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The small firm, particularly the newly formed one, is confronted with problems ranging from the shortage of capital to the legal intricacies of organizational form. The technical obstacle of raising capital, obtaining sales outlets, and purchasing equipment must be surmounted. In the final analysis, however, the success of a small business depends upon the managerial ability of its owner.[1]

The purpose of this article is to identify a few of the major management problems of the small enterprise and suggest appropriate solutions. One continuous difficulty is the structuring of the organization. At what point should staff specialization occur? What are the most common managerial problems encountered with growth? Another major problem is the development of good leadership patterns and the appropriate use of the power of delegation. How can the chief executive of a small business delegate decision-making powers to his subordinates? What are the common faults in delegation and leadership patterns in small firms?

I. Specialization and the Growth Pattern in Small Enterprises

The principal organizational problem confronting small business stems from the owner's unawareness that managerial specialization must accompany business growth.

A. *Specialization of Function*

F. W. Taylor, father of the scientific management movement, was the first exponent of management specialization in industry. His concept, termed "functional" management, was based upon a division of management in which the line executive performed a minimum of functions, with staff specialists discharging all specialized management tasks.[2] Taylor's "functional" management was unsuccessful due to a

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1. It is the author's view after many years of consulting with small business and service on the boards of directors of small firms, that the accent should be on the broader and perhaps more philosophical aspects of the management of the smaller firm. See Basil, Executive Development: A Comparison of Small and Large Enterprise (1964); Basil, Organization and Control of the Smaller Enterprise (1959).
2. Taylor, Shop Management 98-99 (1919).

lack of discipline and the multiple inter-relationships of command. However, specialization is widely practiced today.[3]

Few small firms contain "specialists" in the narrow sense of the term. They do not employ market analysts, production control experts, accountants, and the like. Nevertheless, there is specialization of function in the small enterprise. For example, the function of advertising, even in the smallest firm,[4] is performed by one member of the organization.

The small business executive encounters an immediate problem of organizing the various functions in the firm to achieve maximum effectiveness at minimal cost. While staff specialists contribute significantly to the effective management of the firm, it is difficult to determine when such personnel should be added. Either a premature or a belated decision could result in unnecessary expense.

Although all firms with fewer than 100 employees can be characterized as small, there is a significant difference between the organizational structure of a company with ten employees and one with ninety. At what stages during the growth of the firm do the various organizational difficulties occur?

B. *Growth Stages Affecting the Small Firm*

According to the American Management Association's study of company structure, there are seven major stages of growth, each characterized by an organizational problem ranging from the formulation of objectives to determination of the degree of decentralization. It should be noted that the first six stages of the seven growth patterns are applicable to the small firm with one hundred employees or less.

Of course, not all small businesses encounter such organizational problems at these particular growth stages. We may conclude, however, that the majority of the complications created by expansion occur during the early stages of development when the firm is still small.

Although the AMA study noted the increased need for staff specialists as the firm approaches the size of one hundred employees,

3. In fact, in the mass production industries, a tendency to overspecialize has resulted in employee unrest and dissatisfaction. See Richardson & Walker, Human Relations in an Expanding Company (1948). The authors describe how specialization in the Endicott Plant of the International Business Machines Corporation had been carried too far. They tell of the new program of IBM Corporation called "job enlargement" which permits workers to exercise more functions and more skills, rather than less as with specialization. The general conclusion is that such job enlargement has resulted in higher productivity.

4. DeMucci & Kleiner, *Tighter Control in a Job Shop with Only Three People*, Factory Management and Maintenance, March 1952, p. 102.

TABLE 1. SEVEN MAJOR STAGES OF COMPANY GROWTH[5]

Stage of Growth	Size (No. of Employees)*	Organizational Problems and Possible Consequences
I	3-7 (any size)	Formulation of Objectives: Division of Work
II	25 (10)	Delegation of Responsibility: The Accommodation of Personalities
III	125 (50-100)	Delegation of more Management Functions: Span of Control
IV	500 (50-100)	Reducing the Executive's Burden: The Staff Assistant
V	1,500 (100-400)	Establishing a New Function: The Staff Specialist
VI	5,000 465,000	Coordination of Management Functions: Group Decision Making
VII	(over 500)	Determining the Degree of Delegation: Decentralization

*The first figure indicates the actual size of company studied. The second figure in brackets indicates very broadly the size of the company when the particular organization problem may arise for the first time.

even the smallest firm is in need of expert advice.[6] Generally, however, the smaller the business the more unusual it is to have specialists who do not also perform a line or command function. Management is proportionately small and force of circumstances compels the line executives to perform many and varied duties. Often, therefore, the owner of a small firm is also controller, sales manager, production manager, and personnel director.[7]

The distinction normally made between staff specialists and line executives is that the latter exercise command whereas the former advise and coordinate. In a small firm, the board of directors generally act as staff specialists.

5. Dale, *Planning and Developing the Company Organization Structure*, Rep. No. 20, American Management Ass'n 22 (1952).

6. "Even the one-man grocery business, described in Stage I, requires technical advice. Someone has to keep books, make an audit, and prepare a tax return. Occasionally, legal or financial services will be required." *Id.* at 67.

7. BLACK & PICCOLI, SUCCESSFUL LABOR RELATIONS FOR SMALL BUSINESS 5 (1953).

> Several cases were studied in which alert members of boards of directors provided useful assistance during the expansion from intrinsically one-man businesses to larger enterprises. In some situations, the small business manager continued to operate on the old basis throughout the transition period and thereby constituted a management bottleneck to effective administration of the larger job. He recognized the desirability of company growth, but he did not recognize the change in the management job required of him in order to grow with the company. He needed business guidance to learn how to delegate authority, how to check on results, how to measure performance of subordinates, and how to strengthen the organization by training subordinates to perform their new and increased responsibilities in a more efficient manner.[8]

C. *The Responsibility of the Chief Executive for Organization*

The chief executive of the small firm retains ultimate authority and responsibility to the organization.[9] This includes the power to delegate authority and responsibility, to design a cohesive organization for effective communication, and to require accountability at all levels of authority. Although organizational structure should be flexible enough to allow the exercise of discretionary authority at the lower levels, it is essential that there be a definite, established hierarchy of command to guarantee effective organization.

D. *Effective Coordination of Activities*

Unity of command requires that an employee be responsible to, and receive orders from, only one superior.

> For any action whatsoever, an employee should receive orders from one superior only. Such is the rule of unity of command. . . . [S]hould it be violated, authority is undermined, discipline is in jeopardy, order disturbed and stability threatened.[10]

This concept, however, permits interrelationships among subordinates as long as they inform their superiors of their actions. Unfortunately, executives of small firms reveal a tendency to contravene the unity of command principle in order to obtain more extensive communication and interrelationship of functions. In short, they will give orders to individuals not directly under their control, causing con-

8. Mace, The Board of Directors in Small Corporations 48-49 (1947).

9. "The supreme coordinating authority must rest somewhere and in some form in every organization, else there could be no such thing as organized effort. It is equally essential to the very idea and concept of organization that there must be a process, formal in character, through which this coordinating authority operates from the top throughout the entire structure of the organized body. This process is not an abstraction; it is a tangible reality observable in every organization." Mooney & Reiley, Onward Industry 31 (1931).

10. Fayol, Industrial and General Administration 24 (Coubrough transl. 1930).

fusion and undermining the authority of that subordinate's immediate superior.

An equally common shortcoming in a small firm's effort to achieve coordination of activities is the failure to plan for the growth stages inherent in expansion. In some instances, an elaborate staff of specialists must be added to the business before it can absorb the additional cost. If this is not done, there is often an inability to devise and implement policies dealing with personnel, purchasing, and the like. One possible solution to this problem is the employment of competent professional assistance from consulting firms and specialized agencies. This is frequently the case in accounting, and might be utilized in other specialized areas. Although the cost may seem high, the small firm can acquire experience and valuable assistance at far less expense than if a full-time specialist were hired.

II. The Practice of Delegation and the Problems of Leadership in the Small Enterprise

Delegation of responsibilities is necessary as soon as a firm has more than one employee.[11] Every organization must determine its objectives and assign whatever duties are necessary to attain its goals. Unfortunately, in many small businesses the importance of delegation is ignored. A very small firm may not need supervisors; but as the enterprise expands, it inevitably employs sufficient personnel to require the assignment of specific functions to subordinates, and the necessity for delegation becomes acute.

A. *The Practice of Delegation*

Delegation involves authority, responsibility, and accountability; all three are essential elements in any organization. Delegation is not abdication of authority, but rather a method by which management can accomplish work by the assignment of managerial responsibilities to subordinates.[12]

Small businessmen have found this concept difficult. There seems to be a basic misconception as to the amount of responsibility and authority that need be delegated. Equally significant is the difficulty of obtaining competent personnel to assume leadership.

1. *Delegation of Responsibility.*—A major fault of small business management is the delegation of responsibility without a corresponding assignment of sufficient authority.[13] A case history of such delegation in a small firm illustrates this point. A field salesman of a small

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11. Dale, *supra* note 5, at 38-39.

12. Livingston, The Engineering of Organization and Management 93 (1949).

13. Hooper, Management Survey 59 (1948).

firm was assigned the duties of sales manager but was not given the title. His salary was equivalent to that of sales managers in similar firms, and other executives recognized him as sales manager. In his correspondence, he signed "Director of Sales Services." The president, however, would not delegate to him the authority to fill sales orders, to have access to the dealer files on dollar volume, or to negotiate exclusive sales arrangements. The justification for such limitation was a basic lack of trust in the man; there was a feeling that the subordinate might disclose confidential information to a competitor. When it was suggested that the employee could more efficiently perform his function as sales manager if given proper authority, the president dismissed any such possibility until the salesman had sufficiently proved his integrity.

This anecedote also illustrates two other common faults of the small enterprise: the lack of confidence in executives, and a jealous guarding of prerogatives by owner-managers.

2. *The Lack of Complete Delegation.*—Another fault common to small business is the delegation of authority and responsibility by the chief executive, but not without his continual interference in the routine operating decisions of the subordinates.

In one small firm, the president delegated complete responsibility for the operation of the shipping room to the general manager, who in turn delegated it to his subordinate, the shipping room foreman. Initially, the shipping room foreman reported directly to the general manager who would refer all complex decisions to the president. However, the chief executive had the habit of strolling through the plant and, when in the shipping room, he generally commented on various functions of the shipping department. Soon he was ordering the foreman to perform special duties without consulting the general manager. Eventually, the shipping room foreman was reporting to the general manager for the filling of orders and the taking of inventory, but was communicating directly with the president in all other matters.

The chief executive could not understand why he was perpetually bothered with details. When it was suggested that this was a consequence of his own behavior, his answer was that he merely made suggestions to the foreman in the organization. It was obvious that he did not understand the true purpose of delegation.

While complete delegation is essential to the maintenance of a cohesive and efficient organization, the chief executive must always assume ultimate responsibility. It is only through his conscious planning for the development of his executive staff and the careful delegation of authorities and responsibilities that the smaller firm can continue to grow.[14]

3. *Lack of Accountability for Delegated Responsibility.*—Responsibility and authority cannot be successfully delegated without accountability. If the organizational structure is to be sound, each executive must account for the activities of his subordinates.

An example of how a superior loses control over his employees by not exercising the necessary review of their duties occurred in a small manufacturing business. The president called a special meeting of his executives to determine the advisability of purchasing certain advertising. The unanimous opinion of those assembled was that the advertising was not suitable for the firm, and, therefore, the company should not purchase it. Having already placed the order, the president felt that the only way to retire gracefully from the arrangement was by submitting to the advertising agency a report from each executive. The subordinates' previous experience with the chief executive's lack of supervision caused them to ignore his request, and the advertising was purchased.

Another case history further illustrates this lack of understanding of accountability. The president of a small firm delegated the responsibility for the preparation of the financial statement to the general manager-accountant, but failed to learn how the statements were prepared. To provide a check on the accountant, who had proved to be somewhat inexperienced, a firm of certified public accountants prepared the year-end statements. On the basis of the general manager's November statement, which revealed an especially high cumulative net profit for the year, the president ordered new office furniture. When the accounting firm prepared the year-end statement, a mistake of 10,000 dollars in the operating statement for November was discovered. The president, placing complete blame on the company accountant, refused to admit any personal responsibility despite evidence of the general manager's incompetency on previous occasions. Furthermore, other than informing the employee of his mistake, he did not institute an investigation by the accounting firm to discover how the mistake was made and how to avoid it in the future. In short, he failed to accept the principle that responsibility can never be delegated in full, and that the superior must always be held accountable for the actions of his subordinates.

4. *Delegation Without a Clear Definition of Duties.*—Another common error in small firms is the delegation of responsibilities without a clear definition of the duties involved. The mere appointment of a subordinate to a position in the organization does not automatically

14. NILES, MIDDLE MANAGEMENT 115 (1941).

define the subordinate's job. Frequently, in small enterprises, a new function is created without a clear delineation of responsibilities. The effect is often antithetic to that intended with the result being frustration and recriminations, rather than efficiency.[15]

Obviously, there are difficulties inherent in the definition of responsibilities. Too strict an interpretation subverts junior executive initiative. A general delineation of responsibilities among the various executives in a small business, however, is required.[16] As the subordinate develops greater managerial talent and the business begins to expand, duties must be recast and redefined. It is important that this be done at regular intervals if the small firm is to retain its flexibility and the necessary informality to attract and retain progressive young executives.[17]

5. *Lack of Organization Planning for Delegation.*—In addition to the lack of delegation in the small firm, and the failure to define responsibilities, there is often a neglect of organizational planning for delegation. Furthermore, often the delegation of responsibility is made not to further the objectives of the firm, but rather to foster the control of the superior over his subordinates. There can be no argument against control, if it is merely one of the reasons for such delegation of responsibility, but control for the sake of control is to be condemned.[18]

All too often in small firms, when the president does define the duties of the subordinate, he assumes that the function will be carried out successfully. Unfortunately, he may delegate too many functions to one man, resulting either in an attempt by the employee to accomplish all the jobs without doing justice to any or to priority-rate the assigned duties.

In one small manufacturing firm, the president often objected that his employees were never able to complete their assignments. One of the examples cited was that he had given explicit orders to the advertising manager to prepare a release on a new salesman to be

15. COPELAND, THE EXECUTIVE AT WORK 26-27 (1951).

16. It is an interesting collateral point that if the authority and responsibility is delegated upwards, then the definition of the duties of executives must necessarily precede such delegation. "[T]he coordinating function—the function of the executive—may be seen as one which is delegated *from the bottom to the top,* and the top may be seen as serving those levels which lie beneath it. For example, the department heads may properly expect the chief executive to help them with the problem of interdepartmental coordination. They may expect the information they give him to be used for this purpose, aud not for the purpose of making unilateral decisions. This view of organization growth is vital if we are to identify the forces that give life to the enterprise." LEONARD, ULRICH & BOAZ, EXECUTIVE ACTION 88 (1951).

17. *Id.* at 88-89. The small firm offers these men an attractive escape from the regimentation and "red tape" of the big enterprise because of the absence of restrictive directives.

18. FOLLETT, CREATIVE EXPERIENCE 89 (1924).

issued to trade journals. He failed to mention, however, that the advertising manager also prepared weekly advertisements and performed other miscellaneous duties connected with his job, such as sales and correspondence. The weight was greater than the advertising manager could bear, and the result was that he failed to prepare the publicity release.

When the advertising manager was questioned on his non-performance, he responded that the president was continually assigning him new projects. When asked why he did not contact the sales manager and request him to prepare the release, the advertising manager stated that the sales manager resented any attempt by others to exert authority over him. The problem was that there was no clear definition of duties.

If duties are clearly defined, and, furthermore, if there is accountability of executives for their responsibilities, any inequities in the amount of work assigned to a particular executive are apparent to the superior. The president in this case did not know exactly what functions his executives were performing, and, hence, felt that an additional duty of preparing a public relations release would not overburden the advertising manager.

6. *The "Exception" Principle.*—A possible method of delegation available to the president of a small enterprise is the "exception" principle. This permits only the exceptional or unusual problems to be passed to higher management for decision. Rather than attempting to be the personal overseer of the entire company, the small businessman should recognize that he only has time for the important questions. He must realize that his function is to give directives to his subordinates so that they can handle the constantly recurring problems and refer only the exceptions to the president.[19]

> One of the most challenging problems of management is to give authority to those capable of exercising it and yet retain control in the hands of those ultimately responsible. If management is to function effectively, devoting its major attention to planning, directing, and coordinating activities, it must be freed at every level of the unnecessary burden of detail.
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> This burden is generally associated with approvals; it is lightened to the degree that authority for final approval is delegated to others. Usually it is not from choice that executives become buried in detail; they are more often the victims of an inadequate system of control. They cannot safely delegate the authority reposed in them because there is no adequate means of control which permits this to be done.[20]

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19. TAYLOR, SHOP MANAGEMENT 126-27 (1919). Taylor also applied the exception principle in his desire for separation of the tasks of the production workers from those of the management in his PRINCIPLES OF SCIENTIFIC MANAGEMENT 60 (1917).

20. HOLDEN, FISK & SMITH, TOP-MANAGEMENT ORGANIZATION AND CONTROL 77 (1915).

Despite the usefulness of the "exception" principle, it has not received wide application in small business. There is an inherent tendency in many men to hold on to the reins very tightly, refusing to adhere to the "exception" principle because of a feeling that it is either an affront to their authority or that no one else can effectively do the job. Many others dismiss it as being too simple to work effectively.[21] However, there is obviously a deficiency in the organization which does not apply the "exception" principle.

B. *Leadership*

A definitive approach to the subject of leadership is difficult. Many authors attempt to generalize the qualities required of a good leader. The following list summarizes some of these:

(1) He must consider all the facts,
(2) He must accept differing points of view,
(3) He must encourage compromise where necessary,
(4) He must be decisive,
(5) He must communicate his ideas to others,
(6) He must delegate responsibility for carrying out decisions,
(7) He must have vitality and endurance,
(8) He must have a well adjusted personality,
(9) He must be persuasive,
(10) He must have intellectual capacity.[22]

To cultivate the above traits, one must follow certain behavioral guides. Understanding of human motivations must be acquired so as to appreciate the subordinate's point of view. Character and personality command respect among superiors, peers, and contemporaries alike, and they must be developed. And the principles of organization must be utilized.

1. *Delegation and the Caliber of Leadership.*—While delegation of responsibility necessarily saddles the subordinate with an obligation to perform certain functions, there is no real correlation between the delegation of authority and the subordinate's ability to exercise responsibility. Recent theories and practices indicate that authority is not granted but earned.[23] The president's son in a small firm soon

21. "There is nothing we can say that somebody does not know already. If we make a study and say that it appears under certain conditions a certain organization functions better when its leader studies every problem carefully before tackling it, people will say, 'That's nothing new. I've always said, "Look before you leap."' Every generalization we can make is already in the folklore, but—and this is important—so is its opposite." Time, May 17, 1954, p. 20.

22. BARNARD, ORGANIZATION AND MANAGEMENT 80 (1948); LIVINGSTON, *op. cit. supra* note 12, at 202-16; TEAD, DEMOCRATIC ADMINISTRATION 22-23 (1945).

23. FOLLETT, *The Psychology of Control,* in DYNAMIC ADMINISTRATION 111 (Metcalf & Urwick ed. 1942).

recognizes this distinction. Though his father may give him an impressive title, unless the boy wins his spurs in battle, he fails to command the respect that his father seems to have granted him.[24]

Chester I. Barnard, in his book, *The Function of An Executive*, in which he constructed a theory of management based upon his experience as the chief executive of a large firm, states that four factors must be present before a subordinate acquires sufficient authority.

> The necessity of the assent of the individual to establish authority *for him* is inescapable. A person can and will accept a communication as authoritative only when four conditions simultaneously obtain: (a) he can and does understand the communication; (b) *at the time of his decision* he believes that it is not inconsistent with the purpose of the organization; (c) *at the time of his decision*, he believes it to be compatible with his personal interest as a whole; and (d) he is able mentally and physically to comply with it.[25]

Barnard also develops what he calls a "zone of indifference" which subordinates use as a guide to whether they should accept or reject the communication. Those orders to which the individual is comparatively indifferent as to content, as far as questioning the authority for it, lie in the individual's "zone of indifference."[26]

Authority, then, is something invested in an individual through status as a part of the organizational structure. The power to exercise it cannot be delegated or established merely by definition, but is an intangible quality necessary to the accomplishing of the objectives of the enterprise. Each executive of the company must command it in order to attain leadership.

2. *Leadership in the Small Enterprise*.—The typical president of a small firm is an independent individual who has a special talent for production of sales, but who frequently knows little about the other functions necessary to operate a small business. With insufficient training in managerial techniques, particularly in the theory and practice of organization, he is ill-equipped to deal effectively with the myriad problems of management in the small enterprise.[27] When he must delegate in order to control the enlarging aspects of the firm,

24. A great deal has been written indicating that authority is not really granted by top management, but is granted by the "informal organization." See, *e.g.*, MAYO, THE HUMAN PROBLEMS OF AN INDUSTRIAL CIVILIZATION (1933); ROETHLISBERGER, MANAGEMENT AND MORALE (1941).

25. BARNARD, THE FUNCTION OF THE EXECUTIVE 165 (1938).

26. *Id.* at 168.

27. It is interesting to compare this with the officers of large companies. Before a man can rise to a position of preeminence in a large firm, he is expected to have had sufficient experience in the handling of people, making decisions, building the organizational structure, *etc.* Given, *Experience in the Development of Executive Leadership*, in THE DEVELOPMENT OF EXECUTIVE LEADERSHIP 73-95 (Bowered 1949).

the business often fails because he fails to understand the importance of delegation.[28]

> Even among small enterprises who have managed to succeed by their wits while their businesses were within the compass of one man control, weaknesses in management have come to light and proved crucial when the business grew to a stature that required some recognition of departmental organization and discipline.[29]

A discussion of the different types of leaders or "bosses" found in small enterprise illustrates the problems involved. First, there is the over-enthusiastic boss who must be managed by his subordinates to insulate the firm against his over-indulgences. One of the primary difficulties with this type of leader is his tendency to suffer excessive discouragement shortly after over-enthusiasm. Second, is the impetuous boss who is contemptuous of routine, system, or detail, and who requires a faithful assistant. Usually this type of leader fails when his firm grows beyond ten or twenty employees.

Third, there is the bully who generally can only be handled by the subordinate who stands toe-to-toe trading blows. This man usually has great difficulty keeping subordinates. The fourth type of boss is the timid one who is quite interested in having his subordinates make investigations, but is unwilling to make the necessary decisions for implementation of their recommendations. The only alternative is for the subordinate to make the decision. If it turns out well, the superior takes the credit, but if it turns out badly, the subordinate takes the blame. Fifth, there is the lazy boss who is inclined to regard the business as a hobby rather than as something that should occupy his full attention. Often this leader is easily handled, and if the company has excellent subordinate management it may be successful.

The point has often been made that although these various types of leaders exist, the strong self-interest of entrepreneurship causes them to subjugate any one of these characteristics if they tend to endanger the company. Two observations discredit this theory: First, many owners fail to realize their own limitations.

28. "The entreprenuer's abundant confidence that all will turn out well tends to make him neglect longer-run problems such as succession. This practice of doing most things himself conflicts with the requirement for working with and through others if the enterprise is to grow. His personal methods of keeping track of things make it more difficult for him to operate when his firm reaches a size where informal controls are decreasingly effective. His ample store of confidence in his own abilities and his lack of faith in others make him indifferent to the worth of outside counsel and assistance. The abilities to see an opportunity and get a company going are often not paired with equal abilities to run the going and growing enterprise." CHRISTENSEN, MANAGEMENT SUCCESSION IN SMALL AND GROWING ENTERPRISE 213 (1953).

29. KAPLAN, SMALL BUSINESS: ITS PLACE AND PROBLEMS 106-07 (1948).

> The small enterprise that is short on management guidance may be so because of the psychological bent of the small business owner. He has chosen to be his own boss partly because he wants things his own way and is often impatient of formal controls. He has confidence in his own ability. By temperment, he would rather find his own way to success by trial and error than accept standardized guideposts to a surer path. Disciplining of his operations appears as red tape, hemming him in and reducing the flexibility that he deems vital.[30]

Second, ownership does not necessarily make for self-interest. There are many instances where the president of a small firm needs to change his policy if the firm is to be successful, and yet he is unwilling to take such action. A case in point is that of succession, which is rarely considered seriously by the small businessman with the result that upon his death, his company is apt to pass out of existence.[31]

It would seem, therefore, that the personalities, and hence, types of leadership, do have an appreciable effect on delegation, and on the organizational structure of the small firm.

> [A] man who is a real leader . . . gives his own best effort to his work and exacts the best from those under him. Such a man may be a hard taskmaster, he may be impatient of incompetency, but his subordinates never want to leave him for a boss who will accept sloppy work. It is . . . the greatest inspiration to work under such a boss.[32]

It is apparent that the ability to delegate, which is a function of good management or leadership, is the measure for the continued success of the small firm. Unless the chief executive of the small firm is able to understand delegation and apply it to his organizational structure, his business will be unable to go beyond the limits of one-man control.[33]

III. Summary and Conclusion

Generally, the failure of a small business in the early stages is attributable to poor location, inadequate financing, poor products,

30. *Ibid.*
31. Given, *supra* note 27, at 211.
32. *Managing the Boss,* Harper's Magazine, Dec. 1926, p. 36.
33. "Finally, and most important, in some small companies growth is severely restricted because management is incapable of building and using a supporting organization. Enterprises, like individuals, pass through various critical stages in their development. One such stage, already mentioned, occurs when the incumbent president steps down and a new manager is put in his place. Another takes place when the enterprise grows to a certain size, where effective performance and growth are impeded if the manager continues to run his firm on a one-man basis. If at that juncture the chief executive is able to bring along other men to take over some of his management responsibility, we have the beginnings of an executive organization and increased chances for growth and survival. In many small companies, however, management does not have the skills needed to develop an organization." Christensen, *op. cit. supra* note 28, at 150.

inadequate sales representations, and other technical problems. However as the firm expands the major problem of survival is management ineptitude;[34] it must establish new managerial capabilities. One of the principal methods of achieving this is by the delegation of responsibility and authority. But the small firms tend to shy away from this practice. The failure of the chief executive to recognize the importance of delegation, understand its function, permit organizational planning to avoid the over-burdening of individual executives, and institute sufficient supervision to insure completion of the assigned task, have all contributed to organizational problems. A large percentage of the blame lies in the personal leadership patterns of the owner. Experience has taught the executive of the large company the necessity of following organizational lines of communication and authority. But all too often the president of the small enterprise has personally rebelled against such restraints and insisted upon absolute flexibility in the lines of communication. More often than not, the result is chaos since no one is certain of his position and the lower echelon employees receive orders (often conflicting) from many levels of the hierarchy. It is imperative that the chief executive of the small firm recognize the ramifications of any actions on his part which may destroy the formal lines of authority and communication.

The following six considerations may serve as a helpful guide to delegation in the enterprise. First, it is necessary that the superior realize that the delegation of responsibility can never be so complete as to absolve him of ultimate responsibility for the actions of his subordinates. Second, the delegation of duties should be so planned that no one executive is overloaded and therefore unable to perform efficiently. Third, it is the responsibility of the superior to define the duties of the subordinate so that the latter may be able to perform effectively, and also be held accountable for such performance. Fourth, the delegation of duties must be so planned that the most competent executive is selected, and spontaneous assignments are avoided. Fifth, there cannot be effective delegation of duties unless the subordinate is held accountable for his responsibilities. And sixth, the subordinate must be given sufficient authority to complete his assigned responsibility, for without authority to carry out his duties, he cannot be held responsible.

34. "The caliber of management has been the most decisive factor in influencing the success or failure of many such small enterprises. The day of operating a business by the trial and error method is rapidly fading from the scene. . . . To survive, it is necessary that management be alert, well informed, and . . . keep abreast of daily changes in . . . [the] particular field. Failure to do so has caused many of our small businessmen to be lost in the ebbing tide of business disaster. Their management methods were not adequate to meet present day competition." House Select Comm. on Small Business, *Review of Small Business*, H.R. REP. No. 2513, 82d Cong., 2d Sess. 182 (1952).

If the president of the small enterprise recognizes the organizational problems inherent in growth, and practices good leadership through delegation, as set forth above, he and his firm will be on the way to weathering the storms of growth.