

Business Services - Common Problems:

Management structure is inappropriate

There are no clear lines of authority and management employees are not being utilised to the greatest benefit of the business.

Indicators

- There is constant uncertainty as to which person in management is responsible for different aspects of the business's operations.
- Duplication of duties occurs.
- Incorrect or inexperienced employees are assigned duties.
- There is a great disparity in the amount of work conducted by different employees.
- Administrative costs make up too high a percentage of gross profit.
- Work is often not completed on a timely basis or there is always a rush to meet a deadline.

Causes of the problem

- Employees have never been assigned specific roles.
- Titles of employees reflect neither their status nor responsibilities.
- The type and amount of work conducted by different employees has never been analysed.
- Employees have not been made aware of each others' specialities and knowledge.
- There are little or no channels of communication between managers.

Short term solutions

- Analysis should be conducted into the type and amount of work done by each management employee.
- Appropriate titles and job descriptions should be issued to all management employees.
- A clear line of authority should be created and all relevant staff should be made aware of the new management structure (eg by an organisation chart).
- Shed or relocate any underutilised employees.

Long term solutions

- When hiring new employees, their roles should be specifically explained and an appropriate title given to them. At the same time, relevant staff should be informed of the new employees' role and expertise (eg by issuing a memo to all relevant staff when the new employee starts).
- Employment contracts should include job specifications and responsibilities.

The contents of this article are provided for general information. This article does not constitute business and accounting advice and should not be relied upon as such.



- 'Peer' reviews should be undertaken. These involve an external consultant coordinating a review of the functions undertaken by each member of the management team to identify strengths and weaknesses.
- Instigate effective channels of communication, this can be achieved by the use of an organisational chart which explains who is responsible for each area.

Bentleys is an association of independent accounting firms in Australia that specialises in developing long term strategic partnerships with clients. Bentleys offers a broad range of services including business advisory, taxation, corporate recovery and audit.

Please [contact us](#) today to discuss your business needs.