



# Hands on Business Planning **Session 5**

Operations Plan & Management Team

# The Business Plan

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# Questions

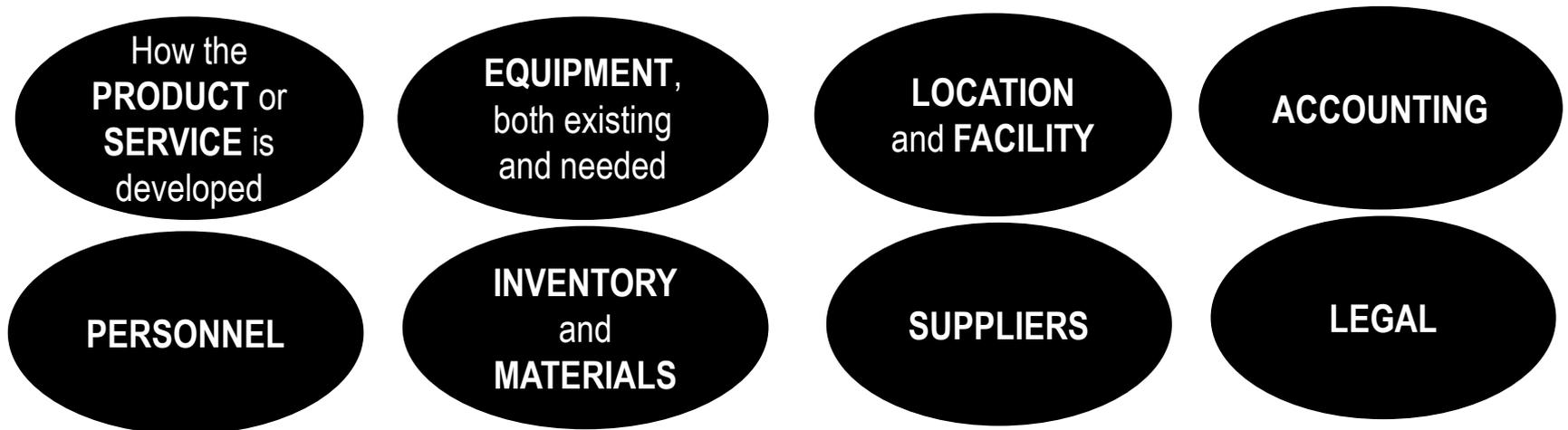
<p><b>Do you have a documented step-by-step process or flow on how your product is made or service is provided?</b></p>	<p><b>Can a supplier or vendor be an investor, board member or customer?</b></p>	<p><b>Do you have strong relations with your current suppliers/vendors? Do you have backups established?</b></p>
<p><b>Can you have a Management Team if you're a Sole Proprietorship?</b></p>	<p><b>Does your business rely on outside services such as accountants, insurance brokers, etc. who thrive on your success?</b></p>	<p><b>Is the chain of authority clear within your business? If not, why?</b></p>

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# What is the Operations Plan?

- An outline that describes the necessities of the business's operation that serves two purposes:
  1. *Provides a holistic view*
  2. *Explains the physical and procedural aspects*
- Sections of the Operations Plan



# Operations Plan Section 1

How the  
**PRODUCT** or  
**SERVICE** is  
developed

- **Production Process/How Services Are Carried Out**
  - *Outline the process of manufacturing the product, or all the moving parts and people to carry out the service*
    - *Best viewed as a checklist or flowchart*
- **Production Timeline**
  - *Length of time to create the product or provide and fulfill the service*
- **Production Feasibility**
  - *Demonstrate proof and/or ability to produce the product or provide the service*
    - *Research, testing, etc.*
- **Vulnerability**
  - *Identify potential problems during production and how they will be handled*
- **Quality Control**
  - *Supervision and oversight of the production or service process to ensure quality*
- **Customer Service**
  - *Plans for communication, follow up, returns, complaints, etc.*

# Operations Plan Section 2

**EQUIPMENT,**  
both existing  
and needed

- **Required Equipment**
  - *What is needed to produce the product or provide the service*
- **Current Equipment Assets**
  - *What is currently owned and where it fits in the production/service process*
- **Equipment Priority**
  - *Level of priority and importance of equipment, desired or required, new or used*
- **Equipment Pricing\***
  - *Outline of projected costs for purchasing or renting, new and/or used*
- **Equipment Financing**
  - *Equipment that is or can be financed AND type of financing for necessary equipment*
    - *What existing assets are already pledged or available as collateral (land, furniture, building, etc.)*

*\*Applicable to the Financial Section of Business Plan*

# Operations Plan Section 3

## LOCATION and FACILITY

- **Location & Space Requirements**

- *Explain the location (proximity to customer, territory, etc.). Describe the use of the space (office, warehouse, showroom, etc.) and amount allocated for each use.*

- **Type of Occupancy**

- *Plan to own, rent, purchase or construct. Rationale and justification why.*

- **Zoning**

- *Confirm business can operate within applicable zoning requirements, or explain variance needed or already obtained*

- **Access, Visibility and Hours of Operation**

- *Type of access – for employees, customers, shipping, receiving? Does it require visibility from street for drive by or impulse customers? Will building or property allow for desired hours of operation?*

- **Costs\***

- *Preliminary figures for cost including rent or mortgage, maintenance, utilities, taxes, insurance, furniture, etc.*

*\*Applicable to the Financial Section of Business Plan*

# Operations Plan Section 4

## PERSONNEL

- **Startup Team**
  - *Who is the startup team, what is their responsibility and qualifications?*
- **Personnel**
  - *List the types of personnel, their description and quantity (table or bulleted), which are full time, part time, contracted, etc.*
- **Procedural Protocols**
  - *Written manuals and steps for carrying out individual positions and functions. Essential to maintain operational stability and accountability.*
- **Recruiting and Training**
  - *Approach for identifying and hiring employees, including job descriptions and desired skills. Plan for conducting training and preparing new employees, including cross training and continuation plans.*
- **Compensation\***
  - *Estimated cost for each employee and job type, including incentives for performance and benefits, if included.*

*\*Applicable to the Financial Section of Business Plan*

# Operations Plan Section 5

## INVENTORY and MATERIALS

- **Inventory**
  - *What type of supplies and materials will you keep on hand and where will you get it?*
- **Cost/Value of Inventory\***
  - *The projected and current monetary value/cost of inventory*
- **Inventory Turnover\***
  - *The rate that inventory turns over (days, weeks, months, years), and how that compares to industry averages.*
- **Special Requirements\***
  - *Plans to manage seasonality, lead-times, holidays and space constraints.*
- **Inventory Control**
  - *Plans for monitoring and controlling inventory to ensure business reliability and continuity.*

*\*Applicable to the Financial Section of Business Plan*

# Operations Plan Section 6

## SUPPLIERS

- **Supplier/Vendor Background**

- *Background on each entity, lending credibility and dependability of your product or service.*

- **Inventory Details**

- *Type, amount and cost of inventory from each supplier or vendor.*

- **Payment Terms**

- *Outline the terms with each relationship, terms of payment, terms of delivery, days accounts payable.*

- **Back-up Plan**

- *Options in the event you lose a supplier/vendor, or when they are unable to meet your demand. Supplier diversity avoids placing too much importance on one.*

# Operations Plan Section 7

## ACCOUNTING

- **Payment Terms**

- *Conditions the entity pays the amount owed. Over a period of time, in advance, on delivery, etc.*

- **Accounts Receivable**

- *Enforceable claim for payment for goods supplied or services rendered, in the form of invoices with an agreed upon time frame.*

- **Accounts Payable**

- *Money owed by the business to its suppliers/vendors, in the form of invoices with an agreed upon time frame.*

- **Notes Payable / Loans**

- *Money owed by the business under a legal instrument over a fixed or determined future*

- **Payment Policies**

- *Issuing credit, terms of credit, slow or non paying customers, background checks, security interests, etc.*

# Operations Plan Section 8

LEGAL

- **Entity Selection & Formation**

- *Justification for business entity type, detail equity funding and ownership control.*

- **Licenses, Inspections and Permits**

- *List and identify all licensing requirements for operating the business.*

- **Insurance**

- *Outline the types and cost of insurance required and/or obtained*

- **Workplace, Environmental and Employment Regulations**

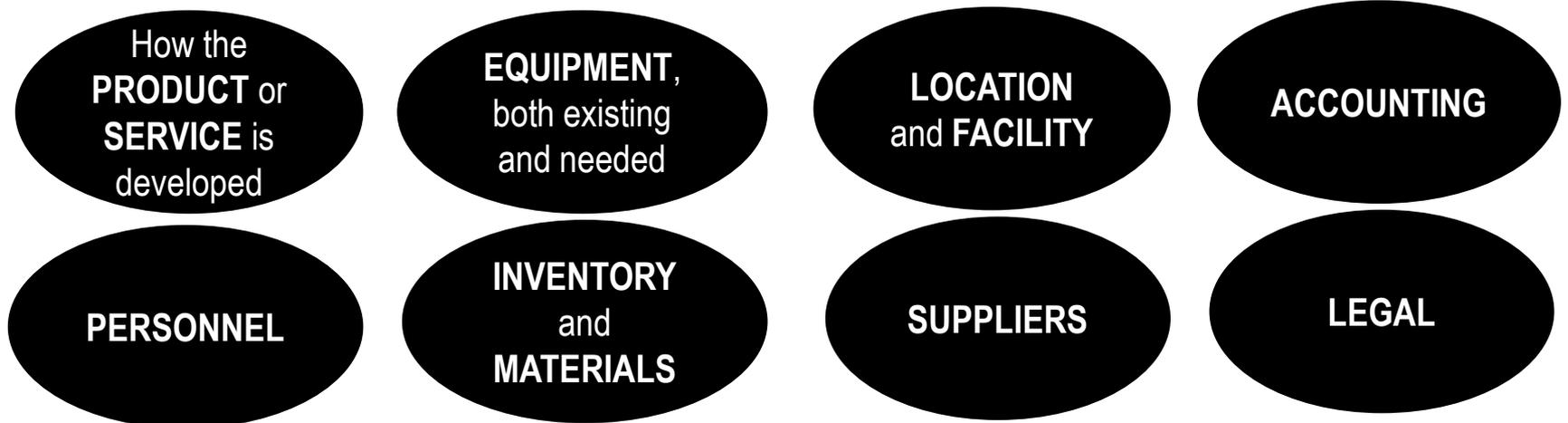
- *Plans and processes that meet and/or exceed standards and maintain compliance (i.e. documentation of waste, hiring and firing procedures, workers comp, affirmative action, etc.).*

- **Taxation**

- *Understanding of federal, state and location registration and payroll withholdings, property tax, etc.*

# Operations Plan - Summary

- The components that allow your business to create value
- A detailed operating plan allows the business to identify issues and opportunities
- Demonstrates confidence to your customer, investor and employee



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# The Management Team

- The quality, experience and structure of the management team is one of the most important factors in evaluating a business.
- 3 sections of the Management Team



# Management Team Section 1

## OWNERSHIP STRUCTURE

- **Legal Structure of Business**

- *It may be a single sentence if your business is a sole proprietorship. If business is a partnership or a corporation, it may be longer.*

- **Explain Who Holds Ownership**

- *List who owns portions of the business, type of ownership (% or shares) and background on their experience and qualifications*
- *Typically those who have equity in the business*

- **Types**

- *Sole Proprietorship*
- *General Partnership*
- *Limited Partnership (LP)*
- *Limited Liability Partnership (LLP)*
- *Corporation*
- *Non-profit Corporation*
- *Limited Liability Company (LLC) Most Common*



# Management Team Section 2

## INTERNAL MANAGEMENT TEAM

- **Main Management Categories of Business**

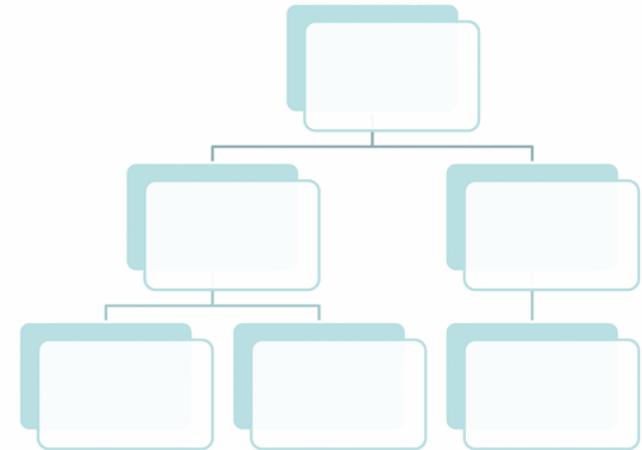
- *Identify who's going to have responsibility for each category, and profile that person's skills.*
- *Include chain of authority*

- **Typical Categories**

- *Accounting, Finance*
- *Production, Operations, Facilities*
- *Marketing, Communications*
- *Sales, Customer Service*
- *Human Resources, Administration, Governance*

- **Format**

- *Provide organization chart that reporting structure and specific roles and responsibilities*
- *Include descriptions of each manager, including skills, experience, education, awards, licenses, certificates, etc.*



# Management Team Section 3

## EXTERNAL MANAGEMENT RESOURCES

- **Groups and Individuals Providing Guidance and Support**

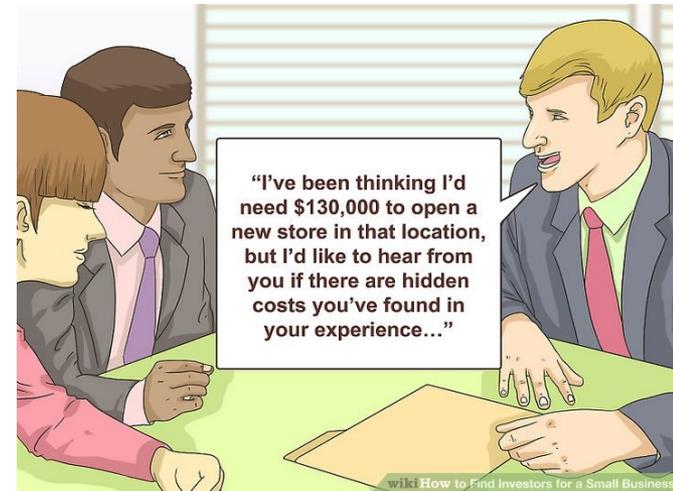
- *The group that is the Internal Management Team's backup, providing the business credibility and proof of expertise.*

- **Typical**

- *Boards - Directors or Advisors*
- *Outside Services - Accountants, Attorneys, Bankers, Insurance Agents*
- *Industry Experts - Mentors, Business Consultants, Coaches*

- **Importance**

- *Can be the difference between success and failure*
- *Critical advice and support outside of management team regarding important decisions*
- *Don't have to be investors in the business, but investors are typically involved*



# The Management Team Summary

- Who you surround your business with matters!
- The Management Team section tells a lot without going into details of the business
- Professionals are honored to be on boards. Provides exposure, gives back, expands network, professional development
- The need for a formal chain of authority is imperative, as roles and responsibilities change rapidly





# Hands on Business Planning **Next Session**

Financials

# 6 Sessions

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