



Objectives:

- Explain the significance of operational plans
- Describe the purpose of operating policies, rules, and regulations

Definitions:

Policy – a statement of guiding principles and procedures that serves as a guideline for daily business operations; they support the company’s goals and objectives.

Rule – a standard that is set forth to guide behavior or actions, leaving no room for interpretation.

Credit – arrangement for deferred payment for goods and services

Character – a borrower’s reputation for honest dealings

Capacity – a borrower’s ability to repay a debt, as judged by the lenders

Capital – the overall assets of an individual

Return policy – establishes the conditions under which items that have been ordered, shipped or delivered may be returned

Rework policy – conditions under which items will be done again due to poor quality, customer’s lack of information

Short answer:

1. What role do policies and rules play in managing operations?

They help keep a business going, to increase productivity and meet customer needs and expectations

2. List five common operating policies that apply to any business.

Hours of Operation, Credit Policies, Return and Rework Policies,
Delivery Policies, Customer Service Policies

3. Briefly explain the 4 types of credit plans utilized by businesses.

- Bank Credit Cards include Visa, MasterCard and Discover Card – bank card issuers take a fee for each transaction.
- Charge Accounts are in the business’s name, and the business applies finance charges for balances due
- Installment Plans – include a down payment and monthly payments
- Financing – usually reserved for expensive goods – a loan by the bank to the consumer

4. What are the 3 Cs of Credit?

1. Character
2. Capacity
3. Capital

5. Identify 7 customer service policies that should be considered for a business.

- Handling of complaints – “The customer is always right.”
- Servicing of your product – if it stops working within a certain time limit, will you fix it?
- Courtesy to customers – “Did you find everything you were looking for?”
- Shopping climate – policy of lighting or housekeeping standards
- Provision of restrooms – are they usable by customers upon request?
- Response time – “all orders filled within 48 hours of receipt”
- Warranties – guarantee of the materials and workmanship that go into their products