

How to know when it's time to formalise your business processes

 By [Viresh Harduth](#)

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As the owner of a small and medium sized business (SME), you are the backbone of the global economy. With a company that is evolving from startup to scaleup or growing from small to medium-sized, you may be used to keeping things simple and casual.



Source: [Pexels](#)

You might be using spreadsheets to do your payroll and accounting, generating invoices on Microsoft Word and conducting performance reviews over a cup of coffee with each team member.

The last thing you want to do is get bogged down in many systems and controls that restrict your speed and flexibility. But the reality is that when a business reaches a certain size and complexity, it will need to formalise its processes and systems to grow and thrive.

As your business gets bigger, you will start facing higher customer expectations and more regulatory compliance demands. To live up to them, you will need to put suitable software systems in place, begin documenting policies and formalising business processes to ensure productivity and reduce the risk of reputational damage.



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An opportunity to improve your business

Formal processes and systems are key to SME resilience, supporting SMEs to streamline compliance and admin that takes up a lot of time. Another benefit comes from gaining better visibility, more business insight and control over your organisation's finances.

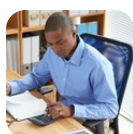
It can also be good for employee morale because people will feel confident about their purpose and responsibilities. Furthermore, formal business processes will help you improve the quality and consistency of work in your business, with positive spinoffs for productivity and customer service.

Here are three signs it's time to formalise your business processes:

1. Your revenues and team are growing rapidly

As business gets bigger, your responsibilities in legal and regulatory compliance will grow. Once you start reaching a turnover in the region of R5m and a workforce larger than 20 people, it will start becoming increasingly unsustainable to operate with informal policies, loose structures, and manual systems and processes.

The Companies Act exempts smaller, owner-managed companies from needing an external audit. The act provides a Public Interest scoring system, considering how many employees you have, your revenues, liabilities, and external shareholders. As your business grows to a size where you need an external auditor, formal systems and processes will make it easier to get through your annual audit.



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As your business grows, it also becomes subject to requirements such as the Employment Equity Act and Broad-Based Black Economic Empowerment Codes and regulations. Compliance with these will be much easier with formal processes in place. But it's not just about the compliance angle—it's about optimally managing your resources and people.

Managing a business by filing papers in a shoebox or informally chatting to employees becomes impractical as it gets bigger, especially in this time of flexible work. To remain in control, you'll need to do things in a standardised manner and ensure that you can monitor financial and operational performance.

Formal processes and systems are also essential to HR functions such as performance appraisals, succession planning and career paths.

2. Your business is multifaceted

If you're running a complex business, operating in several geographic locations, or working in a heavily regulated industry - for example, certain forms of complex manufacturing or financial services - you may want to fast-track formalising your business processes.

Your customers and funders will demand it, and you'll need to have the process discipline to deliver accurate reporting, ensure consistent product and service quality, and monitor performance.



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3. You're taking on the big players

If you're competing against larger companies, you will want your business's processes and systems to be as slick as theirs. Bigger companies have economies of scale, established systems and robust business processes.

Formal processes and systems are making it easier for SMBs to boost productivity, ensure staff retention, and deliver your product or service with a predictable quality level.

It's never too early to put appropriate controls in place

If your business has survived to a point where you need to put more formal systems and processes in place, it's a sign of success.

See it as an opportunity to ramp up your growth and achieve productivity rather than as something that will slow you down. Documenting standards and procedures and automating processes can improve the lives of SME owners and employees.



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Suppose your business is still small but has big ambitions. In that case, it's never too early to think about putting robust systems, processes, and policies in place to embed good practices into your operations.

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ABOUT VIRESH HARDUTH

Viresh Harduth is the vice president of small business for Africa and the Middle East at Sage.

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