THE UNIVERSITY OF NORTH CAROLINA at CHARLOTTE
BELK COLLEGE OF BUSINESS ADMINISTRATION
Spring 2014

Course Number: Management 3280
Course Title: Strategic Management
Section/Time/Room: Section 003 on T & H from 12:30 to 1:45 in Woodward Hall 125
Section 090 on T & H from 6:30 to 7:45 in Friday 132
Prerequisites: Senior standing and completion of ECON 3125, OPER 3100, MKTG 3110, FINN 3120, BLAW 3150, MGMT 3140 with a C or better and MGMT 3160. Accounting majors are required to OPER 3100, MKTG 3110, FINN 3120, MGMT 3140, BLAW 3150, and either MGMT 3160 or COMM 1101.

Faculty: Dr. Peter S. Davis
Office Number: Friday 257A
Office Phone: 687-7555
E-mail Address: Peter.Davis@UNCC.edu
Office Hours: T & H from 2:30 to 3:30 and 5:00 to 6:00 Walk-ups are welcome but appointments are suggested.


Examinations: 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 in integrating internal functions and environmental forces and emphasizes economic, technological, ethical, political and social factors affecting its goals, strategies, and operating policies.

Of necessity, 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 the result of interactions between your group's members as you endeavor to integrate materials covered during this course and other courses in your undergraduate program. I will make every effort to ensure you a stimulating and rewarding experience. Ultimately, however, the effort and thought you extend will determine the value you receive from this course.

Teaching Methods

I will employ a variety of teaching techniques to provide you the best possible learning experience in the conceptualization, formulation, and application of integrated business and functional strategies in a competitive environment. Our methods include lectures, readings and discussion of conceptual materials and current events related to strategy formulations, implementation, evaluation and control; analysis of one, or more, business cases demonstrating the application of strategy concepts; activities associated with a business simulation in which students first formulate and then implement a planned business strategy.
Course Objectives

This course exposes students to the body of knowledge that has developed on business policy and strategy and encourages the development of a perspective, frame of reference, or method of thinking necessary to cope with a managerial environment effectively. Students are encouraged to develop the perspective of the general manager, integrate prior coursework, create a bridge between the classroom and real-world organizations, and facilitate communication skills. Some specific learning objectives include composing an organizational mission, developing and revising (as needed) a strategic plan and specific 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, preparing and presenting an annual report to shareholders.

Class Activities or "Why use a simulation?"

In addition to readings, lectures, class discussion and case analyses, students gain first-hand experience in formulating and then translating the strategic intentions of top management into reality by making critical policy decisions designed to implement organizational strategies through a business simulation. A simulation allows us to compress years of experience into a few weeks. The simulation allows you to experience more realistically the roles and responsibilities of a top decision-maker who is trying to position an organization in a tough, competitive environment. The simulation is used to enhance your abilities to formulate and implement strategies in an industry in which environmental factors and the decisions made by the company and competitors act to jointly determine top management's ability to lead a company to achieve its desired goals. It allows you to experience the uncertainties and surprises produced by environmental changes and often unpredictable actions of competitors.

You "learn to fly" your business by using business tools to acquire relevant knowledge for developing responses to change. You will learn how to incorporate knowledge-based decision support systems in designing your approach to management. As you set your goals and plan your desired course of action, analyses are made concerning operating conditions, environmental factors, and cause-and-effect relationships. As comparisons are made of the feedback of progress vs. plans within desired control limits, you learn how teamwork blends judgments about feasible, alternative courses of action with decision-support capabilities in support of strategy.

During the simulation, each top management team will formulate a reasonably comprehensive, written statement of their organization's mission, long-term goals and short-term objectives, and their strategy to achieve them. Guidelines to assist you in preparing a business plan are appended to this syllabus. The relationship of the intended strategy to the team's implementation decisions is made explicit through the written quarterly decision rationale each team submits in conjunction with each set of quarterly decisions. As the results of actions the team takes to achieve its strategy are obtained, revisions to the plan, or to actions taken, must be indicated by submitting amendments to the business plan. You will find that strategy is inherently interdisciplinary and so we will draw upon theories from economics, sociology, psychology, management, marketing, and the organizational sciences. The functional areas of business (e.g., accounting, finance, marketing, etc.) will be integrated and applied during the simulation.
“How will the simulation work?”

1. **Start by formulating your intentions.** At the beginning of the simulation, each management team formulates a brief statement about the intended (proposed) strategy for their firm. By the end of the first year of operations, each team 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. **Explain decision rationale.** Each quarterly decision is to be accompanied by a reasonably detailed and specific rationale that presents the reasoning behind management's decisions and that relates the pattern of decisions to the intended strategy and the business plan. For example, the choice of an employee compensation policy requires a discussion of the underlying assumptions upon which the choice of policy was based and the expected effects of the policy on employee performance and turnover, earnings, distributions to stockholders and management control.

4. **Respond to incidents.** 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.** An important part of the simulation includes understanding the relationships of functional strategies to business strategy and 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. And, although somewhat restricted by the simulation, good accounting practices are also to be applied. 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. **Market signals.** Another important part of the simulation includes the role of market signaling to competitors, customers, financial and other stakeholders. Teams prepare a substantive media plan and provide quarterly press releases about their company and its performance.

7. **Annual report.** At the end of the simulation, teams prepare 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. **Project Management:** I strongly urge you to resist the temptation to adopt a project management approach that puts some team members in charge of distinct stages. This would result in the effort becoming disjointed as team members’ hand-off different sections. The resulting strategy and concepts will likely reflect a lack of integration. A better strategy is to subdivide each section into parts with team members’ tackling different data sources, strategy frameworks, and concept development techniques.

9. **Managing Overload:** This project has been structured to give you a sense of a real-world process used by firms. As a result, the project offers an abundance of information, frameworks, and techniques that you will need to consider. In order to be successful, your team will need to decide relatively quickly where to focus your attention and effort. You will need to think hard about how to use your time to process the large amount of material that is available to you. In doing so, I hope you will learn, first-hand, more about the role of knowledge management in strategy design activities.
Attendance, Participation and Exams

Students are expected to attend punctually all scheduled sessions and are responsible for completing work from all class sessions. No make-ups will be provided for missed classroom activities. 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 will take one or more exams that feature a combination of essay/short answer style questions during the course that will account for the examination component of the student's course grade. Class material, class notes and assigned readings will be very important in providing suitable responses. 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.

If you experience difficulty in meeting course expectations, please seek assistance. Some possible sources of assistance include: peers, to seek their advice or to discuss possible study sessions; a consultation with Dr. Davis during his office hours; other appropriate University academic resources are listed on the University’s advising website: (www.advising.uncc.edu/AcademicSupportServices.pdf).

Since much of our learning occurs as a result of classroom activities, classroom participation, defined in terms of students’ contributions to a positive learning environment, will constitute a portion of the students’ final grades. To excel on the basis of contributing to a positive learning environment has a different meaning than that traditionally associated with excellent participation. Classroom participation is not viewed as an individualistic basis for evaluation where one competes for “air time” and strives to demonstrate personal conceptual superiority. Rather, 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.

Peer Evaluations

Members of each team are required to submit an evaluation of their peers for their contribution to the successful achievement of their organization's goals. These evaluations will be considered in computing each student's grade on simulation and project-based activities. Proportional contributions to simulation activities are expected from each team member and may be enforced by grade sanctions. Minutes of company (group) meetings are to be included as part of the simulation project diary.

Course Requirements and Evaluation

(1) By examination and assignments 50%
(2) Team simulation and associated activities. 50%

Simulation associated activities may include the following:
- Evaluation weights assigned each activity 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. in-class and take-home assignments and other student-initiated supplemental activities during the course.

h. class preparation, participation, and attendance, and other aspects not specified in the syllabus.

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

1. **Classroom expectations.** This syllabus contains the policies and expectations I have established for MGMT 3280. Please read the entire syllabus carefully before continuing in this course. These policies and expectations are intended to create a productive learning atmosphere for all students. Unless you are prepared to abide by these policies and expectations, you 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. Each of us may have strongly differing opinions on the various topics of class discussions. The orderly questioning of the ideas of others, including mine, is welcome. However, I will exercise my responsibility to manage the discussions so that ideas and argument can proceed in an orderly fashion. You should expect that if your conduct during class discussions seriously disrupts the atmosphere of mutual respect I expect in this class, you will not be permitted to participate further.

3. **Grades** are on a 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. Simulation, project, and presentation grades are adjusted according to peer evaluations. Grades for the oral portion of team presentations will be adjusted according to class evaluations. The award of a grade of "I" will strictly adhere to The University’s catalog guidelines. Grade penalties may be assessed on late assignments. UNC Charlotte’s grading policies may be viewed at [http://www.provost.uncc.edu/Catalogs/2007-2009/acadregs.htm#GRADING_POLICIES](http://www.provost.uncc.edu/Catalogs/2007-2009/acadregs.htm#GRADING_POLICIES).

4. **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 required to successfully compete tutoring sessions at the Writing Resources Center in the Department of English. Information on the Writing Resources Center may be found online at [http://www.uncc.edu/writing/wrc.html](http://www.uncc.edu/writing/wrc.html).

5. **Team member dismissal.** Teams are to submit a short statement describing work assignments and conditions of dismissal proposed for any non-cooperative or poorly performing 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).

6. **Academic integrity.** Cheating and disruptive behavior have significant consequences. All students are required to read and abide by the [Code of Student Academic Integrity](http://www.legal.uncc.edu/policies/ps-105.html) 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: [http://www.legal.uncc.edu/policies/ps-105.html](http://www.legal.uncc.edu/policies/ps-105.html). All UNC Charlotte students are expected to be familiar with the Code and to conduct themselves in accord with these requirements.

7. **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 typed (use font size 12) except
8. **Disability accommodations.** Students in this course seeking accommodations to disabilities must first consult with the Office of Disability Services and follow the instructions of that office for obtaining accommodations. Reasonable and appropriate accommodations will be provided to students presenting a memo from the Office of Disability Services (ODS). Students who request disability accommodations without a memo will be referred to ODS.

9. **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 written instructions I may give you about my anticipated tardiness.

10. **Sexual harassment.** All students are required to abide by the UNC Charlotte Sexual Harassment Policy ([http://www.legal.uncc.edu/policies/ps-61.html](http://www.legal.uncc.edu/policies/ps-61.html)) and the policy on Responsible Use of University Computing and Electronic Communication Resources ([http://www.legal.uncc.edu/policies/ps-66.html](http://www.legal.uncc.edu/policies/ps-66.html)). 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.

11. **Communication devices in classroom.** The use of cell phones, beepers, or other communication devices is disruptive, and is therefore prohibited during class. Except in emergencies, those using such devices must leave the classroom for the remainder of the class period.

12. **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.

13. **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 Section 003 and 090—Class Schedule for Spring 2014**

Students are expected to read the assigned material and to be able to answer questions directed by Dr. Davis. This is a flexible course schedule. The schedule and syllabus may be altered as circumstances dictate including the appearance by guest speakers and instructors. Previously unannounced pop quizzes, assignments, and materials may be given at my discretion and announced in class. Students not attending class are responsible for obtaining this information.

**January**

9. 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 that have been completed by previous teams. Students may visit the website of the Regional Airline Association ([www.raa.org](http://www.raa.org)) to view materials about the regional airline industry and to find links to the websites of individual regional airlines.


16. **Topic: Defining your strategic vision--mission, goals, & objectives.** Readings: Text, Chapter 2. (present alternate perspectives on strategy)

21. **Topic: Achieving a competitive advantage through industry and competitor analysis.** Readings: Text, Chapters 3, 4, 5. (begin discussion of strategic models including gameboard→Value-based business model)
23 Topic: Achieving a competitive advantage through industry and competitor analysis. Industry and competitive analysis (Cont.). Chapters 3, 4 and 5. Topic: Achieving a competitive advantage through industry and competitor analysis (Cont.) Readings: Chapters 3, 4, 5. (example: broad environmental analysis + PESTEL → industry analysis Porter’s Forces)

28 Topic: Achieving a competitive advantage through industry and competitor analysis (Cont.) Readings: Chapters 3, 4, 5. (continue 5 forces, blue jean industry; Formation of top management teams by instructor) (review content of binder materials)

30 Topic: Achieving a competitive advantage through industry and competitor analysis (Cont.) Readings: Chapters 3, 4, 5. (Segmentation analysis) (ppt: segments and gaps updated F2013)

February
4 Topic: Achieving a competitive advantage through industry and competitor analysis (Cont.) Readings: Chapters 3, 4, 5. (Gap Analysis) (ppt: segments and gaps updated F2013)
6 Topic: Catch-up day and review for quiz one on first 5 chapters of text.
11 In-class multiple choice quiz on text materials contained in Chapters 1-5 and augmented by lecture materials.
13 By this time, all students are to have acquired access to the Airline simulation from the provider: Interpretive.com and to have read the airline simulation information! Each team is to analyze, prepare, and submit (on 2/18) a 2-3 page Situational Analysis (plus exhibits as needed) on the Mid-Continent Airlines Case. This case is in the on-line Airline Manual. 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 chapters 1-5 and lecture materials to perform appropriate analyses (e.g., a SWOT analysis) and to then propose an organizational mission along with 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.

18 Teams are to submit hard copies of their collective (1) situational analysis, (2) mission statement, and (3) prioritized list of strategic and tactical recommendations for actions (as outlined above). As a result of their reading of the Airline manual and assigned case, analyses and recommendations, teams will complete a practice round of the simulation. A practice round will allows student teams 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, the simulation will be “restarted” back to the beginning, erasing all trial decisions and results from the practice round. The simulation will be reset to begin anew on 2/25.

20 Teams are to meet independently to review and analyze the results of their trial decisions and contemplate possible revisions to the emerging business plan preparatory to the restart of the simulation on 2/25.
25 Restart of the simulation. An entirely new set of Qtr 1’s simulation decisions & rationales are due. Each team will orally present a brief 1-page press release that announces their takeover of Mid-Continent Airlines, their new airline's name, its service area, fare structure, service-level, etc. Future press releases should 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). 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.

27 Qtr 2's simulation decisions & rationales are due. Teams present press release.

March
3-8 University-wide Spring recess—no classes

11 Qtr 3's simulation decisions & rationales are due. Teams present press release. During this week (2/25-2/27), Dr. Davis will meet with each team in class to review and discuss the draft outline of their business plan. The Business Plan shows how the soundness and logic of the firm’s underlying business model is to be effectively operationalized. During class, each team is to prepare a competitive product-market matrix.

13 Qtr 4's simulation decisions & rationales are due. Present press release. The professor will meet with any remaining teams in class to review and discuss the draft outline of their business plan. During class, each team is to conduct a strategy pre-mortem and propose preventative measures.

18 Qtr 5's simulation decisions are due. Teams will turn-in a Completed Business Plan covering the next three years (this requires projections beyond the end point of the simulation). Teams present a press release that compares their first year’s performance to the prior year’s performance.

20 Qtr 6's simulation decisions & rationales are due. Today's topic: Preparing a poster presentation of media plan (preparatory for the presentation to be made on April 3). 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 for students’ review in class.

25 Qtr 7's simulation decisions and rationales are due. Today also marks the beginning of a series of topics to complete the course content. Today’s presentation topic: Corporate strategy via low cost & experience effects. Readings: Chap. 6

27 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’s Topic: Corporate strategy via low cost & experience effects. Readings: Chap. 6

April
1 Qtr 9's simulation decisions & rationales are due. Presentation Topic: Corporate diversification, gravity, and Globalization. Readings: Chap. 7.

3 Qtr 10's simulation decisions & rationales are due. Each team presents a Poster Presentation of its 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 will be made in class 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.

8 Qtr 11’s simulation decisions & rationales may be made in class. Readings: Chapters 8, 9, 10. Discussion of the presentation of each company’s annual report. The presentation of the report will convey management’s ability to formulate a competitive strategy for success as threats and opportunities emerge, to assess competitors’ actions, and effectively respond to changes in market
dynamics. The presentation concludes with an assessment of the overall viability of the organization going forward. Examples of prior annual report poster presentations will be made available for review.

Qtr 12’s simulation decisions & rationales are due. Discussion of materials in Chapters 8, 9, 10 continue.

Catch-up day on course materials. We will review the materials for Quiz #2. The questions for the optional take-home exam also will be provided and reviewed. Answers for the optional take-home exam are due the scheduled final exam date. Dr. Davis will ask teams about their progress preparing for the annual report and presentation to shareholders.

In-class multiple choice quiz on text materials contained in Chapters 6-10.

Today's topic: Preparing a poster presentation of the Annual Report (preparatory for the presentation to be made on December 10). Each team is to work on preparing an Annual Report that will provide a basis for presentation to shareholders. See the simulation manual for guidelines. Teams also are to work on preparing a Management Audit (see Airline manual) that consists of a written study of the team’s performance in the simulation through the last period of play. The management audit guidelines are listed on page 91 under the Appendix section. Team members are to objectively report the performance of their airline by adopting the perspective of outside management consultants brought in to assess the effectiveness of the management team and its strategies.

Team preparation day

Section 002 at 2:00-4:30 and Section 090 at 8:00-10:30 Each team will make an in-class 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. Presentations will be evaluated by the class using an evaluation form similar to that attached to this syllabus. 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.

Reading day May

Individuals in Section 090 (6:30-7:45) are to submit the completed optional take-home essay exam (previously provided).

Individuals in Section 003 (12:30-1:45) are to submit the completed optional take-home essay exam (previously provided).

Commencement
Some Guidelines for Preparing Your Business Plan

The purpose of writing a business plan is to provide a blueprint for achieving maximum performance. Maximize your performance by using your business plan as a living document. Your plan has been 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 on track by department, by accounts and by customer satisfaction scores? If the answer is no to any of these questions, you need to ask, “Why are we not on plan?” Every review of your plan should include revisions that adjust strategies and tactics to better meet existing or revised goals 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.

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, you should try not to have a business plan more than 15 pages long including appendices.

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.

You 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. (What makes this an
opportunity?) This explanation should include information on the expected size and expected growth rate of the market, and a statement indicating the percentage of that market that your firm expects to capture. Projection of important industry-wide trends is also useful. You should also indicate your general plans for future 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. This latter 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 describes the company, its mission and objectives and also provides sufficient background to support key assumptions about the future of the industry (e.g., growth, fuel costs, etc.). This section should provide the reader with insights sufficient to allow him/her to better understand the projections and estimates presented in subsequent sections.

A. The company.

The mission defines the business, usually in terms of basic product, primary customer groups, market needs, technological field, or some combination and its resources. In addition, the mission should include a statement of management's philosophy, desired public image, and so forth. Your statements of goals and objectives should flow from the mission, only are more specific. As a suggested 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) that determine(s) the profitability of the regional airline industry, animates the positioning of your company, and whose trends hold the greatest significance as either opportunities or threats.

3. PRODUCTS

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 for the service. 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. The SWOT analysis allows your plan to emphasize your firm's opportunities in the industry and how you will take advantage of them (strengths). It also allows the team to discuss potential threats it faces and how disadvantages (weaknesses) will be overcome or neutralized.

4. MARKET EVALUATION

The purpose of this section is to present sufficient information to demonstrate that your service has a substantial enough market to permit profitable sales in the face of competition. Essentially, this section presents the scenario that management has formulated about the market.

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? Any differences between historical and projected growth rates should be explained.

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. For example, 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; estimate the share of the market that you will have by the end of each of the next three years.

E. Performance evaluation.

Explain how you will continue to evaluate the industry and your performance to exercise effective strategic control. This may require that you make decisions about what are the most critical performance dimensions and tradeoffs between them. What will you do if performance targets are greatly exceeded or are not being met? Although it would not be included in the written plan, this process of evaluating internal and external conditions would be the impetus for contingency planning. What environmental changes or deviations from target performance would set your contingency plans in action?

5. MARKETING PLAN
The marketing plan should discuss the overall marketing strategy including marketing channels, prices, advertising and promotion, etc. and the tactics that will be used to achieve the desired market share and sales projections. (Later during the course 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, explain why and indicate any plans for extending sales to other market types.

B. **Pricing policies.**

Discuss the prices you will charge for your service (fares) and compare your pricing policy with 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 the 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.**

Discuss the methods that will be used to make sales and 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.**

Discuss how advertising levels (i.e., $) will be determined (e.g., as a % of previous quarter's sales, $/market, etc.) Present a schedule of when (qtrs.) 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.). Capacity (e.g., airplanes) is added in chunks independent of sales, while other production components (e.g., labor) have a direct correspondence with sales. Discuss how this affects operations planning. Describe how optimal usage of resources will be assured.
B. Capital budget.

Describe the costs and timing for acquiring the necessary equipment and facilities 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

One key to turning a good idea into a successful business is to have a management team with the proper balance of technical and business skills.

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. If you need help, see Chapter 10 in your text.

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: for a quick refresher on financial ratio analysis see Chapter 3 & the Appendix to Chapter 13 in the Text.

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.** Students should recognize the extreme difficulty of passing this course without the support of their colleagues. However, sometimes, a group member may not contribute in any meaningful way to the task at hand. The group has a right to terminate (fire) that individual from the team. A non-discriminatory process should be used in this event. The recommended procedure is as follows:

1. Team members should first issue a verbal (witnessed by the team) warning 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, of this initial disciplinary action.

2. 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. Again, notify Dr. Davis immediately. All members of the involved group must then meet with the faculty to attempt to resolve the issue.

3. 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 and assigning equivalent work to the involved individual.

---

**Peer Evaluations for Team #_____ and Team Name____________________________**

This form is to be used at the end of the course to evaluate the contribution of your fellow team members to the overall performance of your group. **Please give these evaluations your careful consideration as they will be used in determining an individual's project grade, therefore, your evaluation has direct consequences for the final grade assigned each student in this course.** Individual evaluations will be kept confidential.

Considering the contribution of each student in terms of (1) proportionate participation in team activities, (2) timely completion of assigned work, and (3) quality of work; assign a percentage of the team grade to each individual. For example, if a fellow team member performed well on each category, then you might assign them 100%, lesser contributors could be assigned lesser percentages. A student who exceeded all expectations in their contribution could be awarded up to 105% of the group's grade. No more than 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 low evaluation to this (these) student(s). Use the back of this form, or separate sheets if necessary, to provide necessary documentation.

<table>
<thead>
<tr>
<th>Students' Names</th>
<th>What Percentage of the Project Grade Should be Awarded each team member</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. (your name)</td>
<td>__________ (1-100)</td>
</tr>
<tr>
<td>2.</td>
<td>__________ (1-100)</td>
</tr>
<tr>
<td>3.</td>
<td>__________ (1-100)</td>
</tr>
<tr>
<td>4.</td>
<td>__________ (1-100)</td>
</tr>
<tr>
<td>5.</td>
<td>__________ (1-100)</td>
</tr>
</tbody>
</table>
Management 3280
Sample of a Typical Evaluation of Presentation to Stockholders (subject to change)

1. Number and Name of Presenting Airline_____________________________

2. Number and Name of Evaluating Airline_____________________________

3. Criteria for evaluating the presenting Airline Max.Pts./Pts.Awd

<table>
<thead>
<tr>
<th></th>
<th>Team1</th>
<th>Team2</th>
<th>Team3</th>
<th>Team4</th>
<th>Team5</th>
<th>Team6</th>
<th>Team7</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In your judgment:

a. how clear were the goals and objectives (e.g., for profitability, growth, market standing, etc.) top management pursued in managing the firm? 20/____ ____ ____ ____ ____ ____

b. how clear was the strategy (including changes occurring since inception) management made and pursued during their tenure? 20/____ ____ ____ ____ ____ ____

c. how clearly justified were the results achieved by top management? 20/____ ____ ____ ____ ____ ____

d. how clear is the direction top management is moving the firm to position it for the future, and are the team's forecasts for future results reasonable and persuasive? 20/____ ____ ____ ____ ____ ____

e. On the basis of the presentation of achieved results and future prospects; rate the confidence that you, as a stockholder, have in this management team. A score of 20=absolute confidence in this management team and 1=intend to sell your stock immediately 20/____ ____ ____ ____ ____ ____

Sum the columns Total points awarded each team.100/____ ____ ____ ____ ____ ____

Use the space below and on reverse to provide comments that explain the scores awarded above or that usefully critique the presentation.
Peter Davis

**Professor of Management**

Professor Davis joined the Belk College of Business as Professor and Chair of the Department of Management in 2007. A graduate of the University of South Carolina, Dr. Davis previously 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. Before earning his Ph.D., Dr. Davis gained extensive managerial and professional experience as the Chief Operating Officer for a multi-state operator of wholesale and retail food service businesses and as Project Coordinator and Government Technical Representative with the Federal Emergency Management Agency, where he supervised implementation of temporary housing programs during disaster relief operations. Previously, Dr. Davis served with the U.S. Army Intelligence Command and with the 101st Airborne Division in Vietnam. He has advised top management and served on the Boards of Directors of public and not-for-profit firms.

Professor Davis’s research and consulting address strategic management issues at the corporate and business level as well as among start-up 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, and Family Business Review, and others*. Dr. Davis has received numerous research awards and has served on the editorial boards of leading academic journals. In 2008, Dr. Davis was recognized as one of the most influential authors in Management over the previous 25 years.

**Contact Information**

[ peter.davis@uncc.edu ]

Friday 257A
phone 704-687-7555