Entrepreneurship and Small Business Planning: A Statistical Assessment of Home Improvement Companies in the Chicagoland Area

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SENIOR HONORS THESIS
Submitted In Partial Fulfillment of Requirements of the College Scholars Program
North Central College

June 1, 2007

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Acknowledgements

During my sophomore year of college, I received a Hallmark card from my father for my birthday. It read:

When you were a little girl,
You were always striving for perfection,
Always worrying if something you tried didn’t go just right.

My heart would tighten inside my chest each time I witnessed that determined yet sensitive spirit of yours— you were so beautiful to see.

And now that you’re a young woman,
You continue to live life passionately.

I can see in your eyes a clarity of purpose as you give everything you do your personal best.

You will always be someone who reaches for and touches the sky.

I hope you realize that whatever you do or whoever you become,

There is one thing you never have to work for—the love I have for you every single day of your life.

This card would get me through the hardest days; I had received a bad grade on a test or I was under so much stress to finish all of my work, like this thesis, in such a short period of time.

This card would remind me that regardless of what I finished or how bad my GPA became, I would still have the love and support that had gotten me through so much trial and tribulation. Therefore, I want to say thank you to my Father for being a never ending source of love and support to me for the past 22 years of my life. Daddy, you’ve been such an inspiration to me over the past four years and it is because of your reassurance, bad daddy jokes, and nurturing nature that I have become the woman I am today. I love you Daddy.
Thank you also to Professor Cavenagh and Dr. Ernst for all of their supervision, support, and advice offered to me throughout the thesis writing process and over the past four years. I greatly appreciate all the time and dedication you offered, not only in advising this thesis, but also in advising me and often times pointing me in the direction I should go when I wasn’t so sure. Thank you for reminding me to believe in myself and my capabilities and for instilling in me a passion, drive, and tenacity that I will always carry with me.

Finally, I would like to thank Jean Morris, Robin Johnson, and Suzyn Price for being a never ending source of hugs and tissues. My impromptu support group, you all will never be able to understand how much you’ve met to me over the past few years and how much I am forever indebted to you and to the Alumni Office as a result. Thank you for always lending an ear to listen to me vent, offering me advice, and for creating in me a better friend and a better person. I can honestly say there is no way I would have been able to get through these past four years without any of you. Thank you.
The thesis begins with an overview of the essential elements of an entrepreneurial venture; the entrepreneur, the idea vs. the opportunity, and an overview of small business planning. The thesis then offers a study done on the presence and impact of a business plan on small home improvement companies in the Chicagoland area. The goal of the survey was to examine the relationship, if any, between the presence and usage of a business plan and the success of these small home improvement ventures using the variables of number of employees, years in business, and total revenue for 2006. The author believed that the existence of such a plan within the organization would not necessarily guarantee its success but that the usage of the written plan for communication, evaluation, and planning purposes would have a positive impact on the venture. The thesis concludes with a formal written business plan in the form of an appendix. In writing the plan, the author drew upon her knowledge and education from the previous three years; lending the business plan to the honors thesis due to its academic origins. The plan illustrates the components discussed in the body of the paper and acts as a culmination of the author’s entrepreneurial education.
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I. Introduction

This thesis began as a final project for the capstone class in the North Central College Entrepreneurship major; Business Plan Development, which consisted of putting together a formal written business plan for a business of the students’ choice. The home improvement industry was chosen due to the author’s involvement in a small deck construction company who was without a business plan at the time. In writing the plan, the author drew upon her knowledge and education from the previous three years; lending the business plan to the honors thesis due to its academic origins.

The thesis is broken up into three main sections; the first of which gives the reader a basis for understanding the topic of entrepreneurship. In this section, general characteristics common among individuals with an “entrepreneurial spirit” are discussed including motivation, determination, and a desire to be successful. The author draws upon the six dominant themes of attitudes and behaviors as laid out by Jeffery Timmons in order to establish the need for individuals wanting to pursue an entrepreneurial career to identify these traits within themselves, acquire those they do not already possess, and gain the professional knowledge and experience necessary to succeed in such an industry. ¹ This section closes with a few comments on the recent development of entrepreneurship among varying gender and ethnic lines.

Section two of the background information utilizes the Quick Screen Tool and the Timmons Model to distinguish between entrepreneurial ideas and entrepreneurial opportunities. This section warns entrepreneurs to evaluate potential ventures using these methods before going forward with business planning or even startup. The Quick Screen Tool is designed to weed out ideas from opportunities based on the potential impact of the venture on the market and whether

or not a significant market exists to support the venture. Ideas and opportunities that make it past this stage of evaluation are then compared to the Timmons Model set up by Jeffery Timmons which focuses on five central themes that drive sustainable success and the three drivers of the model: Opportunity, resources, and team. This section closes with a note on the importance of fit and balance among these drivers and the importance of gathering a well rounded and experienced team to assist the entrepreneur in launching the venture.

Finally, the background section concludes with a brief overview of all of the essential elements of a formal written business plan ranging from the Cover Page to the Marketing and Financial Plans. Each topic covered in this section includes an overview of the purpose of and the essential elements in each section of the business plan that readers and potential lenders look for in evaluating an investment plan.

The second portion of this thesis contains a research study done on the assessment of business planning in small home improvement ventures throughout the Chicagoland area. The purpose of the study was to evaluate the relationship that existed, if any, between the presence and usage of a formal written business plan in small home improvement companies and their success rates. Surveys were created using Zoomerang.com, an online survey service, and distributed via email to 310 respondents with a response rate of 24.5% for a total of 76 returned completed surveys. The results were assembled and assessed using services rendered from Zoomerang.com and conclusions were drawn concerning the impact of business plans on the success of small ventures based on the variables of number of employees, years in business, and total revenue for 2006.

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3 Id.
Conclusions concerning the impact of a plan on these variables were drawn from the data which demonstrated that a formal business plan did not necessarily have a direct impact on the success of the ventures as measured by the above variables. However, a significant number of respondents who reported having written a business plan found it helpful in a variety of contexts including planning, communication, and managing their ventures.

The thesis concludes with an example of a formal written business plan based on a real home improvement venture in the Chicagoland area; West Suburban Decks, attached to the thesis as an appendix. The plan is designed to act as an example depicting the necessary components of a formal plan as described in the background information found in the first section of the thesis. The plan is also consistent with the information gathered from the research results in terms of containing the information similar ventures found to be beneficial to the success of their own small home improvement businesses.
II. The Makings of an Entrepreneur

To begin this discussion of entrepreneurship, we begin with the most basic yet fundamental component of any new venture: the entrepreneur. What is it about an individual that makes an entrepreneur? An entrepreneur can exist in just about anyone but it is those individuals that have a certain spark, certain tenacity unique just to them that become the next Michael Dell or Bill Gates of the world. Successful entrepreneurs are those who are able to identify this spark, utilize it, and learn to harness it.4

The “entrepreneurial spirit,” as it is referred to in “New Venture Creation: Entrepreneurship for the 21st Century,” consists of more than just a “creative and innovative flair.”5 Rather entrepreneurs consist of both intangible and tangible talents that are brought together to create an individual who thrives on determination and success.6 Jeffery Timmons suggests that there is no ideal entrepreneurial personality but only that successful entrepreneurs share common personality attributes:

“They work hard and are driven by an intense commitment and determined perseverance; they see the cup as half full, rather than half empty; they strive for integrity; they thrive on the competitive desire to excel and win; they are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter; they use failure as a tool for learning and eschew perfection in favor of effectiveness; and they believe they

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can personally make an enormous difference in the final outcome of their ventures and their lives.7

Furthermore, Timmons goes on to divide these characteristics up into six dominant themes of desirable and acquirable attitudes and behaviors:

- Commitment and Determination: Intensely competitive in achieving goals, persistent in solving problems, disciplined, willing to undertake personal sacrifice
- Leadership: Self-starter, inspires others, honest and reliable, teacher and learner, patient
- Opportunity Obsession: Market driven, knowledge of market and customer needs and wants, obsessed with value creation and enhancement
- Tolerance of Risk, Ambiguity, and Uncertainty: Calculated risk taker, tolerates stress and conflict, able to resolve problems and integrate solutions
- Creativity, Self-Reliance, and Adaptability: Able to adapt and change, quick learner, non-conventional thinker
- Motivation to Excel: Goal and results oriented, drive to achieve and grow, awareness of weaknesses and strengths, perspective 8

Not only is it necessary for potential entrepreneurs to identify and acquire these qualities within themselves, they must also bring with them tangible knowledge and experience to draw upon in order to ensure the success of their business. Solid general management skills, business know-how, and sufficient contacts are the core of this knowledge; without which an entrepreneur

is likely to have a more difficult time in creating a successful venture. These skills and experiences can be gathered through whatever means necessary such as apprenticeships, prior work experience in the industry, or social networking, but the more solid the knowledge, the more solid a foundation a venture can be built upon.

It is important to note that these skills and characteristics know no demographic boundaries. Individuals can start their own business at any age and with any background. A recent survey found that the entrepreneurial activity rate of adults age 18-75 was at 11.9% in 2003 and rising. This statistic does not break down that activity into ethnic or gender categories but the entrepreneurial world has witnessed more of an increase in the number of underrepresented classes joining the ranks of entrepreneurs than ever before. This is largely due to a continuing focus on entrepreneurship worldwide through policy changes, increased racial/ethnic composition and the effects of globalization. Although women are still outnumbered in the entrepreneurial world by a ration of 2:1, “they are becoming increasingly important contributors to overall entrepreneurial activity in the United States and other countries.” Differences in social networking opportunities, cultural background, economic status and power are among the many hypotheses for this disparity but the numbers of female entrepreneurs are quickly rising to their counterparts and an increasingly large number of organizations and institutions are being founded to assist women in their new ventures.

13 Id.
As a result of the focus on entrepreneurship in the U.S. and abroad combined with the ever evolving ethnic landscape, business formation by individuals with diverse ethnic and racial backgrounds is also on the rise. Although these individuals must overcome obstacles such as education levels, language barriers and economic disparities, the businesses that result from diverse groups of people benefit the economy and it consumers immensely by generating ideas and opportunities not otherwise created by a homogenous society. Again, the industry is experiencing a surge in the creation of organizations to assist these entrepreneurs in their ventures and the success rates of these startups are on the rise.

III. Idea vs. Opportunity

Often times, entrepreneurs know whether or not they possess the drive and determination necessary to succeed but they are not always able to readily decipher whether they have an idea or an opportunity. Ideas are easy to generate but most do not represent a viable opportunity or “a business that can generate profits and provide attractive returns to the entrepreneurial team and the investors.” Some entrepreneurs make the mistake of moving forward and writing a business plan without first separating the opportunities from the ideas. This process forces the writer to evaluate every aspect of the business from location to financial planning. By evaluating these variables it may become clear that the opportunity is not feasible for whatever reason and the

idea is done away with. Although these variables can be adjusted and manipulated in order to create a viable business, some ideas are nothing more than just that; an idea.\textsuperscript{17}

Rather than going through the process of evaluating ideas using a business plan, entrepreneurs can utilize the Quick Screen tool in order to determine which ideas merit more attention. The Quick Screen tool consists of four criteria which if met, qualify ideas as potential opportunities to be further explored later on. Those criteria are:

1. They create or add significant value for a customer or end user.
2. They do that by solving a significant problem or meeting a significant want or need for which someone is willing to pay a premium.
3. They therefore have robust market, margin, and moneymaking characteristics: large enough, high growth, high margins, strong and early free cash flow, and high profit potential.
4. They are a good fit with the founders and the management team at the time and marketplace and with the risk-reward balance.\textsuperscript{18}

Once the ideas have made it past this initial evaluation, they have the potential to become opportunities. The entrepreneur can then employ the Timmons Model as presented by Jeffery Timmons which can be used to evaluate and come to understand the potential for success each opportunity possesses in a more thorough manner. The Timmons Model highlights five central themes that drive sustainable success:


\textsuperscript{18} Id.
• It is opportunity driven.
• It is driven by a lead entrepreneur and an entrepreneurial team.
• It is resource-parsimonious and creative.
• It depends on the fit and balance among these factors.
• It is integrated and holistic.\(^{19}\)

These components make up the controllable aspects of the entrepreneurial process, or the process of developing a business from conception to completion. Even though these themes can be altered and adjusted to increase the likelihood of success, they must be evaluated by the entrepreneur during the beginning stages of the process when determining whether or not an idea or opportunity exists.\(^ {20}\)

The Timmons Model consists of three driving forces: Opportunity, Resources, and Team.
Opportunity is the first step in the Timmons Model and represents the heart of the process.\textsuperscript{21} A good opportunity is one where the market is imperfect and the potential for growth, durability, size of the gross and net margins and the free cash flow are large.\textsuperscript{22} Furthermore, the greater the inconsistencies in the existing market or service providers, the more potential the opportunity has for success. When the entrepreneur evaluates opportunity using the Timmons Model, he or she looks at the market demand for the product or service, the market structure and size, and finally, the margin analysis with regards to gross margin and the timeline to break even.\textsuperscript{23}

The second step in the model is resources. Entrepreneurial resources consist of much more than simply financial resources. In fact, these should be considered last as Timmons suggests that “money follows high potential opportunities conceived of and led by a strong management team.”\textsuperscript{24} More important resources consist of the team, the business plan, and the assets the business uses and not necessarily those it owns. By minimizing these resources, the entrepreneur is able to control them more effectively than focusing on maximizing and owning as many resources as possible. This is referred to as bootstrapping or doing more with less.\textsuperscript{25} Entrepreneurs find creative ways of utilizing the assets and resources the business can find. By doing so, “a discipline of leanness is established where everyone knows that every dollar counts


\textsuperscript{24} Id.

throughout the firm and the principle of conserve your equity becomes a way to maximize shareholder value."

The final step in the Timmons Model is that of the team. This component becomes the essential part of a successful venture; without which even the best ideas will readily fail. Due to its necessity, this aspect of is the most difficult to put together. It is first and foremost led by "a very capable entrepreneurial leader whose track record exhibits both accomplishments and several qualities the team must posses." These characteristics include:

- Motivation to excel
- Commitment, determination, and persistence
- Creativity
- Adaptability
- Communication
- Integrity, dependability, and honesty

As the leader, an entrepreneur is responsible for creating the culture of the organization and setting the pace. Through the use of these attributes the entrepreneur is capable of putting together a team that shares in these same values and has the necessary talents and perseverance to make a successful venture.

The Timmons Model does not stop at these three components but rather goes on to suggest that there is an element of fit and balance among them. The concept of team is depicted at the bottom of the triangle to symbolize the notion of the team balancing the other forces in the

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27 Id.
mode. It is the responsibility of the team and more so the entrepreneurial leader to ensure that the other forces in the model are balanced with one another and are not thrown out of sync by some outside force. Along with the business plan, this element helps to tie together the three components of the model through the process of planning, communication, and evaluation.

IV. Entrepreneurial Business Planning

Once an idea has been found to present a viable opportunity, which is then evaluated using the Timmons Model; the feasibility of the venture is more substantial and may warrant the writing of a business plan. The plan holds three primary purposes: Planning, Communication, and Evaluation.

By writing a formal business plan, entrepreneurs are forced to think through every minute detail of the business by defining what the product or service will be and where the business will strive to go. This may seem like a logical thought process for entrepreneurs to determine before this step but for many plan writers, the sections of the plan force them to think through their ideas more thoroughly and often times clarify them. As a result, the plan can not only “prevent an entrepreneur from pursuing a bad opportunity; it also can help entrepreneurs reshape their original visions into better opportunities.”

It is crucial to the success of the business plan and the success of the venture for the entrepreneur to research thoroughly all the information needed in writing the plan. This

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information usually includes market research statistics, target market demographics, industry trends and analyses, competition, availability of resources, and the possibility of legal factors. By evaluating these concepts, "the entrepreneur is able to more accurately forecast the future of the business and identify roadblocks and obstacles that can arise in the process of building the business." Such roadblocks can include cash flow shortages, changes in staffing, scarce availability of resources, and downward market trends. However, if an entrepreneur is able to identify these obstacles early on, the business plan can address ways to overcome them and the business stands a significantly better chance of surviving.

One of the most commonly cited reasons for writing a business plan is to secure financing from an outside lender. Small ventures need capital in order to grow and that capital is often times outside the means of the entrepreneur's personal finances. Therefore, a large percentage of entrepreneurs must seek funds from banks, venture capitalists, angel investors, or other outside forces. The presence of a plan becomes crucial in these circumstances as it becomes "the primary means of communicating what the business opportunity is about and demonstrating that the venture is viable and will succeed." The plan can also be used to communicate the details of the business to other perspective audiences within the organization. The presence of the plan serves as a guidebook for the business and communicates to employees, managers, and others in the business what the future course of the venture entails and what will happen along the way. From this perspective, "the

written business plan communicates the goals, visions, and purpose of the venture to all involved in reaching them and drives the collective effort in one direction."37

Finally, the written plan serves as a means to evaluate the business’ progress. The plan can be used as a tool against which to measure how far the business has come and how much farther it has to reach its goals. Entrepreneurs who use the plan in such a way are able to identify whether or not the business is on track to meet its goals and adjust the practices accordingly before the progress gets too far off track. In the same way, it allows the entrepreneur to be aware of what is potentially coming up in the near future and to take the necessary actions in order for the business to continue to prosper.

A formal business plan is an immensely helpful tool to a new venture if the entrepreneur performs his due diligence and puts the time and effort into researching, writing, and rewriting the plan. Jeffery Timmons suggests that the first draft of the plan will take most entrepreneurs approximately 200 hours to complete but will be obsolete the minute it is printed.38 This thought can be somewhat disheartening for writers but the fact of the matter is that the market is ever changing and in order for a business to be successful, the plan must be modified and updated repeatedly in order to stay ahead of the game.

In order to begin the process of writing the plan, an entrepreneur must first know what is included in the document. What follows is a short description of the necessary sections in a formal written business plan followed by an example written for an actual small deck construction and repair company; West Suburban Decks.

A. Cover Page

The cover page is the very first thing the reader sees. As such it should be eye catching and communicate the overall feel the business is trying to present through design, layout, and the inclusion of pictures or graphics. Information on this page includes: company name, slogan, contact person, address, phone number, fax number, email, date, and copy number. It is important for the entrepreneur to keep track of the number of copies made of the plan and who those copies are distributed to. The plan contains a venture’s strategy for success and if found in the possession of individuals other than those intended, could result in a loss of opportunity and market share.

B. Table of Contents

It is important that the business plan be as easy to read as possible for investors or anyone looking to find information about the venture. Therefore, each plan should contain a thorough table of contents customized to the sections included in that specific plan. Most potential investors will not read the document from start to finish and thus, will utilize the table of contents to skip from section to section in search of the information they seek.

C. Introduction

The introduction section gives the reader a very quick, concise view of what the venture idea is and what the product or service offering entails. This section also specifies how much the entrepreneur is willing to put towards the start up and how much he or she is requesting in the

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40 Id.

<http://www.sba.gov/index.html>
Statement of Financing Need. It is important to include a break down of that amount into individual costs for the reader to evaluate. It should be noted that the entrepreneur should be willing to put in some of his or her own personal funding if it is expected that an outside source will invest in the venture as well. The introduction concludes with the Statement of Confidentiality of Report which simply states that the information contained in the plan is not to be shared with any other parties and is used for the purpose of securing financing and planning within the organization.

D. Executive Summary

Even though the Executive Summary is often the first section a reader looks at, it is the last section to be written in the plan in order for the writer to "have gained deep learning by going through all the other sections." The summary should be no more than two pages in length and should capture the readers' attention by describing the venture in terms of the potential opportunity in the market and the competitive advantage the venture possesses over the competition. Other topics to be covered in the Executive Summary can include: the mission statement, description of opportunity, business concept, target market, the entrepreneurial team qualifications, and industry overview. Each of these categories is covered in more depth throughout the plan but the Executive Summary should entice the reader to seek out that information in other sections.

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E. Industry Analysis

The primary goal of the Industry Analysis is for the entrepreneur to demonstrate his or her knowledge of the industry the business will operate in.\textsuperscript{46} This section requires a great deal of research and analysis to communicate to the reader that the market can sustain the proposed venture. The Industry Analysis section includes:

- Industry Description and Outlook: A description of the primary industry, the current size of the industry, historic growth rate, trends and characteristics related to the industry as a whole and the major customer groups within the industry.\textsuperscript{47}

- Target Market Information: The target market is simply the market or group of consumers that the business will target its product or service to. When defining the target market, it is important to narrow it to a manageable size while ensuring that it is sizeable enough to support the business.\textsuperscript{48}

- Market Test Results: Distinguishing characteristics of the primary market the venture is targeting, size of the market, the extent to which the business will be able to gain market share and the reasons why. It is important to substantiate as many claims as possible with solid evidence.

• Competition: Identification of the competition by product line or service as well as by market segment and an assessment of their strengths and weaknesses; identification of any barriers which may hinder the business from entering the market. Many entrepreneurs focus only on their direct competition but a thorough analysis of the environment should include both direct and indirect competitors in order to gain a more accurate depiction of the market.

F. Description of Venture

The Description of Venture section allows the entrepreneur to sell the business to the reader. It is here that the use of pictures, graphs, charts, and competitive mapping can be useful in helping the reader visualize the success that the entrepreneur sees with regards to the venture. In this section that the reader is given specific details about:

• The Company Description: Includes information about the nature of the business as well as lists the primary factors that will make the business a success such as the marketplace needs the business will satisfy, the ways in which those needs will be satisfied using the products or services, and the specific individuals and/or organizations identified as having these needs.50

• Product or Service Offering: Describes what the business is selling in greater detail, includes information on tangible product or service as well as the intangible needs it fulfills.51

• Competitive Advantage: Demonstrates the advantage the venture has over the competition identified in the previous section.52 Such advantages may include a key location, superior ability to satisfy customer needs, highly efficient methods of delivering the product or service, or outstanding personnel.

• Personnel and Size of the Business: Contains background information of the entrepreneurial team, divides up duties and responsibilities amongst the staff, and includes information on hiring employees.

G. Production Plan

Depending on the product or service, the Production Plan can take on different forms. In the example of West Suburban Decks that follows this discussion, the venture is primarily a service company that creates a product for homeowners. In this production plan, the sections include:

• The Manufacturing Process: A detailed description of how the product will be produced from start to finish including timelines and description of inputs.53

• The Physical Plant: Contains information on where the physical presence of the business is located, dimensions of plant, and costs of running the plant.54

• Machinery and Equipment: Any equipment needed to produce the product including name and type of equipment, cost of purchase, cost of upkeep, and possibly cost of renting the equipment.55

• Suppliers: Names of raw material suppliers, cost of supplies, and frequency of purchase.56

H. Marketing Plan

The Marketing Plan is often viewed as one of the more important section of the formal business plan because it details how the business will create and attract its customers which are the lifeblood of the business.57 Investors review this section carefully in order to ensure that the company has established a credible and thorough strategy in marketing the business in order for it to succeed. It is beneficial to the entrepreneur to be as meticulous as possible in the estimation of strategies, timing and costs with regards to this section because the more information gathered early on, the more prepared the entrepreneur will be to implement the strategies once the business is launched. The dimensions covered in this section include:

54 Id.
55 Id.
56 Id.
• Market Penetration Strategy: Includes the details concerning the product such as positioning in relation to other products in the market, price of the product or service, and how and when the product will appear in the market.\textsuperscript{58}

• Growth Strategy: Details how the business will handle the growth it is likely to experience including increasing human resources, acquisition strategies, or horizontal or vertical strategies to increase the consumer base.\textsuperscript{59}

• Distribution Strategy: Demonstrates how the product will reach the consumer through distribution channels such as wholesalers, retailers, internal sales force or distributors.\textsuperscript{60}

• Communication Strategy: Specifies the means by which the business will communicate with consumers by way of promotions, advertising, public relations, personal selling, brochures, catalogs, flyers, and outdoor advertising and how the effectiveness of that communication will be measured.\textsuperscript{61}

• Sales Force Strategy: Depending on the product or service, the business may utilize a sales force to contact prospective customers. The Sales Force Strategy details how that force will be organized in relation to the number and recruitment of salesmen, compensation, and training.\textsuperscript{62}

\textsuperscript{58} Id.
\textsuperscript{59} Id.
\textsuperscript{60} Id.
Product Forecasts: As part of the sales strategy, the entrepreneur will need to estimate the amount of sales the business is likely to produce during the first three to five years. Taking into consideration elements such as competition, industry trends, marketing efforts, and repeat customers, these forecasts form the basis for the financial statements in the Financial Plan section of the business plan. Therefore, the numbers should be a conservative estimate of the sales the entrepreneur expects to realize and should be substantiated with as much solid evidence as possible.\textsuperscript{63}

I. Organizational Plan

This section focuses on the structural components of the venture and details how the organization will be formed, the principle shareholders, the management team background, and the division of roles and responsibilities. Sections include:

- Form of Ownership: The type of business the venture will be structured as such as sole proprietorship, partnership, corporation, or franchise. Each model has positives and negatives with regards to personal liability issues and tax laws so it is important for the entrepreneur to weigh the pros and cons heavily.

- Shareholders: How the business shares are divided amongst the owners. Who has what percentage of the business and is responsible for what areas of decision making.

\textsuperscript{63} Id.
• Management Team: Details the backgrounds and qualifications of the individuals in managerial positions. The purpose of this section is to communicate to the reader that the people the business has in place are capable of ensuring the success of the business.64

• Divisions: Divides up the roles and responsibilities of the organization among divisions and/or individuals within the organization. It is important to clearly assign all necessary tasks so there is no ambiguity about responsibilities.65

J. Assessment of Risk

In this section, the entrepreneur knowingly demonstrates that there potential flaws or pitfalls within the business model as it exists. Investors and lenders will already be on the lookout for these critiques but by acknowledging them ahead of time, the entrepreneur is able to demonstrate that he or she is aware of them and offer ways of addressing them. The assessment is divided up into three parts:

• Organizational Assessment: Shortcomings of the business itself such as level of experience of owners, structure of ownership, and high start up costs.

• Industry Assessment: Findings in relation to the industry or market that the business operates in such as downward trends in the industry, level of competition, and size of the market.


65 Id.
• Contingency Plans: Details the course of action the entrepreneur will take in the event that the business doesn’t go as planned. This may take the form of selling off assets to repay loans, narrowing service or product offering to save cost, and reducing the size of the business.66

K. Financial Plan

The Financial Plan section of the business plan is often times viewed as the most daunting and burdensome by the vast majority of entrepreneurs. However, it contains the information necessary to persuade investors and lenders that the business will succeed. Although some entrepreneurs choose to hire an accountant to generate the financial forms required in this section, it is important that the entrepreneur struggle through the sometimes painstaking process in order to fully understand that “the numbers in the financial statements are a reflection of the actions taken in the business.”67

The financial forms should be developed only after the entrepreneur has analyzed the market and set clear objectives in order to allocate resources efficiently.68 Most financial institutions require three to five years of financial projections for the following forms:

• Historical Financial Data: If the business is already established, the plan should include the past three to five years of financial forms depending on how long the business has existed. Including these forms will demonstrate that the business is already a sustained

66 Id.
and operating business which is more likely to succeed with the help of additional funding.\textsuperscript{69}

- **Pro Forma Income Statement**: An income statement is "a financial statement that shows what has happened to a business during a specific accounting period with regard to revenues and expenses."\textsuperscript{70} By providing projected income statements for three to five years, the entrepreneur is able to communicate to investors the revenues and expenses the business will incur over the beginning stages of the launch based on the projected sales from the Marketing and Sales Plan section and the costs described throughout the rest of the sections. The ending result is either a net income or a net loss of the business.\textsuperscript{71}

- **Pro Forma Statement of Cash Flow**: Cash Flows are financial statements "that determine what has happened to the working capital account, or the amount of cash available, of a company between the beginning and end of an accounting period."\textsuperscript{72} These statements detail the cash inflows and outflows of the organization for the first three to five years of the business using the information detailed in the business plan and help the entrepreneur identify any periods of time where there may be a negative balance of cash within the business.\textsuperscript{73}

\textsuperscript{70} Id.
\textsuperscript{71} Id.
\textsuperscript{72} Id.
\textsuperscript{73} Id.
- **Pro Forma Balance Sheets:** Balance Sheets are financial statements “that list all assets, liabilities, and equity of a company or individual at a given point in time.”\(^{74}\) Assets are those items which the company owns, liabilities are items that the company owes, and equity is the net worth of the company or assets minus liabilities.\(^{75}\) By providing balance sheets to investors, the reader is able to quickly assess the changing status of these items and how they are projected over the three to five years of the plan.

- **Break Even Analysis:** This form demonstrates the “process of determining how many units of production must be sold, or how much revenue must be obtained, before a business begins to earn a profit.”\(^{76}\) Both fixed and variable costs are factored into the break even analysis which, when combined with projected sales and contribution margin, result in the amount of sales necessary for the business to generate a profit in a specific amount of time.

- **Financial Assumptions:** The entrepreneur must make certain assumptions and generalizations in order to generate the necessary information for the financial statements. These assumptions should be written out and included in the Financial Assumptions section of the Financial Plan. This information includes percentages of cost of goods sold, repayment schedule for the loan being sought, initial owner investment,
depreciation schedules, and increases in sales and so on. These assumptions should be broken up by financial form and may be required under more than one heading.

L. Appendix

The final section of the business plan is the appendix where any supporting documentation for the claims made throughout the plan should be included. Examples include market research results, scholarly articles regarding industry trends and forecasts, charts and graphs, product pictures and sales materials, licenses, contracts, resumes of entrepreneurial team, or anything that is too large to include in the main body of the plan. These documents add validation to the venture concept and act as evidence that the business plan is well thought out and will succeed as it is described.

V. Statistical Assessment of Business Planning in Small Home Improvement Ventures

A. Objectives

This thesis began as a final project for the capstone class in the North Central College Entrepreneurship major. The project consisted of putting together a formal written business plan for a business of the students' choice. The home improvement industry was chosen due to the author's involvement in a small deck construction company who was without a business plan at the time. In writing the plan, the author drew upon her knowledge and education from the previous three years; lending the business plan to the honors thesis due to its academic origins.

To round out the thesis, the author chose to survey small construction companies in Chicago, IL and the surrounding suburbs as to the presence of business plans in their organization. The goal of the survey was to examine the relationship, if any, between the presence and usage of a business plan and the success of these small home improvement ventures. The author believed that the existence of such a plan within the organization would not necessarily guarantee its success but that the usage of the written plan for communication, evaluation, and planning purposes would have a positive impact on the venture.

Information was gathered from contractors who participated in the survey sent to them via e-mail. The results can then used to draw conclusions and inferences from regarding the presence of, usage of, and impact on a business a formal written business plan may have for small home improvement companies in the Chicagoland area.
B. Research Design and Methodology

Although a degree of research has been performed in the area of business plans and the success rates of small business, there has been no such research with regards to the home improvement industry, and more specifically home improvement ventures in the Chicago land area and the surrounding suburbs. Therefore, the data collected through this research is classified as primary data and the research is classified as exploratory.

The survey respondents were gathered at random from Angie’s List, an online forum in which homeowners can post information about businesses, more specifically home improvement business, they have hired to do work. A search was conducted on the site for various service categories including plumbing, HVAC, framing, landscaping, organization, pool and spa services, and drywall. Contractors were picked from the lists that resulted at random with the only criteria being that the listings contained a contact name, address, phone number, and email address in order to contact the contractors with the survey. All other listings were not included; resulting in a sample size of 310.

The survey was then created using Zoomerang.com, an online survey tool in which users can customize surveys using prefabricated templates. The survey consisted of 15 questions regarding the presence and usage of business plans as well as demographic variables of small home improvement ventures. The surveys were emailed to respondents who were then asked to return the survey in one week. A reminder email was sent out half way through the time allotted for the surveys and 76 surveys were returned by the deadline for a response rate of 24.5%. 8.4% of the survey were classified as incomplete and were not included in the results. Zoomerang than analyzed the results by question and cross tabulation.
C. Results

The purpose of this survey was to examine the relationship between the presence and usage of a business plan and the success of small home improvement businesses throughout the Chicago land area based on the variables of years in business, number of employees, and total revenue for 2006. The results section gives a brief analysis of each individual question of the survey and specific cross tabulation analyses.

1. Did you write a formal written business plan prior to beginning your business?

Given a yes or no question type, respondents were asked whether or not they had written a formal business plan prior to beginning their business. Of the total respondents, 39% reported that they did indeed write a formal business plan prior to beginning their business while 61% reported that they had not written a plan before beginning their venture.

2. If you answered no to the previous question, why did you decide not to write a business plan prior to beginning your venture?

Respondents were then asked why they had chosen not to write a plan prior to beginning their venture if they had answered no to the first question of the survey. Respondents who had answered yes to the first question were given the option of choosing that they had written a plan prior to beginning their ventures of which 29% answered. 37% of respondents answered that they felt a plan wasn’t necessary. 31% answered that they lacked the expertise needed to write a formal business plan. While 16% of respondents chose the other option and quoted excuses such as “I thought it out in my head,” “I was not aware of a business plan at the time,” or “The business started as just a way to make a few extra bucks.”
3. If you did not write a formal business plan prior to starting your business, have you since written a business plan?

Respondents who had not written a plan prior to the start of their business were then asked if they had chosen to write a plan once the business was in operation. 17% of respondents reported that they had indeed chosen to do so while 44% continued on with their business without the help of a formal written plan. 37% of respondents had written a plan prior to beginning their business.

4. What made you decide to put together a formal business plan? Please explain.

Respondents were given the choices of: planning, communication, management, secure financing, and other for the reasons as to their decision to put together the plan. Percentages were not available for the individual responses because many respondents reported that they had written the plan for more than one of the available reasons. The most reported explanations included “To see if the venture was economically feasible,” “In order to secure financing,” “I did not write a business plan,” “To give the company direction,” and “To communicate the goals of the organization to the employees and manager.”

5. How did you secure funding for your venture?

In order to evaluate the usage of a formal business plan in securing financing for the venture, respondents were asked how they secured financing for the businesses they started. 64% reported that they used personal financing, 10% claimed they used financing from family/friends, 22% reported that they secured financing through a bank loan. 0% said they used a Small
Business Association loan, 0% reported that they used capital or angel investors, and the rest chose the other option and cited reasons such as “The business started small and needed no financing.”

6. Did you use your plan to secure financing for the venture?

11% of respondents reported that they did indeed use their formal written business plan to secure financing for their venture while 89% reported that they had not.

7. How frequently do you utilize the business plan in the planning and/or management of your business?

Respondents were given a category scale ranging from never to yearly with the option for not having written a business plan. 28% reported that they never used the business plan they had written for planning or management purposes within the organization. 3% reported that they used the plan on a daily basis, 9% used the plan on a monthly basis, 5% used the plan on a quarterly basis, and 19% used the plan on a yearly basis. 34% reported that they did not have a written plan and 7% chose the other option and reported that they had either outgrown the plan and never made a new one or moved past the plan too quickly for it to be of any use any longer.

8. How frequently do you evaluate the progress of the business based on the business plan?

Respondents were asked to evaluate how frequently they evaluated their business based on the progress they had outlined in their business plans. 22% reported that they never used the plan to evaluate progress while 11% reported that they used it once a year, 20% said they used it more than once a year, 4% reported they used the plan every 2-3 years, 7% reported they used
the plan every 4 or more years, and 32% reported that they did not have a formal plan to evaluate
the business with. 7% chose the other option and reported that "I am the one to evaluate the
progress of the business" or "I review it in casual conversation."

9. What part of the plan did you find the most helpful and why?

Respondents were given the option of choosing from the different sections of the
business plan and asked to explain their reasoning in an open ended question format therefore
percentages are not available for this question. However, many respondents chose Market
Analysis as helpful for identifying the business' niche or competition, the Financial section for
helping them identify whether or not the business was financially viable, and the Organization
and Management sections for helping them to determine the organization of the business and
their human resource needs. Those respondents without a formal written plan reported other and
stated that they had no plan in place.

10. What part of the plan did you find the most difficult to write and why?

Respondents were given the option of choosing from the different sections of the
business plan and asked to explain their reasoning in an open ended question format therefore
percentages are not available for this question. However, many respondents chose Market
Analysis as difficult due to the problems they incurred in finding information about their
competition, the Financial section in that many of then numbere they needed to project were
difficult to generate, and the Company Description section due to the fact that many of the
respondents have created organizations that specialize in multiple fields and services. Those
respondents without a formal written plan reported other and stated that they had no plan in place.

11. What methods do you employ for guidance, planning, and growth in your business?

Respondents were asked in an open question format what methods they utilized in their businesses to assist them in guiding, planning, and growing the business. The most common answers included the use of a business coach, social and industrial networking, business or industry specific organizations, identification of market trends through customers, and personal intuition.

12. How long have you been in business?

Respondents were asked how long they had been in business with their current venture. 0% reported that they had been in business less than a year, 11% reported 1-2 years, 19% reported 3-4 years, and 70% reported that they had been in business for 5+ years.

13. How many individuals do you employ?

Respondents were asked to specify how many individuals they employ. 59% reported that they employed 10 or less employees, 22% reported that they employed anywhere from 10-20 individuals, 1% reported that they employed 21-30 people, 3% employ 31-40 individuals, 7% employ 41-50 employees, and 8% employ 51+ employees in their home improvement businesses.

14. What was the total revenue for your business for 2006?
Respondents were asked to specify what their total revenue was for 2006. 3% reported their revenue to be less than $10,000, 4% reported revenues between $10,000 and $19,999, 1% reported revenues between $20,000 and $29,999, 1% reported revenues between $30,000 and $39,999, 0% reported revenues in the $40,000-$49,999 range, and 90% reported revenues in excess of $50,000.

15. In what primary industry do you classify your home improvement business?

Respondents were asked to specify what industry they would classify their home improvement business in. 28% reported that their business was classified as General Home Improvement, 22% were under the heading of Handyman Services, 5% were classified as Drywall services, 8% were Painting services, 3% were under the heading of Framing, 5% were classified as Plumbing, 5% were under the heading of Heating and Cooling, 3% were classified as Roofing, 3% were classified as Electrical, 9% were under the heading of Landscaping, and 34% were classified as other including Pool and Spa services, Organizing services, Weatherization services, and New Construction.
D. Cross Tabulation Analysis

1. Plan Presence and Decision to Write a Plan since Beginning the Business

In order to gain a better estimate of the number of respondents, an understanding of who chose to write a business plan either before or after beginning their business is needed. Of the 43 respondents who stated that they did not write a business plan prior to beginning their venture, 12 reported that they chose to write a plan after the business was in operation.

2. Plan Presence and How Secured Financing

Formal business plans are often used to secure financing from sources other than personal finances or family friends. According to the survey results, 12 respondents either wrote a plan prior to beginning the business or once the business was in operation and used the plan to secure financing through a bank. 12 respondents were able to secure financing through a bank loan without the assistance of a business plan. Respondents who chose to write plan and secured financing through personal funds numbered 31 while respondents who did not write a plan but were able to personally fund their business numbered 42. There were no respondents who had written a plan at any point before or during their venture who secured financing through Family/Friends but there were seven respondents who secured financing through these means without a plan. There were no respondents who had either written a plan or had not written a plan before or during the operation of their business who secured financing through a SBA loan or Capital/Angel Investors.

3. Plan Presence and Number of Employees
Using the variable Number of Employees as an indication of business success, the relationship between the presence of a business plan, whether prior to starting the business or after the business has been operational, and the number of employees should be positive. 20 respondents reported that they possessed a plan and employed less than 10 individuals while 55 respondents reported that they did not possess a business plan and employed less than 10 employees. Respondents reporting the presence of a business plan and 10-20 employees numbered nine while respondents with no plan and 10-20 employees numbered 14. Only one respondent reported that they possessed a plan and employed 21-20 people while no respondents reported that they employed that many individuals without a plan. Five respondents reported that they employed 41-50 employees with the presence of a business plan while no respondents reported that many employees without a business plan. The number of respondents employing 51+ employees with a business plan numbered four while the number of respondents without a plan numbered six.

4. Plan Presence and Total Revenue for 2006

Using the variable of revenue for 2006 as an indication of success, the relationship between the presence of a business plan and total revenue should be positive. A total of four respondents reported revenues below $10,000 with no respondents reporting this revenue who had a plan at either the beginning of their venture or sometime after its inception. Likewise, no respondents with a business plan reported revenues between $10,000 and $19,999 while 6 respondents without business plan did. Revenues between $20,000 and $29,999 were reported by one respondent with a business plan and no respondents without a formal written business plan. One respondent reported revenues between $30,000 and $39,999 without a plan while no
respondents with plans reported such revenues. Neither respondents with plans or without plans reported revenues of $40,000 to $49,999 and 39 respondents with plans reported revenues of $50,000+ while 59 respondents without business plans reported this income.

5. Plan Presence and Years in Business

Using the variable of years in business as an indication of success, the relationship between the presence of a business plan and length of time in business should be positive. No respondents either possessing a plan or not reported having been in business less than year. Two respondents reported the presence of a business plan and a length of time in business at 1-2 years while 12 respondents reported no plan and an existence of 1-2 years. A total of five respondents reported having been in business 3-4 years while a total of 17 respondents reported having been in business 3-4 years without a business plan. 34 respondents reported having been in business 5+ years with the presence of a business plan while 38 respondents without a business plan reported being in business for the same length of time.
E. Limitations

There exists a certain degree of limitation in conducting research that is inevitable. For this study, those limitations were apparent in all stages of the process, from the survey itself, to the time frame allowed for the research to be gathered.

The manner in which the contacts for the survey were gathered presented a certain degree of limitation. By relying solely on Angie’s List to collect information on home improvement companies, it is possible that the sample could result in skewed data given the manner in which companies are listed on the site. Since businesses do not pay to be on the website, homeowners are more likely to report or give positive feedback on businesses that are of a certain quality. It is possible that in being at that level of quality, the businesses included on the list are more successful in terms of the variable evaluated in this survey than those that do not appear on the site. Therefore, the results could be shifted in the direction that the sample is comprised of predominately successful businesses.

The businesses themselves belong to a unique industry in which entrepreneurial ventures without the help of outside financing are commonplace. Given the predominately low startup costs and low risk associated with small home improvement companies, a significant percentage of the respondents relied solely on personal financing. This would not necessarily apply to other industries such as retail establishments or restaurant entrepreneurial ventures. Given the circumstances, the likelihood that the data was shifted to reflect a relationship between a lack of business plans and a greater degree of success is high.

The number of respondents also poses limitations in the inferences that are drawn from the data. Out of 310 surveys, only 76 were returned for a response rate of 24.8%. This number is significant enough to suggest certain trends in the application of business plans and its relation to
the success of the business but is not large enough to draw significant conclusions from. Since there are a large number of small home improvement businesses that exist in Chicago and the surrounding suburbs, future research should focus on significantly increasing the sample size in order to have a more solid basis for conclusions.

In addition to sample size of the survey, the method in which the survey was administered resulted in limitations as well. The primary method of distribution was through the use of Zoomerang.com, an online survey service which allows the user to customize survey templates and distribute them through email. It is likely that using this method resulted in a significant number of respondents never receiving the surveys as it may have been rerouted to a junk mail inbox instead of the normal email inbox. This method of distribution resulted in a significantly lower response rate than desired but given the time restraints of the research, further distribution was not feasible.

With a time frame of four weeks to work with, the limitation of time became a significant factor in the results of the survey. Time constraints factored into the number of respondents allowed for the survey as well as the amount of time allowed for responses. It also limited the method by which the surveys were administered. Distribution by email was chosen largely because of its ability to return surveys quickly and easily. However, a mailed survey or even a personal interview could have potentially resulted in more usable data and information upon which to draw inferences and conclusions.

The use of a survey itself could be seen as a limitation to the research results. Since the survey was based on a prefabricated template, availability of space was limited and would not allow respondents to accurately convey all the information they wished. Data collection by personal interview would have resulted in an increase of information, possibly even information
not necessarily covered by the survey, which would have applied to the research. Such collection
would have potentially lowered the limitations posed by the vagueness of the term, “formal,
written business plan,” as well. This term may have caused confusion for the respondents;
potentially skewing the data due to uncertainty with regards to the questions being posed.

The variables used to determine success of the business surveyed have significant
limitations with regards to the accuracy with which they measure such a characteristic. The
variable of Length of Time in Business is not necessarily an accurate means of measuring
success in the Home Improvement industry since many such businesses are run primarily out of
the entrepreneurs’ home and require little physical presence and little revenue to keep them
running; resulting in the ability of these businesses to exist for varying periods of time without
much indication of the actual success of the business.

The Total Revenue for 2006 variable is not necessarily an appropriate variable due to the
fact that the monetary categories are not high enough to be an accurate measure of the success
rate of the respondents’ businesses. The last category states revenue of $51,000+ which was
chosen by 90% of the respondents. This indicates that the categories should have been extended
significantly in order to get a more accurate measure of the revenues brought in by these
businesses and therefore a more accurate measure of their success.

The final variable of success, Number of Employees, was used as a way to measure the
success of the respondents’ businesses based on the notion that the more employees a business
employs, the more successful the business must be. This notion does not necessarily hold true for
businesses in the Home Improvement industry as it is often the case that even successful
businesses do not directly employ large numbers of employees due to the high costs associated
with keeping large numbers of people on their payroll. Rather, these businesses contract out a
significant amount of work to subcontracts and may only employ more individuals during busy times of the year. However, of the three variables used to measure the success of Home Improvement businesses, Number of Employees is the most accurate given that the expense of keeping individuals on a payroll system indicates that the business is bringing in enough revenue to support those employees.
F. Conclusion to Study

Based on the results of the survey, conclusions can be drawn regarding the relationship between the presence of business plans and the success rates of small home improvement companies in the Chicago land area. Using the variables of Number of Employees, Years in Business, and Total Revenue for 2006; the survey sampled 310 companies and received 76 surveys in response. The results suggest that a positive relationship between these variables and the presence of a business plan does not necessarily exist.

Out of 76 responses, 61% of respondents did not write a business plan while 39% did so. Out of those that chose not to write a plan prior to beginning their venture, 17% decided to create a formal plan after the business' inception. This suggests that the entrepreneurs of these organizations found a need to write the plan. In fact, when asked what drove them to write the plan after the ventures' inception, the most quoted reasoning included planning the direction of the business, securing financing from an outside source, planning the financial aspects of the business, and communicating the direction of the business to those involved in it.

To secure financing is one of the purposes of a business plan. The vast majority of outside lenders require some form of business plan or proposal in order to distribute funds to entrepreneurial ventures. Out of the respondents, 22% secured financing for their ventures through bank loans while only 11% report that they used their business plans in order to secure the financing needed for their venture. The remaining respondents report that they turned to personal finances and family/friends in order to finance their business.

Entrepreneurs have found that the business plan is also helpful in the aspects of planning and evaluating the business throughout the life of the venture. When asked how frequently they used the business plan in the planning and managing of their ventures, 19% of respondents
reported that they used the plan on a yearly basis for these purposes. Some respondents, 9%, went even further and used the plan on a monthly basis for planning and management of their organizations. Of the total respondents, 28% reported that they never used the plan for these purposes and 34% reported that they did not have a plan in place.

In evaluating the progress of the venture against the proposed progress in their written business plans, 20% of respondents reported that they did so more than once a year and 11% did so once a year. Of those respondents who used their plans regularly for planning and evaluating purposes, the most helpful sections of the plan were often times the most difficult for the entrepreneurs to write. The most commonly cited sections were the Industry Analysis section due to the fact that it forced the respondents to seek out information on their competition, the Financial section of the plan as the numbers were difficult to generate for many entrepreneurs but were helpful in assessing issues with cash flow before they experienced them, and Company Description because it forced the entrepreneurs to focus on the details of their ventures while allowing them to narrow their product offering and save them significant time and effort. 22% of respondents reported that they never used their written plan in evaluating the progress of their business and 32% reported that they did not have a plan in place. Respondents were then asked what other methods they employed. The majority of respondents reported that they utilized business coaches, networking organizations, continued education, and customers and other professionals in the industry in order to stay on top of the industry’s trends.

With regards to the variables assigned to measure the success of the respondents’ ventures, there seems to be a minimally positive relationship between the presence of a business plan and the number of individuals the venture employs. There were a significant number of ventures with and without formal written business plans that employed less than 10 individuals
and an increase in the number of businesses with plans as the number of employees rose. Those ventures with plans employing more than 21 employees outnumbered those ventures without plans. There also seemed to be a positive correlation between those respondents who wrote a business plan prior to beginning their venture and the number of individuals they employed. This is likely a result of the business plan's ability to forecast the human resource needs of organizations; making them more prepared to handle these needs before they arise.

The data in relation to the presence of a business plan and the total revenue for 2006 suggests that the correlation between variables is negative. There were only two respondents without business plans in the less than $10,000 category accounting for 4.8% of the total respondents and no representation from those respondents with plans. In the $10,000-$19,999 category, the number of respondents with business plans outnumbered those without three to zero. However, 59% of respondents reported revenues of over $51,000 without business plans while only 39% of respondents in the category reported having written a business plan either prior to starting their ventures or after its inception. It should be noted that 90% of all respondents fell into the $51,000+ category which suggests that the distribution of categories does not adequately represent the true nature of the revenue/business plan relationship.

The results for the cross tabulation analysis between the presence of a business plan and the years in business variables suggest that the correlation is negative. There were no respondents which fell into the less than one year category and more respondents reporting in the 1-2 year category without business plans with 13.6% versus 6.9%. Respondents without plans also reported higher in the 3-4 year category with a 22.7% representation and in the 5+ category. It should be noted that 72.1% of all respondents fell into the 5+ category which suggests that the
distribution of categories does not adequately represent the true nature of the years in business/business plan relationship.

The survey suggests that the presence of business plans in the context of small home improvement business does not necessarily have a direct impact on the success of the venture as measured by the number of individuals the organization employs, the number of years it has been in business, and the total revenue of the organization in 2006. The fact that the data does not report a positive correlation between these variables does not necessarily suggest that the presence of a business plan is not beneficial to success of small home improvement companies but rather that it is not essential or necessary. A significant number of respondents reported having written a formal plan and having found it helpful in a variety of contexts including the planning, communication, and managing of their ventures.
VI. Conclusion

It is largely believed that the entrepreneurial notions of individuals are innate or psychologically predisposition to certain people. While there may be some characteristics true of successful entrepreneurs that can be classified as this, much of the technical knowledge and even a large portion of the psychological desire is now being viewed as teachable or acquirable.\textsuperscript{80} As a result, the teachings of entrepreneurship “in an academic setting have risen as more and more emphasis is now being placed on the importance of small business within the American economy.”\textsuperscript{81} Although only a small percentage of colleges and universities contain formal entrepreneurial tracks as compared to some of the more standard tracks, a great deal of students wishing to pursue a formal education within the field of entrepreneurship are finding more options available to them.

This thesis itself is a result of one such program at North Central College. The first section gives a brief overview of some of the more prominent teachings within the program. The makings of an entrepreneur section details some of the more typical characteristics of entrepreneurs that are either innate or acquirable and whose purpose is to assist students in recognizing those traits within themselves and identifying others they may choose to pursue. Differentiating between ideas and opportunities can be a daunting but a crucial task nonetheless for all entrepreneurs, especially those starting out in the industry. Utilizing the Quick Screen Tool and the Timmons Model, students and even seasoned entrepreneurs can potentially save themselves significant amounts of time and money. Finally, the background section concludes


with a detailed analysis of the contents of a formal business plan which is largely held as the end result in most entrepreneurial programs.\textsuperscript{82}

In addition to the background information on entrepreneurship, the thesis details a study performed to assess the presence and usage of formal business plans within the small home improvement industry of the Chicagoland area and to determine whether or not the plans influenced the ventures’ success. Although the results of the survey suggest that a correlation between the presence of a formal written business plan and the success of small home improvement ventures does not necessarily exist, those reporting a formal business plan within their organizations cite its usage and purpose as being beneficial to the organizations’ well being and future expansion. The primary reasons for writing a plan were reported as securing financing, assisting in planning the startup, managing expansion of the initial venture, and communicating to those within and outside of the organization the direction and purpose of the venture. These reasons coincide with the widespread understanding of those in the entrepreneurial field of the primary reasons for creating and maintaining a business plan within an organization regardless of size or industry.

Finally, what follows this thesis in the form of an appendix is the culmination of one’s entrepreneurial education. A capstone project for the North Central Entrepreneurship and Small Business Management track, the formal written business plan that proceeds for West Suburban Decks, a non-fictitious small home improvement company, represents a coming together of the vast knowledge gained throughout the program with regards to creative, analytical, and even

entrepreneurial skills. Given the nature of the plan, it is only fitting to include it in this thesis at
the end as it flows from the background knowledge and education and is consistent with the
findings of the study.
VII. Works Cited


<http://www.sba.gov/index.html>


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A Full Service Experience in Outdoor Leisure

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Introduction

West Suburban Decks
A Full Service Experience in Outdoor Leisure
Nature of the Business:

Home improvement is one industry where needs abound and new consumers are continually entering the market. West Suburban Decks’ primary focus is not simply home improvement but rather deck building, washing, and refinishing. The company also offers concrete services such as patios and walkways which will be accompanied with the same type of personal attention. However, choosing to build a deck can be quite an undertaking for a homeowner who doesn’t know how to start. Therefore, WSD offers its expertise in helping potential clients design a deck, choose the right materials, file permits, and come up with a finished product that not only looks great but is suited to that homeowners unique situation and will do so for many years to come.

WSD does not simply fulfill the need for home improvement or beautification but rather is part of the outdoor leisure industry. By looking at the service offering from this perspective, WSD promotes its commitment to more than just the functional aspects of a deck. Instead, it is the enjoyment of the deck that matters most; resulting in a commitment to building solutions and offering personal attention while combining services with other contractors in the industry, such as pool and landscaping contractors, to provide a full service experience in outdoor leisure.

Statement of Financing Need:

An initial investment of $32,000 is needed to finance the startup of West Suburban Decks. The owners of the business will invest $4,000 each for a total owner investment of $12,000 leaving the remaining $20,000 to be secured through a bank loan.
The breakdown of costs is as follows:

- **Startup Fees:** $2500
- **Small Tools:** $5,000
- **Marketing and Advertising:** $4,950
- **Rent:** $200/Month $2,400/Year
- **Phone:** $40/Month $480/Year
- **Office Supplies:** $60/Month $720/Year
- **Computers and Office Equipment:** $2,150
- **Truck Lease:** $350/Month $4,200/Year
- **Truck Operating Costs:** $4,850/Year
- **Equipment Rentals:** $840 for Year 1
  
  $990 for Year 2

  $1,240 for Year 3

**Statement of Confidentiality of Report:**

The information disclosed in this plan is to be used for the sole purpose of securing financing from third parties and within the business for planning purposes. Any disclosure of the information presented here is in violation of this disclosure of confidentiality.
Executive Summary

West Suburban Decks
A Full Service Experience in Outdoor Leisure
Executive Summary:

West Suburban Decks is a construction company specializing in the building, washing, and refinishing of decks and patios along with concrete services. The company is operated out of a small home office in Plano, IL and stores its equipment in a storage unit on the premises. The owners have invested $4,000 each for a total of $12,000 and seek a loan in the amount of $20,000 to cover operating and marketing costs in order to generate sales.

West Suburban Decks does not simply fulfill the need for home improvement or beautification but rather is part of the outdoor leisure industry. By looking at the service offering from this perspective, WSD promotes its commitment to more than just the functional aspects of a deck. Instead, it is the enjoyment of the deck that matters most which is why the company is committed to building decks specific to the homeowners' situation and combines its services with others in the industry such as pool and landscaping contractors. Thus, West Suburban Decks provides a service that fulfills both a functional and an emotional need.

Trends in the industry suggest that home improvement projects will continue to increase at a rate of 13.9% in the Chicago area even though interest rates for such projects have begun to increase. As income continues to grow in certain demographic groups and more homeowners come into the market, projects that increase home values and more specifically, less expensive projects with dramatic results will drive the market.

With these trends in mind, sales for the first year of business are projected as $26,500, $4,500, and $2,000 for building, refinishing, and concrete respectively. Sales are expected to increase by 20%, 50%, and 15% respectively for year two and 25%, 65%, and 20% respectively for year three. Although building and concrete are expected to increase steadily, refinishing...
services are expected to receive increased importance throughout the next three years.

The $20,000 in loan funds are received in February of year one at a rate of 7%. Payment of interest will begin in April of year one and the principle is to be paid back at the end of year five.
Industry Analysis
West Suburban Decks
A Full Service Experience in Outdoor Leisure
Future Outlook:

According to a 2005 study by the Joint Center for Housing Studies of Harvard University, “The Changing Structure of the Home Remodeling Industry (see Appendix),” the home remodeling industry has seen steady growth since the early 1990’s and has accumulated over $200 billion in expenditures since 2003. The reason for such expansive growth is the increase in home ownership over the past decade with more and more individuals buying homes for the first time and even more are investing in their current homes in order to increase resale values. Although much of the remodeling industry’s growth can be found throughout the Sunbelt states, Chicago finds itself among the top 25 markets for home improvement according to the Harvard study with an estimated 13.9% growth rate in 2005.

Although interest rates have begun to increase, consumers have not slowed down in their pursuit of home improvement. In fact, consumers are actually spending more money on improvements as a result of the increasingly concentrated income growth at the upper end of the market. This results in an increase of more expensive remodeling and improvement projects using higher end materials such as composite decking. However, less affluent consumers have begun to focus on projects that cost less but have a larger impact on the value and appearance of their home such as deck refinishing.

Not all of the industry trends have taken place on the buying end of the supply chain. According to the Harvard study, the increase in higher end remodeling as well as specialization and the niche marketing tactics of the supply companies have forced contractors to narrow their once broad marketing base and begin to specialize in certain areas of improvement. This proves to be a new challenge for individuals who have experience such success using the older
methods of business. Therefore, the study suggests a movement of general contractors out of the industry and an influx of specialty companies.

**Analysis of Competition:**

West Suburban Decks must compete with both general contractors and decking contractors. In the Western Suburbs of Chicago, IL there are over 130 general contractors, most of which can build decks and patios and all of which are in a sense indirect competition. However, these people are not nearly as knowledgeable about the different types of materials, stains, finishes, and washing techniques as someone who specializes in this field.

The more direct forms of competition come from the decking contractors who serve the Western Suburbs of Chicago. A short analysis of some of the more prominent companies follows:

**Northwest Cedar Products**
Product/Service Offering: Fence and deck building
Materials: Primarily cedar products, Aluminum fencing
Years in Business: 35 years
Certifications: Alumi-Guard Aluminum Fencing

**Cedar Rustic Fence Co.**
Product/Service Offering: Cedar deck building, gazebos, arbors, and sheds
West Suburban Decks

Materials: Cedar, vinyl, composite, and treated wood
Years in Business: 65 years
Certifications: Non listed

Deck Doctor

Product/Service Offering: Deck and fence repair and maintenance, power washing services
Materials: Cedar, treated wood
Years in Business: 2 Years
Certifications: Non listed

G&S Wooden Fence & Decks

Product/Service Offering: Fence and deck building and repairs
Materials: Cedar, pressure treated wood, and composite
Years in Business: 25 years
Certifications: Trex Decking and TimberTech Decking

West Suburban Decks

Product/Service Offering: Deck building, repair, refinishing, concrete, power washing services
Materials: Cedar, pressure treated wood, and composite, Wolman Stains, Thompson Stains
Years in Business: N/A
Certifications: Trex Decking, Wolman Stains, Thompson Stains
Market Segmentation:

In the construction industry, there are two main markets; the existing homeowners and new construction. The Western Suburb real estate market is exploding in both these areas with countless subdivision being built, large houses built in place of older, smaller ones, and new homeowners swarming the market. This is the type of market WSD wants to target. In the long run, the company would like to appeal to large residential builders as an option for incoming homeowners. Whether or not this market is reached through builders or on the company’s initiative, tapping into new subdivisions is the ultimate goal of WSD due to the vast amount of opportunity it possesses. Until then, WSD will reach out to homeowners on a more individual basis.

According to the U.S. Census Bureau website, www.factfinder.census.gov, there are over 1,493,178 households that are occupied by homeowners with median values of $195,000, $160,400, and $157,700 in Dupage, Cook, and Kane Counties alone respectively. These numbers represent the vast amount of potential customers that are available to home improvement contractors throughout the region. Eliminating 20% of that number for lack of financial resources, 15% for lack of space to build a deck, 20% for those homeowners who do not want a deck, and 20% for those individuals who already use a deck servicing company, that leaves WSD with approximately 640,000 households in three counties alone that either have decks that need servicing or don’t have decks as of yet but would like one sometime in the future. Although these percentages are merely speculation and would require extensive market research to fully establish, using them gives a more realistic estimate of the potential market.
Even if 640,000 households wanted decks or needed deck services throughout the entire Western Suburbs as opposed to just the three counties mentioned above, the market would still be substantial enough to support such a business.

Industry Forecasts:

According to the article “Positive Industry Forecast Includes Growth, Consolidation, and Demands” by Anne W. West found in the March/April issue of Professional Deck Builder Magazine, “growing demand for construction, heightened consumer awareness of products, more intricate design, and a greater focus on outdoor living are among the predictions that drive [the deck industry] optimism.” (See Appendix) Along with these trends and the decreasing growth of new construction, more and more decking contractors see existing residential construction as the more promising market for their services. With a population growing in age and the accumulation of money at the higher end of the market, renovation and remodeling projects are sure to see an increase in activity.

Although few contractors are concerned about the growth potential of the decking industry over the next ten years, all agree that the interest in outdoor living will result in more business regardless of investment. In other words, if consumers are not capable of building a new deck or replacing an existing one, “people will focus more on what they can do to make their deck prettier, be more functional.” What this means for WSD is that less people may be willing to invest significant amounts of money in building a new deck but would be more willing to have their current deck refinished; giving them the look and feel of a newer deck without the investment. As this trend continues, more and more emphasis will be placed on the
refinishing services offered by WSD.
Description of Venture

West Suburban Decks
A Full Service Experience in Outdoor Leisure
Product/Services:

West Suburban Decks’ primary focus is that of deck building, washing, and refinishing. However, choosing to build a deck can be quite an undertaking for a homeowner who doesn’t know how to start. Therefore, WSD offers its expertise in helping potential clients design a deck, choose the right materials, file permits, and come up with a finished product that not only looks great but is suited to that homeowner’s unique situation and will do so for many years to come.

In addition to building and refinishing wood decks, WSD also offers concrete services such as patios and walkways and subcontracts landscape design companies and pool contractors to offer consumers a full service experience in outdoor leisure.

Size of Business and Personnel:

Currently, the business consists of three individuals; Adam Yeater, Nick Yeater, and Kristi Hornickel, working part time from a home office in Plano, Illinois. Adam Yeater is responsible for all deck building and concrete projects including bidding, scheduling, materials, and construction. Nick Yeater is responsible for all work related to deck refinishing including bidding, scheduling, materials, and construction. Kristi Hornickel is responsible for all marketing and promotional activities as well as general office duties. A full description of responsibilities can be found under the heading Organization Plan.

During the months of May, June, and July, WSD will hire two part time individuals to help with building and refinishing work starting in year three.
Background of Entrepreneurs:

Among the three individuals that currently make up WSD, years of construction experience, first-hand knowledge the home improvement industry, and a strong business and marketing education provide a solid foundation upon which to build a successful deck building and refinishing business.

Adam has been in the construction industry for six years as a subcontractor for a larger builder and has experience in home construction, electric, plumbing, foundational work, and framing. Having been a part of a larger operation, Adam is familiar with the possibilities available in the industry and has experience with both the business side of construction as well as aspects of relationship management.

Nick is also accustomed to the construction industry having spent five years in the trade and has dealt with some of the formalities of business as manager in a service franchise for three years.

Kristi, on the other hand, has limited experience in the construction trade but brings a strong background in business along with a degree in Marketing and Entrepreneurship from North Central College. She has been employed at a small painting company where she initiated a number of marketing tactics aimed at generating new business and maintaining relationships with previous customers.
Production Plan

West Suburban Decks
A Full Service Experience in Outdoor Leisure
Manufacturing Process:

The manufacturing process begins with the sales presentation made to the potential client. A representative from WSD visits the customer's home to take measurements for the proposed project, speak with the individual about the business and prepare a proposed price or bid for the project. Once the bid has been accepted by the individual, the representative assists the customer in choosing any designs, materials, or stains necessary. After all decisions have been made, the work can begin. Since each deck is different in size, shape, and material, there exists no standard process by which to manufacture or refinish a deck. However, there are some generalized steps that occur for every build, wash/stain, or concrete project that WSD does.

Once the homeowners have decided to build a deck and the design and materials have been decided, the first day of construction is spent laying out the post holes, framework, and major utility lines that may interfere with the build. The second day consists of drilling the post holes, pouring concrete and setting the posts up so that the majority of the framing and decking can take place over days three and four. Once the main structure is complete, railings, stairs, and other finishing touches are taken care of for a final construction of about a week for an average 120 sq.ft. deck.

The process for a wash/stain is considerably shorter. The job consists of cleaning off the deck with a power washer, stripping whatever existing paint or stain, and applying a wood brightener to enhance the natural features of the wood. Once the deck has dried, the finished stain or paint is applied. The whole process takes, on average, only two days to complete but gives the consumer a deck that looks as though it had been rebuilt in that amount of time.

The time needed for a concrete project varies according to the project but most can be
done within a day. The necessary area is dug out with a shovel and prepared for concrete. Once the concrete is mixed, it is poured into the area and leveled out. As the mixture begins to settle, the concrete is finished off and left to dry completely.

**Physical Plant:**

Although WSD has no actual manufacturing process, it is necessary for the business to have an office space and room to store any equipment, materials, and the trucks used in the day to day operations of the business. In order to be more cost effective and pass this savings onto consumers, WSD rents out a 145 sq.ft. office space in a small home for $150 a month and stores the tools and other equipment in a 1200 sq. ft. shed located on the same land for $50 a month. Total cost of the physical plant, therefore, is $200 a month. A designated phone line with internet hook up will cost $40 a month and utilities are included in the price of the rent. In addition to the actual office space, the business needs to purchase various office equipment and supplies including two computers with software for $1700, office equipment consisting of desks, filing cabinets, and lighting for the office of $450 and other office supplies for a total cost of $2870 the first year and $720 the following years.

See Appendix for layout of the office and shed.
Machinery and Equipment:

In order to function as a business, WSD must purchase the equipment needed to build, wash, refinish decks and pour concrete.

Equipment:

Two Trucks (Leased from owner’s personal use): $175/month $3,150/year one $4,200/years two and three

Small Tools (Power Washer, Hammers, Nail Guns, Tape Measurers, etc.): $5,000

(All full list of the tools included in the heading small tools can be found in the appendix with quantities and prices for each.)

There are certain pieces of equipment that are used on an infrequent basis that the business will rent from a machinery equipment business on a job to job basis:

Concrete mixer is $110/day

Two-man auger is $75/day

Skidster with auger attachment is $180/four hours.

(See Appendix for description of rental equipment)

Names of Suppliers of Raw Materials:

Supplies are purchased on a job by job basis. Customers pay half of the construction cost up front to cover all supplies which are then purchased from home improvement stores such as Home Depot, Lowes, or Menards. WSD primarily purchases its supplies from Home
Depot Stores which include lumber, nails, concrete, deck wash solution, and stain. The supplies purchased from these stores are then increased in price by 25% to cover costs of transportation and create a profit margin.
Marketing Plan

West Suburban Decks
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Pricing:

Since decks range in size and difficulty, we cannot be as specific with prices, as say a retail store can be, but we do our best to be fair and consistent with our pricing. WSD takes the price of the building materials multiplied by the square footage and increases the price to create a profit margin. We then figure how many hours it will take to complete the project, which is usually a week or less, and multiply that by $50 an hour for two people. In the world of construction, unexpected costs do come up but we do our best to account for them and notify the homeowner immediately if one does occur. Also, included in the price of the project is a one year limited warranty and a free wash with every new bid.

The result of this process is a reasonable price that falls in the middle of the competition. Homeowners tend not to choose the most expensive contractor nor the least expensive as they understand that they often get what they pay for. Therefore, WSD chooses to fall somewhere in the middle in order to communicate to the clients that we offer quality work at a reasonable price.

See Appendix for estimated costs of building and refinishing a 120sq.ft. cedar deck.

Distribution:

Since WSD offers a service as opposed to a product, the type of distribution is considered direct. As of right now, the company consists of three individuals who perform all the work with the occasional subcontractors for landscaping or pool contracting. However, during the warmer months when business increases, it becomes necessary to hire on more help. Therefore, WSD will hire two individuals during the months of May, June, and July starting in the third year of business. These candidates have at least some background in the construction
industry and will work 20 hours a week for $10 an hour for a total cost of wages of $3600 for the year.

Promotion:

Newspaper Ads:

Since the construction industry is highly competitive, it is necessary for WSD to concentrate on creating awareness in the market, attracting customers, and promoting the services that distinguish the company from other contractors in the market. Therefore, WSD utilizes monthly advertisements in the Naperville Sun and Daily Herald.

Timing: Once a month, April through June
Focus: Range of services, quality craftsmanship and personal service
Size of Ad: 1/8 of a page
Cost: $300/month
Total Cost: $900/year

Flyers:
Distributed to homes in the Plainfield, Oswego, Aurora, and Naperville Areas

Using software that identifies the income level of various neighborhoods, WSD will distribute flyers to homes in the Plainfield, Oswego, Aurora, and Naperville Areas. The flyers
are directed towards more affluent subdivisions and even more specifically, to those homes either with existing decks in need of repair or most likely to afford the addition of a deck.

Timing: Once a month March through July

Cost: Software $50

Flyers $300 for 1500

Total Cost: $350

Trade Show:

In order to create awareness, WSD will attend the Rosemont, IL home show once a year during the first three years to talk with homeowners, network, and make our presence known in the community.

Cost: Registration: $950

Trade Booth Display (Mock Deck): $150

Total Cost: $1100

Plainfield Chamber of Commerce:

Through attendance and participation in community organizations such as the Chamber of Commerce, WSD can create awareness in the community and network with other professionals in the area to gain recognition and references.
Cost: Membership: $150/ year

Word of Mouth Incentives:

Since the construction industry is comprised of multiple contractors and varying degrees of quality and service, word of mouth advertising is essential to the success of a new business in this trade. Although there is no tangible way to manage such means of promotion, WSD partakes in activities that foster and generate this type of promotion such as offering incentives for existing customers who refer business.

Deck Building Incentive

A free wash and stain for referring a customer who chooses to build a deck with WSD over $2500

Deck Refinishing Incentive

A 15% discount on the next wash and stain for referring refinishing customers over $500

Basic Components:

Other promotional measures include some of the more basic components of a marketing a small business such as business cards, brochures used in sales presentations and trade shows, and a website to display pictures and allow visitors to design a deck and calculate a rough estimate of what it may cost.

Each customer is also given a folder that contains information on the type of building materials or stains and finishes used, the dates they were applied, by who, when the next
scheduled maintenance should occur, and care sheets for the specific materials used on the deck. This folder is presented as a means of record keeping as well as the type of personal service WSD prides itself on.

Business Cards
Cost: $150 for 1000

Brochures
Cost: $200 for 250

Website
Cost: $1000

Maintenance Folders
Cost: $100 for 25

Total Cost for Basic Components: $1450

Yellow Pages:
One of the most important marketing measures a small contracting business can take is to place an ad in both the physical and electronic Yellow Pages. When it comes to home improvement, the Yellow Pages are still the number one resource people turn to in order to find a contractor.
Size of Ad: 1/8 of a page

Electronic ad with link to website

Cost: $1000/year

Personal Selling:

A representative from WSD will come out to bid the proposed project and speak with potential customers about the company. The representative will utilize many of the previously mentioned marketing tools such as brochures and flyers to communicate the company's position in the market and method of doing business.

The initial sales visit will then be followed up by a second visit in which the representative will assist the customer in generating ideas for the project if need be, choosing materials, and filing any necessary paperwork.

Once the job is completed, a final visit will take place in order to ensure that the customer is pleased with the outcome of the job and correct any issues that may arise in pricing, construction, or upkeep.

Cost: N/A

See Appendix for examples of design specifications.

Product Forecasts:
In year one, sales are expected to be:

Deck Building: $26,500
Deck Refinishing: $4,500
Concrete Services: $2,000

In year two, sales are expected to increase 20% over year one for deck building, 50% for deck refinishing, and 15% for concrete services for sales of:

Deck Building: $31,800
Deck Refinishing: $9,000
Concrete Services: $2,300

In year three, sales are expected to increase 25% over year two for deck building, 65% for deck refinishing, and 20% for concrete services for sales of:

Deck Building: $39,750
Deck Refinishing: $14,850
Concrete Services: $2,760

Over the first three years of business, deck building and concrete services are expected to increase steadily while deck refinishing is expected to double in year two and increase by 65% in year three due to the repeat business of those customers serviced in year one. Since a wood deck needs to be refinished once every two years, the sales in year three for refinishing are a conservative estimate of returning customers and new sales generated throughout the year.
Controls:

The primary form of control used to measure how effective the various forms of marketing will be to ask customers during phone calls to set up sales call appointments and even during the actual sales call how they heard about West Suburban Decks. The information will then be tracked using a simple spreadsheet to tabulate the number of calls and sales resulting from each method of advertising and promotion. For promotions using a percentage off incentive such as the word of mouth methods described above, customers will be required to cite a reference number which will be located on the marketing piece. This will allow WSD to track the effectiveness of these incentives.
Organizational Plan

West Suburban Decks
A Full Service Experience in Outdoor Leisure
Form of Ownership:

West Suburban Decks will be organized as an LLC primarily because of the limited personal liability it offers. However, LLC’s also allow for the flow through of income and loss to the income taxes of the LLC members. Adam Yeater will possess 40% ownership, Nick Yeater will possess 35% ownership, and Kristi Hornickel will possess 25% ownership of West Suburban Decks.

See Appendix for LLC filing form 45.5.

Identification and Authority of Principal Shareholders:

Adam Yeater will be designated as the President of West Suburban Decks and will be responsible for all aspects of deck building and concrete services. As such, Adam will hold the final decision making responsibilities for all decisions concerning these two areas.

Nick Yeater will be designated as the Co-President of West Suburban Decks and will be responsible for all aspects of deck refinishing and power washing services. As such, Nick will hold the final decision making responsibilities for all decisions concerning these two areas.

Kristi Hornickel will be designated as the Director of Marketing and Sales of West Suburban Decks and will be responsible for all aspects of promotion, advertising, and sales. As such, Kristi will hold the final decision making responsibilities for all decisions concerning these areas.

Management Team Background:

With six years of experience in the construction industry, Adam Yeater has an extensive background in home construction, electric, plumbing, foundational work, framing, and deck
building. As a subcontractor for a larger home construction company, Adam has gained an understanding of the inner workings of a construction company and possesses the financial, managerial, and customer relationship skills necessary to succeed in the industry.

Nick Yeater has also gained managerial experience in a service franchise in which he worked for three years and possesses a strong construction skill set acquired through five years of experience in the industry as well as developed interpersonal skills.

Although her experience in the construction trade has been limited, Kristi has acquired a minimal skill set that includes construction duties such as framing, power washing, and deck construction. More importantly she possesses a strong background in business along with a degree in Marketing and Entrepreneurship from North Central College. Kristi has also acquired a more in depth understanding of running a small business through her work with a small painting company at which she initiated a number of marketing tactics aimed at generating new business and maintaining relationships with previous customers.

See Appendix for resumes of each individual

Roles and Responsibilities of Members of the Organization:

Adam Yeater- President

- Deck building and concrete sales bids
- Deck construction
- Scheduling of building and concrete jobs
- Permit filing
- Deck design
- Filing of taxes
- Concrete services
- Bookkeeping activities
- Approves purchases of all equipment and supplies
- Signs checks related to building and concrete services
- Training part time help in building and concrete techniques
- Purchasing necessary equipment and supplies for building and concrete services

Nick Yeater-Co-President
- Refinishing and washing sales bids
- Refinishing services
- Power washing services
- Scheduling of refinishing and power washing jobs
- Signs checks related to refinishing services
- Training part time help in refinishing and power washing techniques
- Purchasing necessary equipment and supplies for refinishing and power washing services
- Assists President with bookkeeping activities

Kristi Hornickel-Director of Marketing and Sales
• Coordinating newspapers ads, direct mailings, flyers, and all other marketing and promotion activities
• Reports to President and Co-President on growth of business and industry trends
• Handles follow up services (e.g. thank you cards)
• Assists President with bookkeeping activities
• Customer relations
• General office duties
• Scheduling of estimates
• General labor
Assessment of Risk

West Suburban Decks
A Full Service Experience in Outdoor Leisure
Evaluation of Weaknesses of the Business:

West Suburban Decks

- Seasonality of the business
- High monthly costs
- High marketing costs
- High cost of equipment
- Basic business knowledge of entrepreneurs
- Few years of experience

Economy/Industry

- Saturated home improvement market
- Established competition in market
- Higher interest rates resulting in decreased home improvement
- Preference of landscaping/patio blocks over wood decks
- Consumers cautious in choosing contractors

New Technologies:

The construction trades are constantly evolving with new building materials, tools, and design software. West Suburban Decks will continue to watch for new materials and building techniques which can be implemented into the production process as well as new software design programs to assist in the sales and deck design processes.
Contingency Plans:

In the instance that the deck building services of WSD no longer produces sales, the company will redirect its focus to performing only the maintenance services of the existing business. Given the customer base established throughout the first three years, the return business of these individuals along with any new sales will generate enough business for WSD to continue to exist.

If the business is unable to turn a profit after five years, the business will dissolve and all tools and equipment will be sold to pay off any outstanding liabilities.
Financial Plan

West Suburban Decks
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Financial Assumptions:

Cash Flow Statements

- The owners will invest $4,000 each for a total owner investment of $12,000.
- The financial statements are based on a bank loan taken out in February of the first year in the amount of $20,000 at a rate of 7% for five years. WSD will pay off the interest starting in April of year one. The principle is due at the end of year five.
- Cost of Goods Sold is 25% of revenue for deck building.
- Cost of Goods Sold is 15% of revenue for deck refinishing.
- Cost of Goods Sold is 30% of revenue for concrete services.
- An Attorney will be hired for $1,500 in January of year one in order to help with the filing of the business and other organizational measures.
- An Accountant will be hired in January of year one in order to assist with the setup of the books and will assist with the filing of taxes and record keeping in the months of January, July, and October.
- WSD will rent office space out of a home for $150 along with shed space for $50 a month for a total monthly rent of $200 including utilities.
- WSD will lease two trucks from the owners personal use for $350 a month beginning in April of year one and will be responsible for operating costs.
- Business insurance will be paid on a yearly basis in the month of February for the amount of $1500.
- Some of the promotional measures described in the text that occur on a yearly basis are combined under the heading of Marketing Activities. These include: Flyers with a total
cost of $350, Chamber of Commerce membership of $150, Yellow Pages ad costing $1000/year, and what is described as basic components at a cost of $1450.

- Newspaper ads will be placed in area papers during the months of April, May, and June at $300 a month for a total expense of $900 a year.
- WSD will attend one home show during the month of August for $1,100 which includes cost of registration, trade booth setup, and mock deck buildup.
- WSD rents out a two man auger, a skidster with an auger attachment, and a concrete mixer on a job by job basis. During year one, the total cost for auger rental is $150, skidster rental is $360 and concrete rental is $220. The costs per year are determined by evaluating the amount of sales in each category per year.
- Truck operating costs are determined according to the combined sales in each month with a base operating cost of $250. Operating costs include gas, oil, regular maintenance, and other driving expenses such as tolls.
- Tools are purchased in the month of April during the first year for $5,000 including nail guns, tape measurers, and hammers. A full list of tools with quantities and prices can be found in the Appendix.
- Two computers with software will be purchased in April of the first year for $1700 or $850 a piece. See Appendix for a description of the computers. The computers will be depreciated over five years (see Income Statement Assumptions for further explanation).
- Office equipment such as desks and filing cabinets will be purchased in April of year one for a cost of $450 and will be depreciated over five years (see Income Statement Assumptions for further explanation).
• Office supplies will be purchased and used up on a monthly basis for $60 a month or $550 a year.

• Sales tax is based on the combined county state rate of Kendall County, IL of 7% on materials only (see below for ratios of materials to labor for each category).
  o The deck building ratio of materials to labor is 35%.
  o The deck refinishing ratio of materials to labor is 25%.
  o The concrete services ratio of materials to labor is 30%.
  o The sales tax for each category is combined in the total sales tax number.

• Due to the part time nature of the business during the first five years, the owners will not receive salaries but will earn a livable income through other work. Since no salaries will be paid out during years one, two or three, no payroll taxes exist except for the taxes paid on the hourly wage of the temporary help starting in year three.

Income Statements

• Cost of Goods Sold is 25% of revenue for deck building.

• Cost of Goods Sold is 15% of revenue for deck refinishing.

• Cost of Goods Sold is 30% of revenue for concrete services.

• Depreciation-Office Equipment includes depreciation on the office computers and office equipment over five years using the formula: Cost/Number of years = Yearly payment/# of Months each year
  o Total monthly depreciation expense: $36
  o Total depreciation expense for year one: $324
• Total depreciation expense for years two and three: $432
  • Sales for year two increased 20% over year one for deck building, 50% for deck refinishing, and 15% for concrete services
  • Sales for year three increased 25% over year two for deck building, 65% for deck refinishing, and 20% for concrete services

Balance Sheets
  • Since customers are required to pay half the cost of the deck before the work is started and half on completion of the deck, there is no accounts receivable account.
  • The initial payment of the deck is used to purchase the necessary materials for completing the deck; therefore, eliminating the accounts payable account.
  • Since business insurance is purchased in the month of February and allocated throughout the year, at the end of each year one month of prepaid insurance exists for January of the following year.
  • WSD took out a bank loan in February of the first year in the amount of $20,000 at a rate of 7% for five years and will pay off the interest starting in April of year one. The principle is due at the end of year 5.
  • Material is purchased specifically for each job and all excess material is left for the owner onsite leaving no inventory account.
## West Suburban Decks

Pro Forma Income Statement

For the Month Ended Year One

<table>
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<th>Revenues</th>
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| Total Operating Expenses | $       | $        |       |       |     |      |      |        |           |         |          |           | $     |

**Income from Operations**

| Income from Operations | $       | $        |       |       |     |      |      |        |           |         |          |           | $     |
| Other Expenses         | $       | $        |       |       |     |      |      |        |           |         |          |           | $     |
| Interest Expense       | $       | $        |       |       |     |      |      |        |           |         |          |           | $     |

**Net Income**

| Net Income | $       | $        |       |       |     |      |      |        |           |         |          |           | $     |
### West Suburban Decks
Pro Forma Income Statement
For the Month Ended ... Year Two

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### Notes
- The table above presents the Pro Forma Income Statement for West Suburban Decks for the month ended... Year Two.
- The revenues are categorized into Deck Building Revenue, Deck Refinishing Revenue, and Concrete Revenue.
- The operating expenses are further divided into Filing Expense, Accountant Expense, Rent, Marketing Expense, Newspaper Ads Expense, Trade Show Expense, Phone Expense, Insurance Expense, Truck Operating Expense, Depreciation Expense, Office Supplies Expense, and Total Operating Expenses.
- The income from operations, other expenses, and interest expense are also listed.
- The net income is calculated by subtracting the total operating expenses, other expenses, and interest expense from the gross profit.

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West Suburban Decks
Pro Forma Income Statement
For the Month Ended .. Year Three
# West Suburban Decks

**Income Statement Summary**  
*Years One, Two, and Three*

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# West Suburban Decks

Pro Forma Statement of Cash Flows
For the Year Ended ... Year One

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| Cash Outflows:                                     |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Filing Fees                                       |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Organizational - Attorney Fees                     |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Organizational - Accountant Fees                   |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Rent                                              |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Truck Lease                                       |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Business Insurance                                |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Marketing Activities                              |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Newspaper Ads                                     |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Trade Show                                        |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Auger Rental                                       |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Skidster Rental                                    |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Concrete Mixer Rental                              |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Interest Paid                                     |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Phone Bill Paid                                   |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Truck Operating Costs                              |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Small Tools                                       |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Computers Purchased                                |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Office Equipment Purchased                         |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Office Supplies Purchased                          |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Cost of Goods Sold                                |        |         |       |       |     |      |      |        |           |         |          |          |       |
| Sales Tax                                         |        |         |       |       |     |      |      |        |           |         |          |          |       |
| **Net Cash Outflow**                               | $ -    | $ -     | $ -   | $ -   | $ - | $ -  | $ -  | $ -    | $ -       | $ -    | $ -     | $ -     | $ -   |

| **Net Cash Flow**                                  | $ -    | $ -     | $ -   | $ -   | $ - | $ -  | $ -  | $ -    | $ -       | $ -    | $ -     | $ -     | $ -   |
| **Beginning Cash Balance**                         | $ -    | $ -     | $ -   | $ -   | $ - | $ -  | $ -  | $ -    | $ -       | $ -    | $ -     | $ -     | $ -   |
| **Ending Cash Balance**                            | $ -    | $ -     | $ -   | $ -   | $ - | $ -  | $ -  | $ -    | $ -       | $ -    | $ -     | $ -     | $ -   |

*Page 48*
## West Suburban Decks

**Pro Forma Statement of Cash Flows**

*For the Year Ended Year Two*

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**Net Cash Inflow**

| Net Cash Inflow | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

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**Net Cash Outflow**

| Net Cash Outflow | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| Net Cash Flow       | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| Beginning Cash Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| Ending Cash Balance  | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
West Suburban Decks  
Pro Forma Statement of Cash Flows  
For the Year Ended ... Year Three

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West Suburban Decks
Cash Flow Summary
Years One, Two, and Three

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## West Suburban Decks
### Balance Sheet
**As of December 31**

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<td><strong>Total Assets</strong></td>
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<td><strong>Liabilities and Owners Equity</strong></td>
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<td>Nick Yeater Capital (35%)</td>
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<td>Kristi Hornickel Capital (25%)</td>
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West Suburban Decks
Break Even
Year One

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</table>

| Sales Year One                        | $0     | 0%   |
| Variable Costs Year One               | $0     | 0%   |
| Contribution Margin                   | $0     | 0%   |

| Fixed Costs Year One                  | $0     |
| Contribution Margin                   | 0%     |
| Break Even Sales Year One             | $0     |