

HOW TO OBSERVE A BUSINESS

Why understanding comes before fixing

CLASSIFICATION	Observational Method
HABITAT	Any Small Business
PRIMARY SIGNAL	Understanding Before Action

What can we learn by treating small businesses as systems worth observing before we try to change them?

Why Small Business Is Worth Exploring

Most small businesses do not look particularly remarkable from the outside.

A restaurant opens for lunch. A contractor dispatches a crew. A repair shop works through the vehicles parked behind the building. A small manufacturer tries to get today's orders out. Someone answers the phone, somebody sends an invoice, an employee asks the owner a question, and another customer walks through the door.

It looks ordinary.

Multiply those ordinary scenes across millions of businesses, however, and they become a substantial part of the American economy.

Small businesses represent nearly every business in the United States. They employ tens of millions of people, create jobs, support communities, train workers, buy from other businesses, and turn individual ideas into economic activity.

But their importance is not only economic.

Small businesses are also places where people experiment.

Someone believes a customer has a problem worth solving.

Someone thinks they can make something better, faster, cheaper, more convenient, or simply closer to home.

Then they test that idea against reality.

The market answers.

Sometimes the answer is no.

Sometimes the original idea fails but something unexpected works.

Sometimes a side job becomes a company. A food truck becomes a restaurant. A technician hires another technician. A contractor adds another crew.

Entrepreneurship is, in that sense, a distributed system of experimentation.

Thousands of people continually try different combinations of products, prices, skills, processes, technologies, locations, and business models.

Most experiments remain small.

Some disappear.

Some become institutions.

And occasionally one changes an industry.

That makes small businesses interesting places to study.

Not because they are small.

Because they are constantly adapting.

A Moment of Change

Something else makes this an interesting time to look closely at small organizations.

For much of modern business history, organizational capability was closely connected to organizational size.

Large companies could afford specialists.

They could build software.

They could employ analysts.

They could create sophisticated marketing operations, customer-service systems, training departments, reporting systems, and internal knowledge bases.

A five-person company usually could not.

That distinction is becoming less absolute.

Cloud software lowered the cost of business systems.

Digital payments changed transactions.

E-commerce changed distribution.

Smartphones changed communication.

Software-as-a-service gave small organizations access to capabilities that once required substantial infrastructure.

Artificial intelligence and automation may push that change considerably further.

A small organization can increasingly use inexpensive tools to summarize information, analyze data, communicate with customers, create documents, schedule work, monitor processes, capture knowledge, and assist with routine decisions.

This does not mean every business needs AI.

It does not mean everything should be automated.

It means the economics of organizational capability are changing.

A small business may increasingly be able to do things that once required a much larger organization.

That creates an important question.

Not:

What can the technology do?

But:

What should this business be able to do better?

To answer that, we first have to understand how the business actually works.

The Habit of Looking Too Soon

When most people walk into a business, they start looking for problems to solve.

The consultant looks for inefficiency.

The software salesperson looks for a workflow to automate.

The marketer looks for leads being lost.

The accountant looks for money leaking out.

The owner is usually doing the same thing.

Everybody is trying to fix something.

The problem is that you can learn a lot more about a business before you decide what is wrong with it.

That is where the Explorer's method begins.

Not with recommendations.

Not with software.

Not with a framework.

With observation.

A Normal Tuesday

If you want to understand how a business really works, do not start with the organization chart.

Do not start with the owner's explanation of how things are supposed to work.

Do not visit during the annual meeting.

Do not visit during a crisis.

Visit on a completely ordinary Tuesday.

Watch what happens when the phone rings.

Watch what happens when someone calls in sick.

Watch what happens when a customer asks a question nobody expected.

Watch where employees go when they need a decision.

Watch what gets written down.

Watch what does not.

The normal day is useful because people stop performing the business and start operating it.

That's when the real system becomes visible.

| Listen Longer Than You Talk

There is a strong temptation to demonstrate expertise.

Resist it.

If you walk into a business and immediately begin explaining what you know, you have stopped observing.

Ask simple questions.

What happened this morning?

What usually happens next?

Who handles that?

What happens if they're not here?

How do you know when this is finished?

Then listen.

The language people use matters.

So do the pauses.

A sentence like:

"Usually Dana handles that."

may tell you more about the business than an hour-long presentation about its software.

The useful questions are often surprisingly ordinary.

Instead of:

"What software do you use?"

try:

"What happened the last time a customer changed an order?"

Instead of:

"How do you manage scheduling?"

try:

"Who changed today's schedule?"

Stories reveal systems.

Follow the Work

Businesses become easier to understand when you stop trying to understand everything at once.

Pick something.

One customer.

One invoice.

One estimate.

One order.

One employee request.

Then follow it.

Where did it begin?

Who touched it?

What information did they need?

Where did they get that information?

What decision had to be made?

Where did it wait?

What happened next?

Eventually the abstractions disappear.

"Customer service" becomes three people, two text messages, a spreadsheet, and someone walking across the building to ask a question.

"Scheduling" becomes a whiteboard.

"Approval" becomes a stack of paper on someone's desk.

The work tells you how the business actually operates.

Don't Hunt for Problems

A useful Explorer is not a detective trying to catch people doing things incorrectly.

Most strange processes have a history.

The spreadsheet may exist because the official system could not handle something important.

The owner may personally approve a routine decision because of a costly mistake that happened years ago.

The employee who seems inefficient may actually be compensating for a problem somewhere else.

The whiteboard may contain information the software never captured.

What looks inefficient from the outside may make perfect sense once you understand what came before it.

So instead of asking:

Why are they doing it wrong?

ask:

Why does this process make sense to the people using it?

That question changes the observation.

You stop looking for failure.

You start looking for logic.

The Invisible Operating System

Every business develops an operating system.

Not software.

A way of making decisions.

A way of moving information.

A way of handling uncertainty.

A way of remembering what matters.

A way of deciding who can act and who must ask.

Much of it was never deliberately designed.

It accumulated.

A new customer created an exception.

An employee developed a workaround.

A mistake created a new rule.

A spreadsheet solved a temporary problem and became permanent.

Someone learned how to handle the difficult cases and eventually became the only person who knew how.

After enough time, all of those decisions become something people simply call:

"How we do things."

That invisible system is one of the central subjects of this project.

We will examine it more closely later.

For now, the important thing is learning to see it.

The Explorer Method

The method is deliberately simple.

Observe

Watch the business before deciding what it needs.

Pay attention to ordinary work.

Listen

Ask people to describe what actually happens.

Stories are often more useful than formal process descriptions.

Map

Follow work, information, and decisions.

Notice where they travel and where they stop.

Find Patterns

One strange event may mean nothing.

The same event happening repeatedly may reveal something about the system.

Look for recurring waits, interruptions, workarounds, dependencies, and exceptions.

Experiment

Only after understanding the pattern should you consider changing it.

And even then, start small.

Change one thing.

Watch what happens.

Learn from the result.

Then decide what comes next.

Observe → Listen → Map → Find Patterns → Experiment

The goal is not to arrive with the answer.

The goal is to understand the system well enough to ask a better question.

What You're Really Looking For

You are looking for patterns.

Work that repeatedly waits in the same place.

Information that repeatedly gets lost.

Questions that repeatedly go to the same person.

Decisions nobody else feels comfortable making.

Workarounds everyone knows but nobody documented.

A spreadsheet that quietly runs part of the company.

A customer problem that keeps appearing in different forms.

A process that works perfectly until one particular employee is absent.

These are not necessarily problems.

They are clues.

A single clue may not mean much.

Several clues pointing in the same direction may reveal something important about how the business is organized.

And eventually, something begins to stand out.

One desk.

One spreadsheet.

One decision.

One person.

That's usually where the next paper begins.

Why This Project Exists

The Business Systems Explorer Project starts from a simple proposition:

Small businesses are worth studying as systems.

Not merely as financial entities.

Not simply as markets for software.

And not as collections of problems waiting for someone to fix them.

They are living organizations that have evolved ways of getting work done.

Those ways contain knowledge.

They contain history.

They contain compromises.

They contain experiments that worked and experiments that did not.

And they often contain patterns that the people inside the business have become too accustomed to notice.

Technology is giving small organizations new capabilities.

That makes understanding these systems more important, not less.

Before deciding what to automate, digitize, delegate, eliminate, or redesign, we should understand what is already there.

So these working papers will begin with businesses as they are.

We will observe individual cases.

Follow work.

Look for patterns.

Give those patterns names when useful.

Compare them across different businesses.

And experiment with ways they might work differently.

The objective is not to prove that every business needs transformation.

Sometimes the most useful observation may be that something already works remarkably well.

The objective is simpler.

See the business clearly before trying to change it.

That is where the exploration begins.

○ Explorer's Notebook

KEY OBSERVATION

The interesting parts of a business rarely announce themselves. They're hidden inside ordinary work, on an ordinary Tuesday.

CORE QUESTION

Am I looking for something to fix, or am I actually watching how the work moves?

FIELD EXERCISE

Spend one hour this week inside any business, yours or someone else's, and take no notes on what to improve. Only take notes on who touches what, where information travels, who makes decisions, and where the work waits.

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