

BUILD YOUR OPERATIONS MANUAL

The Operations Manual guides your activities through current operations, growth plans, and even succession planning.

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SECRETS OF THE UNIVERSE

Imagine searching the globe for a worthy apprentice with whom you will impart all of the wisdom you have collected over the ages.

Picture an ancient wizard who has been scouring the globe for generations, searching for a worthy apprentice. You've likely read about many such characters as a kid. At long last, the old wizard stumbles upon the unlikeliest character in the unlikeliest of places. After a series of tests, the old wizard determines that this uninspiring youth before him is the one he's been seeking all these years. Then, the old wizard shuffles to a dusty shelf and pulls out an ancient book, which contains all the secrets of the universe.

As the owner of a business, one of your primary roles is to compile such a book and continually refine its contents until, at long last, you feel it has reached perfection. The contents of this book are all of the systems, procedures, checklists, diagrams, and wisdom that, if executed properly, result in flawless product design and delivery of your product or service.

Another primary role of the business owner is to ensure that the activities going on in your business adhere to the wisdom and procedures contained in your book. When you have less than perfect results, ask yourself if it was because the procedure was faulty before assuming your people did not execute it properly. Continue to refine your documented procedures until you have landed on just the right system.

Chick-Fil-A provides a vivid example of how this works in its franchise model. Chick-Fil-A has codified its way of making and serving chicken sandwiches and nuggets into a repeatable system. Anyone with the capital and discipline can execute this system anywhere in the world with great success. Can you imagine getting your hands on the body of work that Chick-Fil-A gives new franchise owners at Chick-Fil-A U?

FRANCHISE PROTOTYPE

From this day forward, you must assume that you will sell franchises of your business.

Michael Gerber, the author of *The E-Myth Revisited*, encourages owners to think of their businesses as "franchise prototypes." In the early days of your business, likely it was just you doing all the work. Then you hired people to help you. Some of those were terrific hires, but many were complete busts, more likely.

If you took the time to reflect on those early busts, you'd admit they didn't work out mainly because of things YOU did or didn't do, did, or didn't communicate. Those things range from not knowing what your ideal apprentice looks like, not screening candidates properly, not training them thoroughly, and generally mismanaging them until you are both miserable.

So, you must think of your business as Michael Gerber's "franchise prototype" and begin to document everything you do to make your product or service great. Then assemble all of those pearls of wisdom into a cohesive document. You might call this document your Operations Manual, policies and procedures manual, or a systems manual.

USES FOR YOUR OPERATIONS MANUAL

The Operations Manual guides your activities through current operations, growth plans, and even succession planning.

Guiding Your Operations

Once you find your apprentice (employees), your Operations Manual will be *The Thing* you reference in training and ongoing operations.

Accelerating Growth

Franchising and opening new stores are well-known growth strategies.

Franchising - your operations manual is The Thing Of Value for prospective franchisees.

New Stores - the operations manual enables you to replicate your system.

The operations manual will serve as the focal point for training in both cases.

Exit and Succession Planning

Your Operations Manual will ultimately be *The Thing Of Value* if and when you decide to sell your business.

GETTING STARTED

Begin with the structure of your manual in mind.

Hanging Folders

To begin the task of documenting your processes and assembling an Operations Manual, purchase a portable hanging file folder bin and a box of hanging folders. Many people think of an Operations Manual as something that fits in a three-ring binder, and yours might fit in a large binder. However, you might be underestimating all your work building your business. That's why I recommend starting with a portable file folder bin.

Table of Contents

Draft your Operations Manual Table of Contents. Each section will go into one of the hanging files; create a hanging file folder for each item listed as you see fit. I recommend using Post-It notes and a Sharpie to label each of the hanging files for now because you will find that you frequently change your file structure. Once you feel that your structure has "stabilized," you may write or type the little labels that come with your hanging files.

Electronic Files

I also recommend setting up an electronic folder structure that mirrors your paper files on a secure hard drive or in the cloud. Put this in a secure location that your employees cannot access. Of course, you need to ensure your employees have access to the information they need to do their jobs. However, you should not give them access to the keys to the whole kingdom.

You might find that the physical hanging folders are redundant. That's fine. *Personally, I find that there is something oddly satisfying to dropping a freshly completed document into the hanging folder.*

YOUR VALUE DELIVERY SYSTEM

If you have formally documented your company's value delivery system, your operations manual should mirror it.

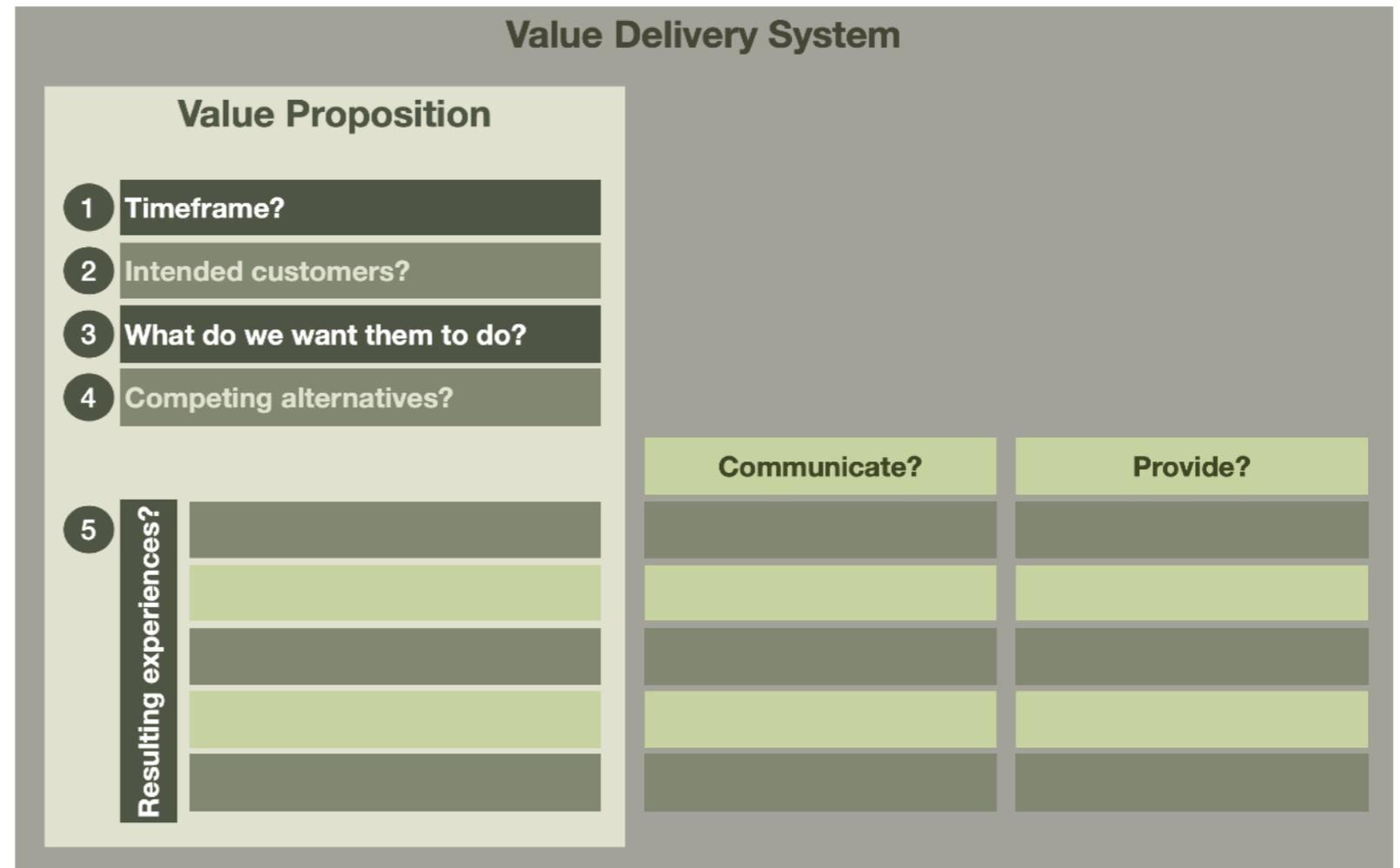
Your answers to the five questions of the value proposition are the perfect overview of the business. Recall that those questions are:

1. Time horizon
2. Intended customers
3. What we want the intended customers to do
4. Competing alternatives
5. Resulting experiences

The more-encompassing Value Delivery System then describes how your company will provide and communicate each of those resulting experiences.

Each of the major activities you identified will likely have a dedicated section in the operations manual.

If you are unfamiliar with the Value Delivery framework, no problem. You can easily use more traditionally-named sections.



SAMPLE TABLE OF CONTENTS

Here is a sample list of sections and sub-sections to get you started.

Value Proposition

Timeframe
Intended Target Customers
What We Want These Customers To Do
Competing Alternatives
Resulting Experiences

Value Delivery System

How We Will PROVIDE Each Resulting Experience

- Value Stream Map with major processes highlighted
- Standard Work Instructions for each process (this will likely be the largest section)
 - Operations Processes
 - Customer Service Processes
 - Office / Administrative Processes
 - Processes for Working with Vendors
- Responsibility Matrix

How We Will COMMUNICATE Each Resulting Experience

- Marketing Processes
- Sales Processes
 - Inside Sales (and Playbook)
 - Field Sales (and Playbook)
- Branding
- Advertising
- Other Marketing Activities

Human Resources

Job Descriptions
Employee Handbook *
Recruiting
Onboarding New Employees
Training and Development (after onboarding)
Performance Management
Terminating Employees

SAMPLE TABLE OF CONTENTS, CONTINUED

Financial Management

Cash Collection Processes

Collecting Deposits

Creating and Sending Invoices

Receiving Cash and Checks

Merchant Services

Making Bank Deposits

Primary Operating Account Management

Accounting

Preparing and Reviewing Financial Statements

Computer Systems

Hardware Management and Service Contracts

Customer Order Management Software

Other Important Software (e.g., CRM)

Data Storage / Cloud / Backups / Disaster Recovery

*Daily Opening and Closing Procedures **

Store Opening Procedure

Store Closing Procedure

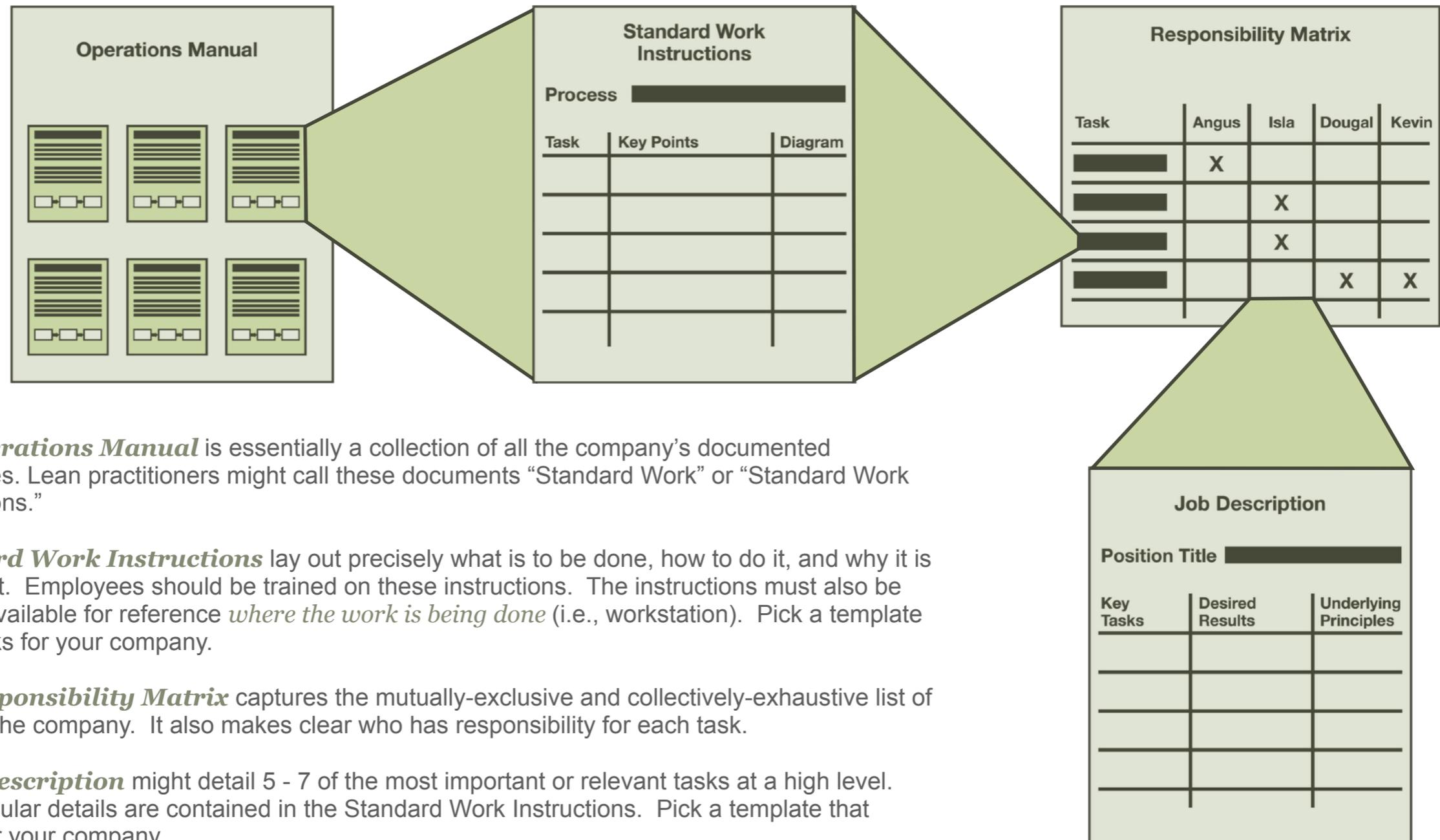
Security System

List of employees with keys

* lists of the things the first person to arrive and the last person to leave need to do.

RELATIONSHIP BETWEEN KEY OPERATIONS MANUAL COMPONENTS

Strive to develop a comprehensive set of documented processes and job descriptions that systematically relate to one another in a unified manner.



The **Operations Manual** is essentially a collection of all the company's documented processes. Lean practitioners might call these documents "Standard Work" or "Standard Work Instructions."

Standard Work Instructions lay out precisely what is to be done, how to do it, and why it is important. Employees should be trained on these instructions. The instructions must also be readily available for reference *where the work is being done* (i.e., workstation). Pick a template that works for your company.

The **Responsibility Matrix** captures the mutually-exclusive and collectively-exhaustive list of tasks in the company. It also makes clear who has responsibility for each task.

A **Job Description** might detail 5 - 7 of the most important or relevant tasks at a high level. The granular details are contained in the Standard Work Instructions. Pick a template that works for your company.

NEXT STEPS

Once you have assembled your hanging file folder bin and labeled the folders with sticky notes, you are now ready to prioritize the sections to fill up first. Then begin writing the processes, policies, and procedures to be put in those hanging folders. Check out my *Documenting Your Key Processes* e-book for an in-depth guide. Over time, your hanging file bin will become full of all that institutional knowledge you have acquired and are ready to impart to new employees or even new franchisees.

ABOUT BOB

Bob Ross of Highland Ross serves as an executive and business coach, working with business owners and leaders who are stuck in some aspect of their businesses.

Through his professional career in corporate America, small business America, and in the community, Bob has come to believe that our community is stronger when its local businesses are anchored with good leaders. The businesses themselves are stronger. Their employees feel safe and secure in their roles in their companies. Business owners' relationships with their spouses and significant others are stronger when they are good leaders. Their children are stronger and more resilient. All of this positivity sends positive ripples throughout the community in many ways, shapes, and forms.

Highland Ross exists to help, to coach, to enable, to challenge our local business owners to be everything their significant others, their children, their employees, and their community need them to be.

Bob is married to Dixie, Director of Campus Financial Services at WFU, and has three spirited, active kids. Two are out of the nest and his youngest is a rising senior in college. All have been active in the community, the church, and sports.



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