

Operations Plan - Outline

- 1) Operating and Manufacturing/ Service Methods**
 - a) **If manufacturing firm -**
 - i) **Production Runs** (short, medium or long)
 - ii) **Production procedures** - outline work flow and process flow
 - b) **If service firm -**
 - i) **Scheduling of employees work hours** (weekly coverage view)
Appointment systems
 - ii) **Master scheduling**
 - c) **Preventative and corrective maintenance programs?**
 - i) **Types of maintenance needs**
 - ii) **Frequency and cost of maintenance programs**
 - d) **Master Activity schedule** - Look at "frequency of need" to:
 - Perform tasks (e.g., take inventory, etc.)
 - Prepare reports (e.g., financial statements, sales reports, quarterly taxes, sales report, etc.)
 - (1) **Daily** - tasks, reports
 - (2) **Weekly** - tasks, reports
 - (3) **Monthly** - tasks, reports
 - (4) **Semi-Annually (twice a year)** - tasks, reports
 - (5) **Quarterly** - tasks, reports
 - (6) **Annually** - tasks, reports
 - (7) **Peak-season demand driven** - tasks, reports
- 2) Description of Operating Facilities (Space, Location, Equipment)**
 - a) **Location requirements** (sqft.)
 - b) **Cost of location**
 - c) **Equipment needed**
 - d) **Leasehold improvements -**
 - i) Improvements?
 - ii) Costs?
- 3) Quality Control Methods**
 - a) Techniques
 - i) **Qualitative Measures**
 - ii) **Quantitative Measures**
- 4) Procedures to Control Inventory and Operations**
 - a) **Reorder Point**
 - b) **Safety Stock Level**
 - c) **Protection and Counting Methods**
 - i) **Protection**
 - ii) **Counting Method**
 - iii) **Handling/ transportation shrinkage**

5) Sources of Supply and Purchasing Procedures

a) Purchasing Priorities

Cost	Credit policies
Delivery terms	Frequency of production/
Frequency of Delivery	Quality
Branding	Financial stability
Return policies	Buy backs
Price protection	Technical support
Reliability	Credibility
Length of time in business	

b) Sources of Suppliers

c) Purchasing Procedures, Documents and Paper Trail

Operations Plan

1) Operating and Manufacturing/ Service Methods

a) If manufacturing firm -

i) Production Runs -

- (1) **Short runs** - Will you use short production run - a manufacturing run that includes only one or a few products then shifting to a new production process? An example might be contract manufacturing machined products.
- (2) **Medium runs** - Will you use medium production runs - a manufacturing run that includes a variety of products, yet involves semi-large scale production for each. An example might include contract manufacturing of cosmetic products or the bottling of beverages.
- (3) **Long runs** - Will you use long production runs - a manufacturing run that includes the mass production of a very limited number of products. This process frequently involves assembly lines and specialized heavy machinery for the volume production of standardized products over a long period of time.

ii) **Production procedures** - include an outline of work flow and process flow. How will the production process flow? Will you utilize special machinery or assembly lines?

b) If service firm

- ##### i) **Scheduling of employees work hours** - Set up a weekly coverage view. A calendar is helpful or a table with employee coverage can be useful. When scheduling time shifts, it is helpful to look at your peak demand and slow periods. Do you have enough employees to cover your business efficiently or adequately, when you need them? What happens if one person calls in sick? Does it throw your entire schedule into turmoil and cause undue hardship on the other employees? Do you have a part-time or temporary roster of people to call in these cases? An simplified employee time schedule for Monday through Friday is provided below:

Time	Mon				Tues				Wed				Thurs				Fri			
Employee 1 = Mary, 2 = John, 3 = Cindy, 4 = Ted																				
Employee	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
9:00	X				X				X				X				X			
10:00	X		X		X				X				X				X			
11:00	X		X		X		X	X	X		X	X	X		X	X	X		X	X
Noon			X				X	X			X	X			X	X			X	X
1:00	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2:00	X	X	X		X	X		X	X	X		X	X	X		X	X	X		X
3:00	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4:00	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5:00	X	X			X	X	X		X	X	X		X	X	X		X	X	X	
6:00							X	X			X	X			X	X			X	X
7:00		X				X	X	X		X	X	X		X	X	X		X	X	X
8:00		X				X		X		X		X		X		X		X		X
9:00		X				X		X		X		X		X		X		X		X

- ii) **Appointment systems** - Who will implement appointment systems for the company? If you are a one-person company at the moment, it might be handy to carry a pocket calendar for your appointments. You will probably need to reconsider this as you add employees, since it may become quite chaotic if everyone maintains their own calendar in the field with no central office support. The key is to develop a system that works for your business. One of the key considerations is in how the phone is answered and appointments are scheduled in your (and your employees) physical absence from the office. Where will the appointment books be located? Will electronic entry be allowed? What is the process for updating calendars?
- iii) **Master scheduling** - Where will the master schedule be kept/ maintained? Who is responsible? How will changes to this schedule be communicated to employees? Many office dedicate a "wall" to employee master schedules.
- c) **Preventative and corrective maintenance programs?**
- i) **Types of maintenance needs** - What types of maintenance programs will be implemented (vehicle, grounds, copy machine, etc.)?
- ii) **Frequency and cost of maintenance programs** - Identify the frequency and timing for each of these programs. Do any of these interfere with operations? For example, janitorial services may interfere with inventory tasks at a retail location, or landscaping services may interfere with classroom activities (too much noise) at a college.
- d) **Master Activity schedule** - Look at "frequency of need" to:
- Perform tasks (e.g., take inventory, make bank deposits, etc.)
 - Prepare reports (e.g., financial statements, sales reports, quarterly taxes, etc.)
- For each of the time periods below, detail what types of tasks or reports must be completed. A common method for doing this by many firms is to develop checklists of things to do. These checklists often become the "basics" of a

business, and help to make it a successful venture. Many times, after companies reorganize what they do, they come to realize that the reorganization was not successful because "details" have been left out or have "fallen through the cracks." Sometimes when companies say "let's get back to basics" they really mean that they need to remember to do those (little) things that made them successful in the first place. Prepare checklists for your company based on the tasks and reports that you need completed based on the following (starter list) of time periods:

- (1) **Daily** - tasks, reports
- (2) **Weekly** - tasks, reports
- (3) **Monthly** - tasks, reports
- (4) **Semi-Annually (twice a year)** - tasks, reports
- (5) **Quarterly** - tasks, reports
- (6) **Annually** - tasks, reports
- (7) **Peak-season demand driven** - tasks, reports

2) **Description of Operating Facilities (Space, Location, Equipment)**

- a) **Location requirements** - square footage requirements, and layout. Draw a floor plan for your operations.
- b) **Cost of location** - Will you buy or lease? What are key considerations to look for when negotiating your lease agreement? Things such as escape clauses (ability to leave the location under certain circumstances - such as the absence or closing of the anchor tenant), common area maintenance clauses, and others are vital for your consideration.
- c) **Equipment needed** - What equipment do you need for your operations (e.g., freezers, fork-lift truck, refrigerated displays, etc.). These assets should already have been identified when preparing the financial preparation sheets. Please be sure that the equipment is/are accounted for in your layout drawings.
- d) **Leasehold improvements** -
 - i) What improvements will you need to make at your location? This includes things such as Formica counters and counter tops, electrical work, or building new walls or doors.
 - ii) Costs? What are the costs associated with all the proposed leasehold improvements?

3) **Quality Control Methods**

- a) **Techniques** - what techniques will you use to control for quality? When we look at quality control we need to look at:
 - i) **Qualitative measures** - These types of data are usually obtained through the use of customer, employee or stakeholder surveys. Surveys might include customer showroom surveys, customer post-sales surveys, periodic customer surveys, employee suggestion boxes, employee surveys, stakeholder surveys. It is vital that results not become skewed, simply because of the way the instrument is worded or designed. For example, when a recreational products company surveys existing customers, asking for their impressions regarding a newly proposed product or service, the results will not be the same as if the company had surveyed the general public. Existing customers (those already interested in recreational products) might show a much higher level of

enthusiasm than the general public (many of whom are not recreational products enthusiasts).

- ii) **Quantitative measures** - These types of data are numeric and can easily be measured and obtained. Examples might include defect rates, number of units produced per day, customer return rates, number of complaints, or other such measures. It is vital that quantitative measures be appropriate to the type of quality being gauged. For example, a business may erroneously attempt to gauge the effectiveness of its training programs by the types of jobs candidates obtain after completing their program. The results may not be derived entirely from the training program, because other factors might have equal if not more of an influence on the end result - these other factors might include things such as: the quality of the training attendees (selective screening procedures may significantly raise the level of jobs obtained); other training programs (attendees may have attended other training programs - maybe theirs helped and ours did not); or timing (maybe our attendees tended to come to us during the latter stages of their job search process - much more likely to find a job sooner).

4) **Procedures to Control Inventory and Operations**

- a) **Inventory Allotment** - How much inventory should you keep on hand to ensure that enough is available to meet speculative customer demand? (to avoid back-ordering of customers). The key here is to set inventory allotments for each product type. How much space will be required to house this inventory? Be sure to include this in your floor plan drawings.
- b) **Reorder Point** - How much inventory will ensure continuous operations - at what point do you need to re-order? Usually this is set as a percentage of inventory allotment per product. For example, we might wish to re-order when inventory of our envelopes reaches 30% of the total allotted.
- c) **Protection and Counting Methods**
 - i) **Protection** - what type of security or climatic controls? Identify if your products require strict temperature, humidity, or vibration controls.
 - ii) **Counting Methods** -
 - (1) **periodic counts** - Many companies will conduct "mini audits" of their inventory on a regular basis. These procedures are usually repeated regularly according to a prescribed time period.
 - (2) **cycle counting** - periodic counts of particular segments in cycles. An example here would be when a company audits inventory for appliances on Mondays and consumer electronics on Tuesdays.
 - (3) **perpetual inventory system** - use of perpetual inventory records that apply to individual assets that are used repeatedly. Leasing and rental companies regularly use this method to keep track of who has an asset, how long it has been out, and the revenue it has generated.
 - iii) **Handling/ transportation shrinkage** - How will you attempt to reduce shrinkage (packaging, skids, form of transportation used, etc.). Any company that transports merchandise needs to consider how to reduce the possibility of damage to the goods. Certain types of damage might be appropriate to

specific transportation forms - for example, exposure to swaying, salt and moisture are potential hazards when transporting goods via ocean freight.

5) Sources of Supply and Purchasing Procedures

a) **Purchasing Priorities** - what are your priorities as they relate to the following types of purchasing priorities? Please consider this as a starter list and feel free to add to it. Please start with the number "1" to indicate the most important priorities for your company when purchasing:

<input type="checkbox"/>	Cost	<input type="checkbox"/>	Credit policies
<input type="checkbox"/>	Delivery terms	<input type="checkbox"/>	Frequency of production/
<input type="checkbox"/>	Frequency of Delivery	<input type="checkbox"/>	Quality
<input type="checkbox"/>	Branding	<input type="checkbox"/>	Financial stability
<input type="checkbox"/>	Return policies	<input type="checkbox"/>	Buy backs
<input type="checkbox"/>	Price protection	<input type="checkbox"/>	Technical support
<input type="checkbox"/>	Reliability	<input type="checkbox"/>	Credibility
<input type="checkbox"/>	Length of time in business	<input type="checkbox"/>	

b) **Sources of Suppliers** - How will you locate potential suppliers? Trade shows, industry directories, yellow pages, referrals, or electronic resources - bear in mind the credibility of the data source! Often times the best vendor sources may be obtained through contacts with personal friends, associates and competitors. Almost every network organization that might relate to your type of business or industry will have abundant references relate to vendor resources.

c) Procedures, Documents and Filing

- i) **Purchasing Procedures** - What are the established purchasing procedures? Small company partnerships often require dual signature authority for purchases exceeding a specified amount (this means that both partners need to approve of purchases over a specified value). Key issues revolve around the number of people involved in the vendor selection and approval process.
- ii) **Documents and Paper Trail** - What will be your purchasing procedure and the resultant documentation trail? For example your company may use some of the following types of documents or forms: Request for Quotation (RFQ), Request for Bid, Purchase Orders (P.O.), Purchase Order Acknowledgements, blanket purchase orders, order forms, shipping invoices, or others.
- iii) **Record keeping and filing system** - What type of record keeping and filing system will your company use? Will you have duplicate records? Will paper be filed according to customer name, contact name, date, or purchase order number? Often times, companies may use combinations of these methods dependent upon the types of documents being filed., and the most common context for retrieval.