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When evaluating your facilities, examine those aspects most important for your particular business. Do you need a prestigious address in a downtown office building for your law firm? Do you need to be close to key suppliers for your manufacturing plant? Do you need access to environmentally approved disposal sites for your chemical company?



In the Facilities worksheet on page 193, describe all the facilities in which your company operates, emphasizing any competitive and cost-saving advantages they may have. Specific points to mention are listed below.

FACILITIES CONSIDERATIONS



Location



Lease



Improvements



**Utilities/
Maintenance**



Key Factors

Location

Include company headquarters, retail store(s), branch offices, additional plants, distribution centers, and the like. Describe any mobile facilities. List square footage, and how the square footage is allocated (office space, retail, production, shipping, etc.). Describe access to parking and transportation; air, rail, and surface shipping access; and loading docks, warehouse, and other necessary facilities.

Lease

What are the terms and length of the lease? Do you pay straight rent or rent plus a percentage of gross or net profits? Can you sublet? Did you receive concessions in the lease? What restrictions are in the lease (for instance, hours of operation or promotional activities that are often mandated in mall leases)?

Improvements

What additions, such as walls, signage, or utility hookups, have been made to the property, or remain to be made? Who pays for such improvements — you or your landlord?

Utilities/Maintenance

Include the costs of gas, water, and electricity. Note seasonal or production level variation. List the cost of janitorial, trash-removal, and other ongoing facility maintenance expenses. Emphasize energy-efficient measures. Is the facility wired for high-speed data transmission, or for Ethernet connections, or otherwise fitted out for technology uses?

“

People have no idea you're there if they can't see you. Get a good location; it's money well spent. As a start-up, it's hard to advertise; so, instead of a big advertising budget, spend the money on a better location. Find a good real estate broker with retail experience. Have them identify successful businesses serving your target customer and then locate near them. Capture their customers.”

*Nancy Glaser
Business Strategies Consultant*



Describe the attributes of your facilities.

PRINCIPAL LOCATION(S)

Location: _____

Square Footage: _____

Description of Use: _____

Parking/Transportation: _____

Shipping Access/Facilities: _____

Warehouse Facilities: _____

Other: _____

BRANCH OFFICES/ADDITIONAL PLANTS/DISTRIBUTION CENTERS/OTHER FACILITIES

Number: _____

Locations: _____

Square Footage: _____

Description of Use: _____

Other Aspects: _____

LEASE(S)

Length of Lease: _____

Rent/Terms of Rent: _____ Other Terms: _____

Restrictions: _____

Concessions: _____

IMPROVEMENTS

Existing: _____

To be made: _____

Paid by landlord: _____ Paid by company: _____

UTILITIES/MAINTENANCE

Average monthly utility costs? _____ How do costs vary seasonally? _____

How do costs vary due to production levels? _____ Are there energy-efficient methods in use? _____

Average maintenance costs? _____ Do any maintenance costs vary? _____

Other: _____

Key Factors

What aspects of your facilities are most likely to affect your company's success? Are you near your target market? Are you in a prestigious or convenient location? Does your lease have particularly favorable terms? Will you be able to grow in these facilities without moving?

“When it came to production, I thought, ‘How hard can it be?’ But when we got our first big order, we found out.”

Seth Goldman
Cofounder, Honest Tea

Production

Every manufacturing business has a production process — the way it goes about fabricating a raw or component material and creating an item with greater usefulness or desirability. But even if yours is a service or retail business, you have a method of “producing” something of value for your customers, although you may not have given this process much thought.

Take time to evaluate and assess your production plan to see if you can enhance efficiencies, improve the quality of the finished “product,” and, in the long run, increase your profit margin. Look at the various stages involved in creating your product or service: Can these stages be shortened? If so, you will be able to produce and sell more in less time.

One concept that has taken hold in the development of certain products is the minimal viable product. The idea is to quickly get a product to market, and later make improvements based on the experience of actual customers. Google's product development mantra, for instance, is “Experiment, Expedite, Iterate.” In other words, the company tries a lot of new things, moves quickly, and refines and improves along the way.

Clearly, you don't want a minimally viable product for a medical device or automobile. But in some categories, such as online services, mobile apps, and personal electronics, consumers are willing — even eager — to pay for version 1.0.

Examine how you organize and deploy your workforce. Do you use a team approach — with one group of workers responsible for a job from start to finish? Or, do you use a production-line approach, with a worker doing the same portion of each job and then passing it along to someone else? Do you have clear-cut lines of authority, or do workers often not know who is responsible for making decisions?

Increasingly, companies are using variable labor in addition to permanent employees, as an integral part of their workforce. Variable labor — employees hired to perform a specific task for a specific period of time — is particularly useful for seasonal work or unusually large or special orders. Many companies even use variable labor, in the form of consultants, for professional positions. Using variable labor gives you more control over ongoing expenses, since you can add these employees in good times but don't have them on the payroll when business is slow. Maintaining high quality in a variable labor force is frequently difficult, however, and employee motivation is often low.

“If you want to be financed, you have to be realistic about how your product or service is going to be accepted. You'd be surprised at how many entrepreneurs believe that revenues are going to go through the roof. But most people don't think that the more sales they make, the more money they are going to need.”

Damon Doe
Managing Partner
Montage Capital

Another way to increase flexibility in fixed costs is to subcontract — or outsource — various aspects of production to other companies. These companies then have the responsibility for maintaining the workforce, facilities, and equipment necessary to produce their component piece. While the per-piece cost to you includes a profit to these companies, and thus your per-piece cost is probably greater than if you had all the necessary means of production in-house, the advantages of not having your money tied up in overhead may be well worth the additional cost. Even service businesses can consider ways to subcontract portions of their contracts.

You should also pay particular attention to the issue of quality in your production process. Poor quality can be costly — it can not only cost you in the form of goods you have to discard as being faulty, but it can cost you customers. If you intend to sell your goods internationally, you will likely want to follow procedures to get your products or processes certified as meeting international quality standards, such as ISO 9000. These measures are set by the International Organization for Standardization and have been adopted by more than 90 countries worldwide. To find out more about such procedures, check the ISO website at www.iso.org.

Assessing Your Production Plan



Two worksheets on pages 196–198 help you evaluate your production process. The *Production worksheet* covers the major aspects other than equipment, which is handled on a separate form, the *Equipment Schedule worksheet*. You may wish to include the *Equipment Schedule* in the Appendix of your business plan. If yours is a manufacturing business, you might also wish to include a flow chart of your production process in the Appendix.

The aspects covered in the Production worksheet are:

- **Labor/Variable Labor.** What kinds of and how many employees do you require to produce your product or service? How do you use them? How are decisions reached in the workforce? Do you use variable labor, employ subcontractors, or outsource portions of the production process?
- **Productivity.** Productivity measures how long and how many people it requires to produce your product or service. This can have a major impact on your profit margin.

If you can produce more goods in less time, you increase the amount of profit earned from every dollar spent on salaries, equipment, and rent. What methods can you use to increase productivity without reducing quality?

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The apparel business is fun — a combination of creative and business. But it's hard to execute because of the manufacturing. You're not just shipping little digital files.”

Kay Koplovitz
Chair, Kate Spade

- **Capacity.** Capacity is the measure of how much work your current facilities, labor force, and equipment can handle. If you have excess capacity, you have the ability to produce more than you are currently selling using your current workforce, equipment, and plant.

Excess capacity represents a waste of already paid-for earning potential.

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

- **Quality Control.** All the various measures you take to ensure that you maintain the same standards with each product or service come under the category of Quality Control.

Such activities include regular inspection throughout the production process, occasional testing or sampling of randomly selected goods, employee-involvement training, reward programs for quality assurance, and solicitation of customer comments.



- **Equipment and Furniture.** (List separately on the *Equipment Schedule worksheet* on page 198.) Include manufacturing equipment, transportation vehicles, store fixtures and office equipment, and furniture. List any payment obligations or leases. Under “Status” describe the state of the equipment in terms of future use potential, technological development, and substantial maintenance required. Also indicate date to be replaced, if known.

Production



Describe the key factors (other than equipment) involved in producing your product or service.

PROCESSES

What are the stages of production? _____

How does the product/work get transferred from one stage to another? _____

How does the process use new technologies? _____

What are the advantages of your production process? _____

What are the drawbacks of your production process? _____

What components are contracted for others to produce? _____

What are the costs of these outside services/components? _____

Briefly describe the subcontracting company(s): _____

What other costs are directly associated with the production process? _____

LABOR

Total number of employees: ____ permanent: full-time: ____ part-time: ____ variable: full-time: ____ part-time: ____

When do you use variable labor? _____

How many shifts do you operate? ____ How long are the shifts? ____ What are the hours of operation? ____

What are the basic qualifications required of employees? _____

How are employees organized: ☐ team approach? ☐ production line? ☐ other? _____

Who supervises employees? _____

Other labor issues: _____

Other labor costs: _____

PRODUCTIVITY

For each product or service, list how many minutes, hours, days, weeks, and workers it takes to produce one unit.

How many units can each worker produce in a minute, hour, day, and week? _____

What methods could reduce the amount of production time required without reducing quality? _____

What other methods can you use to increase productivity? _____

CAPACITY

How many units of goods or services can be produced in your current facility in a day ____ week ____ month ____?

How many units of goods or services can your workforce handle in a day ____ week ____ month ____?

At what percentage of capacity are you now operating in terms of workforce ____ equipment ____ facilities ____?

How is excess capacity currently used? _____

What are other ways to use excess capacity? _____

How can you provide for increased capacity, if needed for growth? _____

QUALITY CONTROL

Who is responsible for overall quality control issues? _____

What steps are taken to inspect finished goods or services? _____

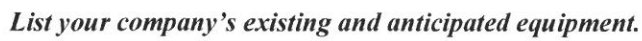
What intermediate steps are taken to ensure quality in the process? _____

Are products and services tested for quality? _____

How are employees motivated to ensure quality? _____

How do you solicit customer comments? _____

What other steps are taken for quality control? _____

[illegible][illegible]

Many businesses overlook the vital contribution that careful inventory management makes to the profitability of a company. How much money you have tied up in supplies or finished product sitting in your warehouse makes a direct impact on your bottom line. Every box of raw material is not just taking up space; it's money sitting around, losing value.

Of course, if you don't have sufficient inventory, you occasionally can't make sales. Every business dreads the possibility of receiving lucrative orders it can't fill due to inadequate supplies. And sometimes you don't just lose sales; you lose a customer. This is the risk in maintaining too low an inventory.

The answer is to develop inventory management systems that substantially increase the flow of information from the sales point to the production and purchasing teams. Information can reduce the amount of guesswork that goes into maintaining inventory. Know how sales are going, even on a daily basis.

“

We are changing the way our suppliers think about organic, fair trade. In 2008, we bought 800,000 pounds of organic ingredients. In 2013, we bought five million. That changes the way our suppliers interact with the environment.”

Seth Goldman

Cofounder, Honest Tea

Suppliers can help. Work with them to see how to reduce the amount of time necessary to receive goods and to explore the potential of lowering the number of minimum orders. Large businesses often have significant clout with suppliers, but even smaller companies should look for suppliers who are willing to increase flexibility in their orders and deliveries.

Methods of Inventory Management

One of the approaches to inventory management is “just-in-time” inventory control. This concept emphasizes keeping inventory stocked only to the levels needed to produce goods just in time for delivery, usually in response to orders in-hand. Such a system is highly dependent on adequate communication systems and good supplier relationships.

In devising your inventory control and communication procedures, you will want to devise a management information system (MIS). Usually such a system centers on the computerized maintenance and communication of information, such as order and stock levels, reorder dates, historical tracking of sales, and so forth. Computer professionals can help you select and adapt an MIS for your company.



You will also need to discuss how you want to value and record your inventory. Two commonly used methods are LIFO (last in, first out) and FIFO (first in, first out). These are basic methods of valuing your remaining stock, and they can have significantly disparate tax implications, so this decision should be reached in consultation with your accountant. ***Complete the Inventory Control worksheet on page 201 to assess your procedures.***

Supply and Distribution

Almost every business has goods or materials coming in to the company and finished products or services going out. The companies you rely on to provide you with incoming goods, and the methods you use to sell and distribute your product, are both essential to the continuing well-being of your business.

Most businesses will experience difficulties with their suppliers or distributors at some point. So it can serve you well to explore the abilities, flexibility, and alternatives of your current suppliers and distributors.

Try not to be dependent on just one supplier or distributor; your financial future will be too vulnerable if they fail you. Work to develop excellent relationships with your suppliers and distributors; you want them to feel that you are in a partnership together so that they will try to do everything possible to meet your needs. Be responsive to their needs as well; work out payment plans and communication methods to reduce pressures on them.

“

Marketing came naturally to me, but I didn't get the importance of distribution. Distribution was a bear. We had to realize that the distributor was our customer. It's a sharp-elbow, rough business.”

Seth Goldman

Select Suppliers that Understand Your Needs

Usually, competitive supply sources exist, giving you a number of choices and enabling you to negotiate better prices. But don't make your decisions based on price alone, for you may find the price right but the delivery time and quality problematic. Select suppliers with whom you can communicate well; make certain they understand your specifications and can consistently meet your standards.

Reliable Distribution Is a Must

Reliable distribution often presents a far more difficult problem. If your product is distributed through a wholesaler or "middleman," you need to carefully examine your choice of such distributor(s). Your selection of distributor(s) may be one of the single most important decisions you make, especially if they are responsible for most of your sales.

Once again, try not to put all your eggs in one basket. If you can ethically use more than one distributor, do so. Ask retailers or consumers about the reputation of distributors who sell to them so that you can be certain you are dealing with a reliable company and one that is well-regarded.



Complete the Supply and Distribution worksheet on page 202 to assess your sources of supply and distribution.

Order Fulfillment and Customer Service

Remember, your work is not finished when you produce a product or secure an order from a customer. You still need to make sure your customer receives the product he or she wanted, in good condition, and in a timely fashion. You need to know that you have satisfied your customer.

Inventory Control



This worksheet helps you get a clear picture of your inventory control procedures.

Who is responsible for inventory control? _____

What is the minimum level of inventory necessary to be maintained at all time? _____

What is the minimum amount of time necessary to get materials from suppliers? _____

What is the minimum amount of time necessary to produce goods to order? _____

What is the minimum amount of time necessary to ship goods? _____

How is information about sales translated to the production and purchasing departments? _____

What management information systems does your company use? _____

What steps do you take to reduce theft of inventory? _____

What other inventory control steps does your company take? _____

Supply and Distribution

These questions help you evaluate your current supply and distribution needs.

SUPPLIERS

Who is responsible for your purchasing decisions? _____

What are the key goods or materials necessary? _____

What are the average costs of these goods? _____

List your sources of key goods or materials: _____

List any alternative sources of these supplies: _____

Are any goods available from only one or two suppliers? ☐ Yes ☐ No

If so, how reliable or secure are these suppliers? _____

Can your suppliers provide you with "on demand" or short-notice goods? ☐ Yes ☐ No

If so, what additional costs do you incur? _____

Will your suppliers negotiate no- or low-minimum order contracts? ☐ Yes ☐ No

What kinds of credit terms will your suppliers offer? _____

What are your average credit costs? _____

Which key factors will determine your choice of suppliers? _____

Other supplier issues: _____

DISTRIBUTION

How is your product or service distributed to the consumer? _____

Is there a wholesaler or distributor between you and the consumer? ☐ Yes ☐ No

If so, how many such companies do you use? _____

What are the key qualifications and advantages of such companies? _____

What are the drawbacks of such companies? _____

If you use only one or two distributors, how secure are these companies? _____

What is their reputation among consumers? _____

What kinds of payments or commissions do these distributors receive? _____

Describe any alternative distribution methods available: _____

Surprisingly, many companies pay relatively little attention to order fulfillment and customer service since they do not seem like pressing concerns or sources of increased profit margin. However, order fulfillment is part of any current sale, and customer service is part of any future sale.

Customers are constantly demanding better and better service. They expect to get what they want, when they want it, and to be treated graciously and fairly in the process. Many companies are renowned for their customer service and have built entire marketing strategies around it.

Some companies assume they are doing just fine in the way of customer service because they don't receive many complaints. But you can't judge how well you are serving your customers solely by the number of complaints you receive; the unhappy customer who doesn't complain is almost certainly a lost customer. At least a customer who tells you the problem gives you a chance to make it right.

So, it is your job to make certain that customers have little reason for complaints. Training all employees — from the shipping clerk to the sales representative — in customer service can pay off for you in customer retention and referrals. Build sufficient flexibility into your policies so that you can easily handle unusual or difficult requests. Empower employees to make certain decisions on the spot (such as accepting returns) instead of requiring each customer request to be approved by a manager. Make it easy for your customers to let you know what they want by soliciting customer suggestions and feedback.

“

One method of ensuring quality-control is to put guest comment sheets in each room. The comment sheets are read, assessed, and charted. Every month, we do detailed assessments of cleanliness, friendliness, ground maintenance, telephone service, and so forth, for each managed property.”

Andre Tatibouet
Founder, Aston Hotels

Examine your order fulfillment processes. Often, orders are not communicated clearly or quickly to the processing department, and valuable time is lost due to inadequate internal communication. Assess the methods by which you prepare goods for shipping and deliver goods to customers. If you hire outside companies to ship or deliver your product directly to the customer, make certain they can deliver on emergency or rush-time schedules, or line up other shippers for such deliveries.

Look at the kinds of services you provide customers after sale. Good customer service emphasizes developing an ongoing relationship with your customers, so you need repair, service, warranty, and return policies that reassure customers that you continue to be interested in them even after you have their money.

Complete the worksheet on page 204 to evaluate your order fulfillment and customer service practices.

Global Operational Issues

Virtually any aspect of your operations can have a global component today, regardless of the size of your business. For example, a in Sioux Falls, South Dakota, has its website built by a company in India. A wholesaler in Virginia imports handmade purses from Vietnam. An electronics company has its video games manufactured in China. A San Jose, California, travel agency’s call center is staffed in the Philippines.

Order Fulfillment and Customer Service



Describe your company’s order fulfillment and customer service practices.

Who processes orders? _____

How are orders communicated from the salesperson to the order fulfillment department? _____

How are online orders transmitted to the order fulfillment department? _____

How are orders checked to be certain they are filled promptly and accurately? _____

What percentage of orders are prepared incorrectly? _____

How are goods prepared for shipping? _____

How do you ship products? _____

What is the shipping cost of your average order? _____

Are your shippers able to ship on short or emergency notice? ☐ Yes ☐ No

If so, are extra expenses incurred? ☐ Yes ☐ No

Who pays these: ☐ you or ☐ the customer?

What alternative methods exist to ship products? _____

What service programs do you offer? _____

What maintenance or repair programs do you offer? _____

What percentage of your orders require repairs? _____

What is the average cost of the repair to your company? _____

What is your return policy? _____

What is your average rate of returns? _____

What is the cost of the average return? _____

Do you have a complaint or customer service department? ☐ Yes ☐ No

How do you solicit the opinions of customers? _____

Another example is PlanningShop, the publisher of this book. Although a small company, it does business globally. The content is created in the United States. Mobile applications are developed in Australia. Other publishers in more than 30 countries license the content and translate it for their nations. And books are sold to business schools and consumers throughout the world.

With the Internet, VoIP (Voice over IP), and other technologies, it's both easy and inexpensive to do business internationally, even to have staff members or critical subcontractors or vendors located halfway around the world.

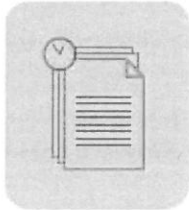
You, too, can take advantage of a more connected global business world to source supplies, inventory, or raw materials; to have your products manufactured; or to have services provided. Perhaps you may choose to have actual facilities or production in other countries.

As you begin to consider your international operations, it is useful to understand two terms that are widely used:

Outsourcing: Having another company or vendor provide a business service or component product. For example, a company may outsource the manufacturing of its products to another company or may outsource its technical support service to a separate company. Technically, using an independent contractor to accomplish a key business function, such as managing your company's public relations or human resource functions, is also outsourcing. You can outsource to companies in your own country or internationally.

- **Offshoring:** Having some of your company's operations or functions performed in another country. This typically means using outside vendors located in another country, but it could technically mean transferring your own company's operations to another country, usually to reduce costs. It can also mean setting up an independent subsidiary in another country to both lower costs and reduce taxes.

POSSIBLE HIDDEN OFFSHORING COSTS



**Additional time
describing
project
requirements**



**Additional time
managing
offshore staff/
vendors**



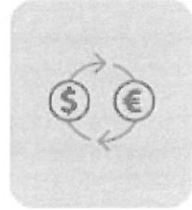
**Lower
productivity
levels**



**Lower quality
levels**



**Time and expense
of occasional
face-to-face
meetings**



**Currency
fluctuations
or exchange
costs**



While offshoring is chosen typically to reduce costs, hidden expenses may reduce the anticipated savings. Many companies that offshore key services — such as software development — have found that they must spend significantly more of their onshore staff time developing clear project descriptions and requirements and that projects are not completed as quickly. ***In the worksheet on page 206, identify any global operations issues you may have.***

One solution many smaller companies use when dealing with international suppliers is to go through brokers in their home countries who find and manage global suppliers. Your industry association may help you identify brokers who deal with international vendors.

Globalization: Operations



Complete the worksheet on global operations if you plan to handle any of your company's operations internationally.

Do you plan on having any international locations or facilities? ☐ Yes ☐ No

If so, where will they be located? _____

Have you identified the specific facilities? _____

ORDER FULFILLMENT

Will you sell any tangible products internationally? ☐ Yes ☐ No

If so, how will you fulfill those orders? _____

Are there custom, tariff, shipping, or other problems? _____

SUPPLIERS AND VENDORS

Which products can be provided by international vendors? _____

Which parts/supplies/inventory can be provided by international vendors? _____

Are there any import/custom/tariff considerations? _____

What is the potential for disruption of your supply chain (due to political, climate, or other factors)? _____

Which services can be provided by global vendors? _____

MANUFACTURING/PRODUCTION

Customer service/tech support/call centers: _____

Design/creative: _____

Business infrastructure services (e.g., marketing, HR, and so on): _____

Other technology services: _____

OTHER GLOBAL OPERATIONAL ISSUES

Research and Development

A business that stands still is one that is almost certainly going to fail. You must keep on top of new developments that are going to affect your business. Your target market is always changing: growing older, developing new tastes, using new products. Your competitors understand this, so you need to stay aware of what they are doing if you wish to increase your ability to compete effectively.

“

To finance our growth rate, we opted to lease everything. The only thing we purchased was the equipment necessary for our patents. From an ultimate financial strategy, leasing was the only way we could grow the way we did. For us, growth was the objective rather than net profit.”

All Companies Need Ongoing Product Development

Some companies need relatively large research and development components because they deal with constantly evolving technology or rapidly changing consumer preferences. But even companies that sell old-fashioned products (chocolate chip cookies, for instance) need to be developing new products based on changing customer values and concerns (such as low-fat cookies).

Your research and development activities may range from running a complete department staffed with researchers experimenting with new products and new equipment, to merely subscribing to certain publications and attending conferences. Regardless of the extent of such activities, research and development must be a priority in any business.

Examine the ways you plan to stay aware of developments likely to change your company's products, services, and practices. Make certain that key employees are likewise involved in research and development activities.



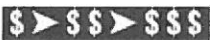
Complete the Research and Development worksheet on page 208 to evaluate research and development in your company.

Financial Control

Amazingly, some businesses give relatively little attention to how they handle money. Businesses may have serious cash flow problems just because they don't send out invoices in a timely manner. Or, they may incur substantial credit charges because they don't process their bills when due. Even very large companies are often guilty of inadequate financial control systems.

Set up procedures to ensure that your financial information is handled promptly and accurately. Invoices should be sent out quickly, and a system of regular follow-ups should be established for delinquent accounts. Accounts payable records should be thorough and easily retrieved, and sent regularly to appropriate decision makers within the company. Make certain your accounting practices and data retrieval systems are such that you can receive ongoing information on sales and expenses. Don't depend on monthly reports.

Research and Development



This worksheet helps you assess your ongoing research and development efforts and costs.

Describe any new products currently in development: _____

Describe any new services currently in development: _____

Which staff members have research and development responsibilities? _____

How are staff members used for research and development? _____

What percentage of your staff's time is devoted to research and development? _____

Costs: _____

What equipment is needed for research and development? _____

Costs: _____

What supplies are needed for research and development? _____

Costs: _____

What publications are needed? _____

Costs: _____

What conferences will your employees attend for research and development purposes? _____

Costs: _____

List any other research and development activities your company is involved in: _____

Costs: _____

One particularly difficult problem is how to make certain that employees do not have the opportunity to embezzle or pilfer. Work with your accountant to set up practices that ensure there are adequate safeguards against theft in your financial procedures. Bring in a computer consultant to design safeguards in your data processing programs as well.

Design your financial systems to be a source of regular information and constant feedback. Avoid cumbersome systems that bury your employees in paperwork; this increases your costs and reduces efficiency. Streamline the process as much as possible.



Contingency Planning

Bad things happen even to good companies. Sooner or later, your company will face an emergency. It could be a natural disaster — flood, fire, earthquake — or it could be something more mundane — a burglary, power interruption, slowdown from a supplier, product failure. As you develop your internal operational procedures, include contingency planning to help you anticipate and prepare for the unexpected. These contingency plans do not need to be included in any written plan for funding, but they may prove to be a substantial benefit to your company's future.

Develop procedures to safeguard your records and data in case of emergency. These procedures should include regular backup and storage of data offsite. Next, look at those things that are absolutely critical for your specific business and find ways to make certain they are protected or able to continue even in the event of an emergency. Devise a disaster plan to ensure the safety and well-being of employees and a method for you to communicate with employees during emergencies. Examine your business insurance. In addition to insurance to cover loss of physical equipment, records, and inventory, you can also get business interruption insurance to cover the costs of lost income and other costs incurred if an emergency closes your business.

Emergencies also come in the form of personal disasters — illnesses and accidents — so examine your procedures to get bills paid, checks deposited, and payroll out if key personnel are unavailable.

Other Operational Issues

A variety of other operational concerns will face your company, depending on the size and nature of your business. Some of these topics might include protecting the safety of your workers, protecting the environment, dealing with governmental regulations, or exporting goods. Other resources for some of these topics are listed in the References & Resources chapters in the back of this book.

“

We probably waited too long to hire professional operations staff. We could have saved ourselves lots of money and sleepless nights if we had gotten some knowledgeable folks in earlier.”

Seth Goldman
Cofounder, Honest Tea



*To briefly look at some of these concerns, complete the **Other Operational Issues** worksheet on page 212.*

Financial Control



This worksheet helps you evaluate your company's financial control methods.

Who is primarily responsible for designing financial control procedures in your company? _____

Which other employees are involved in financial control processes? _____

Who is responsible for invoicing? _____

What is the average amount of time that elapses before an invoice is sent after an order? _____

How are delinquent accounts handled? _____

Who is responsible for handling your accounts payable? _____

What is your company's policy on paying outstanding bills? _____

- ☐ Pay when due
- ☐ Pay when received
- ☐ Pay on 30 days
- ☐ Other

Who makes decisions on variations in payment or billing procedures? _____

What protections have been designed to reduce theft? _____

What systems have been designed to produce ongoing reports of financial status? _____

What other financial control systems have been devised? _____

Preparing the Operations Section of Your Business Plan

In preparing the Operations section of your business plan, emphasize these aspects of your operations:

- Key characteristics
- Competitive advantages
- Cost and time efficiencies
- Problems addressed and overcome

The aim of this section is to show that you have a firm grasp on the operational necessities of carrying out your business, that you understand how those operations relate to your overall business success, and that you have taken steps to achieve maximum efficiency

at the least cost. You do not want to give a step-by-step explanation of how your company functions or go into the specific details of your activities. Save that information for your internal procedures manual.



The Start-Up Costs worksheet on page 213 can be used by new businesses to tally the initial investment necessary to begin their operations. The Operations Plan Preparation Form on page 214 lays out the basic areas you should cover in your written document.

Chapter Summary

While the Operations section of your written business plan should not be overly detailed, careful planning in this area brings you meaningful rewards. Analyzing the day-to-day operations of your business will pay off in the form of increased profits as you find ways to reduce costs and improve productivity. You can find ways to make your money work harder and go farther, at the same time improving the quality of the product or service you produce and enhancing the work environment for your employees.

Other Operational Issues

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The questions below elicit your company's concerns and plans involving other operational issues.

SAFETY AND HEALTH

What procedures do you take to protect the safety and health of your workforce? _____

What safety programs do you have in place to encourage your workers to maintain safety precautions? _____

Other safety issues: _____

INSURANCE AND LEGAL

What types of insurance do you need for your business? (include fire, accident/liability, malpractice, auto, etc.) _____

What amounts of coverage do you require to be adequately protected? _____

What kinds of legal problems do you face in your business? _____

Does your company need ongoing legal advice and assistance?

Other insurance and legal issues: _____

REGULATIONS AND ENVIRONMENTAL

What licenses or permits are you required to have by law? _____

What kinds of regulations cover your type of business? _____

What kinds of environmental regulations affect your business? _____

What precautions can your company take voluntarily to protect the environment? _____

How can your company use products or processes that don't cause harm to animals? _____

Other regulatory or environmental issues: _____

Other operational issues: _____

Start-Up Costs

List the specific details of your start-up cash requirements. Remember, these are expenses you plan to incur before you launch your business. Post-launch expenditures should be entered in your Income Statement.

		Cost
Facilities	Land Purchase	
	Building Purchase	
	Initial Rent	
	Deposits (Security/Utilities/etc.)	
	Improvements/Remodeling	
	Other:	
	Other:	
Equipment	Furniture	
	Production Machines/Equipment	
	Computers/Software	
	Cash Registers	
	Telephones/Telecommunications	
	Vehicles	
	Other:	
Materials/Supplies	Office Supplies	
	Stationery/Business Cards	
	Brochures/Pamphlets/Other Descriptive Material	
	Other:	
	Other:	
Fees and Other Costs	Licenses/Permits	
	Trade or Professional Memberships	
	Attorneys	
	Accountants	
	Insurance	
	Marketing/Management Consultants	
	Design/Technical Consultants	
	Advertising/Promotional Activities	
	Other:	
TOTAL		

Operations Plan Preparation Form



On this form record specific information relating to your company's operational processes.

Key Aspects of Operations (possibilities include facilities, production process, equipment, labor force utilization): _____

Cost and Time Efficiencies: _____

Competitive Advantages: _____

Problems Addressed and Overcome: _____

Use this information as the basis of your plan's Operations section.

SAMPLE PLAN: OPERATIONS



OPERATIONS

A key element of ComputerEase's operations is its Corporate Training Center, located at 987 South Main Street in Vespucci. The Center currently consists of 20 student computer stations, equipped with all the major business software programs, an instructor's computer station and projection equipment, and state-of-the-art technology enabling the instructor to monitor exactly what each student is doing.

Describes a key aspect of operations.

The Corporate Training Center is vital because most of ComputerEase's corporate customers have limited, if any, extra computer facilities on their premises appropriate for conducting on-site corporate classes. Thus, ComputerEase can only grow its in-person training courses to an adequate level of income by having well-equipped training facilities of its own to offer.

For its online training courses, ComputerEase decided not to buy and manage its own servers and build its own data center, but to outsource that to a managed hosting vendor who provides a turnkey solution for all hardware/software needs and maintenance, backups, and upgrades.

Corporate Training Centers

On August 1, 2014, ComputerEase opened its first Corporate Training Center, along with its company's headquarters. This Training Center is equipped with 20 personal computer stations. Prior to the opening of the Training Center, ComputerEase was limited to conducting training programs at the clients' place of business (referred to as on-site programs).

Cost- and Time-Effective Programs

These on-site programs produce lower profit margins than Training Center classes or online classes. Generally, fewer students attend each on-site training session; instructors spend additional time for travel and setup, and costs arise from the transportation of equipment and materials and subsequent wear and tear. While ComputerEase charges higher fees per student in these on-site classes, the market will not bear prices that truly absorb the increased costs.

Shows method of increasing profitability.

Moreover, the potential customer base for Training Center classes is substantially larger than that for on-site programs. More businesses can afford to send employees to scheduled classes at ComputerEase's Corporate Training Center — or have a class developed for them at the Center — than can incur the costs and disruption of an on-site program. Online programs offer even greater flexibility.

With the funds now being sought, the company will open a second Corporate Training Center in the city of Whitten Park, where many of its corporate customers are located.

Competitive Advantages

In addition to an offshore technical support center, ComputerEase outsources its data center operations. These centers created several key advantages for ComputerEase. First, these strategic operations decisions allow ComputerEase to focus on what it does