

# **Strategic Business Communications for Graduate Accounting Students: A Fully Integrated Learning Experience**

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## **Abstract**

In this paper, we describe a component of Babson's Master of Science in Accounting (MSA) program that links a technical analysis course with writing and oral communication courses to provide students with skills necessary to efficiently manage group-centered projects and to effectively communicate technical information to an audience that often does not possess the same level of technical knowledge. Our results to date are very encouraging. Our students understand that they can realize more successful outcomes of team-based projects by effective management of team dynamics and proper organization of the analysis process, and they have learned that the communication of technical information is more than just the reporting of data. We believe that our pedagogy can also be applied in other technical fields such as Economics, Engineering, Statistics and other quantitative disciplines.

## **Introduction**

Members of ABC are already well aware that business communication competencies are the primary tools for creating and expressing ideas about subject-matter disciplines, including Accounting. Mastering these skill sets also leads to the construction of more compelling and persuasive messages. Moreover, business communications can be viewed as strategic processes that encourage the analysis and synthesis of complex data. The result? By integrating the study and practice of business writing and business speaking with functional management areas, we can help our graduate students discover and shape their long-term career objectives.

We describe a unique graduate program, the Master of Science in Accounting (MSA), part of which links the study and practice of effective business communications with financial statement analysis. We review the design of the curriculum and demonstrate how a fully integrated learning experience--combining business communications with financial and accounting expertise--encourages our students to become more compelling and more influential accountants. We then detail a key assignment that challenges learners to communicate complex accounting and financial concepts to intelligent, sophisticated audience members who might not share their technical expertise. Finally, we describe the feedback mechanisms that allow us to evaluate our pedagogy.

## **Overview of the Babson MSA**

The Master of Science in Accounting (MSA) program at Babson College's F.W. Olin Graduate School of Management is a 30-credit, one year program, composed of 18 credits in the core and 12 credits for electives. All participants enroll on a full-time basis in the summer, with remaining credits taken at their own pace. Often, they are also simultaneously preparing for various sections of the CPA exam. These are high-performing students with a strong commitment to studies and career goals.

## **Why Emphasize Communication Skills in an Accounting Program?**

Traditionally, undergraduate Accounting programs and Master of Science in Accounting (MSA) programs have focused almost exclusively on teaching accounting standards to prepare students for careers in the field. That is changing, and Babson's MSA has been at the forefront in preparing our students for these significant changes.

Many of our students will be employed in Big-4 accounting firms and large corporations, and their careers will be less focused on the preparation of journal entries to account for transactions and more focused on the analysis of complex issues and related data. They will also need to effectively convey their positions on accounting issues to a variety of audiences, including client audit committees and CFOs as well as less technically knowledgeable groups such as senior managers and boards of directors.

Students must, therefore, develop the significant organizational and communication skills required to effectively communicate their positions in a logical and persuasive manner. Without these skills our students will find themselves at a disadvantage as they embark on their professional careers.

## **What are Most MSA Programs Like?**

We have observed that Accounting programs typically focus on the preparation of appropriate journal entries for a wide variety of transactions. Why? The common rationale is that this emphasis on technical knowledge helps students to pass the financial accounting portion of the CPA exam. As a result, students are often well-prepared to create financial statements, but less prepared to analyze or convey key information contained in those statements.

In a recent article in *Strategic Finance*, a publication of the Institute of Management Accountants, Brewer, Sorenson and Stout (2014) assert that we are facing "a 'competency crisis,'" or a gap between the competencies needed for professional success (in Accounting) and those taught in our college classrooms today. They emphasize the need for "a shift toward integrated thinking."

That principle informed our judgment in the design of this MSA Program. The argument by Brewer, Sorenson and Stout (2014) that "accounting curricula should include foundational competencies such as proficiency with spreadsheets and written and oral communication" leads directly to our own mission in this integrated MSA project.

## **How is Babson's MSA Program Addressing Gaps in Traditional MSA Programs?**

Babson developed the following mission statement for our MSA program:

More than simply meeting the CPA requirements, the program prepares graduates for public accounting careers in a dynamic and global profession. Graduates gain technical accounting knowledge while also developing skills immediately applicable to their careers—written and oral communication skills, entrepreneurial thinking, ethics and professional responsibilities, and global and multicultural issues.

In order to fulfill our mission, we have situated two communication courses in the core of our MSA curriculum: Strategic Writing for Managers (MOB7501) and Persuasive Business Presentations (MOB7502). These courses are front-loaded in the curriculum and are designed to help students

enhance strategic thinking skills while acquiring best practices as communicators. The Babson MSA readies our students to participate in a global and dynamic setting by linking communication competencies with more sophisticated analyses of accounting issues.

More specifically, we have made integrated instruction central to our practice. Three courses are taught at the same time: (1) Strategic Writing for Managers; (2) Persuasive Business Presentations; and (3) Advanced Financial Statement Analysis. Scheduling these courses together helps students integrate financial analysis with strategic business communications skills. All students, in groups, complete an Executive Summary and deliver a Persuasive Presentation that reflect the analysis of a publicly-traded company's financial statements and related footnotes. In all three courses, students are making an Investment Recommendation for that company.

### **Pedagogical Assumptions of Integrated Instruction in Babson's MSA**

The faculty involved in the design of this experience began their work with these shared assumptions:

- Without the ability to communicate effectively, the best accountants are likely unable to achieve their full potential. Therefore, "Persuasive Business Presentations" and "Strategic Writing for Managers" were designated as two of the program's core courses;
- By frontloading the business communication courses, students can apply those competencies to other courses;
- All speakers and writers--regardless of previous experience and entering skill levels--are capable of improving;
- Faculty collaboration typically results in an integrated teaching model--one characterized by greater knowledge of each other's disciplines and a deeper understanding of the challenges faced by students engaged in financial statement analysis; and
- Although many schools have team exercises, they rarely include overt instruction about the management of teams. Teaching students to work effectively in teams will prepare them for their professional careers.

### **Common Objectives and Practices of Integrated Instruction in Babson's MSA**

**Practicing group processes.** Our design of an integrated assignment requires students to work in teams. As a result, students in each group practice three sets of skills -- two in Business Communications and one in Accounting. Additionally, students are engaged in developing interpersonal competencies, flexibility, self-awareness, respect for others, and a system for managing team conflicts.

**Learning how to handle difficulties.** In addition to exams, presentations, and writing assignments, any integrated experience comes with inevitable stumbles and roadblocks. Instructors are prepared for frequent opportunities to guide students with matters of subject content and with group dynamics. All three faculty members regard this dual focus as a major part of their work.

**Incorporating feedback mechanisms.** Each faculty member employs a feedback mechanism suited to his or her discipline. In Advanced Financial Statement Analysis, student groups are given time in and out of class to ask the faculty member questions about financial processes and group dynamics. In Business Presentations, students meet with the faculty member as groups to practice and ask questions throughout the process. In Strategic Writing for Managers, students write individual letters to reflect on their group writing work. Faculty communicate with each other throughout the semester to adjust approaches and help student teams, as necessary. Finally, all faculty collaborated on a post-MSA survey to students to collect qualitative, programmatic data.

**Working without a “cookbook”.** Most students struggle mightily with organizing the elements of their work and determining the right amount of supporting data to include. A multi-step process is given to students to use as a guideline, but all faculty strongly emphasize the inherent non-linear nature of the process. Students are encouraged to develop their own steps and communication elements which they think will make their argument most effective. Students are encouraged to embrace the recursive process.

**Adapting to the audience.** Given the objectives of the MSA Program, and the context in which today’s accountants must practice, the instructors designed an integrated project that requires audience analysis and adaptation. It was not sufficient, we agreed, to have graduate accounting students talk to another group of highly informed accountants. Rather, we built an assignment that requires each team to explain technical concepts and processes to audiences who do not share their technical expertise. The challenge is to have students convey information about financial statement analysis to sophisticated and intelligent listeners without patronizing and perhaps alienating them.

**Selecting evidence.** We encourage students to manage data instead of offering a “data dump.” Brevity and clarity are goals worth attaining, of course, especially with disciplines that are filled with many technical terms, acronyms, and specialized forms of language. We want students to avoid the “proof of work” problem that graduate students often demonstrate. That is, a final paper or presentation does not need to include every analysis, computation, and technique that groups performed during their research. Rather, students must learn how to selectively draw on the knowledge they have accumulated and know how best to deliver that knowledge to their audience.

**Presenting complex data.** The integrated assignment provides students with the challenge of how to best present complex financial data that will not confuse (or bore) their audience while also supporting their investment recommendation. All faculty encouraged students to experiment with the full range of visual and graphic options available in the presentation software.

**Demonstrating courage of convictions.** The most effective presentations are often characterized by the strength of the commitment shown by the presenters in the message they are trying to convey. While strength of commitment is best acquired by conducting a thorough research program, students must then have the courage to translate that research into an effective public communication. When presenters can make clear the courage of their convictions they give themselves the best chance of winning their audience.

**Using a narrative.** In any business discipline, the power of a good story should drive explication and persuasion. A key theme of the Advanced Financial Statement Analysis course is, “The numbers mean nothing without the analytical frame of a narrative.” Both business communication courses in the MSA also emphasize the human desire for and connection to narrative as a framing device. When deciding to make a recommendation about the valuation of an equity security, we encourage our students to do this by “telling a story.” And the appeals in these stories should follow Aristotle’s guidelines to use *ethos*, *pathos*, and *logos* as part of narrative.

**Sharing a text.** Strategic Writing for Managers and Business Presentations share a text:

Munter, M. and Hamilton, L. (2013). *Guide to Managerial Communication: Effective Business Writing and Speaking* (10<sup>th</sup> ed.). New York: Pearson.

All students purchase and are assigned readings in Munter that complement the classroom work in all three courses. Some topics in Munter are truly inter-disciplinary, such as selecting from the

“tell/sell/consult/join” styles of communication. Also, this text emphasizes the value of business writing and speaking as strategic processes that lead to long term, more complex analyses in any business discipline.

### **The Key Assignment: An Integrated Statement Analysis and Valuation Project**

#### **The Integrated Assignment: Accounting**

To elevate students’ skills in sophisticated financial accounting analyses, Advanced Financial Statement Analysis focuses on critically viewing financial footnotes from an external perspective and using financial accounting information to value a firm’s securities. The purpose of the final, integrated project is to apply financial accounting and managerial finance knowledge and skills to a publicly traded company and to convey that knowledge effectively.

Students are randomly assigned to a 4 or 5-member group. Each group is required to choose a company to analyze. The project consists of three phases: an analysis phase, forecast and valuation phase, and presentation phase.

Based on their analyses and projections, groups prepare an equity investment recommendation (Buy – Hold – Sell) and make a 25-minute presentation that summarizes that recommendation. This presentation is inherently persuasive in nature but also requires that student teams summarize the results of their work, demonstrate the complex analyses which led to their recommendation, and state clearly their proposed investment action.

Financial statement analysis can be conducted for many different purposes including credit analysis, equity valuation, performance evaluation, and evaluation of managerial decision-making. To help students create a single focus for their projects, they are instructed to adopt the perspective of the equity research analyst who is analyzing the company in order to recommend a buy, sell or hold action on the company’s stock.

A multi-step process is used as an organizing structure throughout the course, which students can use to construct their presentation (Wahlen, Baginski, and Bradshaw, 2010). The steps in this process are presented in the appended set of guidelines given to the students to assist them in creating their presentations (see Appendix 1).

For the majority of students, this project is the first time they have been asked to communicate a large amount of quantitative data and technical information. While they quickly and easily engage in the analysis and forecast/valuation phases of the project, the presentation and writing phases prove more challenging.

#### **The Integrated Assignment: Speaking**

Persuasive Business Presentations is designed to help students increase confidence and skill as business communicators. The immediacy of face-to-face, real time presentations means that the students must work on three sets of goals simultaneously, as drawn from Bloom’s Taxonomy of Educational Objectives: (1) cognitive sophistication; (2) value considerations; and (3) attention to psycho-motor skills.

At the same time that students are engaged in critical thinking and reasoning, and busily considering the value implications of their recommendations, they must also heighten awareness of the ways that voice,

body, and eye gaze link physicality to the expression of their ideas. This is no small challenge. Therefore, Persuasive Business Presentations focuses on helping students to attain proficiency of the following competencies, most of which are shared by Strategic Writing for Managers:

- Organization and clarity of ideas
- Clear arguments with appropriate support
- Effective use of transitional devices
- Wise choices about visual support
- Strong vocal and nonverbal delivery skills
- A conscious motive to communicate that is driven by building a relationship with the audience.

In Persuasive Business Presentations, students have three graded and two informal opportunities to hone their competence and self-esteem as business speakers. The first presentation assignment accounts for proportionately fewer grade points because it also serves as a major diagnostic tool in the course. All three graded presentations are taped for self-assessment and review. But those of us who teach oral communications know that many of our students will never review their own performances on tape.

Therefore, every Accounting student in Babson's MSA program has an individual coaching session with the instructor, to review and analyze the playback of their first presentations. Although time-consuming, this is an important investment in the ability of graduate accounting students to improve more rapidly. Also, these meetings encourage students to review subsequent presentations on their own. Finally, the tapings pass the students' "reality test" because they are forced to view themselves more objectively. As a result, positive feedback from peers and instructors are not dismissed merely as attempts to build confidence.

And as we know, meaningful feedback about the public presentation of self is profoundly linked to issues of self-esteem. Of necessity, this requires observation and attention to concrete, behavioral components of performance. Feedback from classmates, the instructor, and students' self-analysis is part of all presentations in the course.

To help prepare students for the integrated project, individual Technical Briefings immediately precede the Team Valuation Assignment. Students choose any highly technical concept or process from Accounting and explain one to an intelligent but non-technical audience as defined by the speaker, with that role assumed by colleagues. This graded presentation helps to ready students for the integrated team assignment while heightening awareness of the relationship between speakers and listeners. Ideally, students come to understand that although their listeners are intelligent, they are not necessarily members of the Accounting discourse community.

The integrated team assignment requires that each team of students presents a reasoned analysis to prospective investors: should they Buy, Sell, or Hold a publicly-traded stock? Each team is allocated 25 minutes: approximately 15 minutes are designated for the formal presentation and about 10 minutes for a question/answer session. In order to ensure full participation, all members of each team are expected to play a prominent role in the presentation either during the formal presentation or more informal Q/A (see Appendix 2).

Two lecture/discussion classes with lively simulations precede this fully-integrated assignment. The first focuses on persuasive presentations, with careful attention to Aristotle's still-relevant appeals: *logos*,

*ethos*, and *pathos*. The activities in this session also help students avoid falling into the abyss of a giant “data dump.”

The second class focuses on effective team presentations with guidelines for managing the question/answer session (see Appendices 3 and 4). Even a great individual communicator must now think about tactics for developing transitions among speakers, sharing “air time” with team members, and paying conscious attention to physical position.

Without question, the biggest challenge for the students is how to distill the large volume of quantitative data and technical information into 10-15 slides and to “tell their story” in 15 minutes. Most students want to show their audience (and their instructor) how much Accounting work they did. As anyone who has sat through one of “those” presentations can attest, that can be excruciating and tedious. Thus, a continuing theme of the course is how to be concise and focused in the use of financial metrics in making the case to buy or sell a company’s stock.

### **The Integrated Assignment: Writing**

In Strategic Writing for Managers, all students complete 4 major writing assignments and a final exam. The team-based, integrated assignment—the executive summary—comes third in the sequence; students have had two individual assignments with opportunities for formal feedback and revision. Immediately prior to entering the team-based writing assignment, all students have had an individualized conference with the faculty member to discuss strengths, weaknesses, and future goals as a writer.

All students are then given formal classroom instruction on the differences between individual writing and group writing. Four major group writing models—three of which are derived from The City University of New York’s Write Site (2002)—are explained by the faculty member. Students are encouraged to share stories of prior collaborative writing efforts. Inevitably, these are not success stories! Students are encouraged to determine, as a team, which model they will use.

After student teams have consciously chosen a model (usually the collaborative--aka “google docs”--model, or the functional model), they have a few days to turn the findings from their company valuation project in Advanced Financial Statement Analysis into a draft of an executive summary. It is important to note that teams are concurrently creating a major presentation for Persuasive Business Presentations. Therefore, students are working on tasks for all three courses at the same time. They often express concerns about the order in which they should complete these tasks; all three faculty members encourage them to be flexible and thoughtful rather than rigidly following a step-by-step approach.

Student teams email a draft of their executive summary to the faculty member prior to the next class session. In that next class session, we take two hours to review three drafts on the projector, painstakingly working to practice all the competencies students have developed up to this point in the course. Students are encouraged to revise in a systematic way—global to local—and we critique everything from evidence selection to font choices. In this group workshop, future accountants are also practicing the art of delivering oral criticism fairly and respectfully. It is during this workshop that group dynamics often become apparent, and the faculty member uses the opportunity to offer explicit guidance in functioning well as a writing team.

In the final portfolios of work, each group submits a final revision of its executive summary. Each group member also writes an individual revision letter detailing the process by which the executive summary was written. This letter serves three functions: knowing it will have to be written, students must be

hyper-conscious of group processes as they happen, sometimes allowing them to modify their behavior; students have a chance to articulate what they learned and what they will do differently or take with them into future group projects; and finally, faculty in the MSA program have a written record of the project dynamics.

The executive summary has been part of the integrated assignment for most of the past seven years. Interestingly, there have been two years when scheduling did not allow for this. In these years, students still wrote executive summaries, but based upon existing professional reports. The integrated assignment, with its attendant pressures and difficulties, always provides a richer learning experience, one that is also more accurately reflective of work they will do as professionals. It is far better to struggle to concisely and persuasively convey one's own ideas than to artificially motivate oneself to do the same for another's ideas.

The full executive summary assignment, including objectives, description, and grading criteria, is included as an appendix (see Appendix 5).

### **Results: The Effectiveness of the Integrated Assignment**

We began by arguing for the value of integrating writing and speaking instruction with the study of financial statement analysis, and there is external validity for this position. Accounting and Finance professionals claim that there is a "competency crisis" in the classroom which can only be mitigated by "a shift toward integrated thinking" (Brewer, Sorenson, & Stout, 2014). This requires that Accounting curricula emphasize core competencies that include writing and speaking.

So did we achieve these instructional objectives? How did students assess the value of our integrated assignment? Before answering these questions, we acknowledge that a student's perceived "payoff" of integrated programs might not be fully realized until after a professional career is underway.

Even so, the quantitative and qualitative feedback from students in Babson's MSA Program are highly encouraging.

#### **Quantitative Results**

Babson's course-end Student Opinion Surveys ask students to consider prompts related to aspects of teacher effectiveness, course materials, and other dimensions of the learning experience. For our three linked MSA courses, students were asked three questions directly related to the integrated nature of this assignment. Responses were indicated on a Likert-type scale, ranging from "1" (strong agreement) to "5" (strong disagreement). There were 27 respondents.

For the first prompt, *"This stream improved my understanding of linkages across subject areas,"* the mean aggregate response across all three courses (and instructors) was 1.39. This correlates to strong agreement.

For the second prompt, *"This stream helped me to understand the interdisciplinary approach to solving business problems,"* the mean aggregate response across all three courses (and instructors) was 1.42. Again, this correlates to strong agreement.

For the last prompt, *“The cross-functional approach to this stream stimulated my interest in the subject matter of the functional areas,”* the mean aggregate response was 1.52, midway between agreement and strong agreement.

Taken together, these quantitative findings suggest that students regarded the interdisciplinary approach of the courses, including the integrated assignment, as effective. This is a signal that our curricula in the MSA are moving in the right direction. However, we also had access to a pool of qualitative feedback from participants in the program.

### **Qualitative Results**

On the same Student Opinion Surveys, students were also given the opportunity to comment in writing about the strengths and weaknesses of our linked courses and, more significantly, the integrated assignment. Furthermore, to aid our thinking about the effectiveness and future of this integrated assignment, we solicited and received feedback from students by email. Key qualitative findings are presented below:

- For many of our MSA students, the writing and speaking aspects of this assignment presented the greatest challenge. As undergraduates who majored in Accounting, many of them had avoided all but the minimally required writing and speaking courses. This graduate-level integrated assignment allowed them to demonstrate growth in all three fields simultaneously. Students’ appreciation of the value of this integrated curriculum is reflected in the comments from many who argued that the course, with its integrated approach, “should be made a requirement in the undergraduate program[s]” of colleges.
- Although internal communication played a key role in each team’s success on the assignment, external communications in the form of executive summaries and oral presentations honed students’ abilities to create persuasive and compelling arguments.
- Many students expressed the opinion that it is challenging to balance good writing and presentation skills while trying to communicate highly technical information to listeners who do not share their technical expertise.
- Students who were non-native English speakers often expressed anxiety about the demands of team presentations, in which all members were expected to play an active role. These communication challenges in the global workplace are now higher on their list of developmental competencies.
- Finally, despite some differences of opinion about what constitutes “best practices” in accounting communication, the qualitative data reviewed revealed one significant commonality: our MSA students are now thinking proactively about the connections among good writing skills, strong speaking skills, and the relevance of those competencies to sophisticated accounting analyses. Also, they now have a heightened awareness of the value of communication to “achieve a better place in [their] career [s].”

In the Fall of 2014, a few months after the completion of the integrated assignment, some of our MSA students wrote to Professor Halsey to emphasize the assignment’s value, as an assignment and as part of the two communication courses which help inaugurate the Summer MSA curriculum. Now employed as auditors in Big 4 firms, they wrote, “One of the key skills that employers look for in filling business positions, even accounting positions, is writing. We have to communicate with our colleagues every day via e-mail and write reports for use in our documentation as auditors... Too often, a candidate with excellent technical skills will get overlooked for a position because of his or her poor communication or

writing skills. It is imperative that the [communication courses] stay in the MSA curriculum in order to create well-rounded graduates that can offer the ‘whole package’ to their employers.”

In conclusion, we are optimistic that this integrated assignment gives these future accounting professionals the real-world experience of working on an accounting problem in a team. Not only were they obliged to demonstrate technical competencies in Financial Statement Analysis, but they were also required to present concise and persuasive findings both orally and in writing. This leads, we believe, to the enhancement of the cognitive skill-sets that are the basis of integrated thinking – which is the hallmark of today’s successful accountants.

### **Conclusion**

We are passionate about this curriculum and are convinced that students and instructors will benefit from a linkage of collaborative writing and speaking with courses in management and the sciences. Our experience affirms that business communications can be used strategically to discover and persuade others about ideas drawn from advanced Finance and Accounting principles. Although our experience is limited to a Management context, we think it is likely that this collaboration can also be effectively used in Economics, Engineering, Statistics and other quantitative disciplines.

Our integrated approach develops collaborative and communication skills that will be important to the future professional success of our graduates. It is our expectation that this integrated approach to the study of advanced accounting – with the linkage to strategic business communications – can be used effectively by faculty (1) to enhance classroom learning and (2) to provide important skills in organizing and managing team-based projects and (3) to encourage students to develop and value communication skills that create persuasive impact in the workplace.

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### **Appendix 1: Instructions for Company Forecast and Valuation, Advanced Financial Statement Analysis**

#### **Analysis Phase:**

1. Obtain copies of the most recent 10K reports for your company through the SEC's web site ([www.sec.gov](http://www.sec.gov)) or the company's web site.
2. Obtain industry analyses or create your own set of comparable companies to help you understand both industry dynamics and how your company is positioned in the industry. Databases containing relevant accounting and financial data can be found at the College library's web site.
3. Download financial statements (in spreadsheet form) from Capital IQ. Use "as presented" data for current and 2 prior years with current year on the right
  - a. Copy the B/S and SCF statements below the I/S so that you have all three statements on one worksheet.
  - b. Calculate key financial ratios for the current and prior two years using average-for-the-year Balance Sheet information where needed. Include comparative data. Identify significant departures from industry/competitor norms, changes, and trends that you plan to investigate in the Forecast and Valuation phase.

#### **Forecast and Valuation Phase:**

1. Develop a forecast assumptions section on your spreadsheet with a separate column for each of the next 5 years. The projection assumption columns should begin in the column following your current year. Assume an initial value for your forecast assumptions equal to the most recent year. Note: Make sure your forecast has an integrated set of financials that feed into your Discounted Cash Flow valuation so that when you change an Income Statement assumption, for example, the financial statements are automatically updated (you may be asked to change one

- or more key assumptions during your presentation).
2. Project the Income Statement, Balance Sheet, and Statement of Cash Flows for 5 years and a terminal year. Note: the projected statement of cash flows must be prepared from your projected income statement and projected balance sheet.
  3. Select an appropriate Weighted Average Cost of Capital (WACC) for your company. You can estimate WACC using the Capital Asset Pricing Model (use the 10-year Treasury bond 2 months after your company's year-end for your risk-free rate and a market risk premium of 5%) or any other models you believe appropriate to estimate your company's cost of equity. You may also use a WACC provided by a database service such as Bloomberg or Value Line.
  4. Use your estimated WACC and your company's forecasted cash flows to value the company's equity per share and compare your assessment with the company's present market price—what may account for any differences between the two? Note: the projected cash flows that you use in your Discounted Cash Flow analysis must be those that you estimate in your projected statements as discussed above.
  5. Based on your analyses and projections, prepare an investment recommendation (Buy – Hold – Sell).

**Presentation Phase:**

1. Each group is allocated 25 minutes to make a presentation, which summarizes your investment recommendation. Approximately 15-17 minutes of this time should be spent on the “formal” part of the presentation, with the remaining time available for your Q/A session. Note: all members of the team are expected either to present or to lead a portion of the Q/A time.
2. This presentation is inherently persuasive in nature (are you advising Buy, Hold, or Sell?) but it also requires that you summarize the results of your work, demonstrate the complex analysis which led to your recommendation, and state clearly your proposed investment action.

**Required Deliverables:**

1. Excel spreadsheet containing the following:
  - a. 3 years of historical data: income statement, balance sheet and statement of cash flows and key financial ratios.
  - b. 5 year forecast of income statements, balance sheets, and statements of cash flows that are linked to a set of assumptions.
  - c. Benchmark data of selected competitors or industry.
  - d. Discounted cash flow valuation linked to forecast.
2. PowerPoint slide deck that is the basis for the presentation.
3. Presentation

**Presentation grading criteria for Advanced Financial Statement Analysis**

1. Competitor and industry analysis
2. Historical financial statement analysis
3. Quality of earnings analysis
4. WACC estimation and projected cash flows and pro forma financials
5. Valuation analysis and support for investment recommendation

**Appendix 2: Instructions to Students for Presentation,  
Persuasive Business Presentations**

The end result of the analysis should be a recommendation as to whether the stock of your company is a BUY, HOLD, or SELL. A 5-point scale is used by many research organizations:

STRONG BUY – BUY – HOLD – SELL – STRONG SELL

Your presentation should “tell a story” as to how and why you came up with your recommendation. This story should include the following:

1. Industry overview. What are some of the key macro-economic factors that characterize the industry of your company? Are there many or a few competitors? High growth? Mature industry?
2. Firm strategy. How does your firm compete in its industry? Is it an industry leader? How would you describe your firm’s strategy or business model? Is it unique in the industry or similar to other firms?
3. Firm performance. How well has your firm performed over the few years? How has it fared relative to the benchmarks you have chosen? You can use the Profitability and Risk Analysis ratios as a framework for this if you want. Don’t feel like you have to discuss every ratio. Use the metrics and ratios that you think best describe your firm’s performance.
4. Quality of your firm’s accounting/financial statements. This would include your analysis of their accounting choices, transparency/quality of their reporting, footnote analysis, etc. Anything here that surprises you? Worries you? Are you comfortable with everything you read? Do the footnotes leave you with more questions than answers? Does your firm’s reporting give you confidence in their disclosures or leave you skeptical?
5. Five-Year Forecast. Based on your analysis in previous four steps, prepare a 5-year forecast that includes an integrated set of financial statements: balance sheet, income statement and statement of cash flows. What are your key assumptions? How did you arrive at those assumptions? Which ones give you the most trouble? Which line items from the historical statements have you decided to NOT include in your forecast (1-time items, unusual items, and nonrecurring items)? Based on your forecast – what will the firm’s performance look like? Will their key ratios improve? Get worse? Stay the same? You don’t have to talk about every line item you forecast, but you should provide the highlights of your forecast.
6. Discounted Cash Flow (DCF) Valuation of the firm’s stock. Again, you don’t have to explain the mechanics of the DCF – but you should walk the audience through the key elements/assumptions – especially with regard to your calculation of Terminal Value (you will have already discussed the key assumptions of your forecast). This would also be where you should discuss any sensitivity analysis you performed, any other valuation models you applied (purely optional), and what your final decision is as to the relevant valuation of your firm’s stock.

Keep in mind that you will need to make this presentation interesting and persuasive to your audience. You will need to convince them as to the soundness of your ultimate recommendation. This is where the idea of “telling a story” can help in that you don’t want to just recite all the statistics you calculated (I will be able to see those in the SS you submit) – but rather tell the story of how you and your group arrived at your final recommendation for the stock.

### **Appendix 3: Keys To Successful Team Presentations, Persuasive Business Presentations (Leech, 2004)**

1. Determine and provide needed priorities and resources.

2. Avoid wasted efforts and excessive rework with early and continuous input.
3. Plan thoroughly and clearly communicate directions and assignments.
4. Focus individual segments toward overall team theme and strategy.
5. Stress organizational clarity and consistency: moving agendas and periodic summaries help the audience stay oriented.
6. Storyboards from each speaker are a valuable aid to coordination, visibility, and review.
7. Visuals should lean toward simplicity and use interpretive concepts and titles.
8. Compatibility of formats and visuals adds to the image of a harmonious team.
9. Dry-run each segment AND the complete presentation. Strengthen and prune weak areas.
10. All speakers should make a special effort to adhere to the planned schedule and provide mutual support.
11. A total impression of a proficient, smoothly working team is essential.

**Appendix 4: Tips for Fielding Questions, Persuasive Business Presentations Adapted by Sokuvitz in 2008 from sources including Morrissey, Sechrest and Warman (1997)**

1. Indicate genuine interest in all questions
2. Listen to the entire question before answering
3. When needed, repeat or rephrase the question to clarify its meaning
4. Treat all questions seriously
5. Don't try to answer a buckshot question: focus on the most salient point
6. Defuse loaded questions (trying to answer a "no-win" question is sure to fail)
7. Answer questions in a positive fashion without apologies
8. Be familiar with weak areas of your presentation so that you'll be prepared for specific questions
9. Try to end a Q/A session by summarizing the main points that were covered

**Appendix 5: Instructions to Students for Executive Summary, Strategic Writing for Managers**

**Objectives:**

This assignment has two main objectives:

- To practice writing collaboratively
- To practice writing an executive summary

The first objective is an extension of many of the projects you have done as undergraduates and in the work world; you will be working with a set of people (whom you did not choose) to create a unified product. To prepare for this aspect of the assignment, you should read pages 48-9 in Munter and visit the four related links I have provided in Blackboard, under "Course Information." Although you may have worked in groups many, many times, be aware that *writing* in a group presents special challenges, since writing is such a personal endeavor. In this case, you are learning that it is also a social, collaborative endeavor.

The second objective relates to the fact that one key factor for success in business writing is learning and attending to the norms of the form you are using. In this case, you are creating a very specific

document called an "Executive Summary." These traditionally precede a long report and are best thought of as the one part of the report a very busy executive will definitely read. Therefore, you must include all of the main ideas. To prepare for this aspect of the assignment, please read the section on executive summaries in the Kelly booklet. You will probably also wish to view sample executive summaries at the following websites: <http://www.csun.edu/~vcecn006/summary.html> and <http://cfp.mit.edu/docs/rfid-casestudy-march2006.pdf>.

**Procedures:**

1. Determine your writing group members (same as MSA7575/MOB7502 Statement Analysis and Valuation Project groups).
2. Establish a method and time for discussion of your prior/ongoing collaboration (in MSA7575) and current writing approach.
3. Review your group's work on your Statement Analysis and Valuation Project from MSA7575, considering what you have done well thus far, what you could improve, what still needs to be done, what the most important ideas are, and which data and analysis are germane to the executive summary.
4. Proceed in a predetermined manner (will you divide the labor? will you each write a draft? These are the kinds of questions you must answer at your initial meeting).
5. Complete a rough draft of an executive summary of your findings prior to class on Monday, June 9th, following the guidelines for writing assignments on the syllabus. As a reminder, each student is responsible for printing a draft. One member of each writing groups should email the draft to Prof. Rourke before class (earlier is better!).

**Grading criteria:**

- Logical organization of ideas
- Appropriate and relevant content
- Concise, clear, and error-free writing
- Thoughtful, visually appealing formatting