

Learning to Let Go of Control and Delegate Can Be Hard. Here Are 3 Components to Make It Easier.

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Recent tech layoffs have made waves across the industry, but according to research, 63% of tech workers who experience layoffs go on to start their own companies. This tide shift is most apparent in America. According to U.S. Census Bureau data, new business formations are up about 54% from March 2020 to March 2023. For every three startups formed before the pandemic, roughly five ventures have been started.

Business growth is accompanied by complexity – and risk follows close behind. With any new venture, a time will come when you, as a founder, will find yourself overwhelmed and needing to delegate responsibilities to your team. They're likely to make mistakes as they develop in their roles, and you may be left wondering why you relinquished the responsibility in the first place.

You have three options: Abandon any semblance of work-life balance and claim all responsibilities as your own, wash your hands of all decision-making and hope for the best or get ahead of the situation and establish strong procedures. These procedures are often referred to as internal business controls, which are simply about establishing a hierarchy of decision-making authority and any consequences of making a poor decision.

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Prevention is better than a cure

Crafting effective procedures requires striking a delicate balance between efficiency and flexibility. To illustrate this, consider traffic lights. On the surface, they might appear to impede the flow of traffic. Yet, in reality, they establish a reliable transportation system that provides the conditions for efficiency.

The overarching objective is to establish the appropriate structures while anticipating areas of potential deviation, empowering employees with the authority to make independent decisions within defined parameters. Thus, if any aspect of the business strays from the desired trajectory, your team can rely on internal controls to swiftly implement the next logical steps. Conversely, ineffective controls can significantly impede or even halt growth.

Although leadership is the most likely culprit for a lack of effective procedures, mismanagement and structural limitations can also pose significant obstacles. For instance, an inherently flawed company structure may render it nearly incapable of adjusting or even implementing internal controls. Additionally, a lack of corporate culture and direction can create confusion about the desired trajectory, further underscoring the criticality of an unequivocal mission, vision and purpose as the bedrock for sound controls.

Putting the right levers in place

Even the most basic internal controls or procedures for small businesses inevitably hark back to the company's overarching strategy. The logical step is proactively identifying potential bottlenecks and deviations and developing business

safeguards and processes tailored to address them. With that said, here are three types of controls strongly recommended for startups:

1. Authorization and approval controls

Given the diversity of business operations, leaders could implement various business safeguards and processes depending on the specific enterprise. Nonetheless, authorization and approval mechanisms are widely adopted in the startup landscape, enabling a controlled delegation of responsibilities, informally or otherwise. While the precise form of authorization and approval processes may differ, these mechanisms are a strengthened framework to delineate the conditions under which individuals or teams possess the authority to proceed without seeking further approval, such as in monetary transactions.

For instance, a procedure might allow purchases under \$500 per month without additional approval but require CEO approval for any purchase above that amount. This helps streamline decision-making and responsibility delegation while maintaining appropriate oversight.

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2. Feedback controls

Feedback controls are another beneficial safeguard for small businesses. Similar to authorization and approval protocols, feedback controls are proactive and help prevent deviations by enabling the identification of potential issues before they escalate. Feedback controls entail collecting input that can gauge practically any aspect of the business.

The collapse of the Silicon Valley Bank serves as a cautionary

tale of the pivotal role feedback controls play in business success. Despite being a preferred financial partner for investors, the bank's failure to establish safeguards and procedures around feedback ultimately led to its undoing; these could have helped identify the underlying issues and enabled corrective action before it was too late. By implementing feedback controls that solicit input from various stakeholders, you can gain valuable insights into your business's performance and identify areas for improvement.

3. Concurrent controls

Concurrent or steering controls represent another powerful mechanism for implementing effective procedures. These act as preventative measures that help customer-facing employees maintain quality and consistency. Usually, concurrent controls start with predefined standards to evaluate performance. By adhering to these standards, your employees can adeptly steer interactions even in the face of deviations.

A sales representative, for example, must have a comprehensive understanding of the products they are promoting, allowing them to steer conversations. This aspect of the interaction is entirely within the sales representative's control. Standards can help evaluate whether the sales representative is meeting sales goals, thus measuring their performance.

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Leveraging internal controls for small businesses

Navigating the complex world of business requires the ability to manage evolving expectations and diverse personalities. Strong opinions may arise, posing a threat to progress. To overcome this, it is crucial to actively listen and engage in

honest conversations to find common ground. Once a shared vision is established, implementing effective business processes and internal controls can commence, ensuring that the team meets the agreed-upon standards.

However, even the most well-thought-out plans can still fall victim to unforeseen issues. This is why ensuring any procedure is adaptable is also crucial for effective teams. By cultivating adaptability, your business will be better equipped to react to changing conditions swiftly and effectively. This smooths the path toward the continued success of your endeavors.

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