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EFFICIENT BUSINESS PLANNING FUNDAMENTALS WITHIN A MANUFACTURING COMPANY

– Case: Company X



BACHELOR'S THESIS | ABSTRACT

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EFFICIENT BUSINESS PLANNING FUNDAMENTALS WITHIN A MANUFACTURING COMPANY

- CASE: Company X

This functional thesis studies the process of forming an effective business plan for a small Canadian manufacturing Company X. The business plan was created for the purpose of a financial proposal by the entrepreneur and to potentially enable the development of new product lines in the future. The objective of this thesis was to bring in tangible support for the Chief Executive Officer of Company X by researching, structuring and scheduling the process of creating a business plan. Another aim was to learn more about the industry of manufacturing and home-renovation in Canada. This topic for the thesis was initiated by the author's interest towards entrepreneurship.

Qualitative research method is applied in the thesis, which is characterized as collecting data, analyzing the findings and forming conclusions. The knowledge base is formed by interviews, observations and written communications. The data behind business planning was found from books, theses, online-sources and the template created by the Business Development Bank of Canada. A clearer picture about the details and segments of Company X's individualized business plan came into being by means of interviews and observations conducted within and outside the designated organization.

The thesis consists of two parts. The first discusses the commissioning company the second part entails results of the research conducted about theoretical data behind business planning. The finalized business plan will bring in tangible support for Company X as it is seeking an investment loan from the Financial Institution X to finalize the purchase of the property where Company X is currently run. The concrete result of this functional thesis is receiving full funding from the Financial Institution X.

KEYWORDS:

Businessplans, manufacturing industry, entrepreneurship, small and medium-sized enterprises

Mira Hämäläinen

TEHOKKAAN LIIKETOIMINNAN SUUNNITTELUN KULMAKIVET TEOLLISUUSYRITYKSESSÄ

- CASE: Yritys X

Tämä toiminnallinen opinnäytetyö tarkastelee tehokkaan liiketoimintasuunnitelman muodostamisprosessia pienelle kanadalaiselle teollisuusalan Yritys X:lle. Liiketoimintasuunnitelma toteutettiin yrittäjän tarvitsemaa lainahakemusta varten, sekä uusien tuotelinjojen kehityksen tulevaisuutta silmällä pitäen. Opinnäytetyön tavoitteena on tukea Yritys X:n toimitusjohtajaa tutkimalla, jäsentämällä ja aikatauluttamalla liiketoiminnan suunnitteluprosessia, oppien samanaikaisesti lisää teollisuus- ja rakennusalaista Kanadassa. Kiinnostus yrittäjyyttä kohtaan sinetöi tämän aiheen opinnäytetyölle.

Opinnäytetyössä sovelletaan kvalitatiivista tutkimusmetodia, jolle ominaista on tiedonkeruu, löydösten analysointi ja johtopäätösten muodostaminen. Opinnäytetyön tietoperusta on muodostettu haastatteluiden, havainnoinnin sekä kirjoitetun materiaalin avulla. Liiketoimintasuunnitelman runkoa etsittiin kirjoista, opinnäytetöistä, Internet-lähteistä sekä Business Development Bank of Canadian liiketoimintasuunnitelman mallista. Haastattelujen sekä havainnoinnin perusteella syntyi selkeämpi kuva siitä, miltä Yritys X:n yksilöllisen liiketoimintasuunnitelman tulisi näyttää ja mitkä suunnitelman osa-alueet tulisi laittaa tarkastelun kohteeksi.

Työssä on kaksi erillistä osaa. Ensimmäinen osa käsittelee toiminnallisen opinnäytetyön toimeksiantajayritystä. Toinen osa käsittelee tutkimustyön tuloksia liiketoiminnan suunnittelun teoriasta. Valmis liiketoimintasuunnitelma tuo konkreettista tukea Yritys X:lle tämän hakiessa investointilainaa Rahoitusyhtiö X:ltä, jotta Yritys X voi viimeistellä nykyisen toimitilansa kiinteistön oston. Tämän toiminnallisen opinnäytetyön konkreettinen lopputulos on täyden rahoituksen saaminen Rahoitusyhtiö X:ltä.

ASIASANAT:

Liiketoimintasuunnitelmat, tehdasteollisuus, yrittäjyys, pienet ja keskisuuret yritykset

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VOCABULARY

Enterprise Risk Management (ERM) Framework for	“identifying events or circumstances relevant to the organization’s objectives, assessing in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress” (Expert System n.d).
Environmental compliance	“Conformity in fulfilling official environmental requirements” (Doug n.d).
Key Performance Indictors (KPI)	A Key Performance Indicator demonstrates how effectively a company is achieving key business objectives by preset measurements (Klipfolio n.d).
SMEs	Small and medium-sized enterprises. An enterprise which employs less than 500 workers within a given year (Canadian Industry Statistics 14.2.2017).
Revenue streams	<p>Revenue tells in dollar figures how much money a company has earned by selling its products and services in a given time period (BDC Glossary n.d).</p> <p>A revenue stream presents a way a company is making money from each customer segment. “There are several ways to generate revenue streams and most businesses need at least one to make money” (Empowerwomen n.d).</p>

R&D

Research & Development (Collins n.d).

Unique selling point

A description of how the company or its products/services provided intrigue the customers and add value or provide a solution to their problem (BDC How to write a business plan n.d.).

1 INTRODUCTION

The purpose of this thesis is to research how to create a business plan to specifically meet a Canadian manufacturing Company X's needs. Business plans can serve a company for various purposes, but in this case it was tailored with a financial proposal in mind. In addition, it will serve the company as a map for growth over the next few years. The author performed her internship at Company X in Toronto, Canada as an office manager. Having the owner acquired the assets of Company X and prepared a financial proposal for Institution Y prior to the author's hiring, created an opportunity to form a business plan for Company X in collaboration with the Chief Executive Officer. The authors mission is to bring in tangible support for the Chief Executive Officer by researching, structuring and scheduling the process of creating a business plan and to learn more about the industry of manufacturing and home-renovation in Canada. A genuine interest towards entrepreneurship ignited the authors desire to choose this assignment as her functional thesis topic.

The primary objective of this thesis is to study and gain a deep understanding of how an effective business plan is formed and what segments should be included. After obtaining empirical experience within the case company and a deeper understanding of the theory behind business planning, the purpose is to find key components and come up with a tailored business plan for the case study Company, X.

The main research question is "What are the most integral parts in a business plan for Company X as a manufacturing business?". In order to answer the main question properly, the thesis is conducted with the following sub-questions:

- What is a business plan?
- What are the most common parts found in a business plan?

When it comes to limitations, after presenting the explored theoretical data about business planning and its most common parts properly, the entire process of forming a business plan for Company X is discussed along with

addressing the final chosen segment headings and subheadings based on the review of literature and empirical experiences. An existing business plan template, created by the Business Development Bank of Canada, is used as one of the guides while forming a proper plan for Company X.

Lastly, a notable limitation comes into question when gathering data from interviews. The author must pay attention to the fact, that in any interview scenario the objectiveness of the parties is based on their experiences and therefore cannot be completely certified.

Qualitative research methodology is applied in the thesis. The method of qualitative research is characterized as collecting data, analyzing the findings and forming conclusions. Qualitative way of reporting describes whatever was studied and the findings are based on three different kinds of data:

- 1) In-depth, open-ended interviews – composed of direct quotations from people about their knowledge, views and feelings.
 - 2) Direct observations – composed of elaborate descriptions of people's activities, actions, personal conducts *and the full range of interpersonal interactions and organizational processes that are part of observable human experience.*
 - 3) Written communications – composed by endless quantities of data.
- Qualitative inquiry consists of finding, studying and analyzing all kinds of documents. (Patton 2015, 14.)

The thesis consists of two parts. The first part begins by introducing Company X as a business while establishing a proper apprehension of its history, products and services as well as the industry of operation.

After setting the baseline about the case company, theoretical background behind effective business planning is presented, followed up by the finalized business plan frame of the case Company X. The theoretical overview gives insight about the principles by explaining what a business plan is, what advantages and possible disadvantages creating one contains and also what are the main characteristics of an effective business plan under each

subheading. Gaining a deep understanding of the theoretical data enables the author to identify key components of the final business plan to meet the case company's needs let alone the industry of manufacturing among small and medium-sized businesses.

Theoretical framework is aligned with empirical experiences within the case company in order to maximize the effectiveness of the business plan. Finalized framework of Company X's business plan is reported in the thesis by simultaneously explaining the gained data and knowledge from multiple sources. The author will also discuss major focus points, major challenges and parts that could be lightly overlooked by each segment in the business plan template, based on her experiences as well as CEO's vision during the process of forming the business plan. The first part is finished by sharing empirical conclusions and analysis of the functional thesis process. The author evaluates the success of the project including the results achieved, furthermore she comes up with an action plan and suggestions to ensure on-going development of Company X as a business over time. The second part is the main theoretical framework by given sources.

2 INTRODUCING THE CASE: COMPANY X

The case Company X is a small Canadian company with a 40 year history of manufacturing exterior decorative window shutters for customers in Ontario and across Canada. What began in an apartment making shutters by hand for a growing Toronto market in the early 70's, grew into an active Toronto factory producing shutters for hundreds of customers spanning across the country. Company X is known across the Ontario province as one of the trusted contacts for quick turnaround for exterior shutters.

Founded in 1977, there is an extensive history found in Company X as one of shutter producing Canadian companies. Its past founder, whose name still to this days evokes praises from customers, has a legacy that still brings value to Company X's brand. The machines were crafted by hand and tooled at the present location, which allowed the manufacturing of both vinyl and aluminum shutters. Value was also added to the company's operating assets by having injection molds created, which provided means to manufacture (off-site) gable vents in five different varieties.

Within the manufacturing process, vinyl shutters are custom built using bulk purchases of vinyl parts from US suppliers. Aluminum shutters are built from an internally and vertically integrated supply chain by a way of completing many of the primary steps before assembly happens.

After the passing of the owner and years later the other family members who attempted to manage the company, Company X hit a major low a few years ago until outside management was brought in. Today the company has a large level of inventory, sees growth in sales, an increase in its brand value with new ownership and an optimistic outlook for its future. New lines of products are ready to roll out to help flatten the cyclical nature of sales, former customers are coming back and sales are trending up.

To summarize, there are several factors to be improved, should financing be available, there is a great opportunity to keep Company X in growth mode into the future. As well, Company X will be able to continue employing local personnel some of whom have been there for 30 years, providing great product to other small businesses across Toronto and beyond. (CEO of Company X, personal disclosure, 2017.)

3 EFFECTIVE BUSINESS PLANNING

A business plan is a document put together to describe commercial and financial profitability of the company already established or soon to start, in order to raise finance from investors or banks, encourage assistance or just for the entrepreneurs own use. A business plan works as a map for the company to see where it is now, where it wants to go in the future and how it will get there. Although there are most certainly pros and cons for everything, it is crucial for the company to come up with a business plan in order to avoid failures, that many businesses are facing. (Maitland 2016, 2.)

A business plan is created for the purpose of proving any trade opportunities with the company's services or products and to describe its market segment, operations, assets, policies and portray its customer profiles as transparently as possible. The company needs to know what the added value to the customers consist of, not to mention the importance of mapping out their main competitors profile. Revenue generation model is a crucial piece of the entire businessplan puzzle, since most companies desire to make a profit after all. Defining such a model unquestionably supports to visualize which products or services generate the most revenue. (...) Forming a business plan is seen as a spiritual journey of the entrepreneur, as he goes through the process of analyzing and documenting the business idea as well as the potential markets. (Viitala & Jylhä 2013, 51-52.)

Coming up with a business plan can be looked down on, but several sources have proven the importance of planning, especially when it comes to growing a business. Strategizing, defining clear objectives into a business plan and then revising on them as the business grows is beneficial for long term success. Goal setting will help to stay on track of important dates and deadlines and setting out the right people in charge for different tasks eases the delegation process. Above all, planning and managing cash flow will most certainly be beneficial for the company in order to achieve its goals. (Berry 2013.)

A visually appealing and well-structured plan will bring forth the steps to success and clarify the direction of what the business intends to be in the future. A solid business plan helps to attract financing, new team members and make managing the company more effortless. (Burns-Millyard 2018.)

Although business planning is predominantly seen very beneficial, there are a few disadvantages that the author and the Chief Executive Officer (CEO) experienced while forming the business plan. These examples are mostly empirical, but competent in the process of forming a business plan. Lack of time was experienced as the main disadvantage (Black 2017). Since the operations of such a small company were solely relying on the CEO, the process of forming a business plan was constantly inflicted by interruptions due daily clerical tasks at the office and dealing with customers over the phone or at the factory. By the same token, keeping in touch with Company X's customers and suppliers through email took slightly longer than expected due researching and creating valuable content to the business plan while simultaneously having only one employee at the office to stay in charge of everything while the CEO attended business and sales meetings.

However, spending too much time on gathering data and not knowing when to apply it to the context can also turn out as a disadvantage itself in the process of business planning. This scenario of over-analyzing information is referred as 'analysis paralysis' (Kane 2015).

Another very exceptional yet interesting point was the amount of research there had to be conducted within the former Company X, before moving into doing research about the present Company X and its competitors. Having the CEO acquired the assets of old Company X, created a demand to figure out first and foremost where the former company was standing customer-, inventory- and equipment-wise since the location and staff remained fixed despite the change of ownership.

4 COMPLETE BUSINESS PLAN FRAMEWORK – CASE: COMPANY X

Figure 1. displays the finalized business plan frame of the case Company X. After researching and gathering in-depth data about business plans and where to begin the process, the author and the CEO came across The Business Development Bank of Canada's (BDC) business plan template and decided to modify it with the already collected material to bring forth what Company X represents as a company. The original template provided by BDC was found slightly too extensive, so our target was to make it more simple yet effective by combining most of the template segments with the theoretical data researched by the author. All of the actual information required about the designated company should already be known or at the very least be readily available (Maitland 2016. 3).

The top priority of this section is to form a business plan and to demonstrate the most crucial segments for Company X and any other small to medium-sized manufacturing companies with a very minimal workforce. The suitability and relevancy of the finalized content within each segment are based on the following resources of information:

- 1) The data of the empirical research conducted about how to form an effective business plan.
- 2) Experiences, point of views and resources available, while composing the business plan, of the author and the CEO of Company X.

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Figure 1. Business plan frame of Company X.

4.1 Executive summary and business overview

An executive summary should be written last since it is an abstract of the entire business plan. This way it will be much more fluent to execute by highlighting and yielding data from facts and figures that are already coherent and measured out within the business plan. A well written executive summary pays attention to describing the business activities, unique selling point, the market, the main objectives of the company, background of the management as well as the time spans associated with specific projects. It should also be described whether the business is a new venture, an expansion of an existing company or perhaps a purchase of a new business. (BDC 2018, How to write a business plan.)

A comprehensive overview includes a description of the business, its branch of industry including major companies and trends in the industry and any government regulations that the specific branch of industry has to deal with. Major demographic, economic, social & cultural factors are also part of the strategizing segment. The market should be discussed thoroughly by explaining the market segment and its trends as well as the products/services the company is selling. The market paragraph should also answer for what price are the goods sold and how they are distributed as well as discuss the type of risks there are and how are they taken care of. After that the focus should be steered towards the actual competitors and the type of competition the company is facing. The competitors strengths and weaknesses should be researched as well as the type of advantages they could potentially possess. (BDC 2018, Blank Business Plan Template, 2-4.) Attention must be paid towards conducting a solid market research as described to truly recognize the customers needs in order to provide the goods and services to fit those needs to a tee (BDC 2018).

What matters the most in an executive summary and the business overview to an investor or a banker, is the initial impression and the assertion that the business plan deserves to be studied. This means that the plan has to be

summarized broadly by cutting to the chase, telling “what it is that we want them to do for us”. The bankers are most likely too busy to go through every business plan sent to them. (Maitland 2016, 38-39.)

It is crucial to keep this section very brief and attractive to the reader’s eye. Another very demanding factor is to prove and rationalize the tangible competitive advantage, since it demands tons of research about the market. Too optimistic statements about the business or providing inaccurate information should be avoided in order to keep the business plan as translucent and trustworthy as possible. (BDC 2018, How to write a business plan.)

A typical business plan starts with an overview of the business but in Company X’s case it was decided to be initiated with the executive summary instead, in order to state clearly what the owner of the company is looking for (Entrepreneur Europe 2018).

Company X’s range of complex, custom made products from aluminum and vinyl requires a lot of explanatory notes, therefore several charts were created to describe our goals and objectives for both raw materials and the cyclical nature of sales since shutters are mostly installed during the warmer months. The business plan template of BDC was found too repetitive. For example, the industry within shutter manufacturers in Canada and the US is such a niche market, that major the players and competition can be spoken in the same context. On the other hand, pricing and distribution are set to their own paragraphs, because of a wide range in Company X’s pricing due customization and a handful of different distribution channels.

4.2 Sales and marketing plan

Marketing plan sets out the core values and promises of the company. Such affirmations are set in order to gain customers trust as well as sell the products and services offered. Not only does a marketing plan clarify how the marketing will be executed, but also presents the entire process of product or service design, development and production. (Viitala & Jylhä 2013, 53.)

The sales and marketing section should focus on listing the current top five customers and suppliers of the company as well as establish a conception of the advertising and promotion strategy, pricing and distribution and set up a customer service policy (BDC 2018, Blank Business Plan Template, 1).

Doing business without a marketing plan is risky, because it is necessary to not make any assumptions about the demand of the product or underestimations about regulatory restrictions for example. The Business Development Bank of Canada (BDC 2018, A 5-step, no-nonsense marketing plan) suggests that the following 5 steps should be taken into account while composing the marketing plan section:

1) SWOT-analysis

Strengths, opportunities, weaknesses and threats should be identified within the company and its competitors as well. Strengths describe where the company is good at currently, weaknesses are elements that make it vulnerable and lower the possibilities to reach set goals and objectives. Opportunities are for example, new ventures or products that could take the profitability to the next level. Threats are any blockades that limit the potential to enter markets, labour shortages as an example.

2) Establishing a profile for the targeted market

A clear picture about the customers should be painted by looking at characteristics, such as age, profession and geographic location to name a few indicators. Growth potential of the business should be backed up by presenting evidence about estimated demand of goods and services provided. In addition, customers motivation to buy should be thoroughly investigated. It is important to find out the reasons behind consumers buying the product from your company instead of your competitors for instance. Any insights about a product or a service from the customers will help to develop it to become more unbeatable.

3) Specifying marketing targets

This is the part where specifying the main outcomes of the marketing plan takes place, by listing the wanted yet realistic targets with clear time lines. Market metrics are a very common way of measuring the success of goals set. Total market share, the average volume of purchase or the total number of customers are few examples of these key objectives that could be yielded in favor of measuring the success of the marketing plan.

4) Determining how to promote the business

Typical marketing strategy covers “the Four Ps of marketing”; product, price, place and promotion. Different “marketing vehicles” attain different markets, determined by the profile of the targeted crowd. Advertising can also be very inexpensive, by taking advantage of digital marketing, e-mail, referrals or even networking.

5) Creating a budget

Budget and sales forecast should be kept simple by stating how much is expected to be sold, for what charge, costs of production or delivering services, what are the fixed expenses, salaries etc. and how much funding is necessary to run the company. Figuring out how much it is necessary to sell in order to cover expenses is called the break-even point, which should be included in the budget forecast. This will ensure a company to most likely be very profitable if it can bypass the break-even point. (BDC 2018, A 5-step, no-nonsense marketing plan.)

Although a proper marketing plan is crucial for any businesses success, the operations in the construction and home-renovation industries rest on the skillsets of the entrepreneur himself, more often than not. This means that there is rarely a high degree of know-how in the marketing planning process. The temporal conditions and scarce resources within small and medium-sized construction enterprises often set obstacles to these planning processes. The information about good workers tends to pass by the word of mouth within the construction and home-renovation industries, meaning that the marketing

strategies of these companies either leave a lot to be desired or lack completely. (Suonvieri 2012, 7-8.)

A customer oriented approach and such policies are considered to be one of the most meaningful factors these days, as it is involved throughout the entire organizations operations. The entire work community has to commit to creating endless value to customers in addition to understanding the reasoning and means behind it. This way of approach requires the ability to detect customers needs and to adapt to changes proactively, instead of reactively. Proactive way of serving customers means creating a need instead of reacting into one, which will a cutting edge to any company. A proactive company also gets acquainted with the environment of their customers in order to provide the best service possible. (Viitala & Jylhä 2013, 75-76.)

In Company X's case everything else remains as it is set in the template, apart from pricing and distribution which was found repetative with the previous section of business overview and therefore left out. Higher emphasis is placed towards our customers in the form of a proper customer service policy, since the role of the customer has increased significantly within businesses. As a small manufacturing and construction company of seven employees, five of which are occupied at the factory and construction sites, Company X has a major workload ahead in creating proper marketing planning processes in the near future and is currently relying on its business to business sales from a clientele the founder connected the business with, before he passed away. Company X has built its reputation over time by distributing its products through bigger businesses as well, such as Company Y and Company Z. This way of doing wholesale business cut Company X's profit margins substantially. Developing a full marketing strategy was one of the biggest challenges during this process of creating a business plan. Fortunately enough, the strong numbers in revenues and our vast customer database enabled us to leave this segment of the business plan with less attention. It most certainly depends wheter the business plan is formed to an already existing company, compared to starting a new business from scratch, since there is relevant data and track records to date at hand for us at the case Company X.

4.3 Operating plan

Operating plan describes how the company is operated on a daily basis, who is responsible of what, how the responsibilities are distributed and tasks assigned (Entrepreneur 2018).

This section must also include information about the physical location and its requirements, disadvantages as well as advantages and details about the ownership or the lease. Lease agreement would be a suitable document to support these points mentioned. Highlighting the size and capacity of the premises are detrimental pieces to the puzzle. After all, the bank wants to make sure that their loans get paid back and know how their money will be spent. Going through the possessed equipment, R&D, environmental compliance and enterprise risk management are also key factors how a company is operated. Legal structure should be in-check as well, in terms of any contracts or these issues mentioned, and looked over by a lawyer. Although there are many building blocks to an intact operating plan, the main focus should definitely be placed on the building where the business is operated in. Other factors can be left with less attention to detail, even more so in case the property is privately owned and not leased, since it is a potential source of funding if things go south in the business. Other possible sources of funding and where they would be allocated, are also factors worth mentioning as they give your plan more credibility. Money has a habit of attracting more money. (Advisor A, business plan consultation 2017.)

The reasons behind basing a business to a certain location should be discussed by listing its advantages and disadvantages, as well as how the business will work to overcome any issues related to the location. Also the locations of our business, suppliers, customers, competitors and other key factors such as influential neighbours or other attractions that could potentially draw people into the area should be emphasized. (Maitland 2016, 40.)

4.4 Human Resources plan

Human Resources (HR) section is a moment for the company to focus completely on itself and its team assets. The tasks, skills, knowledge, experiences, strengths and areas of improvement should be written down of each individual working for the company. (Maitland 2016, 30.)

HR plan should include key employees, their responsibilities and qualifications paired with a section for policies and procedures. Policies and procedures should focus on reporting the hours of operation, the total number of staff, about vacation programs, how the company will assess its employees and to train them. Salaries and benefit plans should be mentioned too. (BDC 2018, Blank Business Plan Template, 7-8.)

This section is often overlooked, but an entrepreneur should be able to show how are they going to fight against the decreasing labour market by attracting and hiring new skilled workers to keep the company running. Recruiting and outsourcing strategies are good examples of Human Resources demands which should be incorporated, in addition to organizational structure, to a business plan. (LaBossière 2018, How to avoid common mistakes when building your business plan.)

Although, policies and procedures included in the HR plan can vary, depending on several factors such as the size and the structure of the company not to mention the field of industry. The procedures and controlling mechanisms are reportedly more complex in large companies than companies of a smaller scale (Soinsaari 2014, 12). As a smaller establishment of approximately 6 employees, Company X follows the mandatory legislation for workplace policies and workplace health and safety regulations accordingly.

4.5 Action and Financial plan

Action plan works as a road map within the business plan by giving birth to the ideas and by setting specific times that these planned actions require. Attention should be drawn to involving the entire team in creating the action plan, listing various tasks clearly, setting timelines for them, naming who is responsible for each action, setting up how follow-ups are made and measurements taken, communicating the plan and essentially keeping the plan alive by revisiting it. (BDC 2018, 7 steps to create an action plan for your business strategy.)

The two key takeaways that really matter in an action plan though, are the specific task described and by when its is done (BDC 2018, Blank Business Plan Template, 9).

Key financial data should be attached as an Excel-file in the appendix of the final business plan. This includes both, historical and projected forecasts of the company's financial performance, sales, cost of goods sold, expenses, income statement, balance sheet, cash flow, budget, financial requirements, performance indicators and personal status. (BDC 2018, Blank Business Plan Template, 1.)

While proposing for financing, the financial section is naturally looked in greater detail by the potential investors. That being the case, the numbers have to add up and make sense. The budget should be broken down to the following pieces; sales, direct costs, overheads, profits, explanatory notes and supporting documents. Sales should already be discussed earlier in the plan, but the budget should show an estimate of monthly sales and when the payments are estimated to be paid since the timings of income and expenditures determine cash-flow to a great extent. (Maitland 2016, 53-56.)

High levels of sales increase the direct costs and vice versa, therefore direct costs fluctuate consequently with the number of goods produced and sold. Materials and wages are the two main categories of direct cost. Monthly amounts of these costs need to be included in the budget. Deducting direct costs from sales equals gross profit. (Maitland 2016.)

Overheads are fixed (=regular) expenses necessary in operating the business, such as rent. Summing up each category of overhead cost on an annual basis and dividing the total by 12 months, gives a monthly overhead figure. Subtracting these expenses from gross profit equals 'trading profit'. (Maitland 2016.)

Gross and trading profits are both important figures, since the gross profit illustrates a company's efficiency to buy, manufacture and sell goods and the trading profit on the other hand tells if the company is profitable. Gross profit margin is possible to be calculated by sales and multiplying by 100. The result derived from that can then be contrasted within the trade average and conclusions can be made about how the company is performing at the moment. (Maitland 2016.)

Informative notes are just as important as the profit budget. Each item in the financial plan and the reasoning behind the resulted figures should be explained in the sheet as well. Doing this will convince the reader of correctness.

Supporting documents, such as sales orders, suppliers' price lists, estimates and quotations should be included to back up any given statements. Adding a cash-flow forecast into the plan will also show essentially that the company has enough capital available to pay the bills, makes a profit and keeps trading steadily. A company can look profitable on paper and still overdraw financially because cash is not brought in on time to pay the bills. After forming these segments and applying the accumulated data into the financial plan, the company should be able to generate the following two financial statements for the next year ahead; profit and loss account as well as balance sheet. The profit and loss account summarizes sales, total costs and profits or losses over, usually, one year. The balance sheet shows the assets and obligations of the company and the way of financing its activities. (Maitland 2016.)

5 CONCLUSIONS

The purpose of this functional thesis was to study the process of business planning and to form one for a small Canadian manufacturing company, Company X. The business plan was created for the purpose of financial proposal by the entrepreneur and to potentially enable the development of new product lines in the future. Qualitative research methods were applied in the thesis, by collecting data, analyzing the findings and forming conclusions. The knowledge base was formed by interviews, observations and written communications including; books, theses, online-sources and the business plan template by Business Development Bank of Canada. The personalized business plan of Company X came into being by conducting research and observing the empirical as well as the internal and external numerical data of the case company.

As a result of the thesis, the business plan was formed successfully in collaboration with the mandating commissioner proven by the following key outcomes:

- 1) A granted funding by the Financial Institution X.
- 2) An optimistic yet reasonable budget, forecast and specific growth goals.
- 3) A realistic and a compact action plan with a clear schedule.
- 4) A comprehensive breakdown of strengths, weaknesses, opportunities, threats and key performance indicators, discussed in the business plan, that Company X needs to address over the given time period.
- 5) An in-depth description about the nature of the industry, in addition to the major players and key customers within the market segment.

The most successful characteristics in the final business plan of Company X should be discussed and summarized. The primary objective of the thesis was to study the actual process of forming an effective business plan for a small company and analyze which specific features matter the most.

Business overview and executive summary were executed according to the conducted research in Company X's final business plan, by displaying the high degree of expertise and a solid history in the industry of manufacturing and home renovation in Canada as well as the competitors in the market. These two pointers made describing the business effortless, as well as the work and revenue streams. The products are custom made, which made it difficult to set any fixed prices. Strengths and weaknesses were reviewed as it is an incremental part of any type of business planning according to the data collected. Distribution channels have great linkages to all forms of markets. Lastly to reinforce validity, Advisor 1 agreed that the business overview and executive summary were both attractive to the reader's eye and well executed.

Lack of comprehensive knowledge and experience in marketing planning resulted in an absence of the actual detailed marketing plan. Although a slight lacking within this section, a base level for sales and B2B sales does exist and customers have reportedly returned to Company X due to change in ownership. Intentions to increase active sales and marketing, as well as attracting new customers to come on board with new products over the course of 2018 were pointed out in the section. Focus so far has been on a real personal and professional presence than in a through marketing plan. Outsourcing this process may be a better idea for Company X, when looking for growth in the near future, especially before adding new product lines into the range. Four key customers and five main suppliers were listed according to the conducted research. As described earlier in the thesis, the operations in the construction and home-renovation industries rest on the skillsets of the entrepreneur. This means that the know-how and resources for marketing strategizing are often times very limited as they are mostly steered towards executing the labour itself. Marketing relies on the word of mouth about the best workers in these industries. (Suonvieri 2012.)

According to Advisor 1, the operating plan played a paramount role in convincing the Financial Institution Y to grant a loan for Company X, since the property has multiple advantages in terms of good future property value, fully paid machinery and tenants bringing in revenue. More details about Company

X's location were incorporated; premises (highlighting the size and capacity), its advantages and disadvantages and ownership is essential, since the purpose of the business plan is to attract investors. The rising housing markets in Toronto and an excellent location of Company X are definitely seen as an asset.

(Advisor 1, business plan consultation 2017.)

Company X's Human Resources plan includes a brief introduction to the team in addition to the underlying policies and procedures to strengthen and develop relations within Company X's workforce as well as between its customers and suppliers. This section of the plan will also ensure safety for all staff and enable everyone to enjoy their work on a daily basis through the set objectives, which was an important matter to pay close attention to at Company X and accorded the researched data.

Action plan stated two fundamental takeaways, according to the researched case study: describing the task at hand, and when it will be done. This section has been characterized as one of the most practical ways to take advantage from the process of business planning.

The final section, financial plan of Company X, was added as an appendix to the business plan. Key financial data should be attached as an Excel-file in the appendix of the final business plan. This includes both, historical and projected forecasts of the company's financial performance, sales, cost of goods sold, expenses, income statement, balance sheet, cash flow, budget, financial requirements, performance indicators and personal status. (BDC 2018, Blank Business Plan Template, 1.) This was exactly how it was executed at the case Company X.

To conclude, the pieces that make a business plan efficient, from the viewpoint of a small manufacturing company requesting funding, are the following:

- Display knowledge as well as experience about the industry and competitors.
- Describe the product thoroughly and what problem does it solve.
- Define what are the strength and weaknesses of your company.

- Have advisors to guide through the process of business planning
- Make marketing plan as a separate document/project. Considering the industry of construction and home-renovation, marketing tends to rely on word of mouth. Bring external professional skills to cope with this section.
- Give operating plan a crucial role from a financial proposal standpoint, as it enlists every asset of the company.
- Include human resources plan in order to introduce the team behind the company's success, i.e. the most valuable asset. Customer policy describes how everyone working for the company is expected to treat their customers and suppliers, which is also a crucial part of running any company and creating a positive image.
- Keep action plan as specific as possible with what is done and by when.
- Let financial section showcase past and forecasted financial performance in an excel spread sheet, measured by general KPI's that should be tracked within any business. These indicators include: sales, cost of goods sold, expenses, income statement, balance sheet, cash flow, budget, financial requirements and personal status.

What would should have been done differently during this process? Firstly, when it comes to the process of writing the business plan and the thesis, I could have increased the pace of working, prioritizing and having more faith in my abilities as a business planning assistant. Secondly, proper research about market strategizing should have been put more into place.

However, the main result receiving full funding from the Financial Institution X in February 2018, increases the validity of the research about the process of business planning and how to form one, with financial proposal as an objective and a small Canadian manufacturing company as commissioner. In other words, the finalized plan was found comprehensive, well formed and clear enough for the Financial Institution X to have faith in Company X's abilities of generating revenue and thriving financially.

The first challenge in the absence of a thorough marketing strategy mentioned can most certainly be improved. The author would highly suggest Company X to

invest some of its resources to establish a separate marketing plan and build a firm personal brand for the CEO of Company X within the next few years in order to maximize its growth and potential to become the leading company in its realm. Adding in some properly conducted research about application and software development would be an innovative and efficient way to retain customer relationships and generate more sales by consolidating the purchase, assembly and delivery management processes into one mobile application. Moreover, this automated process would facilitate Company X to maintain its customer portfolio and some of the bookkeeping tasks up to date, resulting in significant monetary and temporal savings. However, reviewing and refining the business plan as a whole is detrimental as the company starts implementing new strategies and product lines into the mix. Action plan should be kept up to date about upcoming objectives and set timelines to decrease the amount of contingencies that might affect reaching those goals and deadlines.

As a whole, this business plan summarizes how crucial it is for any company, with a financial proposal in mind, to have a business plan written out. The plan assists to paint a clear picture of where the company is now and which steps are necessary to be taken in order to move forward and grow. Business planning forces the entrepreneur to deeply ponder many factors of running the company on top of how to prepare and solve any occurring problems along the way.

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Company X – Business Plan

November 2017

**Executive Summary**

The ownership of Company X and the Holdco. purchasing xxx xxxxxxxx xxxxx (Holdco. to be registered as Y properties) is requesting financing to help ensure the future success of this great small Canadian business. Though the last 10 years have been a struggle for Company X due to the previous family-ownership having personal and medical issues, the recent ownership change is excited to already report sales with 8% revenue growth comparative to the past 3-year average. Additionally, this report discusses “ready to roll out” new products supporting projected gains of over 15% by 2019. Additionally, Company X can state a healthy stream of revenues with a strong foundation of customers who have been loyal and old customers now returning as a show of confidence in the new management. Finally, readers will appreciate that the actions and many opportunities presently being targeted to realize even greater gains.

Having already raised \$500K in non-debt investment, this business plan is written to support the request for the \$1.27M remaining for an owner/occupied building purchase, as well as a line of credit for \$150K in working capital in supporting future project growth. Not only is this report created for a financing request to purchase the property (of which Company X has operating out of for 30 years) but will be a document providing a framework for growth for the next few years to come.

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1 – BUSINESS OVERVIEW

Legal name:	xxxxxxx xxxxxx xxx		
Trading name:	Company X (Manufacturing company)		
Business address:	Toronto, Ontario		
Phone:	416-xxx-xxxx	Fax:	416-xxx-xxxx
E-mail:	sales@companyx.ca		

DESCRIPTION OF THE BUSINESS

Company X is a small Canadian company with a 40 year history of manufacturing exterior decorative shutters for customers in Ontario and across Canada. What began in a one bedroom apartment making shutters by hand for a growing Toronto market in the early 70s, grew into a vibrant Toronto factory producing shutters for over 300 customers spanning across the country. Company X is known across Ontario as one of the "go-to" contact for quick turnaround supplier for exterior shutters.

Founded in 1977, there is great history found in Company X as one of the only Canadian companies that produces shutters. Its past founder, whose name still to this days evokes praises from customers who knew him personally, has a legacy that still brings value to Company X's brand. He built his own machines and tooled the present location which allowed him to manufacture both vinyl and aluminum shutters. He also added to his operating assets by having injection molds created, which provided means to manufacture (off site) gable vents in 5 different varieties.

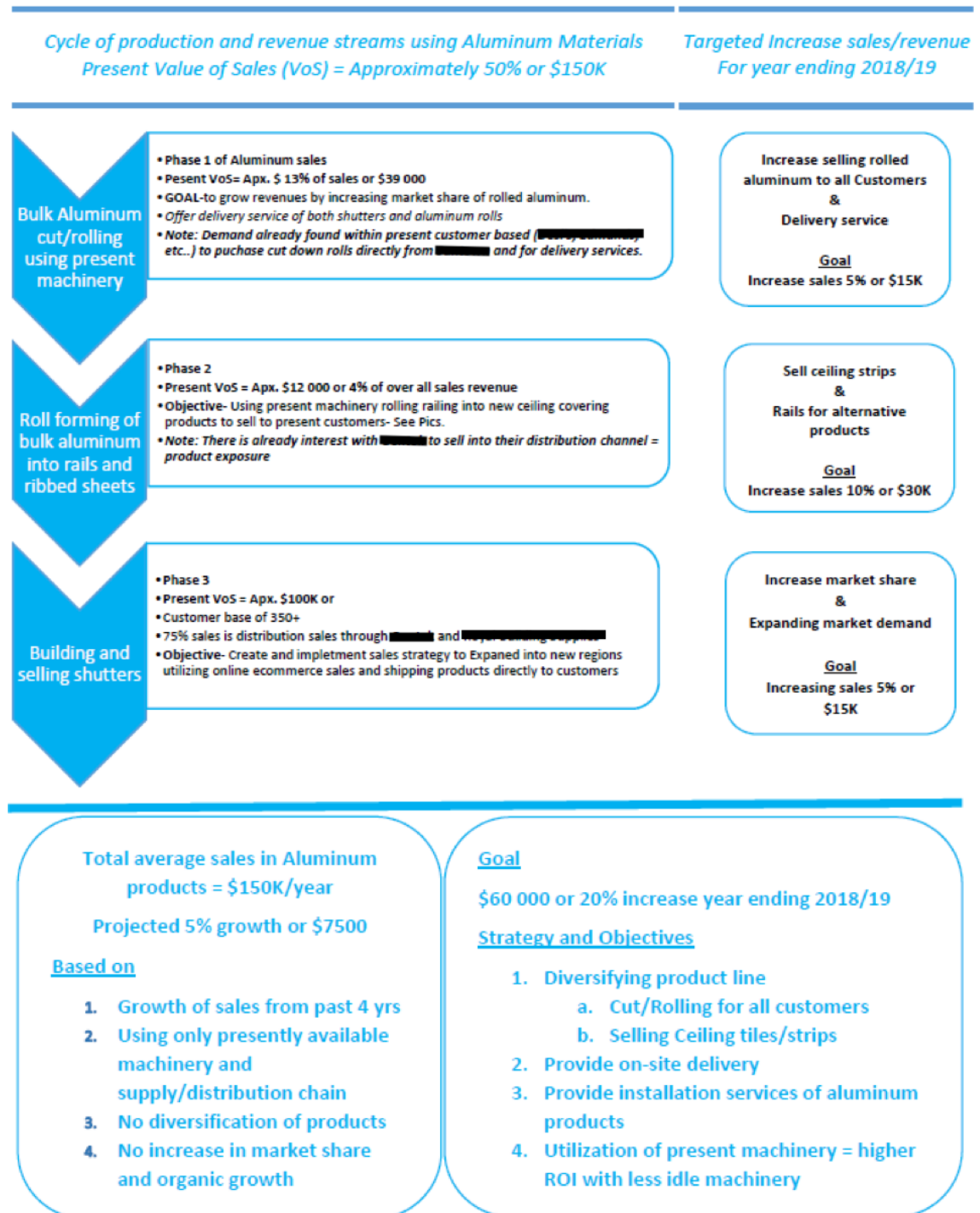
Within the manufacturing process, vinyl shutters are custom built using bulk purchases of vinyl parts from US suppliers (diagram 1.1). Aluminum shutters are built from an internally and vertically integrated supply chain by a way of completing many of the primary steps before assembly happens. This process is discussed further in this report (diagram 1.0). Company X has also a white

labling product line using the machines already in use for shutter manufacturing which provides another revenue stream apart from shutter making. At the peak of the founder's ownership revenues were over \$1.4 million, then a crisis happened when he had succumbed to illness and Company X was left without management. After the death of the founder and years later the other family members who attempted to manage the company, Company X hit a major low a few years ago until outside management was brought in. Today, Company X has a large level of inventory, is seeing growth in sales, an increase in its brand value with new ownership and a optimistic outlook for its future. New lines of products are ready to roll out to help flatten the cyclical nature of sales (Diagram 1.3), former customers are coming back and sales are trending up.

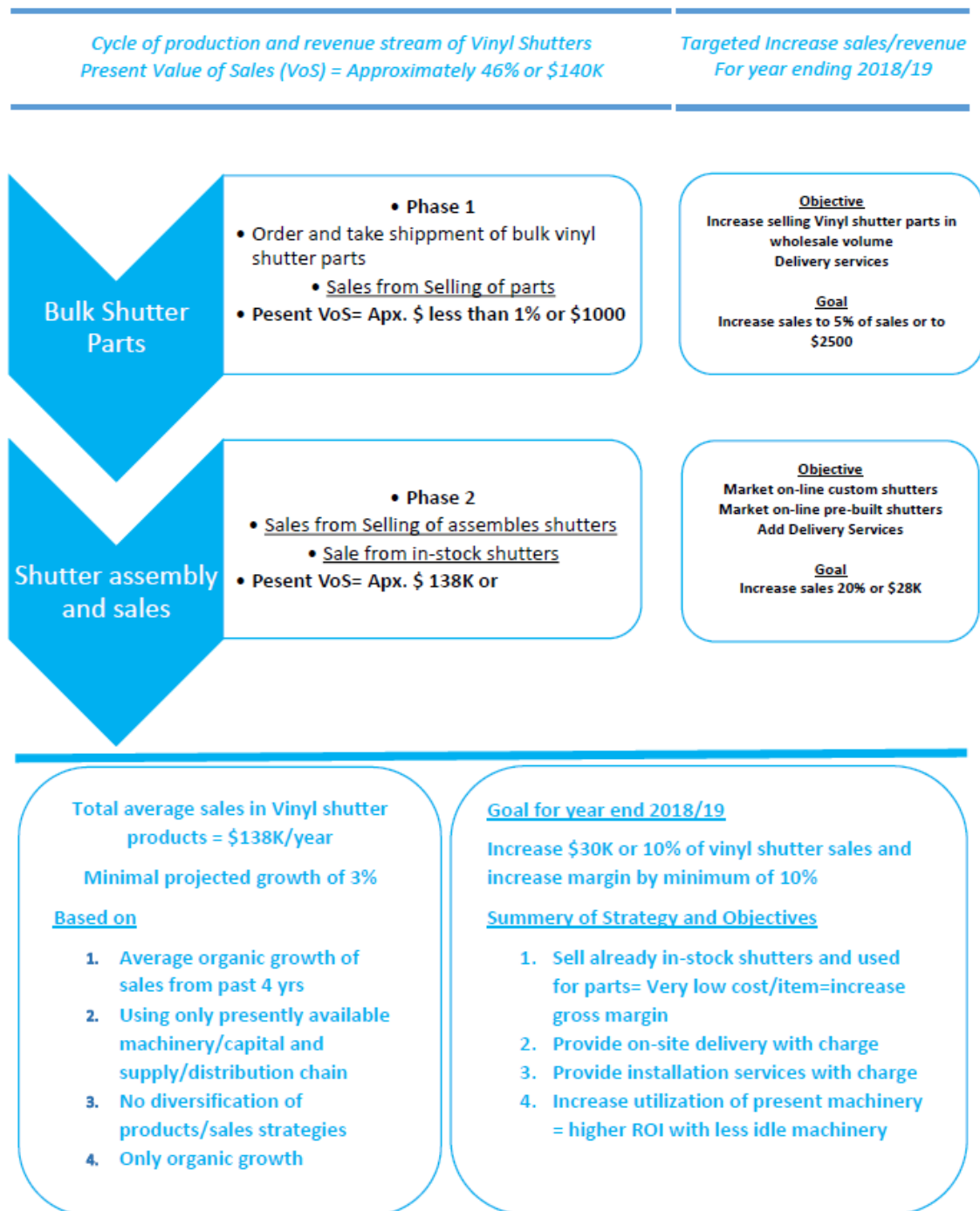
So to summarize, there is a small hill to climb but, should financing be available, there is great opportunity to keep this Canadian company in growth mode into the future. As well we will be able to continue employing local personnel some of whom have been there for 30 years, providing great product to other small business across Toronto and beyond.

GOALS AND OBJECTIVES

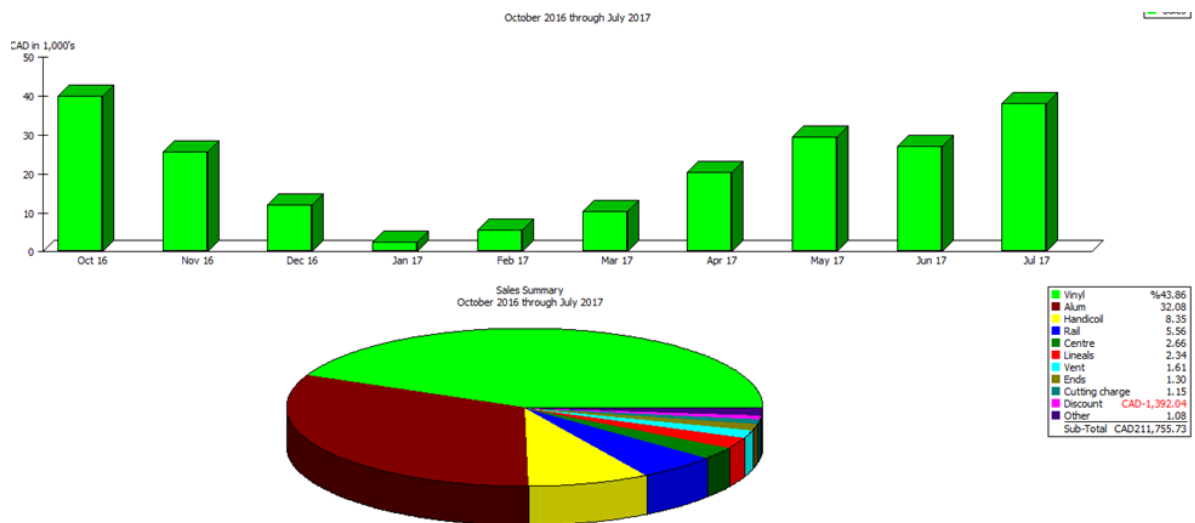
ALUMINUM – WORK AND REVENUE STREAMS (DIAGRAM 1.0)



VINYL – WORK AND REVENUE STREAMS (DIAGRAM 1.1)



CYCLICAL NATURE OF SALES: OCT 2016 – JULY 2017 (DIAGRAM 1.3)



MAJOR DEMOGRAPHIC, ECONOMIC, SOCIAL AND CULTURAL FACTORS

As all small Canadian manufacturer, Company X must consider the effect of situational variables in demographics, economics, as well as various social and cultural factors. No company can ignore these environmental conditions, we must be able to identify and plan for all variables and possible changes within each of the categories. Being able to understand our company's exposure with regards to its weaknesses and strengths as well as opportunities lie, will only bolster its future success. Using a simple Strength and Weakness analysis, we can mull over information that allows Company X to adapt, adjust and maintain growth in sales no matter what conditions are found in the market place.

Strengths and Weaknesses

Demographics – The products, that Company X creates, can market to any value level within the residential housing market and gives a check mark onto its strength column. This is evident as Company X has not only built shutters for high end customer home builders, but also provides shutters for contractors who reface modular and mobile homes. With respect to demographic changes and population growth in various regions, Company X sells and ships across

Canada through both B2B distribution channels, as well as online e-commerce allowing it to tap any growth areas.

Though purchasing habits are changing to more online ordering, by both businesses and private individuals, Company X is working on adding into its distribution channel more exposure to online e-commerce such as Amazon, BuildDirect.com and Ebay.ca. Company X has been slow and non-active in increasing its marketing into online social media platforms, as such, it may feel small negative affect from present demographic affects where customers tend to research and trust online sources to complete their purchases. Yet, being that Company X is a small business, it is nimble and can quickly bring several online social media platforms into its marketing strategy.

Lastly, though demographic changes can affect taste and preference in housing exterior designs, the basic cladding on houses is still calling for shutters as fashions come full circle and people redo their housing exteriors. Even if styles change, with Company X's vertical integration on the aluminum manufacturing side, new styles could be easily brought into product portfolio as is evident with the new modern look "Shaker panel" shutter now available at the request of various customers.

Economics – Macro-economic variables will always play a role in how it affects sales performance, profits, costs and other business implications. Company X and the Holdco., have various strengths that allow it to adjust and adapt to changes within its environment. Should cost of material go up due to price and demand changes, a vertically integrated supply chain in the aluminum shutter manufacturing process helps lower much of cost of processing, and also helps maintain selling prices by way of eating into savings found at each different stage. Additionally, with only 2 aluminum shutter suppliers in Canada, Company X does have a slight pricing advantage allowing for increases in price to be met with slightly higher tolerance if demand does not change. When considering the ownership of its own building and not having to utilize the entire footprint, outside lease payments offset costs of ownership and provide scalability, should demand increase and space be required.

Company X must consider its exposure and weaknesses to international changes in the economy as much of its vinyl supply does come from the USA. As Canadian dollar changes occur against the US dollar, it impacts the bottom line with exchange cost increasing. Though, with a new partnership agreement being considered for the utilization of the gable vent molds, it means that Company X will be able to gain revenues in US dollars and any increases in south of the boarder dollars will only provide better topline returns. Finally, recognizing that Company X's weakness may be its lack in present capital, this does place it in a vulnerable position to adjust quickly to fluctuations in economic conditions, as the bottom line becomes larger, retained earnings will allow Company X to bank cash for provisions and adaptations needed.

MAJOR PLAYERS AND COMPETITION

In the exterior residential manufacturing market, Company X is connected to a long list of suppliers and customers as well it competes within a small number of strong competitors. Within its own production cycle Company X has relationships with various suppliers, whereby both materials are consumed from the vendor so that the vendor becomes a customer. Though the residential exterior product market has large players across North America, within Canada there are only a few.

Competitor A is an American company, which manufactures both in the US and in Canada. It plays as a direct competitor to Company X both at the gable vent market, and the vinyl shutter market. Recently it has been noted by a couple customers, that their prices are more competitive to Company X's, but Company X has three advantages:

- 1) Greater selection of sizes and types
- 2) Has aluminum shutters in its product portfolio
- 3) Faster turnaround 1 week vs. 2 weeks

Competitor B is a large exterior product manufacturer and a Canadian based company. With its large size it has noted capacity to manufacture a line of its own of exterior products including vinyl siding, eavestroughs, aluminum coils

etc. It is a direct competitor to Company X. Regionally, Company X has an advantage as their shutters are made in Montreal and have shipping times that are not conducive for contractors who appreciate Company X's quick turnaround. This is evident as Company X has orders from local installers which require aluminum to be purchased from Competitor B to match their siding colours. Finally, as noted in conversations with customers, Competitor B's use of Company Z parts has turned many to return to Company X as the quality is reportedly better.

Competitor C is based out of Mississauga and another local shutter manufacturer which uses Company Z products to manufacture its shutters. Though it is not mentioned much by contractors in the Toronto area, they provide customer shutter sales to Chain Stores such as Home Depot. During researching their services at Home Depot stores, it was reported by staff that many customers complain that turn-around time is over three weeks which is attributed to low sales of custom shutters at these stores.

Online retailers: Through platforms such as Amazon and Build Direct.com shutters are sold by various shutter manufactures. On Amazon.ca, where Company X will be selling products very soon, even its suppliers are selling shutters into the Canadian market. Both Company Z and Company Q have an online presence, though they seem to list limited items. This attention drawn does pose a concern and Company X's brand will need to be bolstered using investments into increasing our online profile. The benefit Company X has, is that it owns the injection molds to manufacture gable vents and is vertically integrated within the aluminum shutter manufacturing. This provides a competitive advantage so that it can compete at a local level and even nationally.

NATURE OF THE INDUSTRY

The small manufacturing industry is comprised of hundreds of companies, which accounted for 10 percent of Canada's GDP in 2016 and provided 1.7 million jobs¹. Being such a vital part of our economy, it is important to realize what are the environmental conditions that surround manufacturing companies and the demand for their products. The most crucial environmental condition, that has been affecting small manufacturing companies has been the economic growth of Canada as a whole. Yet, recently Canadian Manufacturing cited the conference Board of Canada in that reports are showing an improvement in regions across mid-size Canadian cities in their GDP growth². As this growth occurs, so does the economic development across Canada which can stimulate increased gains in all economic areas. Though Statistics Canada also remarked a growth in manufacturing sales across most of the nation, Ontario has only seen a small percentage growth. However, as other parts of the country grows, so will provincial counterparts feel the effect in increase of demand. Even as recently as Nov 17th CREA has noted an increase in housing sales and prices³.

Company X, having a broad reach across Canada in its distribution channels, will allow it to gain sales in those provinces where economic growth happens and demand for exterior housing products begin to grow. Even if the market conditions help on the demand side, there are other issues that affect small manufacturing companies. Government regulations around environmental policies, taxations, labour law, and other regulatory bodies all create conditions whereby increasing, limiting or lessening the chances of any small manufacturing company from thriving. Company X finds itself in the midst of many of these variables and needs to play smart ensuring that future developments are

¹ Statistics Canada Oct 2016

² Canadian Manufacturing Economic outlook looking rosy for mid-sized Canadian cities, www.canadianmanufacturing.com, July 2017

³ Canadian home sales edge up again in October; www.crea.ca Nov 2017

formed around present opportunities set by industry changes or adaptation needed due to new caveats.

GOVERNMENT REGULATIONS

As with much what is happening within Canadian manufacturing market and specifically within Ontario, Company X is affected by regulations that provide both opportunities and threats to its present operation.

Health and Safety – As one of the most vital items in ensuring that employers provide safe work environments for its works, Company X as the new owner of the operations, pushed immediately to begin bringing the safety standards of its operations to meet workplace health and safety standards codes. Company X assigned a health and safety representative to have them begin reviewing the required guidelines and conducting safety meetings and communicating the responsibilities to all staff of creating a safe environment. This safety coordinator and Company X's philosophy is to work safe and enjoy day to day activities.

Environmental regulations – Regulations surrounding environmental issues can be one of the most salient concerns when it comes to overall and operational impacts and brand value. As government's attempt to control the affects manufacturing companies have on the environment through out the entire lifecycle of what and how products are being made within its borders, Company X has little issues around environmental within its own operations. All raw material is made outside of the factory, no liquids or toxic material are used in the factory, and future policy.

THE MARKET SEGMENT

Company X's present market it sells into, is the the home renovation and residential building industry. Within Canada it is estimated to be valued at over \$70B⁴ and still on target to grow in 2018. As noted earlier, CREA is seeing a slight uptick in the housing market growth, which is one of the leading indicators of demand for Company X's products⁵. Company X only occupies a very small share of those manufactures who create products for the renovation market. Going into 2018 though, Company X will be also selling into the commercial building market as it begins rolling out exterior ceiling cladding products. Exterior renovation product growth has been on the growth side of the charts for that last 10 years after the market crash of 2008 and still predicted to grow, though at a slower rate.⁶

PRICING

The pricing strategy that Company X is presently built on is based on 3 criteria 1) value of product, 2) value of speed of service, and 3) profitability. Having inherited the set prices, future changes will need to carefully follow market demands and cost changes. Saying that, these pillars should still be reflected in all price adjustments or determining pricing on new products/services.

- 1) Value of product – Company X has always been known for quality of service and quality of product. Hence it is crucial, that Company X continues to keep its prices on the higher end with regards to competition. When examining other customer options, major retailers sell at a 20-25% discount for non-custom sizes. Additionally, when examining these shutters, it was also noted, that they were much thinner, hence evident that these products were lacking quality. This has also been

⁴ *National Post* July 4th, 2017

⁵ Heading for a soft landing:October sales up a modest 0.9% www.cbc.ca/news

⁶ Do your bit for Canada's economy-renovate your home:Globe and mail, Sept 2016

reported as one of the reasons why Company Z has moved the majority of its purchases to Company X.

- 2) Value in speed of service – Local customers in the Toronto region have always noted that they are willing to pay a premium knowing, that their product will be completed in a timely and predictable fashion. In recent research conducted with local contractors, it was stated that they will wait up to 3-4 weeks to get product from other sources. Company X prides itself, that 5-7 business days is our average process time, having even turned small urgent orders around in 1 day.
- 3) Profitability – Recently we have measured various product profit margins and have realized that though costs have increased, we still have been able to pull out gross margins around 45-50%. If including labour attributed to goods sold the profit margin then lands around 30%. (The products were Aluminum cutting and rolling, and aluminum shutters) with prices staying the same level into 2018 and sales forecast to be around \$300K, overall earnings fall around 15% of sales. Maintaining good profitability allows for future investment with retained earnings, though it is understood that price cannot fall ahead of demand whereby drastically lowering total revenues.

DISTRIBUTION

Company X's distribution channel has linkages into all forms of markets. With its history and relationships formed with many loyal customers, its sustaining revenues have existed based on these connections. Hence, any growth can easily come from increased sales volume through them with new products already in the works. Finally, with the solid history in manufacturing it will be easy to find new customers through other portals as trust can easily be established.

Wholesaler – Firstly, as a manufacturer, production for wholesalers is the largest revenue source. Accounting for almost 60% of sales, wholesalers such as Company Y and Company Z are key partner customers as well. Company X also purchases their aluminum rolls to form shutters in desired colours and

white labels products for them. Though there are discounts granted to each of these wholesalers, the sheer volume provides top-line success.

Contractor/installers – Secondly, the largest number of customers in count (350+) is the window and siding installers. Many have been customers for over 30 years and knew the founder personally. Most are smaller private contractors within the Greater Toronto Region and account for 4-6 orders per year. There are no discounts offered to them, but occasionally if an order is large enough a 10% discount is granted (\$1000+ order). Their orders are usually completed via faxed order, called in and occasionally emailed in. Pickups occur either from the warehouse or delivery is provided if it is a rushed order.

Online orders – Third form of sales and distribution, which is happening and is being focused on, is the online market place and/or e-commerce platforms. Though, this is presently the smallest portion of sales (5%>) and distribution volume, there is the full awareness of trends pointing to this mechanism of sales and distribution starting to dominate the marketplace. This has Company X beginning to adjust and make strategic movements into this area, with capital being put aside to invest in internal platforms as well as joining other company's platforms to benefit from their online presence.

KEY PERFORMANCE INDICATORS

Key Performance Indicators which Company X will be focused on going into its first year of ownership:

- Profit – Company X is focused on ensuring that profit goals will be met by way of controls on costs and prices. Profit margins, still not fully established for all products and services, are being considered to be set for complete operations to be around 30% gross margin and net profit to be at 15%. To complete this objective, a goal to increase higher margin service/installation work will be a driving factor, as well as higher margin commercial products such as the ceiling covering product also will support this target.

- Cost – Controlling cost will provide Company X the ability to understand how its entire operation is being managed. Keeping costs such as labour, material, and utilities to a minimum as a percentage of sales revenue, will help our management see where inefficiencies are. A monthly review of costs versus sales can support changes in output performance when baselines are set.
- Day Sales Outstanding (DSO) – Company X historically has issues collecting on its ARs. Drilling through the numbers it is evident that many customers are taking time paying bills and is setting up credit issues and increasing credit costs with Company X. Though the measures have not been done yet, the task of every month understanding our DSO number will increase our ability to collect on ARs.
- Sales by Region – a quarterly approach looking at where our sales are coming from geographically will allow Company X to create objectives to grow sales in low sales regions. If there are known housing projects happening in certain areas, then it would be wise to review sales in that area. If not growth, then a targeted approach for sales and marketing must be considered.
- Sales by Customer – Having multiple years of data from the previous ownership, Company X will be able to review the growth or decline of sales based on each customer. Creating a good CRM program will look for evidence of sales declining for a long-standing customer. If there are indications of sales loss, then additional investments and time will be allocated to support these customers in their sales efforts or attempt to discover and solve other reasons for the decline.
- Expenses vs. Budget – Company X will quarterly (with year/year comparison) compare actual overhead costs with our forecasted budget. This will help better understand where any deviations from our plans are occurring and support more efficient and effective solutions for managing costs, sales, and profits. This is important to find possible correlations such as low advertising dollars may mean low sales for a period of time,

or increase in labour expenses versus budgeted sales revenue may mean slower output of product happening due to machinery issues.

Whatever key indicators are set and reviewed, it will be a vital part of Company X's success both in profitability and performance.

2 – SALES AND MARKETING PLAN

CUSTOMERS



	NAME \ ADDRESS	TERMS	PRODUCT / SERVICE
1	Customer A	60 day terms	Shutters, gable vents and rolling aluminum coils
2	Customer B	30 day terms	Shutters, both vinyl and aluminum
3	Customer C	30 day terms	Shutters and gable vents
4	Customer D	30 day terms	Shutters

ADDITIONAL INFORMATION

These are the top four customers based on sales totals

SUPPLIERS



	NAME \ ADDRESS	TERMS	PRODUCT / SERVICE
1	Supplier A (Customer A)	45 day terms	Bulk aluminum coils
2	Supplier E	60 day terms	Bulk vinyl shutter components
3	Supplier F	30 day terms	Screws and plastic screw caps
4	Supplier G	30 day terms	Bulk aluminum
5	Supplier H	30 day terms	Packaging material

ADVERTISING AND PROMOTION

With heavy promotion and marketing, sales were at an all time high of \$1.4 million in 2002, falling to a low of just over \$200K in 2011 due to lack active sales and marketing. For the past 15 years, Company X has relied little on advertising and promotion for maintaining its base level of sales revenue. It has only survived on B2B sales due to the large number of customers the founder

connected the business with before he passed away. It is to say that, small levels of growth in the last couple years have been realized due to initiatives by various managers the last owner hired to try and bring more customers back to Company X, which had left due to lack of any real sales strategies since 2003.

The focus for 2018 has a goal of growing sales by increasing active sales and marketing, as well as attracting new customers to come on board with new products that are going to be entering our product menu. We have been focusing on ensuring that there is a real personal and professional presence in Company X. The lack of this was one of the key issues that was reportedly the reason why many customers began looking for other sources for shutters, and began purchasing from American suppliers.

CUSTOMER SERVICE POLICY

As a manufacturer and wholesaler of exterior shutters, vents and other accessories, Company X's mission is to offer Canadian, custom-made, high quality products to compliment any home to perfection. Our highly skilled staff will make sure, that every single order is fulfilled presicely with an efficient turnaround for our customers.

Adequate efforts will be made to assure, that:

- 1) We will give our customers a personal response within the first 24 hours by communicating over:
 - i. Phone: 416-***-****
 - ii. Email: sales@companyx.ca or oninfo@companyx.ca
 - iii. Fax: 416-***-****
- 2) We will listen effectively to our customer's needs and take action to assist them. We consistently strive to improve our products and services in order to make it easy for our customers to do business with us.
- 3) We frequently interact with our customers and suppliers to design new products and services to respond to the needs of the ever developing market.

- 4) We will continue the 40 year long legacy of Company X, built by the founder, by valuing the relationships with our customers and making time to meet them personally.
- 5) The products and services are provided in a timely manner, based on the type of product and service:
 - i. Normal process time for custom-made exterior shutters is 5-7 business days. However, some exceptions apply based on the quantity of purchase. We will keep our customers informed of any unexpected delays.
 - ii. In-stock items, such as pre-made vinyl exterior shutters and gable vents are available for pick-up any time during our regular hours of operation. Inquiries about the availability of these products beforehand are much recommended.
 - iii. Deliveries can be arranged by our staff or by using courier services for an additional cost, depending on location of the consignee.
- 6) Our customers will receive full credit and replacements, if an unexpected mistake or a damage in any of our products or services is caused by Company X.

3 – OPERATING PLAN

BUSINESS LOCATION

For over 30 years Company X has operated out of its present location found on the north-west end of Toronto, Ontario. Found at *** ***** drive, Company X's building would be classified as a small stand alone commercial building, which sits right in the middle of prime commercial and industrial land.

Size and Capacity – The building is listed to be approximately 5800 square feet, with both two floors of office space occupying the front 1/3rd and 2/3rds of warehouse/industrial space in the back portion. It has two 15 foot operating bay doors at ground level and dock level heights. The property is listed to be 100 feet wide by 250 feet deep with around 50% of the building occupying this space at the front half leaving a large vacant/parking area in the back.

Advantages and Disadvantages – The location has been a strategic advantage for Company X through out the years providing key elements to its success and longevity. Some of the advantages can be listed as being:

- 1) Easy access for customers, both from Toronto region, and from outside of the city as two major highways are within a kilometer.
- 2) Historically been located there, so most local and regional customers know where to go.
- 3) In close proximity to two major aluminum and other exterior product suppliers, providing a centralized destination point for customers picking up material and supplies.
- 4) Close proximity to Company Z (the largest Customer A and Supplier A) who is less than 200 meters away providing material quickly for Company X to pick-up, as well as provides quick delivery of large bulk aluminum rolls.
- 5) Many small customers and their showrooms are within 10-20 minute drive from this location, which increases customer service support.
- 6) All the machinery and equipment re already set up to provide easy workflow within the manufacturing process.
- 7) It has multiple zoning provisions.
- 8) It provides many lease/revenue options with the vacant office space and land around the building.
- 9) There is room for growth and expansion onto the vacant land around it.
- 10) Being within proper Toronto area provides good future value

Yet to look at the location, there are some notable disadvantages such as:

- 1) Building is older and requires updating and capital spending for energy and some repairs.
- 2) Expansion within the building is limited as majority of the warehouse space is already at or close to capacity.

Ownership Details are to be given here.

EQUIPMENT, FURNITURES AND FIXTURES

The building that Company X occupies not only has within it all the needed machinery (fully paid for) with insured value of over \$70K and inventory estimated to be worth over \$200K wholesale (insured for around \$350K), but also in the asset purchase came with it most business technology requirements and furnishings required to continue running the company. With a \$60K asset purchase price, Company X has already paid off the initial investment.

RESEARCH & DEVELOPMENT

R&D activities are already in play as new products are nearing roll-out into the market. Three products that are presently within a couple months of entering the market place are:

- 1) Gable vents - Though Company X has within in inventory a few thousand packaged gable vents, it also owns 5 injection molds (replacement value of over \$400K) that are ready to be put into production. Each mold has the ability to create a product that has present market value and has only one supplier here in Canada. As the majority of the production occurs off-site this revenue stream provides low activity based costs and really can become a source of cash flow out side of operations.
- 2) Ceiling aluminum covering - Following a design similar within Company Y's product portfolio, Company X has a machine prepared to roll out this product. Though it had been idle for over years, tests have proven that it is ready to create this product and only requires Company X to search for hardward sources for installation purposes. Already Company Z, Company X's largest distribution channel, has stepped forward stating that it is interest in carrying this product across Canada due to its both commercial and residential application value.
- 3) Because Company X has machinery that cuts aluminum down to widths most window installation company's require and is already providing these as a white labelled product for Company Z, in the new year customers will be able to purchase these items straight from Company X, increasing its margins and profitability. What is required to complete this

increase in the product portfolio is research to line up the most popular colours so that bulk purchasing will target demanded colours lower cost and increase profit.

ENVIRONMENTAL COMPLIANCE

Company X presently operates with low environmental risks as noted within a recent environmental report conducted by Institution P (Sept 2017). Looking forward, lower carbon emissions would be something to consider as one of the processes for packaging requires a fossil fuel burning heat process and the building requires upgrading due to being built over 30 years ago when building codes had lower standards for energy efficiency.

ENTERPRISE RISK MANAGEMENT

Looking at common ERM frameworks with regards to Company X, this business plan discusses some of the basic areas of risk exposure. Though not a complete ERM workup, it is important to point out the many ways Company X is acknowledging vital areas of risk.

Strategic planning – Company X 's management has not completed yet a fully documented strategic plan but understands that all operational and management decisions must be guided and focused. As such, issues such as external threats and understanding competitive opportunities have already been considered lessening any impact of sudden changes in the market place.

Example – Competitors lower prices to maximize market share - Company X can adjust prices on products where vertical integration allows for savings or, as Company X is known for speed of service, this key competitive advantage will be communicated to all customers justifying no price changes as we increase their customer satisfaction.

Marketing – Company X 's must always seek to understand their target customer to ensure product/service alignment with customer requirements. Should marketing not be a focus, the risks lie in manner of losing touch with areas of changes in purchasing behaviour, customer expectations & satisfaction, as well as product lifecycle issues.

Example – In the case as customers are seeking more verification of choice in purchasing products online, Company X must invest in online platform marketing strategies.

Compliance and Ethics – Internally, Company X must set policies that offer safe and supportive atmosphere and show ethical practises. Externally, Company X has a reputation of working well with customers and showing fair practices when issues arise.

Example – Should interactions with customers become hostile, staff will understand that management will support staff with interactions lessening their stress they feel.

Accounting / Financial compliance – Company X lowers any financial regulatory/reporting risks by keeping records of all financial transactions and ensures that all accounting work is guided by a certified accountant who operates within GAAP rules.

Example – All accounting actions are reviewed by accountant on a quarterly basis with regular contact discussing any issues or decisions requiring professional support.

Law Department – All legal decision are made with advice from retained lawyers to mitigate legal risks.

Example – All contracts or agreements are reviewed by legal counsel to ensure any risks are mitigated and the greatest benefits of Company X are considered.

Insurance – Company X carries all required and proper insurance coverage for its operation while ensuring any reporting is completed on time and in accordance to regulatory rules.

Example – A yearly review of coverage is conducted with insurance professional to highlight risks and underwriting needed to mitigate financial liability.

Treasury and Credit – At this time period, being new into ownership, cash flow was tight and did pose a risk. Credit has been used to flow payments out to payables where terms has been shorter than receivables. This has always been on ongoing issue at

Company X as legacy issues with supplier relationships allowed for this nature of transactions. Going forward into the next few years, this will be addressed by having smaller clients require COD payments, and/or deposits given for new customers to ensure cash is sufficient to meet business needs. Additionally, as there are some exchange costs due to US material purchased, a US account will be set up to hedge price changes by purchasing US dollars when it drops.

Example – With long period account receivables growing, setting new policies dealing with delinquent customers will allow for increased cash flow. I.e. any new orders must be paid upfront – no credit issued or payment for last order completed before pick up/delivery is allowed.

Operational Quality Assurance – As a future plan, Company X will be developing set standards to verify that process and products are only delivered at the highest level of measured outcomes (i.e. mistakes, time to completion, etc.). Actual measures will be determined under a policy and procedures manual with all staff being required to read and understand. This does not only ensure and provide a day to day baseline and training standards, but provides future suitors looking to buy the company trust knowing that all processes are documented and easily to duplicate.

Example – Should a customer wonder about how fast certain shutters are made, there will be a common timeline understood by everyone based on sales order completion/communication, good inventory control, speed of manufacturing and delivery.

MANAGEMENT / ADVISORS

Company X's management believes in keeping wise counsel around it so that where personal knowledge is limited or problem solving needs a second set of eyes, there are those who are more than happy to sit down and discuss

matters. Below is only three of many personal contacts, who have offered their resources of time to ensure the success of Company X. They have agreed to be part of an advisory committee to pass their knowledge and guidance for the benefit of Company X and its future success.

Advisor 1 – MBA, BA, President, Owner – Company O

Advisor 1 is a successful business developer and entrepreneur. Not only has he built portfolio of successful businesses in the service industry, but has utilized his resources to form a large real-estate holdings company specializing in commercial properties. As a mentor and advisor, he brings much rational thought and business development experience to the table. He is not one to mince words but offers straight and honest advice when it comes to growing a private business.

Advisor 2 – MBA, BSc

Advisor 2 spent many years as a financial controller for Company V, the downstream operations of Company U, a large integrated Canadian energy company. There he managed a large staff in finance, credit, and internal control, and later in business planning. He was also hands on in a smaller company environment in manufacturing - as Vice President and General Manager of Company G, a residential and commercial window manufacturer, and as Vice President of Company T, a manufacturer of grilles and registers. Following a career in finance and general management, he became a self-employed registered mortgage broker in Toronto. Although semi-retired now, he is still active in residential and commercial mortgages. As a past colleague and board member of the financial institution A, his no nonsense approach to understanding the financial positioning of a company and its viability, Company X has someone on its side who really can hash out the real facts when it comes creating a profitable company.

Advisor 3 – Vice President, Company M

As a personal friend, advisor 3 has offered and is willing to continue offering support by way of his vast experience in building demand across the globe for manufactured goods.

FINACIAL INSTITUTION AND SUPPORTING DOCUMENTS

Financial services are provided by the financial institution A. Payment services are provided by Company N.

Member statement from financial institution A.

4 – HUMAN RESOURCES PLAN

THE TEAM

	NAME	TITLE	QUALIFICATIONS
1	Owner & CEO, MBA, BA	Owner, C.E.O	As the new owner of Company X, I am hoping to bring to it a unique style of leadership and entrepreneurialism. Looking for opportunities where they can be found and building teams to create successful operations. I consider myself as an engineer of business design. Understanding many of the challenges and distinctive aspects of any operation, I appreciate finding strengths, weaknesses and opportunities found in all organizations. Having owned a business and using my background in management, business education, as well as my resourcefulness and network of successful business owners, Company X has an opportunity to become the vibrant company it once was under my guidance. My personal goal is to empower all my employees to with Company X facing every task as one unit and celebrating every success as a team.
2	Employee A	Key manufacturing labour	30+ years at Company X manufacturing shutters and cutting and rolling coils. Understands all functions for order fulfillment and supply ordering. Employee A has been a loyal Company X staff, whom all the customers trust and enjoy working with.

3	Employee B	Manufacturing labour	29+ years at Company X. Employee B brings to the team consistency, joyfulness and loyalty.
4	Employee C	Labour and maintenance	20 years of construction experience. Former unionized, mechanically inclined and certified for installations.
5	Employee D	P/T Accounts payable/bookkeeper	Employee D obtained her BA from University A. She has 10+ years of bookkeeping experience, extensive knowledge in SAP and Oracle. She has been doing AR/AP along with invoicing and customer service. Her attention to detail is meticulous. She is an asset to the team, because of her commitment of being a true team player.
6	Employee E	Project Manager, Installations	20 years of construction experience
7	Employee F	Installations, constructor	5 years of construction experience

POLICIES AND PROCEDURES

Hours of Operation – Company X operates from 8:30 to 4:30, with Saturday open for pickups between 10am and 2pm while bookkeeper is on site.

Number of Employees – Company X carries 3.25 FTE during the normal course of the year. In the winter months layoffs have occurred with one staff staying on part-time to fulfill the nominal orders that come in and management working in the office. This winter there is less likelihood of layoffs as new products will require manufacturing to continue as demand increases.

Vacation Program – Staff are paid out vacation time according Ministry of Labour policy.

Performance Assessment – Company X's management style, when it comes to performance, is dependant on three criteria:

- 1) Profitability of process – Company X must ensure that all transactions between each manufacturing process has limited waste and maximizes profitability.
- 2) Customer satisfaction of service and product – Company X will strive to ensure that all products meet the quality expectation of its customers and all levels of communications with customers will help retain loyal customers while building brand value.
- 3) Quality of life and enjoyment of work for staff – Company X's own existence rests on the foundation of staff who believe in what they do and can enjoy each day at work, even with any challenges it may bring. Company X's management respects all staff in any aspect of work/life it can, while providing a safe and supportive environment.

Training and Development – Company X's goal to train and develop its staff will focus on three areas:

- 1) Safety for all staff
- 2) Enhancing the quality of the products
- 3) Providing staff with a sense of ownership

Remuneration & Benefits

- Company X's staff members are paid at an hourly rate with deductions according to CRA guidelines.
- Hourly rate ranges from \$18-20 /hour.
- Staff members have the option of buying into a group benefit program which will be offered starting January 2018.
- Company X does offer sick time for those working full time. Starting 2018, the staff will be given 6 sick/family days to use at their discretion.

5 – ACTION PLAN

Action Plan & Timetable



ACTION	BY WHEN
1 Finalize purchase of building with maximized tenant lease revenues	Jan 2018
2 Form agreement and partnership to create new revenue stream utilizing injection mold assets	Dec 2017
3 Launch new website/brand with integrated e-commerce channel	Feb 2018
4 Complete full sales cycle trip to more than 300 customer's locations and delivering samples and other marketing material	April 2018
5 Vitalize building both cosmetically around branding changes, and structurally	May 2018
6 Develop media content for market expansion using designers influence and professional content developers	May 2018
7 Full roll-out of new ceiling product and installation services	March 2018

6 – FINANCIAL PLAN

BUDGET & FORECAST, 2017 – 2022

PERSONAL STATUS

ENVIRONMENTAL ASSESSMENT

Environmental assessment report by Institution P