

THE UNIVERSITY OF NORTH CAROLINA at CHARLOTTE
BELK COLLEGE OF BUSINESS ADMINISTRATION
Spring 2017

Course Number: Management 3280
Course Title: Strategic Management
Section/Time/Room: Section 007 on T & H from 3:30 to 4:45 in Friday 132
Section 090 on T & H from 5:00 to 6:15 in Friday 132
Faculty: Dr. Peter S. Davis
Office Number: Friday 257A
E-mail Address: Peter.Davis@UNCC.edu
Office Hours: M & W from 11:30 to 1:30. Walk-ups welcome, appointments suggested.
Required Texts: Dess, G. G., Lumpkin, G. T. and Eisner, A. B. 2014 (8th ed.). Strategic Management: Creating Competitive Advantages. McGraw-Hill/Irwin, (paperback version without cases) and (2) Smith, Jerald R. and Golden, Peggy A. Airline: A strategic management simulation, (Browser-based) to be purchased and accessed on-line through Interpretive Simulations at Interpretive.com
(3) Other materials as may be assigned from time to time by the instructor.
Examinations: Three quizzes as shown in the attached course schedule.

Course Description

“He who fails to plan, is planning to fail.” This course concerns the role of top management of the firm and emphasizes competitive, economic, technological, ethical, political and social factors affecting goals, strategies, and operating policies. This course requires substantial individual and cooperative effort in and out of class. While much of the learning in this course occurs during classroom discussion and activities, learning also occurs beyond the classroom setting as group members integrate materials covered during this and other courses. It is your efforts that will ensure you a stimulating and rewarding experience.

Course Objectives

My goal is used to provide you the best possible learning experience in the conceptualization, formulation, and application of integrated business and functional strategies in a highly competitive environment. Working in teams, students adopt the perspective of the general manager, integrate prior coursework, and create a bridge between the classroom and real-world organizations. Specific learning objectives include composing an organizational mission, developing and revising (as needed) a strategic plan and specific functional components of the plan including: analysis of operating data and how it affects financial performance, analyzing and interpreting financial reports and preparing pro-forma financial projections, devising a marketing plan and operationalizing it via specific advertising and promotional efforts, conducting strategic audits and performance reviews. The course culminates with the preparation and presentation of an annual report to shareholders.

Teaching Methods

The role of the text is to expose you to the body of knowledge and practices on strategic management.

We integrate the readings, lectures, class discussions and case analyses, through quizzes and a business simulation.

"Why do we use a simulation?"

A simulation allows us to compress years of experience into a few weeks. Each of you assumes the role and responsibilities of top decision-makers who are trying to position an organization in a dynamic competitive environment. It allows you to experience the uncertainties and surprises produced by environmental changes and often unpredictable actions of competitors.

Simulation Activities

The simulation begins with each top management team formulating a reasonably comprehensive, written statement of their organization's mission, long-term goals and short-term objectives, and their strategy to achieve them. Analysis of results allows teams to compare actual progress vs. planned within desired control limits. Links between the intended strategy and the team's implementation decisions are made explicit through written quarterly decision rationales submitted in conjunction with each set of quarterly decisions. As results are obtained, revisions to goals, the plan, or to actions being taken, must be indicated by submitting amendments to the business plan. The functional areas of business (e.g., accounting, finance, marketing, management, etc.) will be integrated and applied during the simulation. Working with colleagues demonstrates how teamwork blends judgments about feasible, alternative courses of action with decision-support capabilities in support of strategic goals.

"How will the simulation work?"

- 1. You start by formulating your intentions.** Each management team formulates a brief statement about the intended (proposed) strategy for their firm. By the end of the first year of operations, teams will have prepared a business plan outlining the mission and goals management has set for their business and the plan for the activities necessary to achieve management's vision.
- 2. Make quarterly decisions.** During the course of the simulation each team makes a series of quarterly decisions to implement their vision of the firm as outlined in their plan. The application of production and operations planning is demonstrated by developing route and scheduling models, forecasting demand and capacity utilization, etc. Production functions such as flight scheduling, fuel purchases, etc., as well as financial decisions are to be supported through appropriate analyses.
- 3. Write decision rationales.** Each quarterly decision is to be accompanied by a reasonably detailed and specific written rationale that presents the reasoning behind management's decisions and that relates the pattern of decisions to the mission and business plan. For example, the choice of an employee compensation policy requires a discussion of the underlying assumptions upon which the policy was based and its expected effects on employee performance and turnover, earnings, distributions to stockholders and management control.
- 4. Incident Responses.** Incident decisions are to be predicated on a reasonable rationale and due consideration of the financial impact of the decision. Sometimes the financial impact is direct, while in other times it may take the form of an opportunity cost.
- 5. Apply business tools.** Demonstrating an understanding of the relationships of functional strategies to business strategy requires the application of tools and techniques commonly applied in these areas. Students must be able to read and understand accounting tools such as income statements, balance sheets, and cash flows. The use of financial spreadsheets, models, and analytical techniques, such as for

lease versus buy options, that permit you to test the sensitivity of your assumptions on performance, is expected.

6. **Communicate market signals.** Another important aspect of the simulation involves the role of market signaling to competitors, customers, financial and other stakeholders. Teams will prepare a substantive marketing/media plan and provide quarterly press releases including announcements about their company and its performance.

7. **Prepare an annual report.** At the end of the simulation, teams will prepare and present an annual report for their company. A presentation to stockholders by management of the report focusing on the organization's strategy, past performance and future direction and prospects will conclude the simulation.

8. **Inclusive project management.** Teams should resist the temptation to adopt a project management approach that fragments team members' activities thus impeding team members' understanding and integration of different data sources, strategy frameworks, and functional area tools and techniques.

9. **Managing Information:** This project offers an abundance of information, frameworks, and techniques that you will need to consider. You will need to think hard about how to use your time to process the large amount of material that is available to you. To be successful, your team will need to focus your attention and effort.

Attendance, Participation and Exams

Students are expected to attend punctually all scheduled class sessions and are responsible for completing all assigned work. No make-ups will be provided for missed classroom activities. The participation of all students in classroom discussion of relevant materials is expected as it contributes in a meaningful way to understanding the subject matter. Students will receive a grade of zero on days that they miss. Students who miss a class are expected to consult with students who attended to understand testable materials, activities, or assignments that were missed. Students are required to take a series of quizzes covering textual materials during the course that will account for the examination component of the student's course grade. Assigned readings, class material, and class notes will be important in providing suitable responses.

Encountering Difficulty?

If you experience difficulty in meeting course expectations you may seek advice from peers during study sessions or consult with Dr. Davis. Additional University academic resources are listed on the University's advising website.

Course Requirements and Evaluation

(1) **Grades** are on a standard 10 point scale, where A=90 to 100; B=80-89; C=70-79; D=60-69; F=60 and below. There is no curve. Grades for team presentations will be adjusted according to class evaluations. Grade penalties may be assessed on late and/or incomplete assignments.

(2) **By examination and individual assignments** **45%**

(3) **Team simulation and associated activities.** **55%**

Simulation associated activities may include the following; weights assigned each are at the discretion of Dr. Davis:

- a. Mid-Continent case--analysis and recommendations;
- b. preparation of the corporate business plan;
- c. quarterly decisions, rationales, press releases, operational analyses;

- d. preparation and presentation of advertising and promotion media plan and budget;
- e. preparation of corporate annual report and presentation to shareholders.
- f. teams' performance as shown by profit, growth, market share and other performance criteria;
- g. assignments and other supplemental activities assigned during the course.
- h. class preparation, participation, and attendance including the group's discussion of cases and readings activity in the class, and those aspects not rewarded directly by other parameters in the syllabus.

(4) Peer Evaluations--As proportional contributions to simulation activities are expected, simulation, project, and presentation grades will reflect peer evaluations. Members of each team must submit an evaluation of their peers' contributions to the project. These evaluations will be considered in computing each student's grade on simulation and project-based activities.

Course policies and notes for MGMT 3280 with Dr. Peter Davis

1. **Classroom expectations.** These policies and expectations are intended to create a productive learning atmosphere for all students. Abide by these policies and expectations or risk losing the opportunity to participate further in the course.
2. **Orderly and productive classroom conduct.** I will conduct this class in an atmosphere of mutual respect. I encourage your active participation in class discussions. Students who excel on the basis of contributing to a positive learning environment will *take personal responsibility for the overall quality of the classroom discussion*. Students contribute to a positive learning environment by...
 - Being an active, but not dominating participant.
 - Being a good listener and demonstrating respect for others' opinions, even if you disagree.
 - Making thoughtful, insightful comments, and not speaking just to be heard.
 - Asking questions, not just giving answers.
 - Identifying key assumptions underlying discussion points and arguments.
 - Providing constructive and positive comments.
3. **Communication skills.** Students are expected to demonstrate correct and effective oral and written communication skills including good spelling, grammar and punctuation. Students whose communication and writing skills are deemed by the instructor as inadequate may be referred to tutoring sessions at the Writing Resources Center in the Department of English. Information on the Writing Resources Center may be found online at writing.uncc.edu/writing-resources-center.
4. **Team member dismissal.** Teams are to submit a short statement describing work assignments and conditions of dismissal proposed for any non-cooperative team member. In the event a team member is dismissed, the dismissed team member is still responsible for performing all assignments pertaining to this course. (see the section below on peer evaluations). Early interventions better promote corrective actions.
5. **Academic integrity.** Cheating and disruptive behavior have significant consequences. All students are required to read and abide by the [Code of Student Academic Integrity](#) which governs student behavior relating to academic work. Violations of the Code of Student Academic Integrity, including plagiarism, will result in disciplinary action as provided in the Code. Definitions and examples of plagiarism are set forth in the Code. The Code is available from the Dean of Students Office or online at: legal.uncc.edu/policies/up-407.
6. **Materials.** All materials submitted as part of course requirements become the property of the instructor. Students desiring to retain copies of their work should make such copies before turning in their materials. The decision and incident rationales must be printed (use font size 12) except when done as part of classroom activities.
7. **Disability accommodations.** UNC Charlotte is committed to access to education. If you have a disability and need academic accommodations, please provide a letter of accommodation from Disability Services early in the semester. For more information on accommodations, contact the Office of Disability Services.
8. **Faculty absence or tardiness.** If I am late in arriving to class, you must wait a full 20 minutes after the start of class before you may leave without being counted absent, or you must follow any instructions I may transmit to you about my anticipated tardiness or absence.
9. **Sexual harassment.** All students are required to abide by the UNC Charlotte Sexual Harassment Policy (legal.uncc.edu/policies/up-407) and the policy on Responsible Use of University Computing and Electronic Communication Resources (itservices.uncc.edu/iso/standard-responsible-use). Sexual harassment, as defined in the UNC Charlotte Sexual Harassment Policy, is prohibited, even when carried out through computers or other electronic communications systems, including course-based chat rooms or message boards.

10. **Communication devices in classroom.** The use of cell phones or other communication devices is disruptive, and is prohibited during class. Except in emergencies, those using such devices must leave the classroom for the remainder of the class period.
11. **Computers in the classroom.** Students are permitted to use computers during class **for note-taking and other class-related work only**. Those using computers during class for work not related to that class must leave the classroom for the remainder of the class period.
12. **Diversity.** The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

MGMT 3280 Sections 007 and 090—Class Schedule for Spring 2017

Students are expected to read assigned materials and to be able to answer questions directed by Dr. Davis. **The schedule and syllabus may be altered as circumstances dictate.** Unannounced pop quizzes, assignments, and materials may be given in class at my discretion. Students not attending class are responsible for obtaining this information.

January

- 10 Course introduction and preview. We will discuss the simulation and activities, including a review of business plans, media plans, annual reports, etc., associated with the simulation. Examples of projects that have been completed by previous teams will be provided. Students are encouraged to visit the website of the Regional Airline Association (www.raa.org) to view materials about the regional airline industry and to find links to the websites of individual regional airlines. (Topic: A Brief Introduction to Strategic Management)
- 12 Topic: Presentation on alternative perspectives on strategy. Readings: Text, Chapter 1.
- 17 Topic: Defining your strategic vision--mission, goals, & objectives. Readings: Text, Chapter 2. (Topic: Performing a personal SWOT and creating a personal mission→Assignment: each student is to prepare a personal SWOT and a personal mission statement due on Feb. 2)
- 19 Topic: Defining, setting and changing Organizational Missions, Goals and Objectives with examples from the Airline Industry
- 24 We begin a series of discussions and activities on achieving a competitive advantage through industry and competitive analyses consistent with materials in chapters 3, 4, and 5. (Topic: Value Chain based business models. Readings: Text, Chapters 3, 4, 5.
- 31 Topic: Achieving a competitive advantage through industry and competitor analysis. Chapters 3, 4 and 5. (examples of value-chain and “gameboard” models)

February

- 2 Topic: Achieving a competitive advantage through industry and competitor analysis (Cont.) Readings: Chapters 3, 4, 5. (Topic: broad environmental analysis + PESTEL → industry analysis examples illustrating Porter’s Industry Forces and generic strategies. What’s due: students turn-in [on paper] their personal SWOT and mission statements as assigned on Jan. 17)
- 7 Topic: Achieving a competitive advantage through industry and competitor analysis (Cont.) Readings: Chapters 3, 4, 5.
- 14 Topic: (Cont.) Achieving a competitive advantage through industry and competitor analysis using Segmentation analysis. Readings: Chapters 3, 4, 5.) Formation of top management teams by Dr. Davis—teams begin tracking individual members’ attendance and participation also review binder materials and distribute list of binder contents.
- 16 Topic: (Cont.) Achieving a competitive advantage through industry and competitor analysis using Gap Analysis. Readings: Chapters 3, 4, 5.

- 21 Topic: Catch-up day on segmentation and gap analysis and adjustments to top management teams (as needed) and review for quiz 1
- 23 **Quiz 1 on Chapters 1-4** (expect about 60 multiple choice questions).
- 28 By this time, all students are to have purchased access to the Airline simulation from the provider: Interpretive.com and to have read the airline simulation information! Each team is to meet independently to analyze, prepare, and submit a (1) 2-3 page Situational Analysis (plus exhibits as needed) on the NC Airlines Case. This case is in the on-line Airline Manual beginning on page 9. The purpose of the situational analysis is to allow you, as in-coming leaders of the firm, to summarize what your top management team perceives to be key issues confronting the firm. Teams should draw upon text and lecture materials to (1) perform appropriate analyses (e.g., a SWOT analysis) and to then (2) propose an organizational mission along with (3) a set of prioritized strategic and tactical recommendations for actions (i.e., business- and functional-level strategies). As we progress in the course, students should be prepared to individually discuss their analyses, and their courses of action in class. From now on, when we meet in class, teams will sit together to facilitate interactions with each other and with the faculty and to observe other teams with whom they compete.

March

- 2 Teams submit (on paper) their collective (1) initial situational analysis, (2) organizational mission statement, and (3) prioritized list of strategic and tactical recommendations for immediate actions. These will be returned at the end of the simulation for inclusion in the team's diary. The majority of class time will be spent with a discussion of Market Signals. **Outside of class:** Students are to review content typical of quarterly report press releases by publicly-held companies (available on-line) as a guide to content & presentation. Copies of all press releases, decision & incident rationales, and other documents are to be maintained on a quarterly basis in the team's diary of activities. As a result of their reading of the Airline manual and activities listed above, teams will complete a practice round of the simulation and submit it on-line to Interpretive.com. This will provide all teams an opportunity to learn the basic operations of Airline in a low-risk setting. No decision rationales need accompany this initial practice round of decisions. After the practice round is complete, teams should review their decisions and results prior to the "restart of the simulation, on March 14, which will erase all trial decisions and results from the practice round. Dr. Davis will be available to consult with any team needing or requesting assistance in preparing trial decisions. Outside of class, teams are to review and analyze the results of their trial decisions and contemplate lessons learned from the trial and possible revisions to the emerging business plan preparatory to the restart of the simulation on March 14. On March 14, each team is to provide Dr. Davis with a brief, written summary of key lessons learned from their trial decisions as well as a roster of team members' key roles and responsibilities over the course of the simulation.
- 6-11 Student Recess—No Classes
- 14 Restart of the simulation. As an illustration of market signaling, each team will orally present to the class a brief 1-page press release (NTE 3 minutes presentation time) announcing their takeover of Mid-Continent Airlines, their new airline's name, service area, fare structure, service-level, etc.. Note: in addition to the one paper copy retained in your diary, for **every** press release, teams are to provide one (paper) copy to Dr. Davis. Future press releases (quarters 1-12) will review the company's quarterly performance and describe noteworthy activities (e.g., loans, stock sales or repurchases, aircraft acquisition or disposal, entry or exit into markets). Teams are to submit on the simulation website an entirely new set of Qtr 1's simulation decisions (due NLT

11:59 PM). Since teams do not yet have a completed business plan, decision rationales for Qtr 1-4 are expected to show how the decisions related to: (1) SWOT, (2) the organization's mission, (3) the previously identified strategic/tactical priorities, and (4) from the lessons learned from the trial simulation. Readings: Chapter 6.

16 Qtr 2's simulation decisions & rationales are due today. Each team orally presents a press release on previous quarters' performance (ex. compare qtr 1 to qtr 0—before takeover, for changes +/- in key performance criteria/metrics, such as gross revenues, APM, RPM, load factor, profits and profitability, etc. For a quick refresher on financial ratio analysis see the Appendix in the Text on Financial Ratio Analysis.

21 Qtr 3's simulation decisions & rationales are due. Teams orally present a brief press release on previous quarters' performance outcomes (ex. compare qtr 2 results to those for qtr 1 for changes). Topic: (1) conducting a pre-mortem Outside of class: Each team is to conduct their own strategy pre-mortem and propose preventative measures and discuss how they will be incorporated within the business plan that is due on March 28. Over the next few classes, Dr. Davis will endeavor to briefly meet with each team in class to review the soundness and logic of the firm's underlying business model as reflected in an outline of their business plan. Readings: Chapter 7. Previous students' files showing business plans will be available for review in class and may be checked to take-home for further reference.

23 Topic: product-market matrices. Subsequently, teams must prepare their own product-market matrix. Qtr 4's simulation decisions & rationales are due. Each team presents a press release. Dr. Davis will continue to meet with teams in class to briefly review progress of the draft outline of their business plan. Southwest Airlines is a model for using its annual planning process to identify new ways to make itself better. Each year, the company identifies one to three corporate goals (i.e., "enhance the passenger experience," "improve operating efficiency," "reach new customers..."), and then this goal cascades down to departments that develop action items and budgets, and tasks them onto relevant units, managers, and employees, perhaps onto suppliers and, ultimately, to customers. To experience how this works, each team is required to (1) set three key objectives they want their firm to achieve during the coming year, (2) affix relevant responsibilities (who in the team is responsible for initiating actions and following up on progress towards achieving the goal), (3) determine action steps to achieve the objectives, allocate appropriate resources and set facilitating budgets, and (4) determine measures by which achievement of the objectives will be assessed.

28 Qtr 5's simulation decisions & rationales are due. Teams present a brief press release summarizing their first year's (inclusive of quarters 1-4) performance. Each team will **turn-in a Completed Business Plan covering the next three years** (this will require projections beyond Quarter 12--the end point of the simulation) along with their list of three key objectives, responsibilities, actions, measures for the coming years. Readings: Chapter 8.

30 Qtr 6's simulation decisions & rationales are due. Today's topic: Preparing a poster presentation of a marketing and media plan (preparatory for the presentation to be made on (April 13). Think of poster presentations as a form of "interactive visualization" of the marketing component of your business plan. Examples of previous poster presentations will be provided in class. There will be a brief review for quiz 2.

April

4 **Quiz 2 on Chapters 5-8** (expect about 60 Multiple choice questions). Qtr 7's simulation decisions and rationales are due.

6 Qtr 8's simulation decisions & rationales are due. Teams may meet with Dr. Davis in class to

discuss their preparations for presenting the media plan. Today also marks the beginning of a series of topics on strategy to complete the course. Today's topic: Corporate strategy via low cost & experience effects. Readings: Chap. 9

11 Qtr 9's simulation decisions & rationales are due. Present a press release summarizing second year's outcomes and key actions. Presentation Topic: Today's topic: the emergence of portfolio models. Readings: Chap. 10.

13 Qtr 10's simulation decisions & rationales are due. Each team presents a **Table-top Poster Presentation of their company's proposed marketing/media plan** for the upcoming year. The marketing strategy (previously described in the business plan) sets forth a clear, differentiated set of messages consistently communicated throughout the organization and externalized via selective media. The media plan and presentation are to convey the clarity, quality, creativity and efficacy of advertising, promotional, and direct sales efforts to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products/services, and establish a positive identification with the organization's product/brands in the minds of buyers. Each group will present their research, analysis, and proposed media plan along with representative media samples (e.g., billboard, print ads, radio ad script, etc.). Evaluations of Poster Presentation by Dr. Davis will be augmented by those provided by each participating team. Students will rotate between the group presentations, ask questions, and evaluate responses. Student (peer) evaluations will include review of the visual presentation, the oral presentation of the material, and the group's ability to address and answer questions about marketing and media issues.

18 Qtr 11's simulation decisions & rationales are due. Corporate diversification, gravity, and Globalization. Readings: Chapter 11. Examples of prior poster presentations of the annual report will be made available for review in class.

20 Qtr 12's simulation decisions & rationales are due. Complete presentations on rise of strategy portfolio models and introduce to corporate relatedness as the basis for corporate diversification. We will review the materials for Quiz #3. The questions for the optional take-home essay exam also will be provided and reviewed. Answers for the optional take-home exam are due not later than May 2. Reading: Chapter 12.

25 Catch-up day on course materials. Today's featured topic: Relatedness as a basis for diversification. Teams present final press release reporting 3d year's results.

27 **Quiz 3 on Chapters 9-12** (expect about 60 multiple choice questions).

May

2 Last Day of Classes. Teams should proceed with preparations for the annual report and presentation to shareholders. Regardless of assigned section, all students may also submit a completed **optional take-home essay exam** (previously provided on April 20).

9 **Section 090 5:00-7:30 Annual report table top presentation.** Each team will make an in-class table top poster presentation summarizing its Annual Report including providing a synopsis of their strategy and activities employed to meet its goals and commitments to stakeholders during the simulation. The presentation will convey management's strategic intent and characterize its competitive success as threats and opportunities developed, competitors acted, and market dynamics changed. The presentation concludes with a projection of the overall viability of the organization going forward. Presentations will be evaluated by the class using an evaluation form provided by Dr. Davis. At the end of the presentations, each team will submit all project materials including the annual report poster presentation materials, and each individual's peer evaluations (included as part of this syllabus). Peer evaluations are required. Failure to submit a

completed peer evaluation will result in the student receiving an incomplete for the course.
11 **Section 007 2:00-4:30 Annual report table top presentation.**

Guides for Preparing and Implementing an Effective Business Plan

A business plan provides a blueprint for achieving maximum performance. The business plan is also crucial to persuading investors to invest capital in a business. Investors want to know that you have thought through your plans carefully, that you have the necessary human capital, and that your company and its leaders can identify and respond appropriately to problems and opportunities. Therefore, your business plan must address all major issues, be well prepared and persuasive in conveying the potential of your enterprise and yet not be excessively detailed. For our purposes, try not to have a business plan more than 15 pages long including appendices.

Your plan should be written with as much knowledge about your property's operations, markets, assets, customers and costs as possible. It should have specific measurable goals and be reviewed on a regular basis. Implementing your plan requires you to measure financial and operating performance against your plan. Are you on track with both revenue and expense projections? Is everything else on track (e.g., employee turnover, market expansion and penetration rates, customer satisfaction scores, etc.? If the answer is no to any of these questions, you need to ask, "Why are we not meeting expectations?" Incorporate change by using your business plan as a living document. Every review of your plan (at least every year) should include revisions that adjust goals, strategies and tactics based on the current situation. Keep track of the original business plan and manage changes carefully and deliberately. Although changes should be made only with good reason, some of your changes may have been unintentional. The decision rationales aid in connecting the simulation decisions to the plan (whether as originally set forth or as evolving). As long as you explain the rational and the empirical basis for your actions (decisions), and link them to your plan, the appropriateness of the processes you followed in formulating and implementing your strategy, rather than the outcomes (financial results), will be the primary determinant of your course evaluation.

Thoughtful use of the guidelines that follow should result in a complete, professional business plan which helps you integrate and organize the activities of the firm. It should also help you make an orderly presentation of the company's situation to board members, investors, and other interested parties.

1. SUMMARY OF THE BUSINESS PLAN

At the front of the document should be a 1 to 2 page summary of your organization's purpose (mission) and a summary of key components of its business plan. It should be a brief, yet appealing and accurate presentation of the highlights of your company and its approach to achieving success. The summary should contain information on at least the following three items:

A. **The company and its management team.** This section describes the company, its mission and objectives. It should indicate what the company intends to do, and what is unique or special about it. The strategy of the airline should be expressed in broad terms. (See the text for descriptions of some possible alternative strategies.) You should also indicate something about the qualification of key management to lead this company.

B. **Market opportunity.** Identify and briefly explain the market opportunity as top management perceives it. Provide information on the expected size and expected growth rate of the market, and indicate the percentage of that market management expects to capture. Project important industry-wide trends. You should also indicate your general plans for future market expansion.

C. **Financial data.** State your initial, second and third year sales and profit goals. State your estimates

of the capital investment (debt and equity) required to achieve these goals. (note: estimates of capital needs is mostly based on rate of expansion in your fleet of aircraft.)

The remainder of the plan is to address the following in appropriate detail:

2. THE COMPANY AND ITS INDUSTRY

This section provides sufficient background to support management's key assumptions about the future of the industry (e.g., growth, fuel costs, etc.) and to provide the reader with insights sufficient to allow him/her to better understand the company projections and estimates presented in subsequent sections.

A. **The company.** This section further defines the business, usually in terms of basic product, primary customer groups, market needs, technological field, or some combination and its resources. In addition, it should articulate management's philosophy, desired public image, and so forth. Your statements of goals and objectives should flow from the mission, only are more specific. How will you measure success? At minimum, include specific corporate objectives for Sales (revenues), Market Share (in served markets), Income after Taxes, Return on Equity, and Earnings per Share.

B. **The industry.** Management must understand the key determinants of performance in their industry and the positions, strategies and capabilities of competitors if they are to position the firm to obtain its long-term goals. This section should provide a brief review of the competitive force(s) whose trends hold the greatest significance as either opportunities or threats to the success of the firm and industry.

3. PRODUCTS/SERVICES

A. **Product/Service description.** Describe the core goods and services you intend to sell in the defined market(s) including the primary and secondary applications or functions (e.g., freight, etc.) Describe any proprietary features of your service and discuss how they help you to achieve a favorable or entrenched position. Highlight differences between your approach and that of your competitors.

B. **Potential** is examined in the form of a SWOT analysis—evaluating organizational strengths, weaknesses, opportunities, and threats. This analysis allows your plan to emphasize your firm's opportunities and identify strengths that will allow you to take advantage of them. It also allows the team to discuss potential threats and competitive weaknesses that must be overcome or neutralized.

4. CUSTOMERS/MARKETS and COMPETITORS

This section presents the scenario that management has formulated about the market with information to demonstrating the presence of a sufficient market for your company to profit in the face of competition.

A. **Customers.** Discuss who your customers will be. One way is to classify customers into relatively homogeneous groups (market segments) having common identifiable characteristics) and bases for their purchase decisions (e.g., price, quality, service, etc.). For example, customers may within a certain service radiant, or represent certain demographic, psychographic, or behavioral profiles.

B. **Market size and expected trends.** What is the size of the current total market for the product in units (passengers) and dollars? What is the regional market size and projected growth by product and by major customer group for the next three years?

C. **Competition.** Provide your assessment of the strengths and weaknesses of competing offerings and (if possible) name the companies that provide them. Comparisons should be made on pertinent features such as price, market shares, sales growth, distribution, profit trends, etc. Who are the leaders in terms of pricing, quality, volume? Indicate how understanding competitors' strategies and positioning suggest competitors' strengths and weaknesses and how you could capture a share of the business.

D. **Estimated market share and sales.** Based upon your assessment of the advantages of your product, the industry or market size and growth trends, the strengths and weaknesses of competitors; and the rate at which you plan to expand your fleet, estimate the share of the market that you expect to have

by the end of each of the next three years (i.e., quarters 4, 8, 12).

E. **Performance evaluation.** Explain how you will continue to evaluate your performance to exercise effective strategic control. This may require that you make decisions about what are the most critical performance dimensions and acknowledges tradeoffs between them. What will you do if performance targets are greatly exceeded or are not being met? Although not part of the written plan, this process of evaluating internal and external conditions is the impetus for contingency planning. What environmental changes or deviations from target performance would set your contingency plans in action? (recall your pre-mortem)

5. MARKETING STRATEGY

The marketing plan should discuss the strategy and tactics (e.g., marketing channels, prices, advertising and promotion, etc) used to achieve the desired market share and sales projections. (Later, you will have an opportunity to prepare and present a more detailed media plan that will include examples of your appeals to customers through particular promotional and advertising media.)

A. **General marketing strategy.** Describe the general marketing philosophy and strategy of the company including the attributes (e.g., price, service, etc.) that will be emphasized. If a focus on particular market types is chosen, briefly explain why and indicate any plans for extending sales to other market types.

B. **Pricing policies.** Discuss the price you will charge for your service (fares) relative to that of your major competitors. Explain how the price you have chosen will enable you to penetrate the market, obtain your desired market position and produce profits. Justify any price increases over competitive prices or if a lower than competitive price is to be charged, explain how this will maintain profitability (e.g., through greater operating efficiency, higher margins, or whatever). Discuss how the pricing strategy you plan to follow will affect the relationships you expect will prevail between price, market share, costs and profits.

C. **Sales force.** Describe the initial and long range plans for the sales force. At what rate will the sales force be built up? What sales are expected per sales person and at what costs?

D. **Advertising and promotion tactics.** Describe how (e.g., as a % of previous quarter's sales, \$/market) advertising levels are determined. When (qtr.) they will be incurred and what the costs will be.

6. OPERATIONS STRATEGY

The operations plan describes the facilities, locations, operational capabilities, capital investment, labor force, etc. that are required to supply the company's service at the levels envisioned.

A. **Operations plan.** Present an operations plan that shows cost information at various sales levels with breakdowns of applicable cost components (e.g., labor, equipment, fuel, overhead, etc. shown on your income statement). Capacity (e.g., aircraft and seating) is added in chunks independent of sales, while other production components (e.g., labor) have a direct correspondence with sales and miles flown. Describe how optimal usage of resources will be assured.

B. **Capital budget.** Describe the costs and timing for acquiring aircraft to meet sales projections and how the necessary costs will be funded (e.g., short and long-term debt, sale of stock, sale of assets).

7. MANAGEMENT TEAM

A. **Organization.** Present the key management roles in the company and individuals who will fill each position. Describe the duties and responsibilities of each of the members of the management team.

B. **Compensation and ownership.** Set forth the compensation and ownership policies of the firm. If you need help, see your text.

8. THE FINANCIAL STRATEGY

How does the firm intend to finance its operations? Many of the forms and programs necessary to prepare a complete financial plan are provided as part of the simulation. Feel free to incorporate other

computer programs, analyses, techniques and models as appropriate.

A. **Discussion of key assumptions.** It is important that these statements represent management's best estimates and that you discuss the major assumptions underlying their preparation. For example, include assumptions you may be making about the timing of anticipated increases in operating expenses and purchases of capital equipment, etc.

B. Preparation of appropriate financial reports:

1. Annual Profit and loss forecast.
2. Pro forma cash flow analysis.
3. Break-even analysis.
4. Schedule of Proposed financing (necessary for expansion).

Peer Evaluation Form

You should be aware of the difficulty of passing this course without the support of your colleagues. If a group member does not contribute in a meaningful way to the tasks at hand, the group has a right to terminate (fire) that individual from the team by following the procedure listed below:

1. First, team members should issue a verbal warning (witnessed by the entire team) to the individual and counsel the individual on what improvements are needed to meet team expectations. Dr. Davis is to be notified immediately in writing (as early as possible but NLT end of quarter 4), of this initial action.
2. Next, if step 1 fails to resolve the problem then a written warning should be issued to the offender listing the offenses and steps necessary to be retained as a member of the team. All members of the involved group must then meet with Dr. Davis (NLT end of quarter. 6), to attempt to resolve the issue.
3. Finally, if step 2 does not result in satisfactory performance, then the team may issue a termination notice to the non-contributing student. Typically, this involves removing the offender from the group. Dr. Davis will then assign alternate work to the involved individual.

Peer Evaluations for Team # _____ Team's Name _____

You are to use this form to evaluate the contribution of your fellow team members to your group's project. Give these evaluations your careful consideration as they affect students' project grade. Start by considering the contribution of each student in terms of (A) proportionate participation in team activities, (B) timely completion of assigned work, and (C) quality of work. Now, assign **a percentage** of the team grade each individual should receive. For example, for fellow team members who performed well on each category, you might assign each of them 100%, while lower performing team members might receive lower percentages. Someone who exceeded expectations in his/her contribution could receive 105%, however, only one student per group can receive in excess of 100%. Percentages below 95% must be accompanied by a written explanation of the reasons for assigning a lower evaluation.

Students' Names	Percentage of the project grade awarded to each team member
1. (your name) _____	_____ (1-100)
2. _____	_____ (1-100)
3. _____	_____ (1-100)
4. _____	_____ (1-100)
5. _____	_____ (1-100)
6. _____	_____ (1-100)

Use the back of this form, or separate sheets if necessary, to provide explanations for extremely high (100+) and extremely low grades (less than 80).

INTRODUCING YOUR FACULTY

Dr. Peter Davis, Professor of Management



Since earning his Ph.D. at the University of South Carolina, Professor Davis was a member of the faculties of the University of Oregon and The University of Memphis. While at the University of Memphis, he was the Sparks Family Chair of Excellence in International Business, Associate Director of the International MBA program, Chair of the Department of Management, and Coordinator of the Ph.D. program in Management. He joined the Belk College of Business as Professor and Chair of the Department of Management in 2007. As a consultant, he has advised top management and served on the Boards of Directors of public and not-for-profit firms. Before earning his Ph.D., Dr. Davis was the Chief Operating Officer (COO) for a multi-state operator of wholesale and retail food service businesses; following that, he was a Project Coordinator and Government Technical Representative with the Federal Emergency Management Agency, where he supervised implementation of temporary housing programs during Presidentially-declared disaster relief operations. Previously, he served with the U.S. Army Intelligence Command and the 101st Airborne Division in Vietnam.

Professor Davis' research and consulting have addressed strategic issues at the corporate and business levels as well as among entrepreneurial ventures and family firms. His research on these topics has appeared in leading academic and professional journals, including the *Academy of Management Journal*, *Strategic Management Journal*, *Journal of International Business Studies*, *Management International Review*, *Journal of Business Research*, *Industrial Marketing Management*, *Entrepreneurship Theory and Practice*, the *Journal of Small Business Management*, *Family Business Review*, and others. Dr. Davis has received numerous research awards and has served on the editorial boards of leading academic journals. Dr. Davis's research has been cited thousands of times by other researchers. In 2008, he was recognized as one of the most influential authors in Management over a 25 year period.