

It's the way we do things around here . . .

*How any organization can leverage
the systems approach*

*A presentation to the
Hinsdale-Oak Brook Rotary Club*

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Our Agenda Today

- What is a system and what is the systems approach
- How can the systems approach help you and your business
- What does systemization look like
- What steps can you take to systemize your business

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The Common Misconception

- If I were to routinely ask a roomful of business people if they used a system in their business operations, many would likely respond with something like: *'Yes we use QuickBooks (or any other similar product)'*
 - *However, they would only be partially correct – why?*

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The Common Misconception

- We routinely use the word 'system' when referring to a 'computer' or to 'computer software'
 - However, a computer or the software they run, are simply parts of a much larger infrastructure that comprises an organization's total **business operating system**
- So the more important question becomes ***what is a business operating system?***
 - *And that's the question we'll answer here today!*

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The Way We Do Things Around Here

- A system – for lack of a formal definition – can be described as *the way we do things around here*
- However, incomplete or informal it may be, *every business has a business operating system of some kind or another*
- Be it formal or informal, the business operating system represents an understanding of *how the business does business – how the business wants things done*

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Where's Your Business Knowledge?

- Some businesses have taken steps to formalize and document their business operating system knowledge in a way that make this information easily accessible to everyone who needs it . . . *but*
- Often times informal business operating systems are locked away in the heads of one, or a few key people in the business ***and that's a problem!***

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Why Systems Aren't Formalized

- If a formalized business operating system can be so beneficial, why don't more businesses have them?
 - *The typical response is 'we're too busy around here to take the time needed to document our business processes'*
- If you're that busy, perhaps this is itself a sign that it's time to systemize your business

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The Case Against Informal Systems

- While *informal systems* or ways of doing business, shared by word of mouth, do in fact work, they *will take a business only so far*
- Informal systems limit business growth and set a stage where chaos, inconsistency and problems take over as the way things are done
- Businesses should be organized formally around functions and tasks, not informally around people
- *Businesses without formal systems in place aren't likely to survive the death or incapacity of the owner/operator*

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Systems Thinking

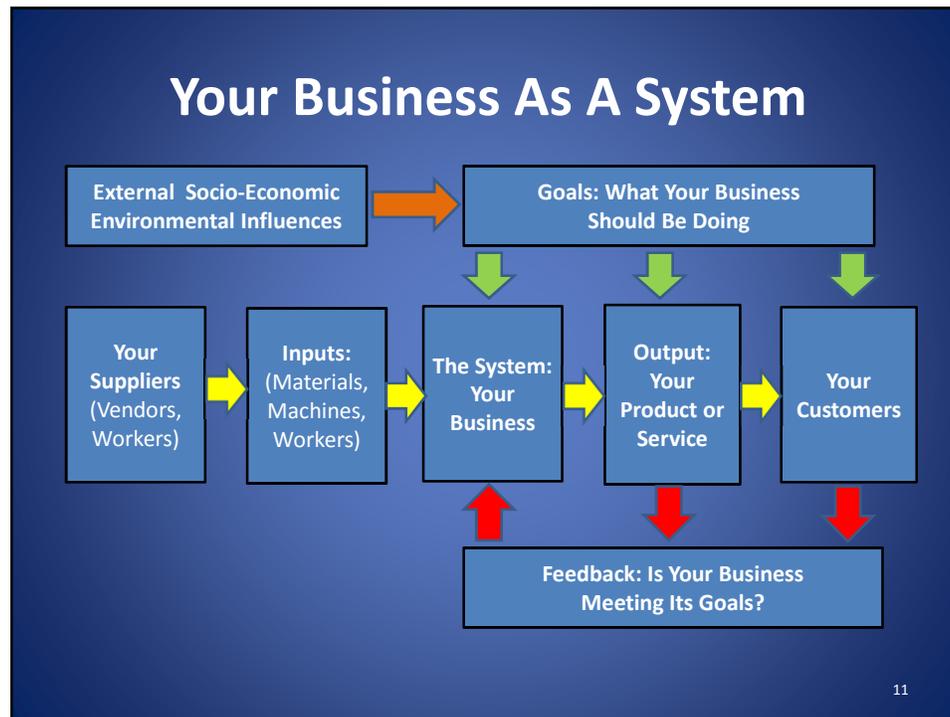
- **Systems thinking** is the best way to understand how something – anything works (including computers and businesses)
- Using systems thinking , *we seek to understand how something works in a natural, simpler, and more holistic way, mostly by asking how, why, when, where and by whom*
- It's important to understand that every business is itself a self-contained system that must function within the context of a much wider system, the socio-economic environment

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Your Business Systems Environment



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What Is A Business Operating System

- A business operating system:
 - Is a method of organizing or doing things
 - Represents the established or correct way of doing things – AKA ‘The way we do things around here’
 - Is comprised of multiple, detailed processes where every step of the process is pre-defined and the person (or computer) performing those processes performs each step, the same way, every time the process is executed

What A Business System Does

The purpose of a business operating system is to insure that your organization has *the right person, doing the right thing, the right way, at the right time!*

John Tonkin

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Business Operating System Benefits

- Effective business operating systems *can make a real impact* on business profitability and productivity *in every kind of business*
- Effective business operating systems promise:
 - A better way of doing things
 - A clear path forward
 - Deliberate versus random action
 - Predictable results
 - Repeatable success
 - Reduced direct owner/operator involvement in the day-to-day operations of the business

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Business Systemization

- There is a no more fitting location for a presentation on business systemization than at McDonalds corporate – *business operating systems are an important part of the success enjoyed by McDonalds and virtually all other franchised businesses*



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When To Systemize

- When do you need to take a more formalized approach to conducting business?
 - Your business has employees
 - Employees are frequently having to re-do tasks
 - Employees are making costly or unnecessary mistakes
 - Employees are providing inconsistent levels of customer service
 - Employees don't know the policies, processes and procedures involved in your business
 - Employees are exhibiting high levels of frustration, stress, low morale or your business is experiencing high staff turnover
 - Your business is turning away customers
 - Your business is chasing away customers
 - *You're a not dairy farmer, but your business is your life 24/7/365!*

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Why Systemize

- Systemization can bring about consistency and reliability to any organization
- Perhaps nowhere is this more important than with customer experiences
 - *We need to know that our customers will receive the full value of the service or product they are paying us for, every time they do business with us*

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Why Systemize

- Having effective business operating systems is the best and most practical way of effectively managing the most important details of your business
- It is much easier to manage processes and lead people than it is to just manage people

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Why Systemize

- Today's small-business owners must accomplish the seemingly impossible:
 - They must squeeze out every possible defect and delay from their business operations;
 - They must execute with consistency and exactness;
 - Every part of their business *must be systemized to reduce costs and to eliminate customer dissatisfaction*

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Why Systemize

- Good business operating systems can help you:
 - **Get Organized:** Replace chaos with a systemized and smooth-running business operation
 - **Solve Problems:** Build business systems that eliminate daily frustrations and indecisiveness
 - **Delight Customers:** Exceed expectations in every customer contact situation
 - **Raise Productivity:** Develop a culture of discipline and excellence amongst your staff
 - **Slash Costs:** Reduce mistakes, waste, inefficiency and rework throughout your business by using standardized business practices

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Do Systems Work?

The E-Myth, a book by Michael Gerber, with its concept of having business processes that are written out, changed my whole outlook on running a business. *And it was a key ingredient in my building a successful retail heating and air conditioning company.*

*Peter Hungate, Owner, Pacific Air Systems,
Tacoma, Washington*

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What To Expect

- After successfully implementing a formalized business operating system in your business, you should expect to see some or all of the following results:
 - Improved consistency, reduced errors and less waste
 - Happier customers
 - Improved productivity
 - Reduced confusion, less stress, improved morale and a more positive attitude exhibited by your employees
 - Less reliance on 'key people'
 - More confidence in your overall employee team
 - More effective training and greater staffing flexibility
 - Annual vacations, holidays and shorter workdays for you, the business owner!

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The Operations Manual

- At the core of the business operating system is the **Operations Manual**
- The Operations Manual is an invaluable asset to any business
- The Operations Manual functions as both *a training guide and as a reference manual to how everything in your business works*

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The Operations Manual

- For training purposes the Operations Manual can be used:
 - As the means for training new employees in the right way to do things every time
 - As a means for cross-training existing employees allowing current employees to take on additional responsibilities
 - As a ready reference for completing infrequently performed tasks in a pre-established manner every time

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The Operations Manual

- What's more If you want to sell your business, being able to show your buyer that every process in your business is documented and standardized shows that your business exists outside of your head and that it *can actually operate without you!*

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The Operations Manual

- An effective business operating system must ***make it easy for your team to do the right thing, the right way, every time!***
- What does the Operations Manual contain?
 - Every step, every variance, every person, system or piece of paper involved in any given process within the business is documented in the operations manual

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The Four P's

Policies	The guiding principles of how you do business
Processes	The steps needed to complete a all or parts of a business transaction
Procedures	A step-by-step guide on how to complete each task within a business process
Props (Tools)	The documents, checklists, job aides, signs, labels, computer software and physical items, such as machines and tools, needed to complete each step in a given business process

An operations manual should formally describe these business information elements

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The S-I-P-O-C Model



SIPOC (suppliers, inputs, process, outputs, customers) is an excellent tool for documenting business process from beginning to end

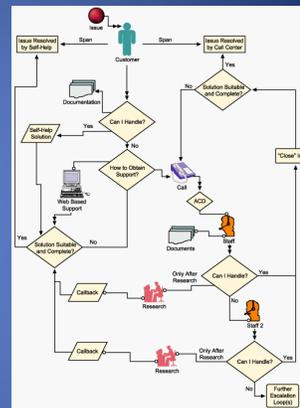
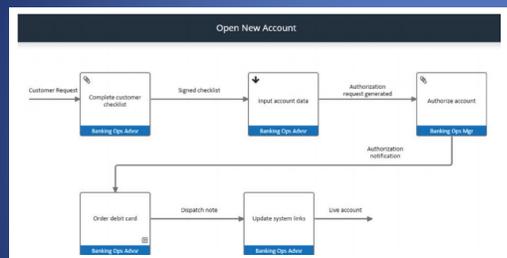
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The Play Script Procedure Format

Role	Step	Action
Team member	1	DO this.
	2	DO this.
Supervisor	3	DO this.
Team member	4	DO this.
	5	DO this.
	6	DO this.
Supervisor	7	DO this.
HR	8	DO this.

Created by Screen Writer Leslie Mathias for writing wartime training manuals, the Play Script Procedure format has been a world standard for over sixty years. It is both simple – with only a subject and verb – and action-oriented, identifying the actor(role) and the action they are to take.

Visual Models



A picture can be worth a 1000 words: Flow diagrams are often for both understanding and documenting business processes

Checklists

A CHECKLIST FOR CHECKLISTS		
DEVELOPMENT	DRAFTING	VALIDATION
<input type="checkbox"/> Do you have clear, concise objectives for your checklist? IS EACH ITEM: <input type="checkbox"/> A critical safety step and in great danger of being missed? <input type="checkbox"/> Not adequately checked by other mechanisms? <input type="checkbox"/> Actionable, with a specific response required for each item? <input type="checkbox"/> Designed to be read aloud as a verbal check? <input type="checkbox"/> One that can be affected by the use of a checklist? HAVE YOU CONSIDERED: <input type="checkbox"/> Adding items that will improve communication among team members? <input type="checkbox"/> Involving all members of the team in the checklist creation process?	DOES THE CHECKLIST: <input type="checkbox"/> Utilize natural breaks in workflow (pause points)? <input type="checkbox"/> Use simple sentence structure and basic language? <input type="checkbox"/> Have a title that reflects its objectives? <input type="checkbox"/> Have a simple, uncluttered, and logical format? <input type="checkbox"/> Fit on one page? <input type="checkbox"/> Minimize the use of color? IS THE FONT: <input type="checkbox"/> Sans serif? <input type="checkbox"/> Upper and lowercase text? <input type="checkbox"/> Large enough to be read easily? <input type="checkbox"/> Dark on a light background? <input type="checkbox"/> Are there fewer than 10 items per pause point? <input type="checkbox"/> Is the date of creation (or revision) clearly marked?	HAVE YOU: <input type="checkbox"/> Trialed the checklist with front-line users (either in a real or simulated situation)? <input type="checkbox"/> Modified the checklist in response to repeated trials? DOES THE CHECKLIST: <input type="checkbox"/> Fit the flow of work? <input type="checkbox"/> Detect errors at a time when they can still be corrected? <input type="checkbox"/> Work easily enough that it can be completed in a reasonably brief period of time? <input type="checkbox"/> Have a timetable for future review and revision of the checklist?

Checklists can be an effective job-aid; Ask any pilot

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Design for Usability

- Systems must be well-designed for the people who will use them on a daily basis
- Systems must be mistake-proof; make your step-by-step procedures 'cake-box simple'
- Systems must provide feedback on how well they are working
- Systems must include safeguards to stop them from spiraling out of control, or being gamed
- Systems aren't foolproof; trust them, but verify their results on an ongoing basis

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The USA Principle

- Developing a formal business operating system is demanding in terms of both time and effort
- If you're serious about formalizing your business operating system (and you should be) you need a plan to get you there
- Although original a process improvement and re-engineering strategy, **The USA Principle** is equally applicable to systemization projects

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Understand

- Before you can change or improve anything about your business you must understand your business in its entirety
- This requires that all of the processes must be fully described in detail about the tasks that make up the process
- *This is, by far, the most important and time-consuming step in the systemization process!*

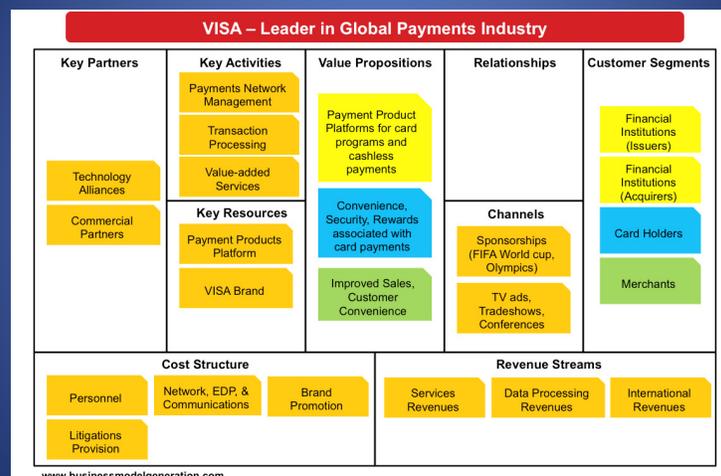
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Where Do You Start?

- **Begin by documenting your business model**, describe what it is that your business does
- **Next, document your vision, values and goals** for the business
- Now, **beginning with big picture, document process-by-process, how your business does business**
- Next, identify both key and problematic areas in your current business operations, consider
 - The key revenue generating activities in your business
 - Any bottlenecks that are occurring in your business
 - *You'll want to work at a detail level on these processes first*

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Business Model Canvas–Visa Example



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From High Level to Detailed Steps

- By mapping out all of your processes you will be able to visually identify all of the steps necessary to complete any given business process or transaction
- Once processes are mapped, you can then dig deeper, asking tough questions about what works, what doesn't, what to improve, what to build upon Then, you can focus on writing procedures, capturing the detail that will lead to consistency and reliability – no matter who performs the process

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Simplify

- Once a task is fully understood and documented, it's always a good idea to seek out and consider ways that any given process can be improved
- This can take on several forms, including eliminate the process altogether, simplifying the process by eliminating steps and by mistake-proofing the process steps that must remain
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When Building Systems . . .

- It's important that when codifying or standardizing processes, to insure that the people performing them *have limited or no scope to deviate from the defined processes or "forget"*
- Arguably, using a piece of software to manage or perform a processing step is always preferable to a person doing so – why?
 - *Software does not get sick, does not forget, can't be distracted, does not find short cuts, or makes attempts to game or work around the system*

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Automate

- Once a process is fully understood and simplified or improved, it is then – and only then – a candidate for automation
 - What kinds of processing task can (or should be automated)?
 - High volume, highly repetitive and certain low value tasks are ripe for automating
 - Remember, automate only what can and should be automated
 - Low volume, infrequently performed tasks are typically not automation candidates
 - High value (high touch) tasks are typically not automated, however the workflow steps leading to their completion may benefit from automation

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Deploying Your System

- The best way to assemble and distribute the business knowledge that forms your Business Operating System and resides in your Business Operations Manual – is through the use of a computers
- The hard part of systemizing your business is initially collecting and documenting everything about your business
- All of this hard work will be easier to revisit and change – as your business changes – if you use a computer to create, store and distribute your Operations Manual

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Deploying Your System

- There are many tools available for creating the content of your Operations Manual
 - Sometimes the simplest tools are the best
 - You may already have one: Microsoft Office
 - Workflow Designer is also an excellent tool and it's free
- Distributing your Operations Manual
 - Hardcopy is good, electronic is better
 - The simplest way is a shared folder containing PDF version of each chapter or section of the Operations Manual

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Wrap-Up

- Systemizing your business insures that you have *the right person, doing the right thing, the right way, at the right time!*
- Systemizing your business means that you as the owner/operator can *spend less time working in the business* and focus more of your time *working on the business*

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- **Bob is a Business Management Consultant, Twice-Published Author, and College Educator with *over Thirty Years of Hands-On, Professional and Managerial Experience*, including stints in the Construction Trades, Financial Services, Retailing, Distribution, Manufacturing and Professional Services**
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