

CAPSIM®

THE EDTECH
AWARDS



COOL TOOL
FINALIST 2018



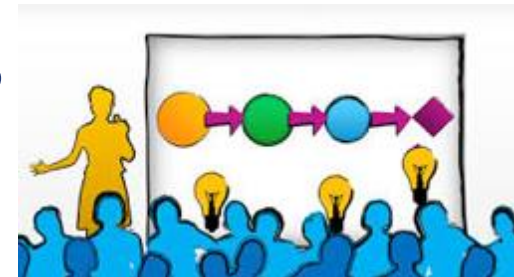
CAPSIM Business Simulations

- Strategy 

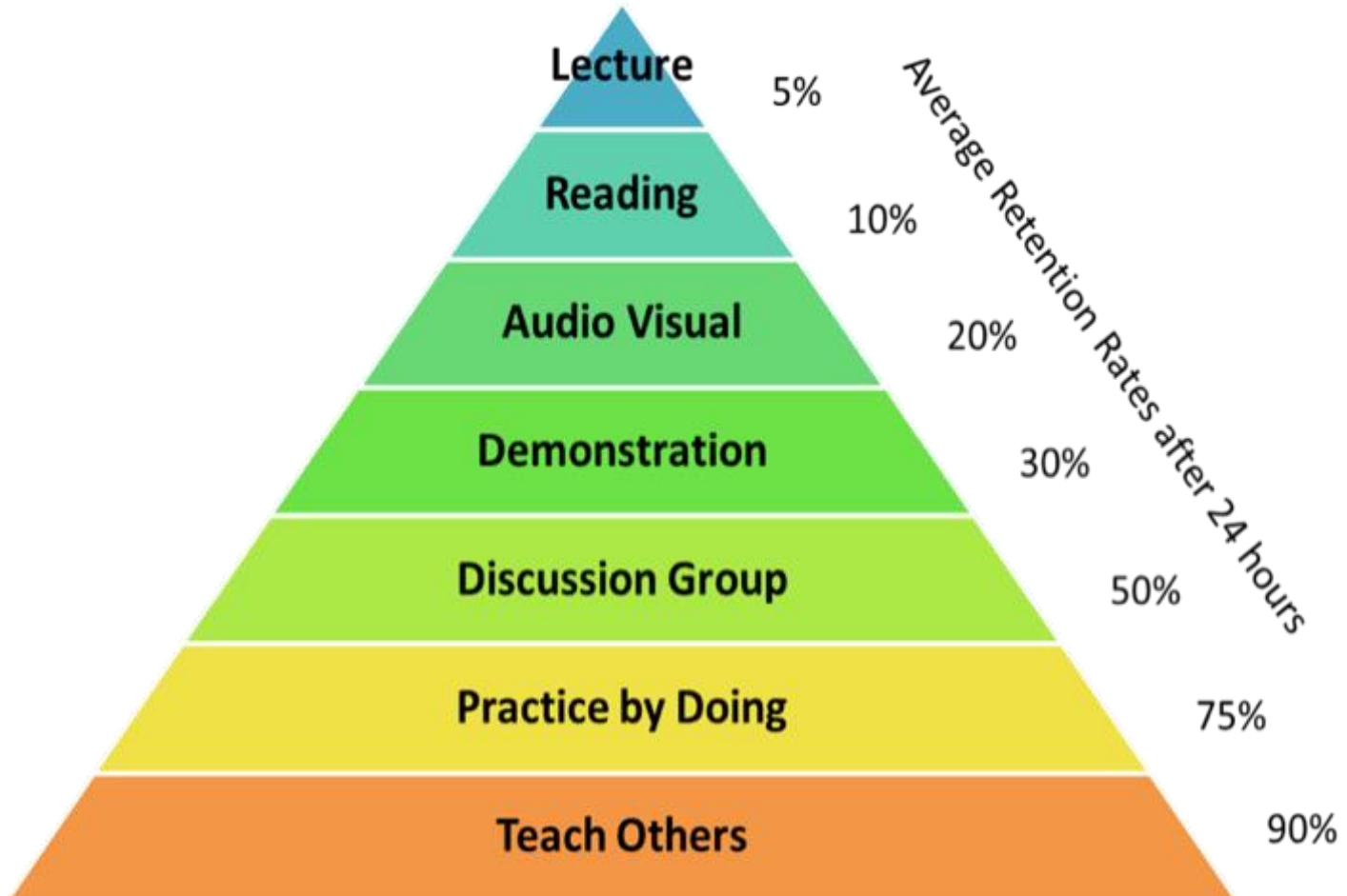
- Financial Management



- Presentation Skills



CAPSIM Business Simulations



PARTNERS

I amsterdam.
amazon



KEY ACTIVITIES



KEY RESOURCES



VALUE PROPOSITION



CLIENT RELATION



CLIENTS

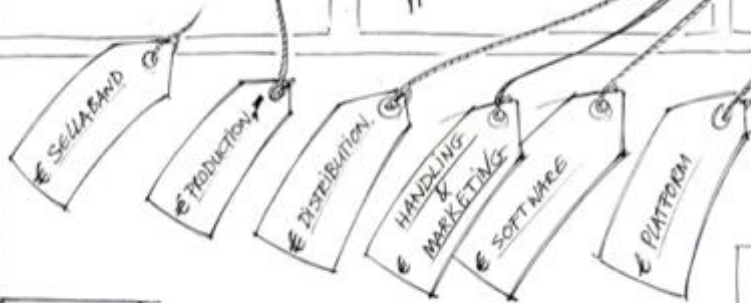


INDEPENDENT



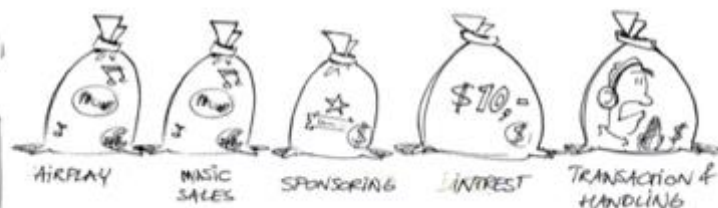
MUSIC-BUYER

COSTS



SELLABAND

REVENUE



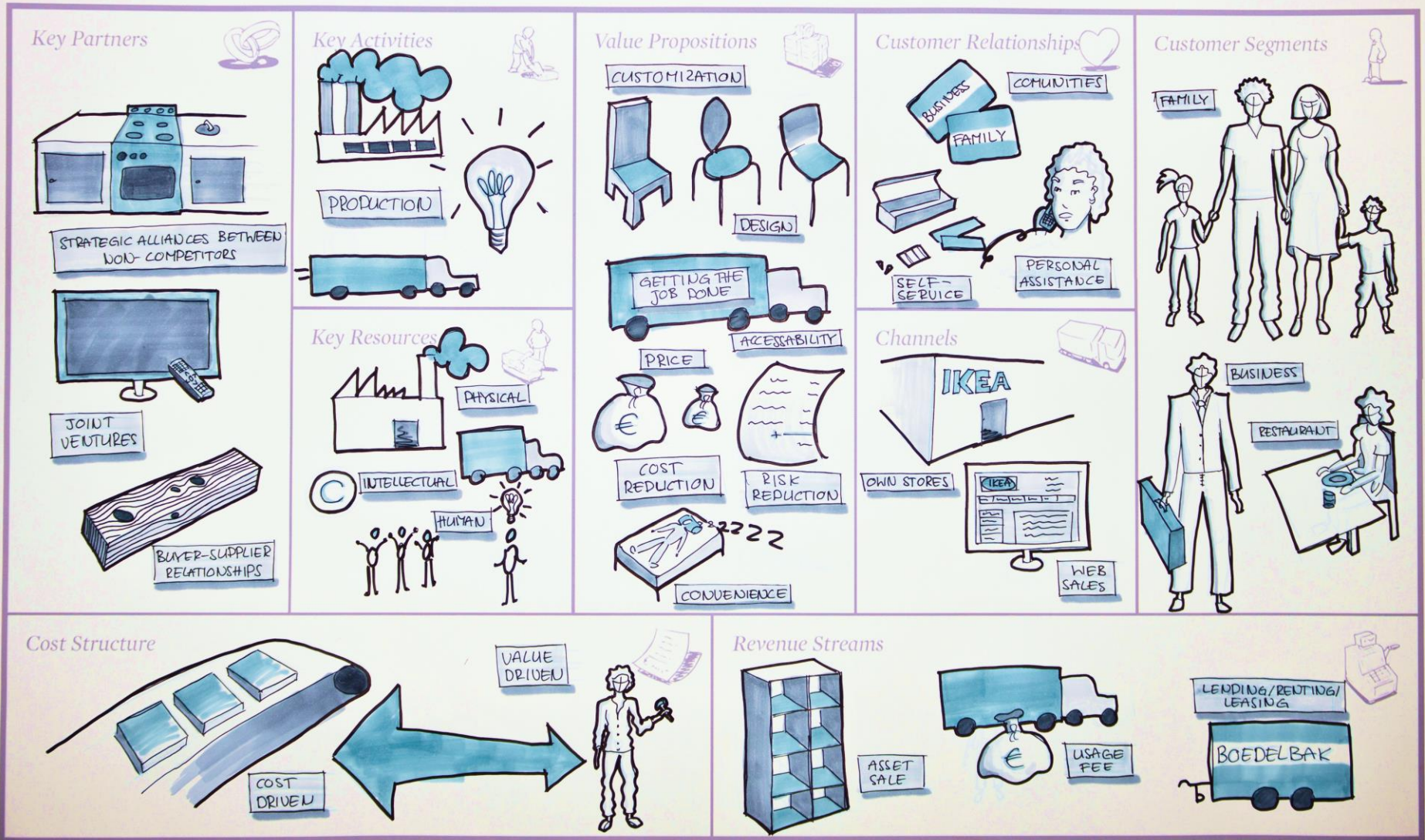
The Business Model Canvas

Designed for:

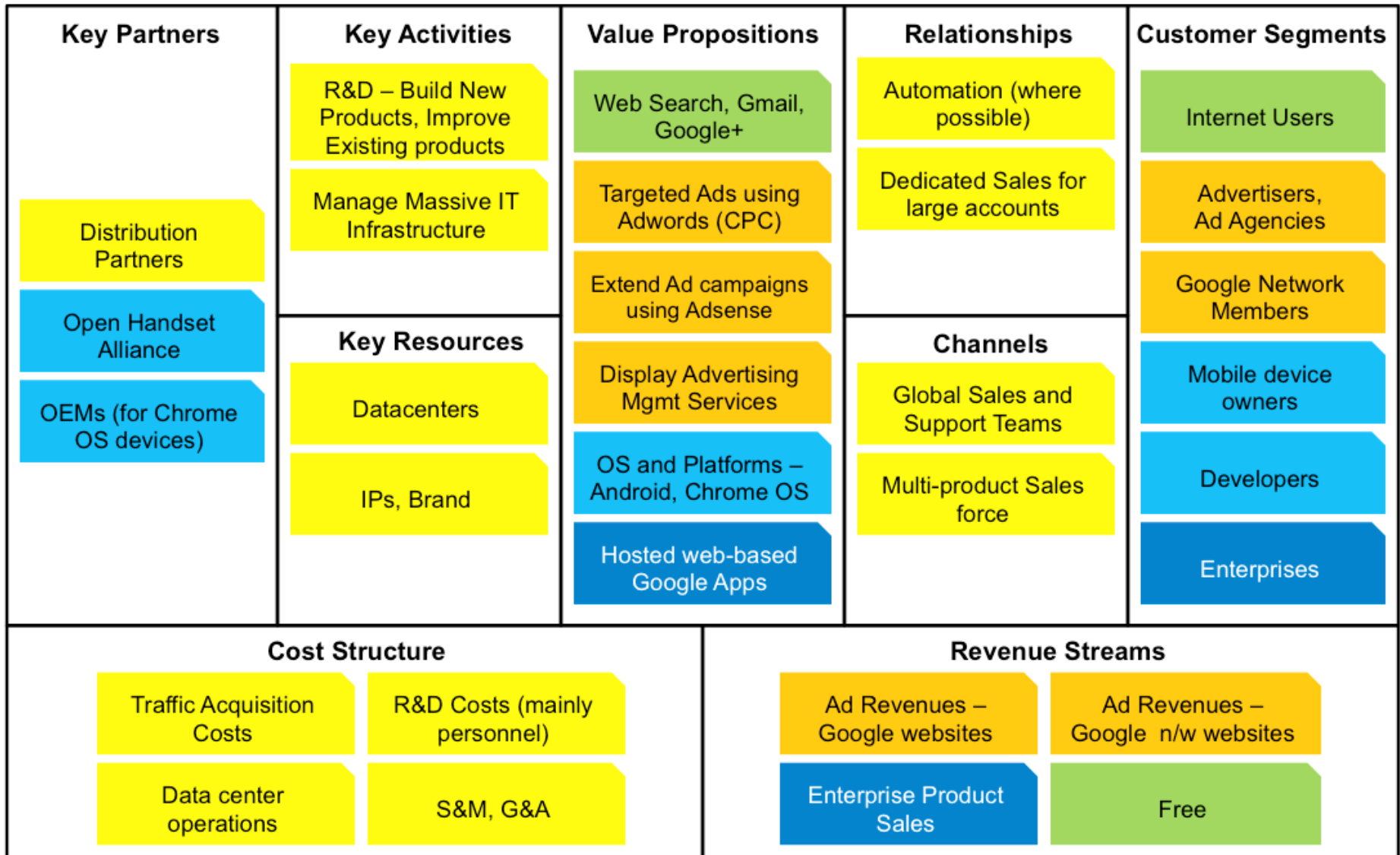
Designed by:

On:

Iteration:



Google Business Model



The Strategy Picker 3000

Strategic Plan



Strategic Plan

Strategy and Tactics differ mainly around time scale.

Strategic Plan might consist of:

- Vision or Mission Statement
- S.W.O.T. Analysis
- Tactical and Functional Area Plans



Vision & Mission

- *“Organize the world’s information and make it universally accessible and useful”*



- “To instantly connect people everywhere to what’s most important to them.”



Vision & Mission

“our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.”



“to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.”



Vision & Mission

"Man is the creator of change in this world. As such, he should be above systems and structures, and not subordinate to them."

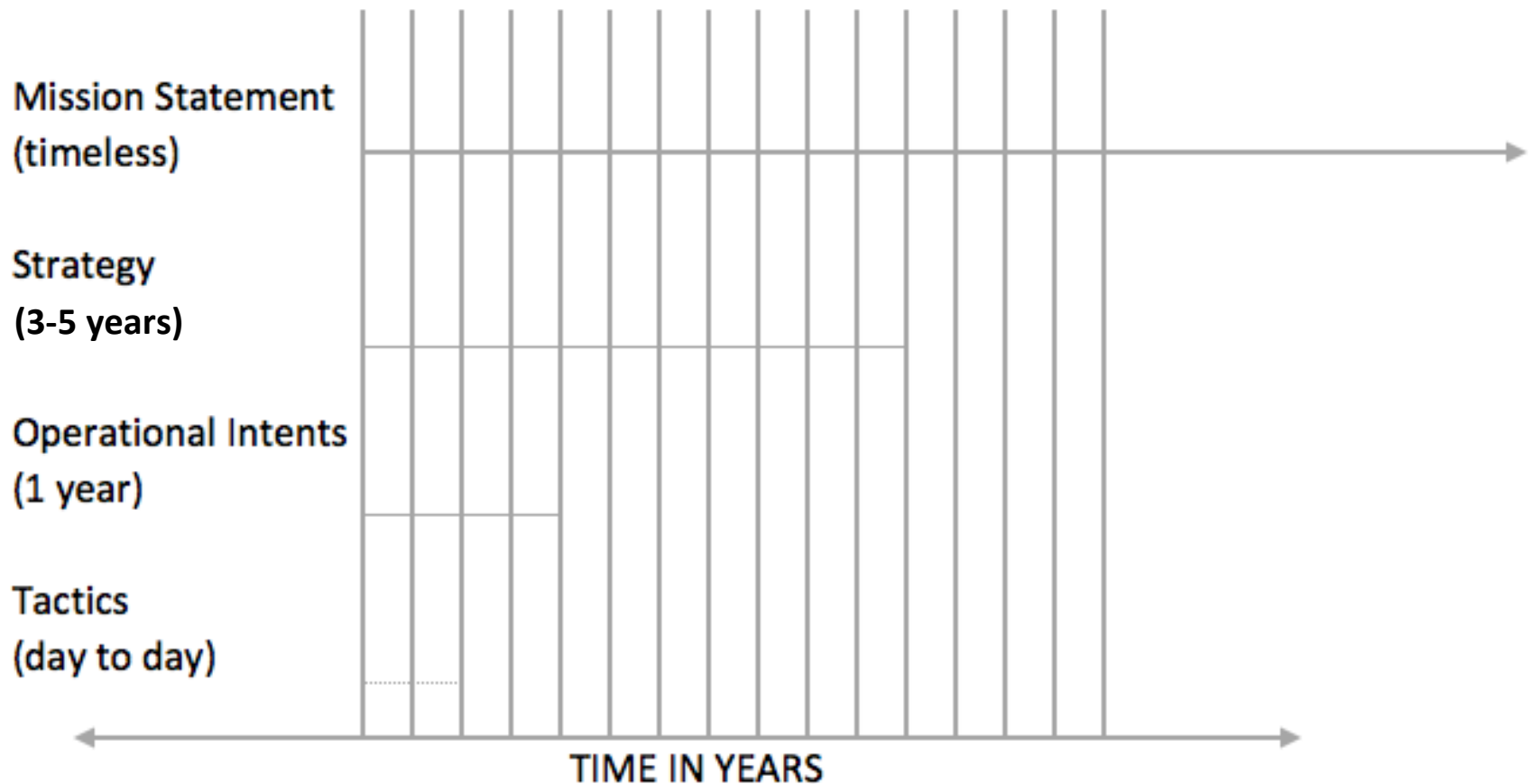


"If you cannot beat them, join them"



Strategy and Timescale

A strategy is one of four organizational time drivers



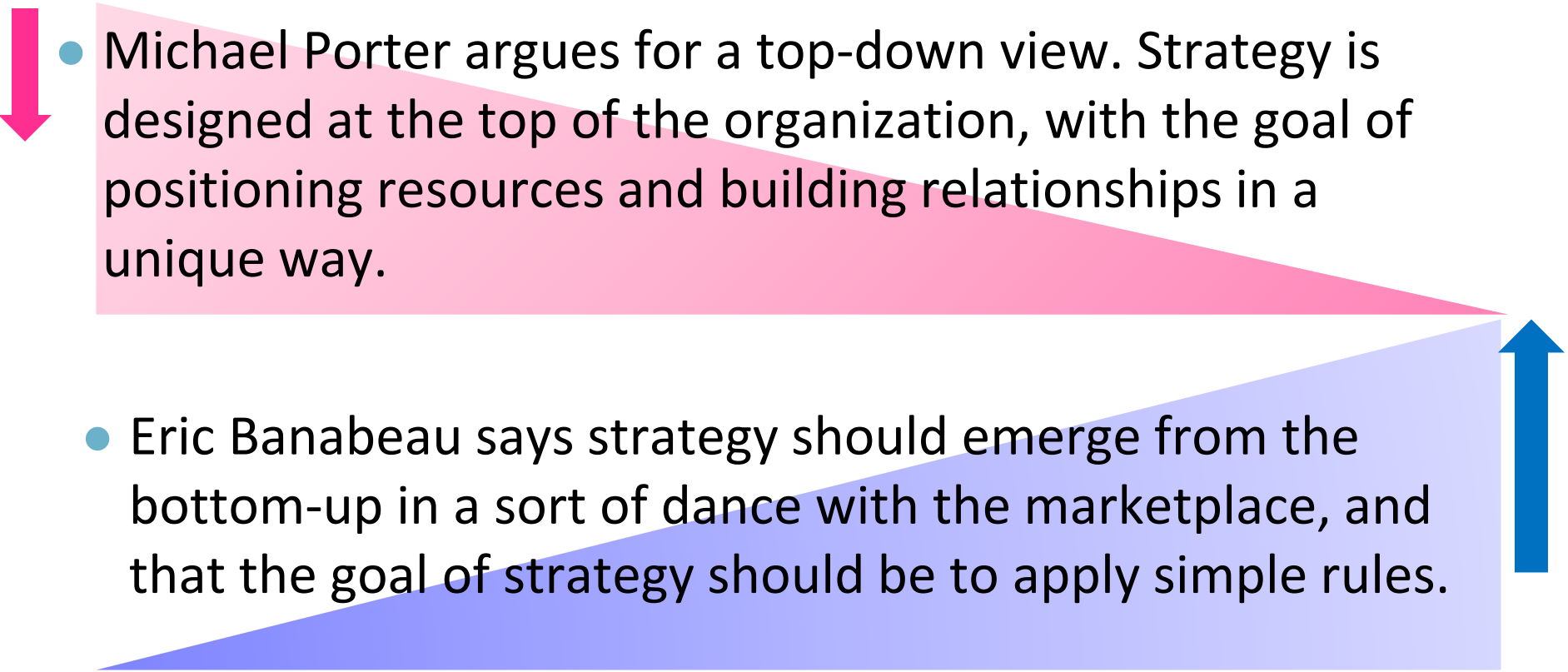
Strategy Lifecycle



- Strategies are declared in corporate mission statements
- Capstone firms may develop and execute any strategy (or none at all - though that isn't advisable). Basic strategies include:
 - Overall Cost Leader
 - Cost Leader with Focus (Low Tech or Product Life-Cycle)
 - Differentiator
 - Differentiator with Focus (High-Tech or Product Life-Cycle)

Developing Strategy

From where in the organization strategy should emerge?

- 
- Michael Porter argues for a top-down view. Strategy is designed at the top of the organization, with the goal of positioning resources and building relationships in a unique way.
 - Eric Banabeau says strategy should emerge from the bottom-up in a sort of dance with the marketplace, and that the goal of strategy should be to apply simple rules.

Approaches to Strategy

Differentiation

Customers identify products by
Brand name and Specifications

Cost / Price

Customers identify products by
Price

Niche Players

Target both Differentiation and Cost/Price for various Product
Segments

Strategies Evolve



However beautiful the strategy, you should occasionally look at the results. - Winston Churchill

Today's shift is tomorrow's nightmare

- **Poor tactics undermine a good strategy**
- **Good tactics can overcome a poor strategy**

Strategy Outside the Box*

«Top management's plans to attain outcomes consistent with the organization's missions and goals.» - Wright et al.

«A pattern, that is, consistency in behavior over time.» - Mintzberg et al.



* Slides for this section are based on «Strategy Safari» and «Managing» by Henry Mintzberg and «Management? It's Not What You Think» by Mintzberg et al

Strategy Outside the Box

- Managers are craftspeople, strategy is their clay.



Tradition of past work



Knowledge of what works



Intimate knowledge of material



Break away, embark on new

Strategy Outside the Box

Crafting strategy:

- Manage stability
- Detect discontinuity
- Manage patterns
- Create a fertile climate
- Appreciate the past

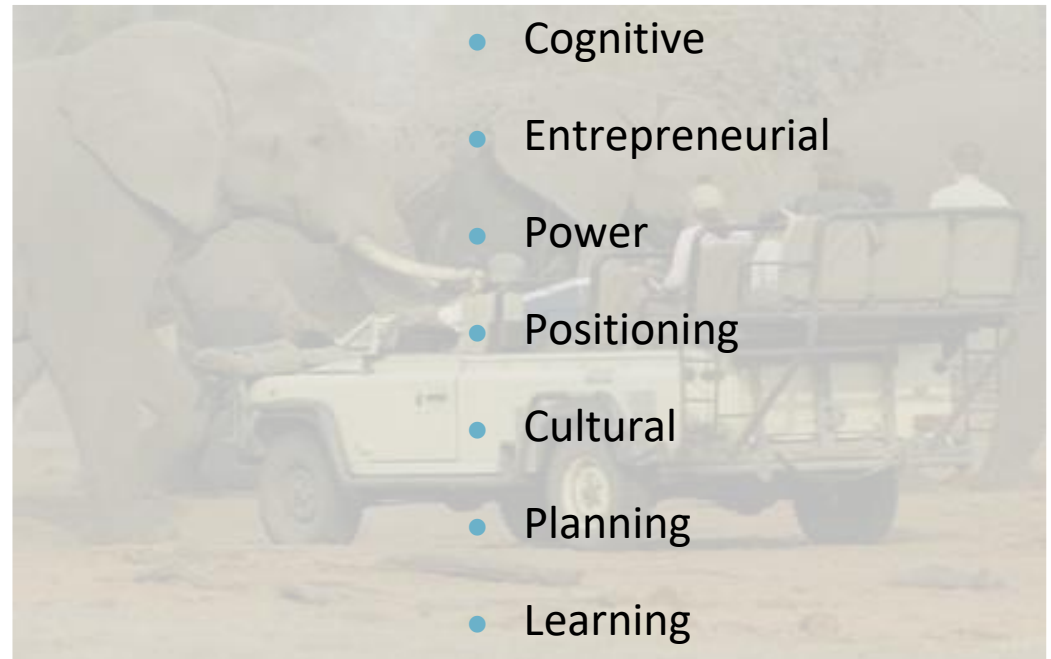
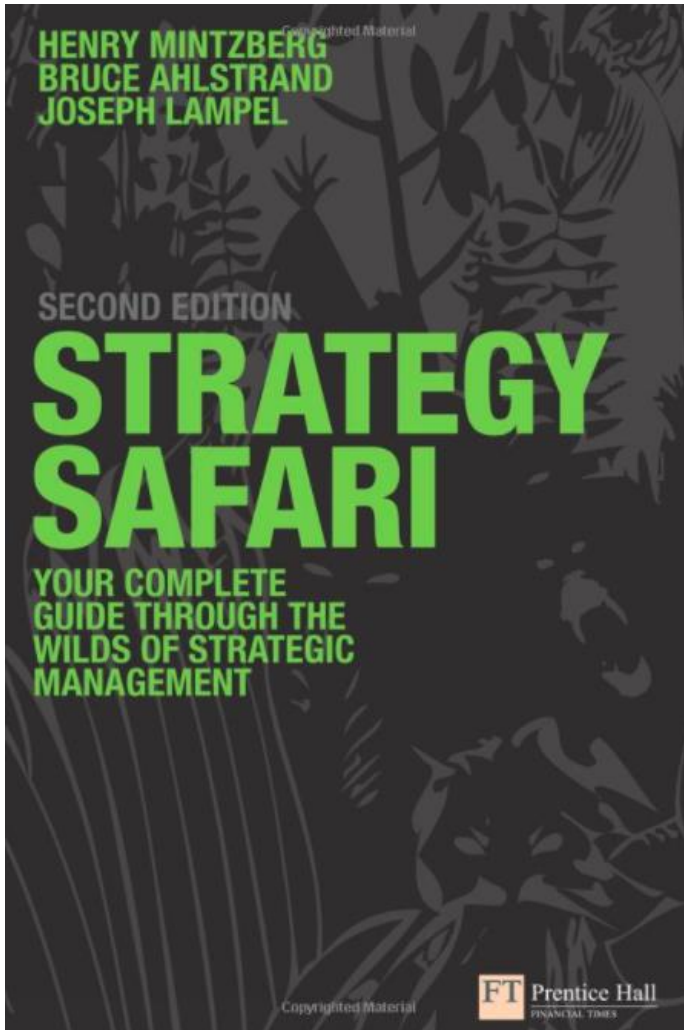


Strategy Outside the Box

«Managers may be most effective as strategists by **letting a thousand strategic flowers bloom** in their organizational gardens rather than trying to **raise their strategies in a hothouse.**»



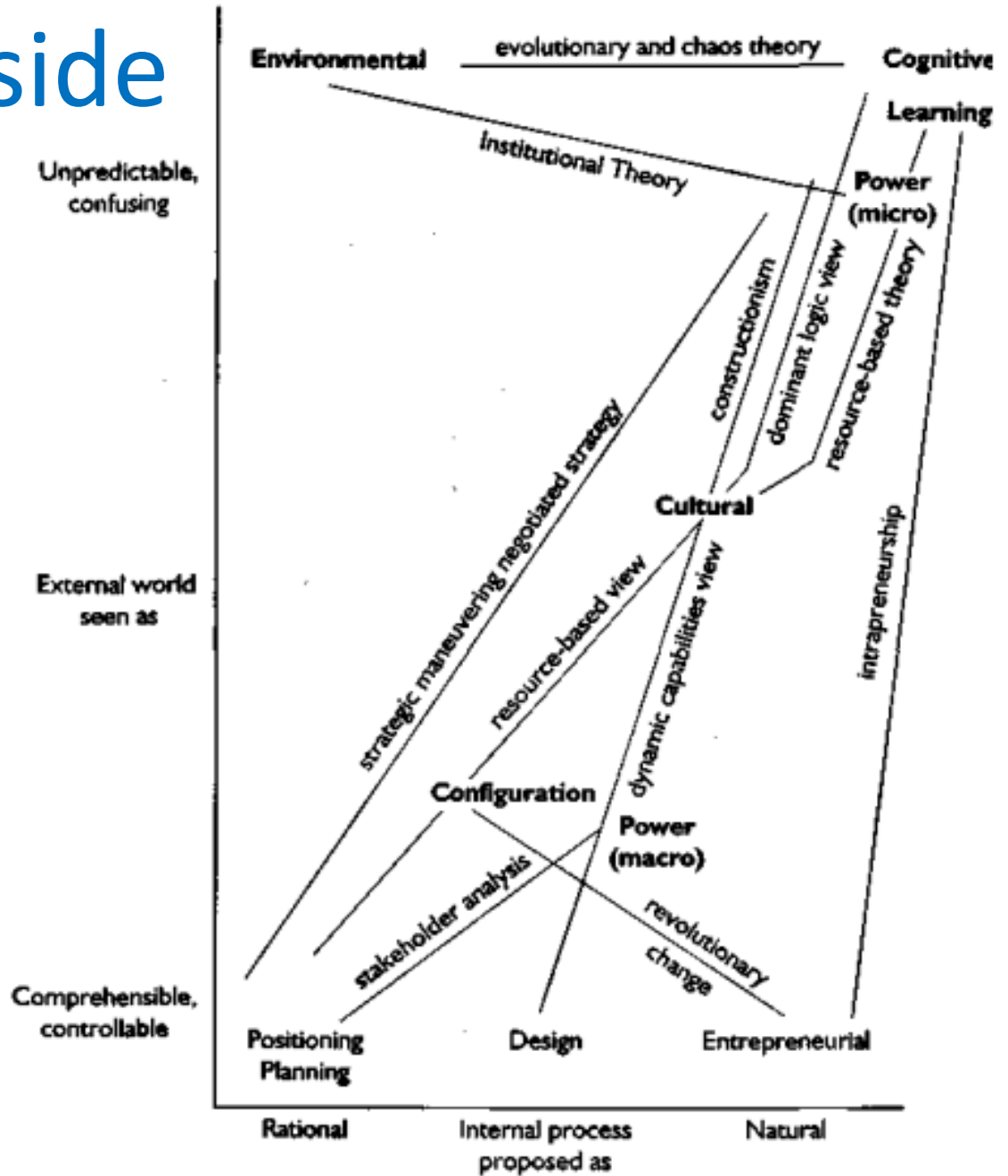
Strategy Outside the Box



- Environmental
- Cognitive
- Entrepreneurial
- Power
- Positioning
- Cultural
- Planning
- Learning
- Design
- Configuration

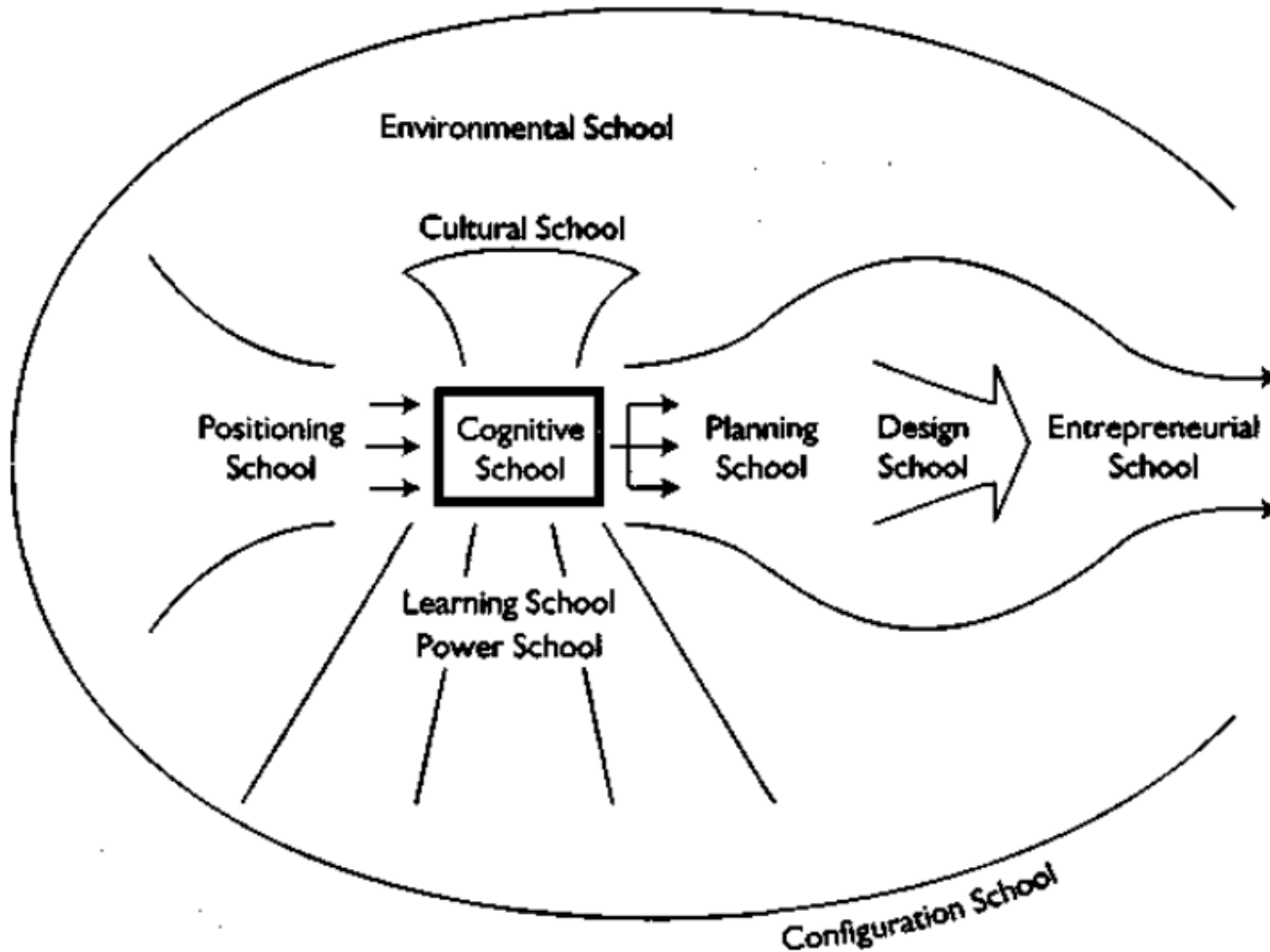
(Slideshare from Tobias Jung)

Strategy Outside the Box



Strategy Outside the Box

SPLITTING THE PROCESS*



CAPSTONE®



STRATEGIES

OVERALL COST LEADER

An overall cost leader will attempt to be the low-cost producer in every segment of the market. They will have good profit margins on *all* sales while keeping prices low for price-sensitive customers.

- Firm Profile:
 - More likely to re-position products than introduce new ones to the market
 - Capacity improvements are unlikely to be undertaken (may run overtime instead)
 - Automation may be pursued to increase margins
 - Investments will be financed with debt and/or stock issues
 - Tend to spend less on promotion and sales
 - Focus on Market Share, Profits, and Stock Price

COST LEADER WITH LOW-TECH FOCUS

A low-tech focused cost leader seeks to dominate the price sensitive market segments. Their aim is to set prices below all competitors - and still be profitable.

- Firm Profile:
 - Multiple product lines in the low-tech segments (Low & Traditional)
 - Invest heavily in automation
 - Spend heavily on advertising to cost sensitive customers (sales people have more than one product to pitch to prospects)
 - Investments financed with debt and/or stock issues
 - Focus on ROS, ROE, and Profits

COST LEADER WITH PRODUCT LIFE-CYCLE FOCUS

A product life-cycle focused cost leader will seek to minimize costs through efficiency and expertise. Products will be allowed to age and change in appeal from high-tech, to traditional, and eventually low end buyers.

- Firm Profile:

- Minimum presence in “specialty” segments (Size & Performance)
- Low R&D spending (very little re-positioning & new product every 2-3 years)
- Invest in automation *early* in the product’s life-cycle
- High spending on promotion and sales
- Focus on ROE, ROS, and Profits

DIFFERENTIATOR

A Differentiator will seek to create maximum awareness and brand equity. They want to be well known as makers of high quality/highly desirable products.

- Firm Profile:
 - High R&D spending to keep products fresh
 - Maintain a presence in all market segments
 - Spend heavily on advertising and sales to create maximum awareness and accessibility
 - Prices tend to be higher
 - Focus on Market Share, Profits, and Stock Price

DIFFERENTIATOR WITH HIGH-TECH FOCUS

A high-tech differentiator seeks to be known far and wide as the top producer of the best performing state-of-the-art products.

- Firm Profile:

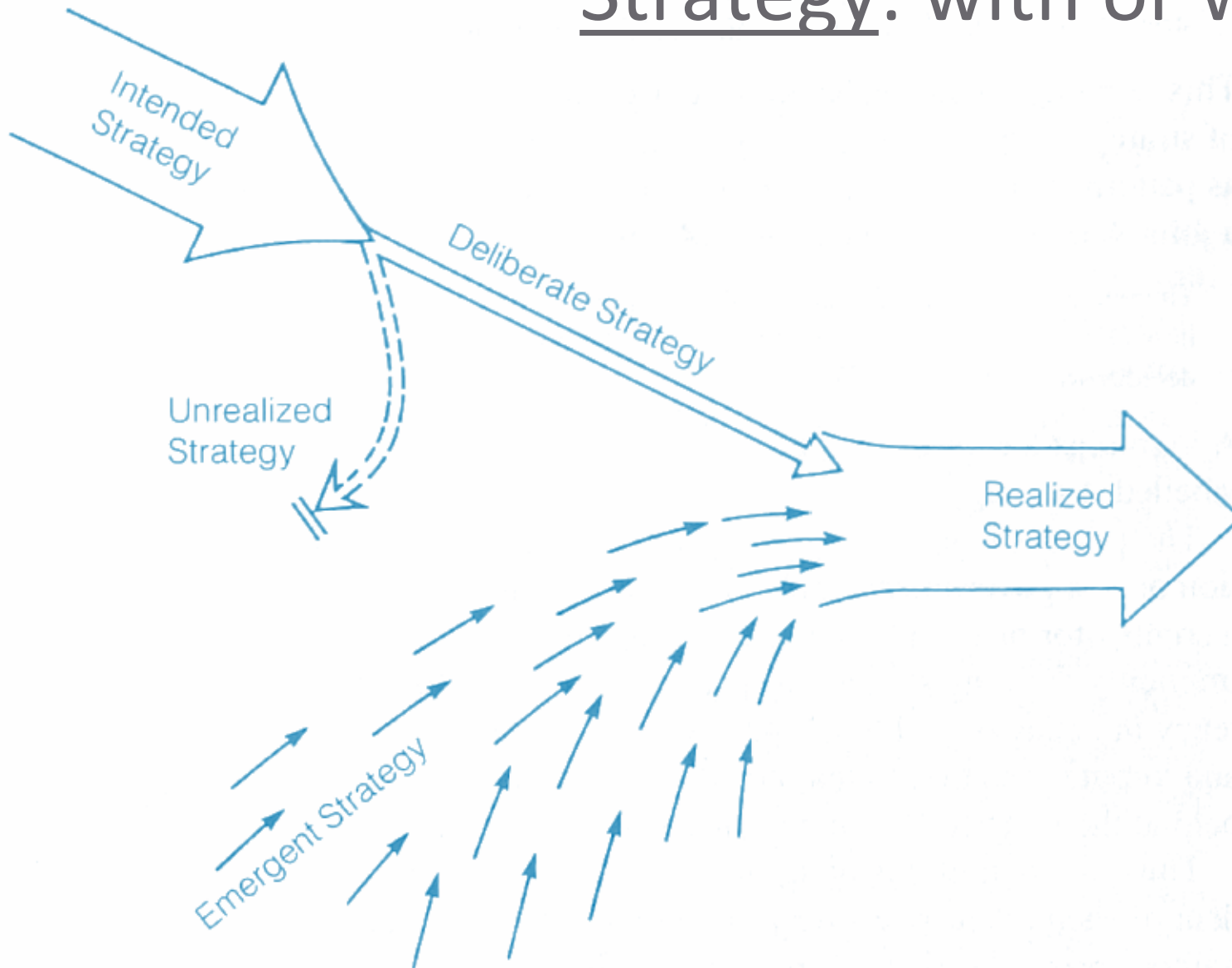
- Multiple product lines in high-tech segments (High, Performance, and Size)
- Minimum focus in other segments
- High promotion and sales investments to create maximum awareness and accessibility
- High R&D expenditures to continually introduce new product lines and keep existing products fresh
- Unlikely to invest in increased automation or production capacity
- Focus on ROA, Asset Turnover, and ROE

DIFFERENTIATOR WITH PRODUCT LIFE-CYCLE FOCUS

A product life-cycle differentiator seeks to be well-known as a top producer of good performing products in each of the targeted segments.

- Firm Profile:
 - Multiple product lines in targeted segments (High, Traditional, and Low)
 - Minimum focus in other segments
 - High promotion and sales investments to create maximum awareness and accessibility
 - High R&D expenditures to continually re-position product lines and keep products fresh
 - Unlikely to invest in increased automation or production capacity
 - Focus on ROA, Stock Price, and Asset Turnover

Strategy: with or without



From Mission to Objectives

Why do we exist as an organization? (Mission)

Where do we want this mission to take us? (Vision)

How do we transform this vision into reality? (Strategy)

What will we see if our strategy works? (Objectives)

How do we manage toward objectives? (Budgeting, Process Management, Projects, ...)

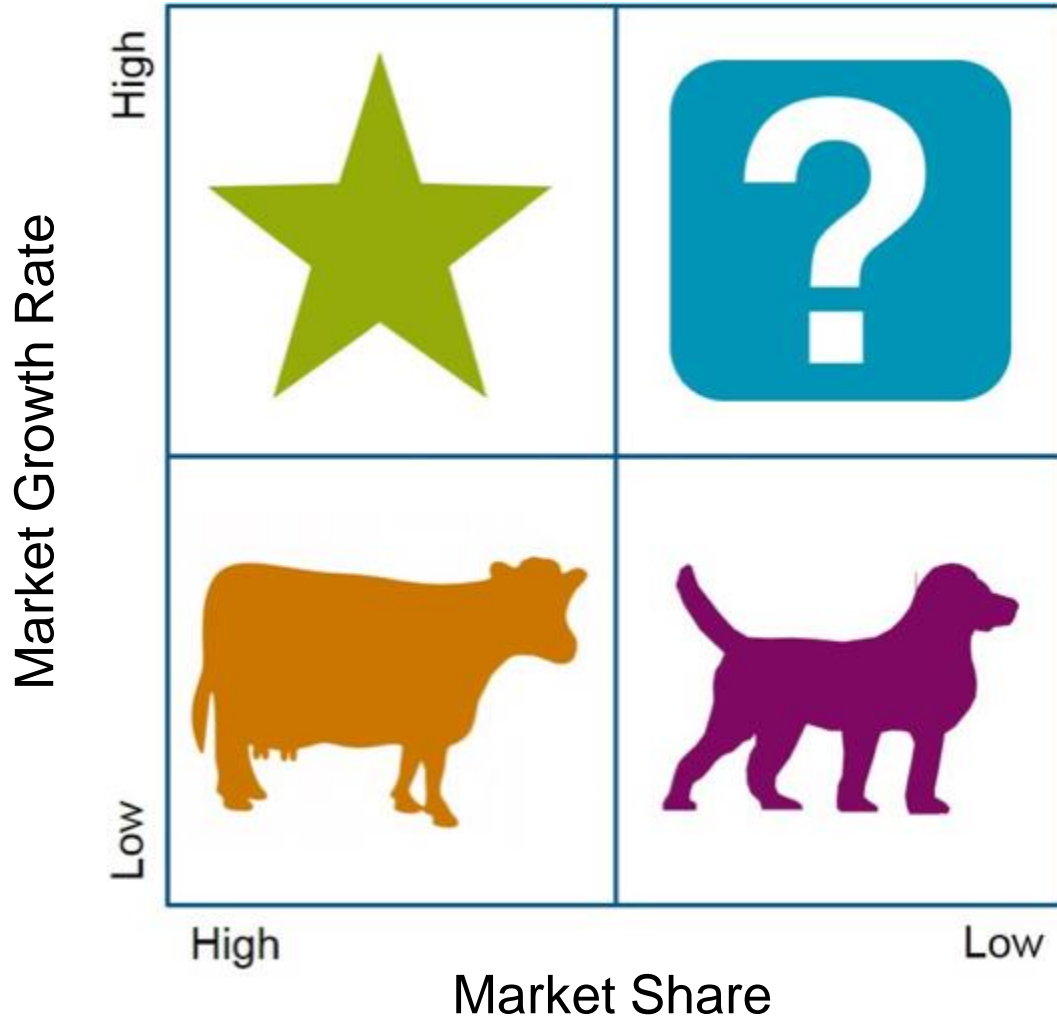
Strategic Success Factors

There is no silver bullet in strategy, each competitive environment has its own dynamic nature.

What do successful companies do for strategy?

- Planning
- Alignment
- Effective teams
- Competitive analysis
- Tactical adjustment

Strategic positioning – BCG Growth/Share Matrix



- The Boston Consulting Group Growth-Share Matrix was developed in the 1960's as a tool to assess a firm's Strategic Business Unit (SBU) or product
- Long-term success is achieved by having a mix of high-growth potential products that require lots of cash, and low-growth "cash cows" that generate the required \$\$

Financial Management

5,000
21,500
54,144
80,644
\$1,332,75

Balance Sheet

Assets

Current Assets
Cash
Acco
In

Financial Management

- Any transaction in a company impacts:
 - Company Performance
 - Company Position



- Performance and position are the keys to understanding a business's operational success.

Financial Management

- Organization Performance and Position:
 - **Income Statement**
 - Balance Sheet
- **Income Statement:**
 - Depicts performance over a period of time
 - Emphasises past performance
 - Not an indicator of future success
- **Balance Sheet:**
 - Tracks preparedness for the future
 - Shows where the organization is at a point in time
 - Identifies what assets and liabilities are available to meet challenges

Financial Management

Invoice is 90 days maturity, you will get your money in 3 months

- When is income?
- When is cash?

Income  **Cash**



Financial Management

- **Income statement :**



- **Revenues** – market value of goods and services that have been shipped or delivered to customers



- **Cost of Goods Sold (Cost of Sales)** – costs incurred to procure, build, and deliver the products
- **Selling, General, and Administrative Costs (Overhead)** – other costs to run the business (sales, marketing, accounting, legal, HR, research and development, etc .)
- **Non-operational expenses** (depreciation, taxes, etc.)

Income Statement

Income Statement Survey	Andrews	Baldwin
Sales	\$339,434	\$180,854
Variable Costs(Labor,Material,Carry)	\$201,096	\$128,966
Depreciation	\$16,301	\$8,333
SGA(R&D,Promo,Sales,Admin)	\$24,248	\$15,769
Other(Fees,Writeoffs,TQM,Bonuses)	\$9,100	\$4,131
EBIT	\$88,689	\$23,654
Interest(Short term,Long term)	\$11,224	\$13,001
Taxes	\$27,113	\$3,729
Profit Sharing	\$1,007	\$138
Net Profit	\$49,345	\$6,786

Financial Management



- Balance Sheet “bilancio”
- Shows how well the company is prepared for future
- Pictures the company on given date
- Explains the strength of company including assets, liabilities and equity.



Financial Management

Operational items effected in Balance Sheet

- **Cash** – Cash as well as any other liquid investments
- **Accounts Receivable** – What customers owe for products and services they have received
- **Inventory** – Materials, work-in-progress, finished goods, labor, other resources that went into them
- **Fixed Assets** – Property, plant, equipment, computers, patents of an organization
- **Accounts Payable** – Amount owed to creditors under basic trade terms

Non-operational items effected in Balance Sheet

Funds owners provide to get business started

Assets

Current Assests

- **Cash** 
- **Account Receivables** 
- **Inventory** 

Value Creation

Fixed Assets

- **Plant & Equipment** 

Liabilities

Current Liabilities

- **Short term** 
- **Long term**
- **Account Payables**

Others

Equity

- **Equity**
- **Capital**

Shareholders

Assets

Current Assets

- For every dollar value created, there has to be a source

• **Debt, Banks** or **Equity, Shareholder**

• *Inventory*



Fixed Assets

Payment on time

- *Plant & Equipment*

Each resource is expecting something different



Current Liabilities

• **Short term**

• **Logyan**

• **Account Payables**



Equity

• *Equity*

Profit, dividend

• *Capital*



Financial Management

3 basic concepts

- **Working Capital** – Days of Working Capital
- **EBITDA** – Earning Before Interest and Tax + Deprecitaion and Allowance
- **Leverage** –

Financial Management

- **Working Capital**– Days of Working Capital

You need cash immediately, everybody wants money and you can not sell anything....

$$\text{Days of Working Capital} = \frac{\text{Current Assets} - \text{Current Liabilities}}{\text{Daily Revenue}}$$



Financial Management

- **EBITDA** — Earning Before Interest and Tax + Depreciation and Allowance

You are assigned as CEO for a company, how would you prefer to measure your success?

- *Interest?*
- *Tax ?*
- *Depreciation ?*

Income Statement

Income Statement Survey

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Financial Management

What is depreciation?



Value of asset decreasing over time..

What if we put all investment in this year?

Cash Flow Statement Survey**Andrews****Baldwin****CashFlows from operating activities**

Net Income(Loss)

\$49,345

\$6,786

Adjustment for non-cash items:

+ Depreciation

\$16,301

\$8,333

Extraordinary gains/losses/writeoffs

\$0

\$63

Changes in current assets and liabilities

Accounts payable

\$1,032

(\$5,802)

Inventory

\$6,302

\$66,051

Accounts Receivable

(\$5,182)

(\$8,771)

➔ Net cash from operations

\$67,799

\$66,661

Cash flows from investing activities

➔ Plant improvements(net)

(\$42,000)

\$19

Cash flows from financing activities

Dividends paid

(\$10,729)

\$0

Sales of common stock

\$1,000

\$15,000

Purchase of common stock

\$0

\$0

➔ Cash from long term debt issued

\$41,000

\$66,349

Early retirement of long term debt

\$0

\$0

Retirement of current debt

(\$20,850)

(\$147,110)

Cash from current debt borrowing

\$0

\$14,674

Cash from emergency loan

\$0

\$0

Net cash from financing activities

\$10,421

(\$51,088)

Net change in cash position

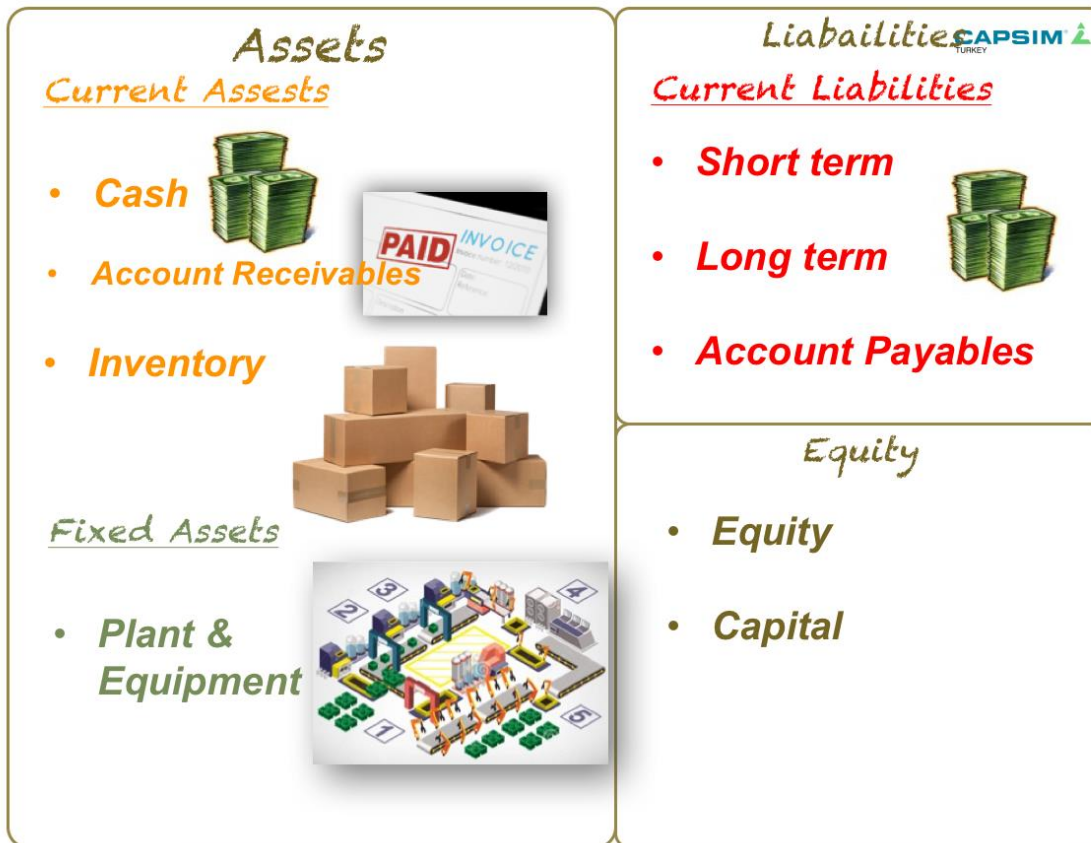
\$36,220

\$15,593

Cash Flow Statement

Financial Management

- Leverage – ratio**



$$L = \text{Assets} / \text{Equity}$$

$$L = \text{Assets} / \text{Liability}$$

$$L = \text{Equity} / \text{Liability}$$

Financial Management

INCOME STATEMENT	USD	%
Revenue	630.000	100.0%
COGS	260.000	41.3%
Gross Margin (Revenue-COGS)	370.000	58.7%
SG&A (Sales General & Admin	170.000	27.0%
Profit (Gross Margin - SG&A)	200.000	31.7%

Financial Management

BALANCE SHEET

		Per 1USD Rev			Per 1USD Rev
Cash	450.000	0,71 TL	Debt	220.000	0,35 TL
Accounts Receivable	250.000	0,40 TL			
Inventory	220.000	0,35 TL			
Current Assets	920.000	1,46 TL	Total Liabilities	220.000	0,35 TL
Fixed Assets	500.000	0,79 TL	Equity	1.200.000	1,90 TL
Total Assets	1.420.000	2,25 TL	Liabilities+Equity	1.420.000	2,25 TL

What if our debt is 1.220,000 TL instead of 220,000 TL ?

Financial Management

BALANCE SHEET RATIOS

LIQUIDITY (LİKİDİTE)

CURRENT RATIO (CARI ORAN)
Current Assets / Current Liabilities
Generally accepted value: 2 to 1

Ferris 2,19

ACID TEST (ASİT TEST ORANI)
(Cash+Receivables) / Current Liabilities
Generally accepted value: 1 to 1

Ferris 1,78

LEVERAGE (KALDIRAÇ)

ASSETS/EQUITY (VARLIK/ÖZSERMAYE)
Generally accepted value: 2 to 1

Ferris 1,92

WORKING CAPITAL (İŞLETME SERMAYESİ)

WORKING CAPITAL (İŞLETME SERMAYESİ)
Total Current Assets - Total Current Liabilities

Ferris \$ 7.562

Annual sales \$ 44.643

Sales / day 122

Days of Working Capital 62

Financial Management

FERRIS INCOME STATEMENT FOR YEAR ENDED 31.12.2012

INCOME STATEMENT RATIOS

			%	
Sales (Ciro)	\$	44.643	100%	
Cost of Good Sold (Satılan Malın Maliyeti)				
Variable Costs (Değişken Maliyetler)	\$	32.920	74%	
Depreciation (Amortisman)	\$	1.133	3%	
Total COGS	\$	34.053	76%	
Gross Margin (Brüt Kar)	\$	10.590	24%	GROSS MARGIN= (SALES - COGS) / SALES
SG&A (Satış Genel ve İdari Giderler)		4324	10%	
Diğer	\$	21	0%	
EBIT (Vergi ve Faiz Öncesi Kar)	\$	6.245	14%	EBITDA = EBIT + DEPRECIATION ALLOWENCE
Interest (Faiz)	\$	999	2%	
Taxes (Vergi)	\$	1.836	4%	
Profit sharing	\$	68	0%	
Net Profit (Net Kar)	\$	3.342	7%	NET PROFIT MARGIN= EBT / SALES
				12% Ferris Net Profit Margin
EBITDA	\$	7.378	17%	

Financial Management

MANAGEMENT RATIOS

INVENTORY TURNOVER (STOK DÖNÜŞ HIZI)

Net Sales / Average Inventory at cost	
Ferris beginning inventory	\$ 2.353
Ferris ending inventory	\$ 2.617
Ferris sales	\$ 44.643
Ferris Inventory Turnover	4,49

RECEIVABLE TURNOVER (ALACAK DÖNÜŞ HIZI)	
Daily credit sales (net credit sales per year /365)	
AR turnover = Accounts receivable/daily credit sales	
Ferris beginning AR	\$ 3.353
Ferris ending AR	\$ 3.669
Ferris sales	\$ 44.643
Ferris Receivable Turnover	3,18

Financial Management

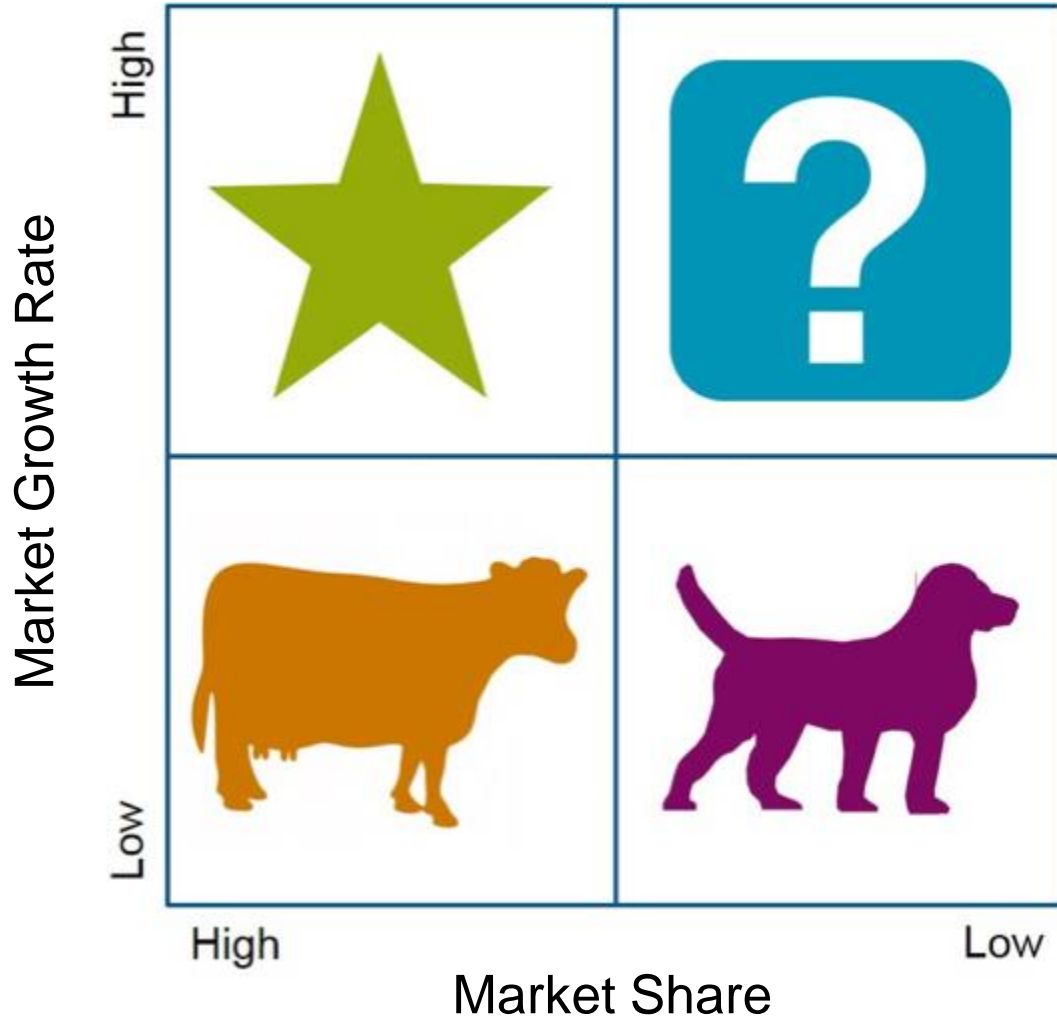
FERRIS BALANCE SHEET - 31 12 2012

ASSETS (VARLIK/AKTİF)		LIABILITIES (PASİF)	
Cash (Nakit)	\$ 7.646	Accounts Payable (Ticari Borçlar)	\$ 2.702
Accounts Receivable (Alacaklar)	\$ 3.669	Current Debt (Kısa Vadeli Borçlar)	\$ 3.668
Inventory (Stok)	\$ 2.617	Total Current Liabilities (Kısa Vadeli Borçlar Toplamı)	\$ 6.370
Total Current Assets (Kısa Vadeli Varlık Toplamı)	\$ 13.932	Long Term Debt (Uzun Vadeli Borçlar)	\$ 5.625
		Total Liabilities (Borçlar Toplamı)	\$ 11.995
		OWNER'S EQUITY (ÖZSERMAYE)	
Plant and Equipment (Tesis ve Ekipman)	\$ 17.000	Common Stock (Hisse senedi)	\$ 2.323
Accumulated Depreciation (Amortisman)	\$ -5.933	Retained Earnings (Yedek Akçe)	\$ 10.681
Total Fixed Assets (Sabit Kıymet Toplamı)	\$ 11.067	Total Equity (Özsermaye Toplamı)	\$ 13.004
Total Assets (Varlık Toplamı)	\$ 24.999	Total Liabilities and Owner's Equity (Pasif Toplam)	\$ 24.999



What We Have Learned

Strategic positioning – BCG Growth/Share Matrix



- The Boston Consulting Group Growth-Share Matrix was developed in the 1960's as a tool to assess a firm's Strategic Business Unit (SBU) or product
- Long-term success is achieved by having a mix of high-growth potential products that require lots of cash, and low-growth "cash cows" that generate the required \$\$

I don't want to believe.
I want to know.

Carl Sagan

CAPSIM Business Simulations

WHAT WE HAVE LEARNED

Strategy



CAPSIM Business Simulations

- WHAT WE HAVE LEARNED : **Strategy**
 - Strategy and Tactics are not the same
 - Early bird grabs the worm
 - Consistent strategy wins
 - Changing direction hurts (sometimes necessary)
 - You are either a leader or a follower
 - Market share, Profit, Cash, Sustainability do not improve concurrently
 - Errors are unavoidable (but do not repeat them)
 - Each industry has its own peculiarities
 - Product Strategy matters as much as Corporate Strategy
 - Boston Matrix

CAPSIM Business Simulations

- WHAT WE HAVE LEARNED : Financial Statements
 - Balance Sheet shows “position”, Income Statement shows “performance”
 - You cannot go to Hawaii on profit, cash is king
 - “Working Capital” management is cash management
 - Current Assets – Current Liabilities
 - “Leverage” shows whose money we are using more
 - Capstone: Assets / Equity (3)
 - Debt/Equity (2)

CAPSIM Business Simulations

- WHAT WE HAVE LEARNED – Market Reality
 - R&D, Marketing, Sales, Finance, Production are intimately intertwined
 - There are upsides and downsides to Debt vs Equity financing
 - Market conditions
 - Company strength – finance and innovation
 - People matter (consumers, employees, customers, suppliers ...)
 - Invest in the future NOW or it's too late
 - Flexibility counts; contingency plans are essential (competition is just as smart)

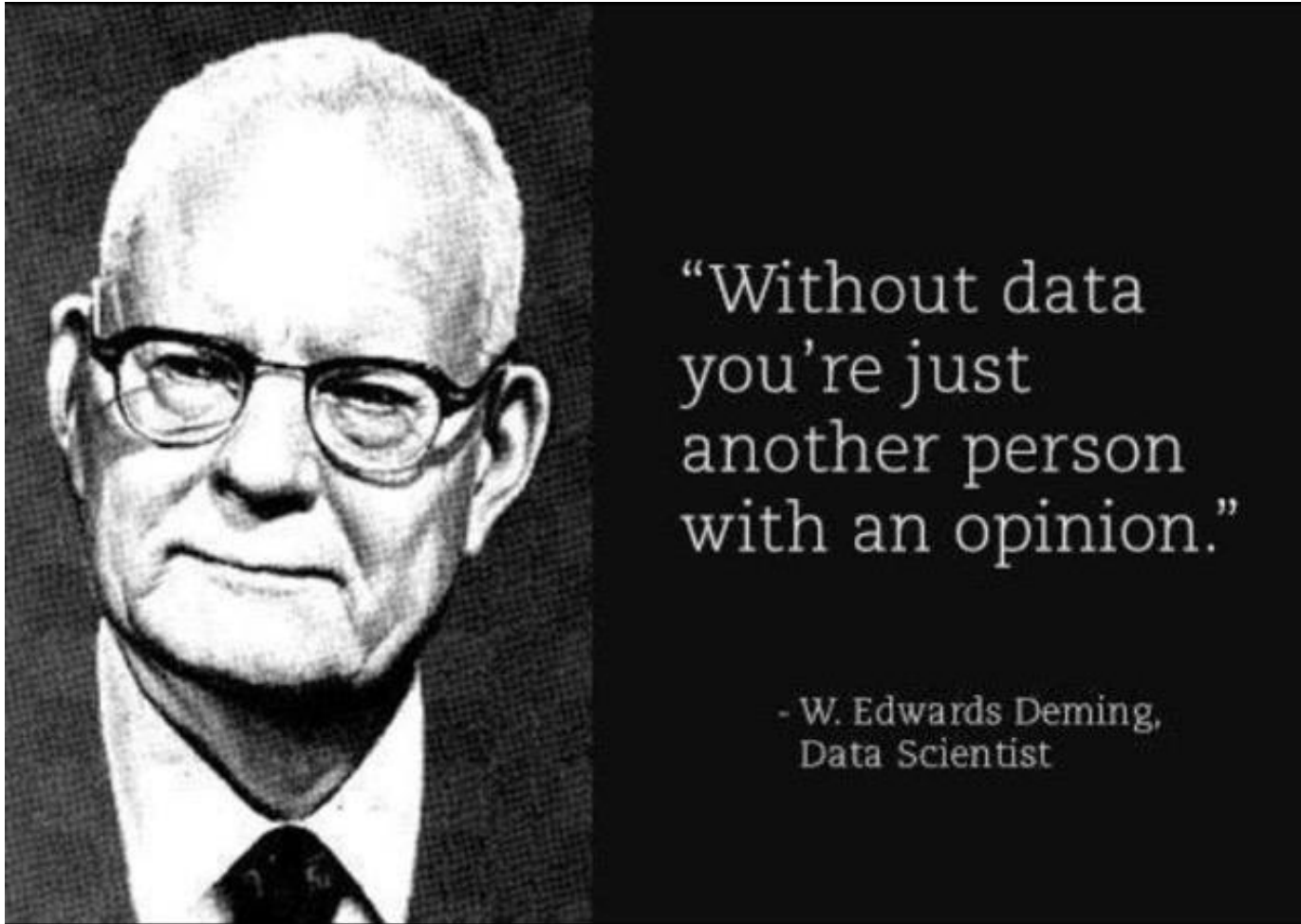
CAPSIM Business Simulations

- WHAT WE HAVE LEARNED – Decision Making (Simulated AND Real life)
 - Work alternative scenarios!
 - Try different tactics
 - Run worst case scenario
 - Align Sales Planning and Production Scheduling
 - Use budgeting and decision-making tools (Pro-forma statements)

CAPSIM Business Simulations

- Is it luck? Is it effort? Is it business savvy?
- Does “doing your homework” count? Or is it all intuition?

CAPSIM Business Simulations





Presentation – Best Practices

Presentation – Best Practices

“Promote your brand, your company, your team...
In this order!”

- 7 bullets per slide
- Fewer data is better,
pick the right data points
- Positive demeanor makes
all the difference
- Be “genuine”, do not hide behind
numbers or convictions
- Welcome criticism
- Convey team spirit and commitment
- No calculations!
- Own your mistakes



Presentation Evaluation

- **Functionality** (Warren Buffet litmus test)
 - Is the product right?
 - Are the people right?
- **Flow**
 - Consistent and interesting
 - Story of learning and growth
- **Content and Quality** of data
- **Timing** – 10 minutes is 10 minutes

Bonus points:

- Presentation skills
 - “Promote your brand, your company, your team...”
 - Demeanor
 - Team spirit
 - Q&A performance
 - Facing criticism

