

# Operations Planning

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# Topics of Discussion

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- ❑ **What Is Operations Planning**
- ❑ **Purposes**
- ❑ **Processes**
- ❑ **Concept To Reality**
- ❑ **Sources of Information**
- ❑ **What Should Be Covered**
- ❑ **Questions and Answers**

# Operations Plan

Management Strategy	Marketing	Sales	Finance	Operations
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- ❑ **Presents the company's action plan for executing its vision**
- ❑ **Explain the day to day functions of your company.**
- ❑ **Details processes that must be performed to serve customers everyday (Short Term Processes)**
- ❑ **Overall Business Milestones the company must obtain to be successful (Long Term Processes)**

# Vs. Marketing Plan

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**Marketing Plan** – lays out the plan for attracting customers.

**Operations Plan** – Outlines the key operational processes for serving them

- ❑ Internal Planning
- ❑ Testing theory vs. practicality
- ❑ Evaluation and improvement of processes
- ❑ Ultimate goal is to achieve higher profit margins

When writing the Operational Plan your job is to **convince the reader** that you understand all facets of your business and have planned for the worst case scenario(s).

# Processes

Every company has processes to provide its customers with products and services



Walmart has a unique distribution system to effectively move its products from its warehouses to its stores then to its customer's homes

**Technology Product Manufactures** have processes that convert raw materials into finished products.

**Service Oriented Businesses** have processes to identify new areas of customer interest and to continually update service features.

# Sources of Information

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**Commercial Real Estate agents** can describe advantages and disadvantages in your locations

**Trade Associations** can assist in helping you find consultants for plant and manufacturing design and direct you to sources of equipment.

**Thomas Register**, available in most libraries or online is an invaluable source of suppliers, distributors and equipment manufactures

**Operational plan does not need to be thoroughly detailed. Brevity is preferred. Focusing too much on the detail may lead reader to think management is missing the big picture.**

**In preparing emphasize the following:**

- Key Characteristics**
- Competitive Advantage**
- Cost and Time Efficiencies**
- Problems addressed and overcome**

**Goal is to express maximum efficiency at the least cost.**

**Charts supplemented with text are often the best way to explain the key relationships between the parties involved in ultimately serving the customer.**

**These parties can include:**

- **Distributors**
- **Re-sellers**
- **Departments within an organization**
- **Partners**
- **Suppliers**

# What Should Be Covered

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**Limit your Operations plan to those issues that:**

**1. Are essential to the nature and success of your company**

**2. Provide you with a distinct competitive edge:  
and**

**3. Overcome a frequent problem in businesses of your type**

# What Should Be Covered

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- **Location: Plant and Facilities**
- **Manufacturing/Production Plan**
  - Variable Labor Requirement
  - Capacity Utilization
  - Quality Control
- **Equipment and Technology**
- **Inventory Management**
- **Supply and Distribution**
- **Order Fulfillment and Customer Service**
- **Research and Development**
- **Shrinkage**
- **Management Information Systems**
- **Financial Controls**
- **Contingency Planning**

# What Should Be Covered

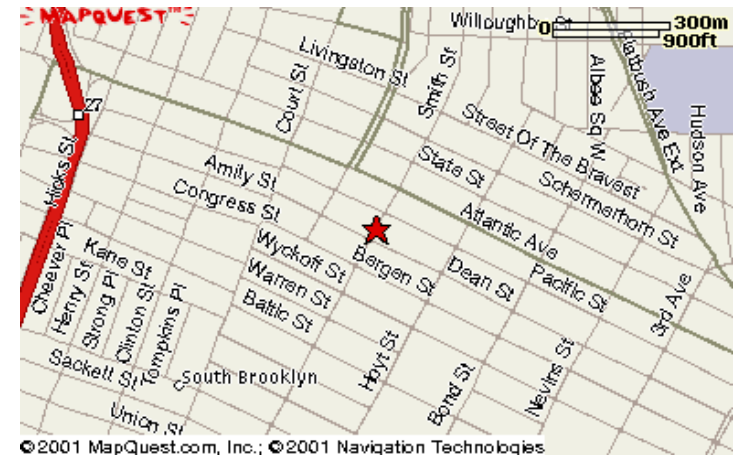
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## Other Operational Concerns

- **Protecting Health And Safety Of Workers**
- **Insurance And Legal**
- **Dealing With Government Regulations**
- **Safety, Health, and Environmental Concerns**
- **Exporting Goods**

# Location: Plant and Facilities

When describing the location of your business consider the following:



- What are your location needs?
- What kind of building do you need?
- Why is this a desirable area or desirable building?
- How do you plan to continually assess any demographic shifts in your area?

## Facilities (example)

**Finestkind is currently leasing a one story, wooden frame building with a cement floor (2,000 sq feet) at 123 Main Street, Anytown, ME, for \$550/month with an option (in writing) to buy for \$105,000. The area is zoned with most nearby businesses catering businesses catering to the tourist trade. Finestkind has performed major leasehold improvements, such as installing rough-sawed pine board walls and a walk in freezer. The building is divided in (1) a sales/counter area (1,200 sq. feet); (2) a cutting area 1,000 sq. ft; (3) a multipurpose area, including toilet with separate entry, storage space, and room for some expansion of the freezer and processing area (700 sq. ft)**

(Source: The Business Planning Guide Creating a Plan for Success in your own business 7<sup>th</sup> Edition)

## Labor/Variable Labor

- What kind of and how many employees do you require to produce your product or service
- How do you utilize them?
- How are decisions reached to the workforce?
- Do you use variable labor, employ subcontractors or outsource portions of the production process?

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**Productivity** – measures how long and how many people it requires to produce your product or service.

- How do you measure productivity?
- What methods can you use to increase productivity without reducing quality?

**Capacity** – measures how much work your current facilities, labor force, and equipment can handle

- How do you measure capacity?
- Can you find ways to use or reduce excess capacity?
- If you are operating at full capacity, what plans do you have for expansion to handle growth?

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**Quality Control** – all the measures you take to ensure the same standards with each product or service.

- Regular inspections?
- Occasional testing or sampling
- Employee involvement training and rewards programs for quality assurance
- Solicitation of customer comments

# Inventory Control

## Problems:

- Money tied up in supplies or finished products
- Not having sufficient inventory to meet demand

## Strategies:

**Development Inventory Management Systems that substantially increase the flow of information from the sales point to the production teams.**

- **Just in Time (JIT)** inventory control – (highly dependent on good supplier relationship)
- **Management Information System (MIS)** – computerizes maintenance and communication of information
- **Value and Record Inventory: LIFO vs. FIFO**

# Supply and Distribution



**Most businesses experience difficulty with their supplier/distributor at some point**

## Strategies:

- Select based on level of communication not price
- Get feedback from others before selecting
- Explore and document alternative sources
- Develop excellent relationships (partnership)
- Be responsive to them as well
  - Workout payment plans
  - Develop Communication methods to reduce pressure on them

**Objective: Ensure customer receives the product he or she wanted in good condition and in a timely fashion. You need to know your customer is satisfied.**

**Strategies:**

- Cross functional training All employees
- Customer feedback mechanisms
- Build flexibility in your policies (returns, exchanges)
- Empower employees to make decisions on the spot.
- Examine order fulfillment processes
- After Sale services (repair service, warranty, and return policies)

# Research and Development

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**Ongoing Product/Service Development due to:**

- **Constantly evolving technology**
- **Rapidly changing customer preferences**
- **Changing Customer values and concerns**
  - **Options**
    - **Running Complete R&D Department**
    - **Subscribing to Trade/Industry Journals**

**Develop procedures to effectively manage the flow of money in your company .**

- **Design financial systems to be a source of regular information**
- **Avoid sending invoices late**
- **Avoid late fees for bill payments**
- **System of follow-up for delinquent accounts**
- **Accounts payable records timely sent to decision makers**
- **Setup systems that allow data retrieval (sales/expenses)**
- **Setup adequate safeguards against theft/embezzlement**

# Contingency Planning

**Develop procedures to safeguard your records and data in case of emergency (natural disaster, fire, flood, earthquake, power disruption, burglary, etc. )**

- Backup and storage of data**
- Devise a disaster plan**
- Get and examine business insurance (business interruption)**

**Emergencies come in other forms – personal illness and accidents. Devise plans to pay bills, deposit checks, and get payroll out if key personnel are unavailable.**

# Concept to Reality

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Processes that a company uses to service its customers is what transforms a business plan from concept to reality.

Anyone can have a **concept** but more importantly investors invest in reality.

**Reality** is proving that the management team can execute the concept better than anyone else.

In the operations plan is where the plan proves this

## How to prove the Management Team can execute the long term company vision

1. Key (future) Milestones that the company must reach
2. The target date for achieving them

### Examples:

1. New Products or services are introduced into the market place.
2. Revenue Milestones will be attained (date when sales surpass \$1M)
3. Key partnerships will be executed
4. Key customer contracts secured
5. Key financials events (future funding rounds, IPO, etc.)
6. Key Employees will be hired

# Milestones Part I

Set as many milestones as you can think of to make it more complete. Give each milestone:

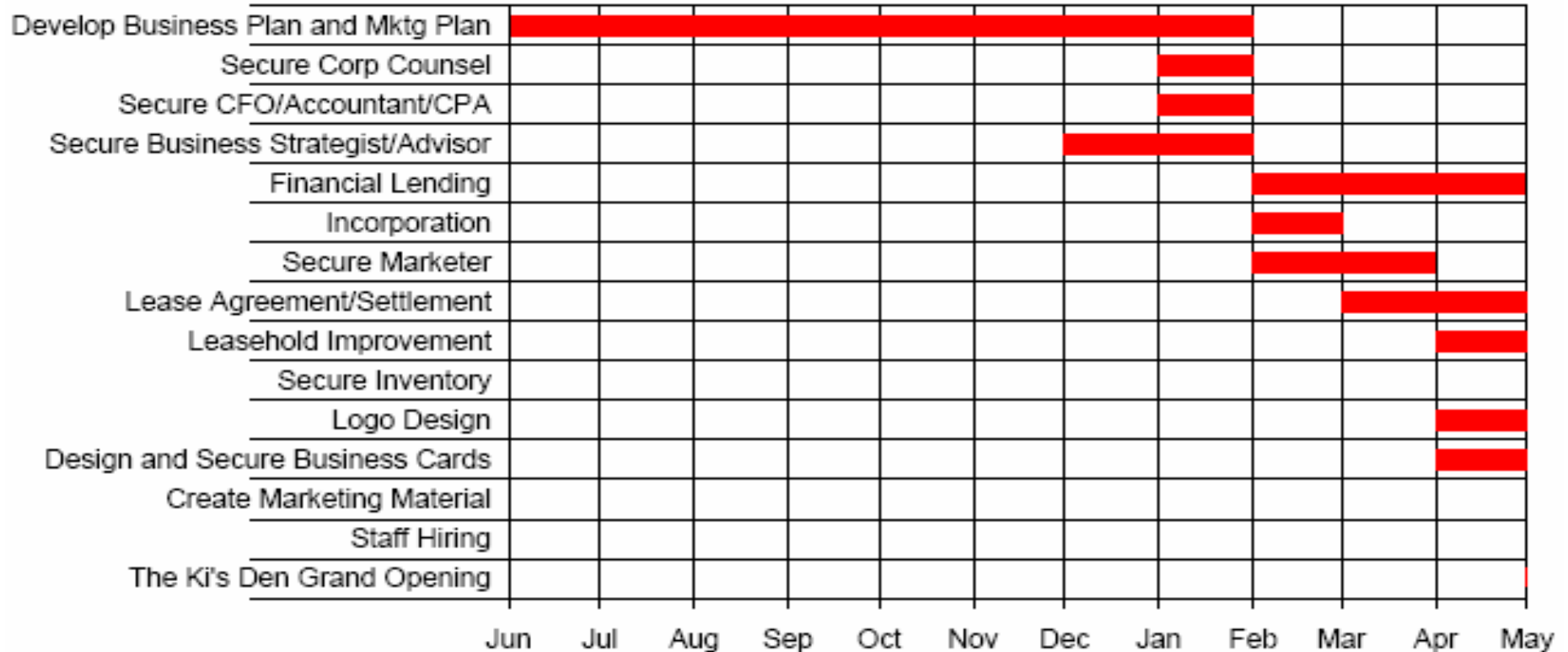
- a name
- a start date
- an end date
- a budget
- a department.
- a person responsible

Table: Milestones

Milestones Milestone	Start Date	End	Budget	Manager	Department
Develop Business Plan and Mktg Plan	6/1/2003	2/1/2004	\$10,000	PBN	Business Development
Secure Corp Counsel	1/1/2004	2/1/2004	\$2,000	John Doe	Legal
Secure CFO/Accountant/CPA	1/1/2004	2/1/2004	\$1,500	John Doe	Finance
Secure Business Strategist/Advisor	12/1/2003	2/1/2004	\$0	John Doe	Business Development
Financial Lending	2/1/2004	4/30/2004	\$1,500	PBN	Finance
Incorporation	2/1/2004	3/1/2004	\$1,500	John Doe	Legal
Secure Marketer	2/1/2004	4/1/2004	\$0	John Doe	Marketing
Lease Agreement/Settlement	3/1/2004	5/1/2004	\$500	John Doe	Owners
Leasehold Improvement	4/1/2004	5/1/2004	\$7,500	John Doe	Owners
Secure Inventory	4/1/2004	4/1/2004	\$1,673	John Doe	Owners
Logo Design	4/1/2004	5/1/2004	\$1,000	John Doe	Owners
Design and Secure Business Cards	4/1/2004	5/1/2004	\$0	John Doe	Owners
Create Marketing Material	4/1/2004	4/1/2004	\$2,000	John Doe	Owners
Staff Hiring	4/1/2004	4/1/2004	\$0	John Doe	Owners
Hugs For Charity Grand Opening	5/1/2004	5/1/2004	\$3,750	John Doe	Owners
Totals			\$32,523		

# Milestones Part II

A graphical representation of milestones allows the reader to quickly assess what task have been completed and what task run concurrently.



# Thank You