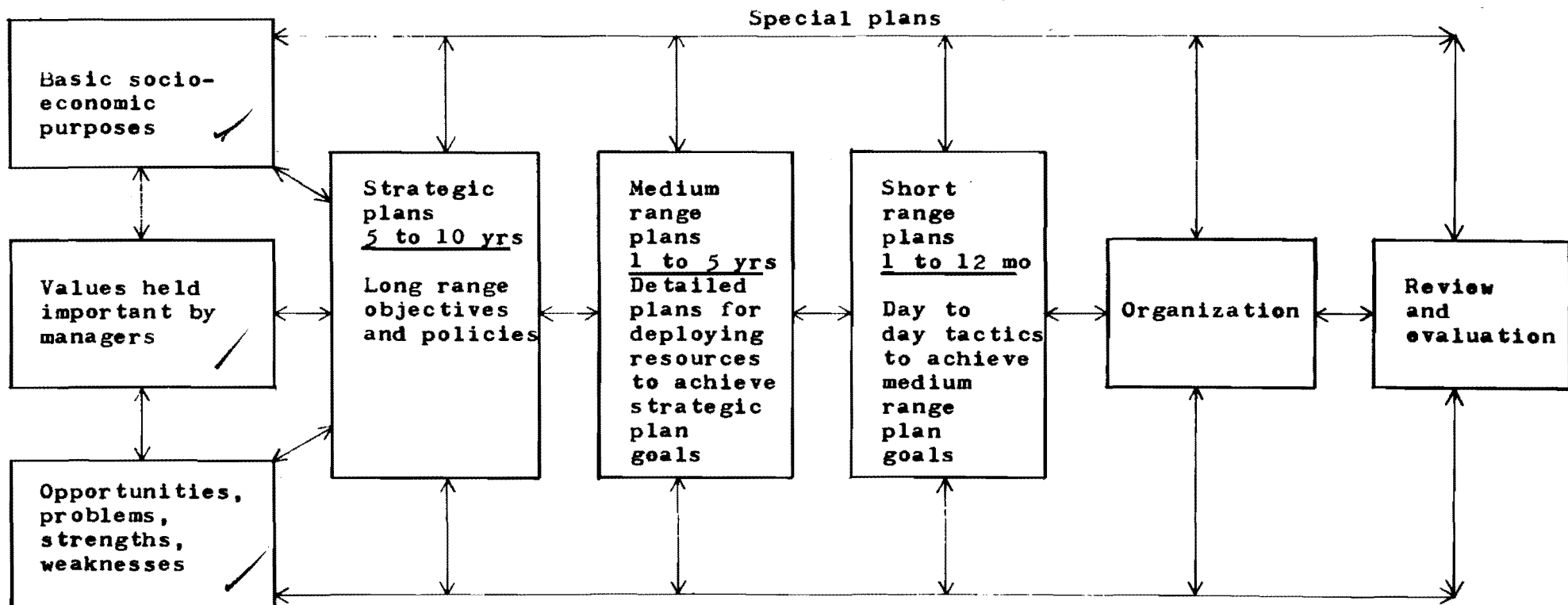


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A SIMPLIFIED MODEL OF ANY BUSINESS

Adapted from George A. Steiner..Top Management Planning



THESE ARE THE PREMISES FROM WHICH YOUR BUSINESS DERIVES ITS CHARACTER

THESE ARE THE PLANS WHICH SHOW HOW RESOURCES, TACTICS AND STRATEGY ARE USED TO ACHIEVE YOUR BUSINESS OBJECTIVES

THESE ARE THE IMPLEMENTATION AND REVIEW METHODS THAT TRANSLATE YOUR PLANS INTO ACTION

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QUESTIONS OF HELP IN SETTING OBJECTIVES FOR BUSINESS MODEL

1. What business are we in?
2. What is our principal product or service?
3. What market do we serve?
4. What common qualities define our customers?
5. What is our predominant image with clients?
6. What is our major competitive edge over others in our business?
7. Where are we at a disadvantage in comparison to our competitors?
8. What business do we want to be in 5 years from now?
9. What major changes will we need to make to get there?
10. What is our present return on investment?
11. What return on investment is reasonable for persons in our kind of business?
12. What share of market do we now have?
13. What share of market do we want next month? Next year?
14. What is the major strength of our organization? How are we using it?
15. What is our major organizational weakness?
16. How can we solve it?
17. What are our specific goals for profit improvement?
18. In what ways do our personnel policies chafe our employees?
19. To what degree can we count on our key people?
20. How can we finance growth?

The above are habit forming questions designed to force you to look ahead.

THE BUSINESS MODEL - TYPICAL ELEMENTS

When constructing a business model confusion often arises as to the method of statement and degree of explicitness in stating premises, plans and objectives. The sample statements below are guides to formulating an approach to the construction of a business model. These statements are intended to provide a pattern by which you can be specific about the characteristics of your business.

1. Premises

The basic premises upon which your business is built determine its character. These consist of three major classifications - basic socio-economic purposes, value systems of your employees and managers, and the opportunities, problems, strengths and weaknesses of the organization. Examples of how each might be stated are given below.

a) Basic socio-economic purposes

- to practice contributive design and construction in such fashion as to serve the public, health, welfare and safety, be of value to our clients and provide our company staff a sense of worth and accomplishment.
- to design and construct competently so the extra value return on excellent work will accrue to the employees.

Socio-economic purpose statements should reflect the obligation that your company has to society and the corresponding return on this investment you expect from society. They state your justification for remaining in business.

b) Values held important by employees and managers

The values displayed by individuals in any company paint a picture of that organization's attitudes. What the employee or manager considers of high value will ultimately reflect itself in an appreciation of that same trait in those with whom he must deal. Typical values that may be exhibited and are to be noted in this session of the model include:
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- Pride of workmanship
- Belief in generating positive values in others
- Mutual internal trust
- Strong desire for contributive social career
- Highly money oriented
- Work of firm low on action priority list
- Belief in straightforward, honest buying procedures
- Retaliatory

The overall statement of values collected by analyzing each key person in the company often paints an excellent collective picture of the total firm value structure.

c) Opportunities, problems, strengths and weaknesses

Occasionally confusion exists about the differences in opportunities and strengths as well as in problems and weaknesses. Opportunities represent the chance to convert a prospect into a client, the chance to make a good return on a real estate investment, the possibility, by a few extra hours at work, of meeting a specially good prospect. Strengths are those characteristics inherent within the company and individuals in the company that allow good opportunities to become profitable realities.

Problems and weaknesses have the same relationship. Problems are those specific occurrences or sometimes lack of occurrences that are causing trouble. They may include excessive warehouse pilferage, too many one-project clients or excessively high sub contract costs. The weaknesses concern characteristics of the company and individuals in approaching these problems and solving them. As with strengths, weaknesses are inherent in the company.

Strengths and weaknesses must be amplified or corrected by working with the individuals concerned. Opportunities and problems are handled best by utilizing the strengths possessed by the organization. Examples of each follow:

- Opportunities
 - Can purchase sizable real estate acreage inexpensively
 - Have ready pool of graduate engineers from local college
 - Have market control over high demand project

- Strengths
 - Excellent financing know how available
 - Good staff understanding of design/build estimating
 - Excellent training and education program
 - Good presentation techniques
- Problems
 - Inaccurate estimating
 - Construction supervision inadequately trained
 - Poor middle management structure
- Weaknesses
 - Lack of leadership in construction division
 - Accounting department's judgment faulty
 - Board of directors unresponsive to construction company needs
 - Experience limited, staff able to build only small steel framed buildings
 - Excessive paternalism at top management levels
 - Over-dependency upon company president

2. Plans and Objectives

Plans and objectives are divided basically into three types - strategic plans, covering a 5 to 10 year period in the future; medium range plans covering a 1 to 5 year period in the future; and short range or tactical plans covering from now to 12 months in the future. Typical plan statements might be as follows:

- Strategic plan objectives
 - to expand geographically by deliberate diversification and strengthening of related business activities. Geographic expansion should be in response to market place demand stimulated by institutional and response advertising. The market area should be increased in 10 years to an approximate radius of 300 miles from the home base office. The five to ten year plan should also anticipate expansion to a Canadian market in or near Toronto and to within a 50 mile radius of that metropolitan area.

- Strategic plan objectives (continued)

- to provide all personnel in the company a stock plan by which the employees' investment portfolios can be built of internally generated financial opportunities. In today's dollars the initial employee investment gift should range between \$100 and \$5,000 depending upon his position and responsibility. The investment opportunity should be one that returns him a yearly income at least equal to 5% of his basic salary. Investments should be financed jointly by the employee and the company.

- Medium range plans

- to generate a series of held organizations performing the functions of real estate, acquisition and sales, financing of industrial properties, and holding and developing of commercial and industrial properties. These organizations should be separate companies with majority stock control held by the parent firm's management. Held company management should be autonomous.
- to expand geographic operations to a radius of 150 miles from the home base operation. This demands a planned sales effort to penetrate the market and generate level 1 selling prospects. Sales force upgrading and additions will be necessary for this penetration.

- Short range plans

- to initiate a comprehensive and immediate study and analysis of investment opportunities based upon present worth position. This should include real estate for industrial development, real estate for commercial development, real estate for residential development, financing of construction by syndication, and manufacture of all wood and flexible plastic products used in our basic construction methods.
- to completely evaluate and revise the present estimating system from a trade orientation to a task orientation. This, to conform to our recently adopted scheduling and cash flow techniques.
- to retain one architect and one mechanical/electrical engineer on the in-house staff to better provide design and build services.

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