

# BUS 400: BUSINESS CAPSTONE

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## Business Plan Instructions BUS400 – Summer 2011

The business plan project is the centerpiece of this course and will require you to integrate and apply approaches and tools learned in the course to an actual existing business situation. The “company” that you choose can be a stand-alone entity or a business unit of a larger corporation. The plan must be realistic and rigorous, incorporating the real world context, numerical calculations, and conceptual analysis. A good plan will also be logically consistent and show profitability.

### Possible Approaches

Here are several possible approaches you may take in your plan. You need not be limited by this list, but they are good places to start.

1. New products and/or new markets: This plan would involve deploying a new product into an existing market, existing products into new markets, or new products into new markets (the most daunting task). The emphasis will be on determining the viability of the products and markets, creating realistic projections, and fitting these new initiatives with the rest of the business. *Example: Old Navy (adding a product line for dogs), Starbucks*
2. Realignment: This plan would involve adjustments to a company’s current position so that it better aligns with anticipated environmental changes. The emphasis will be on assessing past/current performance, proving realignment is necessary, and creating organizational, market-based, financial, resource, and other recommendations to put the company on a more profitable path. *Example: Secret House Winery, Rapid Refill*
3. Overhaul: This plan would involve a wholesale change in the way the company operates. The emphasis will be on why such a drastic change is required, how it will be accomplished, and the financial, managerial, and market implications of the changes. *Example: Starbucks in 2008, Domestic Airlines since ~2000.*

## **PowerPoint Presentation - Expectations**

Group Composition: This is a group project, with groups consisting of 3-4 people. Consider creating a group that includes people with different skill sets (an accountant, a marketer, etc.) since that will provide more depth in their areas of expertise as well as provide a broader view of the project as a whole. You will be given an opportunity to evaluate your group members to prevent “free-rider” problems.

Length: No more than 10 PowerPoint slides (per section, 20 total), with up to 12 additional “backup slides.” The 20 presentation slides should be aligned with the situation analysis, strategy and budget. The 12 backup slides should be used to anticipate potential questions about the feasibility of your idea. Backup slides typically contain additional charts, customer and competitor data, etc. that is too detailed for a 20-minute presentation, but that is critical to supporting your arguments.

References: Include sufficient references for statements in your plan. Use the library unabashedly and completely, especially their printed resources. Do not limit yourself to on-line resources. If you do use on-line data resources, you must provide references to these as well. Use the Wall Street Journal, Business Week, Fortune, Forbes, and other business publications. Please include a separate, printed bibliography that supports all of the claims you make in your PowerPoint presentation.

## **Deadlines**

**Group Determined by:** *Thursday May 19*  
(Email naming the group members)

**Company determined by:** *Thursday May 19*  
(Email including name of company/division, plan to obtain financial data,  
and initial recommendation)

**Situation Analysis due:** *Thursday, June 2*

**Strategy & Budget due:** *Tuesday, June 21*

**PowerPoint Slides due:** *Tuesday, June 21 (All groups)*

**Group Presentations:** *Thursday June 23*

## Situation Analysis

This first half of the business plan describes the environment in which the company operates, including industry characteristics and competitors.

This analysis should include all of the following components (points for each section are listed in parentheses after each section heading):

1. Introduction (5 points): Describe the core mission or objectives of your company and, most importantly, a clear definition of the industry. Include the geographic scope of the industry and what product lines are to be considered.
  - a. What is the name of your organization? What business is it, or will it be, in?
  - b. What makes your product/service unique? What is your competitive advantage? Who are your customers?
  - c. How do you know that customers want your product or service?
  - d. Why is the timing right, how are you uniquely qualified to execute this strategy?
  
2. Changes and trends in the industry environment (5 points): Discuss the economic, technological, political-legal, socio-cultural, and other trends and how they affect the industry. Ignore trends of lesser importance.
  - a. How have your competitors responded to changes in the environment?
  - b. Is your strategy aligned with competitor responses or is it different?
  - c. Are the recent changes an opportunity or a threat for your chosen company?
  
3. Complete five-forces industry analysis (20 points): Conduct a five-force analysis of this industry, making conclusions about the strength of each force and providing an overall assessment of the industry's attractiveness.
  - a. Which forces are most critical to success in this industry?
  - b. Which forces increase competitive rivalry the most?
  - c. How has technology changed the impact of the five forces and can you address or exploit this change?
  
4. Analysis of existing competitors (15 points): Discuss the key success factors in this industry and assess the existing competitors, including your company. Describe interactions between the companies and any indirect players that could change the competitive dynamics of the industry.
  - a. Who are your specific competitors? Provide specific information about your company's main competitors. Which companies will you need to attract business away from? Who will try to take your market segment?
  - b. What are the key success factors?
  - c. How do they compete? How do they connect to customers?
  - d. What is their financial position, are they dominant in the market or ripe for the picking?
  - e. Have any mergers or acquisitions recently occurred that changed competition in the industry?
  - f. How do competitors leverage the supply chain? Do they have similar supply chain relationships to your company?
  - g. What role do customers play in this industry? Government? Unions? Do these stakeholders affect your competitors more than they affect your company or vice versa?

5. Industry segmentation and demand issues (20 points): Describe the customer/product/market segments in this industry, including differences on key dimensions. Discuss what drives customer satisfaction and loyalty and analyze how well your company is positioned and in which segments.
  - a. How large is the industry? What is its growth potential?
  - b. How large is (are) your target market(s)?
  - c. How does this industry segment the market?
  - d. Who are your target customers? (Be as specific as possible. Do not say, “Our primary target market is men between the ages of 18 and 80”!) What problems are you solving for them? What are their profiles? What motivates their buying decisions? What alternatives or options are available for your target customers if they do not purchase your product/service?
  - e. What are the strengths of your product/service? Weaknesses? How will you differentiate your product or service?
  - f. How will you penetrate the market?
  
6. Internal resource assessment (10 points): Analyze your company’s internal resources, including its key strengths and weaknesses.
  - a. How do its major areas (R&D, marketing, operations, human resources, information systems, financials, etc.) align with industry opportunities?
  - b. What is the basis of the company’s competitive advantage?
  
7. Opportunities in the industry (5): Propose customers or segments of the industry that are not well served and recommend some ways to respond to these needs. Your proposed recommendation should go here.

In addition to these specific topics, you will also be evaluated in two more general areas:

- a. Research embodied in the report, citation list, graphics, and appendices (10)
  
- b. Integration, coherence, flow, structure, and grammar (10)

## Strategy & Budget

This second half of the plan provides your recommendation for the company, along with all the relevant operational and financial details.

This section involves creating numerical projections, so you will need some method of concocting these figures. Therefore, you will need to make reasonable assumptions – be sure to be explicit about these and include them in the appendix.

1. Strategic Alternatives and your Recommendation (20): Discuss the alternatives to your recommendation. Discuss your rationale for preferring this alternative over the others. Discuss your recommendation's connection to one of the generic business strategies (low cost, differentiation, focus) and how it helps the company meet its strategic goals.
2. Implementation Plan and Sales Strategy (25): Develop a specific plan about how the company will implement your recommendation.
  - a. Include how the attributes of your products and services will be supported by marketing activities (pricing, promotion, distribution, target marketing, etc.).
  - b. Discuss any changes to the organizational structure and human resources. Describe how operations and production will be affected by your plan.
  - c. Discuss your sales strategy.
    - i. How will you distribute your product/service to the customer? What distribution channels will you use (e.g., direct sales, mail-order, wholesalers, etc.)?
    - ii. What is your pricing strategy? How much will you charge for your product/service? How does your pricing decision effect demand forecasts and market positioning?
    - iii. How will you communicate with your customers (e.g., advertising, promotions, etc.)?
    - iv. What are the costs associated with your sales strategy? Which costs are fixed? Which are variable?
3. Financial Projections (25 points total: 15 for the statements – put in the appendix; 10 for the PowerPoint slides): Develop a five-year financial projection (include as an appendix) along with 1-2 PowerPoint slides that provide explanations and conclusions. In the appendix, include an income statement, balance sheet, and statement of cash flows for each of the five years (preferably all 5 years' of data on one page for each statement). Make sure all numbers are consistent with the marketing, implementation, and sales plans. Base your calculations on assumptions for sales revenues, advertising expenses, capital expenditures, start up costs, and other factors, and include these assumptions in the appendix. Include key performance ratios and discuss how they compare to industry averages.
  - a. Recall, performance ratios are mainly to provide a reality check to your pro-forma financials.
    - i. If the ratios calculated in your pro-forma financials differ significantly from previous ratios for your company or its competitors, be prepared to defend them
  - b. Your list of assumptions is the most crucial piece of evidence for investors/managers to evaluate whether your financial projects make sense. Spend considerable time developing these assumptions. See example assumption list from "Target Corporation" exemplar in class.
4. Risk Assessment and Contingency Plans (10): Discuss 3 significant risks that could impact your company's performance. Propose contingency plans for the company should one or more of these risks occur.

- a. What are the market risks associated to your competitors' reaction to your market entry? What are the expected reactions of key competitors? What will be your response?
  - b. What is your risk assessment associated with the sales strategy? What actions will you take if sales are less than expected? What if sales are greater than expected? How does this tie to the risk assessment from the market analysis section?
5. Conclusion (2): Summarize the key points of the plan and motivate the key decision makers to proceed.

In addition to these specific topics, you will also be evaluated in two more general areas:

- a. Research embodied in the report, citation list, graphics, and appendices (10)
- b. Integration, coherence, flow, structure, and grammar (10)

## **Presentation**

Each group will present its business plan to the class and to two MBA adjudicators. The presentation should be 20 minutes long, with a 5-minute question-and-answer session to follow. One or more of the group members may speak. Dress should be business casual.

Be concise and make trade-offs as to what to include and what to omit. Practicing your presentation beforehand is **STRONGLY** recommended. Having fun is also strongly recommended.

You will be evaluated upon:

1. Content (30): Clearly state what is being proposed and include relevant materials from the plan. Have an appealing introduction, discuss the company's background, summarize the motivation to change, present relevant aspects of the recommendation itself and its implementation, and discuss projected outcomes. The level of detail is important here.
2. Backup slides (30): The goal of backup slides is to acknowledge that your proposal has weaknesses and ambiguity, but to show that you have thought about these weaknesses and are prepared to address them. Evaluators may challenge a particular assumption; they may have questions about your target market, competitors, etc.; the goal is not to think about every contingency possible, but to show that your analysis is robust and your thinking clear about both the proposed strategy and its implementation.
3. Delivery and Pacing (30): This evaluation is based upon how effectively and smoothly your group presented its ideas, including your efficient use of time, eye contact and engagement with the audience, and answering questions fully and non-defensively. It also involves the flow of your presentation, professionalism, and continuity.
4. Visual Aids (10): Criteria in this area include the clarity of your visual aids, their consistency with your verbal presentation and with your written plan, and the appropriateness of the level of detail. Be creative and imaginative, but be professional.

## **A Final Note**

Please contact me sooner rather than later if you have any questions on your plan. Problems that are easily solved in week three can be insurmountable two days before the plan is due. Meet regularly with your group and have a realistic timeline for the overall project.