



CAREER CLUSTER
Finance

CAREER PATHWAY
Corporate Finance

INSTRUCTIONAL AREA
Professional Development

BUSINESS FINANCE SERIES EVENT

PARTICIPANT INSTRUCTIONS

PROCEDURES

1. The event will be presented to you through your reading of these instructions, including the Performance Indicators and Event Situation. You will have up to 10 minutes to review this information to determine how you will handle the role-play situation and demonstrate the performance indicators of this event. During the preparation period, you may make notes to use during the role-play situation.
2. You will have up to 10 minutes to role-play your situation with a judge (you may have more than one judge).
3. You will be evaluated on how well you meet the performance indicators of this event.
4. Turn in all your notes and event materials when you have completed the role-play.

PERFORMANCE INDICATORS

1. Identify company's brand promise.
2. Explain how value is created for a company.
3. Explain career opportunities in entrepreneurship.
4. Describe the functions of prices in markets.
5. Make decisions.

EVENT SITUATION

You are to assume the role of finance director at GAME TIME SYSTEMS INC., corporate parent of the *Shenanigans* restaurant chain. The president (judge) has asked you to evaluate franchising as a method to finance expansion.

GAME TIME SYSTEMS INC. was launched in 2005 with the establishment of *Shenanigans*, a sports-themed restaurant. While the menu features ribs, wings, appetizers and sandwiches; the primary attractions are the sports memorabilia, dozens of flat screen televisions, traditional games such as billiards and the latest high-tech electronic entertainment.

The first *Shenanigans* was an instant success and within five years, an additional four restaurants were opened. Last year, the five *Shenanigans* restaurants combined to generate \$16.4 million in revenue. The president is strongly considering adding more *Shenanigans* locations by selling qualified investors franchise rights to operate their own *Shenanigans*.

The company's top priority in franchising is to protect the *Shenanigans* brand by reducing the failure rate of franchisees. Failure rates for bar/restaurant franchises similar to *Shenanigans* average 18%. The second priority is to grow the revenue and earnings of GAME TIME SYSTEMS.

Investor fees and capital requirements for the two franchise options:

	<u>Option A</u>	<u>Option B</u>	<u>Industry Ave</u>
Franchise fee	\$55,000	\$40,000	\$40,000
Royalty fee	4.2% of sales	3.8%	4.6%
Advertising fee	1.9% of sales	1.5%	1.7%
Minimum net worth required of investor	\$2.7 million	\$1.6 million	\$1.1 million

The president has requested a meeting with you to obtain your analysis of the two franchise options and offer a recommendation. Specifically:

- Evaluate the options given the goals of protecting the *Shenanigans* brand and growing corporate revenue and earnings.
- Determine the option which appears more favorable to potential investors/entrepreneurs.
- If GAME TIME SYSTEMS decides to franchise, which option would you recommend and why?

You will present to the president in a role-play to take place in the president's office. The president will begin the role-play by greeting you and asking to hear your ideas. After you have presented and have answered the president's questions, the president will conclude the role-play by thanking you for your work.

JUDGE'S INSTRUCTIONS

DIRECTIONS, PROCEDURES AND JUDGE'S ROLE

In preparation for this event, you should review the following information with your event manager and other judges:

1. Procedures
2. Performance Indicators
3. Event Situation
4. Judge Role-play Characterization
Participants may conduct a slightly different type of meeting and/or discussion with you each time; however, it is important that the information you provide and the questions you ask be uniform for every participant.
5. Judge's Evaluation Instructions
6. Judge's Evaluation Form
Please use a critical and consistent eye in rating each participant.

JUDGE ROLE-PLAY CHARACTERIZATION

You are to assume the role of president of GAME TIME SYSTEMS INC., corporate parent of the *Shenanigans* restaurant chain. You have asked your finance director to evaluate franchising as a method to finance expansion.

GAME TIME SYSTEMS INC. was launched in 2005 with the establishment of *Shenanigans*, a sports-themed restaurant. The first *Shenanigans* was an instant success and within five years, an additional four restaurants were opened. Last year, the five *Shenanigans* restaurants combined to generate \$16.4 million in revenue. You are strongly considering adding more *Shenanigans* locations by selling qualified investors franchise rights to operate their own *Shenanigans*.

The company's top priority in franchising is to protect the *Shenanigans* brand by reducing the failure rate of franchisees. Failure rates for bar/restaurant franchises similar to *Shenanigans* average 18%. The second priority is to grow the revenue and earnings of GAME TIME SYSTEMS.

Investor fees and capital requirements for the two franchise options:

	<u>Option A</u>	<u>Option B</u>	<u>Industry Ave</u>
Franchise fee	\$55,000	\$40,000	\$40,000
Royalty fee	4.2% of sales	3.8%	4.6%
Advertising fee	1.9% of sales	1.5%	1.7%
Minimum net worth required of investor	\$2.7 million	\$1.6 million	\$1.1 million (wwwfranchise.org)

You have requested a meeting with the finance director to obtain his/her analysis of the two franchise options and offer a recommendation. Specifically:

- Evaluate the options given the goals of protecting the *Shenanigans* brand and growing corporate revenue and earnings.
- Determine the option which appears more favorable to potential investors/entrepreneurs.
- If GAME TIME SYSTEMS decides to franchise, which option would you recommend and why?

Calculations the participant might utilize:

Average yearly sales per location: \$16.4 million / 5 restaurants = \$3.28 million

Investor Costs of Option A:

Franchise Fee	\$ 55,000
Royalty Fee (\$3.28 million sales x 4.2%)	137,760
<u>Advertising Fee (\$3.28 million sales x 1.9%)</u>	<u>62,320</u>
First year cost of one franchise	\$ 255,080

Investor Costs of Option B:

Franchise Fee	\$ 40,000
Royalty Fee (\$3.28 million sales x 3.8%)	124,640
<u>Advertising Fee (\$3.28 million sales x 1.5%)</u>	<u>49,200</u>
First year cost of one franchise	\$ 213,840

Protection of the *Shenanigans* brand is closely linked to franchise failure rate. Franchises that require big money to open, don't fail as often as inexpensive ones. The higher the upfront investment is the lower the failure rate. (Marko Grunhagen, professor of entrepreneurship, Eastern Illinois University; 2010)

The finance director will present to you in a role-play to take place in your office. You will begin the role-play by greeting the finance director and asking to hear about his/her ideas.

During the course of the role-play you are to ask the following questions of each participant:

1. What do you believe is the biggest risk that *Shenanigans* faces because of franchising and why?
2. How should we go about trying to recruit potential investors/franchisees?

Once the finance director has presented and has answered your questions, you will conclude the role-play by thanking the finance director for the work.

You are not to make any comments after the event is over except to thank the participant.

JUDGE'S EVALUATION INSTRUCTIONS

Evaluation Form Information

The participants are to be evaluated on their ability to perform the specific performance indicators stated on the cover sheet of this event and restated on the Judge's Evaluation Form. Although you may see other performance indicators being demonstrated by the participants, those listed in the Performance Indicators section are the critical ones you are measuring for this particular event.

Evaluation Form Interpretation

The evaluation levels listed below and the evaluation rating procedures should be discussed thoroughly with your event chairperson and the other judges to ensure complete and common understanding for judging consistency.

Level of Evaluation	Interpretation Level
Exceeds Expectations	Participant demonstrated the performance indicator in an extremely professional manner; greatly exceeds business standards; would rank in the top 10% of business personnel performing this performance indicator.
Meets Expectations	Participant demonstrated the performance indicator in an acceptable and effective manner; meets at least minimal business standards; there would be no need for additional formalized training at this time; would rank in the 70-89 th percentile of business personnel performing this performance indicator.
Below Expectations	Participant demonstrated the performance indicator with limited effectiveness; performance generally fell below minimal business standards; additional training would be required to improve knowledge, attitude and/or skills; would rank in the 50-69 th percentile of business personnel performing this performance indicator.
Little/No Value	Participant demonstrated the performance indicator with little or no effectiveness; a great deal of formal training would be needed immediately; perhaps this person should seek other employment; would rank in the 0-49 th percentile of business personnel performing this performance indicator.

JUDGE'S EVALUATION FORM
BFS
SAMPLE EVENT

DID THE PARTICIPANT:

1. Identify company's brand promise?

Little/No Value

0, 1, 2, 3, 4, 5

Attempts at identifying company's brand promise were weak or inadequate.

Below Expectations

6, 7, 8, 9, 10, 11

Adequately identified company's brand promise.

Meets Expectations

12, 13, 14, 15

Effectively identified company's brand promise.

Exceeds Expectations

16, 17, 18

Very effectively identified company's brand promise.

2. Explain how value is created for a company?

Little/No Value

0, 1, 2, 3, 4, 5

Attempts at explaining how value is created for a company were weak or inadequate.

Below Expectations

6, 7, 8, 9, 10, 11

Adequately explained how value is created for a company.

Meets Expectations

12, 13, 14, 15

Effectively explained how value is created for a company.

Exceeds Expectations

16, 17, 18

Very effectively explained how value is created for a company.

3. Explain career opportunities in entrepreneurship?

Little/No Value

0, 1, 2, 3, 4, 5

Attempts at explaining career opportunities in entrepreneurship were weak or inadequate.

Below Expectations

6, 7, 8, 9, 10, 11

Adequately explained career opportunities in entrepreneurship.

Meets Expectations

12, 13, 14, 15

Effectively explained career opportunities in entrepreneurship.

Exceeds Expectations

16, 17, 18

Very effectively explained career opportunities in entrepreneurship.

4. Describe the functions of prices in markets?

Little/No Value

0, 1, 2, 3, 4, 5

Attempts at describing the functions of prices in markets were weak or inadequate.

Below Expectations

6, 7, 8, 9, 10, 11

Adequately described the functions of prices in markets.

Meets Expectations

12, 13, 14, 15

Effectively described the functions of prices in markets.

Exceeds Expectations

16, 17, 18

Very effectively described the functions of prices in markets.

5. Make decisions?

Little/No Value

0, 1, 2, 3, 4, 5

Attempts making decisions were weak or inadequate.

Below Expectations

6, 7, 8, 9, 10, 11

Adequately made decisions.

Meets Expectations

12, 13, 14, 15

Effectively made decisions.

Exceeds Expectations

16, 17, 18

Very effectively made decisions.

6. Overall impression and response to the judge's questions.

Little/No Value

0, 1, 2

Demonstrated few skills; could not answer the judge's questions.

Below Expectations

3, 4, 5

Demonstrated limited ability to link some skills; answered the judge's questions adequately.

Meets Expectations

6, 7, 8

Demonstrated the specified skills; answered the judge's questions effectively.

Exceeds Expectations

9, 10

Demonstrated skills confidently and professionally; answered the judge's questions very effectively and thoroughly.

Judge's Initials _____

TOTAL SCORE _____