Managing Your Business Operations

SCORE mentors often encounter a CEO that is good at sales and marketing or great at customer service, or even likes managing people. But sometimes a CEO needs help with the day to day details of running the business. I refer to these as the “operations” of the business. They are the core activities of your business that generate income and expenses tied to your product or service. Operations vary for different businesses, but examples include:

For a manufacturing company: Making widgets for sale

For a service company: Billing for time and expenses or creating deliverables

For a distributor: Moving goods from the warehouse to the final buyer

It’s important to balance all segments of your business—management, sales, customer service and operations—so that they can support each other. Therefore in the next few columns I will discuss the management of operations.

Why talk about “managing operations”? It is because operations build company value. Whether your business makes widgets, delivers goods or provides services, the real mission of your company operations is to create value. Operations build company value by using company assets to generate recurring revenue, increasing the value of company assets and ensuring the company’s long-term success.

Operations affect profitability. Your company’s operations are directly tied to a number of components of your company’s financial performance. For example, if you own a residential carpet-cleaning business and the team you send to do the job takes twice as long as you estimate; your team will only be able to complete half as many homes in a day. That team’s gross profit for the day will be half that of a team that can complete each home in the estimated time.

Managing operations enables you to improve your company’s financial performance by decreasing the cost to manufacture, distribute or sell a product. If you own a service business, managing operations enables you to operate more efficiently, redo your work less often, or find ways to perform your service faster while maintaining high quality. No matter what your business is, tying operational activity and performance to your business goals increases your chances of attaining those goals.
Whether your business makes widgets, delivers goods or provides services, the real mission of your company operations is to create value. Operational activities vary depending on what your business does. Here are some examples.

- In manufacturing, operations includes: buying raw materials and inventorying them, making the product you sell, and maintaining finished goods (inventory) ready for sale.

- In a service business, operations includes all of the activities that make up the service. For a Web design firm, operations could be broken down into designing the site, creating graphics, developing content and coding the site. In a distribution business, operations includes: warehousing, transportation of goods, and resale of finished goods.

- Although it is often considered a sales function, there are critical areas where customer service operations can significantly affect your business’s overall financial performance, including: delivery of product or service, resolution of customer complaint, billing customers, and decreasing product returns.

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High-performing companies develop operational processes that are measurable and then measure them on a regular basis. Focus on the operations that have the greatest impact on your financial performance.

In my next column I will start to discuss how the CEO should start to tie operational activities to the company goals. The reason is that if you can tie operational activities to your company goals, you are more likely to attain those goals.

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