Operations Manuals

Building the authoritative guidebook of "How we do it here"

SNAPSHOT
The E-Myth Mastery Program
Module 4: Foundations of E-Myth Management
Business Development Process: MG-0080

"Documentation is an affirmation of order."

– Michael Gerber, founder of E-Myth Worldwide

Overview

Operations manuals are the individual "owner's manuals" for every employee's position. They are the authoritative guidebooks of how you want things done in your company. They give you a very effective way of communicating a lot of information, while giving your people the independence and security they need.

This process will help you accomplish the initial set-up of your manuals with the informational materials you currently have on hand. They may not be complete at this point – you'll be adding more and more documentation to them over time. But they'll be complete enough to distribute to your employees to get them started.

You'll also see how to maintain these manuals and "keep them up," so that they're always up-to-date and used, and not left sitting on the shelf!

Benchmarks for Setting Up Your operations manuals

- **Make a list of all positions in your company**
- **Assemble manual shells**
- **Identify and assemble company-wide manual contents**
- **Identify and assemble position-specific manual contents**
- **Establish system and accountabilities for maintaining masters and distributing updates**
- **Create an implementation plan**
- **Introduce operations manuals to employees**

Operations Manual Sections

- **Company**
- **Products & Services**
- **Policies**
- **Position**
- **Systems**

Benchmarks for Keeping Up Your Operations Manuals

- **Create and distribute new and revised materials**
- **Update employee and master copies**
- **Survey manuals periodically**

A Business Development Publication of

E-Myth Worldwide

Putting the Pieces Together™

Santa Rosa, California, USA

Operations Manuals

Building the authoritative guidebook of "How we do it here"

"Documentation is an affirmation of order."

– Michael Gerber, founder of E-Myth Worldwide

What Are Operations Manuals and Why Do You Need Them?

Your video recorder won't record. Your computer stops computing. Your self-cleaning oven won't clean. Things that worked perfectly well yesterday, suddenly don't.

But before you pick up the phone to call for help, you think, "If I can just find the owner's manual, I might be able to fix it myself!" And more often than not, you can.

Before you put the manual back in a drawer, it might occur to you that you could have saved a lot of time and trouble if you'd read that owner's manual a long time ago, *before* anything went wrong.

Unfortunately, most of us don't. Our initial success with the "on-off" switch convinces us that things operate in a rather obvious and routine way. This can be a dangerous assumption. And the same holds true in business. All too often, employees believe they know the best way to do the work of their positions, and what they don't know they can make up as they go along.

Wouldn't it be great if every job came with its very own owner's manual so when something didn't work your people could figure out how to fix it? Even better, wouldn't it be great if all your people read the manual *first* and learned to "operate" their positions effectively – from day one?

Operations manuals *are* the "owner's manuals" for every employee's position. Done well, they'll tell your people how to operate their jobs for *maximum* results. As the authoritative guidebook of how things should be done in your company, they give you a simple yet effective mechanism for communicating a lot of information, and they give your people a sense of independence and "being in the know."

What Does an Operations Manual Look Like?

Your operations manuals are made up of three distinct pieces:

1. The "shell," which is the physical container that will house the contents of the manual;
2. Company-wide contents; and
3. Position-specific contents.

The **shell** starts with a large, three-ring binder.

On the cover and spine, put the title of the manual, "operations manual for (Position Title)." Ultimately, you'll have a whole series of binders: operations manual for President, XYZ Widgets; operations manual for Vice President, Widget Service and Repair; operations manual for Manager, Customer Service; Operating Manager for Widget Inspector; and so on.

Next you'll want some tabbed dividers to organize your manual into sections. We recommend these five sections:

1. Company;
2. Products and Services;
3. Policies;
4. Position; and
5. Systems.

You'll see what actually goes into these sections a little later in this process.

These three pieces – the binder, the title, and the tabbed dividers – comprise the shell of each operations manual.

Now let's look at what goes inside the shell. The contents of the Company, Products and Services, and Policies sections of your operations manuals will apply to everyone in the company. Everyone needs this information to understand the company as a whole, what you offer to your customers or clients, and the general policies under which you operate. These are the **company-wide contents** of your manuals.

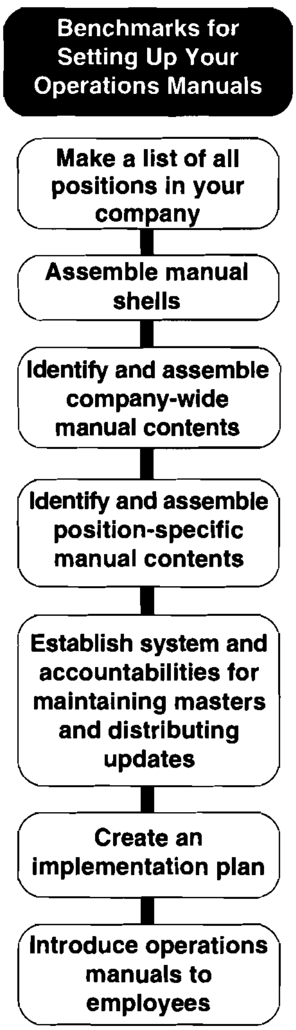
The **position-specific contents** apply to an individual position. What a sales manager needs to know for her job is different from what the service technician needs to know, which is different from what the bookkeeper needs to know. You get the idea. This information will go into the Position and Systems sections of your operations manuals.

Unlike most owner's manuals you've seen, your operations manuals should be written in clear, concise language that makes sense, and they should tell your people how things really work: how your business operates, how their positions fit into the big picture, what they must do to achieve the results you expect from them, the standards by which they'll be evaluated, and what rules they must follow.

Think about some of the owner's manuals you've used in the past. What features and information helped you and what got in the way? If you had to learn your job all over again, what would you want to know before you start and what information would you want to find quickly as time went on?

As you build your business, you're documenting a lot of this information in the form of your organization chart, position contracts, written policies, and systems. Your operations manuals are where these documents, and others, are organized and stored so they're easy to access and use.

Setting Up Your Operations Manuals for the First Time



Depending on how many positions and how many employees you have in your company right now, setting up your manuals will take some time and energy. But you don't have to do it alone. Managers, support staff, and other interested employees can help you gather materials, put the manuals together, and give you some good suggestions along the way. Here are the essential steps for creating your company's operations manuals:

1 **Make a list of all the positions in your company** and indicate how many people are currently in each position. This may seem too simple to even mention, but it's the best starting place. Use your organization chart to generate the list. Doing this will give you the big picture of what it will take to put your manuals together and show you exactly how many shells and how many copies of the contents you'll need. There is a worksheet in the back of this booklet to help you.

2 **Assemble the shells for every manual you'll need.** At a minimum, you'll need one for every current employee. In addition, you could create manuals for:

- Upcoming and future hires;
- Managers; and
- A company master.

Remember that the shell consists of the binder, the title, and the section dividers. Three-ring binders and tabs work well, but use any type of "container" that will work in your setting. Just be sure that information can be located quickly and replaced easily when the time comes.

3 **Identify and assemble existing company-wide information.** Think about what materials you already have

for the Company, Products and Services, and Policies sections of your manuals. Here's a brief description of these sections:

Company: This section gives you the opportunity to tell your people about your company and the "game worth playing" – why it exists, how it came to be, what it looks like now, and your vision for the future – in other words, what the "game" is all about and a view of how they fit into the bigger picture. It should also give employees a sense of the stability and growth of the company and help them feel that they're a part of something meaningful and bigger than themselves. Specific documents to include in this section are your:

- Strategic Objective;
- Company Story;
- Organization chart; and
- Company history.

Products and Services: Every employee, even those that don't work directly with your products and services, needs to know about them to participate fully in their jobs. Pride of affiliation is important to many people, and this section gives you the chance to show employees how your company contributes to the world by offering products and services that have value. Specific documents to include in this section are your:

- Descriptions of your products and services;
- Positioning Statement and unique selling proposition;
- Company brochures and product catalogs;
- Basic information about your competition (but not detailed or defamatory) and how your company compares with them; and
- Documents that describe the logic behind your products and services.

Policies: This section spells out the "rules for your game" that apply to everyone in your company. If your company has an employee handbook, it should already contain many of the policies that you need. You can insert the handbook right into this section of your operations manuals (or it can stand alone if it's too large to be inserted).

If you don't have an employee handbook, you may have individual policy documents that deal with such issues as: working hours, absenteeism, vacations, health and safety, compensation and benefits, equal opportunity, general rules of conduct, how to submit complaints and suggestions, how people should work together, etc.

Specific documents to include in this section are your:

- Employee handbook contents;
- Benefits information;
- Dress code;
- Facilities code;
- Individual policy documents; and
- Documents that describe the logic behind company policies.

4 **Identify and assemble existing position-specific information.** Think about what materials you already have for the Position and Systems sections of your manuals. Your managers can do much of the work to identify and collect these existing materials. Here's a brief description of these sections.

Position: This section should give employees an overview of the results and accountabilities of their position. Specific documents to include in this section are:

- The position contract;
- Generic, blank copies of any employment contracts and/or compensation agreements; and
- Documents that describe the logic behind the position.

The employee's own copies of the actual employment contract and compensation agreement, containing specific figures and stipulations, are best kept in a more confidential place.

Systems: This part of the operations manual is like a "tool kit" where your employees can find all the instructions they need for doing the work of their positions. Include all the processes and procedures that you've developed over time for that particular position so that your employee can "run" his job by "running" its systems. Specific documents to include in this section are:

- System action plans
- Documents that describe the logic behind the systems

Even if some or all of these documents aren't in final form or don't conform to the business development standards you want to promote, if they're an acceptable representation of how you do business now, feel free to include them in this first version of your operations manuals. They will at least give your employees an understanding of the "body of knowledge" that exists now. And as part of your implementation plan, you can explain how the contents will be revised and updated over time.

A note about "logic": As we've described the kinds of documents that can go into each of the sections of your operations manuals, you see references to "documents that describe the logic behind..." Logic is any information that gives background or context helpful to the understanding of the other information being presented.

Instead of telling your people only *what* you require of them, tell them *why*, too. This provides the rationale that gives a more complete picture and will lead to better performance and better decision making on the part of your employees. Explain the principles *behind* the work and you'll help them develop good judgment and play the game *your* way.

Examples of supporting "logic" can be found in The E-Myth Mastery Program materials. Let's say you're creating an operations manual for a management position. You may want to add a copy of the process, Characteristics of The E-Myth Manager (LD-0070) from Module 1: Foundations of E-Myth Leadership here. Not only does that information set down expectations for management behavior, it tells *why* that behavior is effective.

Materials from other modules may be helpful, as well. Excerpts from Module 2: E-Myth Marketing Fundamentals could be included in the operations manuals for sales and marketing positions. Module 3: E-Myth Money Fundamentals may provide good material for your accounting staff. Sharing information about the principles you're using to build your business will give your people a better "feel" for the business and why you're asking them to operate their positions in a specific way.

Of course, logic materials can come from other sources as well. The point is, don't be reluctant to add documentation that provides value to employees and helps them do their work with confidence and intention.

5 **Establish the system and accountabilities for maintaining masters and distributing updates.** Before you distribute their new operations manuals to everyone, decide how you will handle master sets and the distribution of new documents for inclusion. The key principle to keep in mind here is *consistency.* Everyone's manual should have the identical set of company-wide contents. Every person in a given position should have the

same set of position-specific contents. And when new employees are hired, they need to be given a new operations manual that is consistent with the others. (Note: an ex-employee's copy may include inconsistencies, so exercise caution when passing on older copies to new employees.)

For company-wide contents:

- Who will maintain the master set?
- Who will be accountable for approving changes?
- Who will be accountable for distributing changes?

For position-specific contents:

- Who will maintain the master set of position-specific materials for each position?
- Who will be accountable for approving changes?
- Who will be accountable for distributing changes?

For all manuals:

- Who will be accountable for actually updating each manual when changes occur?
- Who will be accountable for assembling new manuals when needed?

For company-wide materials, usually only the president or a very senior person should be able to approve changes or additions. One person, usually in a company administration or personnel function, should be accountable for distributing updates and maintaining the master set. (See "personal development associate" position in MG-0020, Your Organizational Strategy.)

For position-specific materials, these accountabilities could be the same as for company-wide materials. More typically, they are delegated to a departmental level. For example, department managers could be allowed to determine changes to the position-specific contents for their reporting employees and managers or a department administrative person could distribute updates and maintain the master set.

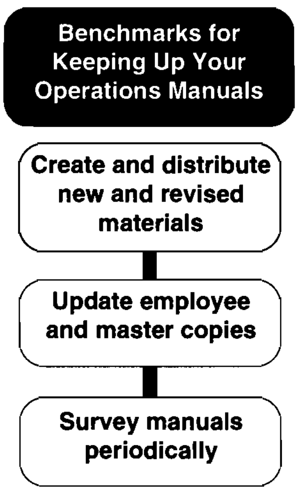
You'll also need to determine who will be accountable for actually placing new materials into everyone's operations manuals. Most often, this will fall to the employees themselves. But, as with everything else, be explicit about your expectation. Define it clearly. Don't just expect that people will know what to do.

And finally, who will create new manuals when a new employee is hired or when an existing manual is lost or damaged? One effective way to handle this is for a centralized person to put together the shell and insert the company-wide contents, then pass it off to the manager to insert the position-specific contents and deliver the completed manual to the employee.

6 **Create an implementation plan.** Now that you've got your initial set of manuals made and have decided how they will be updated over time, create a written plan for how you'll introduce operations manuals into your company. Introducing them to managers with some simple training and opportunities for discussion will help pave the way. Then you may choose to introduce them to everyone else company-wide, by departments, or individually.

7 **Introduce operations manuals to your employees.** With the foundation in place and your materials ready, it's time to introduce the operations manuals according to your plan and hand each person their very own manual. While you'll have to explain the "mechanics" of the operations manuals, what each section means, and how to use the manual, remember to emphasize the benefits to every employee of having their own collection of all the documentation they need to answer their questions and produce the best possible results. Remember that your employees have a natural wish to please; having their own operations manuals helps them get the results you want without guessing.

Keeping Your Manuals Up-to-Date



Congratulations! With the introduction and distribution of your new operations manuals, you've completed another milestone in the development of your business. But you're not done yet. And, if you're doing things right, you never will be. Here's how to keep your manuals up-to-date, so that they remain a resource that's accurate and useful, and not just another binder gathering dust on a shelf.

1 **Create and distribute new and revised materials, as needed.** Over time, you will be revising some of the documents in your operations manuals, creating new ones, like new systems and policies, and you may even be eliminating some documents. As you do, simply distribute them with a cover memorandum describing the new piece and explaining exactly where to place it in their manuals and whether to remove any existing document(s).

When you create new, company-wide policies, it helps to distribute them in a way that's instantly noticeable. Using a special format, wording, or color highlights the importance and urgency of the new rule, which can then be immediately read, implemented, and included in everyone's operations manual. There is an example in the Worksheets section of this booklet.

2 **Update all operations manuals, employee copies, and master copies**. Also update any copies already built for future use. Be certain to organize electronic operations manuals as well. Electronic files can be stored using the same structure outlined in this process booklet. Depending on how you've chosen to do your updating, managers should follow up with their employees to be sure they are using new documents. The managers of the people accountable for maintaining the master sets should follow up with them, as well.

3 **Survey your company's operations manuals periodically.** If operations manuals are not kept up-to-date, they become almost useless. Have your managers survey the manuals of their reporting employees periodically – twice a year is a good guideline – and you should do a survey of manuals at least annually.

Take That Manual Off the Shelf!

No manual can be self-enforcing. No matter how intelligent and clearly written, there's every chance it'll become an elegant dust catcher unless its value is continually reinforced by you and your managers. You can do that by making sure operations manuals are the official, reliable, authoritative source of information about your company, its products, and the "rules of your game."

Your operations manuals have to become fully integrated into your business. You and your managers have to use them, refer your employees to them, review their copies to be sure they're keeping them current, and make sure that up-to-date information is distributed regularly. Don't let them get lost. The minute you do, everyone will lose confidence in them.

Your operations manuals have to be "living" guides of "how we do it here" – a vital testament to your ongoing commitment to build a business that works for everyone. Remember, the business is a reflection of you, so show your conviction about this.

Why Invest Your Time in Creating Operations Manuals?

Operations manuals *sound* like a good idea; they're certainly an organized approach to conducting business and a great "system," but will people use them and will they really have any value for your business? Are they worth the time and effort it will take for you to build and implement them? Besides they're never done.

Look at it this way. Your business may run reasonably well without operations manuals. You probably know of some businesses that do.

But aren't you aiming for something more? Aren't you building a business that works – *really* works – without your having to run the whole show all the time?

Leaving anything to chance is just what you *don't* want to do. Leaving it to chance means that your employees will create their own rules, define their own jobs, and make up "how we do it here" out of their own experience – not yours. If you want it to be *your* game, you need to take the time to tell people how to play it.

Once you've created your operations manuals, you'll find they have many benefits in addition to their value as your employees' ongoing information source.

They'll help you recruit. Operations manuals will be a powerful communication vehicle about what we do here, where we're heading, and what the position entails. When you interview and hire new people, you'll have an impressive overview of everything applicants need to know.

They'll help you train. Your operations manuals will be filled with action plans, checklists, policies, and organizational information – everything your present employees or your new recruits need to know about your company and their accountabilities. Teaching employees how to do their jobs and get the best results will no longer be people dependent, or suffer from the distortions and inaccuracies that happen when training is done solely by word of mouth. Build your training agenda around the operations manual and vice versa.

They'll be your "business on a shelf." If you ever want to sell your business, your franchise prototype will be already documented in your operations manuals. Since they contain all the system solutions that run your business, you can point to your shelf of manuals and tell a potential buyer, "Here's how my business runs. It's all tested and documented. And it will work for you because it's worked for me!" What does any business person want to buy? A business that works!