

Your Business, Inc.

A well-written business plan is a crucial ingredient in preparing for business success. Without a sound business plan, a firm merely drifts along without any real direction. Yet, entrepreneurs, who tend to be people of action, too often jump right into a business venture without taking time to prepare a written plan outlining the essence of the business.

You should begin by writing down the answer to the very basic question, "What business am I in?" This may sound elementary, but answering this question with thought and consideration will help you focus on the major purpose of the business, which leads to establishing goals and objectives. In turn, these serve as aids in creating strategies, policies, and procedures. Every small business should have policies concerning credit, customers, product lines, image, prices, advertising, and so on. It is important to plan in writing; otherwise, the planning function either is ignored altogether or is conducted too informally.

This template has all of the ingredients to produce an excellent business plan.

Executive Summary

Key executives:	Mr. James K. Quadrant 978 Lakeside Drive Hamilton, New York 13346 (515) 555-5431	Mr. Isiah M. Gradient 113 Broughton Road Hamilton, New York 13346 (315) 555-6871
Business:	Quadrant Surveying & Equipment Company 600 Madison Drive Hamilton, New York 13346 (315) 555-4000	
Business size:	\$378,000 in billings in latest fiscal year. Qualify under SBA definition of a "small business."	
Form of ownership:	S Corporation	
Loan purpose:	To purchase 1 Zeiss total stage with data storage and transfer capabilities to improve the quantity and the quality of the surveying jobs performed for clients.	
Amount requested:	\$25,000	

Mr. James K. Quadrant
978 Lakeside Drive
Hamilton, New York 13346
(315) 555-5431

Work experience:
1974-present

Quadrant Surveying & Engineering Company Hamilton, New York. Manager-Partner. Created business and continues to actively manage technical aspects of field operations. Supervised project managers of six field crews.

1970-1974

Boise-Cascade Timber Co, Freeport, Maine. Survey project manager. Supervised field activities of a six-man survey crew. Planned weekly work schedules and monitored work quality.

1965-1970

Hi-Tech Survey Co., Albany, New York Technician. Performed various surveying tasks as a part-time member of a field crew while attending college. Earned 80% of college expenses.

Education:
1969-1970

Rensselaer Polytechnical Institute Troy, New York Master of Science in Engineering Management. Grades in top 10% of class, GPR of 3.7/4.0.

1965-1969

Rensselaer Polytechnical Institute Troy, New York Bachelor of Science degree in Civil Engineering Graduated with honors.

References:

Mr. Frank Boland
President, Hi-Tech Survey Co.
Troy, New York 12180
(315) 555-1890

Mr. Jeff Anderson
President, Sound Investment
Hamilton, New York 13346
(315) 555-3671

Ms. Sally LeGrand
Account Executive
Merrill, Lynch, Pierce, Fenner, and Smith
Portland, Maine 04111
(207) 555-1218

Personal Financial Statement

Assets		Liabilities	
Cash-Savings account	\$12,000	Notes payable	\$10,000
Checking account	3,000	Mortgage	41,000
Stocks	22,000	Miscellaneous	<u>6,000</u>
Keogh contributions	31,000	Total liabilities	\$57,000
Home	96,000	Net worth	<u>\$135,000</u>
Autos	20,000	Total liabilities	
Miscellaneous assets	<u>8,000</u>	& net worth	\$192,000
Total assets	\$192,000		

Mr. Isiah M. Gradient
113 Broughton Road
Hamilton, New York 13346
(315) 555-6871

Work experience:
1976-Present

Quadrant Surveying & Engineering Co., Hamilton, New York. Managing partner. Supervises internal managerial operations, including financial, accounting, personnel, and planning duties.

1971-1975

New York Department of Health & Sanitation Albany, New York. District Maintenance Engineer. Designed water and sewage projects for cities. Supervised staff of twelve.

1966-1970

Hi-tech Survey Co., Albany, New York Technician. Worked part-time as field crew member performed various surveying duties.

Education:
1975-1976

University of Virginia Charlottesville, Virginia. Master of Business Administration. GPR of 40/4.0.

1966-1970

Clemson University, Clemson, South Carolina. Bachelor of Science degree, in Civil Engineering.

References:

Mr. John Molooney
Assistant Vice President
Con-Edison
New York, New York 10014
(212) 555-2268

Dr. Fred Target
Professor of Engineering
Rensselaer Polytechnical Institute
Troy, New York 12181
(518) 555-3196

Mr. Sam Hough
Certified Public Accountant
Charlottesville, Virginia 22201
(804) 555-3241

Personal Financial Statement

Assets

Cash-Savings account	\$6,000
Checking account	4,000
Mutual funds	27,000
Stocks	18,000
Keogh contributions	24,000
Home	94,000
Real estate	17,000
Autos	19,000
Miscellaneous assets	<u>8,000</u>
Total assets	\$217,000

Liabilities

Notes payable	\$14,000
Mortgage	59,000
Miscellaneous	<u>6,000</u>
Total	\$79,000
Net worth	<u>\$138,000</u>
Total liabilities & net worth	\$217,000

COMPANY HISTORY

James K. Quadrant created Quadrant Surveying & Engineering Company in 1974 as a part-time business venture designed to serve the surveying needs of the local community. Mr. Quadrant began part-time operation of the business in 1975, and Mr. Gradient joined the firm in 1976 to manage the internal operations of the business, while Mr. Quadrant's major responsibilities remained in the area of surveying operations. The two principals' skills, abilities, and areas of concentration are complementary. Annual sales have increased steadily to a record high of \$378,000 in the latest fiscal year, and profits peaked at \$48,965.

INDUSTRY TRENDS AND THE STATE OF THE ART

Demand for surveying and engineering services should continue to climb during the next decade for three important reasons. First, the rapid escalation of property values during the 1980s has increased the need for these services by several customer groups. Second, greater mobility among the general public has increased the number of land transfers. Third, the trend of larger financial institutions to buy and sell residential and commercial mortgages translates into more work for surveyors, who must provide closing plats showing property boundaries, location of permanent fixtures, encroachments, and easements. There has been an extremely rapid growth in golf course communities in the last two years, with new development announced to begin in the next three years.

The development of "state of the art" equipment in the surveying industry has paralleled the expansion in the service's demand. The surveyor's tools have undergone a major transformation in the last ten years; they are more sophisticated, more accurate, and more refined than ever before. Technological advances have manifested themselves in two important forms: (1) the development of speedy, accurate computational equipment (e.g., microcomputers, programmable calculators, etc.) that allows the surveyor to perform complex calculations on field data, and (2) the introduction of electronic distance meters (EDMs), which yield more accurate survey measurements faster and facilitate data processing.

KEY SUCCESS FACTORS

The principals see the following factors playing a critical role in the success of the company:

- ▶ Providing services in a timely fashion.
- ▶ Accuracy of work.
- ▶ "Guaranteed satisfaction."
- ▶ Professional image.
- ▶ Capable work force.

MARKET ANALYSIS

Quadrant has been extremely successful in carving out a specialty niche for itself as well as in meeting the surveying needs of the general public. The company has earned a reputation as the expert in surveying and planning golf courses. After completing work on two local courses, Quadrant obtained a contract on a large, "upscale" golf course 125 miles west of Hamilton. The work is progressing on schedule and will be finished on time and within budget.

TARGET MARKET

The principals of Quadrant have identified their primary target market (in descending order of importance) as: (1) golf courses; (2) realtors; (3) attorneys; (4) private landowners. The firm's marketing strategy is designed to attract the return customer by providing quality surveying and engineering service with prompt turnaround. The firm has built its reputation by focusing on quality, and its pricing policy reflects this professional image. General strategy is to tailor pricing to the "cream of the crop."

COMPETITOR ANALYSIS

Quadrant Surveying & Engineering Company faces no direct competition in its hometown, Hamilton, New York, but there are three primary competitors conducting similar operations in towns within a fifty-mile diameter of Hamilton.

Geodetic Survey, Inc. A small corporation (three principals) whose primary focus is surveying large land tracts for timber companies. Serves 28% of local markets.

Photogrammetry Engineers, Ltd. A small partnership that performs all types of surveying jobs and specializes in surveying by aerial photography. Controls 22% of local market.

Land Surveyors, Inc. A relatively new, aggressive company that also performs all types of surveying jobs and specializes in surveying for local architectural firms, Controls 18% of the local market.

PLAN OF OPERATION

Quadrant employs the S Corporation form of ownership primarily for tax reasons. The organizational chart is attached on a separate form.

KEY PERSONNEL

In addition to the principals, whose experience and network of contacts is crucial to the company's success, two long-term field managers play major roles in the firm. As Quadrant grows over the next year, another field manager will be hired,

FINANCIAL DATA

The following audited financial statements summarize Quadrant's latest operations:

Quadrant Surveying and Engineering Company
Balance Sheet

Assets		Liabilities	
Current assets:		Current	
Cash	\$5,000	Accounts	\$2,500
Accounts receivable	<u>4,700</u>		
Total current assets	\$9,700	Long term liabilities:	
Fixed assets:		Notes Payable	11,500
20 vehicles	40,500	Mortgages On real	
3 computers	30,000	property	<u>43,000</u>
6 sets EDM equipment	48,000	Total L-T liabilities	\$57,000
4 transits	6,000	Total liabilities	57,000
4 levels	4,800	Owner's equity	127,500
Misc. field equipment	20,000	Total liabilities &	
Office fixtures & equip.	18,000	Owners' equity	<u>\$184,500</u>
leasehold improvements	7,500		
Total fixed assets	\$174,800		
Total assets	<u>\$184,500</u>		

Income Statement

Net sales	\$378,000	
Operating expenses:		
Labor expense	\$219,800	
Gas expense	29,993	
Telephone expense	6,270	
Equipment repair expense	5,600	
Insurance' expense	9,025	
Rent expense	5,400	
Depreciation expense	9,200	
license expense	1,500	
Payroll taxes	11,050	
Office supplies expense	7,200	
Field supplies expense	10,900	
Miscellaneous expenses	4,700	
Total operating expenses	<u>\$320,638</u>	
Net operating profit	57,362	
Income taxes	8,397	
Net profit	<u>\$48,965</u>	

Quadrant Surveying & Engineering Company
Break-Even Analysis

		total fixed expenses
Break-even sales =		
		1.00 - variable expenses expressed as percentage of sales
Total expenses	\$320,638	
Fixed	88,122	
Variable	240,913	
		240,913
variable expenses as a % of sales =		
		378,000
=		63.73%
		88,122
Break-even sales=		
		1.00 - 0.06373
Break-even sales=	\$242,985	

Projected Cash Budget

Cash Receipts	Jan	Feb	Mar	Apr	May	June
SALES COLLECTIONS:	20,000	25,000	28,000	33,000	47,000	54,000
20% same month			5,600	6,600	9,400	10,800
60% first month after sale			15,000	16,800	19,800	28,200
18% second month after sale			3,600	4,500	5,040	5,940
Other cash receipts			<u>250</u>	<u>50</u>	<u>380</u>	<u>160</u>
TOTAL CASH RECEIPTS			24,450	27,950	34,620	45,100
CASH DISBURSEMENTS:						
Wages			15,680	18,480	26,320	30,240
Taxes						
Payroll			532	628	987	1,011
Property			0	0	400	0
Transportation			790	840	1,380	1,525
Repairs & maintenance			375	450	575	625
Field supplies			650	800	1,050	1,240
Rent			500	500	500	500
Utilities			100	110	130	140
Telephone (including yellow			450	575	800	950
Entertainment			200	200	200	200
Insurance						
Malpractice			0	9,000	0	0
Tenant's			0	0	1,500	0
Auto			0	0	0	500
Licenses			0	0	0	1500
Miscellaneous			<u>210</u>	<u>340</u>	<u>425</u>	<u>490</u>
TOTAL CASH DISBURSEMENTS			19,487	31,923	34,267	38,921
END OF MONTH BALANCE						
Beginning cash balance			5,000	9,963	5,990	6,343
+ cash receipts			24,450	27,950	34,620	45,100
- cash disbursements			<u>19,487</u>	<u>31,923</u>	<u>34,267</u>	<u>38,921</u>
CASH END OF THE MONTH			9,963	5,990	6,343	12,522
(REPAYMENT)			0	0	0	0
or						
(BORROWING)			0	0	0	0
CASH END OF THE MONTH			\$9,963	\$5,990	\$6,343	\$12,522
Minimum Cash Balance = \$5,000						

Pro Forma Income Statement

Net sales	\$480,000
Operating expenses:	
Labor expense	\$272,000
Gas expense	30,305
Telephone expense	10,650
Equipment repair expense	6,500
Insurance expense	11,000
Rent expense	6,000
Depreciation expense	10,000
License expense	1,500
Payroll expense	12,750
Office supplies expense	7,400
Field supplies expense	11,200
Miscellaneous expenses	5,100
Total operating expenses	<u>\$384,405</u>
Net operating profit	95,595
Income taxes	<u>13,995</u>
Net profit	<u>\$81,600</u>

STRATEGIC ACTION PLAN

Goals, Objectives, and Strategies

The principals of Quadrant recognize the importance of quality management in successfully meeting their competition. To focus the firm's activities, the principals define its mission: "To meet the spectrum of surveying and engineering needs of private landowners, large tract owners, financial institutions, attorneys, realtors, and timber companies with high-quality service, rapid turnaround, and unparalleled professionalism, at a profit."

The overall mission of Quadrant is more clearly defined by dissecting it into the following objectives:

- To boost annual sales to \$480,000.
- To increase market share from 31 percent to 36 percent of the local market.
- To obtain a contract for another golf course.
- To increase by 10% the number of engineering jobs performed for local towns and districts (e.g., water and sewage systems design).
- To improve profit margin from 13 percent to 17 percent.

To obtain these objectives, Quadrant will employ a business strategy designed to exploit the four key factors for success in the surveying business-to maintain: (1) a prompt turnaround time on jobs; (2) a professional image with the clientele; (3) a continuous relationship with "return customers"; and (4) a healthy customer mix to ensure a steady flow of work. The following key points illustrate this strategy:

- To utilize equipment offering the latest technological advances.
- To train employees in implementing advanced survey techniques into their work.
- To provide the opportunity for clients to consult with project managers (or principals, if desired) on all projects.
- To keep the customer informed of the job's progress on a timely basis.
- To "crack the engineering market" by obtaining small jobs with cities, districts, and subdivisions.
- To increase the number of government contracts bid on.
- To acquire and to develop "regional accounts"-clients with large land holdings (e.g., large timber companies).

loan purpose: To purchase a Zeiss total station with data storage and transfer capabilities that will facilitate taking angular and distance measurements in the field and performing survey computations.

Amount requested: \$25,000 (see attached vendor's estimate)

Terms: One year and no prepayment penalty.

Interest rate: Prime

Collateral: Personal guarantees of principals' title to Zeiss total station.

Repayment: Quadrant's ability to repay is illustrated on the accompanying proforma financial statements. The cash budget projected for the upcoming year shows the company will be able to repay the loan within one year. Benefits accruing from the purchase of this EDM equipment include the ability to:

- Reduce the number of field personnel by one-third.
- Reduce office personnel by the immediate transferring field data to the home office via telephone.
- Minimize the number of return trips to the job site, a significant cost of doing business.
- Improve productivity by performing more jobs in less time.
- Improve the firm's professional image with its clientele by employing the latest, most advanced equipment.
- Obtain golf course that requires a level accuracy attainable only with EDM devices.

nt Co

July	Aug
58,000	55,000
11,600	11,000
32,400	34,800
8260	9,720
<u>400</u>	<u>100</u>
52,660	55,620
32,480	31,147
1,375	1,163
0	0
1,780	1,645
700	675
1,500	1,375
500	500
150	140
1,075	990
200	200
0	0
0	0
0	0
0	0
<u>510</u>	<u>500</u>
40,270	38,335
12,522	25,112
52,660	55,620
<u>40,270</u>	<u>38,335</u>
24,912	42,397
0	0
0	0
\$24,912	\$42,397

