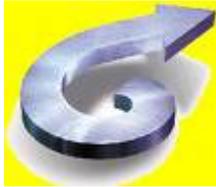


# Defining Business Operations Within The Organization

## ***Understanding Operations.***



Before we can effectively define the role of business operations within any well established organization we first need to understand what makes up the function.

While operations are generally well understood and structured in most large organizations, business operations in many small to medium sized companies tend to be less clear. It is not unusual to see functional lines or boundaries blur together, or; departmental responsibility and accountability shared by many people within one organization. Typically these people are referred to as “wearing several hats.” Why? “We’ve always done it that way” is usually the response. And yes the good news is that the job or tasks are likely to get done. But if these key responsibilities are not part of a well defined operational function, these important tasks are likely to take a back seat to equally important priorities attached to other functional areas throughout the company. And while many companies survive quite well this way, rapidly growing companies are apt to see key responsibilities, functions or controls fall through the cracks. Worse the cycle is likely to continue until, regrettably, something breaks in the system and finger start pointing.

## ***What is Operations?***

Ideally defined, business operations are first and foremost an oversight function that ensures all internal operating groups are:

- Integrated into the same business plan with well defined roles and responsibilities;
- Functioning together as one unit to ensure operational integrity relative to opportunity development, risk management, resource management and allocation, and overall best practices;

- Effectively communicating between other functional departments;
- Participating in the business planning and development strategy process;
- Operating within the parameters of an integrated budget, and;
- Adhering to all financial practices while following other established policy, procedures and controls.

In essence we are describing the glue that keeps the organization together. It is the proverbial oil that keeps all of the parts moving without grinding to a halt. It is part oversight and part insight. In the broadest sense it is a service function. However you define it, operations and operational issues are real and can not be ignored. And sharing them or redistributing them to a variety other functional areas for the sake of getting them done may not be the best approach.

## ***What is included?***

So far we have defined operations as a function or a “presence” that exists within the context of a dynamic and on-going business. But what belongs under operations? What responsibilities should be included under this functional umbrella? What do you expect operations to manage? The short answer is “it depends.” It depends on a number of different factors. First, how about the nature of the business? Is the business large or small? Is it a complex manufacturer with a significant supply chain component? Or, is it a pure service company focused on intellectual deliverables? Is a high degree of customer service vital to success? Does the business depend on a set of well defined and well executed “repeatable processes?” Is technology a key component to

the delivery process? Do the employees benefit under a traditional and structured organization or thrive in a more dynamic and matrixed approach? Do departments or other functional areas within the company run autonomous and independent of each other? These are just a few of the key considerations we should look at before we attempt to define or redefine the operational function.

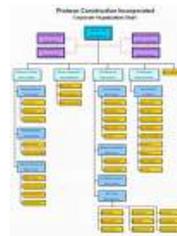
As you might expect, your answers to some of these questions will have a lot to do with how you organize or structure and operations function. But what kind of services or functions does an ops group really provide? What responsibilities do you grant to this group and what accountability do you expect in return? Well, here again, the answer depends. Initially, it may depend on your current inventory of human capital or accessibility to hands-on expertise. Identifying and securing an effective leader is certainly an important consideration as well. It may also depend on your overall roll out strategy for the group and how large (or small) a footprint you expect to create. And it will likely depend on what other functions or departments you might consider rolling up into a more unified, streamlined and efficient business operations group. Whatever the reasoning, here are just a few of the typical functions you might expect to see within a well established operational presence:

- Actively managing the planning and budget process by department and aggregating findings into a cohesive strategic plan;
- Providing highly effective tactical execution or program management for all major initiatives;
- Providing a bridge between strategic vision and operational readiness;
- Creating a balance between each operating groups to ensure maximum performance;
- Managing an effective communications process and building consensus;
- Implementing and managing key quality metrics and performance standards;
- Providing mentoring, coaching, tutoring, guidance and direction for senior level management;
- Managing a human capital plan that includes reliable succession planning;
- Business process re-engineering and auditing to ensure best practices across all departments;

- Managing overall costs and productivity consistent with financial objective;
- Providing oversight and guidance in all major third party alliance, including appropriate due diligence, and;
- Conducting contract reviews to ensure operational compliance.

These are just a few examples of the many functions that may typically be included in a well define and robust operations function.

## **Organizational Structure.**



I think most of us would agree that no two organizational structures are designed the same. That does not mean, however, that they are vastly different. But in general, they fall into some predictable format or “wiring diagram.”

Differences that can be identified are often slight. And they tend to be unique and tailored to the nature of the business, the culture of the people and often the temperament of the leadership. But in general they have a familiar hierarchical look.

So what is the best way to position operations within the organization? The answer again may surprise you but it depends on whether you started with a bottom up or a top down approach. What do I mean? Well, in many small to medium sized companies, companies that are successful, profitable and have been around for a number of years, the process of staffing has likely been an evolutionary one. That is, key employees who have been with the organization for years and years have either graduated, matured, or otherwise found themselves in a key leadership role. But upon further examination, you are likely to find that these expanded responsibilities may best reflect their tenure and loyalty rather than their ability and expertise.

Don't get me wrong. Many capable people are able to “grow” with the organization and distinguish themselves admirably throughout their career. That is the idea. But in many cases, however, the job has become too big for the individual and this uncomfortable inconsistency begins to have an adverse impact on the organization. The individual is always

trying their best but, in the long run, is only likely to achieve a mid level management position before aptitude becomes an issue and the demands of the business pass them by. In this instance, the individual is likely to have a limited number of direct reports while continuing to report directly to the President or CEO. This arrangement can easily shift routine operational responsibility to the senior executive and overburden what should ideally be a tight and manageable span of control.

Alternatively, depending on where the company is in its growth cycle, senior leadership may choose to go with a top down approach. By example, it is not unusual for a well funded start-up or early stage company to recruit a senior operations executive as part of the core leadership team. Similarly, companies experiencing rapid growth quickly realize that the number of operational issues they face on a day-to-day basis are simply overwhelming and well beyond what were initially anticipated. For them, establishing a strong operational infrastructure is key to future success. In this case, senior leadership is likely to define a new and more expanded operational role, recruiting seasoned talent from outside who, not only can assume the added responsibly, but who can bring best practice to the company as well.

### ***Its about Leadership.***



At the end of the day, success is usually about leadership. That is what you expect, and that is what you pay for at the senior ranks. C-level leaders are expected to be highly focused, accountable and resourceful individuals who can lead people and execute to plan. They are stewards, responsible for keeping the overall mission of the company firmly in sight for everyone to see. They are empowered to provide direction and oversight, assess and manage risk, and inspire critical thinking. “Operational leaders” bridge the gap between high level strategic planning and tactical implementation. With one foot rooted firmly in planning and the other in process, they skillfully anticipate how the next great strategy can impact real day-to-day issues. On the floor they are facilitators, but in the boardroom they are translators. And seasoned operational

executives can skillfully turn vague, dreamy long term ideas emanating from a boardroom into tangible and actionable marching orders for the team to embrace. They know their people; they understand the opportunity, and; they know what they have to do to get it done.

### ***Conclusions.***

So what can we take away from all of this? For one thing, one size does not fit all. Every company is uniquely different in many ways and building an effective operations group requires careful forethought and planning before you act. At the very least, you should be assessing or reassessing the demands on the business and the ability of the existing talent pool to live up to the challenge. From there, figuring out the right short and long term organizational structure is easier.

Next, we also know a well defined and appropriately empowered operations team can have a significant reach throughout the organization. As you begin to think through the process of restructuring, you are likely to realize just how much of the day-to-day business activities truly require operational oversight. We have not talked much about cost. But as you think about the possibility of adding more overhead, also consider what the cost of failure might be to the organization. At that point, adding incremental expense may be easier to rationalize.

And finally, when it is all said and done, it is still about leadership. Having the right leader in place is likely to produce dividends well beyond your expectations. A masterful operations executive can certainly control cost and manage performance. But they are also likely to see opportunity and exploit it quickly. Opportunity leveraging physical and intellectual capacity. Opportunity managing risks with greater reward. And opportunity breaking out of the mold and distinguishing the company from the rest of the pack.

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