

# BMGT 299: Entrepreneurship Capstone

## Final Case Study



### Final Case Study Instructions

Point Value: 50

Read the case study provided, answering each question using the objectives described through the course. You will assume the role of a business advisor and answer each question using your entrepreneurial logic.



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Instructions: Below you will find an on-going case study that requires you to act as an “Entrepreneurship Advisor” – Using the content/projects completed during this course, and independent internet research, answer each question as directed below. Do so using sound entrepreneurship principles. Be specific and complete.

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John and Jim have worked together as employees of a local Lumber company for the past 15 years. They are both skilled carpenters and during their time together they have learned all of the operations both in the yard and in carpentry work.

From the time they both started work at the yard, they have developed a close friendship. Over the years their wives and families have enjoyed time together. They have taken vacations together and frequently go out on the weekends.

Ever since they began sharing their thoughts, John and Jim have shared a common dream to have their own kitchen cabinet business, either for custom designed homes, or on a mass production basis. They would do remodeling such as the building of family rooms, decks and three season porch construction.

John, in addition to his carpentry work at the Lumber Company, has recently been moved into the purchasing department where he has acquired experience in all phases of buying. Approximately two years ago, Howard, the President of the Lumber Company, moved Jim into sales where he has become their top salesperson. His clients included contractors and residential customers. With regard to contractors, he has developed a large network of regular customers.

Although John and Jim love their work, both feel underpaid and also do not feel they receive proper recognition for their work. Recently, Howard brought in his son-in-law as General Manager and is seen as a tyrant. He also seems to signal John and Jim out specifically.

John is 42 with 2 children, Debbie age 15 and John Jr. 17. Jim is 37 years old and has three children, Maureen age 16, Bill age 12, and Judy age 5. They each own their own homes. John has monthly payments, including principal and interest of \$2,100.00 per month. The value of his home is \$225,000.00 and the balance on his mortgage is \$112,000.00. Jim has monthly expenses of \$1,400.00 per month and \$60,000.00 equity in his home.

John currently makes \$60,000 per year, Jim \$45,000. Jim’s wife is a school teacher making \$34,000 and John’s wife earning \$15,000 doing office work part time.



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1. Identify the principal reasons why you would support John and Jim starting their own business.
2. List any concerns or disadvantages that John and Jim will have to consider in going into business together.
3. John and Jim have different family needs. How are these needs going to be affected by their going into business?

John currently earns \$60,000 and Jim \$45,000 at the lumber yard. Both receive health insurance and each has a \$50,000 life insurance policy. Both also receive 2 weeks of paid vacation each year. The company offers a pension program, and since both have worked over 10 years, both are fully vested which means they can take advantage of profit sharing when they leave the company. John currently has \$32,000 and Jim \$26,000 in their profit sharing accounts.

Both John and Jim, along with their wives have discussed where they would like to be in 5 and 10 years. Both would like to earn \$75,000 per year and would like to have 12 employees under them.

In looking into the market in their area, they realize, to meet their goals, they will have to sell outside of their city alone, and throughout neighboring states.

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4. List the objectives that both John and Jim have for themselves and their business.
5. John and Jim will need to write a business plan. The plan will require a number of things and activities. Please list each component they will need to complete to actually write their business plan.

John and Jim live in a relatively large metropolitan trade area in which the total population is in excess of 600,000. Approximately 2/3<sup>rd</sup> of the population is found within the city, the rest in 5 suburban communities, each with approx. 30,000 people.

About 80 percent of the housing is single family dwellings, with the balance in apartment units. This western community is not considered a heavy manufacturing base. Rather, manufacturing is concentrated in the electronics and computer industries. Agriculture is also a large employer.

There is one major university and 1 small community college in the area. Much of the growth has been in the suburbs and is growing 5% annually.

Of the 5 suburbs, two are primarily residential and one is transient college students. The other two are primarily multi-family units.

As John and Jim think about their business, they agree that they will have to concentrate on developing communities for kitchen cabinets first. They intend to subcontract out much of the specialized work doing the installations.

6. What types of products or product lines are John and Jim going to sell?

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7. What services will John and Jim have to offer?
  
  
  
  
  
  
  
  
  
  
8. What are the top three most important factors in determining where they should locate their business?
  - 1.
  
  
  
  
  
  
  - 2.
  
  
  
  
  
  
  - 3.

John and Jim are about to set up their company. They know they must divide up their duties to be efficient without replicating duties.

9. What form of business formation should they choose **and why?** (I.e. Sole proprietorship, partnership, LLC or Corporation)
  
  
  
  
  
  
  
  
  
  
10. List the job functions or duties that John and Jim should assign to each other?

<b>John</b>	<b>Jim</b>
  
  
  
  
  
  
  
  
  
  
11. **(BONUS)** : What name would you recommend for John and Jim's business?

