



Operations, Business Performance, and Strategy Execution

The VECKER Institute has published white papers on good governance and risk, two topics that set the framework for business performance and strategy execution. We are now publishing white papers on three tangible areas – numbers, operations, and people – that together affect how well a business is able to carry out its plans, as well as sustain profitability, growth, satisfaction, and excellence. This white paper covers the second of the three areas: Operations.

What are Operations?

‘Operations’ refers to the functions the business carries out to meet its goals. Operations are identified and defined in the strategic planning process and cover strategic performance, asset management, and the whole range of activities involved in producing, selling, and supporting the business’s products and services. Numbers, or benchmarks, defined in the goal-setting process point to the type, scope, and breadth of the operations and measure the results of the various activities. The business’s people carry out the operations and work toward the benchmarks. Through these interactions, the operations, numbers, and people work together to meet the strategic goals and deliver top-level results.

Operations fall into two broad categories: strategy processes and execution processes.

Strategy processes cover developing the strategy, assessing and revising the strategy, and managing the business.

This white paper was written by Thomas Cowan and the thought leaders at the VECKER Institute, which provides business executives and Board members with the practical tools and applications they need to build great companies and to carry out effective governance of the business. We are interested in receiving your comments on this white paper and on the topic of good governance. Please contact us at: info@vecker.com.



Execution processes cover the actions taken to run the business to deliver the expected results. They include:

- Managing financial assets, including cash, cash flow, accounts payable, and accounts receivable
- Handling customers, including measuring customer satisfaction and profitability, and providing support and post-purchase services
- Pursuing prospective customers, including generating leads, carrying out sales activities, and building a pipeline of new customers
- Creating and managing products, including R&D, production, packaging, inventory, and distribution
- Managing people, including hiring, providing compensation and benefits, and putting together work teams
- Managing the infrastructure, including building and maintaining the workplace, buying and maintaining tools and equipment, and installing and maintaining needed systems and utilities
- Managing the product and company brands, including public relations and marketing activities

The structure and content of the processes will vary from business to business, depending on needs and goals, and management must make sure that the processes put into place can carry out the work and generate the desired results.

Operations in the Business

Strategic Planning. Because operations are functions related to the strategic use of resources, people, and processes, they must grow directly from the goals set and the needs identified in strategic planning. The decisions made by the planners set the business's outputs: products, services, financial results, levels of employee satisfaction and productivity, and so forth. The planners then make sure that operations are defined and developed to allow the business to generate these outputs and meet its goals. This includes deciding where operations need to be established, how the operations will be performed, and which people will perform them. The planners also set expectations – both qualitative and quantitative – for performance and results, and procedures for measuring operations against expectations.

Good Business Performance and Governance. Good business performance comes from smooth, effective functioning of all of its operations, as measured by meeting



benchmarks and the expectations of the business's people and stakeholders. The Board of Directors, executives, and managers make qualitative assessments of all of the operations which, along with comparisons of results against numerical benchmarks, determine whether the operations have been defined well and are on track to meet the strategic goals; or whether they need to be revised, rebuilt, or expanded. The operations must also meet government regulations covering workplace safety, health standards, and human resources requirements.

Risk Management. Operations are directly related to the business's internal risks. Faulty product design or manufacturing may create substantial liabilities. Bad financial management may close the business. Unsafe facilities, mismanaged human resources procedures, overstated sales claims, and poor customer service may lead to lawsuits and financial liability. Managing operations well is thus an essential part of managing the business's overall level of risk.

All of these roles depend on management systems that direct, monitor, and analyze operations; provide transparent looks at the information and data used to assess performance; and identify and monitor risks over time. The management systems must cover all aspects of operations, connect operations directly to the strategic goals, and capture the specific information to analyze the operations and processes in place.

Monitoring and Analyzing the Performance and Results of Operations

As the business carries out its operations and its people do their work, executives and managers monitor what is happening and make qualitative assessments of how well the business is functioning. They observe whether processes are functioning smoothly and people are performing well. They make sure that the operations do the work, the outputs meet quality standards, and the products are selling in their target markets.

Executives and managers also analyze the results of operations and compare them to the numerical benchmarks set in the strategic planning process. Are production goals being met? Sales targets reached? Productivity and profitability at acceptable levels? Human resources, equipment, and maintenance costs within budget? Are products and services generating interest in the marketplace? Is the business headed in the right direction?



The qualitative and quantitative assessments indicate where the business is functioning well, where operations must be improved or expanded, and where new operations need to be developed. If benchmarks are not being met, the business must figure out why not and make adjustments to get back on track. Because the business actually carries out its work and meets its purposes through its operations, it is essential for management to pay attention to the assessments and regularly compare results against expectations and goals.

Over time, as the business continues to review its performance and results, set new goals, drop old products and develop new ones, grow in size and reach and become more complex, it continues to build and refine its operations. The larger and more complex the business becomes, the more it needs to pay attention to the integration of its operations, the continuing effectiveness of its processes, and opportunities for streamlining and improving. The operations must always meet the strategic goals, and they must be regularly reviewed and assessed to make sure that they are still valid and appropriate. The business's management systems must provide the detailed, pertinent, and complete information and data that support these assessments.

A Management System that Monitors and Analyzes Operations for Effective Business Performance and Strategy Execution

The VECKER SX and Tagetik 3.0 Strategy Management—powered by VECKER—are tools used by business leaders to successfully execute their strategies, meet their goals, and manage risk. It is a proven strategy execution management methodology built into a customizable, technology-based operational management system that:

- Gives a transparent look at the key elements of a business – goals, numbers, risks, operations, and people – and the relationships among the elements
- Provides high-quality qualitative and quantitative operational data that help review and analyze those elements
- Identifies problems and risks in key areas as soon as they arise, and reports on those problems
- Covers a business's financial systems, processes, and activities
- Provides a consistent and repeatable framework for managing strategy execution, judgments, decision-making, and goal setting from the business unit to Board levels



- Evaluates the overall performance of the business
- Tracks business performance over time

This functionality gives the Board and executives the ability to look thoroughly and deeply at a business's operations, address risks and problems, improve operational processes, make informed decisions, and run the business efficiently and responsibly. The business is positioned to plan and execute effective strategies and to react to changes in the business environment. It is able to provide accurate pictures of business performance and the operating environment to stockholders and external entities. In other words, the VECKER SX and Tagetik 3.0 Strategy Management_{powered by VECKER} contribute to the success of the business – growth, profitability, satisfaction, and excellence.

Summary

Operations are the functions the business performs to meet the goals set in the strategic planning process. The operations are strategy processes, involved with developing, managing, assessing, and revising the strategy; or they are execution processes, involved with running the business, managing people, and carrying out activities to meet numerical benchmarks and targets. The business's management systems must direct, track, and analyze operations; generate the information to make qualitative assessments of performance; and capture the numerical data that will be used to compare results against benchmarks. The VECKER SX and Tagetik 3.0 Strategy Management_{powered by VECKER} are tools that provide this functionality and can be used by executives and the Board to sustain profitability, growth, satisfaction, and excellence of the business.