

Presentation on

Corporate Management System For Small & Medium Enterprises

Why Manage Businesses formally? Why not Traditionally?

- Comfort points in Traditional management system
 - Personal satisfaction
 - Ethnic thinking
 - Person loyalty based controls
 - Presumably high command control
- Issues in Traditional management system
 - Lack of transparency
 - Single point failure – person dependency
 - Reactive management and not pro-active management
 - Lack of data based decision making
 - Blind to risk management
 - Inability to compete with new kinds of competitors
 - Lack of adaptation to new thought processes
 - Lack of continuous monitoring & review

Robust Growth Story

- Growth should be by *conscious strategy* and measured efforts, working towards a *business plan* and not a spontaneous growth due to various extraneous factors.
- Successful companies have become so not because they have **GREAT IDEAS** but because of their **GREAT IMPLEMENTATION** abilities!
- Bottomline Focus Vs Topline Focus!

Management System & Leadership

- A **management system** is the framework of *processes and procedures* used to ensure that an organization can fulfill all tasks required to achieve its objectives.
- Essentially, *leadership* is the art and science of making things happen.
- Needless to say, management system should be **TOP DRIVEN**.

Organisational Objectives

- Management Objectives
 - Vision & Mission
 - Business Plan
- Stakeholders Interest
- Statutory requirements
- Listed company requirements
 - Corporate Governance
 - Risk Management

Corporate Governance – FOUR PILLARS

- **Corporate governance** broadly refers to the *mechanisms, processes and relations* by which corporations are *controlled and directed*.

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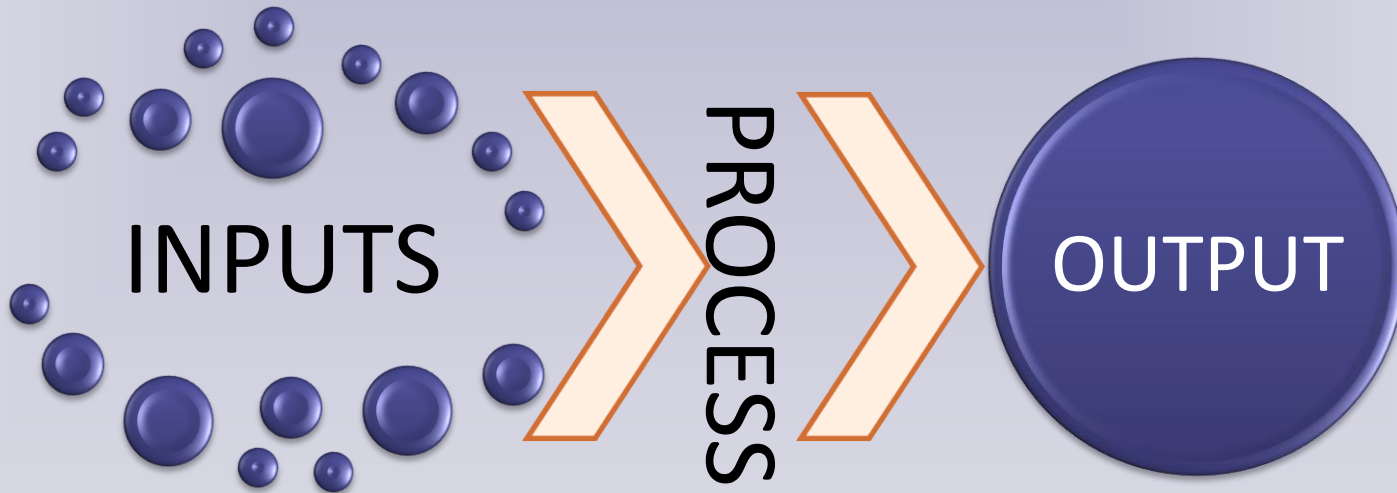
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Process Approach

- The *process approach* is a management strategy. When managers use a *process approach*, it means that they manage the processes that make up their organization, the *interaction* between these processes, and the *inputs and outputs* that glue these processes together.



Address the Process Not the Result!

Effectiveness & Efficiency

- Often, organisations focus on results too much and leaving the processes to be handled by the people who do not either have the capability or direction. As a result of that, most likely, the results may not be achieved.
- It is important to focus on *creating* processes, *strengthening* them, *reviewing and monitoring* them so that the business results will be automatic.
- The core function of any HOD is to ensure that the processes are *effective and efficient*.

Business Processes/functions

- Marketing & Sales
- Supply Chain Management
- Information Technology & Systems
- Human Resources & Administration
- Finance & Accounts

Process level strategy

- Each of the business processes need to have a clearly *documented strategy* for their respective functions and this should be in alignment to the *Vision and business plan* of the organisation.
- If there is any mis-alignment between these functional strategies, naturally the *speed* of the organisation will be hampered.
- Having these documented strategies will also help in *reviewing* them at a future date when the circumstances would have changed and would necessitate alternate strategies.

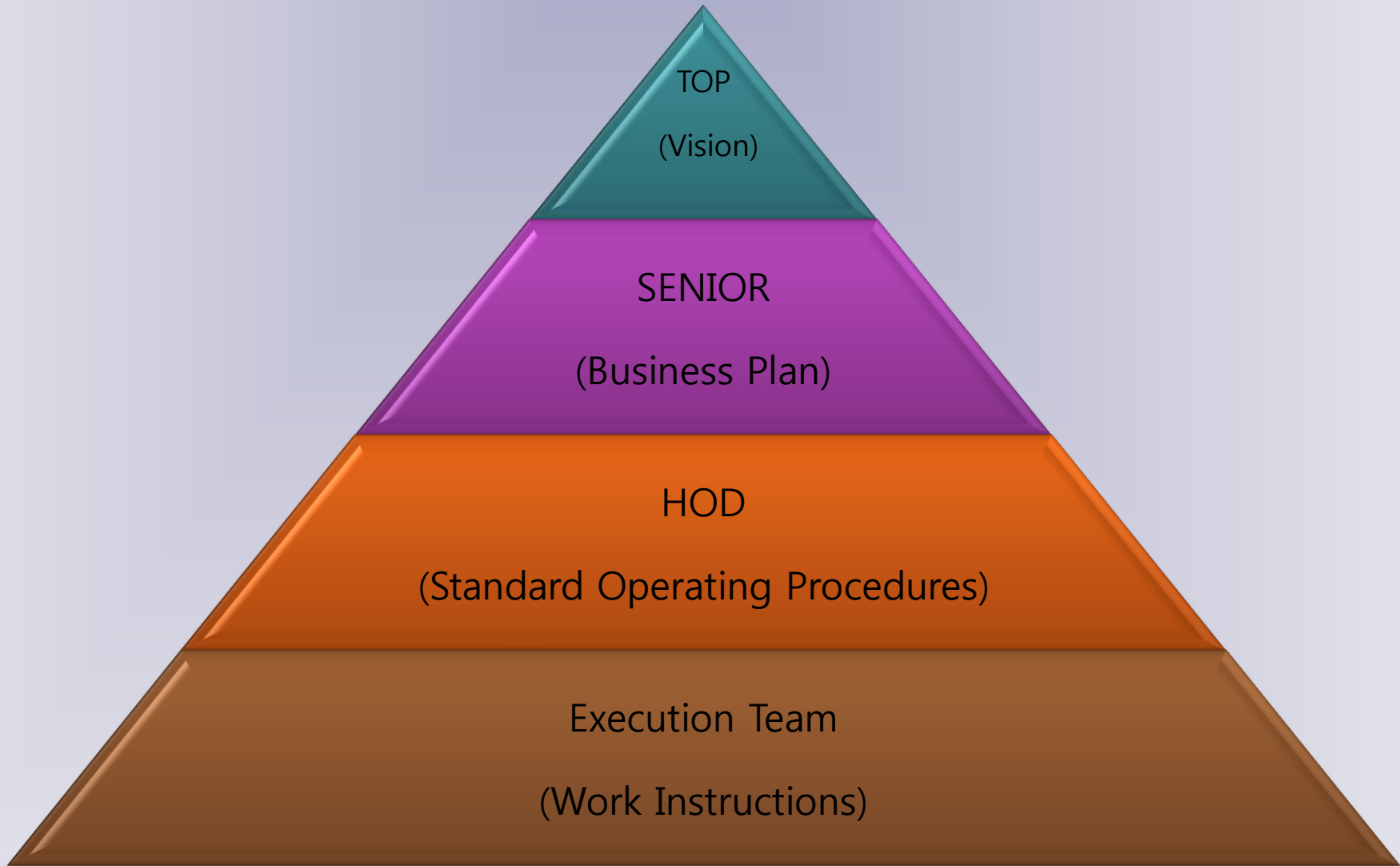
How to make the Strategies work? – SOP – Standard operating procedures

- SOP is a high level document which translates the process level strategies into *action* and also to define the *method of working* for each of the process, clearly defining activities, sub-activities and also indicating *input, process and output* for each of those.
- One of the key advantages of an SOP is to transform organisations from *person oriented to process oriented*, so that people dependencies are reduced.
- Another key advantage is that process level *effectiveness and efficiency* can be achieved consistently only with pre-defined method of working and not by just leaving to the whims and pleasure of the staff.

Work Instructions

- In order to further percolate the SOPs into ground or floor level working, work instructions need to be drafted for various *desk level jobs* which should ensure *zero deviation from preset procedures*.
- Work instructions will also enable the organisations to *standardise* the way of working and the customers will be able to enjoy *consistent service and deliverability*, without hiccups.
- *Process standardisation* is mandatory for growth and lack of this will result in loss of business, leakage of income and other losses.
- All successful *consumer oriented businesses* across the world have first created robust and standardised processes and then have gone for growth orientation.

Management Pyramid



Types of Business Risk



Risk Management

- It is just an equation of *knowns and unknowns* for the management.
- Presence of *Shocks and Surprises* indicate that there is poor risk management initiatives.
- It is important to *document* the various risks that are relevant to each of the business processes.
- Conscious Risk Vs Unknown Risk Vs Extraneous Risk
- Risks can be either *managed, mitigated or avoided*. The choice will depend on the intensity and impact of the risk.
- In a structured approach of process documentation, it will be easy to identify the various risks at various processes and these can be mitigated through a robust internal control system.
- *Maker-checker control* is one of the key internal control measure one can adopt.

Reporting System

- Each process level will have measurable parameter for its effectiveness and efficiency. These parameters are essentially to be monitored by the management.
- *Dash board reports* are essential to understand, monitor and manage the processes at various levels of the management such as:
 - Strategic or Top management level
 - Operational or HOD level
 - Transactional or activity level.
- These reports need to be designed in such a way that they are generated automatically from the system leveraging IT.
- Reports can be *daily, weekly, monthly*, etc.
- The report data flow should be seamless so that the employees are aware that they are monitored and it will build *transparency* in the system.

Review Meetings

- Various reports generated need to be reviewed and analysed in order to take *corrective actions* needed at process levels.
- *Data driven decision making* will be more scientific and useful in bringing in consistency in business growth.
- This will also ensure that *HR management* becomes quite smooth and transparent.
- Departmental/functional meetings need to happen at least on *weekly basis* to measure the performance against set parameters.
- Management Review Meetings should happen at corporate level focussing on *reviewing all business processes* apart from financial review.
- These reports need to be designed in such a way that they are objective and crisp and communicative.
- Key element of review meetings at any level should be to have an *agenda, timeline and minutes* of meeting.

Outcome of review meetings?

- Effective Management Meetings should be *object oriented* and should result in actionable items.
- A *list of actions* should be populated at the end of each meeting which should be followed up by a *responsible person* for that purpose.
- *Ownership* for all decisions/action items are to be clearly defined with timelines specified.
- Ensuring that all open action items are closed is one of the key parameter for assessing management 's performance efficiency.

Implementation is the key!

- Once the various management documents such as Strategy document, SOP, work instruction, Internal control document, risk management document, etc., are created it is important to implement the same by effective *communication and training/orientation* at all levels.
- Conducting regular workshops and training programs is essential in the implementation process.
- It is also important to *review* these documents periodically and update them to the changed circumstances.
- The management has to be extremely strict in taking up this implementation process and should have a *zero tolerance policy* towards *process in-discipline*.

Transformation of Promoters – Is it essential?

- Even before efforts for organisational transformation are taken, it is preferable to have orientation for the key management persons including the promoters.
- *Commitment of the promoters* for such implementation of formal corporate management system is mandatory for success.
- Interestingly, it is the management who are *sponsors* of the program as well as *ultimate beneficiary*.

Thank You