A Business Plan for New Callaghan Industries, LLC

Scenario

At 51, Dieter Armstat was thrilled to have landed a position with New Callaghan Industries, LLC in aerospace electronics working directly for the founder and current chairman of the board, Yolet Callaghan. Dieter had over 20 years of experience in this industrial segment and over the years had slowly been making his way into his dream job of being a Vice President of Business Development for a growing manufacturing firm. Leaving behind his former middle management position at an established multi-$billion firm for a start-up like New Callaghan Industries seemed like the perfect career step for Dieter. Mr. Callaghan had brought Dieter into the company a year earlier, remarking that "we're at a critical juncture as we prepare for Venture Capital investments and between our recent product development efforts and the business plan you will prepare for us, I am sure the equity position I have in mind for you will more than make up for the tough job ahead."

And a tough job it turned out to be. New Callaghan Industries was the latest in a line of companies that the Callaghan family had started over the years. This most recent venture arose when Yolet and his father, Wallach Callaghan, had a disagreement over the way in which Wallach was running the flagship company Brighton Connectors, Ltd. Yolet had felt his technical expertise more than qualified him to take a larger leadership role in Brighton, and when this was too slow in coming, Yolet formed his own company. Yolet correctly anticipated the right talent and seed money could be lured with just his family name (family members were well known as entrepreneurs). The hiring of Dieter Armstat was a long overdue "piece of the puzzle" Yolet believed was needed to raise VC funding to launch the next phase of the venture.

Dieter was anxious for the challenge to develop a strategy for a start up where his skills were desperately needed. Although Callaghan was doing "OK" with prototypes earning $750K per year for the last 2 years, they needed to scale up operations rapidly to reach a critical mass of product sales; a $14 million investment would enable production quantity and efficiency to make the company profitable. All sales were handled by Yolet because of his relationships within the industry. Things were moving very quickly and New Callaghan Industries' most recent product offering at the Paris Air Show was very attractive to the aerospace electronics market. Companies were already asking for copies of the business plan as part of the due diligence to qualify Callaghan as a supplier. Yolet was promising delivery of parts within 10 months and suppliers believed that if he was anything like his father, Yolet would pull it off.

Now that the pressure to raise funds had reached a crisis level, Dieter began to prepare to discuss a serious strategic issue with Yolet. The growth of the company would demand competencies and staff more like that of a large manufacturing company, and the existing creative talent was less important to meeting product orders than a good operations and manufacturing team. Dieter believed a new team would need to be brought in.

With just 4 weeks to go before a meeting in Munich with a VC firm anxious to get into the growing aerospace parts market, Dieter decided to confront Yolet. "Callaghan's existing technical team does not seem to have the skills necessary to take the operation to the next level. The business plan is going to have to reflect a dramatic change in personnel and discipline to be persuasive. I've raised money before and we need to agree on this topic." Dieter now experienced Yolet Callaghan's notorious temper first-hand. "Dieter, how quickly you've forgotten that I gave you a break in the business and you benefitted from on-the-job training, too" said Yolet sharply, "and now you're claiming that some of the best engineers in Europe are incapable of learning how to produce the product they've created? The plan better show I made the right decision to hire key people away from my father's firm so their careers could grow here or possibly I'll conveniently forget the equity position we discussed last year and you can peddle your MBA-speak somewhere else."

Grand Challenge

Dieter knows what is necessary to get the job done, and is unsure if he should challenge Yolet. Only one of two choices can be made:

A. Write the business plan to accommodate the current employees, but with new job responsibilities.
B. Write the business plan identifying significantly new employee competencies that will probably be filled with new employees.

Group activity:

1. Select one of the choices above, and be prepared to use the concepts of chapter 7 in your group's defense of the selection.
2. Summarize your response using no more than 6 bullet points on a single sheet of paper (submit in your folder and please return the folder).

Figure 7.1 Building a new venture

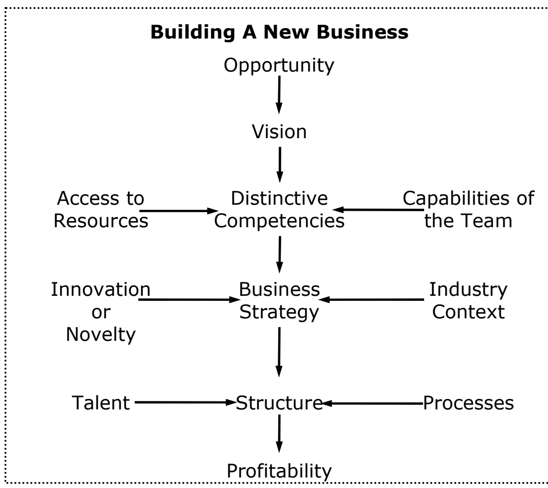

Table 7. 1 The five-step process for establishing a new venture

<u>Step</u>

1. Identify and screen opportunities. Create a vision and concept statement and build an initial core entrepreneurial team. Describe the initial ideas about the value proposition and the business model.
2. Refine the concept, determine feasibility and prepare a mission statement. Research the business idea and prepare a set of scenarios. Draft the outline of a business plan and an executive summary.
3. Prepare a complete Business Plan with a financial plan, and the legal organization suitable for the venture.
4. Determine the amount of financial, physical and human resources required. Prepare a financial model for the business and determine the necessary resources. Prepare a plan for acquiring these resources.
5. Secure the necessary resources and capabilities from investors as well as new talent and alliances. Launch the organization