

## Small Business Processes: The Utilization of Management Techniques and Theories

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**Abstract:** The purpose of this qualitative study is to analyze management techniques, and theories that are more commonly practiced in big businesses, and examine how these management techniques, and theories can be carried over to small business structures as to benefit in the overall success of the business. The management techniques and theories which are examined include organizational learning processes, development theory, conflict management strategies, knowledge management, organizational transformation, effective leadership, collaborative learning, innovation evaluation, and the balanced scorecard method. Small business owners of today need to take on a big business mindset in order to gain a competitive edge the marketplace.

**Key words:** management techniques; small business processes

**JEL codes:** M10, M12

### 1. Introduction

Dan et al. (2010) shows that small business networks assist in making up the majority of the main enterprises in the world. Small businesses take part in 99% of all enterprises combined worldwide, alongside medium businesses. These two types of business infrastructures generate 55%-95% of the Gross Domestic Product (GDP) in every country, provide jobs for the locals, and generate innovative products. A number of advantages relative to being a small business include, employing a smaller number of people, simple management structures, and the flexibility to change within the external environment applying an entrepreneurial flair, which allows for, quicker growth and development, while maintaining intense interpersonal relationships with greater connectedness.

This paper takes a qualitative look at several management techniques and theories, and how these techniques and theories apply to small business sectors. The management techniques and theories that will be addressed are organizational learning processes, development theory, conflict management strategies, knowledge management, organizational transformation, leadership, collaborative learning, innovation evaluation, and the balanced scorecard method. Many of these methodologies are practiced widely within larger organizations, however, practical analysis will be given on how these management techniques and theories can be applied to small business structures to assist in the day-to-day operations, and for successful long-term growth initiatives. The term success, within this paper, is identified as a small business organization that encourages ideas, and innovation

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within the products developed, and cultivates and nurtures its employees.

## **2. Organizational Learning Processes**

The organizational learning process is comprised of three levels. The first level is single-loop learning. Within this low-level of learning, the organization makes minor adjustments to the company's products and services only at the operational level. Essential factors in the organization, such as, corporate culture and values go virtually unchanged. Typically, change at this level is only personified by regulation or stakeholder requests.

The second level comprising the double-loop learning process is a procedure which reframes organizational problems, and searches for underlying issues to ultimately give alternative solutions. This success is further exemplified via impressive bottom-line results. Argyris and Schon (1978; 1996) explain that the double-loop learning process is the ability for organizations to analyze politics, values, and beliefs internally, and to modify these organizational issues effectively for achieving maximum results. The third level is the triple-loop learning process, or deuterio learning. This level takes the organizational learning process toward the highest step of organizational learning. Within the deuterio learning process, this type of learning goal is to improve the organization's erudition processes internally from all angles. An organization operating at this level will learn from past business mistakes, and seek out these mistakes, to improve upon current and future organizational core values, principles, and policies. An organization in an active deuterio learning process level has company sustainability in the marketplace as a top priority (www.infed.org; Dan et al., 2010; Siebenhuner & Arnold, 2007).

Start-up organizations face many obstacles on the road to success, and most new start-ups will fail within the first five years, however, higher-order learning organizations pose the best chance to thrive and succeed in the marketplace. Learning organizations are continually seeking information, brainstorming for creative product or service ideas, equally reinforcing leadership strategies into the organization for effective employee mentoring and training endeavors, as well as, developing good quality communication lines for minimizing complex barriers (Dan et al., 2010).

This learning process can be broken down into three key components for today's small businesses. The first component is external sources knowledge acquisition. This component is essential for creating effective bonds and business partnerships throughout the community, which in turn aids in the overall success of the company. The second component is knowledge transformation. With knowledge transformation, the owner will utilize the talents of his/her staff to create less dependence on management personnel. This cultivates employee empowerment by way of mentorships and nurturing of the employee base. The final component is knowledge conversion. This is when businesses explore new ideas which will allow the company to grow and succeed in volatile environments. Human resource development is an additional component that small businesses need to implement, whether with individual training and development among key personnel, or empowerment, and mentoring strategies to create confidence within each individual's staff role. The development of key constituents in the organization will allow small businesses to maintain organizational growth and meet business goals by minimizing employee turnover that is so prevalent in small businesses today (Dan et al., 2010).

## **3. Development Theory and Small Businesses**

Development theory can be a utilization tool to analyze different leaders within an organization. Development theory acts as a progression model within organizations, and the employees on staff. Each stage has

to be successfully reached before moving onto the next stage. The differing stages in which a manager can be functioning in, from beginning to end, are an opportunist, diplomat, expert, achiever, strategist, and magician. Double-loop learning occurs at the strategist level. Although still not at the highest level of triple-loop learning, or deuterio learning, within this level the manager seeks to create a shared vision, ethical standards, timely performance of organizational goals, and fundamental resolutions towards conflict. These endeavors are further gained through creative, double-loop, reframing modes of feedback. Within this learning sect, successful learning leaders, and organizations, are continuously in-tune with the overall transformational process. Today's small businesses must master this change process through long-term funding commitments generating returns on investments through innovative works which allow for greater business opportunities (Rooke & Torbert, 1999).

#### **4. Conflict Management Strategies and Small Businesses**

The various conflict management strategies that can be developed by small businesses are dominating, obliging, avoiding, integrating, and compromising. A manager who forces his/her way by way of coercive power is an example of a manager modeling a dominating style of conflict management. A manager using an obliging style of conflict management tries to find similar interests in both parties, while minimizing the true relevance of the conflicting issues at hand. A person using an avoiding conflict management strategy is someone who is essentially evading the conflict at all costs in hopes that it will go away. The integrating style of conflict management involves creating a positive dialogue between the parties while exploring all sides of the issue opening and effectively to find mutually satisfying solutions for all individuals involved. This style is positively linked with individual and organizational outcomes. Lastly, the compromising conflict management strategy is when both parties make concessions towards a mutual agreement. The most successful conflict management approach in big businesses, and small businesses alike, is the integrating style of conflict management (Rahim, 2011). The integrating style of conflict management has a high concern for self, and others, and is known for promoting problem-solving resolutions between parties. It encompasses a win-win approach. This integrating style involves collaborative efforts, openness of ideas, exchanges of information, and the examination of differences to reach a reciprocally desirable solution (Talisayon, 2011; Basadur & Gelade, 2006; Rooke & Torbert, 1999; Digenti, 1999; Brazeal & Herbert, 1998). Small business owners need to be particularly aware of the appropriate conflict management style to facilitate in the business within any given day and situation. It can make or break an organization's effectiveness across all levels including the constituent levels.

#### **5. Knowledge Management and Small Businesses**

Today's small businesses have to be budget conscious, willing to adapt to changing environments, and be flexible in management, and marketing efforts. Basadur and Gelade (2006) argued that organizational effectiveness is derived from three explicit characteristics. These characteristics are efficiency, adaptability, and flexibility. Efficiency allows a business to implement, and follow routines. Adaptability is the ability to change an organization's routine process. Flexibility permits the organization to react swiftly to unforeseen events. Small businesses are highly fixated on how to strategically market their products or services. However, advertising is not cheap, thus managing through efficient means can allow small businesses to stay within structured marketing budgets until the business has grown a bigger cash flow tunnel. Small businesses need to be adaptable, and operate with a thick skin in order to surpass naysayers, and under-miners in the community, and the industry at

large. Having the courage to be flexible in small business operations is essential to sustaining a community, and industry presence.

Knowledge management is essentially a knowledge sharing component. Knowledge management is converting the knowledge from human capital into explicit knowledge, or electronic information appropriate for storage, and transmission. Three components are critical to knowledge assets. These components are human, structural, and stakeholder capital. Human capital is individual skills, creativeness, work attitudes, and values that are found within each and every employee. Structural capital is databases, libraries, intranet systems, business and work processes, the company's vision, its strategy, and the overall organizational culture. Stakeholder capital is customer loyalty, supplier networks, and the company's overall strategic alliances. Knowledge management is dispersing company information in a timely fashion, and positioning team members' ideas, and suggestions into action to advance the underlying organizational performance. Within small businesses, timing is the key in building local relationships and servicing clients, as well as, getting and keeping the word out in the community among business rivals (Basadur & Gelade, 2006; Talisayon, 2011). Technologically, small businesses can suffer with minimal funds to operate a high-tech company intranet system. However, it is worth the investment to have modern, up-to-date technology running and operating a small business. It can minimize sales and management complications in both the short- and long-run. It also helps in employee satisfaction and morale by making the overall operating of the business more effective and efficient.

## **6. Organizational Transformation and Small Businesses**

Rooke and Torbert (1999) state that organizational change is not a stress-free endeavor, and a big portion of this change is due to the specific types of leaders that are managing today's small organizations. If managers are not effective leaders in implementing change, even with adaptable and willing employees, the organization is likely to become sluggish in its operations. Strong leadership is even more critical if the change process involves new ideas, norms, or practices. Organizations who are prosperous in creating this change progression typically have upper executives who contain a particular set of traits. These traits involve the leaders having different ways of reframing particular situations to offer insightful information, voluntary initiative structures to promote creating endeavors, a shared vision with all stakeholders involved, and team learning groups. Furthermore, overall business discovery and transformation of potential mental models to be used, and the development of staffs' personal, and professional goals is keenly taken into consideration. Small business owners need to be aware of the leadership stance they are using to lead their companies.

## **7. Leadership and Small Businesses**

Leadership is a process by which a person has the ability to influence an individual, or group of individuals, to achieve a common goal (Northouse, 2007). This is vital in today's small businesses. Many small businesses are operating on a day-to-day regimen, and need effective leadership to catapult the organization into greater managerial heights, and profits. Often times what can happen in small organizations is that managers are too fixated on establishing agendas for staff, setting deadlines for employee task responsibilities, analyzing how to properly allocate resources, providing structure, hiring and firing of personnel, establishing rules and policies, developing incentives, and all the while taking corrective actions as needed. The problem with this strategy is that priority initiatives may then become compromised, such as, creating a clearer vision for the followers,

communicating goals, building teams and coalitions, as well as, inspiring, motivating, and energizing key personnel and stakeholders.

So what is the best leadership approach that a small business owner can take? Northouse (2007) argues that the transformational leadership approach is a highly effective leadership style that contains four main components. These areas are inspirational motivation, idealized influence, intellectual stimulation, and individualized consideration. All four factors can be used based in any particular situation. Inspirational motivation is a leadership style that communicates high expectations towards its followers, which in return gains commitment, and buy-in, by way of inspiring a shared vision. The idealized influential leadership style describes a leader who acts as a strong role model for his/her subordinates. These leaders behave with high moral and ethical integrity standards. An intellectually stimulating leader will challenge the followers' creative works, and innovative nature, thus allowing for an established pace of operating procedures. Lastly, the individualized consideration leadership approach provides a supportive and respectful climate, by way of coaching and mentoring subordinates. Small business owners of today need to incorporate transformational leadership approaches, in place of transactional approaches. Northouse (2007) explains that one aspect of the transactional approach to leadership is comprised of managing a workforce by simply exchanging a work opportunity with a paycheck. It is a tit for tat approach towards leadership in which a follower is rewarded by following through with specific requests and demands made by the leader. No common vision is shared, no effective collaboration of goals is communicated, nor is any empowerment endeavors initiated or shown.

## **8. Collaborative Learning and Small Businesses**

Collaborative learning is the relations of two or more people involved in value based activities based on improving, practicing, and transferring learning abilities both within the group, the organization, or group of organizations, in which a group is an active member (Digenti, 1999). Collaborative learning, generated as a core competency, involves the capacity to coordinate diverse production skills with the assimilation of effective technological systems. Identifying core competencies, with respect to collaborative learning, are organizing access to a wide variety of markets, incomparable customer service, and strategically positioning the company by making it difficult for competitors to repeat. Within today's small businesses it is more important than ever for the owner, management team, and staff to foster collaborative efforts to keep the business dynamic and strong.

Virtual reality environments are aspects of collaborative efforts which are changing the look of organizations as we know them today. The impacts of technology, and new organizations, are growing through the use of online videoconferencing programs such as with the Skype program, which assists in creating a virtual business environment. This ever-changing technological age is an indispensable component managers can use to promote teamwork in the workplace. It is projected that in the future, the average worker will spend a vast portion of his/her work day from a virtual office environment. This is especially true of small business owners who can spend a vast majority of their time conducting business from within home office environment. Reputable organizations' product strategies, and configurations, will become archaic if managers do not shift the focus from structure, planning, and bureaucratic mechanisms, to the implementation of flexible learning environments. These technological advancements permit employees to communicate faster and effectively, and to target and reach daily goals and objectives (Digenti, 1999). Although technology implementation can be a major expense for small business, it is imperative towards effective operations. Small businesses do typically turn to more economical

measures, such as through the use of QuickBooks, email, and the internet to assist in day-to-day operations; however, having the ability to implement technology such as a high-tech point-of-sale (POS) system could easily streamline operations into a faster, and profitable result while boosting employee morale and effectiveness.

Collaborative goals within an organization can be assessed by analyzing the company's culture, interviewing team members, and gaining opinions regarding the collaboration process used, or not used, within the company. Creating awareness on collaboration strategies can be achieved through internal publications, training sessions, executive presentations, and via office gossip. Examining current employee relationships, and analyzing data on specific programs implemented within the organization, can gain a better understanding in areas needing improvement regarding collaboration, and team-building efforts. A collaborative culture entails *a set of core values shaping business behavior, including respect for people, honor and integrity, ownership and alignment, consensus, trust-based relationships, taking full responsibility of actions, and accountability of in regards to recognition and growth* (Digenti, 1999).

Boundary spanning is a skill that supports collaborative learning by way of the organization developing a shared vocabulary, boundary-crossing skills, and becoming actively engaged in collaborative learning projects. Internally managers work in multiple boundary-spanning situations on a daily basis. A manager's regular agenda can be comprised of meeting with different functional task teams in areas, such as, marketing, financials, operations, or human resources, for example. Within small businesses, the owner can easily be wearing all of these hats at one time. Externally managers need to address the uncertain demands of customers, and suppliers, who today have an avid stake in company operations more so than ever. Boundary-spanning skills are a utility of the double-loop learning process. Boundary-spanning skills involve organizational learning, acknowledging operative intercultural relationships, negotiation matters, systems thinking, and peer mentoring systems. Systems-thinking is a way of facilitating people in an organization to view company systems from an out-of-the-box perspective. This perception includes seeing overall structures, configurations, and cycles engaged in a system, rather than solely seeing unambiguous events happening within the system. This broad view mindset can help an employee detect the real causes of problems in an organization, and know just where to start to overcome these encounters (Digenti, 1999; [www.managementhelp.org](http://www.managementhelp.org)). Boundary spanning is an easier skillset to learn within a small business environment due to the size of the operations involved, however awareness of this ability is crucial in this span becoming implemented effectively.

## **9. Innovation Evaluation and Small Businesses**

A correlation does exist between employee attitudes and performance through the use of skunk work operations (Brazeal & Herbert, 1998). This process of reorganized innovation gives employees accountability and flexibility on creative efforts, and organizational outcomes. Skunk work operations can be achieved in small business structures. Moreover, the double-loop learning process is used in organizations from top management teams who collectively expedite entrepreneurial activities pursued at lower levels of the organization. Top leadership traits that cultivate creative warehouses include establishing a company culture of opportunists, chancers, evaluators, and innovators. This entrepreneurial spirit is a recognized competitive advantage any organization can obtain in its culture. This is essentially a philosophy of keen innovation and evaluation of ideas, products, and strategies. Innovation is a key in helping small businesses to grow, prosper, and adapt to the ever-changing needs of their customers.

In small businesses, new product development is critical in allowing the company to maintain itself, and grow beyond current year statuses. Today's marketplace is rapidly changing and companies' are pressured to compete with rivals at high levels, keep up with technological advancements and obsolete measures, operating with shortened product life-cycles, and the need to meet the demands of sophisticated customers (Liepe & Sakalas, 2008). Cultivating new product ideas does not only start with the submission of an actual idea; this information has to be relayed within the existing organizational structure in an understandable way. Today's business environment is a complex apparatus that entails a company being flexible, adaptable, and adept to learning.

There has already been a linkage proven between organizational learning and new product development (Liepe & Sakalas, 2008). How does organizational learning and the double-loop learning process cultivate new product ideas and innovation? Companies today have to swiftly identify customers' needs and address those needs with new products and services to stay abreast in the marketplace. Company-based constituents need to have a vision with clarity regarding these new product ideas, but more importantly the implementation of these new product ideas by communicating the vision as an urgent need to act. Employees who do not have the wherewithal to communicate the vision process will hinder organizational learning, and therefore decrease company-wide effectiveness. It takes a certain skill set to create an idea, and it takes a heightened skill set to communicate and implement this idea. Within the double-loop learning process, a keen sense of awareness and reflection is taking place regarding the overall business processes and outcomes involved in the overall change catalyst. If done correctly, behavioral changes are personified thereby transforming values, strategies, and corporate culture. Triple-loop or deuterio learning is the most advanced style of learning. Within this learning process, organizations can improve upon principles and rules utilizing past experiences as a learning gauge. Within triple-loop learning unceasing opinion is sought and the process emphasizes long-term orientation. Triple-loop learning is more of a strategic mind-set. New product development requires learning and communication on various levels from product idea, to product launch and ultimately sustainability.

Perrin (2001) states that a criteria to evaluating innovation is to consider the Pareto Principle, or the 80-20 rule, which states that 80% of the benefits come from 20% of one's efforts, 20% of projects are responsible for 80% of the problems, 80% of benefits arise from 20% of projects, and 20% of innovative attempts will work out as planned, whereas 80% will fail. Further evaluators include using a systems model approach. A systems approach explores the dynamics of the innovation and the information creation process as a whole. This is particularly helpful when critiquing far-reaching innovations.

## **10. The Balanced Scorecard and Small Businesses**

The balanced scorecard is a framework that helps organizations to implement a vision with strategic bases from a particular criteria set. The criterion includes focuses on company financials, customers, internal business processes, and learning and growth endeavors. Whereas before the balanced scorecard model was primarily looked at from large companies, increasingly today, small businesses are utilizing this framework to get a handle on company operations and directives, particularly in small project-based endeavors. Small businesses who utilize the balanced scorecard get clear information on key performance indicators that affect the company's overall financial condition, customer bases, internal business processes, as well as, learning and growth initiatives. These four areas are just as critical, if not more, on the smaller business scale as companies look for ways to create momentum and longevity in the community (Rillo, 2005).

## 11. Implications

The implications of my research to scholars and practitioners is examining how typical management techniques, and theories, such as, organizational learning processes, development theory, conflict management strategies, knowledge management, organizational transformation, leadership, collaborative learning, innovation evaluation, and the balanced scorecard method, that are more commonly applied to large business scales, can be practiced to gain a competitive edge in small business structures. This paper has identified several management techniques, and theories, using a qualitative approach of research, in which future instrumentation methodologies can be created to quantitatively study, and analyze these techniques, and their effectiveness within the small business sector. Scholars can now further incorporate these management techniques, and theories into entrepreneurship, and small business management courses geared specifically towards the success of the small business's day-to-day operations. Furthermore, practitioners alike can use this information to conduct further research analysis, who will quantify and challenge research hypotheses, in regards to, these specific management techniques, and theories, as they relate to small business structures.

## 12. Conclusion

Today's small businesses are faced with many challenges, from meeting the high demands of sophisticated customers, to maintaining funds to sustain in the marketplace. Employee mishaps, leadership styles and approaches, and growth endeavors are challenged on a day-to-day basis. What are big businesses doing that small businesses can use in order to gain a competitive edge in their perspective industries? Often time's big businesses are on the forefront of research, and analyzing efforts, due to huge gains in the marketplace, and favorable brand equity. For example, the home-based garage company that turned into a multi-billion dollar company almost overnight seems to offer more pizzazz and intrigue. The mom and pop store down the street who has had its best year to date does not make the national news, yet the strategies and craftsmanship that was used in that organization may have similar connotations as the big Wall Street Journal company that just went public. This paper looks at several management techniques and theories that are commonly applied in big business operations, such as, organizational learning processes, development theory, conflict management strategies, knowledge management, organizational transformation, leadership, collaborative learning, innovation evaluation, and the balanced scorecard method, and researched how these apparatuses can be parleyed into the small business arena for successful gains. Yes, by way of comparison, the employee count is lower, the profits are lower, the square footage on the storefront is lower, but yet there can be similarities in how the owner, or manager, decides to run the business basically on a smaller scale as big business operation executives do. With the incorporation of these management techniques and theories, owners and managers of small businesses have the power to enable and inspire their staff to greater heights, and to make huge gains in their communities and industries.

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