MICHAEL R. HASTINGS ASSOCIATES

THE
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BUSINESS ANALYSIS

Prepared for

XYZ Inc.

Executive Sum-- *TBA unique to each company; Below example of summary*

Concerns are developing the organization properly to foster controlled growth; doing a better job of recruiting, hiring, training and retaining employees; breaking out sales and profits by profit center or lines of business so that they can understand profitability and cost more clearly; a better understanding of the costs and profitability by line will also allow them to know definitively which lines offer the best opportunity for growth and additional resource allocation or which areas need further work.

Challenges are managing the current level of business while continuing to grow, and manage their time well, in order to find time for it all and still have a life outside of work. These goals represent a normal and healthy progression from the growth the company has enjoyed over the past three years. What worked well when the company was smaller won't necessarily be the solution to foster additional growth and change. The financial position of the company is strong so that should not be a constraining factor. Administrative staff and operational management levels may be thin in terms of numbers.

Operations

Strengths:

The company has a formal price structure.

The company is highly profitable.

The company has diversified its product line.

The company analyzes profitability.

The company schedules work effectively, meeting customer expectations.

The company has a collection procedure [A/R].

The company has an experienced core work force.

The company has an experienced office/administrative manager.

The company has an experienced sales/account manager.

The company has a formal, easy to use price quote system.

The company utilizes a standard software package, supported professionally for training and implementation.

There is a safety program.

Management has been opportunistic in growing the business.

The company has shown steady top line growth while maintaining high net profit.

Operations

Weaknesses:

The software is either underutilized or inadequate to break out, track and analyze each service line.

Company does not analyze sales by service lines, profit center, customer, route or employee.

There is no formal training program in place.

Employees are not cross trained.

Written job descriptions are out dated.

There are no formal performance evaluations, no formal standards.

Recruiting employees is reactive, not proactive.

There is no budgeting system, no forecasting of sales or cash needs.

There is no formal sales program, no reporting system for new activity.

There is no formal service line costing procedure in place.

There is no procedure comparing budgeted job cost to actual.

There is no formal employee or route productivity tracking procedure.

There is no company, service line or employee based goal-centric incentive system in place.

Operations

Weaknesses: (continued)

Communication systems are ineffective. There are no formal management meetings, no way to disseminate important company information throughout the company.

There are no formal departmental or organizational meetings.

Sustainable growth is constrained by organizational, personnel and equipment issues, not financial issues.

Organization

Strengths:

The company has qualified, experienced people in key positions.

The organization structure is somewhat defined.

Individuals are aware of their duties and responsibilities.

There is a team approach to business.

The company tends to be people oriented.

Organization

Weaknesses:

The company does not have sufficient numbers of qualified people at the right levels to maximize sales and marketing impact.

The company does not have sufficient operations management personnel.

The responsibilities of each job are not clearly defined. Job descriptions or task and duty lists need updating.

The company does not use procedure manuals so that new people can be trained easily.

Organization

Weaknesses: (continued)

Attracting, hiring, training and retaining appropriate operations personnel have been problematic for management.

There is no organizational chart in place.

Reporting Process – Financial

Strengths:

Financial reporting provides basic Balance Sheet.

Financial reporting provides a basic income statement.

Financial reporting provides measures of profitability by company.

The company has financed growth out of operations.

Reporting Process – Financial

Weaknesses:

Annual operating budgets are not prepared.

The organization is underdeveloped in that department or service line managers do not exist, so that they are not responsible for preparing their own sections of the budget, for operational or for financial performance.

Neither financial reporting nor budget assumptions consider contribution by service line.

Financials and budgets are not sufficiently detailed to provide a measure of control by area of responsibility or service line.

Financial reporting does not provide reports comparing actual performance to budgets.

Reporting Process – Financial

Weaknesses: (continued)

Financial reporting does not provide measures of profitability by service line, employee or route, or by customer.

Financial reporting does not provide profitability by geographical area.

There is no linkage between financials and cash flow analysis.

There is no cash flow analysis.

There is no daily or weekly interim financial – operational reporting.

There is no description of financial projections.

The company does not have an updated formal business plan including description of their cash flow projections (8 or 13 week cash flow projection).

The company does not use a costing system to develop service costs to be used in setting selling prices.

In establishing selling prices, direct costs and contribution margin are not considered.

Management does not use contribution analysis to select the most profitable use of capacity.

Reporting Process – Operations

Strengths:

The costing system identifies direct cost.

The costing system identifies fixed and variable costs.

The costing system provides management with product contribution to company profit.

Reporting Process – Operations

Weaknesses:

The company has not developed clear and formal objectives for the business.

There are not clear objectives for each function in the company.

The company is not planning expansion into new products or markets.

Management has not defined the critical success factors for the business.

The company does not have an up to date formal business plan including description of business.

The company does not have an up to date formal business plan including a description of their market.

The company does not have an up to date formal business plan including a description of their competition.

Reporting Process – Operations

Weaknesses: (continued)

Reports are not generated showing service lines with the highest contribution margins.

Reports are not generated showing products or classes of products with the highest contribution margins.

After completing the benchmarking analysis the following actions are recommended.

ORGANIZATIONAL:

- Produce an Organizational Chart to reflect the actual structure of the company.
- Evaluate staffing at operational, administrative, sales and managerial levels.
- Create a new Organizational Chart to reflect the structure of the company going forward to accommodate sustainable growth.
- Study the organization, departments and functions then update job descriptions for key positions.
- Similarly, produce task and duty lists for positions not covered by a job description.
- Institute a formal review system, including a review schedule, for every position.
- Build procedure manuals, especially for operational positions, in order to facilitate training and to professionalize the work force.
- Put a system in place to attract, hire, train and retain good employees.

OPERATIONS:

- Determine what the mission of the company is and state it.
- Evaluate the current software in use and determine suitability in terms of breaking out service lines for much needed analysis.
- Create a system to analyze revenues, costs and profitability by service line, customer, route and employee.
- Institute a system to measure the productivity of operations and administrative employees.
- Explore the viability of an incentive program to increase productivity and to pay employees for preforming at a high level as determined by the company.

OPERATIONS: (continued)

- Establish formal training programs by department and position.
- Include cross training in the training program.
- Establish regular departmental meetings with appropriate agenda.
- Define success, not only for each position, but for the company.
- Determine a path for growing sales.
- Create a sustainable, proactive sales plan, including a system to measure success.

FINANCE:

- Develop a financial system to report financial results by service line.
- Develop cash flow forecasting with 8 week or a 13 week cash flow projection.
- Develop daily or weekly reports to facilitate the real time transmission of operational and financial results to facilitate decision making in real time.
- Establish pay scale by job category.
- Create budgets Company wide and by service line and establish a method to compare actual to budget.
- Determine financial needs to accomplish growth and organizational goals.
- Explore establishing an appropriate line of credit to facilitate growth goals.
- Move from Cash Base Accounting system to Accrual Base Accounting system.

MICHAEL R. HASTINGS ASSOCIATES

My role going forward, should you choose, will be to assist management in achieving results. I will continue to study your organization and develop the systems with you. Most importantly I will help implement these systems, coaching management and employees through the changes required for success.

Undertaking this process takes courage. It takes serious commitment from you to undertake and succeed in an ambitious project such as this. If you decide to go forward with this project I will be fully committed to your success.

Mike