**Business Operations Exercises TEACHER GUIDE**

(Updated: May 7, 2017)

For Discussion Questions see bottom of page 1 and page 2, Resource 24-28

**Discussion Questions**

Please be prepared to provide written responses and/or discuss the following questions:

1. What are critical ways Human Resources (HR) helps new ventures and small businesses succeed?

Identifying, hiring and retaining top talent is the most important.

1. What are critical ways Finance and Accounting (A&F) helps new ventures and small businesses succeed?

Timely and accurate reports on financial performance and financial condition, along with error-free "compliance activities" (which means, for example, paying taxes on time) and helpful recommendations to functional leaders on how they can use financial resources efficiently.

1. What are examples of how a Customer Service rep can turn an angry customer into a loyal customer?

Students should be able to address this from their own experience. The key is mentioning that front-line employees should be empowered by entrepreneurs and small business owners to address customer service as long as they operate within budgeted cost levels.

The key: helping solve the customer's problem, rather than prolonging / expanding the disagreement.

Example: someone is unhappy with the way their meal is prepared - provide a replacement meal instead of arguing that the food is just fine.

1. Why are information technologies more important to state-ups and small businesses than ever before?

Information technologies are more capable than ever. Customers can go online to order products, make payments, inquire about shipment status, etc. etc. Information technologies now also enable employees to interact with their companies in more efficient ways (like online training or online benefits system portals, etc.)

*The functionality of information technologies now has an impact on every enterprise of every size.*

It's unreasonable to expect a small business to compete without being able to utilize information technologies in ways that competitors are using them.

Entrepreneurs and small business leaders need to learn about how their enterprises can use information technologies - or hire young employees and/or consultants to help them - to be competitive.

**Short Essays**

1. If you were an entrepreneur, which functional leader do you think would be the most important for the success of your start-up? Why?

There are obviously a range of acceptable answers here. The key: students should relate their answers to the critical ways that a functional leader can help the enterprise succeed.

1. Who should the leader of the Customer Service function report to? The Marketing and Sales leader? The Operations leader? The Finance & Accounting leader? Someone else? Why?

Again, there are a range of acceptable answers (including the recommendation that Customer Service should report to the CEO / entrepreneur / small business leader). Students should relate their reason why to the purpose of each function.

Examples: if the student recommends that Customer Service report to Marketing and Sales, then the justification they offer should indicate how effective Customer Service can build revenues through customer satisfaction, customer referrals to new customers and marketing campaigns that provide offers to loyal customers.

Customer Service should report to Operations if the organization wants the closest connection between customer feedback and their production of goods or services. This would be the best approach if the company wanted to make sure that the "customer voice" was driving the production and evolution of product / service features.

Customer Service should report to F&A if the goal is to minimize costs.

1. Select from the list below (right column of the table) the function you think is the most important for a new venture's future success. Indicate why you believe this is true. As with question 1, a range of answers are acceptable here, as long as they relate to the critical ways that a functional leader can help the enterprise succeed.

|  |  |
| --- | --- |
| Ability to grow revenues | **Marketing** |
| **Sales** |
| **Customer Service** |
| Ability to improve operating efficiencies | **Operations** |
| **Technology** |
| Ability to enhance financial and administrative efficiencies | **Accounting** |
| **Finance** |
| **Administration** |

**Match Concepts**

Please match the concepts below with the appropriate explanation.

|  |  |  |  |
| --- | --- | --- | --- |
| **Concept** | | **Explanation** | |
| 1 | Supply Chain | a | Cajun Coastal Restoration has been profitable for eight consecutive quarters. The Board has informed the entrepreneur that he can fill the three open vice president positions to keep the company growing. |
| 2 | "Make or Buy" | b | "I've decided to provide Cajun Coastal Restoration with the no-bid contract. They have capabilities no other firm has - at least as far as I know - and they can get started right away, which is critical if we're going to keep this project on schedule." |
| 3 | Growth Milestones | c | The decision for the entrepreneur to hire a Marketing and Sales Executive Vice President. Up until now the entrepreneur has done everything herself. But she's a technology person, and the company has grown to the point now where it needs an expert to start competing against bigger competitors. |
| 4 | Sole Source | d | "When revenues hit $10 million our investors have promised to invest another $3 million in equity to help us build a new store in our first expansion market." |
| 5 | Sustainability | e | For the cosmetology salon the hair products vendor, the fixture supplier and the payroll service. |
| 6 | Delegation | f | Cajun Coastal Restoration wants to offer its service to customers in Europe. They can either purchase a local company with operations in Germany and France to create this new division, or they can send over a team of their best people to start-up this new division. |

**1 - e; 2 - f; 3 - d; 4 - b; 5 - a; 6 - c**

**Role Play 1**

You're the Human Resources leader of a technology start-up that creates new apps. The apps your company specializes in help consumers seek "the best deals" (like the best airfare, the best restaurant in town, the best dentist, etc.).

Your entrepreneur has just asked you to make recommendations on how the company can hire new programmers to increase the number of apps you offer, while adding upgrades and features to your current apps more frequently.

Your current programming team is one team leader and four programmers, as well as some interns from the local technical college. To accomplish the goals established by your entrepreneur, you feel you'll at least have to double this team (two team leaders, maybe eight or even ten programmers).

An actual business leader will play the role of the entrepreneur. You'll play the role of the HR team leader. Be prepared to discuss the following with your entrepreneur:

1. How are you going to find candidates for these positions (both programmers and the new team leader)?

Appropriate answers would be: 1) referrals from current employees; 2) recruiting from competitors; 3) hiring interns for full-time positions; 4) online recruiting sites.

1. What forms of compensation and/or benefits do you think will be most likely to attract the best candidates?

These employees would likely want: 1) attractive salaries; 2) attractive benefits (like flexible hours, flexible dress code, lots of vacation); and 3) bonuses / profit sharing. The topic of equity or stock options might also come up - you can hold this discussion if you'd like.

1. If you pay signing bonuses to new programmers, does this mean you'd have to pay the same bonuses to your current programmers (even if this puts you over budget)?

Both "Yes" and "No" would be appropriate here.

**Role Play 2**

You're the Customer Service leader of this technology start-up. Your entrepreneur wants to learn what you're going to do keep customers happy and loyal.

An actual business leader will play the role of the entrepreneur. You'll play the role of the Customer Service team leader.

You have to decide between: a) hiring employees to serve as your Customer Service reps; b) outsourcing your Customer Service function to a third party that works with other technology start-ups?

It would be more expensive to hire / train / retain your own employees, and your company has no experience with customer service. Then again, you're reluctant to trust something as important as customer service to a vendor.

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| --- | --- |
| **Hire Customer Service Reps** | **Use an Outside Customer Service Vendor** |
| * Estimate needing three customer service reps for 12 hours a day. Together these reps will be able to handle 2,000 customer interactions per week. You expect 1,500 interactions this year, 2,000 interactions next year * Estimated salary for these reps: $40,000 each to start, raises of up to 20% each year. Benefits cost an extra 50% for each new hire * If the company expands according to plan, you estimate that after two years there will be around 4,000 customer interactions per week. You'll need to hire three more reps and a team leader. The team leader will earn $65,000. * Customer service reps will take up office space and equipment that will cost $8,000 per year each * Since these are your reps, you'll be able to customize their training to your apps. They will be among the greatest experts available | * The vendor with the highest quality ranking - a large company that has been helping tech start-ups for over ten years - will provide 24 hour customer service coverage, handling an unlimited number of customer interactions * The vendor requires a one-time $25,000 charge to train their reps * The vendor will charge you $125 per customer interaction, guaranteeing that price will stay fixed for two years, then increasing to $135 per customer interaction in year 3 * The vendor also provides two meetings a year where you and your entrepreneur can provide them with feedback on their performance * You contacted three other companies that use this vendor. Two gave highly-enthusiastic recommendations. The other said they were "OK," and that at times their service reps weren't trained on their product |

Be prepared to discuss the following with your entrepreneur:

1. Will you recommend hiring Customer Service employees or using the outside vendor? Why?
2. What are the risks and benefits associated with each option?

The table below shows a brief cost comparison between the two options.

While there is no right answer

Hiring Reps: positives include:

* more control over quality,
* greater ability to use Customer Service as a marketing / growth tool;

downside includes:

* the risk that you can find, train and retain effective team members
* reps won't provide 24 hour coverage.

Using Outside Vendor: positives include:

* variable cost in case forecast of customer interactions is inaccuarate,
* 24 hour coverage immediately, unlimited coverage immediately
* able to scale more quickly,
* can learn from the vendor's experience with other companies;

downside includes

* the risk that the contractor personnel won't be knowledgeable about your company / products.
* higher costs in the early years when money is tight

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| --- | --- | --- | --- |
| Hire Customer Service Reps Solution |  |  |  |
|  | Year 1 | Year 2 | Year 3 |
| First 3 Reps | $180,000 | $216,000 | $259,200 |
| Second 3 Reps |  |  | $259,200 |
| New Team Leader |  |  | $97,500 |
| Office Space | $8,000 | $8,000 | $8,000 |
| Total Customer Service Cost | $188,000 | $224,000 | $623,900 |
|  |  |  |  |
| Use Outside Vendor Solution |  |  |  |
| One-Time Cost | $25,000 |  |  |
| Interactions | 1,500 | 2,000 | 4,000 |
| Cost per interaction | $125.00 | $125.00 | $135.00 |
| Interaction Costs | $187,500 | $250,000 | $540,000 |
| Total Customer Service Cost | $212,500 | $250,000 | $540,000 |