity and reduce dependency on external service providers.

Risk Transfer

Outsourcing also transfers most risks from the business to the service provider. Risk of service failure and disruptions can be billed from the service providers account provided the terms and conditions (and they should) allow settlements.

Consultancy

A new business can also involve various consultants to bolster its limited structural capacity. Consultants are experts in specific areas who offer advice and support for a fee. Unlike in outsourcing, consultants are not directly involved in the actual operations but give advice to the business as requested.

For a new business, there are various types of consultants for almost any function. Consultants are well researched and their expertise can help a new organization in its decision making. There are various advantages associated with the use of consultants such as. Consultancy;

- reduces the need to hire a large management team when the business is still in its infancy
- gives access to a great deal of expert knowledge, guidance and advice
- Gives the organization different perceptions to a particular issue

Its disadvantages are:

- Experts may not have in depth knowledge of a particular organization hence may give flawed advise
- It may reduce an organization's propensity to develop its own managerial capacity and expertise

- Consultants may not always be available as is the case with an in-built management or technical teams who are always on site
- Organizational confidentiality may be lost.

Flexi-timing

Under flexi-timing, a business establishes required human resources for its structure. It then decides to employ these resources on a “when needed” basis. An accountant for example may not be required every day for a given business model. The entrepreneur can engage a person to handle accounts on a flex-time basis.

The difference with consultancy is that the accountant per se is part of the organization whereas a consultant is not.

Flexi-timing works well under some conditions and these might include:

- Where particular departmental services are crucial but are not required every day or regularly
- Where business volumes are not high enough to support fully-fledged departments

Flexi-time may have the disadvantages that employees are not always there when unscheduled interruptions or unplanned changes occur. For example, if the flexi-timing scenario involves ICT staff, a system downtime may not be immediately resolved if it happens when the staff is out.

Flexi-timing may also mean that staff may be engaged in other organizations during periods they are not with the business. This is generally because under flexi-time arrangements, employees are generally not restricted to a particular organization. The downside to this is that business confidentiality can easily be lost if employees happen to be engaged with a competitor organization or a competitor related company.

Thus certain rules need to be observed when flexi-time contracts are being made. As a guideline the entrepreneur can ensure the following:

- Flexi-time practitioners must not also be involved with the competition. If this is impossible as in some cases, then issues of confidentiality must be clearly spelt out.
- The entrepreneur must have contingent measures in the event a flexi-time employee fails to turn up.
- Systems that ensure the business is not disrupted because a flexi-time employee is not around must be put in place. For example, all files and documents used by such an employee must always be properly labeled and filed for retrieval during their absence.
- Flexi-time employment must only be considered in rare cases where the benefit of full-time employment is very low compared to the cost.
- Legal implications of flexi-time employment must be in relation to national labour laws.

Social connections

It is a general consensus amongst small businesses that family members are cheap labour. Family members and friends can help out when a business is still starting up. However there is need to ensure that this certain things:

- There is need for greater supervision given that some members may lack requisite skills and knowledge.
- There must be voluntary co-option to ensure cooperation. Family members should not be forced otherwise there won't be any commitment
- Family members must never replace skilled labour (unless they are skilled). They should at best serve to support and assist skilled labour.
- Professionalism must be maintained, family members must be reminded to observe codes of conduct, policies etc.
- Resist the temptation of favoritism that comes in when family is involved. Other employs may be demoralized and shun the organization.

If tactfully managed, family and other social circles can be a great deal of help in situations of low cash inflows which may require a degree or two of sacrifice from organizational members. Improving levels of literacy and professional orientation in South Africa increases the possibility that one will find qualified labour within the social circles.

Regardless there is a thin line between co-opting family members into the organization and nepotism. Nepotism involves undue favouring of relations at the expense of better qualified and experienced employees. Co-opting family members on a voluntary and temporary/permanent fill up basis under the same terms and opportunities with unrelated folks is different from favouritism.

Conclusion

To conclude, an organisation must move towards an optimum level of self-sustenance as it grows. As resources become more available, concrete organisational structures that ensure strategic consistence, corporate identity and continuity should gradually emerge. The measures suggested herein can be referred to as temporary measures to ensure that businesses are not stuck with large payrolls at their infancy. Businesses have a responsibility to employ people. This responsibility is best shown through traditional organizational structures.