

# **Operational Plan**

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# Background

- **Sonas Group Europe - Group Technical Director and Shareholder.**
- **Wagon Automotive Europe- Technical Director of Stamping Business Group.**
- **Stadco UK– Plant Director**
- **Mayflower Vehicle Systems – Operations Director**
- **August Lapple South Africa – Managing Director**
- **August Lapple Ireland – Managing Director**
- **Toyota South Africa – General Manager TDM.**
- **Toyota SA and TMC– Project Manager New Tooling Manufacture.**
- **Toyota South Africa – Engineering Operations Manager Stampings.**
- **Toyota South Africa –Tooling Engineer, Manufacturing Engineering Manager.**
- **Ford South Africa – Tooling Engineer**
- **Volkswagen SA – Tool Designer**
- **Pressed Steel Fisher / Brookes University Oxford UK– Tool Design student apprentice.**

# Stillstand ist Ruckstand

**“To Stand still is to go Backwards”**

**August Lapple 1927**

# Business Plan Principles

- **Strategy**
- **Sales & Marketing**
- **Operations**
- **Staffing**
- **Finance**

# Critical Factors

- **Money**
- **Material**
- **Methods**
- **Men**
- **Environment**
- **Finance, Cash, Funding**
- **Supply Chain. Logistics.**
- **Operations, IT (MIS)**
- **Staffing**
- **Marketing and Sales**

# Operations and Logistics.

**It is important to work out how your business is going to work on a day to day basis.**

**It is easy to forget little things but is amazing how many people forget big things.**

**“Like working out How and When to get Paid”**

# Overview

**As operations can mean so many different things to many different businesses. I have tried to generalise and have followed a format of asking the questions. Which you should all ask yourselves and answer. If you are to build a successful and sustainable business.**

# What is Your business going to Sell?

## Product:

An object eg:- Clothes, jewellery, cakes etc.

## Service:

Selling of time to do something eg:- Plumber, Courier, etc.

## Both:

Businesses can do both eg:- Build a website (Service) and sell the software and hardware to run it (Product).

# Where do you get the product from?

**Are you going to provide the service yourself?**

**Are you going to make the product yourself?**

**Are you going to outsource all or part of what you are going to sell?**

# Operational Requirements

- **Production**
- **Premises**
- **Equipment**
- **Management, Staff and System**
- **Suppliers**
- **Transport**
- **Delivery to Customers**
- **Payment**

# Production

## **Making your product**

- **How are you going to make it?**
- **How long will it take?**
- **How many must I make?**
- **How many must I keep in stock**

# Production

**Buying it or part of it**

- **How long will delivery take?**
- **Will there be a minimum order quantity?**
- **When will you have to pay?**
- **How much do I need to order?**

# Premises.

- **Where will you run your business from?**
- **What is the size and type of space requirement?**
- **Working from home is cheaper and can work, but do you have the necessary permissions?**
- **If you already have premises. Are the lease conditions restrictive? and what are the costs involved?**
- **Are your premises convenient for customers?**
- **If you selling at markets, what is the availability of stalls and are there any limitations on trade?**

# Equipment.

- **What equipment do you need?**
- **Will it be new or used?**
- **What will it's useful life and duty cycle be? (capacity and payback).**
- **Where will you buy it from or do you own it already?**
- **What will it cost?**
- **Is the payback and cost of use in your pricing?**
- **Are special skills needed to use it or maintain it?**
- **Has provision been made for power and foundation requirements?**

# Management and Staff.

- **Will you man the business on your own?**
- **Do you need any specialised skills?**
- **How much assistance do you need?**
- **How will you get it?**
- **What will it cost?**
- **Are the costs included in your selling price?**
- **Who and how will you control the quality of your product and service?**

# Administration

**What system are you going to use to ensure that when and what you deliver is when and what you promised your customer?**

**Who is going to operate it?**

# Suppliers.

- **Who will you use?**
- **What's their BEE scorecard?**
- **What will they supply?**
- **When will you pay?**
- **Do they guarantee a quality level?**
- **Always get at least two quotes.**
- **Have a back up option in case of let down.**

# Stock

**In any product based business the carrying of stock is necessary to ensure that your customers demands can be met.**

**If you can't meet a customer's demand it could mean a lost sale or even worse a lost customer**

# Factors Affecting Stock

- **Raw material lead times.**
- **Manufacturing lead times.**
- **Batch sizes.**
- **Capacity.**
- **Delivery ( Just in time –Kanban )**
- **Customer requirements ( Fluctuations in demand )**

# Stock Levels

**Stock level must always be kept to a minimum as:-**

- a) Stock is dead money.**
- b) Potential for obsolescence.**
- c) Potential for loss or damage.**
- d) Space required for storage.**
- e) Has to be managed.**

# Transport.

- **How will you get about?**
- **Meet customers?**
- **Pick up material/stock?**
- **How much will it cost?**
- **Do you need a driving license?**  
**If so what will you do?**

# Delivery to Customers

- **How long will it take to deliver your product to your customers?**
- **How will it be delivered?**
- **Is the cost of delivery included in the price?**
- **Will you charge the customers extra for delivery?**

# Payment

- **When will you get paid and how? eg: Credit card, Cheque, cash, or EFT. All have different terms and costs.**
- **Will your customers pay you upfront?**
- **Will your customers give you progressive payments?**
- **Who is going to do the book keeping?**
- **Who will do your accounts and how often?**

# Operating

## Performance

**Good performance is the criterion whereby an organisation determines its sustainability.**

## KPI'S

## Key Performance Indicators

# Why KPI's?

- **To Evaluate:** Check performance to goals
- **To Control:** Identify and fix things going wrong
- **To Budget:** Identify faults or inaccuracies in the budget
- **To Motivate:** Focus on achieving targets
- **To Celebrate:** Celebration of goals achieved
- **To Promote:** Identify aptitude for growth
- **To Learn:** Exposure to the why's and wherefores
- **To improve:** If you don't measure you can't improve

# Rules of Performance Measurement

- **Unmeasured work cannot be assessed or managed.**
- **Unmeasured work should be minimized or preferably eliminated.**
- **Desired performance outcomes must be established for all work.**
- **Recognise accountability for results rather than the amount of effort.**
- **Results should be the basis of performance appraisal.**
- **Performance reporting and the analysis of variances must be accomplished frequently and regularly.**
- **Frequent reporting enables timely corrective action.**
- **Timely corrective action is necessary for effective management control.**

# What KPI's To Apply?

Dependant on type of business and area of focus:

Although relevant to everybody they are the focus of responsible areas

- Some examples:-
- ROI - Return on Investment
  - ROA - Return on assets
  - VAPP - Value added per person
  - PPM - Parts per million (Rejects both external and internal)
  - Delivery – Number of correct on time deliveries to plan.
  - Performance Appraisal - Number conducted to plan.
  - SMED - Number of change overs and time taken to target.
  - Stock level – Number of days stock holding
  - Stock level - Percentage of slow moving stock
  - Stock Turnover – Cost of sales /Cost of inventory
  - OEE - Overall effective efficiency
  - Cost reduction – Savings to budgeted costs.
  - Absenteeism -Percentage of absence without permission

## If you don't measure

- **How will you know where to improve?**
- **How will you know where to allocate or reallocate resources?**
- **How will you know if you are going forward or backward?**
- **How will you know who or what is producing cost effective and efficient results?**
- **How will you benchmark?**

# Capacity Limitations

There is a need to know and understand your capacity limitations for a number of reasons:-

- Production capacity. What is the maximum you can produce in a fixed period of time.
- Financial capacity. What is the availability of uncommitted finance.
- Staff capacity. What is the maximum output in normal time. Overtime should be used on a planned base only to iron out peaks not to maintain output.

# Pricing

- **Establish what is the price the market will accept.**
- **Be competitive.**
- **Be sure you have included all your costs**

**Don't be a busy fool**

# The Toyota Way

- **Base your decisions on your long term strategy, even at the expense of your short term goals.**
- **A continuous process flow brings problems to the surface.**
- **Use the pull system to avoid over production.**
- **Level out workload (work like a tortoise not a hare).**
- **Build a culture of stopping to fix problems.**
- **Standard procedures are the base for continuous improvement and employee empowerment.**

- **Respect your extended network of partners and suppliers by challenging them and helping them to improve.**
- **Make decisions by consensus, consider all options and implement decisions rapidly.**
- **Go and see for yourself. Thoroughly understand the situation.**
- **Become a learning organisation by relentless reflection and continuous improvement.**
- **Develop people and teams that believe in and follow your ethics and values.**
- **Use visual controls so that problems can be highlighted.**

# Insurance.

- **Have you done a risk analysis for your business?**
- **Have you provided the insurance you and your customers believe necessary to counter that risk, how much does it cost?**
- **Have you included the costs in your pricing**

# Summary

- **What is your vision?**
- **Understand your market and determine your competitive advantage and therefore your share.**
- **Set your strategy to achieve that share.**
- **Establish your goals**
- **Develop a plan around those goals.**  
**Always be aware that plans change with circumstances.**
- **Structure your business to achieve your plan.**
- **Manage your business (operate)**
- **Measure performance and evaluate frequently to understand your current position.**
- **Remember : All costs can be reduced and improvements always made.**

# Things to remember

- Don't be a busy fool.
- The 80/20 rule will always apply. Therefore follow it.
- Cash is king.
- You can move a mountain a shovel full at a time.
- Treat everything on a case by case basis.
- A fool and his money are soon parted.
- Act!! If you snooze you lose.
- Good management is doing things right.
- Good leadership is doing the right thing.

**THAT'S ME FOLKS.**