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ICA: ASSOCIATES

ICA: ASOCIADOS

BUSINESS PLAN

April, 1988

CARACAS...RIO DE JANIERO...MIAMI...KINGSTON



“
Fomentar
la participación
para crear
la Venezuela
posible
”

EXECUTIVE SUMMARY

Attached are the elements of a business plan for a "transnational" business which it is proposed to operate for the foreseeable future within the corporate structure of ICA Venezuela. For the purpose of identification the operation will be known as "ICA: Associates."

ICA: Associates has been created as a part of the reorganisation of the activities of ICA into two discrete divisions, of which the second will deal with contracted and collaborative development work. This proposal concerns exclusively the first division, the activities of which will be those of consulting, facilitating training and research within, primarily, private and government corporations. Opportunities occurring in other sectors, eg. education, health, government etc. will be considered.

In the planning which preceded the reorganisation, it became apparent that a totally new method of operation, in connection with the relationships of ICA Venezuela to its colleagues in Jamaica and Rio de Janeiro, needed to be instituted. Out of this realization was born the concept of a transnational operation, with an office or representative in each of the 3 countries involved, as well as the establishment of an entirely new representative office in Miami, USA. By these means, the opportunities arising for service in a large area of the Caribbean and Latin America can more effectively be seized, as for example, sales and other contacts can be shared among the four offices.

The implementation of the new plan may be considered as happening in three phases, namely:

1. May, 1988. Activity primarily in Venezuela, with additional income emanating from existing relationships in the Caribbean, particularly Jamaica.
2. January, 1989. Two ICA members (Sherwood and Eunice Shankland) currently working with ICA Jamaica, will move to Caracas. It is expected that they will bring with them their lucrative relationships and contracts with substantial international corporations, especially with the Caribbean offices of those companies. Particularly important among current relationships with international corporations are those with Citibank and Texaco. The full effect of these connections will not be realized until 1989.
3. The Brazil operation, which will have created its own local initial capitalization, will be consolidated into the Caracas-based business at a later date.

In Caracas, the office in Altamira is being refurbished and the business team, comprising five persons, all highly experienced in the ICA facilitation and training methodology, is operational, following up on the existing clientele and engaging in active marketing. Particularly worthy of mention in this context is a project which is currently being created with Sr. Lansberg in which ICA: Associates will be engaged to undertake a research project within the private sector. Further mention is made of this research project in the section on Financial Analysis.

With the background of the planning which it has done over the past six weeks, and in light of its experience in providing service to the private sector over many years, ICA: Associates is now uniquely structured and prepared to make a significant impact on its newly-discerned transnational market.

In order to launch this newly conceived business, ICA: Associates needs to raise Bs. 600.000 by way of a loan.

THE 8 MONTH SALES STRATEGY AND QUOTAS

ICR:ASOCIADOS

		MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	INDIVIDUAL QUOTA	
R I O	KIT			1,000	2,000	2,000	3,000	2,000	2,000	\$12,000	
	BILL			1,000	1,000	2,000	3,000	2,000	2,000	\$11,000	
C A R R A C A S	SHERWOOD	Citibank Haiti Citibank King. Citibank Trinidad		Citibank		Household Fin.	Seprod				
	EUNICE	\$6,000	Texaco \$1,000	\$500		\$6,000	\$2,500			\$16,000	
	ROB	Empresas Lansberg \$8,000	FCB \$5,000 Executive Sem. \$5,300 TASA \$2,500 (Trinidad)	Vollmer \$7,700 Polar \$7,700 Lagoven \$7,700	Neal Massey \$5,000 Intensive Spanish	G.E. \$5,000 Citibank-CCS \$8,000	Citibank Trin. \$7,200 Exec. Seminar \$5,300	Grupo \$5,000 Santa Lucia	Carton \$1,500		\$32,000
	MARY	Intensive Spanish	Xerox \$1,500	Xerox \$1,500	Philips \$1,500	Banco INT \$3,300 Xerox \$3,300	Xerox \$3,300	Banco Consolid. \$1,500	Banco Provinc. \$1,500		\$8,000
	LINDA	Caribbean Facilitation (\$6,000)	Caribbean HCP	Intensive Spanish	PDVSA \$1,500	PDVSA \$1,500	Dupont \$1,500	PDVSA \$3,300	IBM \$1,500		\$8,000
	RICK	Xerox \$1,500 DVA \$8,000 Jostens \$500	Intensive Spanish Jostens \$500	VENAMCHAN \$3,300 Jostens \$500	DVA \$3,300	G.H. \$1,500	DVA \$3,300	S.C. Johnson \$1,500	DVA \$3,300		\$16,000
	TINA	Bco. Italo \$1,000	Colgate \$3,300 Bco. Italo \$2,000 (Carib. Facil.)	Maraven \$5,000	Pepsi \$3,300	Colgate \$3,300 Public Seminar \$2,500	Eternit \$3,000	Colgate \$3,300 Public Seminar \$2,500	Quimicos \$1,500		\$16,000
	MONTHLY QUOTA:	\$16,000	\$11,000	\$10,500	\$8,000	\$23,000	\$21,500	\$17,000	\$12,000		\$119,000

ICA ASSOCIATES

Elements of our Corporate Philosophy

ICA: Associates is a business concerned with human development in organisations as they experience the need for transformation in a time of rapid change.

--We are in this business for two main reasons:

to become an income-generating center, embodying our stance of self-sufficiency, and

because we believe the business sector has a high potential to be an energy force in affecting the quality of life on the planet.

--The private sector is our primary market; by this we mean going concerns with a felt need and to which we have leveraged access.

--Our primary geographic focus will be northern Latin America, Brazil and the Caribbean Basin including southern Florida. We will consider contracts outside this geography on an "all expenses paid" basis.

--We see ourselves not as simply facilitators, but as consultants to individuals and organizations by winning their trust and confidence through delivering quality products and useful advice.

--Our products include:

A. FACILITATION

1. Strategic Planning Seminars (LENS, etc.)
2. Customer Service Forums
3. Philisophy and Mission Retreats
4. Corporate Culture Transformation

B. TRAINING

1. Individual and Professional Growth
2. Developing the Managerial Style
3. Effective Team Development
4. Supervisor's Training

C. RESEARCH

1. Corporate Culture Project
2. Symposia (Social/Cultural Analysis & Trends)
3. International Human Development Seminars
4. Program Design & Development of New Methodologies

--Our key marketing approaches are:

1. Long-term contact with a key person within a company (for example Guillermo Fernandes in Colgate or Ray Barrett in Seprod),
2. Direct contact from a "demo" type event (e.g. Andres Duarte from AVAA or the events with VanAmCham, Citibank, YPO and FACIARJ),
3. Specific referrals from another program (e.g. FCB from Colgate, Sivensa from Sismoven, Pepsi from Jean Houston),
4. Referrals from our existing networks (like Mavesa via A. Lara and J. Phelps, Chase via J. Lawton or PDVSA via C. Bashleigh & S. Vogler.)
5. New contacts from our own networking expansion (like the Banco Italo from Tina's participation in an experience of personal interest or Casa Disam from Linda's).

FINANCIAL ANALYSIS

The following financial analysis focuses on the Caracas office of ICA: Associates. The Rio office will operate as an independent financial unit for the first 20 months.

The income projected for the Caracas office in the first eight months is Bs. 3.173.000. This includes Bs. 2.393.000 of income from general sales in Venezuela, Bs. 480.000 from sales in the Caribbean and only Bs. 300.000 from the proposed research project. In making this financial forecast it was decided to include the proposed research project in this limited way. If the research project materialises it will have a dramatic impact on the sales of the Caracas office. The "profit" generated by this project will be considerable and thus the financial projections will be greatly strengthened.

There is also a great deal of scope for increasing the sales in Florida and the Caribbean. Again, it was decided that these projections would be primarily based on anticipated returns from the sales in Venezuela and that income from Florida and the Caribbean would be used to strengthen the financial plan not make it work.

The second year projections call for an increase in sales to Bs.7.574.000. This projection again omits the research proposal. We feel that an income projection of up to Bs. 720.000 per month is justified given the inclusion of two new experienced marketers who will be joining the Caracas team, as well as the sales momentum that will have been generated in 1988.

The expense budgets are constructed as conservatively as prudence would allow. Following research into other international business consultancies operating in Venezuela, the professional salaries have been established at the lowest end of the market. These amounts include the "Christmas" bonus paid to employees in Venezuela. The amount of individual salary in year one as a percentage of individual income from sales varies from 37% to 75%. In year two the range is 45% to 32% which is within the acceptable norms. In year one the total salary as a percentage of the total income is 43% and in year 2 it is 39%. The support staff salaries are at current market rates.

A minimal amount of equipment purchasing is budgeted for this period. A computer and printer plus basic office furnishings are essential. The Bs. 300.000 August expense for equipment is for a desk top publishing system and is tied to the Bs.300.000 "other income" which is the research contract. If this income is not forthcoming that item of expense will not be incurred. Other expenses are budgeted based on current operating experience. The variable expenses for outside facilitators, salespersons and marketing are based on a percentage of income.

The business will also pay a royalty to the general reserve fund of ICA.

In summary, expenses in the first eight months exceed income by Bs. 416.000; in year two income exceeds expenses by Bs. 845.000. By the end of the first twenty months, the excess of income over expense will be Bs. 428.000. It should be noted that an increase in income over the projected amounts will result in additional expenses except in respect of the 3 variable amounts which are calculated as a percentage on income.

The amount of capital needed to launch this business is projected at Bs. 600.000. This needs to be injected at the outset. The debt payment is calculated at 12% and the term of the loan is 3 years. More generous terms would help the overall picture.

ICA: ASSOCIATES--Caracas

	MAY '89	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL	1=Bs.1000 MO. AVERAGE
INCOME:										
Rob Work	120	150	126		156	156	156	96	960	120
Mary Work		30	33	30	39	39	39	24	234	29
Tina Valdes	72	120	37	36	61	61	61	31	479	60
Rick Jones	108		37	52	78	78	78	48	479	60
Linda Jones				32	56	56	56	41	241	30
Other Staff										
Facilitation in Carib.	180	30	15	300					300	38
Miami Sales					180	75			225	28
Contracted Sales									255	32
									0	0
TOTAL INCOME:	480	330	248	450	570	465	390	240	3,173	397
EXPENSES:										
Fixed Expenses:										
Salary:										
Rob Work	45	45	45	45	45	45	45	45	360	45
Mary Work	22	22	22	22	22	22	22	22	176	22
Tina Valdes	30	30	30	30	30	30	30	30	240	30
Rick Jones	30	30	30	30	30	30	30	30	240	30
Linda Jones	22	22	22	22	22	22	22	22	176	22
Office Manager	12	12	12	12	12	12	12	12	96	12
Motorizado	3	3	3	3	3	3	3	3	24	3
Staff Bonus									0	0
Payroll Tax (2%)	3	3	3	3	3	3	3	3	26	3
Soc Sec. (Bs.2880/pp/yr)	2	2	2	2	2	2	2	2	13	2
Total Salary:	169	169	169	169	169	169	169	169	1,352	169
Equipment Purchase	270			300					570	71
Equipment Maintenance	6	6	6	6	6	6	6	6	48	6
Communication	30	30	30	30	30	30	30	30	240	30
Office Expenses	15	15	15	15	15	15	15	15	120	15
Debt Service	20	20	20	20	20	20	20	20	159	20
ICA Royalty	48	33	25	45	57	47	39	24	317	40
Professional Services	9	9	9	9	9	9	9	9	72	9
Total:	567	282	274	594	306	295	288	273	2,878	360
Variable Expenses:										
Cont'd Facil. (x%/sales)				34	43	35	29	18	159	20
Con'd. Salesp. (x%/sales)	0	0	0	0	0	0	0	0	0	0
Marketing Exp. (x%/sales)	48	33	25	45	57	47	39	24	317	40
Staff Training	20	20	20	20	20	20	20	20	160	20
Non Sales Travel		30						45	75	9
Total:	68	83	45	99	120	101	88	107	711	89
TOTAL EXPENSE:	635	365	318	693	426	397	376	380	3,589	449
INCOME/EXPENSE:	(155)	(35)	(70)	(243)	144	68	14	(140)	(416)	
CUMULATIVE POSITION:	(155)	(190)	(260)	(503)	(359)	(290)	(276)	(416)	(416)	
Working Capital	600								600	
Cash Position	445	410	340	97	242	310	324	184	184	

ICA: ASSOCIATES--Caracas

1989:	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPT.	OCTOBER	NOVEMBER	DECEMBER	TOTAL	1=8s. 1000 MO. AVERAGE
INCOME:														
Rob Work	120	150	150	150	150	150	75	150	150	150	150	75	1,620	135
Mary Work	75	75	75	75	75	75	38	75	75	75	75	38	825	69
Tina Valdes	105	105	105	105	105	105	53	105	105	105	105	53	1,155	96
Rick Jones	105	105	105	105	105	105	53	105	105	105	105	53	1,155	96
Linda Jones	75	75	75	75	75	75	38	75	75	75	75	38	825	69
Sherwood Shankland	0	52	105	105	105	105	53	105	105	105	105	53	997	83
Eunice Shankland	0	52	105	105	105	105	53	105	105	105	105	53	997	83
Other Staff													0	0
Contracted Sales													0	0
TOTAL INCOME:	480	614	720	720	720	720	360	720	720	720	720	360	7,574	631
EXPENSES:														
Fixed Expenses:														
Salary:														
Rob Work	45	45	45	45	45	45	45	45	45	45	45	45	540	45
Mary Work	22	22	22	22	22	22	22	22	22	22	22	22	264	22
Tina Valdes	30	30	30	30	30	30	30	30	30	30	30	30	360	30
Rick Jones	30	30	30	30	30	30	30	30	30	30	30	30	360	30
Linda Jones	22	22	22	22	22	22	22	22	22	22	22	22	264	22
Sherwood Shankland	37	37	37	37	37	37	37	37	37	37	37	37	444	37
Eunice Shankland	30	30	30	30	30	30	30	30	30	30	30	30	360	30
Office Manager	12	12	12	12	12	12	12	12	12	12	12	12	144	12
Motorizado	3	3	3	3	3	3	3	3	3	3	3	3	36	3
Staff Bonus													0	0
Payroll Tax (22)	5	5	5	5	5	5	5	5	5	5	5	5	55	5
Soc Sec. (8s.2880/pp)	2	2	2	2	2	2	2	2	2	2	2	2	20	2
Total Salary:	237	237	237	237	237	237	237	237	237	237	237	237	2,848	237
Equipment Purchase					150					150			300	25
Equipment Maint.	9	9	9	9	9	9	9	9	9	9	9	9	108	9
Communication	40	40	40	40	40	40	40	40	40	40	40	40	480	40
Office Expenses	22	22	22	22	22	22	22	22	22	22	22	22	264	22
Debt Service	20	20	20	20	20	20	20	20	20	20	20	20	239	20
ICA Royalty	48	61	72	72	72	72	36	72	72	72	72	36	757	63
Professional Service	9	9	9	9	9	9	9	9	9	9	9	9	108	9
Total:	385	399	409	409	559	409	373	409	409	559	409	373	5,104	425
Variable Expenses:														
Cont'd Facil-7.52/I	36	46	54	54	54	54	27	54	54	54	54	27	560	47
Cont'd. Salesp-102/I	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing Exp-102/I	48	61	72	72	72	72	36	72	72	72	72	36	757	63
Staff Training	15	15	15	15	15	15	15	15	15	15	15	15	180	15
Non Sales Travel			30			30				30			120	10
Total:	99	122	171	141	141	171	78	141	171	141	141	108	1,625	135
TOTAL EXPENSE:	484	521	580	550	700	580	451	550	580	700	550	481	6,729	561
INCOME/EXPENSE:	(4)	93	140	170	20	140	(91)	170	140	20	170	(121)	845	
CUMULATIVE POSITION:	(420)	(328)	(188)	(18)	2	142	50	220	360	380	549	428	428	
Working Capital													0	
Cash Position	180	272	412	582	602	742	650	820	960	980	1,149	1,028	1,028	

THE BUSINESS PLAN

The following matters all need to be addressed. The manner and method of doing so are for the team to decide. The flow suggested puts the emphasis on the market plan and the alignment of that with the staff resources available.

It is clear that at this conceptual stage the key issue that needs to be addressed in the business plan is marketing and sales.

A. Business Description and Product Line.

1. What business are we in? Write a statement that is specific and non general.
2. What products do we have to sell? List them with clear descriptive names.

B. Market Analysis for the Business.

Absolute realism is essential in this section.

1. Delineate clearly the market from both a geographical perspective as well as client types and discern the optimum product mix based on income (\$) potential.
2. Put this into two pie charts, one showing the desired business mix by geography and the second by product.
3. Do an analysis of the English and Spanish speaking markets.
4. Looking at this data and your experience outline the overall marketing strategies for the next twelve months. This can be a chart, diagram, text etc.
5. Define the product pricing policy. Take into account geographical factors, package deals, "off the shelf" products, design time, retainer relationships and long term contracts and finally competition or what the market will bear.
6. What are your proposals to ascertain the nature and strength of the competition in this market.

7. Discuss the publicity, PR needs and business style you will be projecting.
8. Either now or later draw a business logo, slogan, name etc..

C. The Alignment of the Human Resources with the Market Strategy.

1. Do an analysis of the Caracas Primary Unit staff "assigned" to the business in the arenas of a) marketing, b) facilitation, c) design experience, d) style, e) work patterns f) language facility.
2. Do a similar analysis for people who may be either hired or contracted to work with the business.
3. For each person who is deemed by you able to be an "account executive" ie. can carry total responsibility for a client do a detailed sales plan including a) annual sales quota, b) existing clients and prospects that they will be handling, c) anticipated gross return for each client/prospect, d) key sales tactics for each client/prospect and e) general marketing strategies for generating new clients.
4. Sketch out a brief description of the training needs of each person in the area of a) marketing and sales, b) facilitation c) design and d) language.

D. Business Structure.

1. Outline the operating structures of the business. Use a diagram to show organizational form including support and contracted staff. (Do not worry about legal structure at this point.)
2. Describe how you will locate the staff in the various "offices", staff mobility and interchange and inter-office communication.
3. Outline the policy regarding facilitation including use and payment of contracted staff.

E. Financial Aspects.

1. Review the "fixed" expenses (see work sheet.)
2. Review the "variable" expenses. Recommend a means of compensating contracted facilitators and/or sales people and determine the ratio you will use. Also decide how you will handle marketing expenses--either as budgeted line items or as a ratio of sales.
3. Now move to the Pro Forma. Review the sales plans for each person and project on the 24 month timeline a monthly income flow for each person (salaried and contracted). This will give you the total income.
4. Review the expenses (E1 & E2) and project them by month on the 24 month timeline.
5. Calculate by month the excess of income over expense and build that into a cumulative cash flow.
6. Put a big red circle around the month that income exceeds expenses for the first time.
7. Look at the proforma and determine the amount of working capital necessary to float the business. Phase that into the plan and do not forget to add Debt Service to the expense to cover the cost of the working capital.

F. Other.

1. Discuss the possibilities of entering into a partnership relation either on a program basis or on an organizational basis or both.

G. Conclusion.

1. Reflect on the information contained in the market plan and the financial pro forma and make a responsible assessment of the investment reality of the proposal.