

Small Business / Start-Up Operations

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Operating a business requires the business leader to pay attention to multiple issues, all at the same time. Key organizational functions include:

- Human Resources - developing and implementing policies and procedures that help your company recruit, compensate, evaluate, grow and retain top performers. The capabilities and teamwork of individuals in small businesses and start-ups is particularly important - that's why Human Resources plays an especially prominent role in these enterprises, usually at the direction of the business leader / entrepreneur;
- Marketing and Sales - conceiving and implementing activities that increase revenues and profits;
- Customer Service - developing and implementing policies and procedures that keep your customers satisfied and loyal;
- Finance and Accounting - completing all the reports and activities that enable a company to maintain appropriate records, track financial results, pay appropriate taxes, and maintain adequate levels of "liquidity" (e.g., available cash) as well as positive credit;
- Administration - completing the activities required for an organization to operate day-to-day, including but not limited to Real Estate (for office space and/or production facilities), Legal and Purchasing;
- Technology - developing the internal and external technology capabilities required in today's economy for a company to operate effectively and interact with customers in ways they prefer. This function could also include New Product Development in many companies; and
- Operations - completing the productive activities of the enterprise. In a service organization "Operations" may be part of Human Resources. In a technology business "Operations" may be part of Technology. And in an enterprise that "makes stuff," Operations is the function that takes raw materials and creates the products the company sells.

Organizational Functions of an Enterprise
<ul style="list-style-type: none"> • Human Resources • Marketing and Sales • Customer Service • Finance and Accounting • Administration • Technology • Operations

Below are tables that describe the key responsibilities of each function. **The last page of this resource provides a review of some additional Business Operations concepts.**

<p>Human Resources</p>	<p>Human Resources (HR) recruits, hires, trains and retains top performers. Policies that HR develops and implements include: 1) compensation levels (e.g., salaries, bonuses, profit sharing, stock options); 2) benefits plans; 3) vacation and leave policies; 4) training policies; 5) personnel policies (e.g., hiring procedures, performance evaluations, performance improvement plans); 6) workplace policies (e.g., on-boarding of new employees, dress codes, discipline policies); etc.</p> <p><i>HR contributes to the success of a start-up / small business when: 1) top talent is identified, hired and retained; 2) employees are motivated and morale is high; 3) leaders in the organization view HR as a partner, not an obstacle; because 4) bureaucracy is minimized.</i></p>
<p>Successful HR Leaders</p>	<ul style="list-style-type: none"> • Work with entrepreneurs / small business leaders to anticipate key talent needs and hire strong candidates • Make sure compensation, benefits packages and policies support / enhance the organization's culture • Monitor the HR policies and practices of competitors to stay one step ahead

<p>Marketing and Sales</p>	<p>Marketing and Sales drive enterprise growth. Marketing are strategic efforts intended to convince customer segments to work with your enterprise. Sales are tactical efforts intended to persuade the customer in front of you to purchase. Key Marketing and Sales activities include: 1) advertising; 2) promotion (defined as: "short-term activities to accelerate a customer's purchase decision"); 3) selling activities, using internal sales reps or external contractors; etc.</p> <p><i>Marketing and Sales contribute to the success of a start-up / small business when: 1) revenue-building activities are both effective and memorable ("differentiating"); 2) the cost of "capturing" a customer is far less than the revenues generated by that customer; 3) leaders in the organization view Marketing and Sales as generators of opportunity and competitive advantage.</i></p>
<p>Successful Marketing and Sales Leaders</p>	<ul style="list-style-type: none"> • Develop a pipeline of activity that build revenues while expanding market share in target market segments • Hire and retain creative Marketing team members and relentless Sales reps • Monitor competitor marketing and sales activities in order to stay one step ahead
<p>Customer Service</p>	<p>Customer Service addresses customer concerns, resolves customer issues, and create loyal customers. The role of Customer Service has evolved in the recent past to be more proactive and technology-driven. Customer Service leaders set targets for customer satisfaction, while empowering front-line customer service personnel to solve customer problems within established parameters.</p> <p><i>Customer Service contributes to the success of a start-up / small business when satisfied customers are loyal customers (repeat purchases and customer referrals), while unsatisfied customers have their concerns addressed successfully, often turning them into the most satisfied and loyal customers.</i></p>
<p>Successful Customer Service Leaders</p>	<ul style="list-style-type: none"> • Establishes policies that effectively address recurring customer issues within budgeted cost parameters • Create a culture of front-line customer service team members truly empowered to satisfy customers • Monitor the Customer Service policies and practices of competitors to stay one step ahead
<p>Finance and Accounting</p>	<p>Finance and Accounting (F&A) is like the central nervous system of an enterprise, enabling the capabilities of every other function. F&A focuses on reporting requirements (i.e., financial statements) and compliance activities (i.e., tax returns and tax payments). Highly-effective F&A teams help entrepreneurs and small business owners secure affordable equity and debt, and maintain positive credit, while providing wise advice to team members that helps them optimize their use of financial resources.</p> <p><i>Finance and Accounting contributes to the success of a start-up / small business when: 1) financial reports are timely and helpful; 2) enabling team leaders to make effective decisions; 3) while providing the organization with error-free compliance activities and helpful recommendations to efficiently use financial resources.</i></p> <p>One of the most critical functions of Finance and Accounting is to implement "internal controls." Internal controls include actions like:</p> <ul style="list-style-type: none"> • "Separation of Duties" policies that prevent unauthorized expenditures. Example: a policy that different people must: a) write checks / approve expenditures; and b) reconcile (or balance) bank accounts. • "Approval Authority" policies requiring top management sign-off on major expenditures. Example: team leaders can make purchases below \$5,000 on their company credit card, but all expenditures over \$5,000 must be reviewed and approved <i>in advance</i> by the small business owner. • "Documentation" policies that standardize the financial records of the company, so that reviews can be accomplished more accurately and efficiently. Example: all expense accounts must be the same. <p>F&A leaders are responsible for the honest use of financial assets and accurate reporting on financial results.</p>
<p>Successful Finance Leaders</p>	<ul style="list-style-type: none"> • Maintain accurate records, providing easy-to-understand reports as well as effective recommendations • Provide proactive warnings / recommendations to enterprise leaders based on resource levels • Partner with the leaders of every other function to help them succeed within budget

Admini- stration	<p>Administration is the "everything else" function. In some companies it includes HR, Customer Service, and Information Technology (I/T), as well as Real Estate, Legal and Purchasing</p> <p><i>Administration contributes to the success of a start-up / small business when problems just don't occur . . . when the needs of functional teams are proactively addressed in time to achieve all their targeted results.</i></p>
Successful Administration Leaders	<ul style="list-style-type: none"> • Work with entrepreneurs / small business leaders to plan 6+ months ahead on key organization needs • Implement policies that create loyal vendors, landlords and external allies / partners • Help the organizational properly use the intellectual property of others while safeguarding (and maximizing the value of) the intellectual property the enterprise owns / creates

Technology	<p>Technology (often called I/T) helps the enterprise leverage technologies to streamline processes, multiply opportunities for positive customer contacts, reduce costs and maximize revenues. More and more companies find that their I/T team plays an essential role in a variety of functions, like Marketing (social media campaigns), Customer Service (on-demand customer service portals), HR (employee benefits portals) and F&A (online reporting).</p> <p><i>I/T contributes to the success of a start-up / small business when current and emerging technologies: 1) make functions more effective; 2) provide customers with more ways to engage positively with the enterprise; and 3) lead to new sources of revenue and profitability.</i></p>
Successful Customer Service Leaders	<ul style="list-style-type: none"> • Work with entrepreneurs / small business leaders to determine technology investments that can significantly improve organizational effectiveness and results • Monitor the I/T practices and performances of competitors to stay one step ahead

Operations	<p>Operations "makes" the products and services the enterprise offers. Operations leaders typically focus on efficiency, making sure that the organization delivers high-quality products and services at or below budgeted cost levels.</p> <p><i>Operations contributes to the success of a start-up / small business when: 1) products and services are offered at high quality levels; 2) processes are continuously examined and improved; 3) external stakeholders (like equipment vendors) are engaged to find efficiencies; leading to 4) low-cost, high-quality products and services.</i></p>
Successful Customer Service Leaders	<ul style="list-style-type: none"> • Work with entrepreneurs / small business leaders to develop ways the organization can deliver higher-quality products and services at lower cost levels • Monitor the Operations practices of competitors to stay one step ahead

Operations Concepts

<p>Delegation</p>	<p>When an entrepreneur or small business leader trusts someone else to handle an important task.</p> <p>One of the most important traits of successful small venture leaders is knowing what they're good at, and where they need to assign (or delegate) these tasks to team members or outside vendors.</p> <p>One good rule of thumb: entrepreneurs / small business leaders should determine the areas / functions where they are most effective . . . maintain direct responsibility for decisions in these areas . . . and delegate key responsibilities in other areas as soon as possible.</p>
<p>Growth Milestones</p>	<p>Major accomplishments that indicate that a venture's level of success, and/or a point at which the venture must start considering a new approach.</p> <p>For example, a technology start-up may set milestones for the number of customers served. As each milestone is achieved, the company might be eligible to receive more money from investors.</p> <p>Similarly, when a company hits a growth milestone, this might be the signal that they can take a function formerly completed by a vendor (like Customer Service or I/T) and take that function in-house.</p> <p>There will be some growth milestones that indicate the company needs to find an accomplished outside vendor to take over the function formerly completed (perhaps part-time) by a team member. Example: when a company gets big enough it will usually work with an outside accounting firm to audit their financial records, because future investors will require that third-party expert assurance that the venture's financial statements are accurate.</p>
<p>"Make or Buy"</p>	<p>Start-ups and small companies often face the choice between hiring employees to accomplish a task for using third-party vendors.</p> <p>Among the advantages of "make," or using employees / internal resources: a) greater commitment to the venture; b) ability to control performance standards; c) ability to customize quality control standards; d) ability to create proprietary goods or services, and then restrict that company intellectual capital / information to employees only.</p> <p>Among the advantages of "buy," or using outside vendors: a) lower initial / fixed costs, since the venture won't have to hire and retain employees, or invest in dedicated assets / systems; b) greater "scalability" (meaning vendors can often expand their services faster than the company can hire and train new employees); c) learn from the industry experience of the vendors; d) ability to negotiate among vendors to minimize costs.</p>
<p>Sole Source</p>	<p>Working directly with a single vendor, rather than evaluating bids from multiple vendors before deciding on the firm you'll work with.</p> <p>Sole sourcing is quicker (you can hire and start working the vendor immediately) and can lead to a strong, loyal relationship with the vendor. The cost of using the vendor might be higher than if the venture had decided to bid and negotiated costs with several vendors to get their best financial deal.</p> <p>One way to make sure sole sourcing is cost effective is to sign vendors to a "most favored nations" agreement. This means that your price from the vendor will always be equal to or less than the lowest price they offer on the same products / services to other customers.</p>
<p>Supply Chain</p>	<p>The network of vendors that enables a company to complete the development / assembly of its product or service.</p> <p>Example: a small retail business might have different suppliers for different types of products they sell, as well as a "temp service" they use to hire temporary employees when need, and also vendors for the fixtures and equipment they need throughout the store. Together these vendors are the "supply chain" for the small venture.</p> <p>(This term is most often used with manufacturing companies, where a supply chain includes providers of raw materials, providers of equipment, providers of supplies and contractors for specialty labor.)</p>
<p>Sustainability</p>	<p>An investment or initiative is sustainable when the financial results are positive and replicable.</p> <p>A new venture is sustainable when customers can be "economically captured," and the product or service offered at a cost below the revenues generated by each customer.</p>