

# Managing your SME more effectively Part I

John Kyriazoglou



JOHN KYRIAZOGLU

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# **MANAGING YOUR SME MORE EFFECTIVELY PART I**

## **SET UP AN SME AND PRODUCE GOODS**

Set up an SME and produce goods: Set up an SME and produce goods

1<sup>st</sup> edition

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The advertisement features a black header with the CMO Inspired Conference logo on the left, which consists of a green speech bubble containing the letters 'CMO'. To the right of the logo, the text reads 'INSPIRED CONFERENCE' in large white letters, followed by '25 OCTOBER | DE VERE BEAUMONT ESTATE | OLD WINDSOR UK' in smaller white letters. Below the header is a photograph of a large, white, classical-style building with a fountain in the foreground. At the bottom of the advertisement is a collage of four images showing conference attendees, a speaker at a podium, and a presentation slide. Below the collage, the text 'Join Over 100 Chief Marketing Officers & Digital Innovators' is written in green.

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# PART A: CONTENTS

**This book is about ‘How to manage your SME better’.**

It shows you clearly and practically how to establish and run your small or medium-size enterprise (SME) by offering you:

1. **A business formulation approach** to establish your SME in simple steps: From envisioning, concept development, business planning, establishing your Company and your organizational structure and developing policies and procedures, to operating your SME and selling products, supporting customers, reviewing and improving the performance of your business operations.
2. **A set of over 160 integrated management controls** (methods, standards, strategies, plans, policies, procedures) to enable you to organize and run your production, make and sell products and serve your customers, and record and protect your business transactions,, activities, assets and data.
3. **Various tools**, performance measures and audit checklists to review and improve your business operations.

The book is made up of 2 parts: **Part A and Part B.**

The purpose of this Part (Part A) is to describe the management controls required to establish your small or medium-sized enterprise (SME) and enable your production and customer services functions. This part contains the following:

Preface

Chapter 1: Establish your SME.

Chapter 2: Set up your production.

Chapter 3: Market and sell your products.

Chapter 4: Support your customers.

Appendix: Various policies, procedures and checklists.

**PART B, in a separate document (e-book)**, deals with aspects of providing operational support (finance, IT, etc.) to production and customer functions of your ME while offering twelve practical recommendations for best implementation of management controls.

# PREFACE

**This book is about ‘How to manage your SME better’.**

What’s the need for this? Well, because of the impact of these types of businesses to the world economy and their particular problems they face. As various studies and surveys have estimated, more than 90 % of the world’s businesses are small to medium-size enterprises (SMEs). What does SME stand for?

‘SME’ stands for small and medium-sized enterprises.

The main factors determining whether a company is an SME across the world are: number of employees, turnover or balance sheet total, assets, or a combination of these depending on the country (U.S.A., Australia, Canada, Europe, etc.<sup>1</sup>).

As an example: In the European Union small companies have up to 50 employees, while medium-sized ones have up to 250 employees; in the U.S. small companies have up to 250 employees, while medium-sized ones have up to 500 employees; and in Australia the corresponding numbers are 15 and 200, etc.

What do you think of this? Are you surprised, a little bit? Don’t be. SMEs are, on average, the businesses that are generating growth, creating jobs, growing faster and innovating more and more. More importantly, they are a good deal less complicated (structurally) and more effective, efficient and flexible than are large firms.

Some of the findings of a recent study on about 10,000 organizations<sup>2</sup> across twenty countries were the following:

- 1) Among private-sector firms, those owned and run by the founders or their descendants, especially firstborn sons, tend to be badly managed;
- 2) Firms with professional (external, nonfamily) CEOs tend to be well managed; and
- 3) Multinationals appear able to adopt good management practices in almost every country in which they operate.

**Small and medium-sized businesses** are the most vulnerable to fraud because they often don't have effective internal controls. You could also paralyze your business trying to cover every possible contingency. However, by removing opportunity and motivation for fraud and theft, and ensuring you have systems in place to discourage errors and identify mistakes and anomalies quickly, you are able to discourage fraud in the first place and, if that fails, you can take corrective action to minimize losses.

**This guide** will help small and medium-size business owners look critically at their business and examine whether their procedures adequately minimise risks and promote best practice within the firm.

**Small businesses** are known for having weak internal controls and this guide aims to focus owners' attention on what to look for when reviewing the business.

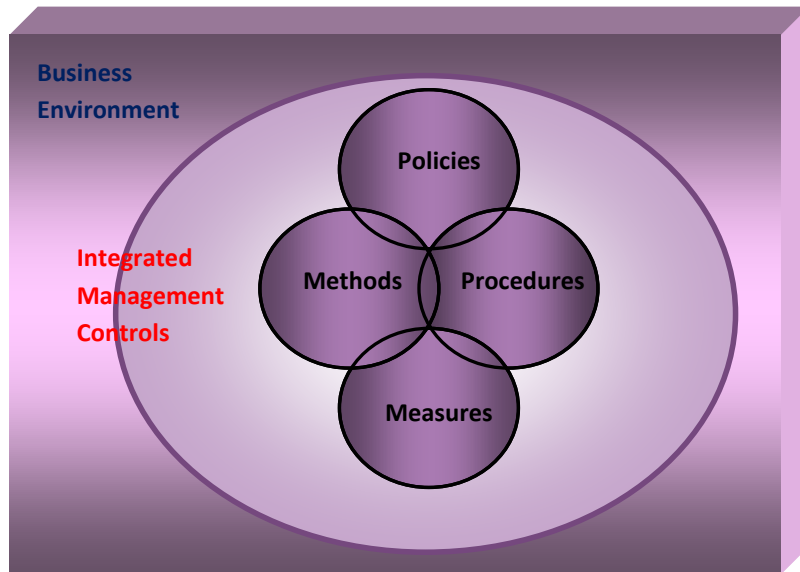
**Owners/managers** hold the key to the fight against internal control failures and must be attentive to the concept and issues of internal controls to maximise the business potential and minimise the risk of fraud, error and loss.

*How can you handle, organize, manage and control these effectively and efficiently, at the level of Small to Mid-Sized Enterprises (SMEs)?*

My consulting experience and other research evidence have taught me that strong, efficient, effective and high-performing **Business Management Controls** are required. In other books and articles I have written before I deal with the greater topics of both business controls (in a general sense for large companies and public organizations) and for the IT function (in particular in a very detail fashion).

This book '**How to manage your SME better**' expands on the particular issue of improving your management controls for your small to medium-sized business enterprise.

All these activities are carried out by the people of the specific business departments or functions on the basis of executing the strategies, policies and procedures and monitoring their own and the overall company performance: **integrated management controls**. How these fit in your business environment is shown in Figure 1.



**Figure 1:** Integrated Management Controls

## INTEGRATED MANAGEMENT CONTROLS FOR SMES

You may think of the Integrated Management Controls System for your small or medium-sized company in terms of two things:

**First:** The process by which you, your management, and your board monitor the ongoing transactions, activities and operations of your company and its members (management, professional staff, line employees, suppliers, etc.); and

**Second:** The toolkit (set of tools) to evaluate whether transactions, activities and operations of your SME are being performed efficiently and effectively and to take corrective action to improve performance if they are not.

**Why are integrated management controls important?** Integrated Management Controls are of vital and critical importance to you as an owner, manager, investor, company stakeholder, etc., considering how they help and enable you to:

1. Obtain better quality, efficiency, responsiveness to customers and innovation, the four basic building blocks of competitive advantage for your company (according to Professor Porter);
2. Monitor and improve your performance; and
3. Change the strategic direction of your SME.

**Examples of specific Management Controls are:** Business model, production model, strategies, standards, ethics codes, declarative statements (vision, mission, values, etc.), policies, procedures, methodologies, action plans, automated systems, IT applications, security equipment and devices, job descriptions, duties, authorization levels, segregation of duties, audit programs and checklists and performance measures.

***Who establishes integrated management controls?***

Establishing the integrated management controls for your SME may be done by you (the owner), your board, the management of your company, or an external consultant, depending on your situation. Also the checklists contained in the appendix may be used to support the design and implementation of these management controls for your specific business enterprise.

**Integrated** means that these management controls operate in a holistic way to enable, facilitate, support, complement, sensitize and drive each other to achieve each department's pre-determined business objectives and the company's overall goals.

# HOW TO USE THIS BOOK

How do you use Integrated Management Controls to establish, run, manage, control and improve your SME? One approach you may want to consider using, which I also employ in this book, is presented next:

1. You establish your SME as a business (as described in *Part 1-Chapter 1: Establish your Small or Medium-Size Enterprise (SME)*).
2. You make (assemble, produce, manufacture, etc.) products and provide services (*see Part 1-Chapter 2: Set up your production*).
3. You market, sell and support these products and services to customers (*see Part 1-Chapter 3: Market and sell your products, and Part 1-Chapter 4: Support your customers*).
4. You record all business activities and transactions related to your SME and the products and services offered (*see Part 2-Chapter 5: Manage your finances*).
5. You develop and deploy IT applications and web services to support and enable the production, selling and support of your products and services (*see Part 2-Chapter 6: Develop and run IT systems*).
6. You facilitate, support and protect all your SME business functions, assets, data, transactions, products and services, and your people (*see Part 2-Chapter 7: Support your business operations*).
7. You manage, review, audit, evaluate and improve your whole company's performance and revise your strategy accordingly (*see Part 2-Chapter 8: Review and improve your SME*).

# 1 ESTABLISH YOUR SMALL OR MEDIUM-SIZE ENTERPRISE (SME)

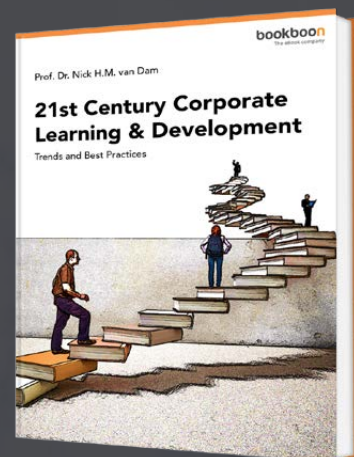
## 1.1 INTRODUCTION

You have an idea and a desire to set up and run your own business. You need, however, to do certain things and a way to do them so that your dream comes true. These are detailed in this chapter.

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### **Why do you want to have your own business?**

Well, I think you need to determine if owning your own small or medium-size enterprise (SME) is the right career move for you. Starting a business means hard work, continuous effort, difficult decisions, dangers, long hours, psychological stress, financial investment and potential failure. However it can also bring enormous financial benefits, social status, pride, satisfaction, freedom to drive your life and a sense of creativity and accomplishment. Once you have made the decision to start your own SME, you need to determine what kind of business you want to own. To make sure you start the business that is right for you, planning work needs to be done before making your final decision. Deciding what kind of business to start is equally as important as having the determination to create your own SME in the first place. You need a Business Formulation Approach.

## **1.2 BUSINESS FORMULATION APPROACH FOR SMES**

To translate your idea into something concrete, valuable to others and profitable you need to have a disciplined and flexible approach to reach your goal: Have your own business in the form of a Small to Medium-Size Enterprise (SME).

You may consider the following approach and customize it to suit your specific needs, desires and requirements.

The approach I am recommending to you is made up of three phases and several activities in each phase.

### **1.3 PHASE A: ENVISIONING**

During this phase you formulate a vision, idea or concept about your new business and start getting ready. The activities that make up this phase are:

**ACTIVITY 1: Concept development.** You develop your initial conceptual design and define the characteristics of the new product(s) or service(s) you want to offer to the world via your SME.

**ACTIVITY 2: Business planning.** You develop your own SME business plan, taking into consideration several issues and factors as delineated next. You may follow the next steps.

**First Step: Define your business.** Your SME business plan should clearly state:

- a) What your business will do;
- b) The products or services your SME will provide;
- c) How customers will access your products or services (for example, in a shop, via distributors only, via the web, a combination of all these, etc.); and
- d) Your approach to pricing

**Second Step: Know your market and customers.** Make sure you consider, study, analyze and know as much as possible about the market (local, regional, international) and customers to which you want to sell your product(s) and services(s).

- a) Age groups: Are they young or old?
- b) Careers: What do they do for a living?
- c) Lifestyle: What are their lifestyles like?
- d) Income: What is their earning capacity?
- e) Language: Do they only speak English or other languages as well?
- f) Education: What will be their education level?
- g) Religion: Will you be selling to only one religion group or your products and services will be non-religious?
- h) Competition: Do they already buy the product or service you'll be offering from someone else?
- i) Your offering: Why will they buy from you and no one else?
- j) Promotion: How will you tell them about your business?

Knowing the answers to these questions will help you promote your business much more effectively.

**Third Step: Name your SME.** The commercial name you choose for your business should reflect the image you want to project to your market and customers. Pick a commercial name for your SME that's easy to pronounce and remember. This way you are bound to make it a brand name. And make sure that it's not already in use by someone else. Check availability for your web address.

**Fourth Step: Document all these.** When you write your own SME business plan, remember to be precise, clear, realistic and concise, as much as possible. Use research to support your conclusions and include specific action plans. And remember that business plans are dynamic documents – meaning that you should amend your plan as your business develops.

### 1.3.1 BUSINESS PLAN

The **Business Plan for your SME** should contain:

1. Executive summary,
2. Business model, mission, vision, and values statements,
3. Critical success factors for the accomplishment of the plan,
4. Product and services idea,
5. Business goals, strategies and specific objectives,
6. Break-even analysis and market analysis,
7. Specific action plans (sales, production, quality, etc.),
8. Management team,
9. Analysis of risks,
10. Budgeting, financing and cash-flow projections, and
11. Strategic initiatives and resources plan.

**ACTIVITY 3: Go ahead decision.** You make your decision to go ahead or not. If you go on you may use the activities of the next two phases. If not, you carry on with your life as before.

In the previous phase you established your business objectives. Now you have to figure out how you are going to accomplish those objectives. For this reason you need to set up a company organization with a structure, staff and resources to get your goals accomplished.

## 1.4 PHASE B: ORGANIZATION

During this phase you establish your SME both as a legal entity and as a living organization with a structure, staff, resources, systems, equipment, policies and procedures. The activities that make up this phase are:

**ACTIVITY 1: Establish Legal Company.** You set up, from a legal perspective, your business entity according to the laws, tax, customs and other codes and statutes of the national state in which your specific business entity will operate and do business. Get your business license and permit. Get a website, establish an email and phone number. Get business cards printed.

**ACTIVITY 2: Find a location.** Find a place (office, plant, warehouse, etc.) where you will be starting to work on your new product(s) or service(s).

**ACTIVITY 3: Ensure funding.** You can start with very little money on your own, but pretty soon you may need additional funding so that you can make your new product(s) and provide your service(s).

**ACTIVITY 4: Establish your SME Organizational Structure. First Step: Set Corporate Functions.** Decide the corporate departments or functions of your company, such as: Administration, security, personnel, sales, marketing, finance, production, customer support, logistics, warehouse, research and development, information technology, etc. Even if you own a small company with only limited staff or you have no staff at all, in case of a sole owner, you need functions, such as: administration, sales, finance and production.

**Second Step: Management Responsibility.** Appoint manager or other officers to run the departments or functions of your SME.

**Third Step: Policies and Procedures.** Ensure that the functional managers develop and establish the required methods, policies and procedures to run their functions; and set up the performance system and measures to monitor and improve their performance.

**Fourth Step: Get Resources.** Hire the required administration and production staff in the functions you have decided to have and assign duties and responsibilities.

**Fifth Step: Establish Facilities.** Purchase and install production and office machinery, furniture and other equipment, IT systems, and put them to operational status.

In Phase A you stated the objectives for your business. In Phase B you figured out how you are going to accomplish those objectives and for that reason you set up a company organization with a structure, staff and resources to get your goals accomplished. Now you have to run your SME and produce results.

## 1.5 PHASE C: OPERATING YOUR SME

The activities of this phase pertain to:

1. **Producing and selling** the products and services identified in your business plan (see chapters 2 and 3 in this Part)
2. **Supporting** the products you produce and services you offer to your customers (see chapter 4 in the Part)
3. **Operating** your SME as a business entity with the required policies and procedures regarding finance, IT systems and administration (see Part 2, chapters 5, 6 and 7), and
4. **Reviewing and improving the performance** of your business operations (see Part 2, chapter 8).

**In conclusion**, the integrated management controls that enable and support you in achieving all these need to be established and executed with the utmost care and attention so that they bring you the results you and your SME management expect.

## 2 SET UP YOUR PRODUCTION

### 2.1 INTRODUCTION

You have established your SME as a business (as described in the previous chapter). Now you need integrated production management controls to make (assemble, produce, manufacture, etc.), support and facilitate the production process of your SME and produce your products and provide your services successfully.

### 2.2 PURPOSE OF INTEGRATED PRODUCTION MANAGEMENT CONTROLS

The purpose of the integrated production management controls is to:

1. Ensure effective production of high quality products in an integrated way;
2. Evaluate your performance in production and manufacturing processes; and
3. Improve satisfaction of your company's customers and therefore augment and facilitate your company's long-term survival.

#### 2.2.1 PRODUCTION MANAGEMENT CONTROLS FRAMEWORK

You need a framework to ensure that all your production controls target the same goals of effectiveness and efficiency for your SME. The most common and minimum production management controls which make up this framework that usually apply to both small and medium-sized enterprises are:

1. Organizing Production
2. Production Management Plan
3. Production Policies and Procedures Manual
4. Purchasing Procedure
5. Production-Manufacturing Support Controls
6. Inventory Management System
7. Computerized Production Information Systems
8. Production-Compliance Records Management
9. Standardization and Quality Management Controls
10. Production Performance Measures

These are presented next.

## 2.3 ORGANIZING PRODUCTION

This is your first set of production management controls. You need to establish the vision, mission and terms of reference for the production function and hire management and line staff to do the production work. You also need to reconfirm your performance targets and budget for production. How the production function is established is described in chapter 1. Examples of organizational controls, like the department's vision, mission and terms of reference, are contained in Appendix 1: Departmental Terms of Reference. Also you may use the Production Function Audit Questionnaire in Appendix 7.

The duties of a production manager are outlined next.

### 2.3.1 PRODUCTION MANAGER

The duties of a typical production manager, in general terms, are:

1. To manage, control and co-ordinate the production activities of the production function (manufacturing plant, department, etc.).
2. To plan and develop production systems and procedures to improve the operating quality of production activities and the efficiency of the department.
3. To hire, train and supervise production staff in accordance with company policies and procedures.
4. To review the performance of each staff member as well as the whole production function.
5. To report to top management and the board (as required) both the usual production output, as well as the ad hoc problems and issues related to all production aspects (staff, processing, systems, security, etc.).
6. To ensure that emergency procedures are designed and tested on a periodic basis for the complete production facility and staff.

## 2.4 PRODUCTION MANAGEMENT PLAN

This is your second production management control. This is required to support you and your production staff to design and implement the production system to suit your specific business purposes.

This **production management plan** should detail for **each product** what is required to produce it effectively and efficiently. It should have phases for:

1. Formulation of your production strategy (*see appendix 2*) and definition and design of each product.
2. Organizing and designing the production processes and lines (assembly lines) for the specific product or products of your company.
3. Obtaining inputs, resources and other tools and methods.
4. Managing production risks and quality.
5. Establishing all organizational functions related to production and defining their scope; and appointing the management production team (production manager, purchasing officer, warehouse manager, engineers, staff, etc.) and officer responsible for each product.
6. Designing the production or manufacturing fabrication formula and testing it on a prototype.
7. Executing the processes for creating each product and collecting performance data during the production and related activities, such as:
  - Activity 1: Purchasing raw materials and parts
  - Activity 2: Inspect all materials and parts before the production process starts.
  - Activity 3: Inspecting and monitoring production equipment and systems.
  - Activity 4: Manufacturing products
  - Activity 5: Final Inspection.
8. Tracking the production of each product.
9. Setting up the performance management and measurement system and reviewing the performance of the production for the specific product.
10. Closing out the production project for the product going out of production.

## 2.5 PRODUCTION POLICIES AND PROCEDURES MANUAL

This is your third production management control. For the full execution of the production process of your business organization you need:

1. A set of production policies (specifying what is to be done) and
2. A set of procedures (detailing how what is specified in policies is to be done).

These should to be cost effective and they should align with your company's corporate vision, mission, values and objectives.

Developing basic production policies and procedures helps to make production more flexible and enhance quality. Producing goods and delivering services and quality frequently rely on what may seem like two obvious elements: communication and coordination.

My consulting experience has shown that: production policies and procedures must be ratified by the board; these enable and facilitate the communication process in production issues; and these (policies and procedures) can help may the coordination of people, materials and equipment more consistent. These policies and procedures should be included in a manual, and should be reviewed annually and kept current at all times. These policies and procedures should cover the following issues:

1. Purchasing/Procurement
2. Supply chain management
3. Freight management (incoming/outgoing and customer)
4. Inventory management
5. Business Continuity and Emergency management
6. Manufacturing (of new products) or assembly of new products on pre-fabricated parts and sub-assemblies
7. Standardization and Quality Management Procedures
8. Receiving and Returns (return to stock, return to vendor)
9. Health, Safety and Environment
10. Plant and Inventory Security Plan (see Part Chapter Administration Controls)
11. Performance management and measurement, and
12. Repairs and Customer support, etc.

## **2.6 PURCHASING PROCEDURE**

This is your fourth production management control. This procedure is crucial as it mitigates if not minimizes altogether the occurrence of any potential cases of purchasing fraud in your business enterprise. The steps of this procedure are described next. Full details are provided in Appendix 3.

Step 1: Purchasing Forms Design

Step 2: Purchase Requisition

Step 3: Market Research

Step 4: Proposal Evaluation

Step 5: Expenditure Approval

Step 6: Placement of Purchase Order

Step 7: Final Delivery

## **2.7 PRODUCTION-MANUFACTURING SUPPORT CONTROLS**

This is your fifth production management control. These pertain to: Master Production Schedule, Material Requirements Planning Process, Bill of Materials File, Preventive maintenance program, Materials and vendors contingency list, Equipment Operational Description File, Production Systems and Equipment Maintenance Contract, and Maintenance Log.

*More details are included in appendix 4: Production-Manufacturing Support Controls.*

## **2.8 INVENTORY MANAGEMENT SYSTEM**

This is your sixth production management control. It contains several sub-controls that operate as a whole and support each other in inventory management. A typical Inventory Management System includes, as an example:

### **2.8.1 INVENTORY CONTROL PROCEDURES:**

The use of inventory control procedures is critical to maintaining accurate, reliable numbers for your operation. Control can be a complicated balancing from the time a stock order is placed, received at your warehouse, counted, verified, labeled, put away, picked and shipped out or picked up.

Knowing where your product is with accuracy at all times is vital to your success.

These procedures are needed to manage the raw materials, parts, and products manufactured or assembled by your company.

These procedures include, as an example, the following:

1. Inventory Stocking and Storage,
2. Inventory Usage,
3. Inventory Protection,
4. Inventory Obsolescence,
5. Inventory Disposal,
6. Inventory Counting, and Period End Cut-Off, and
7. Inventory Reporting.

### **2.8.2 INVENTORY MASTER RECORDS (IMR) FILE:**

The IMR file, usually in computerized form, contains all the data describing the inventory items, and maintained by a Computerized Inventory Control System. These data usually contain the following information: part number, part description, lead time to order, standard cost, safety stock indicator, order quantity, setup, last year's usage, item category, scrap allowance, on hand quantity, order details, manufacturer's serial number, scheduled receipts, allocated numbers, etc. It usually also contains all the details of the products produced by your manufacturing process.

### **2.8.3 INVENTORY TRANSACTIONS FILE:**

The Inventory Transactions file is a computerized file containing all the details of inventory item movements, such as: receipts, disbursements, scraps, cancelled orders, wrong parts, etc.

### **2.8.4 INVENTORY FORMS:**

Specific forms that must be designed and used by each organization to execute these procedures may be: Asset and Inventory Entry Forms, Inventory Requisition, Inventory Count Sheet, Inventory Tag, Capital Asset Requisition, Asset Disposition Form, Bill Of Sale, and Material Return Notice.



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## 2.9 COMPUTERIZED PRODUCTION INFORMATION SYSTEMS:

This is your seventh production management control. It contains several sub-controls that may exist independently of each other. The usual computerized production information systems are:

1. Material Requirements Planning (MRP) System
2. Cost Accounting (CA) System
3. Production Planning and Control (PPC) System
4. Computer Integrated Manufacturing (CIM) System
5. Enterprise Resource Planning (ERP) System.

## 2.10 PRODUCTION-COMPLIANCE RECORDS MANAGEMENT

This is your eighth production management control. *See more details in Part 2, Chapter 7: Administration Controls.*

## 2.11 STANDARDIZATION AND QUALITY MANAGEMENT CONTROLS

This is your ninth production management control.

### 2.11.1 STANDARDIZATION:

In practice there are five things you SME can standardize: inputs, processing, outputs, resources and storage.

### 2.11.2 QUALITY MANAGEMENT CONTROLS:

Quality management is carried out by developing a quality policy and associated procedures (quality management, quality inspection, quality testing, etc.) for your SME and by specific duties exercised by your staff at all levels. Examples of a quality policy and quality duties **follow. (More quality and production controls are described in a forthcoming bookboon book).**

#### Example 1: Quality Policy

‘Company ‘XYZ’ implements a quality management system according to well-accepted international standards that cover the whole range of the activities of the company.

The main quality elements of the company are:

1. Install a continuous improvement program for quality.
2. Observe the quality procedures on a continuous basis in order to ensure their exact implementation and continuous improvement.
3. Enable employee participation in all aspects of quality
4. Respond as quickly as possible to operational and customer service problems.
5. Improve personnel satisfaction with continuous enhancement of their skills.
6. Monitor customer needs by various tools for the creation and provision of new products and services.
7. Provide the required leadership and support to quality.'

### **Example 2: Quality Duties**

The main quality duties of various positions are summarized next:

1. **Production quality officer:** The duties, role and responsibilities of a typical production quality officer, are:
  - a) To establish a production quality monitoring and improving methodology, documenting a set of steps for determining, investigating and resolving production quality issues, and maintaining quality data, by defining data quality audit procedures.
  - b) To analyze, develop, document and maintain production quality goals, standards, and processes.
  - c) To work with all business users, and the production team of your company, to identify, document and correct production quality issues.
  - d) To utilize data profiling, statistical and other data quality tools, to detect, uncover, and determine root causes and anomalies of quality in all your production systems.
  - e) To prepare a weekly, or as required, status report, highlighting accomplishments and progress on all issues and concerns that may relate to production quality issues.
2. **CEO:** The CEO of the organization and the Compliance Officer (if one is established) are responsible for ensuring compliance to this policy.
3. **Senior Manager:** A Senior Manager assigned by the board, is responsible for coordinating, designing, implementing, reviewing, improving, communicating and monitoring quality reports and controls.

4. **Personnel Function:** The human resources function is responsible for obtaining the necessary funds and for coordinating all the required quality training for all staff of the organization.
5. **Management:** Department and other level managers (i.e., higher, lower, team, project, etc.) are responsible for carrying out their duties according to this quality policy.
6. **Staff:** Employees are responsible for fostering quality in the execution of their daily tasks and for self-development to ensure total customer satisfaction.
7. **Internal Audit:** The internal audit function is responsible for including quality reviews into their annual (or ad hoc) audit program.

## 2.11 PRODUCTION PERFORMANCE MEASURES

This is your tenth production management control.

First, it is best to check how you are performing against your budget and performance targets. Second, check your production performance measures of the following seven areas: Inventory Control; Manufacturing; Production Cost; Service Productivity; Supply Chain; Quality; and Innovation.

**Examples are:**

### **Area 1: Inventory Control Performance Measures**

1. Inventory holding costs
2. Inventory ordering costs

### **Area 2: Manufacturing Performance Measures**

1. Production rate (number of units completed per unit of time)
2. Workforce level (number of workers needed for production)

### **Area 3: Production Cost Performance Measures**

1. Basic production costs: These are direct and indirect labor costs (regular payroll, overtime, etc.) and other fixed and variable costs incurred in producing a set of given products in a specific time period.
2. Overhead costs: These are training, hiring, laying off and other employee costs, rental costs for equipment, buildings and other production systems, etc.

### **Area 4: Service Productivity Performance Measures:**

1. Productivity ('outputs' divided by 'inputs')
2. Throughput time (average time for a (product) unit to move through the system)

**Area 5: Supply Chain Performance Measures:**

1. Inventory turnover ('cost of goods sold' divided by 'average aggregate inventory value')
2. Average aggregate inventory value ('total value of all items held in inventory' (raw materials, work-in-progress, finished goods, distribution inventory) valued at cost

**Area 6: Quality Performance Measures:**

1. Appraisal costs (the sum of all costs of materials and supplies inspection, laboratory and reliability testing, and other tasks to ensure that the product or process is acceptable)
2. Internal failure costs (the sum of all costs of defects incurred within the system: scrap, repair, rework, downtime, etc.)

**Area 7: Innovation Performance Measures:**

1. Number of ideas
2. Number of new products
3. Number of patents
4. Sales from new products

In conclusion, it is up to you to consider which of these are relevant to your business and decide to customize and implement in your SME accordingly.

# 3 MARKET AND SELL YOUR PRODUCTS

## 3.1 INTRODUCTION

You have established your SME and produced products (as described in the previous chapters). Now you need integrated marketing and sales management controls to support and facilitate the sales process of your SME products and services successfully and effectively.

## 3.2 PURPOSE OF INTEGRATED MARKETING AND SALES MANAGEMENT CONTROLS

The purpose of integrated marketing and sales management controls is to:

1. Ensure regular streams of revenue from the sale of high quality products and the provision of customer-centric services in an integrated way;
2. Evaluate your performance in marketing and sales; and
3. Improve satisfaction of your company's products and services by customers and therefore augment and facilitate your company's long-term survival.

## 3.3 MARKETING AND SALES MANAGEMENT CONTROLS FRAMEWORK

If you want your business to survive, prosper and grow in the long run, you must have constant inflows of revenues, and profits. These are only possible if you either produce and sell your own quality products or obtain them from the market and sell them, and provide, either way, excellent service, at all times, to your customers. You also need a framework to ensure that all your marketing and sales management controls target the same goals of effectiveness and efficiency for your SME. The most common and minimum marketing and sales management controls which make up this framework that usually apply to both small and medium-sized enterprises are:

1. Marketing Management Controls (Organizing Marketing, Marketing Strategic Plan and Marketing Campaign Action Plan)
2. Sales Management Controls (Organizing Sales, Sales Strategic Plan, Sales Management Procedure, Sales Ledger and Sales Staff Improvement Action Plan)
3. Marketing and Sales Management Performance Measures.

These are described next.

### **3.3 MARKETING MANAGEMENT CONTROLS**

These are your first set of marketing and sales management controls.

You start a small or medium-sized company with an idea, a product, a service, etc. You are so passionate about it and you might think that what you offer is unique. But how do you tell others about the products and services you offer and support? This is where marketing comes in handy.

Marketing is as old as civilization itself. Ancient Greek and Romans traded their goods in the local markets by using persuasive communications as a marketing approach. Yet, it is only during the 20th century that marketing ideas evolved into an academic discipline in its own right.

Product and services marketing, in the 21<sup>st</sup> century, are very complex processes. Prior to doing any promotion, you have to know your product, your competitors, and your target market. Knowing these will enable you to determine the most appropriate marketing approaches and tools (marketing management controls) to use for your purposes<sup>3</sup>.

The minimum marketing management controls you may consider using for marketing the products and services of your SME are:

- a) Organizing Marketing
- b) Marketing Strategic Plan
- c) Marketing Campaign Action Plan.

These are detailed next.

#### **3.3.1 ORGANIZING MARKETING**

This is your first marketing management control. You need to establish the vision, mission and terms of reference for the marketing function and hire management and line staff to do the production work. You also need to reconfirm your performance targets and budget for marketing. How the marketing function is established is described in chapter 1. Examples of organizational controls, like the department's vision, mission and terms of reference, are contained in Appendix 1: Departmental Terms of Reference.

The duties of a marketing officer are outlined next.

### 3.3.2 MARKETING OFFICER JOB DESCRIPTION

This is your second marketing management control. The Marketing Officer oversees your company's marketing campaigns both internally and externally and plays a key part in communicating your SME's marketing and promotion message.

Duties include:

1. Prepare all marketing plans (strategy, campaign, etc.)
2. Plan, prepare and issue all publicity materials to maximize product, service and brand promotion of your SME.
3. Run marketing campaigns and work with your company's external public relations agency, as required.
4. Plan and manage marketing events.
5. Collect performance data on all marketing efforts.
6. Evaluate all marketing results.
7. Report to senior management on all marketing issues.

### 3.3.3 MARKETING STRATEGIC PLAN

This is your third marketing management control. A marketing strategic plan outlines the specific actions you intend to carry out to interest, entice and attract potential customers and clients in your products and services and persuade them to buy what you offer. Your marketing officer or department, depending on your case, or even an external consultant or advertising agency, can prepare this for your SME. This plan should be linked and aligned to your SME's business plan.

The contents of this plan, as an example, are:

1. Executive Summary
2. Contents
3. Introduction
4. Analysis of Current Situation
  - 4.1. General Economic and Societal Environment
  - 4.2. Legal Framework
  - 4.3. Competition
  - 4.4. Company Environment
5. Market and Customer Targets
6. Opportunities and Threats
7. Strategy and Objectives of Marketing

8. Products and Services Offered
9. Media for Marketing and Promotion
10. Costs Involved

### **3.3.4 MARKETING CAMPAIGN ACTION PLAN**

This is your fourth marketing management control. Your marketing campaign usually includes a specific, defined series of activities used in marketing your new or changed product or service, or in using new marketing channels and methods for your products and services. Your marketing officer or department, depending on your case, or even an external consultant or advertising agency, can prepare and run this for your company. This plan should be linked and aligned to your SME's marketing and business plans.

The activities of this action plan, as an example, are:

1. Review and revise your initial marketing strategy plan.
2. Choose the proper Media for advertising (direct marketing, newspapers, magazines, radio, TV, web, conferences, etc.).
3. Prepare message and promotional documentation.
4. Run campaign to existing or potential customers, general consumers, etc.
5. Manage marketing budget.
6. Collect data and monitor results.
7. Review results and revise marketing strategy.

### **3.3.4 INTERNET MARKETING ACTION PLAN**

This is your fifth marketing management control. The 21<sup>st</sup> century is considered by most thinkers as the Digital Era. The Internet and the social media have opened up a whole new world of opportunities and possibilities. Everything and everyone is going online. Your competition, most likely, already has an Internet (web) presence. The risk of not having an online presence could possibly result to a huge loss in your market share and revenue.

If you are looking to give your marketing plan an incredible boost, and augment your business with no so many costs, you probably need to craft and implement an Internet Marketing Plan for your purposes.

The activities of this plan as example are:

1. Ensure that your company's web site describes your company and what it offers effectively.
2. Learn about the most effective social media ([Linkedin.com](https://www.linkedin.com), [facebook.com](https://www.facebook.com), etc.) and set up your own group and pages and use them effectively.

3. Set up your own newsletter and promote your news, ideas, etc., to your own audience keeping their data and details in confidence.
4. Learn to use Email marketing effectively.
5. Study the demographics and consider other languages (Spanish French, Chinese, Russian, Portuguese, etc.) as you secondary communication tool to attract non-English speakers.
6. Extend your network with affiliate, reseller, and associate programs.
7. Request an analysis from an Internet marketing coach or Internet marketing consultant.
8. Publish articles or get listed in news stories.
9. Write and publish online press releases.
10. Facilitate and run contests and giveaways via your web site.
11. Get ranked at the top in major search engines.
12. Interact with your visitors, by offering free articles, blogging and responding to their questions and remarks.

### **3.4 SALES MANAGEMENT CONTROLS**

These are your second set of marketing and sales management controls.

Sales management is your SME's function which is focused on the practical application of sales methods and techniques and the management of your SME's sales operations.

The minimum sales management controls you may consider using for selling the products and services of your SME are:

1. Organizing Sales
2. Sales Strategic Plan
3. Sales Management Procedure
4. Sales Ledger
5. Sales Staff Improvement Action Plan.

These are detailed next.

#### **3.4.1 ORGANIZING SALES**

This is your first sales management control. You need to establish the vision, mission and terms of reference for the sales function and hire management and line staff to do the sales work. You also need to reconfirm your performance targets and budget for sales.

How the sales function is established is described in chapter 1. Examples of organizational controls, like the department's vision, mission and terms of reference, are contained in Appendix 1: Departmental Terms of Reference.

The duties of a **sales manager** are outlined next.

- 1) To develop a business sales strategy, policy and procedures, advertising campaign, etc., considering the products and services your company is selling and providing to the market, your existing and potential customers, and the overall socio-economic conditions your company is facing.
- 2) To prepare, review, promote and improve the sales documentation (product brochures, sales catalogue, services handbooks, etc.), ensuring the highest quality of presentation and printing production.
- 3) To manage, train and coach sales staff, as required, ensuring achievement of your company's sales goals and specific targets.
- 4) To control expenses to meet corporate budget guidelines.
- 5) To adhere to all corporate policies, procedures and business ethics codes and ensure that they are communicated and implemented effectively within the sales team.
- 6) To produce customer sales reports to upper levels of management and manage the performance and development of all sales staff.

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### 3.4.2 SALES STRATEGIC PLAN

This is your second sales management control. You will need a sales plan (formal or informal) regardless of the size of your company (small, medium). A **sales plan** is a strategic document that outlines your business targets, resources and sales activities. It typically follows the lead of your marketing and business plans of your SME.

It contains more specific details on how your business objectives can be achieved through the actual sale of products and services.

The steps to achieve this are:

1. Define the value of your brand name.
2. Define the value of your product or service
3. Outline your long-term and short-term revenue goals
4. Identify ideal locations for your products and services
5. Analyze your position in the market
6. Examine your pricing structure
7. Define your advertising approach (see marketing controls in this chapter)
8. Outline the activities of your sales and marketing team
9. Include all other revenue possibilities (e.g. government grants)
10. Link this plan to your sales management procedure.

### 3.4.3 SALES MANAGEMENT PROCEDURE

This is your third sales management control. You need a sales management procedure regardless of the size of your business operation (small, medium). This procedure is bound to make you: More effective and efficient in selling your products and services to the world; more responsive to your customer needs; and ensure that all your sales result in accurate sales figures and collected revenues.

A typical example of such a procedure would contain the following steps:

1. Review and monitor all plans (business, marketing, sales).
2. Design, develop and implement written procedures for handling sales transactions (cash, check and credit sales, as well as consulting or services sales), approving sales orders (price, terms and conditions, credit, account balance, etc.) and reporting sales.
3. Establish a file and business recordkeeping system for all sales transactions.
4. Ship goods to your customers only when they are accompanied by a correct invoice (regarding customer details, unit and total prices, agreed terms of credit, etc.).

5. Deliver partial invoices and a final (correct) invoice regarding services provided by your staff,
6. Post sales immediately.
7. Ensure that sales transaction data are posted in the sales register or other financial computerized system of your company.
8. Ensure your staff knows how to handle customer returns and deal with customer complaints.
9. Reconcile your sales data with customer returns, invoices issued, payments received, etc.
10. Develop, implement and monitor training and coaching programs for your SME sales staff.

#### **3.4.4 SALES LEDGER**

This is your fourth sales management control. You need a sales ledger regardless of the size of your business operation (small, medium). By recording the amounts paid by customers in the sales ledger you will also be able to identify the money owed to your business, and chase slow payers, as required. You may follow the next sequence:

1. Every time you make a sale for goods or services and invoice a customer, record it in the sales ledger.
2. This must be done immediately after the specific event (the sale) is concluded.
3. Your total amount of sales invoiced by you at any point in time is your business turnover (or business sales income).

A sales ledger normally contains:

1. The sales your business has made.
2. The amount of money received for your goods or services.
3. The money owed to your company at the end of each month, or other point of time.

#### **3.4.5 SALES STAFF IMPROVEMENT PLAN**

This is your fifth sales management control. This plan contains a set of activities you can use to manage and improve your human aspects (soft controls issues) related to your sales staff more effectively.

Activity 1: Train and coach your sales personnel on ethics and fraud avoidance.

Activity 2: Ensure that all your sales staff follow and comply with all your ethics and fraud codes of your SME.

Activity 3: Improve the motivation of your sales personnel. Motivation, on general terms, is 'inner or social stimulus for an action' for human beings. In your production environment, the respective department managers (manufacturing, warehouse, purchasing, etc.) need to motivate their employees to do a better job. This is achieved in a corporate setting, according to various thinkers such as Maslow, Argyris, etc., by your managers using various strategies and practical methods, such as:

- 1) Providing friendly and positive reinforcement,
- 2) Using effective discipline and fair punishment,
- 3) Treating people with justice and fairness,
- 4) Satisfying employee needs on a personal and cost-benefit case,
- 5) Setting achievable production work-related goals, objectives and targets,
- 6) Restructuring production jobs/tasks to become more manageable, and
- 7) Rewarding production people on job performance.

### **3.5 MARKETING AND SALES MANAGEMENT PERFORMANCE MEASURES**

**This is your third set of marketing and sales management controls.** First it is best to check how you are performing against your budget and performance targets. Also all your marketing and sales efforts may be monitored as to whether they operate well or not and provide you with sales by a set of sales performance measures, as presented next:

1. Market share
2. Sales per person per period
3. Percentage of sales force achieving quota
4. Percentage of new product introductions
5. Number and amount of new orders
6. New business from existing customers
7. Annual amounts spent in training / sales person

**In conclusion**, it is up to you to consider using one or all of these marketing and sales management controls to benefit your SME. Think of what these might mean to your business, their costs in both setting them up, running them and the potential benefits to you and your company. And then decide.

# 4 SUPPORT YOUR CUSTOMERS

## 4.1 INTRODUCTION

You have established your SME, produced, marketed and sold products (as described in the previous chapters). Now you need integrated customer management controls to facilitate the customer service process of your SME successfully.

## 4.2 PURPOSE OF INTEGRATED CUSTOMER MANAGEMENT CONTROLS

The purpose of integrated customer management controls is to:

1. Ensure good services to your customers on the basis of a regular provision of customer-centric services in an integrated way;
2. Evaluate your performance in customer support; and
3. Improve satisfaction of your company's customers and therefore augment and ensure your company's long-term survival.

### 4.2.1 CUSTOMER MANAGEMENT CONTROLS FRAMEWORK

As I described in the previous chapter, if you want your business to survive, prosper and grow in the long run, you must have constant inflows of revenues, and profits. These are only possible if you either produce and sell your own quality products or obtain them from the market and sell them, and provide, either way, excellent service, at all times, to your customers. Production, marketing and sales controls were presented in previous chapters. The most common and minimum customer management controls that usually apply to both small and medium-sized enterprises are:

1. Customer Service Approach
2. Customer Service Standards
3. Customer Service and Support Policy
4. Customer Service Procedure
5. Customer Service Organization
6. Customer Relationship Management (CRM) System
7. Customer Management Performance Measures

These are described next.

### 4.3 CUSTOMER SERVICE APPROACH

This is the first set of your customer management controls.

Why do you need a customer service approach? In today's complex 21<sup>st</sup> century business world, your company must ensure it has the right systems in place for managing its customers. Managing customers is quite different from managing corporate personnel, inventory, assets, etc. The goal is to keep customers actively participating in your products and services for a lifetime, if possible. That is the goal of effective customer management. That should be your goal for you and all your SME management and staff. The following approach can help you achieve this goal.

You will need an approach to bond, link and align all your customer management controls so that they function more effectively for your purposes. Attract and retain your customers. It is must, regardless of the size of your company (small or medium-sized enterprise).

How do you, however, attract and retain your customers? Here are a series of actions that you can use to help you achieve this goal:

**Action 1:** Organize function and issue vision and mission statements. Craft, issue and communicate your customer service vision and mission statements. *For more details see paragraph 5. Customer Service Organization.*

**Action 2:** Acquire your first time customers. Your marketing management controls (in Chapter 3) can enable you to do this.

**Action 3:** Turn them into second time customers. You want to turn your acquired customer base into a strategic corporate asset. You must find out their needs, desires, incomes, ages, family composition, occupations, lifestyle, etc. A customer relationship management system can achieve this for your company.

**Action 4:** Build your customers' loyalty and retain them. In order to do this you must:

1. Establish Customer Service Standards;
2. Certify your Customer Service;
3. Appoint a Customer Service and Support Manager;
4. Craft and implement a Customer Service and Support Policy;
5. Train and coach your staff in customer-centric approaches.

And all of these to enable your staff to fully and efficiently service your customers better.

Your customer performance measures will tell you if you have achieved your SME's customer service goals.

#### **4.4 CUSTOMER SERVICE STANDARDS**

This is the second set of your customer management controls.

Customer service standards generally define the quality characteristics of the interactions between your SME staff and your customers.

In practice, good customer service standards will meet the expectations of your customers. Excellent customer service standards will more than exceed the expectations, desires and needs of all, if not most, customers, in a prompt, positive, kind and courteous manner<sup>4</sup>.

While customer service is usually more noticeable in sales, it is also important for the success of any company or organization that provides a service to communicate a clear set of customer service standards to their employees. It is considered a must, regardless of the size of your company (small or medium-sized enterprise).

An example of several principles on which you may base your customer service standards are listed in *Appendix 5: Customer Service Standards*.

Ensure that your staff and the whole SME you manage or own live and abide by them. Your livelihood depends on these.

#### **4.4 CUSTOMER SERVICE AND SUPPORT POLICY**

This is the third set your customer management controls.

You require a customer service and support policy to inform your SME customers about how your sales and support staff will carry out sales and support them. You need this policy, regardless of the size of your business operation (small, medium company), and your selling activities (one or more products). A typical example of such a policy would be:

'We at 'XXX Company (fictitious small or medium-sized enterprise)' are fully committed to improving customer service and customer satisfaction on a continuous basis. We aim to create an environment where the customers know that their satisfaction is the most important issue to us'.

You will need to communicate this to all your customer support staff and ensure that this policy is adhered to, in practice, in every-day dealings with your customers. You will also have to train your staff to act according to this policy.

#### **4.5 CUSTOMER SERVICE PROCEDURE**

This is the fourth set of your customer management controls.

You require a customer service procedure to instruct your SME staff (customer service representatives: CSRs), in detail, how to handle customer problems and requests. You need this procedure, regardless of the size of your business operation (small, medium company), and your selling activities (one or more products). A typical example of such a procedure would be:

Step 1: Customer Data. Record the contact information of the customer.

Step 2: Problem Data. Record the details of the request, issue or problem (Customer Item).

Step 3: Classify Customer Item. This involves: Determining if the Customer Item is supportable; Setting a priority for getting a solution; and informing the customer involved.

Step 4: Customer Item Solution. Resolve the Customer Item. Inform or provide the solution to customer. Update the customer support file.

Step 5: Quality Assurance. Ensure good service. The final process in customer service is ensuring that the best service has been provided to customers. This is done by following customer service standards and monitoring performance. This can also be complemented by sending a customer satisfaction survey, on a periodic basis, to all customers.

#### **4.5 CUSTOMER SERVICE (CS) ORGANIZATION**

This is the fifth set of your customer management controls.

Your customer service department or function, depending on your company size (small, medium, etc.) is considered a corporate unit, like all other units (sales, marketing, finance, production, etc.). As such you:

1. Must establish and formalize its organizational structure and allocate a budget (see chapter 1, phase B of Business Formulation Approach for SMEs).
2. Define the department's performance targets, vision, mission and terms of reference,
3. Appoint management and line staff, and
4. Implement policies, procedures for your customer service operation (as described later).

Item 1 is described in chapter 1 (phase B of Business Formulation Approach for SMEs). The other items are listed next.

#### **4.5.1 CS FUNCTION: VISION, MISSION AND TERMS OF REFERENCE**

Establishing the actual organizational structure and the CS departmental terms of reference, vision and mission is the job of the executive in charge of the CS department, or the CEO/ Owner of the SME. In any case, these should be ratified by the board and communicated to all people of your SME. Examples follow:

**Example of a CS Vision statement:** ‘We at company ‘XXA (a fictitious entity)’, aim to be the number one national (or global) provider of excellent electronic products and solutions by empowering our staff to deliver our customers with the very best in value, quality, and service’;

**Example of a CS Mission statement:** ‘We are passionate about exceeding the delivery of our customers’ service needs, desires and expectations by providing the very best in professional, value engineered solutions each and every day through our ever growing nationwide and global team of professional, customer-centric staff’.

**Example of a CS Department Terms of Reference:** ‘The department has the responsibility for planning and committing resources to provide an efficient and effective customer service to support the customers of the company’s products and services.’

For more details, see: Appendix 1: Departmental Terms of Reference

#### **4.5.2 CS FUNCTION: MANAGER AND LINE STAFF**

You need to select and appoint human resources with specific duties and responsibilities to run your CS function. These are detailed next.

##### **Customer Service and Support Manager**

The usual activities, as an example, of this position, are:

- 1) To provide assistance, support and advice to your customers using your company’s products or services.
- 2) To investigate and resolve all problems, incidents, events, etc., reported by your customers.

- 3) To communicate, in a polite and kind manner, with all your customers, regardless of the means of communication (telephone, person to person, letter, FAX, electronic mail, etc.).
- 4) To examine new and improve existing customer service and support requirements by maintaining contact with customers in a variety of ways (surveys, seminars, visits, benchmarking, etc.).
- 5) To establish, measure, track, report and improve customer service performance.

### **Customer Service Representative (CSR)**

Customer service representatives (CSRs) (also called customer service advisors, or CSAs, or customer service associates) usually interact with customers on behalf of your SME. They provide information about products and services and respond to customer complaints. They work under the authority of your Customer Service and Support Manager.

*You may wonder: Are these adequate or you must have something more? My answer is yes. You may need to execute more activities to improve your service to your SME customers.*

## **4.6 CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SYSTEM**

This is the sixth set of your customer management controls.

As you operate in the 21<sup>st</sup> century and want to run your SME operations on the basis of customer-centric approaches, you need to manage better your relationships with your customers. Only this way you will have a better success in your efforts to retain them, so that they can give you more business and profits. This is achieved best by a CRM system.

It is not an absolute must. I suggest you consider it seriously, and, depending on the size of your company (small or medium-sized enterprise), you decide.

**Customer Management Systems** and Applications (also known as CRM, or Customer Relationship Management) are used to capture, research and analyze information such as customer behaviour, buying preferences and demographics.

Other related CRM systems but difficult to understand, utilize fully, and costly, many times, for SMEs, are: Online Transaction Processing (OLTP) Systems and Online Analytical Processing (OLAP) Systems. These are deemed to be beyond the scope of this work and are not described further in this book.

At the heart of customer management is the Customer Records Database.

*What is this and why is it important?*

#### 4.6.1 CUSTOMER RECORDS DATABASE (CRD)

A **CRD** is an extremely valuable asset of any business. An SME that has clean, correctly formatted and accurate data will be able to provide a good level of service as well as saving time and money.

A CRD is a collection of records of your customer purchasing patterns and histories stored in a CRM system (see above) and organized so that it can be retrieved quickly to provide information for a variety of uses.

Data contained in a CRD are obtained from a variety of sources: online and store purchases, purchase orders, surveys, store receipts, credit card purchases, mail-order requests, information inquiries, and other sources (e.g. demographic studies) demonstrating customer preferences or predisposition to purchasing a product or service.

*How can you create and maintain a CRD for your SME?*

What if you could build your future and create the future?

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#### **4.6.2 CRD MANAGEMENT PROCEDURE**

I have used the following procedure to build and implement a CRD for various companies (small, medium-sized and large) in a more effective way. You may consider using it after you customize it to your purposes and your SME business operating style.

In summary, it contains the following steps:

Step 1: Study your CRD needs.

Step 2: Implement CRD creation system

Step 3: Populate your CRD

Step 4: Establish security access rights

Step 5: Test the CRD before release

Step 6: Run your CRD in production mode

Step 7: Maintain CRD.

*For more details, see: Appendix 6: CRD Management Procedure.*

#### **4.7 CUSTOMER MANAGEMENT PERFORMANCE MEASURES**

This is the seventh set of your customer management controls.

First, it is best to check how you are performing against your budget and performance targets. Also a set of performance measures and a business dashboard may be used to monitor and review the performance of your whole customer service framework and related customer management controls.

An example of performance measures are listed next.

1. Hours of customer service per person per period
2. Number of customer issues resolved successfully
3. Number of customer issues not resolved
4. Average enquiry response time
5. Number of total customers serviced
6. Number of customers retained
7. Service availability (hours and days of operations)
8. Customer satisfaction index (based on survey)

**In conclusion**, it is up to you to consider using one or all of these customer management controls to benefit your SME. Think of what these might mean to your business, their costs in both setting them up, running them and the potential implementation issues they might cause you. And then decide.

And as Peter Drucker, the U.S.-Austrian legendary scholar, author and business consultant once said, “What’s measured improves.” Success of course hinges on what is measured.

***NOTE: This book, ‘How to manage your SME better’ continues in PART B, in a separate document (e-book). This Part B deals with aspects of providing operational support (finance, IT, etc.) to production while offering twelve practical implementation recommendations.***

# APPENDIX 1: DEPARTMENTAL TERMS OF REFERENCE

All your SME corporate departments, such as: sales, marketing, finance, production, customer support, research and development, information technology, etc., should have approved organizational structures, management, staff, policies, procedures and terms of reference for their operation.

An example of the terms of reference follows.

‘The vision of the Department of Production is to provide the organization with technological resources to support the manufacturing process of the organization. The mission of the department is to plan the efficient flow of resources throughout the manufacturing process of the organization. These services will be provided with the highest values of quality, security, integrity of data, and with the most efficient and effective application of costing rules and regulations.

Duties include:

1. Developing and implementing logistics activities for obtaining and converting raw materials into finished goods,
2. Scheduling the manufacturing process,
3. Coordinating all the necessary resources to ensure that the manufacturing process can be executed fully, and
4. Accumulating all the cost information for the purposes of product costing, inventory valuation, performance evaluation, cost control, and management decision making.’

# APPENDIX 2: PRODUCTION STRATEGY

‘Our company’s (Company XXXAB (a fictitious entity)) production and services strategy concentrating on the following central themes by which our company will provide high quality products and services to our customers. These themes are:

Central Theme 1: Treat every customer in a friendly, polite and helpful way,

Central Theme 2: Provide our products and services at the highest quality and at the minimum cost, both for the customer and the company,

Central Theme 3: Price the offered products and services in a competitive manner,

Central Theme 4: Provide a variety of service-delivery mechanisms to suit customer needs and expectations.’

# APPENDIX 3: PURCHASING PROCEDURE

## Step 1: Purchasing Forms Design

Several forms must be designed and used by each organization to execute purchasing. These include, as an example:

1. New Vendor Notification,
2. Vendor Survey Form,
3. Purchase Requisition,
4. Purchase Order,
5. Purchase Order Log,
6. Purchase Order Follow-Up, and
7. Receiving and Inspection Report.

## Step 2: Purchase Requisition

1. Triggering: A purchase requisition is triggered by the corporate procurement committee or other executive committee for purchasing, completing a purchase requisition form and sending it to the organizational function charged with this role.
2. Specifications: Attached to this document there should also be exact specifications for raw materials, parts, equipment, sub-assemblies, hardware, user needs and requirements for application systems, designs and drawings for computer rooms and ,in general, specific requirements for the item, product or service to be purchased.
3. Suppliers: Further to this, a list of previous suppliers should be noted as well as any new ones with their full details (company names, addresses, phone numbers, e-mails, contact persons, previous purchased item details, etc.).
4. Authority: The purchase requisition should be signed by the authorized officers (signatories) and ratified by a supervising body (procurement committee, purchasing steering committee, CEO, etc.).

## Step 3: Market Research

1. Objective: The objective of this step is to research the market, both local and international, and get at least three complete proposals for the items requested.
2. Proposals: Proposals are obtained from the vendors suggested by the requesting party as well as other vendors known or identified during the research process.

3. RFI: If there is a need for information only (RFI) then the obtained vendor information is returned to the requester, and the procurement process is terminated.
4. Contents of proposals: In the cases where proposals are requested from the specific vendor, these proposals should contain the following parts: Technical specifications, Commercial issues, Legal aspects, and Evaluation criteria

#### **Step 4: Proposal Evaluation**

1. Receive proposals: When all the proposals are received they are forwarded to the evaluation committee for evaluation. The vendor proposals for consumables or other items that do not require specific technical assessment are not reviewed by this committee but they are ordered to the pre-selected vendor on the basis of the lowest price for the approved technical and other quality specifications.
2. Evaluation procedure: In the case of a major vendor proposal evaluation the procedure is the following:
  - a) The technical evaluation is completed first
  - b) The financial evaluation is completed next and only if the technical evaluation results in one or more potential vendors
  - c) The final evaluation and selection of vendor is a combination of both technical and financial evaluations, depending on the weighting of each part.

#### **Step 5: Expenditure Approval**

1. Approval: Following the evaluation of the proposals and before placing a purchase order with the selected vendor the expenditure must be approved by the appropriate corporate management levels. This approval could be obtained on the basis of an approved budget, or of a user department approved budget, etc.
2. Management controls: Management controls must be appropriately exercised to ensure that the system or services ordered are in alignment with the strategic objectives of the corporate entity which it serves, and also that the required funds are available at the time needed for vendor payment. If there is no problem whatsoever, the expenditures for obtaining the parts, equipment, system or services are approved and noted on specific documentation (as per corporate approvals standards or procedures).

### **Step 6: Placement of Purchase Order**

1. Place order: After the expenditures have been reviewed and approved a written order is placed with the approved vendor.
2. Contract: For parts, raw materials, systems and services of large values or of strategic importance to the corporation or organization, a contract is signed between the two parties (organization and vendor).

### **Step 7: Final Delivery**

1. Delivery: Once the purchase order has been placed and a contract has been agreed and signed with the vendor organization a final time schedule for the delivery of the goods and services ordered is forwarded to the authorized official (e.g. the manager) for management control purposes.
2. Receipt control: This official will follow all steps of this process to ensure that all items and services are delivered as per the terms and conditions of the purchase order, the vendor proposal and the signed contract. This official is supported also by specific corporate and staff and the acceptance committee for projects or systems which are to be implemented by the external vendor.
3. Vendor payment: If all the previous steps have been executed fully and there are no outstanding issues of any consequence to be resolved, then the vendor is given the approval to issue the final invoice. This final invoice should be settled on the basis of a final review by a member of the executive board of the organization to ensure that all ordered goods, systems and services have been delivered, as per the purchase order, the corporate needs, the vendor proposed, the signed contract, and the identified results (In case of computerized applications) to the organization. A copy of this invoice should be kept for management purposes.

# APPENDIX 4: PRODUCTION-MANUFACTURING SUPPORT CONTROLS

1. **Master Production Schedule (MPS):** This is your first production-manufacturing support control. The MPS is a time-phased plan specifies how many and when your company plans to build each end item (product).
2. **Material Requirements Planning (MRP) Process:** This is your second production-manufacturing support control. The MRP process provides the schedule specifying when each of the materials, parts, and components should be ordered for the products to be manufactured. Also contains the logic for determining the number of parts, components and materials needed to produce the intended products.
3. **Bill of Materials (BOM) File:** This is your third production-manufacturing support control. This file supports and implements your Production-Manufacturing Plan. The BOM file is a file maintained by a computerized application containing the complete product description, and the list of the materials, parts, and components, and the sequence in which the product is created.
4. **Preventive maintenance program:** This is your fourth production-manufacturing support control. A stoppage in production in any area of the plant is usually due to a breakdown in machines and parts. A simple but effective program of preventive maintenance can save you many more dollars (or Euros or other currency) than it costs. Most manufacturers recommend periodic maintenance. I recommend that you follow their advice. Also it is a good idea to maintain your own maintenance log to ensure that all maintenance activities are properly recorded and monitored.
5. **Materials and vendors contingency list:** This is your fifth production-manufacturing support control. To minimize your possible shortages of critical materials, it is highly desirable to maintain a list of substitute materials and suppliers, in case you need them. These should be kept by the person responsible for purchasing.
6. **Equipment Operational Description File:** This is your sixth production-manufacturing support control.

It is essential to keep a full description of all equipment used for production purposes and their operational characteristics, in order to have the production equipment operate in an optimal, efficient and effective mode.

The typical information that should be kept includes: Serial number, Name and technical specifications, Maximum operating capacity (rate per hour and any work-size limitations), Operators required, including skills, Setup time, Maintenance schedule and parts list, Maintenance contractor details, etc.

- 7. Production Systems and Equipment Maintenance Contract:** This is your seventh production-manufacturing support control. Production systems and equipment should be adequately inspected, cleaned and maintained. Systems and equipment that generate or measure data should be tested, calibrated, and/or standardized in accordance to standards. Written records should be maintained of all inspection, maintenance, calibrating, and standardizing operations. The records should also describe whether the maintenance is routine or non-routine.

**A Maintenance Contract** should cover all production systems and equipment.

Also a **Maintenance Log**, either manual or computerized, should be established and used for each system and equipment.

The log provides you with a comprehensive system for tracking systems and equipment maintenance.

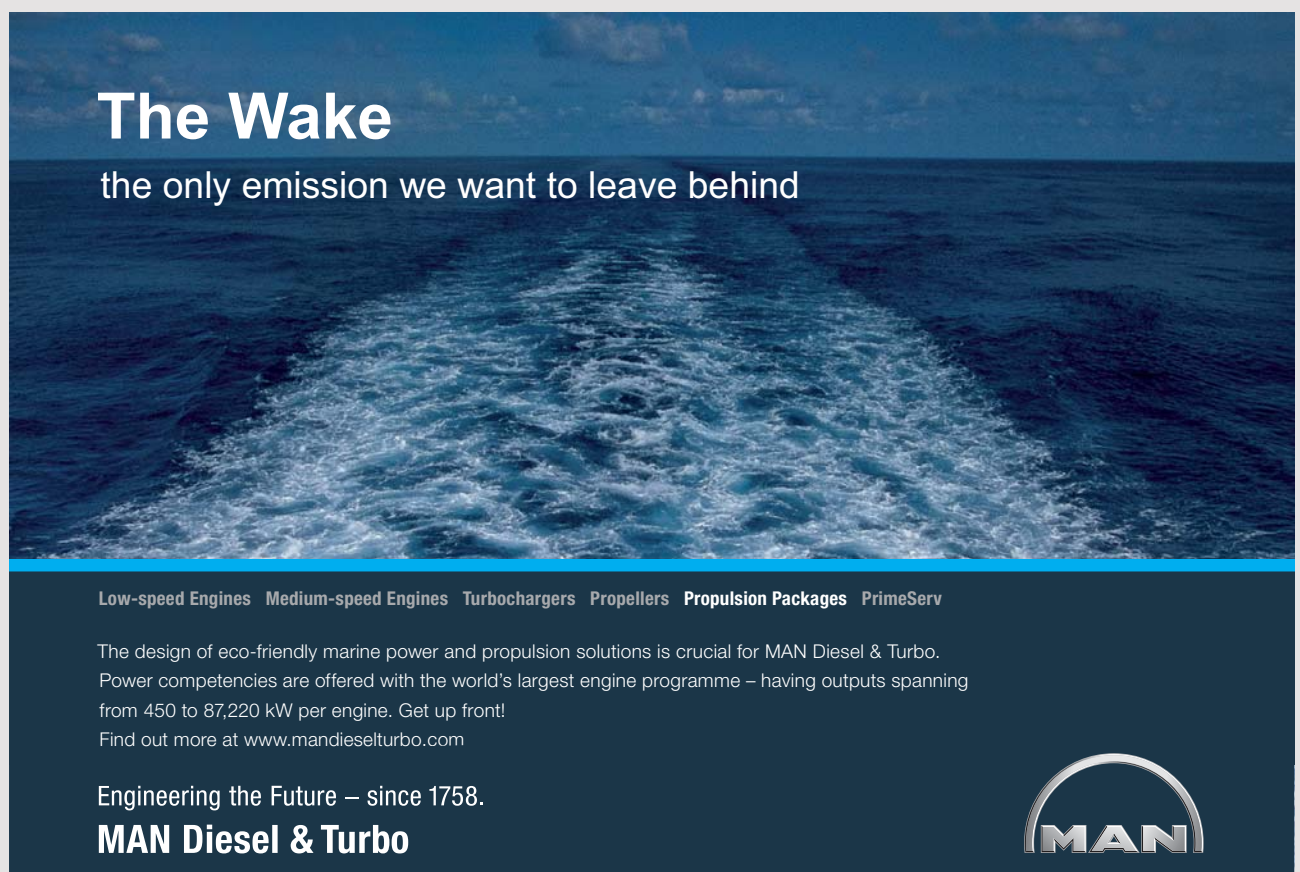
This log is used to record all regular (routine) and irregular (non-routine) maintenance actions by: equipment type, model number, serial number, location, date of maintenance, date and nature of error or defect, remedial action taken, authorized signatures, etc.

# APPENDIX 5: CUSTOMER SERVICE STANDARDS

An example of several principles on which you may base your customer service standards are listed next:

**Principle 1: Know your products and services.** Know what products and services you are offering inside out. In other words, be an expert. In any case, whatever the situation may be, make sure that you don't leave your customers with an unanswered question.

**Principle 2: Respect your customers.** When people spend their time and money to get your products and services, they expect that they will be treated fairly and respectfully. Most customers do not have unrealistic expectations, but simply desire and expect honesty and integrity. Putting yourself in the customer's shoes, displays to them that you understand their problems or needs and are willing to help them resolve the situation.




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**Principle 3: Provide quick service.** As we all know, time is money. Providing quick solutions to customer needs and problems is vital to your SME's success. Good customer service is accomplished by quickly responding to a problem knowledgeably and accurately.

**Principle 4: Use proper body language.** Most of the communication that you relay to others is done through your body language. Make sure to look your customers in the eye. It shows that you are listening to them and hearing what they are saying. And of course be pleasant and smile.

**Principle 5: Anticipate the needs of your customers.** Always look for ways to go above and beyond the expectations of your customers. In doing so, they know that you care and it will leave them with a good feeling about your SME and your products and services.

**Principle 6: Be honest and truthful.** Promise only what you can deliver to your customers. It is best to tell them from the beginning what can really be achieved. In the end, even if your customers do not hear exactly what they want to hear, they will, more than likely, appreciate your honesty.

# APPENDIX 6: CRD MANAGEMENT PROCEDURE

## **Step 1: Study your CRD needs.**

1. Collect your needs and requirements for having a CRD.
2. Determine the type of data and information you want in your CRD, in terms of:
  - a) customer data (such as company name, mailing address, physical address, contact name, telephone and fax numbers, and email addresses, etc.);
  - b) business data (such as contract terms, pricing, and notes on pending tasks associated with each customer, etc.); and
  - c) demographic information (cultural background my purchasing category, education levels by population location, etc.).
3. Identify the types of queries for searching your CRD and other interfaces required.
4. Analyze and record the reports you want the CRD system to be able to produce.

**Step 2: Implement CRD creation system.** Research, select, purchase, do initial tests and implement a CRD software system according to your procurement procedure for IT systems. See chapters 6 and 7 in Part 2 for more details.

**Step 3: Populate your CRD.** Load all the required customer data into your CRD so that a series of extensive tests could be run before real production stars.

**Step 4: Establish security access rights.** Set access rights for who will access and maintain your CRD. Set authorizations on each of the data fields (especially for very sensitive private data).

**Step 5: Test the CRD before release.** Try using your initial CRD with a small group of employees to make sure each of the functions work as specified. Use the results and test findings of this group to iron out any issues with performance, format and ease of use.

**Step 6: Run your CRD in production mode.** Once all the issues are addressed and resolved, the final version can be rolled out to the entire company. Monitor the CRD operation and its performance.

**Step 7: Maintain CRD.** Ensure constant feeding of your CRD. Implement data quality and cleansing procedures to mitigate the risks of incorrect customer and other critical data. Make sure that regular backups are taken according to the IT policies of your SME.

# APPENDIX 7: PRODUCTION FUNCTION AUDIT QUESTIONNAIRE

1. Is your production cost-effective?
2. Do you manage your Supplier/Vendor relationships adequately?
3. Do you manage your inventory well?
4. Are your production policies and procedures supporting your customers effectively?
5. Do you monitor your production performance metrics?
6. Are you training and coaching your production staff?
7. Are you implementing best practices to improve customer service?
8. Does your company have corporate controls to protect against fraud, waste, abuse and mismanagement in the use of all purchasing and contracting mechanisms?
9. Does your company have systems that ensure compliance with all regulatory and policy requirements of both your company and the state/government?
10. Does your company have a positive, supportive attitude towards integrity, ethics education and training in procurement and contracts?
11. Does your company monitor the reliability and confidentiality of data used in all purchasing and contracting decisions?
12. Are the criteria such as objectivity, fairness, etc., known to all bidders and to the market (well publicized) and are these assured in the competitive review and selection of a contractor?
13. Are checklists used to ensure that your purchasing and contract files are complete and accurate?
14. Does your company have a system that integrates procurement/contracts with asset management systems and financial management?
15. Does your company complete closeouts of contracts in a timely and appropriate manner?
16. Does your company have business operating controls to protect against fraud, waste, abuse and mismanagement in the use of all inventory items?
17. Does your company balance actual physical inventory to what is recorded in the computerized inventory control system (at least annually)?
18. Does your company ensure that double or under counting of physical inventory items is not taking place?
19. Does your company ensure that non-existent inventory is not counted?
20. Are all inventory receipts (movements in) and shipments (movements out) recorded in the computerized inventory control system immediately (i.e., when they take place)?

21. Are movements of inventory items monitored and reported daily by the appropriate level of your management?
22. Are the storerooms locked after regular operating hours?
23. Do security control procedures protect all storerooms and inventory areas in the most effective way (e.g., camera system, access control system, security guard visit after hours, etc.)?
24. Are inventory suppliers adequately monitored to ensure delivery of critical raw materials, supplies and parts?
25. Does your company have quality inspection, assurance and error correction policies and procedures?
26. Does the quality system have complete and accurate records for identifying errors, conducting inspections and doing corrections?
27. Are the customers of your company contacted on a regular basis (every year or three, etc.) regarding the quality of goods and services provided?
28. Does your company involve all staff in quality?
29. Is your quality system linked to the benefits and rewards system of the organization?
30. Is the quality system supported by your board and management?

# ENDNOTES

1. For example, see: <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/>
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# ABOUT THE AUTHOR

John Kyriazoglou obtained a B.A. (Honours) from the University of Toronto, Canada, also earning a Scholastic award for Academic Excellence in Computer Science. John has worked in Canada, several European countries (England, Switzerland, Luxembourg, Greece, etc.) and other countries for over 35 years, in various management and technical roles (e.g.: Chairman of various corporate committees, Senior IT manager, Managing Director of IT Services company, Senior Group Internal Audit Manager, IT auditor and business management consultant), in a variety of clients and projects, in both the private and the public sectors. He has published several books and articles in professional publications, has served in numerous scientific committees and is a member of several professional and cultural associations.

He is currently the Editor-in-Chief for the Internal Controls Magazine (U.S.A.).

John can be contacted at: [jkyriazoglou@hotmail.com](mailto:jkyriazoglou@hotmail.com).

**Blog:** <http://businessmanagementcontrols.blogspot.com/>

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