

# Entrepreneurs' Retreat

September 20, 2009

Stern Business Plan Competition

Operations Management Plan

# You've come up with a great idea!

- It's 30 years ago and you work for Burger King
- Your #1 competition is the industry leader, McD
  - You have basically the same product
  - How can you differentiate yourself from them?
- You design a new slogan “Have it your way”
  - Terrific marketing appeal
  - Great song to go along with the campaign
- But how do you handle these “Special Orders”?  
(your job is in marketing, who cares?)

# The ad is catchy, and you've got the customers coming in

- Can you do what the song says?

“Hold the pickles, hold the lettuce...?”

- What has to change?
- How does your marketing department do this?

# Now we start to see what operations is all about

- The marketing department can't determine if you will be able to satisfy individual customer's requests for specialized products
- This is an operations function

# Operations Management

- What is Operations Management?
  - Operations deals with how your product gets produced
  - or how your service is provided
- How does this topic fit into the business plan?

# Management of Operations

- What does the Operations section include?
  - Deals with the SUPPLY side of the business
  - How much time it will take to produce the product or supply the service
  - How many orders/customers can be served per day
  - Also includes the supply chain issues

# Overall strategy

- Corporate strategy
- Business strategy
- Operations strategy
  - Consistent with other functional areas
    - Marketing
    - Financial

# Competitive advantage from operations

- How will your business compete?
- What are the goals?
- Why is your product/service better than your competitors?
- What is your competitive edge?

# Drivers

- What drives your business?
- What do you do best?
  - Management team (experience)
  - Cost
  - Quality
  - Time to market
  - Availability
  - Flexibility
  - Creativity / degree of innovation

# Process

- Types of processes
  - Job shop (jumbled flow)
  - Assembly line (smooth flow)
  - Continuous flow
- Choose the right one!

# The basic transformation



# Product Process Matrix

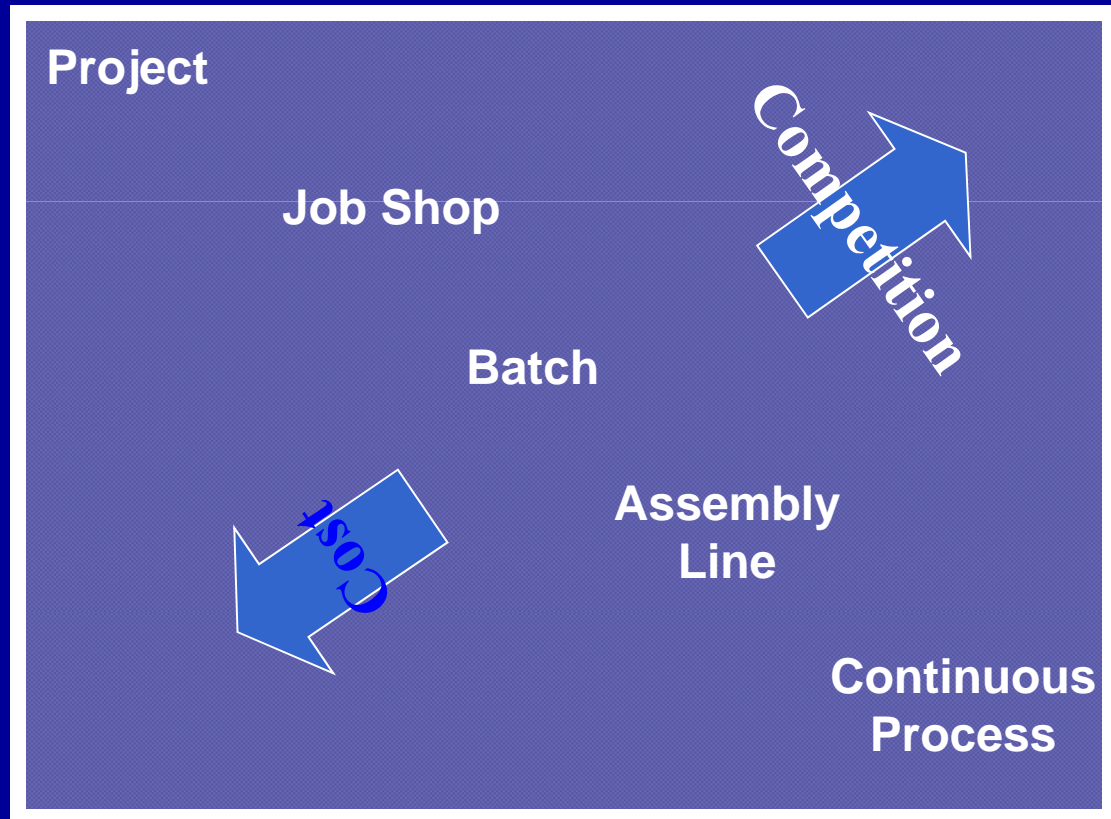
## Product Variety and Volume

Lo → Variety → Hi

Identified Process Pattern

No Flow  
 Jumbled Flow  
 Mixed with Dominant Flows  
 Line Flow  
 Continuous or Automated

Low Volume-Unique    Many Products-Low Volume    Several Products-High Volume    One Product-Very High Volume



Lo → Volume → Hi

# Product Process Matrix – Services Industry

	Low Volume, One of a Kind	Multiple Products, Low Volume	Few Major Products, Higher Volume	High Volume, High Standardization				
I. Job Shop	<pre>                     graph TD                         A[Five Star Restaurant] --&gt; B[Denny's Coffee Shop]                         B --&gt; C[Burger King]                         C --&gt; D[Krispy Kreme]                     </pre>				Flexibility (High) Unit Cost (High)			
II. Batch								
III. Assembly Line								
IV. Continuous Flow								
					Flexibility (Low) Unit Cost (Low)			

# Quantitative Operational Measures

- Cycle time
  - A customer is completed every 2 minutes
- Capacity
  - We can service 30 customers per hour
- Throughput time
  - We promise customers a delivery in 4 days
- Identify your bottleneck!

# Qualitative Operational Measures

- How difficult is it to execute production or service?
- Can the skills be taught / transferred?
- Is the operation reproducible?
  - How this affects growth
  - Possible franchise concept

# Supply Chain

- Identify your market / customer
- Identify your supplier(s)
- Identify your supplier's supplier(s)
  - Walmart's innovative approach

# Summary of Operational issues

- Supply side of the business
  - How the product is produced / service is supplied
- Competitive edge
  - Emphasize the management team
  - Chose a driver
- Type of process chosen
  - How it changes over time
- Quantitative measures
  - Cycle times / capacity / throughput time
- Qualitative measures
  - Level of difficulty in execution
- Must tie-in to corporate strategy
  - Gives reality to a creative concept

- GOOD LUCK!