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Business in Practice – A Behavioral and Corporate Analysis

Philipp Schwarz

Work project carried out under the supervision of:

Luis Martinez

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1 ABSTRACT

Automotive companies around the world are in the midst of a transformation driven by disruptive technological change. *Business in Practice* is a simulation in which students are challenged to manage an established automotive manufacturer in cross-functional, international management teams during exactly these critical years. Based on established concepts and research findings, *Business in Practice – A corporate and behavioral analysis* evaluates this management process from both a behavioral science and a business management perspective. Especially communication has proven to be an essential factor not only for the team' s, but also for the company's success.

Team Dynamics

Cross-Functional Teams

Managing Disruptive Technology Change

Future of Automotive

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2 INDIVIDUAL PERSONAL REFLECTION

2.1 INTRODUCTION

Although fourteen days is a rather brief period of time and my group members and myself had not known each other before, the intensity of *Business in Practice* led to insights I now consider as essential to my future career. In this review, both the team's and my own most significant learnings as well as mistakes will be elaborated on, and I will reflect on how this experience will help me bring the greatest possible value to teams I will be a part of in the future.

Trust and communication issues proved detrimental to our team's performance in the first half of the simulation, and we would not succeed until we were able to move past them.

The two critical incidents discussed in the following are exemplary of these matters and will also help to shed light on topics such as micromanagement, language barriers and constructive criticism. This all will be conducted under the consultation of literature, to critically reflect on both the team's and my own behavior. As in the future international teams will be of ever greater importance, the findings will be of crucial relevance to my future professional development.

The first incidence took place in the very beginning of the simulation and illustrates the challenges in trust and communication our team had from early on. Here, trust as the baseline of successful collaboration will be discussed and strategies for successful team communication will be elaborated on. The second incident represents one of the lowest points in our teamwork throughout the simulation, where miscommunication led to a decision without full team consent. Learning from mistakes and destructive versus constructive criticism will be the main discussion points.

Ultimately, my key insights will be summarized and positive as well as negative aspects of my actions will be highlighted. Under close consultation of the peer evaluation and my previous findings, opportunities of personal growth will be evaluated and strategies to achieve this growth will be illustrated.

2.2 INCIDENT 1

During the preparations for the first year of decision-making, each director focused on their final arrangements on decisions to be taken. Just one director did not concentrate on their own groundwork but instead centered their attention on asking the other directors very detailed questions about their departments. As we just completed a very intense sales-workshop and the first real decisions were about to be taken, the general mood of the team was already quite tense. In the course of our previous meetings, some team members already perceived said director's behavior as micromanaging and did not feel enough trust set in their respective area of competence. When the director finally approached me with very detailed questions about my department and doubted my planned decisions, I pointed out that she misunderstood the actual meaning of one investment choice that I made. It was very difficult for me to explain because I had the impression that she was not listening to me carefully and she did not trust me in the decisions I was making in my area of expertise. Finally, she started to talk to another director in Portuguese, a language which she knows I do not understand, while I was still trying to explain the investment to her. This made me feel very upset and disrespected, and I asked her to work on her own area instead of dealing with specific details of my role. The situation ended with me feeling micromanaged and not trusted and her feeling misunderstood.

In the following, the role of trust issues as well as micromanagement and language barriers in teams will be elaborated, taking a closer look at the influence of different personalities and the best possible behavior in conflict situations.

The absence of trust forms the first dysfunction of a team that must be overcome in order to build a cohesive leadership team (Lencioni 2002). As later discovered in the *team dynamic clinics*, the main issue of our team has been trust from early on and can be seen as the main cause for this critical incident. The said director did not fully trust the rest of the team in their competencies and thus felt the need to know their decision-making process in detail. This caused the other team members and me to feel mistrusted and micromanaged in this situation.

According to Costa et al., “deficits of trust are associated with high stress, low satisfaction and relationship commitment and low perceived task performance.” This could, in the long run, make team members feel unsatisfied, tense as well as uncommitted and as a consequence may become extremely unproductive (Costa, Roe und Taillieu 2010). In the events that were leading up to the incident, this lack of trust already led to very unproductive meetings, taking much more time than originally planned and the general mood of the team was already tense. These circumstances also contributed to the situation escalating in the end. Trust has a positive impact on team performance and fostering trust among group members as well as managing interpersonal relationships will promote team performance (De Jong and Elfring 2010).

Unsurprisingly, our team performance immediately went up after the *team dynamic clinics*, in which we mainly focused on building intra team trust. Paying more attention to this issue earlier might thus have helped to avoid conflict and make team meetings more efficient. Another beneficial measure early on would have been a clear definition of each group member’s responsibilities to avoid confusion and frustration (Jarvenpaa and Leidner 1999), cultivated by a lack of clear distinction between individual responsibilities and group responsibilities. Micromanagement is related to a lack of perceived trust (Parker, Knight and Keller 2020), which means it could not have been completely avoided by taking this precaution. The director who was micromanaging in this situation has a very blue personality in the *Insights Discovery* model, meaning details and a well thought through execution are essential to her (Full Circle Ltd. 2022). This also indicates that the level of trust placed in the other team members was not high enough as she felt the need to monitor the other departments as well. This indicates that a clear specification of responsibilities would have helped to avoid the described incident but only working on intra-team trust from early on would have solved the root cause.

Having specified what the tension leading to the described conflict situation emerged from, we will now elaborate on the role language barriers and communication have played in this incident. I personally perceived my teammate suddenly switching to another language while I was still talking to her as highly impolite, which was the trigger to my loss of patience in this moment. She did this because language barriers led to her not fully understanding what I meant, and she asked the other team member to explain it to her in her own language. Even though she had no ill intentions in doing so, this made me feel even less trusted. According to Tenzer et al., who investigated how language barriers might influence trust formation in multinational teams, "surface-level diversity in mother tongues triggers perceptions of deep-level diversity among multinational team-members." Furthermore, they recommend avoiding direct communication in a foreign language and advise team leaders to "uphold language discipline and guide code-switchers quickly back into the team's shared language. For this to work an "open and positive emotional climate, in which members do not fear to lose face owing to proficiency issues" would be needed (Tenzer, Pudelko and Harzing 2014). Reflecting on this, it would have been of great value to include a paragraph about always speaking in the team's shared language to our charter. This would have not only helped strengthen the team's trust formation, but also have prevented the said incident from happening. Negative language-induced emotions must be actively managed, which in turn leads to "a highly beneficial impact on team performance" (Tenzer and Pudelko 2015). Additionally, "having a multilingual team may improve performance in decision-making by increasing the variety of options examined", showing that language diversity also has positive implications. Team members are also advised to "be sensitive to the problems that other team members may have in using a foreign language" (Chen, Geluykens and Choi 2006). Reflecting on this, my fellow director not understanding what I was explaining to her, might have been due to language barriers and I will try to be more patient and rephrase certain sentences if necessary in the future.

In the following, the benefits of healthy conflict and why avoiding conflict altogether will never be possible will be examined. Additionally, strategies to preempt conflict will be laid out. These strategies are essential to replace destructive conflict by constructive debates, and bring the team forward. As stated by Glinow et al., "emotional conflict is inevitable" in multicultural teams and "to avoid emotional conflict is not a useful prescription (Von Glinow, Shapiro and Brett 2004). Instead, an approach is needed to anticipate and head off conflict "before it becomes destructive and immense." This would lead to "greater participation, improved creativity, and, ultimately, smarter decision making". Potential areas of conflict should be spoken about before they lead to problems by addressing potential concerns in "in my world…" statements and "in your world…?" questions (Toegel and Barsoux 2016). Although I knew that phrasing concerns like this is far wiser than making accusations in this overly tense situation, I did not manage to stay rational, which I regret. The trust and micromanagement issues concerned my team members and me already days before this destructive conflict situation happened and addressing these concerns in advance would have led to a much more constructive debate. By speaking in a less tense situation and addressing how each team member felt about the problem from their perspective would have led to positive results and a better group climate. Exactly this happened in the *team dynamic clinics* later in the simulation and helped our team to grow again in the following period.

2.3 INCIDENT 2

In the first quarter of year three a decision had to be taken between building a new factory or launching a new car. The day before, our team had already agreed on launching the new car, which was my responsibility, but one director of operations suggested to build a new factory. As there was only budget for one of the two, a decision was needed. According to our team charter, in this case a vote was to be taken and in case of a tie, the director in charge would decide. I was very concerned about building a new factory as factory utilization was already very low and a new car was needed to fill the unused capacities.

We started with the vote on building a new factory which ended with two directors being in favor and four against. A few minutes later, I asked whether we could now take the vote on building a new car and had to discover that the respective director had already built the new factory without full team consent. This made me feel very angry and disappointed in the team and I needed a few minutes for myself, so I left the room. Following that, the general atmosphere in the team was very tense and the team-spirit had reached the lowest point in the entire simulation. The decision itself led to problems in the company in the following years. As a reaction to this, we decided to each apologize for one thing we did wrong during the incident, and I apologized for raising my voice. Although this round of apologies helped us to move on, I was very disappointed that the director who actively violated the team charter still did not see their mistakes. Even though this incident was the most emotional and disappointing moment for me in the entire simulation, it only went upwards from then on and after the *team dynamic clinics* our team finally found a positive spirit again.

The following is an analysis of how and why this critical incident occurred and how misunderstandings like this can be avoided in the future. Furthermore, dealing with mistakes and how to learn from them will be addressed, including how to move on after mistakes. Since

I made the mistake of openly blaming my fellow director, it will also be discussed how to criticize constructively and the advantages of it over blaming.

Our team charter included clear rules for decision-making, including a set order in which decisions should be reached and how to act when a vote was required. Nevertheless, in this situation we did not succeed in reaching a group consensus. Even though these rather strict guidelines were in place, part of the group disregarded them and proceeded with a decision against the vote. As discovered later, this stemmed from different interpretations of the rules we had set for ourselves, which is one of the most likely reasons for emotional conflict to occur in heterogeneous groups (Von Glinow, Shapiro and Brett 2004) . Leading up to the incident, voting should have been more clearly discussed again to avoid different interpretations of the outcome. However, the most important element in a situation of team failure is to learn from temporary setbacks and move on without losing confidence (Johnson, Heimann and O'Neill 2000).

My first reaction upon learning that the decision had been made without the full agreement of the team was to remain silent and leave the room for a few minutes to keep calm. In retrospect, I would rate this as the right reaction given the emotional state at the time. Following this however, I do regret some of my actions as I blamed one other team member for our collective team performance. This is unprofessional and does not help bring the team forward. When each group member apologized for their actions during the incident, I apologized for this behavior and my overall harshness in interacting with some members of the team. Although in this situation I was very disappointed and angry that one group member still did not see their mistakes and did not apologize for them, I can now see that some of my past actions led to this behavior.

Since constructive criticism would certainly have been a better approach to dealing with this problem than directly blaming a team member, I will now evaluate how to appropriately handle such situations. Constructive criticism is feedback that is specific, considerate and does not attribute poor performance to inner courses, while destructive criticism is feedback that violates these basic principles. The latter will more likely result in resistance and avoidance than future collaboration and compromise (Baron 1988) and should therefore be avoided. Raver et al. define destructive criticism as "negative feedback that is inconsiderate in style and content" and link it to the recipient perceiving harm from the feedback-giver, blaming the feedback-giver, distrusting the feed-back giver, and feeling anger (Raver, et al. 2012). Looking at both models, my personal behavior can clearly be classified as destructive criticism as it was not considerate in style. I definitely worded the feedback too harshly and blamed the other director outright, which of course did not make them reflect on their own behavior. Therefore, I highly regret delivering my feedback such manner and will now assess on how I could have given the feedback in a more considerate and constructive way.

Constructive feedback, even if it refers to failures, can help people learn from those setbacks, which in itself makes it much preferable to destructive feedback (Fong, et al. 2018). The negative feedback needed to be given at that moment, but I failed to give my team member the motivation to move on and learn from the incident. Criticism needs to firstly be caring and from a respect-worthy feedback giver and secondly well intentioned, appropriately targeted and providing guidance (Fong, et al. 2018). The feedback I gave was not caring, as it was too harsh, and although it was well-intentioned, it was not appropriate or on target. I expected an apology and when that did not come, I just let my emotions rule which was a mistake in this situation. I should have concentrated on explaining to my fellow director how I perceived their actions and how they made me feel (Toegel and Barsoux 2016) in an understanding way while giving guidance on how to improve future decision-making.

When it comes to learning from mistakes, blaming, especially openly, may provoke defensiveness and hold individual team members accountable. Cooperative goals and problem solving, on the other hand, will promote learning from mistakes and therefore are likely to bring the team forward. This will unlock considerable potential and prevent the continuation of the present course of action and the costs connected to it (Tjosvold, Yu and Hui 2004). Although our group did work towards the same objectives and goals could only be reached cooperatively, we should have put a bigger focus on visualizing how only team effort could help us move forward. As discovered in the first critical incident, “open, problem-solving discussions of issues and difficulties” (Tjosvold, Yu and Hui 2004) are vital to this endeavor. This open style of discussion before misunderstandings occur or emotional conflict arises in tense situations is also essential to build trust, the absence of which was the main problem of our team, as already elaborated in incident one.

To summarize the second critical incident, our team should have been better prepared on how to handle controversial decisions. Underlying problems should have been discussed at an earlier stage and in an open and constructive manner. Also, we should have focused more on our cooperative goals. While, in my opinion, I handled the situation well in the beginning, by trying to calm down first and then speak, I regret that I blamed my team member on later occasions. This merely provoked defensiveness, resistance and avoidance which do not help advance the team. That I later apologized for this was a necessary and important step, but of course could not take back the damage that had already been done.

2.4 Conclusion and Review of Learning

This section outlines my key learnings from *Business in Practice* and assesses strategies to implement these findings in my future career. This will include a self-reflection under consultation of the peer review I received from my fellow directors.

The most important lesson I learned from Business in Practice in terms of teamwork is that I need to work on my communication style in tense situations and communicate problems I see in earlier stages. When voicing criticism, I spoke too harshly, thus diminishing any effects the feedback could have had if voiced in a more constructive way. I did not pay enough attention to language barriers and cultural differences in communication. More so, I failed to voice my concerns trying to explain my perspective while thoroughly understanding my teammates' point of view. Later, when I talked about my problems with this approach in the *team dynamic clinics*, the team member with whom I had not been able to communicate well before showed at least some understanding. After the session, communication in general worked much better, which was accompanied by better teamwork in general.

Regarding the peer feedback, my self-evaluation on *relevant knowledge and skills, contributing to the team* and *expecting quality* was on par with my team members' perception and on a good level. I will therefore not discuss them any further. In *interacting with teammates* and *keeping the team on track*, on the other hand, I was below par, and my self-perception was much higher than my teammates'. This shows that my communication style was flawed and in turn contributed to drawn-out discussions that were much longer than necessary. This leads me to the conclusion that my deficits in communication also led to less effective teamwork and robbed the team of time and thus productivity. While I was aware that I needed to work on improving my communication style, I was not aware that it was directly hindering the productivity of the team.

To summarize, *Business in Practice* led me to the realization that although I spent about half of my studies abroad, there is still room for improvement in my communication style, particularly in international surroundings. In the future, I will not only strive to better understand my teammates' perspectives, but also try to avoid potential conflicts by voicing my concerns before a conflict arises in very tense situations.

3 Corporate Analysis of *Jawda*

3.1 Introduction

Times of disruptive technological change can be exceptionally challenging for established companies, as many have failed to maintain their competitive advantage at this very moment (Mui 2012). The given company analysis describes how the established car manufacturer *Jawda* has navigated the transition from internal combustion engine technology to electromobility and the difficulties it has encountered on the way.

The first step is a thorough analysis of *Jawda's* strategy. After the definition of the company's mission, vision and values, its business model will be depicted. By means of a SWOT analysis, Jawda itself, its environment as well as the company's strategic positioning will be thoroughly examined. The intended strategy requires constant adaptation to remain successful (Teece 2018) and *Jawda's dynamic capabilities*, specifically regarding marketing and innovation, will be embedded throughout the further analysis. The overview of the marketing function examines *Jawda's* positioning, followed by an analysis of the evolution of the company's marketing tactics. Special emphasis is placed on Jawda's product portfolio and portfolio planning, pricing, and promotion. The following examination of the innovation function evaluates the product life cycle, the technology S-curve, and the three innovation horizons, all of which are critical concepts for innovation. Subsequently, investment decisions in innovation and product development decisions are evaluated, considering critical technology decisions as well as external factors like policy changes and shifts in consumer demand.

Finally, the main ideas, and key lessons for myself and for future management teams in similar situations are presented. Special emphasis will be placed on the interdependence of corporate functions and the importance of strategic alignment across all of them.

3.2 REVIEW OF *JAWDA'S* STRATEGY

Strategy, by definition, is a plan to achieve the company's mission and vision. Therefore, in order to be able to assess the right strategy for *Jawda*, both aspects must first be clarified. In the following, both, *Jawda's* mission and vision as well as its core values, the company's code of conduct, will be presented and analyzed.

Four "disruptive, technology-driven trends" will shape the direction the car industry is going to take, being *diverse mobility*, *autonomous driving*, *electrification*, and *connectivity* (McKinsey&Company 2016). Adapting to these trends will be the most challenging task for companies to pursue in the coming years. Fossil fuels are an incredible burden to this planet, and *Jawda* envisions a world with electric cars that don't have to sacrifice quality or comfort compared to their gasoline-powered counterparts. The *United Nations Sustainable Development Goals (SDGs)* are a set of efforts to address the urgent political, economic and environmental challenges the world will have to face (UN General Assembly 2015). Under close consideration of its goals and this set of aspirations, *Jawda's* vision is as follows:

High quality, zero emission electric cars

On *Jawda's* way to this long term goal, *creating value through innovation without compromising on sustainability* will be its mission. New technologies must be developed gradually since a complete switch to electric cars will not be possible in an instant. Respecting the environment as well as our customers will always be the first priority for *Jawda* and operation will always follow a strict set of core values.

Firstly, *Integrity* binds the company to ensure that acting in compliance with the environment should always be the main focus. Secondly, with *Honesty* we pledge to keep communication with suppliers and customers as transparent as possible. *Ethics, Equality and Diversity* are meant to guarantee a zero-tolerance policy against discrimination. Lastly, with *Quality*, *Jawda* pledges to create unique, high-grade products through innovative and sustainable processes. In respect of the seventeen *SDGs*, *Jawda* aspires to leave a mark in this world by actively focusing on nine of the goals:

UN Sustainable Development Goals	Actions pursued by *Jawda*
	• Top-level workforce training and development • Zero-tolerance for discrimination • Diverse workforce and full equality • Social commitment
	• Investments across scopes 1, 2 and 3 • Constant investments in new technologies • Strive to make both, production and products emission-free • Long-term technology decisions always in consideration of what is best for the environment
	• Full transparency and responsible supply-chain-management • Only ethically sourced raw-materials • Zero-tolerance towards corruption and bribery in supply-chains, ethical choices only • Reduced water and air pollution in procurement, production and products

Figure 1: *Jawda's* Alignment with SDG's

The *VARS* framework will help us break down *Jawda's* business model including its value proposition, activities, resources and capabilities, revenue model and scope of enterprise.

Jawda's value proposition is *to provide the world with sustainable, innovative, and high-quality cars*. The company has an infrastructure of reliable suppliers and a profound knowledge about the production of conventional cars. An initial major investment of USD 600 million in e-drive models has already been made. The company will realize its value by charging cash for its cars but is open to adapt novel business models later on.

In terms of scope, customers 25 and older from middle to high-income households are targeted; the horizontal scope includes solely cars sold directly and through dealerships. The vertical integration includes the production of vehicles as well as marketing and sales.

The SWOT analysis below has been conducted to gain a closer understanding of *Jawda's* internal and external environment. Creating the best fit between the resources of a company and its environment is essential for its survival (Porter 1980) and a key part of the strategy formulation process (David and David 2016).

	SWOT Analysis	
	Strengths	**Weaknesses**
Internal View	• Diverse portfolio of conventional cars and one hybrid already • Currently among the three most successful car manufacturers • Already invested $600M in electrification • Stable income streams and good credit rating support future growth/ innovation • Global Presence	• Only one hybrid car in current portfolio • Fleet C02 emissions heavily exceed current allowance • Company performance is in decline • Strong investments needed to remain competitive
	Opportunities	**Threats**
External View	• "New business models could expand automotive revenue pools by ~30 percent, adding up to ~USD 1.5 trillion" • "Vehicle unit sales will continue to grow, but likely at a lower rate of ~2 percent p.a." • Electric vehicles become more relevant • Vast potential in autonomous driving • Every 10th car in 2030 could be a shared vehicle resulting in more specialized cars • City type will be the most relevant segmentation dimension	• New market entrants will lead to more diverse market and more competition (Competitor C) • Growing penalties for low sustainability ratings in form of C02 penalties • Diesel engine cars sales are expected to decline by 20% due to emissions scandal • The danger of being left behind due to lacking innovation higher than ever

FIGURE 2: SWOT ANALYSIS (MCKINSEY&COMPANY 2016)

Firstly, the key findings of the external view will be discussed, followed by an evaluation on how *Jawda* can prove its strengths and overcome its weaknesses.

The disruptive technology-driven trends that will shape the future car industry (McKinsey&Company 2016) will open huge potential for new business opportunities. The risk of being left behind due to technological shortcomings, however, will be greater than ever. Car sharing and other growing business models will open up big revenue opportunities while also slowing down the growth of individual car sales. New technologies like autonomous driving and electromobility will play an ever-growing role while adaptation speed will vary by region. Demand for diesel vehicles has fallen by 20 percent due to an emissions scandal whereas demand for high-specification vehicles and city cars will rise and that for rural vehicles will fall. Due to new market opportunities, new players such as *Competitor C* will enter the market and cooperation between competitors may become necessary. *Jawda* is an established company, has global presence and it ranks among the top three competitors. The company could already gain first experience in electromotive with the hybrid car *Lux 225H* and has a well-diversified portfolio of combustion-engine cars. $600 million have already been invested in e-mobility projects, while steady revenue streams and a strong credit rating are paving the way for future investment. Although these are excellent prerequisites for maintaining a dominant position in the future, the company must remain cautious in order not to lose its footing in these rapidly changing times. Especially new technologies as intangible resources must be invested in as combustion-engine technology will lose its value long-term. With the missing capability to build cars that suit market demands, e.g. electric ones with autonomous driving abilities, *Jawda* will not be able to have a sustained competitive advantage (Barney 1991).

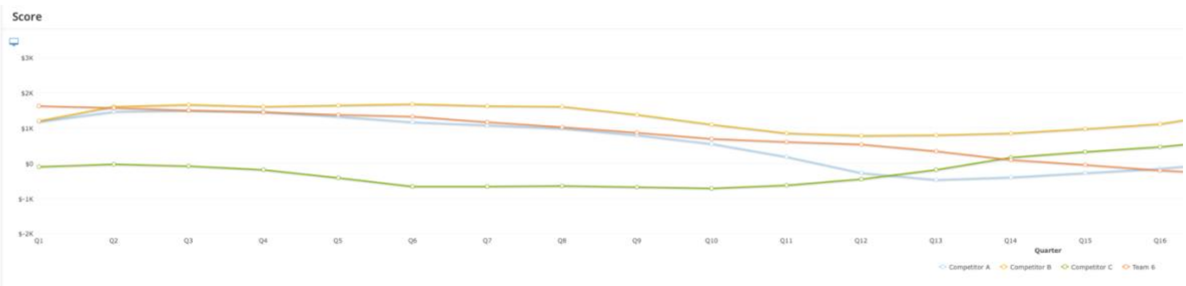

FIGURE 3: *JAWDA'S* POOR PERFORMANCE IN THE FIRST YEARS (ORANGE LINE)

The above chart shows that, *Jawda's* market position has deteriorated in the first four quarters so that new strategic perspectives are needed. Long-term, it will be *Jawda's* goal to become fully electric, but the pace of this transition will be primarily determined by market perception and the pace of policy changes. As the company operates in a highly complex and unpredictable business environment, it will be forced to be flexible and adaptive to changing environmental demands. Consequently, it is possible to include characteristics of both a differentiation and a low-cost strategy (Shahzad, Bajwa and Zia 2013).

To this end, *Jawda* plans to use its existing and profitable combustion-car department as a *cash cow* (The Boston Consulting Group 1970), to finance its heavy investments in electrification and autonomous driving. This approach is similar to that of *Ford Motor Company* which split its internal combustion and electric engine divisions into two separate companies, *Ford Blue* and *Ford Model E*. In this endeavor, the non-electric vehicle manufacturing sector is maximizing its production efficiency to provide the necessary resources for the full transition to electric vehicles (Harloff 2022).

The first step towards the renovation of *Jawda's* portfolio will be the implementation of high-end hybrid and, once the technology has been provided, electric cars. This will allow the company to assess customer demand and gain experience without diverting too much production capacity from its still very profitable combustion business. Furthermore, high-end vehicles have the strong advantage to already be profitable in smaller quantities and less dependent on economies of scale. A good example is *Ferrari's* operating margin, which is twenty-five percent, while it is less than ten percent for *Hyundai*, *Toyota* and *Kia* (Companies Market Cap 2022).

Later, production capacity will be freed up as internal combustion vehicles reach the end of their life cycle. At that time, *Jawda* plans to expand production to quality, high-tech vehicles aimed at an urban clientele, and more focus will be placed on economies of scale. This is a common and proven approach followed not only by new entrants like *Tesla*, but also by established competitors like *BMW*. Tesla first launched the *Roadster*, a luxury convertible that served as a proof of concept, and then continued with the *Model S* and *Y* luxury sedans and SUVs. Only then was the more affordable and now best-selling *Model 3* launched (Schreiber and Gregersen 2022). *BMW*, a company much more comparable to *Jawda*, also chose the luxury sports hybrid *i8* as their first step into electromobility (Grünweg 2011).

The ability of a company to successfully implement a strategy is highly dependent on its dynamic capabilities (Teece 2018), and the strategy realized is always a combination of the intended strategy and emerging strategies (Mintzberg and Waters 1985). In the next two sections on marketing and innovation, we will therefore assess how *Jawda* has implemented its strategy in these two business areas and which adjustments had to be made along the way.

3.3 Review of the Marketing Function

We have already thoroughly examined the external and internal environment of the company as part of the strategy review and the planned strategy has been analyzed. Therefore, we will now discuss *Jawda's* intended positioning, as part of the *STP* process in more detail.

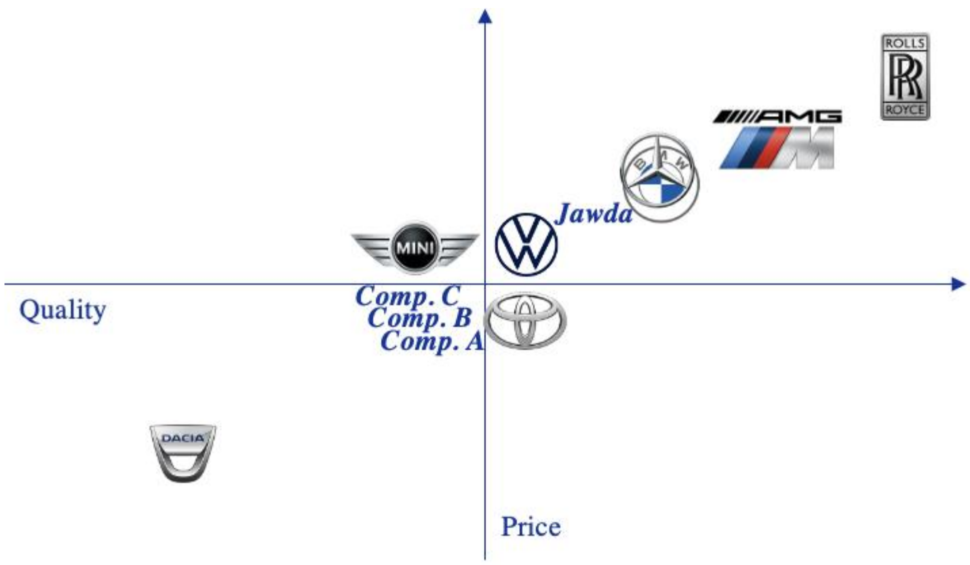

Figure 4: *Jawda's* Positioning Compared to Competition and Real-World Examples

The essence behind good positioning is to occupy "a particular piece of real estate for a brand in the consumer's mind" (Ries and Trout 1969). This can be achieved by shaping the company's offering and image in the way it is intended to be perceived by the customer (Keller 2009). As can be seen in *Jawda* is aiming for a position in the premium vehicle segment in the long term, with an above-average price that customers associate with top quality. However, the company plans to create a premium sub-brand called *Jawda Performance* for the luxury vehicles it intends to build as an entry into the electric mobility market. This clearly sets the company apart from its three competitors which also offer a wide range of vehicles, but all target a more price-sensitive customer group. This enables *Jawda* to outperform its rivals through establishing a perceived difference that makes it stand out from the competition (Porter 1996).

The aim of this practice is to clearly distinguish the various price and service segments offered by the company. It also avoids the considerable costs associated with promoting a brand that is still unknown and setting up a completely new distribution network (Keegan 2013). Real world examples include *Mercedes AMG, BMW M*, *SRT* for both *Dodge*, *Jeep* and *Chrysler*, and many more. In terms of pricing, *Jawda* will be positioned higher than its competitors, which is justified by both, better features and brand perception. At the beginning, vehicles with combustion engines will still play a role in the low to medium price segment, but at the end of their life cycle they will slowly be phased out of the portfolio.

Now follows a chronological review of *Jawda's* marketing achievements. In year two, the main task for the marketing department was to optimize both, pricing, and advertising expenses for the company's combustion-engine cars. This was necessary to optimize cash-flows to allow for the business to invest in its technological renewal and strategic repositioning. In quarter six, *Air 100H* was launched and pricing set at a premium point which corresponded to the excellent features of the car. The third year began with the relaunch of the *City 75G*, a model that was already in decline at the time and was essential to *Jawda's* factory utilization and incoming cash flows. Furthermore, the sales department could win a large new customer with its promising plan for electromobility. In quarter ten, the company's first two electric cars were launched, both with extra-long range, outcompeting any competitor in that field. The customer demand for electric cars increased and demand for the combustion-engine cars went down considerably faster than expected. That is why the company decided in the tenth quarter to launch a compact car, the *City E*, much earlier than originally planned.

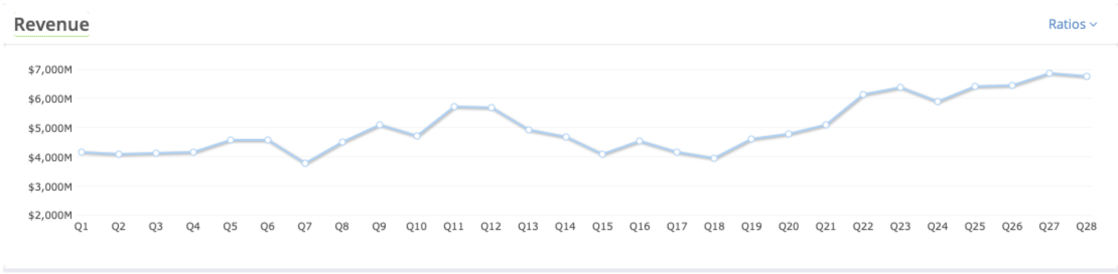

FIGURE 5: *JAWDA'S REVENUE THROUGHOUT THE YEARS*

As can be seen in Figure 5, up until the end of year three, revenues were increasing but year four represented a turning point for *Jawda.* Most of the old portfolio was in decline at this point, and there were not enough cars to fill the capacity of the factories. At this point, the decision was made to slash prices on all cars to sell enough to keep all the factories running. Furthermore, the marketing budget was cut significantly. Although this was not in line with the original strategy, no other option was seen, which later turned out to be a capital mistake. The introduction of the *Lux E* luxury sports car and the *Micro E* microcar in quarter fifteen was another step to ensure full capacity utilization.

Profits shrank due to low margins caused by lowered prices, and the number of sales did not increase significantly. For this reason, the company's performance slumped even more in the fifth year, when KPI value growth bottomed out at a minus $800 million. The marketing approach needed to be fundamentally reformed, and consequently it was decided to dramatically increase marketing expenditures across all channels. In addition, new premium midsize cars such as the *Better Biz E* and the *Better City E* were to be launched at the beginning of the sixth year to compensate for the unused capacity.

The sixth year finally marked a turning point for *Jawda*, and the company began to become profitable again. It became apparent that trying to compete on price made it impossible for customers to distinguish the company from its lower quality competition, and the company could no longer stand out (Porter 1996). In addition, not enough money was invested to properly communicate the qualities that distinguish *Jawda* from its rivals.

Once these mistakes were corrected, by again charging adequate prices for the company's excellent products and increasing the marketing budget, the company's performance skyrocketed again.

3.4 REVIEW OF THE INNOVATION FUNCTION

As already explained, *Jawda's* goal is to become completely emission-free. Therefore, the entire fleet will be converted to electric vehicles which will later also have autonomous driving capabilities. This is necessary not only to maintain a competitive advantage by not losing key capabilities (Teece 2018), but also to keep pace with the major trends that will shape the automotive industry in the future (McKinsey&Company 2016). In addition, pressure from key stakeholders, investors and governments regarding ESG compliance is increasing, making this step inevitable (Tett, et al. 2020).

The product life cycle is crucial for portfolio planning, as old products must be replaced by new ones in a timely manner to meet customer demands and keep factory utilization high (Simpson, Siddique und Jiao 2006). Especially the second point was of critical importance to *Jawda*, as its portfolio was not sufficient to generate enough sales, especially in the fourth and fifth years of operation. A product’s lifecycle is divided into four periods, introduction, growth, maturity, and decline (Hill 2011).

The first stage is very cost-intensive, high marketing expenses are needed to familiarize the customer with the product. Also, first evaluations about the product’s future success can be made. In the growth stage, market demand significantly increases, and advertising and promotion need to be kept high to compete against rival products. The maturity stage is the most profitable for an enterprise as, while sales have reached their peak, marketing and production expenses are going down. At this point, the innovation department must already be thinking about a successor since a replacement must be launched as soon as the product reaches its decline and is eventually discontinued.

The technology S curve divides the life cycle of a technology into a phase of high investment and slow growth, followed by a phase of rapid growth and finally a phase of stagnation (Utterback 1994). It can therefore be divided into an introduction stage, a growth stage, and a maturity stage (Sood and Tellis 2005). Once maturity has been reached in a field, there is no other way of making significant technological progress, except by radically changing its technological basis.

This transition can be particularly challenging for established companies, as the example of the change from analog to digital imaging technology shows. Although this technology was invented by a Kodak engineer himself, the disruptive change that followed, led to the company's demise (Mui 2012). The automotive industry is in such a transitional phase, with technologies like electromobility and autonomous driving on the rise (McKinsey&Company 2016) and traditional combustion engines slowly being phased out (Henley 2021). The innovation function is therefore a crucial factor in the survival of *Jawda*, an established company in the highly disruptive automotive industry. It is responsible for both, the pace of product innovation itself and the design of new vehicles coming to market, putting it at the epicenter of the company's transformation.

The *three-horizon* framework emphasizes the need for companies not to neglect current performance while pursuing potential growth opportunities (Baghai, Coley and White 1999). *Horizon one* stands for the core business that is responsible for the majority of the company's revenue; in *Jawda's* case, it is the business with cars with internal combustion engines. *Horizon two* stands for ideas that help the company expand its business model to new targets, markets, or customers. *Horizon three*, which is the most relevant to the innovation function, represents the creation of new capabilities that take advantage of and respond to disruptive changes in the marketplace (Blank 2019). According to this model, each function should be allocated a similar share of the corporate budget (Baghai, Coley and White 1999). This once again underlines the importance of the innovation function, but also highlights the importance of a symbiosis with the other corporate functions.

Jawda based its technology investment decisions primarily on how quickly the new technology needed to be ready for a new product launch. As the first electric cars were to be launched with high-end features at a higher price, the company invested heavily in connectivity technology, autonomous driving, and electrification in the second year. This later turned out to be premature, as the market wasn't quite ready for these advanced technologies when the *4x4 E* and *Biz E*, the company's first electric cars, were launched.

In the tenth quarter, the decision was made to invest in the more environmentally friendly and higher-quality *solid-state* battery technology. This decision was the only option in line with *Jawda's* values and gave the company competitive advantages in the long run. On the other hand, though, this decision also led to a higher recall rate in earlier stages of the technology's development, which had a negative impact on electric car sales in the short term. This contributed to the company's cash flow problems in the fourth and fifth years of operation leading to a significant reduction in the budget for technological innovation. In hindsight, it would have been wiser to invest earlier in less advanced electronic vehicles to ensure factories were operating at full capacity, rather than in cutting-edge technologies for which consumers were not ready yet. In the sixteenth quarter, however, as cash flow began to rebound, *Jawda* was able to continue its investment in advanced technologies for which consumers were now ready. This accelerated acceptance was driven by buyers' increasing preferences for electric vehicles and autonomous driving as well as incentives provided by the government. *Jawda* has been able to meet this demand with the development of three highly successful, high-tech electric cars launched in quarters 21, 22 and 23. Therefore, in Q24, *Jawda* decided to invest in a joint venture in the car sharing sector, as the time to market was much shorter than for in-house development and acquiring a company would not have been economical. This decision represents a *horizon two* investment, as it helps the company access a new customer base with the same set of products (Baghai, Coley and White 1999). This will allow *Jawda* to benefit from the expected thirty percent growth from new business models in the automotive industry while fulfilling the prediction of the growing importance placed on collaboration between long-standing companies.

3.5 Conclusion

Even though *Jawda* left the transition to electromotive stronger than ever before, heavy obstacles had to be overcome along the way. In the following, the company's greatest shortcomings will be summarized and the reasons for its later success will be explained. Furthermore, key areas of personal learning will be presented.

Two main areas of failure in the company's operations were identified, and after addressing them, performance increased in all domains: A lack of strategic alignment and cross-functional collaboration issues. The former led to incorrect brand communication and thus to a lack of customer acceptance for new products, the latter to a portfolio that could not guarantee full capacity utilization of the factories. As the two factors mutually reinforced each other, factory utilization dropped to just fifty percent at times, in line with critically low sales and a non-existent profit margin in Q18.

Only when it was decided to increase the marketing budget and stop competing on price, customers were once again able to distinguish *Jawda's* premium quality from that of its competitors, and sales began to rise again. Originally, the move to lower prices for the vehicles even had the purpose of boosting sales, as the company was facing critically low plant utilization. However, instead of solving this problem, it significantly worsened the situation as it was not in line with the very core of the company's strategy: premium quality at a premium price. Adaptations are essential to the success of any strategy, but the most important learning to gain from this mistake is that adaptations that are not properly aligned with the company's mission, vision, and values will lead to failure. It was only when our management team used its dynamic capabilities to align *Jawda's* pricing policy with its core values that sales could recover again.

The deficiencies in cross-functional collaboration were most evident in portfolio management, as new products failed to offset the decline in sales of the company's ageing portfolio. Product life cycles were not properly communicated between the marketing and innovation departments, while the operations department failed to communicate the decline in factory utilization. Fortunately, there was still sufficient budget for the rapid development of new products, which, in conjunction with growing customer acceptance and the strategic realignment, led to sustained success.

By managing a company in times of transformation in a cross-functional team, I was not only able to put the theoretical knowledge of my own department to the test in practice. Working with my colleagues on the Executive Board, I learned above all how much these individual business units depend on each other and need to work together for the company to remain successful. I also felt firsthand the consequences of strategic misalignments as they brought our company to the brink of failure until they were corrected. In conclusion, *Business in Practice* not only deepened my theoretical knowledge of business, but also gave me important insights into working in cross-functional teams. The interdependence between different business functions is much more deeply rooted than I could have ever imagined, and I realized the essential relevance of collaboration.

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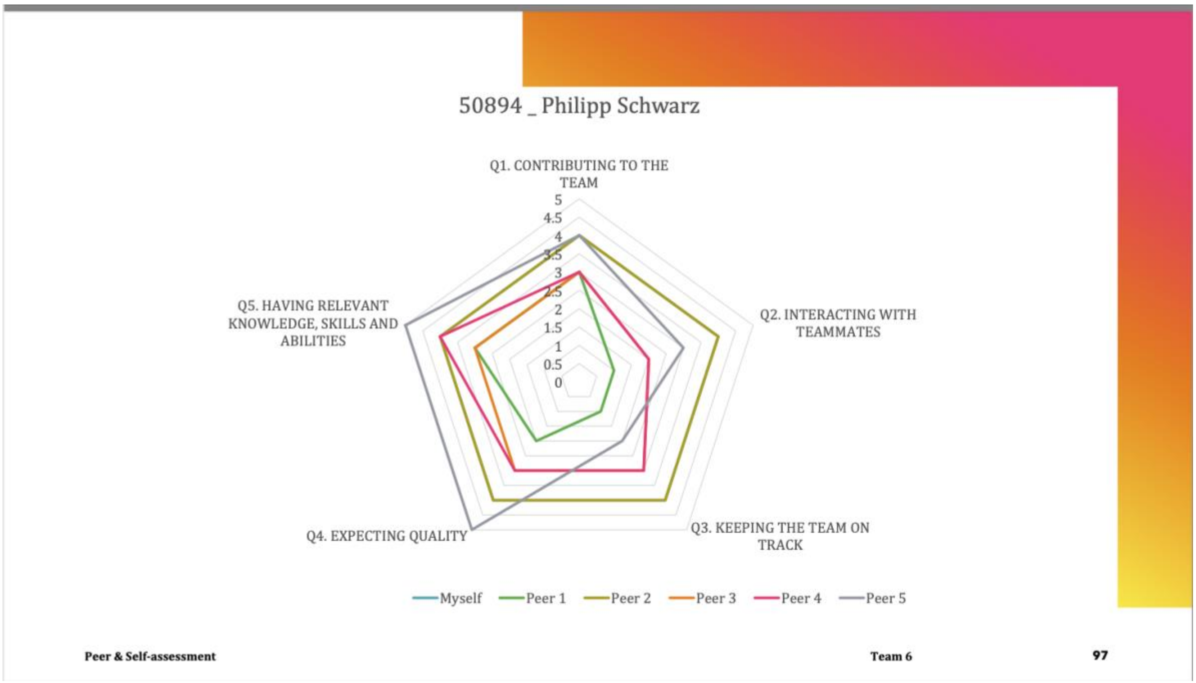
5 APPENDIX

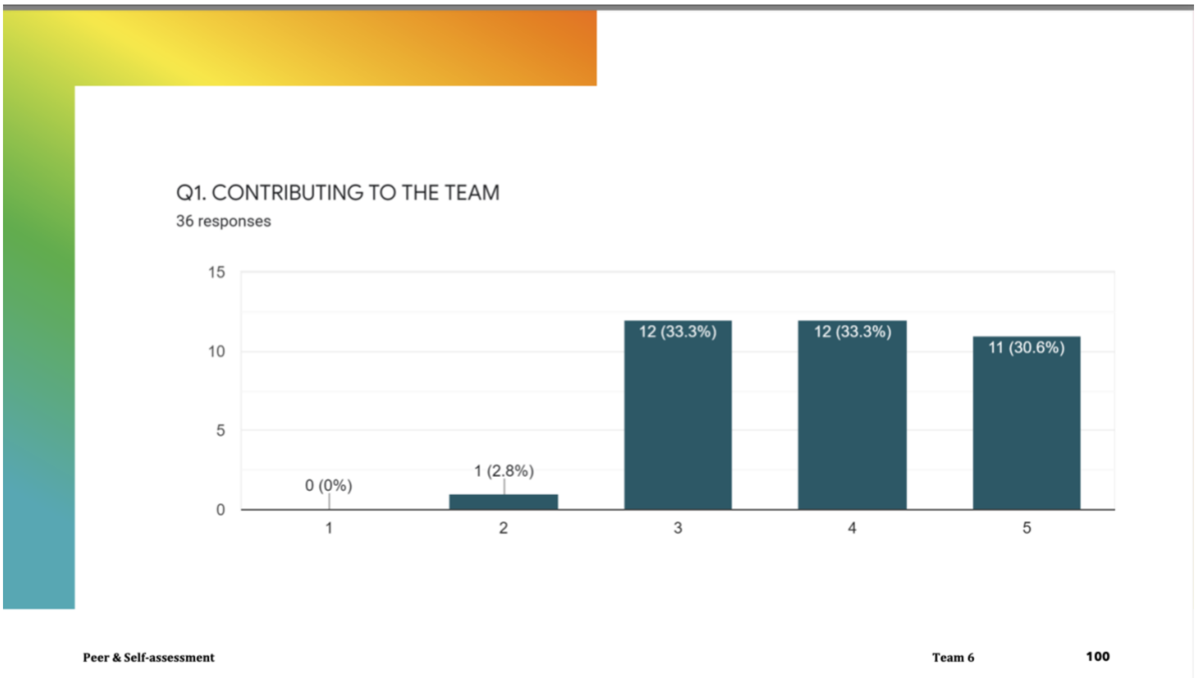
Team Charter:

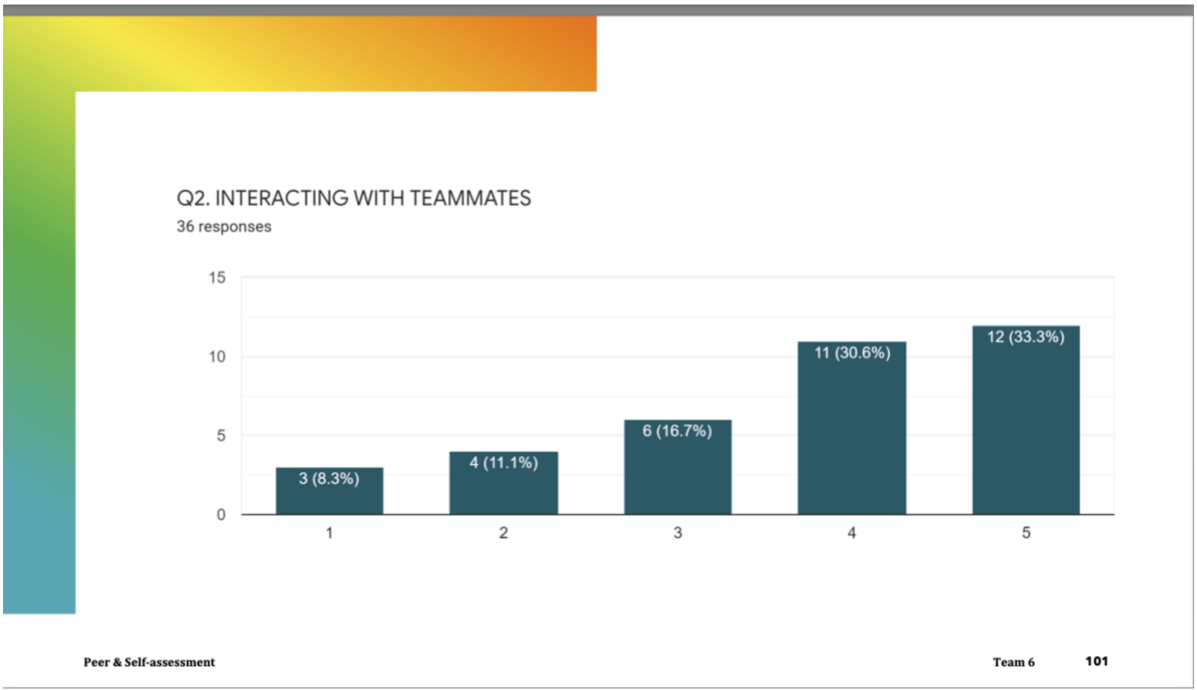
Team Charter

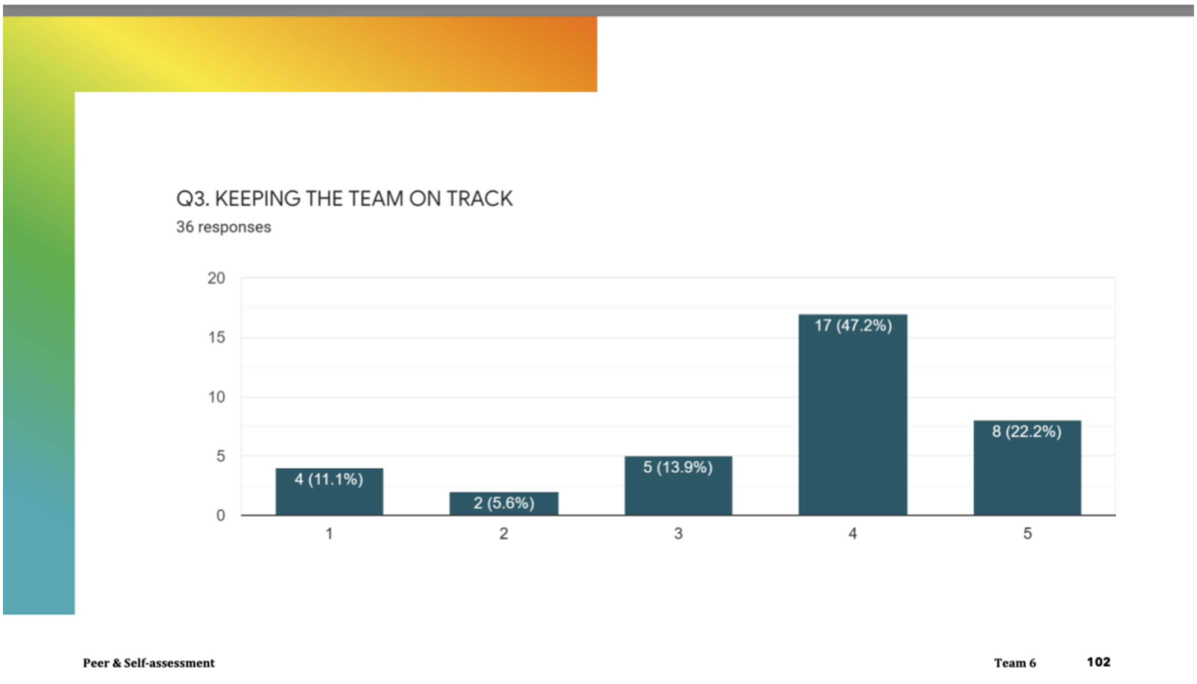
- **Meetings efficiency –** before each simulation have at least one meeting to make sure that everyone is on the same page and that as a team we know where we are.
- **Team Commitment –** make sure that in our meetings everyone has a word when it comes to making decisions.
- **Performance –** everyone commits to paying attention to all department's decisions and dedicating time to the simulation even when all the decisions are done.
- **Respect –** be respectful in every single discussion. Thus, every member feels free to give their opinion, and like that we want to keep the harmony within the group.
- **Decision making –** we will always vote in big decisions, but sometimes (in cases of a draw) the director's opinion will prevail.
- **Communication –** each member should vent out if facing any constraints about the simulation or anyone from the team**.** As a united team, we want to collaborate to solve those issues to keep learning together.
- **Follow the decision-making sequence** => starting first from 1. marketing 2. innovation 3. operations 4.HR and finally 5. Finance. This way we avoid conflict, and we save time.
- **Trust department member -** we cannot build anything without trust.

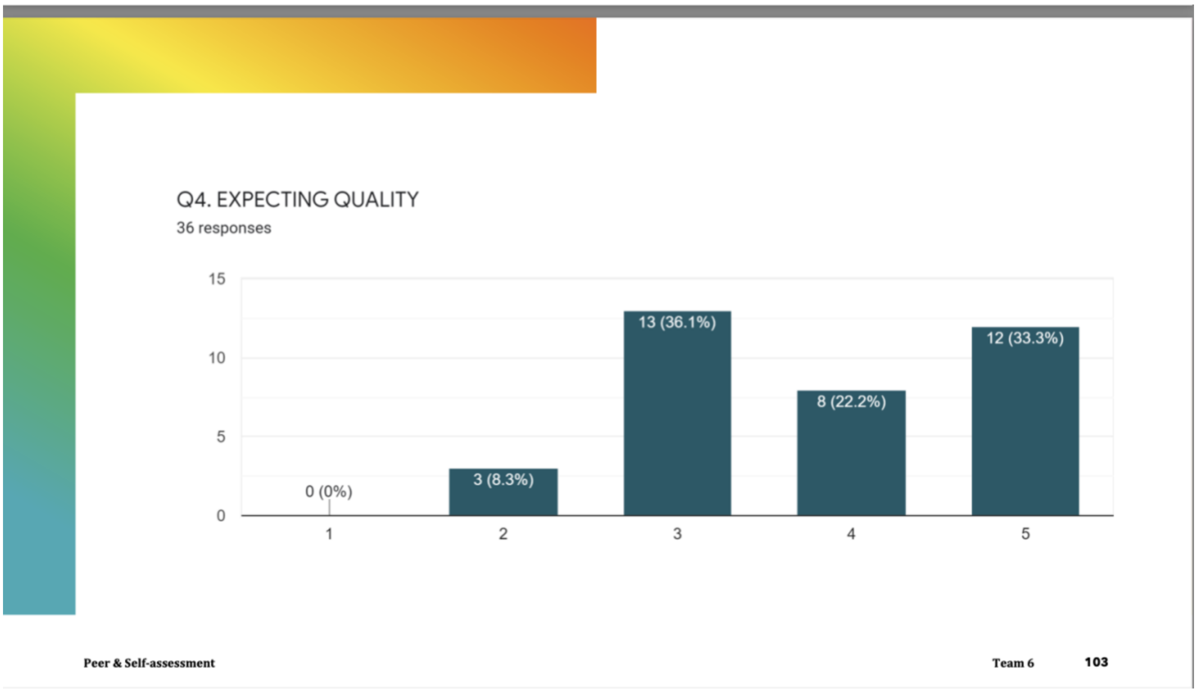
Peer and Self-Assessment:

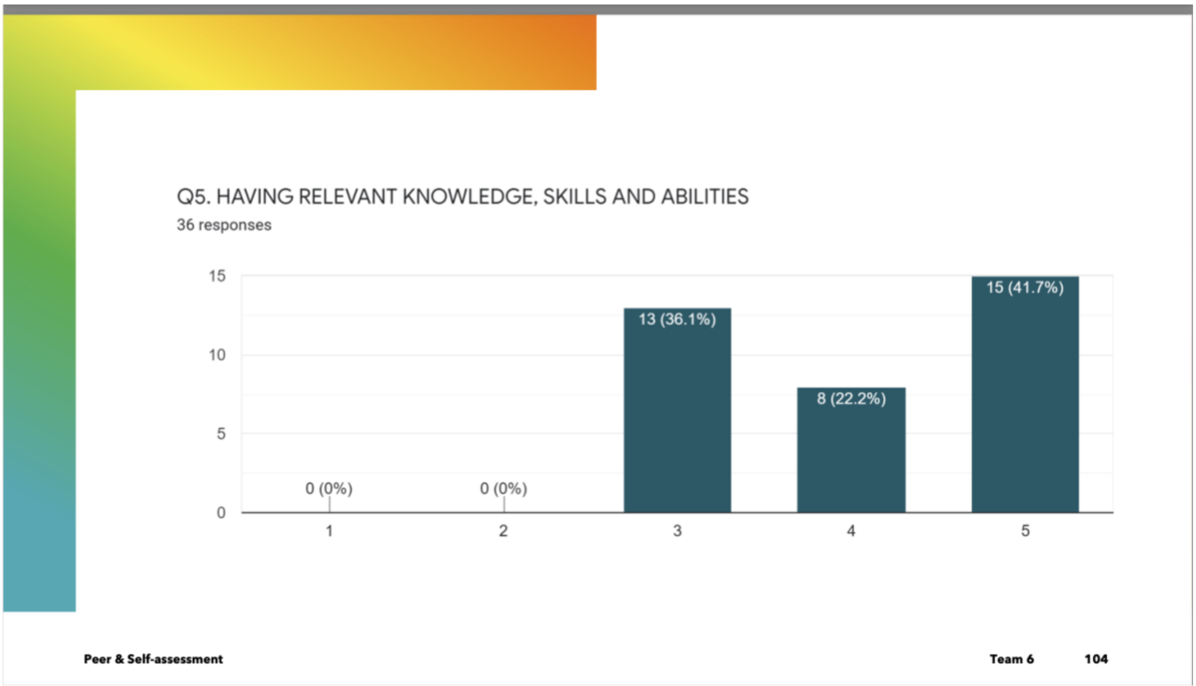




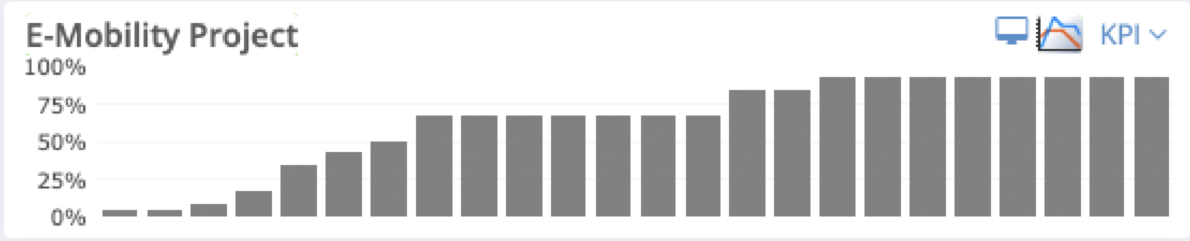

Q2. INTERACTING WITH TEAMMATES
36 responses
15
10
5
0
3 (8.3%)
4 (11.1%)
6 (16.7%)
11 (30.6%)
12 (33.3%)
1
2
3
4
5
Peer & Self-assessment
Team 6
101

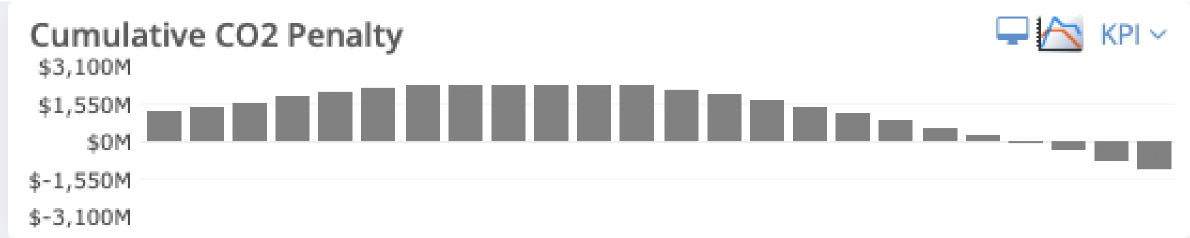

Q3. KEEPING THE TEAM ON TRACK
36 responses
20
15
10
5
0
4 (11.1%)
2 (5.6%)
5 (13.9%)
17 (47.2%)
8 (22.2%)
1
2
3
4
5
Peer & Self-assessment
Team 6
102


Q4. EXPECTING QUALITY
36 responses
15
10
5
0
0 (0%)
3 (8.3%)
13 (36.1%)
8 (22.2%)
12 (33.3%)
1
2
3
4
5
Peer & Self-assessment
Team 6
103

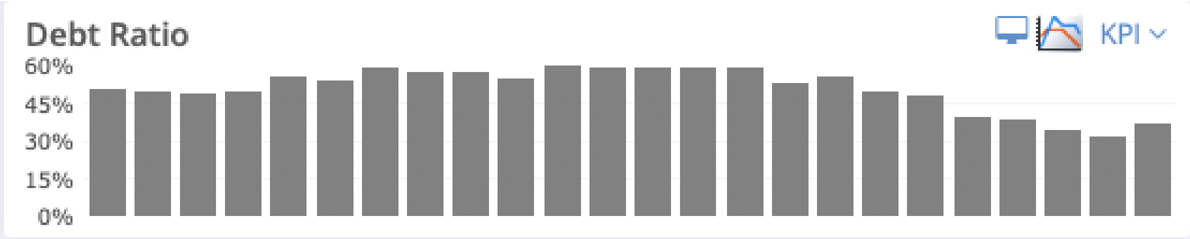

Q5. HAVING RELEVANT KNOWLEDGE, SKILLS AND ABILITIES
36 responses
15
10
5
0
0 (0%)
0 (0%)
13 (36.1%)
8 (22.2%)
15 (41.7%)
1
2
3
4
5
Peer & Self-assessment
Team 6
104

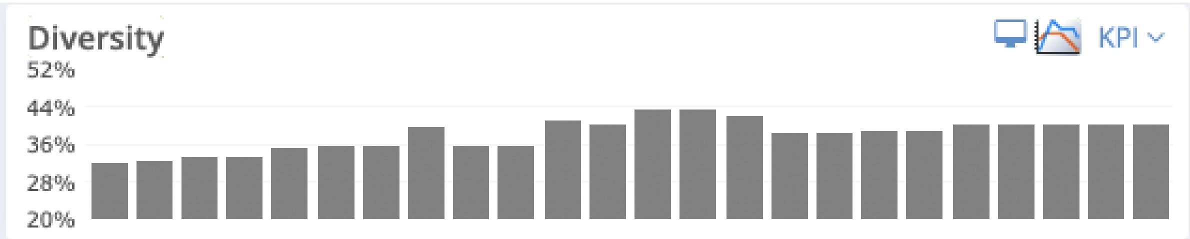
KPI’s:

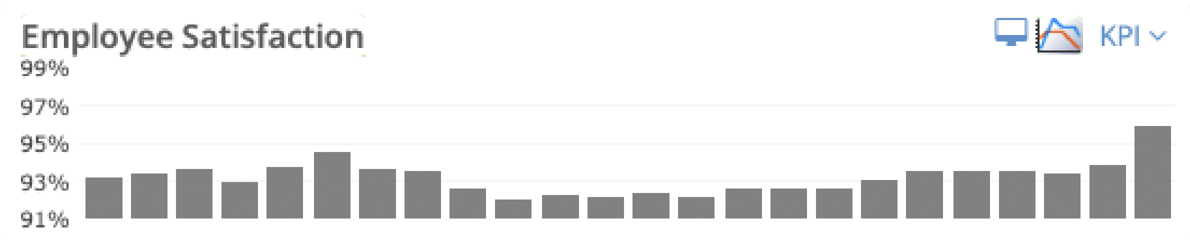

E-Mobility Project
KPI
100%
75%
50%
25%
0%

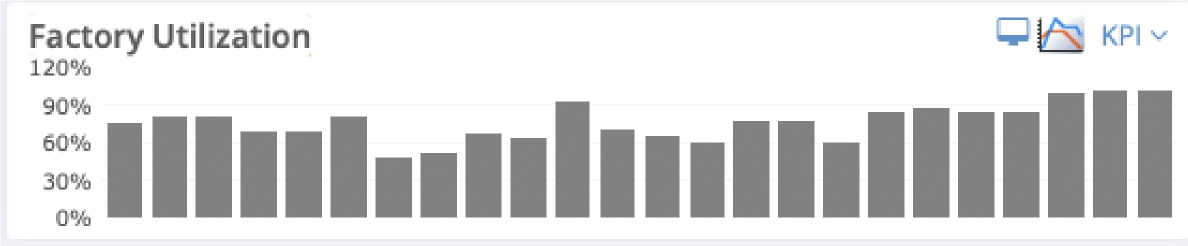

Cumulative CO2 Penalty
KPI
$3,100M
$1,550M
$0M
$-1,550M
$-3,100M

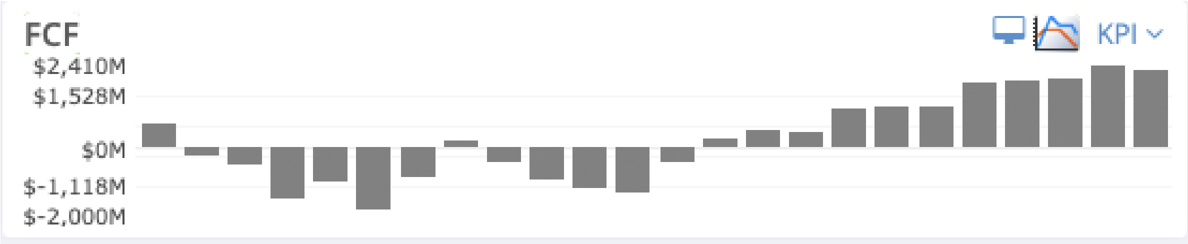

Cumulative E-Cars Sales
KPI
2,000,000
1,500,000
1,000,000
500,000
0


Debt Ratio
KPI
60%
45%
30%
15%
0%

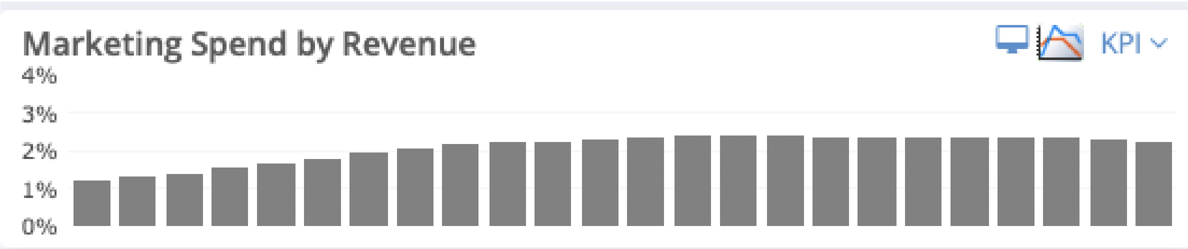

Diversity
KPI
52%
44%
36%
28%
20%

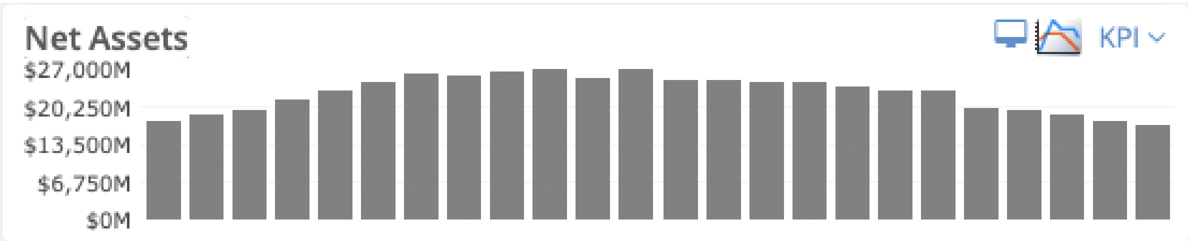

Employee Satisfaction
KPI
99%
97%
95%
93%
91%


Factory Utilization
KPI
120%
90%
60%
30%
0%

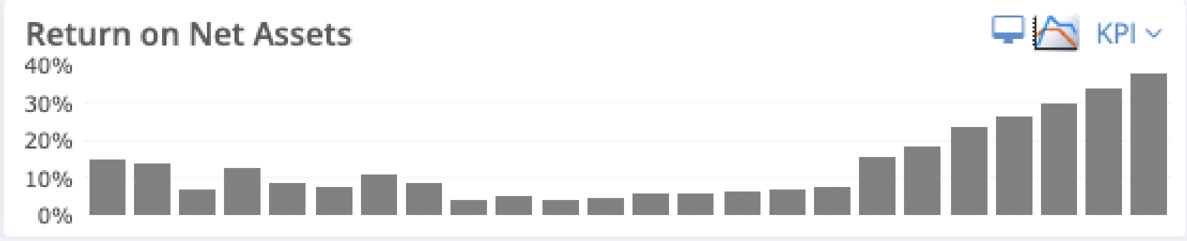

FCF
KPI
$2,410M
$1,528M
$0M
$-1,118M
$-2,000M

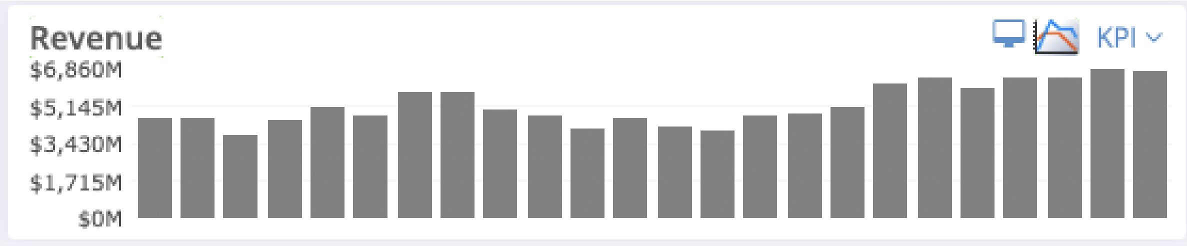

Interest Coverage
KPI
52x
39x
26x
13x
0x


Marketing Spend by Revenue
KPI
4%
3%
2%
1%
0%

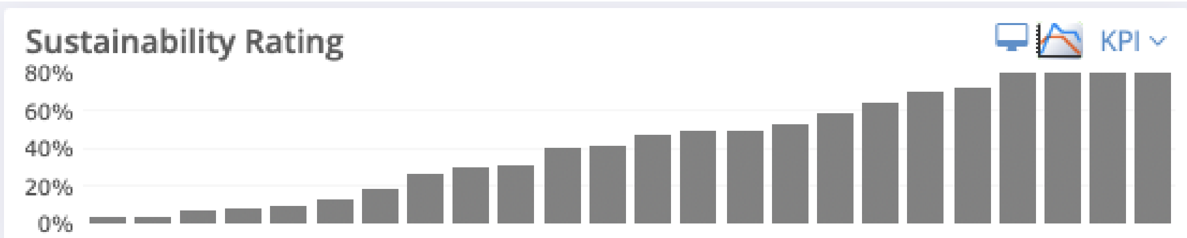

Net Assets
KPI
$27,000M
$20,250M
$13,500M
$6,750M
$0M


Net Operating Profit
KPI
$1,480M
$1,110M
$740M
$370M
$0M


Return on Net Assets
KPI
40%
30%
20%
10%
0%


Revenue
KPI
$6,860M
$5,145M
$3,430M
$1,715M
$0M

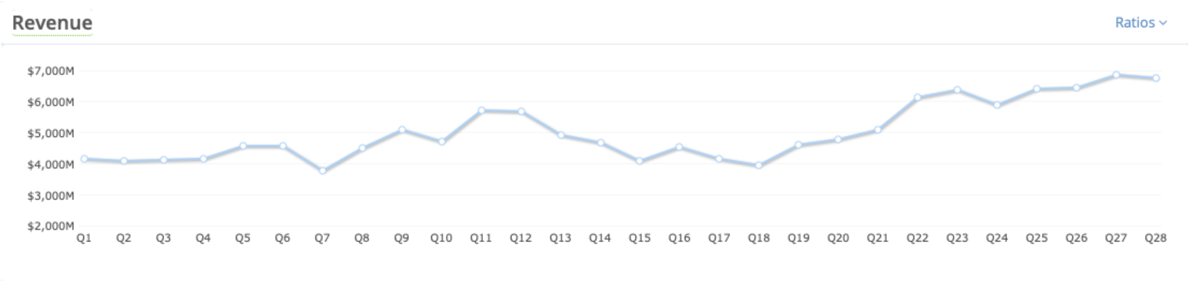

ROS
KPI
32%
24%
16%
8%
0%

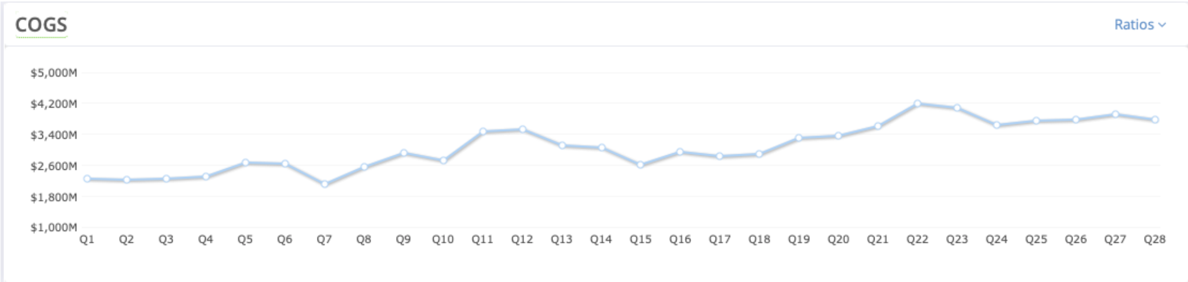

Sustainability Rating
KPI
80%
60%
40%
20%
0%

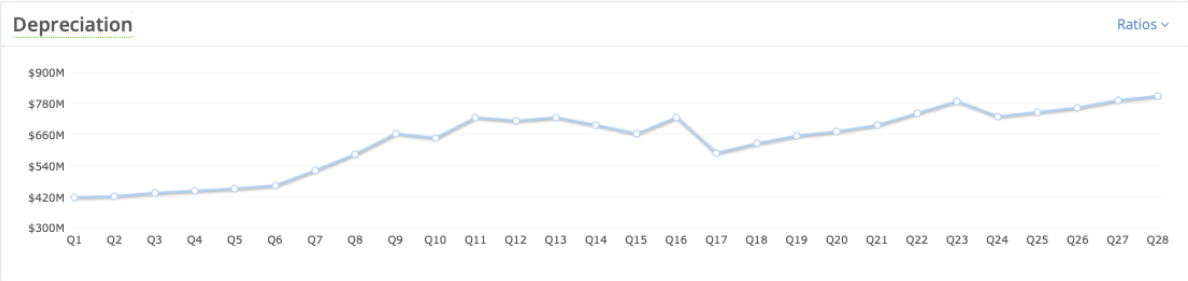

Value Added
KPI
$3,300M
$2,200M
$1,100M
$0M
$-1,100M

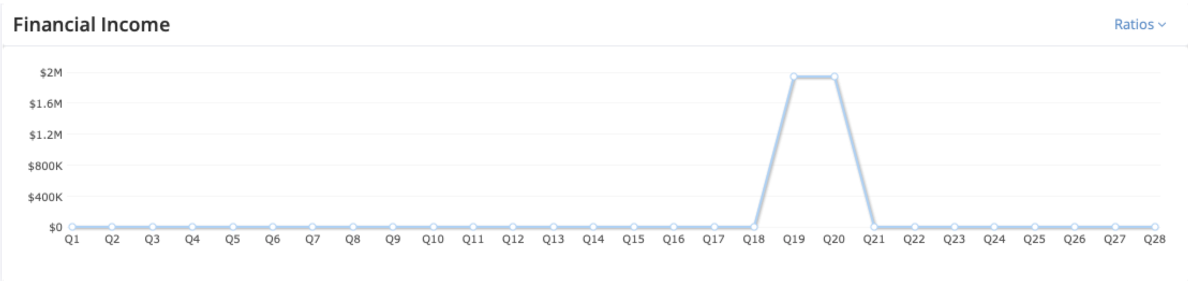

WACC
KPI
8%
6%
4%
2%
0%

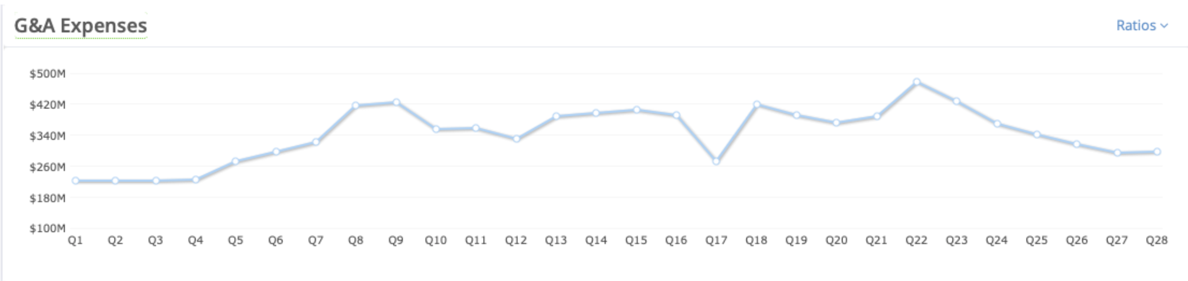
Ratios:

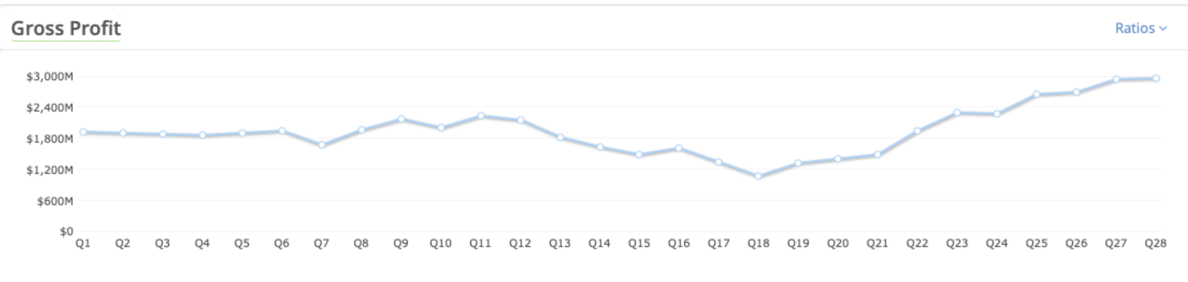

Revenue
Ratios
$7,000M
$6,000M
$5,000M
$4,000M
$3,000M
$2,000M
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28


COGS
Ratios
$5,000M
$4,200M
$3,400M
$2,600M
$1,800M
$1,000M
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28


Depreciation
Ratios
$900M
$780M
$660M
$540M
$420M
$300M
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28

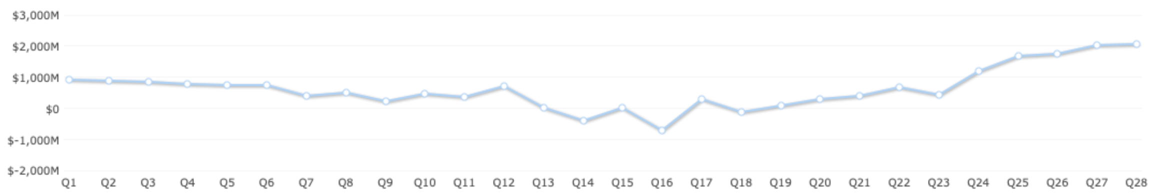

Financial Income
Ratios
$2M
$1.6M
$1.2M
$800K
$400K
$0
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28


G&A Expenses
Ratios
$500M
$420M
$340M
$260M
$180M
$100M
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28


Gross Profit
Ratios
$3,000M
$2,400M
$1,800M
$1,200M
$600M
$0
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28

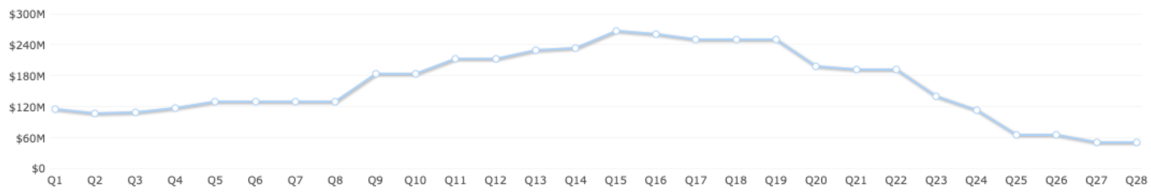
Income Before Tax

Ratios



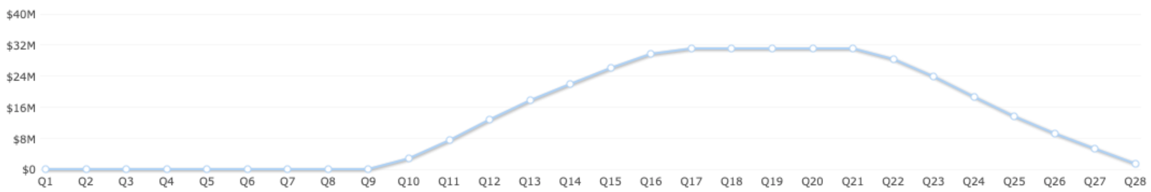
Interest Expenses

Ratios



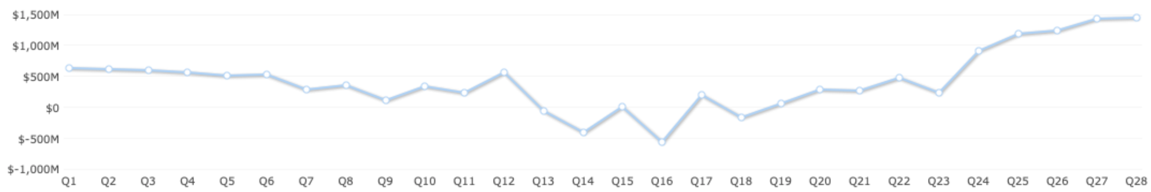
Leasing Income

Ratios



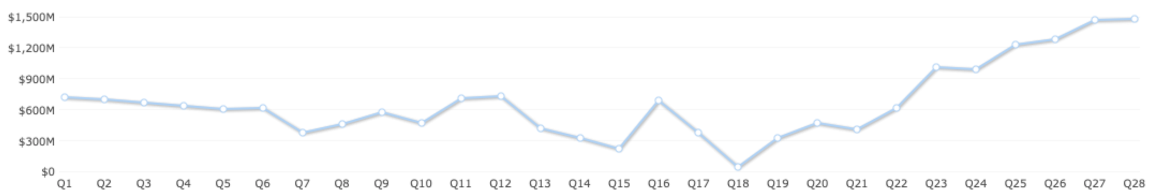
Net Income

Ratios



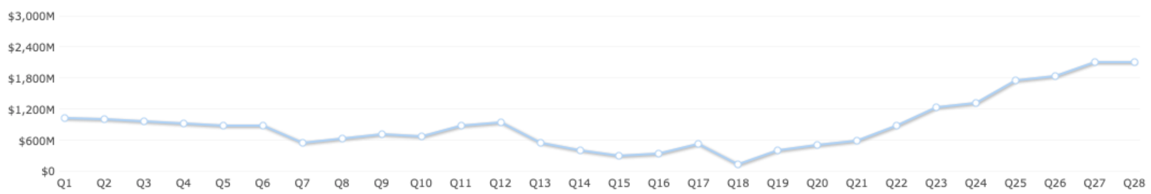
NOPLAT

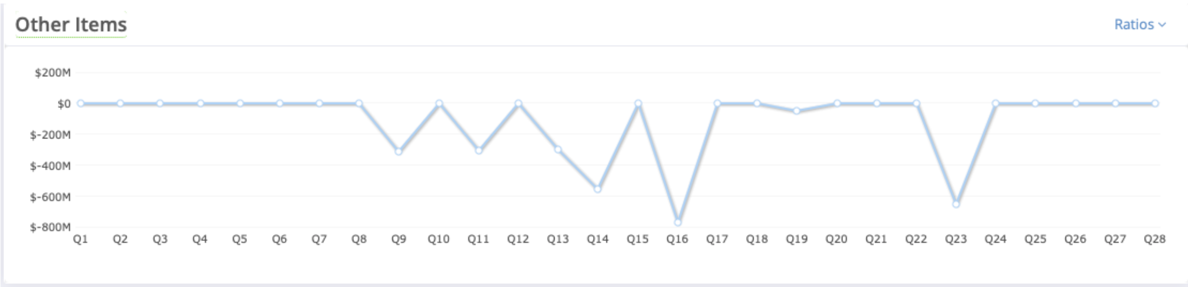
Ratios

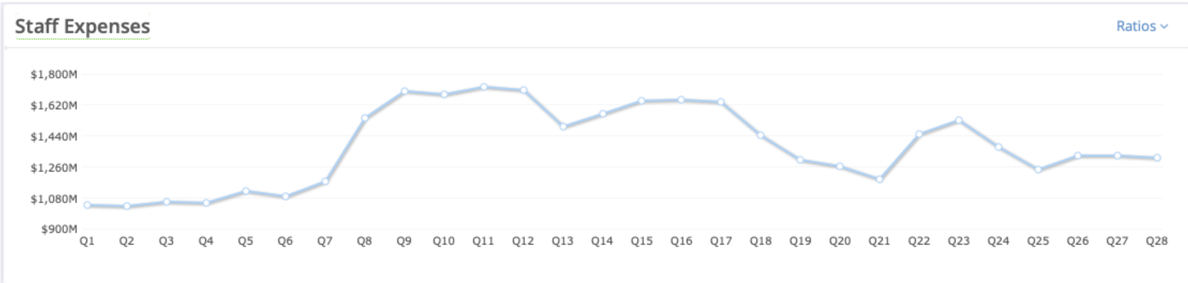


Operating Profit (EBIT)

Ratios




Other Items
Ratios
$200M
$0
$-200M
$-400M
$-600M
$-800M
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28


Staff Expenses
Ratios
$1,800M
$1,620M
$1,440M
$1,260M
$1,080M
$900M
Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28