

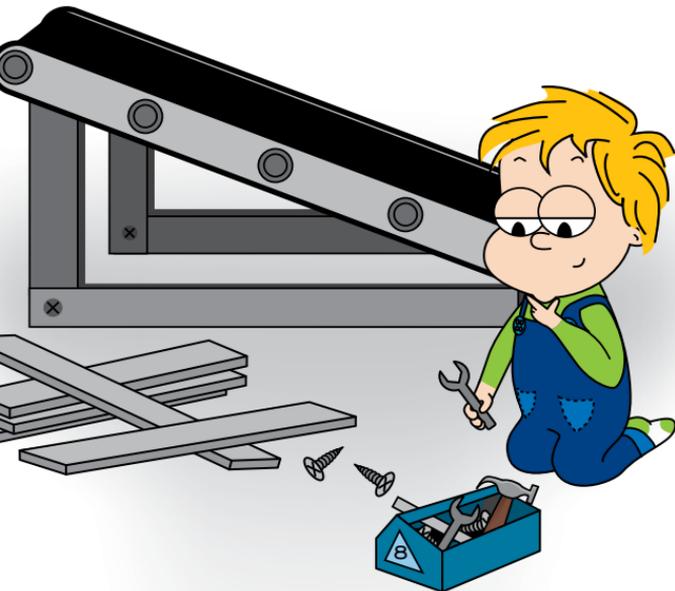
# TRUTH 8

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## About Operations

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Do more of what works, and  
less of what doesn't work



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## How do we best produce our 'stuff'?

*Find the smallest difference that makes a difference*

Operations is all about processes, systems and procedures. Whole libraries have been written on these topics, and many of the great universities in the world devote significant resources to this field in their MBA programs. Some of the big-name topics of the field are 'Continuous Improvement', 'Quality Assurance Systems', 'Just in Time', 'Six Sigma', 'Six Disciplines' and 'Lean Manufacturing'. There are whole sections of bookshops dedicated to doing business the 'McDonald's Way', the 'Toyota Way', the 'Jack Welch Way' or the 'Ryan Air Way'.

It is undeniably true that the principles of 'Continuous Improvement' and its many brethren are powerful. Implementing them properly and appropriately in any business can deliver a great return on investment.

In small businesses, however, we have limited scope to apply the methodologies in full. Often the cost of engaging specialist consultants to help with developing such systems can be prohibitive.

**To create a Healthy Bouncy Business, we must therefore learn how to implement the essence of operations improvement ourselves to gain the benefits and stay ahead of the pack.**

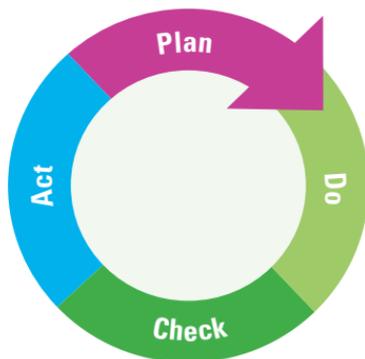
The saying "do more of what works, and less of what doesn't work" reflects this essence. To be able to do more of what

works and less of what doesn't, we have to investigate what actually does work and what does not. In order to do that we must measure our operations in our business.

For example, if we want to deliver more pizzas each day without increasing our delivery cost, we might measure the number of deliveries each delivery person makes per day and find out where the variances are. Once we know who delivers most pizzas per day, we can set out to discover what this person does different to the other drivers. We can then train the other drivers what to do to improve their delivery numbers.

The process must always start with measurement. Once the measurement has been carried out we can start to figure out what does and doesn't work, and begin to do more of what works - and less of what doesn't.

### *The continuous improvement cycle*



*This is the famous Plan, Do, Check, Act Cycle that Toyota, for example, used to become a number one in the world.*

*Plan to do something, do it, check what worked. Then do more of what worked - and less of what didn't.*

## Matt's Bedtime Story

Once upon a time a long, long time ago in a land not unlike Australia... I worked with a small business owner called Matt, who owned a corporate video production company. A great deal of the work and cost in video production is incurred in cutting and editing, turning the raw footage from a number of cameras into one ten-minute video. Matt employed several editors and camera operators to do most of the work under his supervision.

A major source of frustration for Matt were cost and time over-runs. Some jobs would be delivered on time and with profit left for Matt, and some videos just wouldn't. Matt had looked at how he calculated his estimates. He had looked at production costs, his staff, types of clients, and projects - but nowhere could he identify anything that pointed at the problem.

When we started working together, this issue was giving Matt sleepless nights and he felt that running his business was like being dependent on the horse races for his financial security.

Given everything Matt had already looked at, I suggested we start from scratch. We decided to do some really basic measurement of the steps that were being taken in the process: from obtaining a brief from a client, through quoting and writing the scripts, to shooting and editing. Effectively, Matt stepped back and became the observer with a clipboard. He followed himself and his staff through all the operations and steps in the processes. For a whole week he made notes at ten minute intervals.

Suddenly, something started to become clear from his observations. The jobs that lost money had significantly less time spent on talking to the clients at the initial inquiry stage, quoting, writing the script and briefing the staff. In other words, the jobs that ran over time and over budget were rush-jobs. And because of the client's hurry, some of the standard checks and specifications would be passed over.

From that discovery it became obvious what needed to happen. Matt implemented a range of solutions to the problem, including raising his prices for rush-jobs and turning down some of those jobs. He identified which of the standard checks and specifications were critical in the process and could never be passed over. Six months later, Matt was sleeping well.

And Matt lived happily ever after...

# Next Steps

1. List all the aspects of your business (marketing, operations, sales, customers, etc.).
2. List three main actions/tasks in each area (answering the phone, number of new leads followed up, responding to emails, sending out invoices, scheduling jobs, etc.).
3. Think of a way to measure the outcome of each of those operations.
4. Think of a way to improve the operation, using the measurements.

# Resources

- *The Ten Truths* Website: [www.thetentruths.com.au/resources/operations/](http://www.thetentruths.com.au/resources/operations/)
- Article - Roland Hanekroot: The world's greatest business tool revealed [www.thetentruths.com.au/Downloads/Greatest-Business-tool.pdf](http://www.thetentruths.com.au/Downloads/Greatest-Business-tool.pdf)
- Website - The Process Ninja: [www.theprocessninja.com/](http://www.theprocessninja.com/)
- Book – Michael Gerber, “The E-Myth revisited” on Amazon: [www.amazon.com/E-Myth-Revisited-Small-Businesses-About/dp/0887307280/ref=sr\\_1\\_1?s=books&ie=UTF8&qid=1286767103&sr=1-1](http://www.amazon.com/E-Myth-Revisited-Small-Businesses-About/dp/0887307280/ref=sr_1_1?s=books&ie=UTF8&qid=1286767103&sr=1-1)
- Book – Chip Heath and Dan Heath, “Switch, How to change when change is hard” [www.heathbrothers.com/switch/](http://www.heathbrothers.com/switch/)



# Remember

Measuring doesn't have to be really complicated, and it doesn't need to be scientifically perfect.

What matters is that you measure the differences between yesterday and today, the relative differences not the absolute ones

(see also Truth 3, About keeping your Finger on the Pulse).

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