

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
International Finance from the Nova School of Business and Economics.

BUSINESS IN PRACTICE

Steering Toward Sustainable Performance: Humba Motors'  
Transformational Journey

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12-09-2023

## **Abstract**

Consumers and governments have made sustainability a key priority, putting pressure on automobile companies to offer innovative mobility solutions and high-end technologies. The following paper describes the key decisions and performance of a six-year simulated car manufacturer, Humba Motors', managed by a team of seven executive directors. The challenges of teamwork will be self-reflected over the analysis of two critical moments.

## **Keywords**

Strategy; Cooperation; Sustainability; Growth; Self-reflection; Business Simulation; Personality Traits; Complex Operations; Cross functional decision making; Value creation; Finance; Innovation.

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

## **FIRM ANALYSIS**

### **1. Introduction**

The manufacturing industry has been subject to many external shocks in the past years. With the fast-changing customer preferences, technological progress and all the regulations in place having a portfolio of electric vehicles is not a Strategy anymore but a matter of surviving (PWC 2019). The real question an established car manufacturer faces is: In such a fast-changing market, how will the company manage to preserve the value of today's business model while at the same time creating the value of tomorrows?

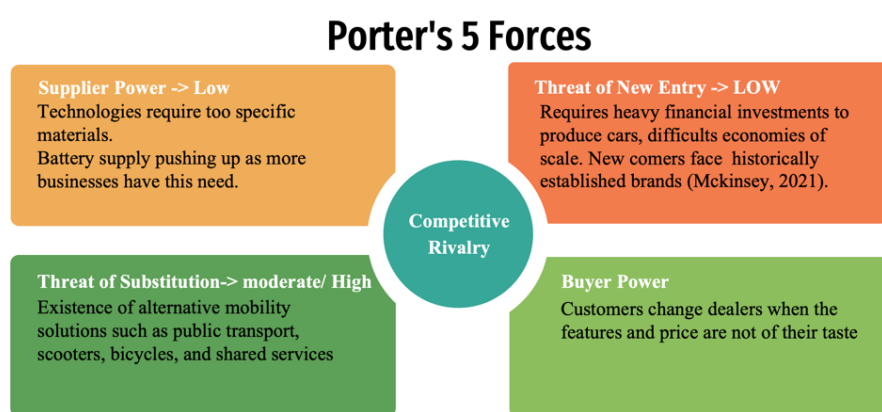
For 6-years, using a simulation, a new executive team was assigned to manage Humba Motor's transformational journey towards a 100% Electric Vehicle portfolio. Humba is the Xhosa word for "Go!". This embodies the corporate attitude, as evidenced by our commitment to being proactive, accepting responsibility for our impact, and, most importantly, generating competitive profits. Its Mission is to redefine mobility through innovative, high-quality vehicles that minimize environmental impact, empowering individuals for a greener and more connected world. In this section, I look at our areas of Strategy, Innovation, and Finance and how they affect simulation performance, drawing on theories, frameworks, and evidence from real-world businesses.

#### **1. Strategy role**

The keys to creating competitive advantage include the strategic oversight of resources, and capabilities, along with core competencies as well as the company's response to threats and opportunities in the external environment (Sammut-Bonnici and McGee 2014). To do this, Humba's team has to develop a well-supported strategy that is dynamic, and adaptable.

#### **1.1 External environment: Opportunities and Threats**

A PESTEL analysis and the Porters 5 forces (Cadle et al. 2021) were used to find opportunities and threats in the industry. In terms of Political and economic, safety regulations which can limit innovation, but can open doors on brand reputation and quality. Emission limits policies, being a threat to Humba, an established manufacturer relying on combustion products. Such as the EU legislation demanding that all new cars and vans sold in Europe must be zero-emission by 2035 (Sadden 2023). Geopolitical tensions, such as the impact the war between Russia and Ukraine had on production due to materials shortage, and on prices due to the rise of raw materials prices such as oil as well as inflation increasing (Silberg 2022). On the bright side, EV vehicles are not affected by fuel prices which can be an opportunity. Social and technological, people are looking for innovative sustainable mobility solutions that decrease traffic and emissions such as connectivity, smart shared-mobility, electrification, and autonomous driving. This said, when mobility evolves, capabilities must as well (Hensley, Maurer, and Padhi 2021). Environmental and legal, as 13% of the world's carbon emissions come from road transport, it is crucial to reduce automobile emissions (Mckinsey 2021). In the simulation, Humba faced a CO2 penalty/bonus for every CO2 unit above/bellow the CO2 allowance of 70 g/mile being a penalty factor of \$100/g and a bonus \$30/g.



## 1.2 Internal: Strengths and Weaknesses

The Resource Based View method was used for the initial internal analysis, by identifying the resources and capabilities that provide a sustainable competitive advantage, for the business.

I will use the VRIO framework to determine Humba's resources and capabilities differentiation potential (Geraldes 2019) (Figure 1). Firstly, our 100% combustion vehicle portfolio, is certainly the heaviest competitive disadvantage the company has. Then, the factory's locations and sales around three continents is a valuable resource but all other players already have access to this or develop it, providing Humba not more than a competitive parity. Adding to this, by 2020 there were 2 production lines under construction where the first new vehicles could be produced. If the company works on financial optimization and balances days of inventory, it will have more cash for the required business transition, acquiring a temporary competitive advantage. The most valuable asset of Humba Motors is its human resources, which can be the engine for a greener future if well-instructed and satisfied. At this company, an example of a rare, valuable, and costly to imitate resource is the multiculturalism of employees, which provides a temporary advantage. If the business focuses on ESG goals within the transition policies and investments, it receives more from investors. Being time-consuming and costly to imitate offers a temporary advantage.

Finally, two core competencies could contribute to the team's successful transition. Firstly, Humba's brand reputation, is intrinsic to the business culture and values. Being valuable, rare, inimitable, and organized. Then, by prioritizing R&D, the intensive and rapid innovations, allow a differentiated marketing mix while putting pressure on treasury's cash flow and allowing the launch of vehicles with features, ahead of the existent in the market.

### **1.3 Humba's Strategy**

Having a Long-term goal motivates decision-making within Humba Motors. The company envisions a world where sustainable mobility is accessible to everyone, revolutionizing transportation and reducing environmental impact. Just like Ford, by 2030 Humba plans to sell

only electric vehicles through a focus on high margins, and differentiated cars, valuing profit over sales volume (Winton 2023).

With a full SWOT analysis (Cadle et al. 2021) done I can proceed to describe and analyze Humba's differentiation strategy (Figure 2). Transitioning to an EV car manufacturer with a focus on the idea that software enables product differentiation and increases consumer value (Kim, Lee, and Gopal 2022). The first threat for the combustion vehicles manufacturer at the beginning of 2020 was the lack of internal resources for EV transition, requiring high capital investments for internal development or outsourcing. As well as the need for redefining its business model revenue streams and cost structure. In EV vehicles the battery accounts for over a third of the total car worth (Sobotka and Zeng 2023), showing the need for a new cost-controlling strategy. With fewer parts composing a car, after-sales customer expenses are predicted to be lower which means manufacturers should find new after-sales revenue streams.

### **1.3.1 Performance**

The team was successful in staying within the business strategic differentiation goals thanks to a structured decision-making that required the board to define previous to each year their objectives and needed investments. Focusing on high R&D investments through the first years, differentiating our products from rivals, we successfully transitioned our portfolio to 100% electric vehicles by the beginning of the fourth year (Figure 3). Humba outperformed its competitors in terms of EBIT margin and return on sales, allowing the business to charge higher prices and make a bigger profit per unit sold. The company's revenue increase confirms how our, loyal and expanding, customer base values our products and is prepared to pay more for it. Finally, the company achieved operational efficiency and optimized its cost structure without sacrificing the quality of products or the satisfaction of customers since marketing, COGS, and G&A expenses decreased over time. Adding to this, producing the cars close to where they were most wanted enabled the company to deliver in short times, have lower

supply-chain CO2 emissions, and save on tariffs. As an example, this was a competence that allowed the business to react more successfully to the rise in tariffs by the USA on Chinese cars in 2021, as well as to the other external shocks. By focusing on sustainability, Humba's June 2023 ESG report received the best possible ranking attracting investors capital (Table 1). Our recent EV car business model is actively contributing to the SDGs by revolutionizing each department. Our team was one of the most aggressive players in terms of sustainability transition policies and scopes 1,2 &3 investments allowing diverse expansion and integrating options. From the beginning of 2024, contributed positively to the business cash available by having zero CO2 emissions and receiving a bonus of \$250M (Figure 4).

Nevertheless, some weaknesses could be identified. When looking at the company's market share, only in Europe, it had a balanced market share with the other two players around 29% (Figure 5), and only one had a lower share of 13%. In Asia and the Americas, it was lower than 30% and never the highest amongst the players (Figure 6). This is a big disadvantage for Humba since, by being a small industry player, they are not using on their advantage the demand available and, in turn, the revenues are lower than the competitors. This matter can be solved by making use of market opportunities, in the following years, such as car sharing and customer openness to new technology. In addition, our employee satisfaction was low, and this must be changed quickly since Humba's most precious resources are its employees.

## **2. Innovation role**

Real innovation happens when new and better ways of doing things emerge throwing apart older business models. An example is Netflix, which has upended the disc rental and traditional media sectors, initially with no competition allowing them to set the market pace (Vitasek 2022). The PESTEL analysis performed above, to understand how the industry is doing, allowed the business to find opportunities such as electrification, connectivity, shared mobility,

and autonomous driving. Then, with the simulation input of investment opportunities, external shocks such as the CO2 penalties, changes in tariffs, and industry benchmarking, conclusions on how and where to innovate were possible.

Innovation decisions were the main drivers for our differentiation strategic success. From being a first mover in the market, the greenest decreasing CO2 penalty, increasing available earnings for investments, and being on top of demand needs and wants.

## **2.1 Innovation Process**

Humba's innovation process can be split into three phases: An initial one of acquiring brand awareness by targeting a niche segment, then the phase of intensive investments in innovation to be first movers when launching EV vehicles, the benefit received by being the first, in the market, launching a feature, product or service. Finally, a phase of low investments and growth of sales. The investments prioritized electrification, given its contribution to green financing access, then connectivity, and finally autonomous driving (Table 2).

Let's jump into our innovation process. Firstly, the company was defined as a diesel car manufacturer and had to find a way of replacing this brand image with a new one. Right in the last quarter of 2020, electrification was still not available, nevertheless, given our transition strategy we had to start investing in transformation. The company developed its first market advantage by launching a hybrid compact vehicle "Hi-bred 75" with differentiated features that fulfilled the CO2 fleet emissions decrease goal and contributed to the rebranding, reaching more customers. At the same time, the second phase of investments on innovative features had started, for those to be available on the first EV launch. Later on, by the end of 2021, Humba launched its first EV, a luxury model "Raptor 1.1". We defined that the brand would focus on a new market segment, early adopters with purchasing power, to broaden our customer base and increase our new brand awareness. Once more, we were the first on the market with a long

battery range thanks to our investment on it before the launch. When comparing with the initial combustion vehicles in the portfolio, these two initial vehicles boosted our revenues through high sales prices for the lux EV (Figure 7) and sales volume for the Hybrid (Figure 8). Decreased costs with relatively low marketing expenses until demand changed, at the beginning of 2023, quarter 12 (Figure 9). This allowed Humba to be recognized as an electric vehicle manufacturer as well and it provided the financial capacity to start the fast transition towards a 100% EV fleet.

The turning point started with the launch of the Microcar EV. This model had good margins and low costs, an ideal opportunity to enter the market of affordable e-mobility for intercity transport. This has potential as many cities worldwide have policies on banning combustion vehicles use, shortly. Such as the Netherlands plans to construct zero-emission zones in up to 40 of its largest cities by 2025 (IEA 2021). As well as cities that have policies for attracting the use of EVs such as free parking in Lisbon, Portugal (CMS 2017). After 3 months a convertible EV was launched as there was no electric version for this model currently in the market, and over the quarters its preference increased. The intensive investments did not stop, a big data technology was acquired allowing Humba to make better decisions adjusted to customer needs, we changed to a more sustainable and better range battery supplier and developed high, fast, power charging stations throughout the cities. The last increased the acceptance of e-mobility, as 43% of EVs are charged at stations, which by the norm take longer than a gas fill (Kempf et al. 2020). By the end of 2022, all levels of electrification were unlocked and ready for use when the opportunity emerges.

For the following quarters, the electrification of the current-produced combustion and Hybrid cars was done. Firstly, the replacement of the business combustion model that reached the end of its lifecycle, with the same but electric as customer demand was still ongoing. Then, the compact Hybrid was replaced, as well, since it reached maturity and sales were low. Finally,

the 4x4 EV, which allowed for a 100% electric fleet, this was a first mover advantage in terms of features as the market was outdated allowing for high prices. The fourth year was the last still included in the second phase of our strategy. It was the time to compose the portfolio with recent electric vehicles that would provide business exponential growth through the following years. Adding to the three cars launched recently, a new Micro EV and a new convertible EV were developed, was argued if it would be too early for this since the current models had not reached the decline stage yet, nevertheless, we still proceeded with it as Humba had the necessary differentiated features, potentially offering higher value to consumers. By the end of the 3rd year, all levels of connectivity were available. In terms of autonomous driving, we made it available until the third level to be included in the new micro. Nevertheless, the last level of this, secure infrastructure, was set aside and only invested for future fast response, if the opportunity arises.

Through year 5 no investments were done, and the business saw the growth expected from its portfolio. Finally, in year 6 an unexpected opportunity appeared, the acquisition of a company. After analyzing the pros and cons we achieved a final decision of acquiring. Humba had the available capital for this large investment thanks to its growth through year 5. It matched Humba's strategic goals of first movers (Lieberman 2018), increased its differentiation potential through more access to R&D and technological patents boosted the innovation potential from a fresh set of minds and ideas as well and eliminated future competition.

### **2.1.1 Fleet Performance, 2026**

Through these transition years, very important investments were made toward features that allowed our cars to be differentiated. Four of the models we had in our portfolio until 2026, show the success of Humba's differentiation strategy, only one did not perform as we expected (Table 3). When comparing with the same car models sold by competitors, Humba's executive, compact, and 4x4 EVs had the highest revenue. These three models' success was based on its

higher range and higher connectivity features which allowed for a higher market price and no need for mass sales. The Micro EV was launched at perfect timing with the ideal differentiated features. Even though there was an extra-long range and level four of connectivity available, we included sufficient features that could differentiate Humba by providing technology society is ready to acquire. Unlike Apple with the Vision Pro glasses that were too innovative, and too expensive for society readiness (Spence 2023). It had a medium range, sufficient for city transportation, level three of autonomy and connectivity, as competitors had short-range and level one in both. As the previous ones, Micro was also sold at a higher price than competitors but still had the highest revenues and the highest sales. On the other hand, the mistake that led to the non-leading revenue for the convertible EV was the offer of features too innovative, charging high prices which shortened, too much, our target consumers, leading to lower sales and revenues than competitors.

### **3. Finance role**

This part of my paper will analyse critically the financial performance of our company over 6 years, 2020 to 2026, based on financial statements, ratios, and other key performance indicators. The finance director maximized firm value by deciding on the investment and financing for the business while working toward, sustainable finance and ESG initiatives.

#### **3.1 Financial strategy- Investment**

The Finance director accurately estimated capital requirements before the start of business by asking departments to suggest investment opportunities for the year. These proposals were carefully evaluated and either approved or declined (Nindiani and Arilyn 2019). Focusing on the sustainable transition, in the first four years our goal was to invest in new projects that were on top of anything innovative, had higher expected returns than cost of capital,

environmental and sustainable impact, and dependence on further investments. Each quarter, the allowed budget would be used for the planned investments and if, afterward, there was still cash available, the board would meet and discuss if it should be saved for future expenses or used in a new investment opportunity then.

### **3.2 Financial strategy- Financing**

To forecast the financing need for the quarterly expenses, beyond generated Free Cash Flows, was the most challenging task, due to unpredictable demand. Humba besides increasing cash on hand by discontinuing cars, applied (Gitman and Zutter 2015) hierarchy when raising financing. First, with retained earnings, then debt financing, and finally, equity. The goal was to optimize capital structure find the maximum value for the company and the minimum cost of capital, keep the D/E ratio at 45/50%, not go below A rating, not lose investors, and avoid short-term debt. The most important rule in our company's debt financing was to make use of the total green capex investments that allow for green bond issuance with lower interest rates, 3%. In the last two years of the simulation, the business focused mostly on maximizing value added. By decreasing expenses and increasing prices, adapting to demand reactions, to improve margins; Increasing debt levels, and buying back equity to lower the WACC; And, through payment terms management, by decreasing payables days lowering costs, and increasing receivables days, boosting revenues.

### **3.3 Strategy performance**

#### **3.3.1 Capital structure**

The D/E ratio will be used for the valuation of the company, as its leverage levels were influenced by this (Nukala and Rao 2021). Humba's D/E started at 94% in 2020 and decreased slightly to 90% in 2021 due to a higher equity increase from retained earnings than new debt

issuance. In 2024 the ratio was 100% but in 2025 Humba repaid 2 bonds and 2 loans and only issued two new bonds resulting in a decrease in debt and, consequently a much lower ratio as retained earnings kept increasing (Figure 10). By 2026 the ratio was 82% thanks to the strategic increase of debt, which decreased WACC (Figure 11). The inverse relationship between the ratio and cost of capital happens since more debt is issued at 8% short-term and 5% long-term rates, lower when compared with 11% cost of equity, decreasing WACC over the 6 years by a total of 12,24% YoY (Figure 12).

For the maximization of the firm value, in the last two quarters of 2026, shares were repurchased staying at 63 million. This boosted share prices increasing earnings per share, reducing cost of equity, and decreasing WACC to 6,4% in 2026, the second lowest within the simulation. This last, and the increase of Net Operating Profit after Tax (NOPLAT), over the years, from \$0,5 to \$1,5 billion (Figure 13) contributed positively towards higher value added.

### **3.3.2 Profit and Loss**

Humba's revenues increased from \$16,5 billion in 2020 to 24,3 billion in 2026, growing 7% per year on average. In 5 of the 6 years, the business experienced increases, being the highest, 19%, from year 4 to 5. This last was due to the successful number of sales for the microcar and compact model with the highest margins and revenue contributions. From 2025 to 2026, revenues only increased by 9% because of the experienced decrease in sales in the last two quarters of 2026 (Figure 14). Our board had over expectations when seeing demand increase in the first two quarters of 2026, we risked increasing price to its maximum and decreasing marketing expenses, towards margin improvements. Nevertheless, the worst happened, we lost a large number of sales since our previous customer segment could not afford our cars anymore and there was no marketing to trigger sales (Figure 15). Over the years, our cost structure was stable as can be seen from the range in which the Cost of Goods Sold stayed, between 54-61% of revenues and the \$11,2 billion Gross profit in 2026, 46% of revenues.

Humba was operating within a profitable range by having consistent Return on Sales over the years, growing from 11% to 26% leading the industry levels. This is mainly due to the huge net income increase from 2025 to 2026 (Figure 16). Humba, by 2026, had the highest EBIT margin from the 12 industry players, 37,4. Given this, it is valuable to look at its profitability using this margin. In 2020 was 23% with a 100% combustion vehicles portfolio, which by nature have higher margins. As it can be seen in Figure 17 the EBIT margin only presented values above the initial one, in 2026, 30%. The fact that Humba's operations were going through a transition to a 100% EV portfolio over the 6 years, led to low margins while customer demand was growing. Nevertheless, from 2025 to 2026, the YoY margin growth of 58% was due to the EBIT 72% YoY increase. By going deeper, what affected this entry was the increase of revenues by 9%, the decrease of marketing expenses by 35%, COGS by 4%, G&A expenses by 9%, and the increase of the CO2 emissions bonus by 4% (Figures 18 & 19).

From 2023 to 2026, Interest expenses, over revenue, went from 3% to 2% confirming our successful capital structure optimization. The Interest coverage ratio is used to estimate bond rating, reflecting the ability of the company to pay its debt and its bankruptcy risk. Humba's ratio went from 8,4 in 2020 to 16,9 in 2026 according to its rating improvement over the last years, a very positive sign for investors (Chițu, Grothe, and Schulze 2022). There was a big increase in this ratio from 2025 to 2026 (Figure 20), it was due to the decrease of Interest expense and increase of EBIT. Interest expenses decreased over the 6 years as initial debt was replaced by cheaper green bonds. (Figure 21). Taxes increased from 3% to 8% of revenue, due to profit before tax exponential increase of 93% from 2025 to 2026 (Figure 22). The company should compare, using the Tax Guides provided (ACEA 2022), the various tax systems and incentives in the countries where it operated to reduce fiscal expenses. When looking at Figure 23, it can be seen that in quarter 12 these were negative mainly due to the discontinuing of two cars which decreased Humba's equity, increasing the D/E ratio from quarter 12 to 13.

### **3.3.3 Balance Sheet**

In the first year, 2021 there was an exponential investment in property plants and equipment, which grew by 31%. In the following years, it stabilized growth by 3% yoy achieving its maximum value of \$11,6 billion in 2024. Over the following two years it decreased to \$8,4 billion due to the increase of depreciation (Figure 24), staying close to the \$8,7 billion level of 2020 (Figure 25). The early investments in efficiency, netting emissions, as well as on optimization of capital structure led to the increase of available cash reserves from \$3,2 to \$4,7 billion by 2026, being 16% of total assets and leaving a spare space for future investments. Furthermore, our company struggled to decrease inventory over the 6 years, it reached 12% of total net assets in 2024, nevertheless by 2026 it was stable at 4% which shows operational efficiency by Humba. The increase of our receivables from financial services successfully attracted and retained customers, going from \$1,7 to \$7 billion. With this green financing option, the demand rises by 6%, and price increases by 1% by unit sold which positively affects revenues, as well as 12,5% of our overall quarterly sales would come from this. The contract aligned with our sustainability strategy by allowing customers to deliver their used cars to be recycled. When looking at liabilities, we struggled with expensive Short-term debt in 2022 and 2023. From there onwards, the business put an effort into issuing enough amounts of long-term debt to cover repayments. In 2024 there was no debt issuance, as there was a lower need for investing capital, and retained earnings were increasing (Figure 10) as well as revenues providing more internal free cash flow availability. Nevertheless, more debt was issued through the last two years as we could not afford such a low D/E ratio (Figure 11).

### **3.3.4 Cash flows**

(Figure 26) Our operating cash flow was \$7,2 billion in 2026, with a growth of 170% from \$2,7 billion in 2020. In line with Humba's strategy, cash from investing had a big increase to \$2,9 billion until 2024 and then decreased to \$1,8 billion by 2026. The factory expansion, \$0,8

billion, and the investments in Green CAPEX were certainly the main drivers of these high values since these qualified for green bonds and reduced CO2 penalty. By 2026, the company's green capex share was 45% (Figure 27) and its green bonds accounted for 82% (Figure 28) of total debt issued. The cash flow from financing was negative in 2023, 2025, and 2026 as in these years, debt repayments, dividends, and, only in 2026, shares buyback of \$4,5 billion, outweighed long-term debt receivables. The shareholders were taken into consideration when, in 2026, dividends increased to \$1,5 billion resulting in DPS growth from \$8,9 to \$23, compensating them for the period of financial instability. Only in the first two years, shareholders' returns were negative (Table 4), then from 2023 they benefited from returns having 78% by the end of 2026. Mainly due to an increase in dividend payments as well as the improvement of Humba's share price which grew 142% from \$333,48 in 2020 to \$807,39 in 2026.

### **3.4 Conclusion and Interdependence**

The successful transition of Humba Motors is directly related to the constant interaction between all business functions. In the case of a transformational differentiation strategy towards fleet electrification, the innovation director was the one who had to inform, with time, the Finance Director of the budget needed. It also requires constant conversations with the Marketing director to be on top of market trends. Last but not least, if a car launch opportunity is found, both marketing and innovation have to define operations by when and where it will be produced. Furthermore, the Human Resources manager should always give the final word on whether there is staff for the operational changes, or it must be hired, informing how much capital would be needed. Then, operations would request capital for Capex investments, and marketing for its expenses. To decrease the overall business environmental impact, all five areas have the responsibility to improve on these terms. This said, for the Finance director was

crucial that the other 4 roles informed him in advance what costs would be required to reduce CO2 emissions within the three operational scopes and improve sustainability employee skill level. Crucial moments happen when the financial strategy, and budget available, do not match the other department's needs. Gladly, Humba defined a way of decision-making that allowed to have everyone on board with the current available cash and the future outlook, over the six years.

Over the next years, Humba Motors' is projected to grow if its management follows the successful strategic objectives of differentiation, through innovation, achieving the highest profits. A focus on human resource management must be put in place as employees' sustainability skills are low (Figure 32) and this resource is essential for a continuous fast and successful complex operations adaptation to the changing environment.

## **PERSONAL REFLECTION**

### **1. Introduction**

“If you want to go fast go alone, if you want to go far, go together” (Matkin, Headrick, and Sunderman 2023). Working In teams can be a challenge for many people in different environments as it is one of the skills that make a firm successful. The Business in Practice simulation lasted three weeks. While one might perceive this as short duration, I can affirm that those were demanding weeks filled with continuous interaction among teammates. Such experiences will undoubtedly hold significant value for my future career. As a board of directors, with no leader, team dynamics were a driver of almost all major decisions taken through the six years. My team was diverse, there were 5 cultures, which enriched the experience by challenging my academic, professional, and personal skills. I was appointed as Chief Financial Officer, nevertheless, I was constantly on top of all other department decisions and focused on fulfilling their financial needs to keep up with Humba's strategy.

Uncomfortable moments and disagreements happened and wasn't easy to have every member on board all the time. As a result, I found two particular critical scenarios, which will be reported and analyzed further below. With the help of literature and frameworks, I will reflect on reasons for certain behaviors and, learn how to avoid or adapt my approach toward similar situations, in the future.

The first incident that will be discussed revolves around a scheduling conflict within the team. It was mostly due to a lack of cultural adaptability and open communication. This elicited a blend of discomfort and determination within me, as I navigated the conflicting perspectives. The second incident outlines my journey, initially marked by a knowledge gap due to limited preparation time. This led to hesitancy when participating in discussions beyond financial matters.

## **2. Critical Incident 1- Scheduling conflict**

### **2.1 Description of the incident**

It was the beginning of week two when the first year of simulation would start. My team had to plan a meeting to review the simulation's progress, we were using group texts to discuss the timing. There was a colleague who suggested meeting on Saturday at 8:30 a.m., while I preferred the afternoon because I had scheduled a trip to Porto, for a special Friday night event, that weekend with my family and friends. Sunday morning and Friday afternoon were options as well, but other colleges couldn't make it.

Given these scheduling conflicts, I proposed any time between 10 a.m. and 5 p.m. on Saturday defined by the BIP official schedule. With this message, I followed up with an explanation of how Saturday very early I would not be valuable for the discussion, given my lack of sleep.

While most members agreed, the one who initially suggested 8:30 a.m. still wanted an early start. I reached out individually to understand her perspective, discovering that she sought a

free weekend to enjoy the city. I suggested 10:30 a.m., so I could get more rest, and she could enjoy the day. She understood but then suggested they could start early, and I would join the meeting later or we would keep the meeting short, which wasn't ideal.

I opted not to respond at that moment and decided to postpone the conversation until the next day when we could meet in person to collectively determine the meeting time. When we finally gathered, her perspective remained unchanged, prompting the need to explore alternative resolutions.

Within our team, three male members held a flexible stance on the meeting time. Additionally, there was one female colleague who couldn't commit to Sunday, another who wanted to go out on Friday night, and a third who favoured the 8 a.m., as mentioned earlier. Given these diverse preferences, I took the initiative to bring together the seven of us and brainstorm potential timing solutions. Previously, in the first week, there was a team charter formulation, and the rule to adhere to majority voting in cases of disagreement was settled, facilitating this conflict resolution. After careful consideration, we identified 11 a.m. on Saturday as the sole feasible option that aligned with our varying priorities. While the team member desiring a free weekend dissented, the majority embraced this proposal, solidifying it as our chosen course of action.

## **2.2 Analysis**

I will proceed with the analysis of how I contributed to this incident as a team member both positively and constructively or negatively, from the beginning until it was solved.

The Leadership theory that I will use is the Emotional Intelligence Domains and Competencies Model (Figure 33) (Goleman 1999), which provides a clear understanding of my emotional reactions, self-awareness, and how my behaviours were affected by my emotional state. Self-awareness, self-management, social awareness, and handling relationships are the four dimensions that comprise this model. The first is how we view ourselves, our feelings, and how

we react to the world. The second group of competencies focuses on our interactions with others.

To know which competencies, I was missing or did not use so well I asked myself the question: Why was the conflict challenging? In terms of Emotional self-awareness, I recognize now that my initial emotional response was influenced by a first impression bias from the first interaction I had with the girl. I noticed that she took an authority position in the initial meeting, and I felt uncomfortable and created an immediate bias. This explains my defensive approach, feeling the need to justify my unavailability. The cultural differences played a significant role in this incident. As this colleague was German, I will compare her culture with the Portuguese (Figure 34). The big gap in individualism score between the two, 67 versus 27 respectively (Hofstede, n.d.), can potentially explain this bias. She was very direct and honest before even knowing me and as a collectivist, I expected an approach of meeting the group characteristics before being so assertive. Besides this, relating to self-management, one of my biggest traits is impulsiveness, which, as well, had a role in this incident given the lack of emotional self-control. I immediately started solving the matter of booking a time for the meeting that fit everyone's needs before I, or the others, had time to reflect on it. Jumping to social awareness and empathy, I noticed that my approach of insisting on knowing the reason for that girl to schedule the meeting so early to the point of sending her a private message may have been too invasive.

The personal feedback I received from my colleague mentions the positives and negatives of my impulsive personality. On one side I made valuable contributions to the success of the simulation and that challenged the member's thinking process. On the other hand, may be too invasive and leave others uncomfortable and overwhelmed in certain cases, such as this incident. Furthermore, now I understand how I could have improved my relationship management as my persistence affected the group dynamics. I recognized the need for

emotional agility, the ability to extract information from even the most challenging emotions to improve our decision-making (David 2016). My conflict resolution was a valuable competency in this incident more towards the moment when we met in person, and I heard everyone's availability. Until then, I can identify a discrepancy between my intention and others' perceptions, I was pushing for fast decisions without proper deliberation from their perspective.

### **2.3 Reflection and Learnings**

For future conflicts, I will use the Thomas-Kilmann Conflict Mode Instrument (TKI) (Thomas and Kilmann 1976) (Figure 35). I can choose the most effective strategy to handle the conflict if I am aware of my chosen mode and the mode of the other party. In this case, I must have understood that the girl preferred competing and focusing on her priorities, I was collaborating to find an agreement and all the other group members were avoiding the discussion. As the group only achieved a solution when it accommodated everyone's needs using voting for final decision-making.

From this conflict, reflecting on Cultural differences, I have learned that not everyone is open to share their concerns at first stance, as I am, and being intrusive may make others uncomfortable. To gain the trust of the other party and achieve an agreement I must be more logical, less impulsive, and let the other offer its solutions before myself. Introspective analysis is a valuable skill that I will take with me in various future, professional or not, situations being actively working to understand and improve my emotional intelligence. Last but not least, I would like to emphasize the importance of feedback to be constructive. All team members must be sure they prepare before providing feedback by asking questions such as: Is the correct place and time? Will it be useful for the other? Am I assessing the right information? (Team Publications 2006)

### **3. Critical Incident 2- Knowledge gap within teams**

#### **3.1 Description of the Incident**

The second critical incident did not happen once at a certain moment, it was present from the week in which we could test the simulation until the end of the first “real” year. Previous to the first day of the BIP I did not have the time to study the simulation in detail nor the responsibility of each role. On the other hand, within my group, 5 out of 7 were very informed. This knowledge gap put me in an uncomfortable and vulnerable position, I was not engaging as much as the others with fear of misunderstanding. I had planned to use this first “test” week to acclimatize myself at a measured pace, nevertheless, my teammates exhibited an eagerness to expedite the simulation, having already familiarized themselves with the guidelines. With time, this worsened because I was missing the reasoning behind some critical actions as there is a substantial association between preparation and the likelihood of success in almost everything we do (Fernandez, Landis, and Lee 2023).

The turning point happened on the day we were assigned to build a Team Charter; it forced us to examine our personality traits within dynamic teams. As a result, rules were created to promote teamwork and efficient communication. This exercise brought the team to a more comfortable stance and closer relationships. Nevertheless, by not being able to measure the impact of my financial decisions while testing, I was not prepared for the first year of real business simulator. Given this, at the start of it, I found myself not participating in the company’s decision-making process, aside from financial matters. Consequently, after the first year, I recognized the need for greater involvement in team discussions and initiated the formulation of an investment and budgetary plan with my team.

From there onwards my knowledge over the business functions, engagement in team strategic choices and discussions as well as my openness within the team had exponential improvements, in a short period of time.

### 3.2 Analysis

I will now use the Five dysfunctions of a team (Lencioni 2002) (Figure 36) to analyse my actions. As I felt vulnerable among team members, due to my lack of knowledge, an absence of trust was developed by me. Team discussions were avoided, from my side, given my fear of misunderstanding by the others. This fear of conflict prevented me from challenging ideas or raising concerns, hindering the team's ability to have healthy disagreements and discussions around decisions. Lack of commitment was felt when I shortened the available budget for investments to not have to make the effort of understanding it's end use. The avoidance of accountability is evident as I was relying on others' decisions and not taking an active role in the company's broader decision-making, beyond my financial responsibilities. Gladly, my inattention to results was not achieved as I experienced a turning point in time to avoid it.

In the team dynamics session, we were asked, to build a team charter in which we define our team's values, ways of interacting and solving conflicts. I can certainly say this was my turning point. For the completion of the charter, we performed a personality test (Insights Discovery 2021) which assigned a colour, within a matrix, according to our personality attributes. To start, "Fiery Red" reflects a person devoted, competitive, independent, and driven. The "Sunshine Yellow" personality type is animated, persuasive, and joyful. At best, "Cool Blue" is seen as careful, precise, inquisitive, and formal. Last but not least, "Earth Greens" value patience, generosity, sharing, and encouragement. I was placed in the red area, but very close to the middle of the matrix. Humba's board had four "reds", two operations directors and the two finance directors, the Marketing director was green, and the innovation and human resources directors were blue. This was a sign that due to so many reds, we would have to define rules of interaction for no one to be left out.

Being red but almost in the middle shows I am adaptable to different situations by having some traits of other personality colours. I can agree with this assessment as it could be explained by

the international experiences, I have challenged myself with. The truth is that by stepping out of my comfort zone so many times, I have learned how I react in stressful and uncomfortable situations and have developed the trait of adaptability. The fact that my finance partner and the operations had a personality of independent work and a mentality of achieving fast results, contributed to my incident. I did not feel I had the space, in the testing phase, to open up to my partner or the others. The decisions were being taken in a fast-paced and it seemed like each member, individually, had their objective defined and acted regarding it with little sharing. I must say that I failed in the effort put toward the understanding of other roles, but given my initial lack of knowledge, it was hard to keep up.

Gladly, the dynamic made us discuss in groups each individual traits, the best and the worst when it comes to teamwork, with the final objective of defining the team's key values and challenges. After each one presented their traits, I understood that all the “reds” had a common trait that would be the biggest team challenge: Patience and adjustment toward new group dynamics. The four of us commented on our easiness to “turn off” in conflicts and lose focus when the arguments over a decision were not being expressed clearly and assertively. I can agree with the fact that assertive colleagues can stimulate a team and effectively handle a conflict (Torres 2021). To tackle this, I encouraged my colleagues to address me when they see I’m not focused as well as to not take it personally if I ask to repeat or resume their statement. This was the first key rule that transformed my performance.

The second was the active engagement. While in the testing, the board never questioned my decisions toward financial management, this pushed my motivation down. From the first year onwards, I constantly received questions on why there was no budget, or I was assisting more on green capex investments, as many others. This motivated me to dig deeper into my role responsibilities and find the right way to make my company create value by satisfying all department’s needs. These "guidelines" markedly improved my participation, and by the

conclusion of the second year, I was thoroughly immersed in Humba Motors' comprehensive action plan.

### **3.3 Reflection and Learnings**

The initial lack of preparation, resulting in a knowledge gap within the team, was the engine for this incident, and it will be one of the skills I will focus from now onwards. As the trust issues were initiated by myself, sharing more feelings and ideas with the team would have helped me open up and trust them more. Nevertheless, if on the initial days I had received more support from the other team members on speaking up my view, the turning point could have happened earlier and not affect the real business, only the testing phase. A valuable skill I will focus from now is the ability to understand the people that surround yourself.

In my future teams I will use the charter formulation tool and “The stepladder technique” (West 2012) for team discussions. On the last, each team member gives his or her opinions to the team without previously hearing the perspectives of other team members. The goal is to create a thorough picture of the team's various inputs before considering their collective problem understanding or solution.

I was able to steadily increase my level of engagement, dedication, and responsibility by addressing these dysfunctions and complying with the team charter's key values, challenges, and ways of solving conflict. The two main values “Direct, honest & constructive feedback” and “Everyone should be included in important decisions” resulted in a more unified team and improved decision-making involvement. Having different perspectives, knowledge, and backgrounds allows the collective team to confront difficulties and achieve goals more efficiently (Organ and Bottorff 2021).

### **4. Peer evaluation reflection**

With the support of the peer evaluation, I can reflect on my actions and recognize their value for future reference and improvements. This peer and self-evaluations were done after the end of the simulation's third year (Figure 37).

I performed Self Enhancement Bias as I was more confident, in four out of five of my skills, than the other's perceptions (Jordan 2012). The only aspect that I valued less than my peers was "Keeping the team on track". When seeing that my team scored myself on this ability higher than I did, it meant I was overcoming my initial challenges, discussed previously, more successfully than expected by me. Overall, the other three scores were high, motivating me to keep engaging the way I was.

I requested some feedback on the above results. Firstly, my peers told me that my most valuable trait was proactivity. I was always trying to get an understanding of other people's departments and critically questioned their points of view, resulting in deeper reflections, and potentially achieving better outcomes. They also mentioned I have a quick grasp, fast understanding, and constructive contributions. On the other hand, an area of improvement was found. When discussion escalated my proactiveness would lead to impulsive actions, such as using a harsher tone, without noticing, while speaking up my view. From now, I will prioritize the control of my responses when participating in discussions. This is very important because I can lose credibility if my speech is perceived as disrespectful.

The opportunity to be a part of this business simulation and face real challenges as well as receiving constructive peer feedback developed my self-knowledge more than any other experience I have been through. I will keep with me the value of having an all-encompassing perspective on business operations, being aware of how decisions affect other departments, and encouraging teamwork. These realizations will unquestionably direct my upcoming interactions and participation in team activities, ensuring more useful and informed contributions.

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## Appendix

Criteria	No evidence (Score 0)	Some evidence (Score 1)	Strong evidence (Score 2)
References other sustainability frameworks			X
Uses evidence and data from the simulation			X
Uses evidence and data from their own team			X
Describes their company values			X
Shows a link between their company's values and its sustainability activities			X
Provides evidence that all 5 business functions are involved in its sustainability efforts			X
Gives a long term view of the company and its goals			X
Shows how sustainability and ethics are at the core of this long term view			X
Uses the required presentation format (7 slides including title slide, uses recommended headings, etc)			X
Slides are clearly and professionally presented			X
Total score out of 20	20		

Score of 0 – 7 = divest investment

Score of 8 – 15 = no change

Score of 16 – 20 – increase

Table 1: ESG Report Marking Table-Humba

		Product Launched	Time to production	Features	Time to be available
2020	Q1				
	Q2				
	Q3				
	Q4	Compact Hybrid	2Q		
2021	Q5			Connectivity Technology	1Q
	Q6			Infotainment Services	2Q
	Q7	Luxury EV	2Q	New Battery tech (Solid state tech)	-
	Q8	1st Micro EV	2Q	Automated Parking	2Q
2022	Q9	1st Convertible EV	2Q	Home Charging Stations	
	Q10			Big data	2Q
	Q11			Solid State Expensive	-
	Q12	Executive EV	2Q	High Power Charging	2Q
2023	Q13			Driver Assistance	2Q
	Q14	Compact EV	2Q		
	Q15			Cross Platform Tech	2Q
	Q16	4x4 EV	2Q	Cloud Connection	2Q
2024	Q17				
	Q18	2nd Micro EV	3Q	Secure Infrastructure	2Q
	Q19	2nd Convertible EV	2Q		
	Q20				
2025	Q21				
	Q22				
	Q23				
	Q24	Company acquisition	1Q		
2026	Q25				
	Q26				
	Q27				
	Q28				

Table 2: Innovation investments

	Range	Autonomous Drive	Connectivity	Price	Sales	Revenue (Billions)
<b>Executive EV</b>						
Humba	Medium	I	III	46356	29274	1,2
A	Short	I	I	41491	29414	1,1
B	Short	I	I	36904	15000	0,36
<b>Compact EV</b>						
Humba	Long	II	III	40183	30000	1,08
B	Short	I	I	30915	36023	0,98
A	Medium	I	I	33535	20275	0,91
C	Medium	II	II	35433	28382	0,9
<b>4x4 EV</b>						
Humba	Extra long	II	IV	76546	15001	1,053
A	Short	I	I	62226	18474	1,05
C	Long	II	II	64722	16349	0,97
B	Short	I	I	65410	16053	0,95
<b>2nd Micro EV</b>						
Humba	Medium	III	III	33795	43739	1,298
B	Short	I	I	27024	43405	1,028
C	Short	I	I	27024	15000	0,355
A	Short	I	I	27024	14999	0,355
<b>2nd Convertible EV</b>						
A	Short	I	I	48163	25512	1,1
Humba	Medium	II	II	57927	20884	1,1
B	Short	I	I	47237	24212	1,04

Table 3: Industry benchmarking by car model, 2026 values.

	2020				2021				2022				2023				2024				2025				2026			
	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
Share price	353,56	348,39	342,1	333,48	305,6	308,93	290,91	299,18	289,62	255,27	251,88	217,33	243,35	262,16	250,96	266,06	272,57	323,35	353,5	380,17	372,5	365,95	391,39	394,54	466,19	581,25	696,15	807,39
DPS				0				8,98				4,31				6,92				10,03				11,84				23,02
Difference in Price				-20,08				-6,42				-72,29				22,71				107,6				22,04				341,2
Shareholder Return				-6%				1%				-23%				12%				43%				9%				78%

Table 4: Shareholder Returns

Resource & Capability	Valuable	Rare	Inimitable	Organization	Impact on Competitive Advantage
100% Combustion fleet	✗	✗	✗	✗	Competitive Disadvantage
International presence	✓	✗	✗	✗	Competitive Parity
Financial management	✓	✓	✗	✗	Temporary Advantage
Employee multiculturality	✓	✓	✗	✗	Temporary Advantage
Sustainability policy- credit from ESG	✓	✓	✓	✗	Temporary Advantage Costly to imitate
Brand reputation	✓	✓	✓	✓	Sustainable competitive advantage
Prioritizing R&D	✓	✓	✓	✓	Sustainable competitive advantage

Figure 1: Humba Motor's VRIO analysis.

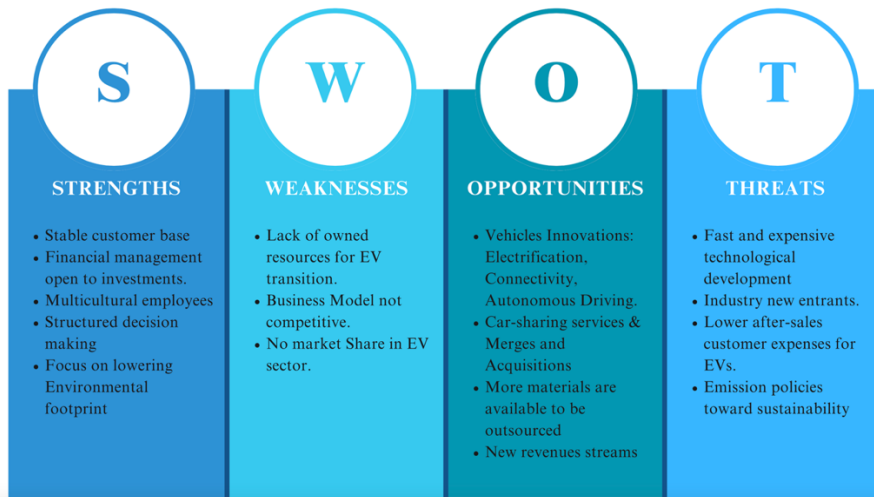


Figure 2: Humba Motor’s SWOT analysis.

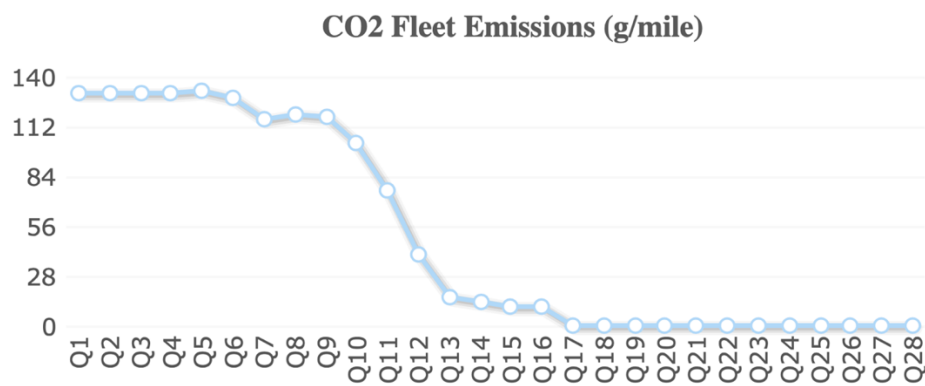


Figure 3: Humba Motor’s CO2 Fleet Emissions (g/mile).

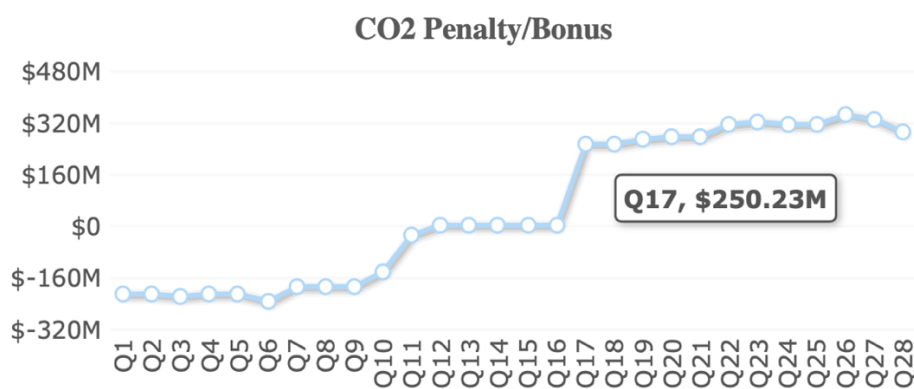


Figure 4: Humba Motor’s CO2 Penalty/Bonus.

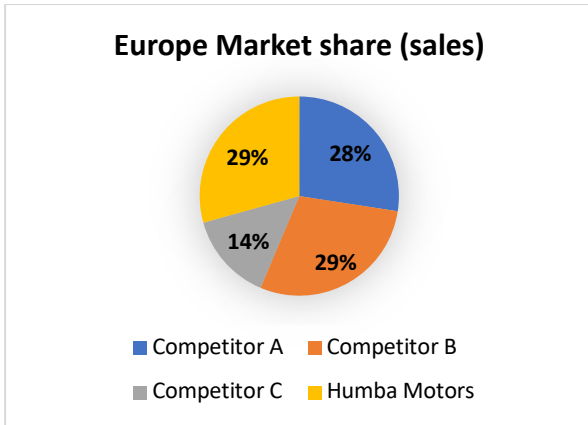


Figure 5: Europe Market Share

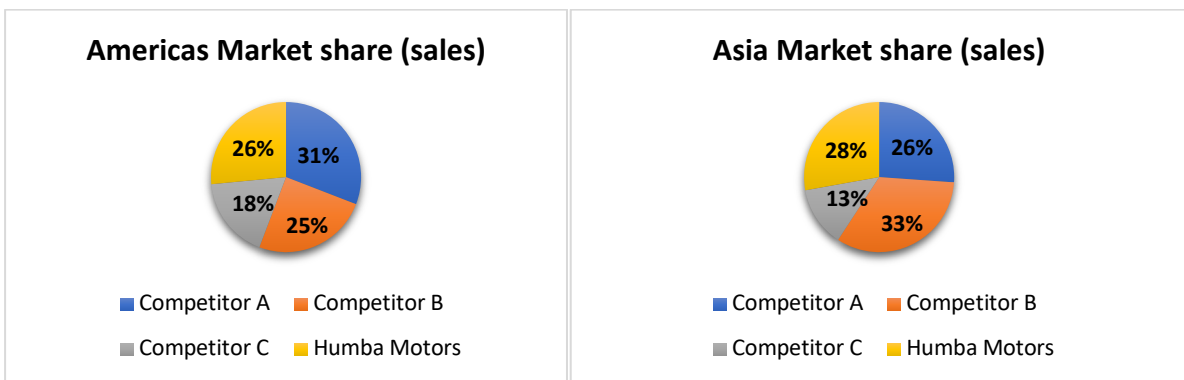


Figure 6: Asia and Americas Market share

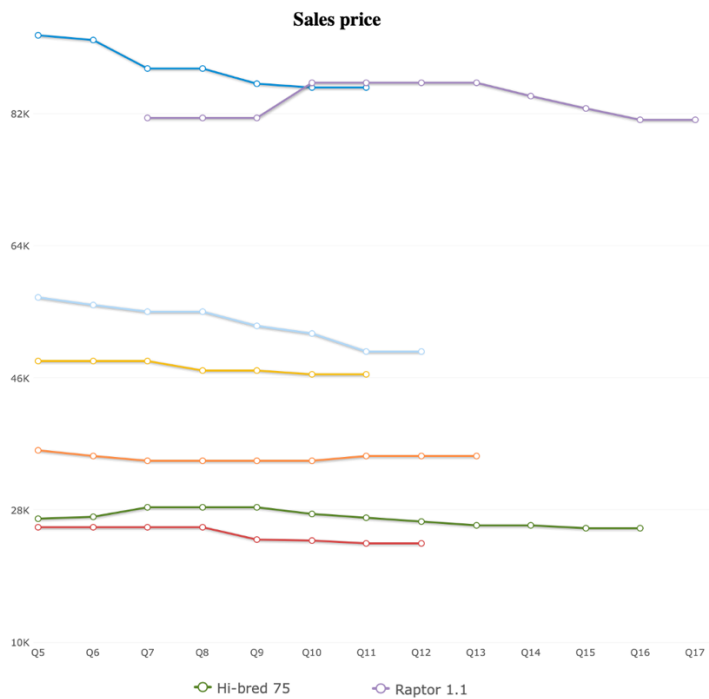


Figure 7: Sales Price per car in Humba's portfolio, quarterly.

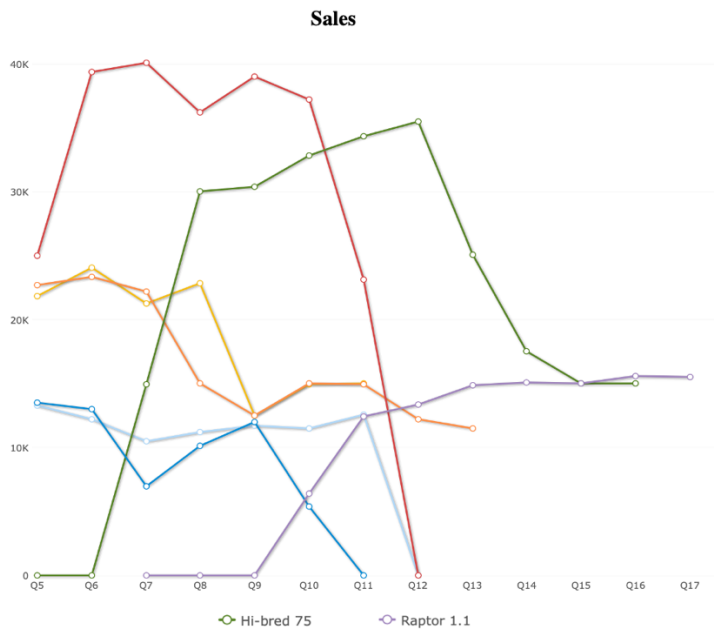


Figure 8: Sales per car in Humba's portfolio

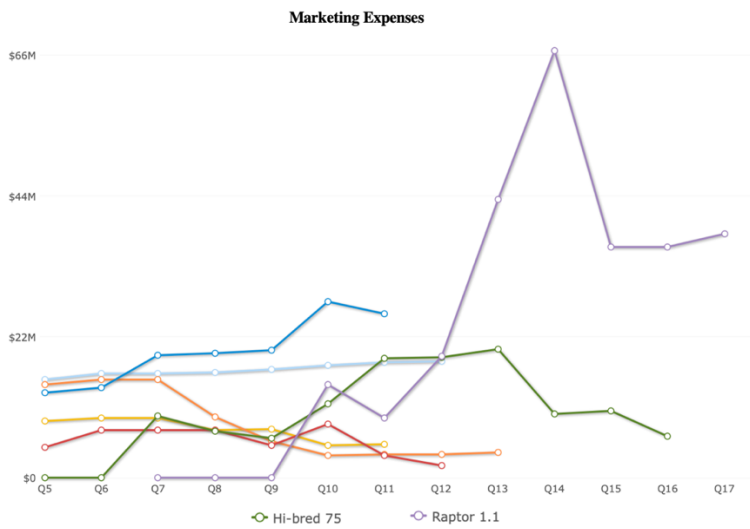


Figure 9: Marketing Expenses per car in Humba's portfolio

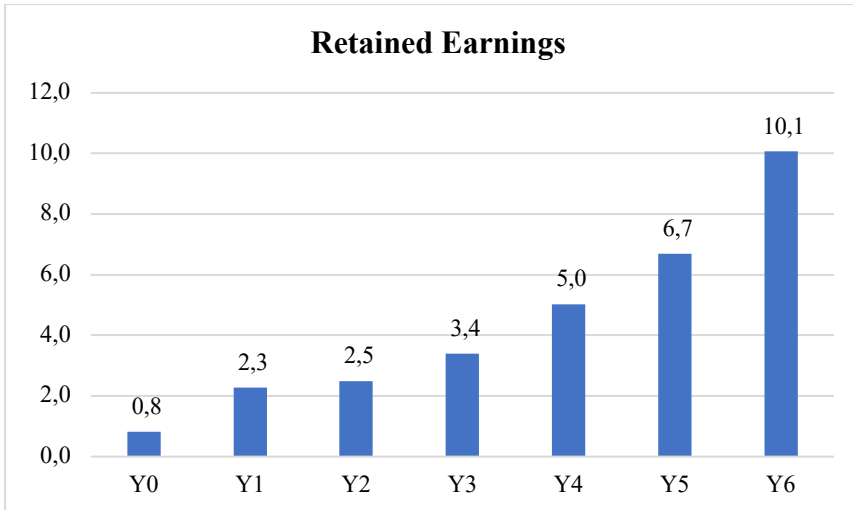


Figure 10: Retained earnings, in Billions \$.

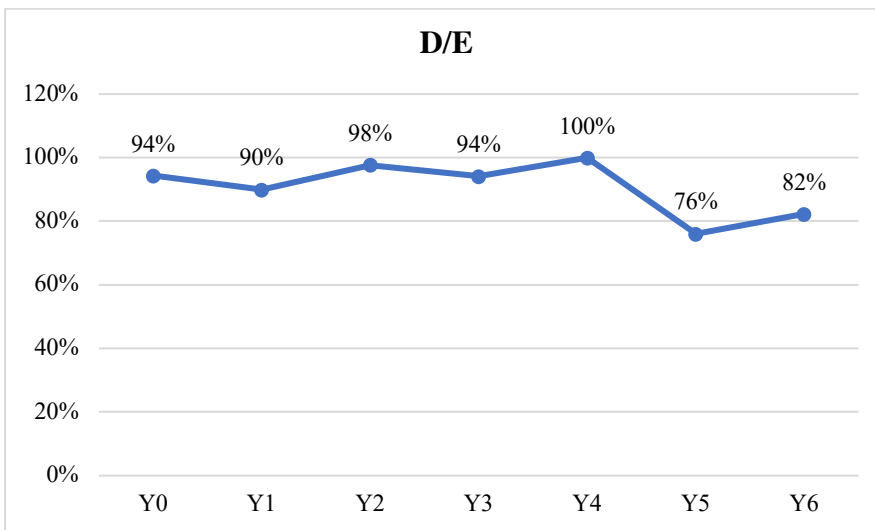


Figure 11: Debt over Equity ratio

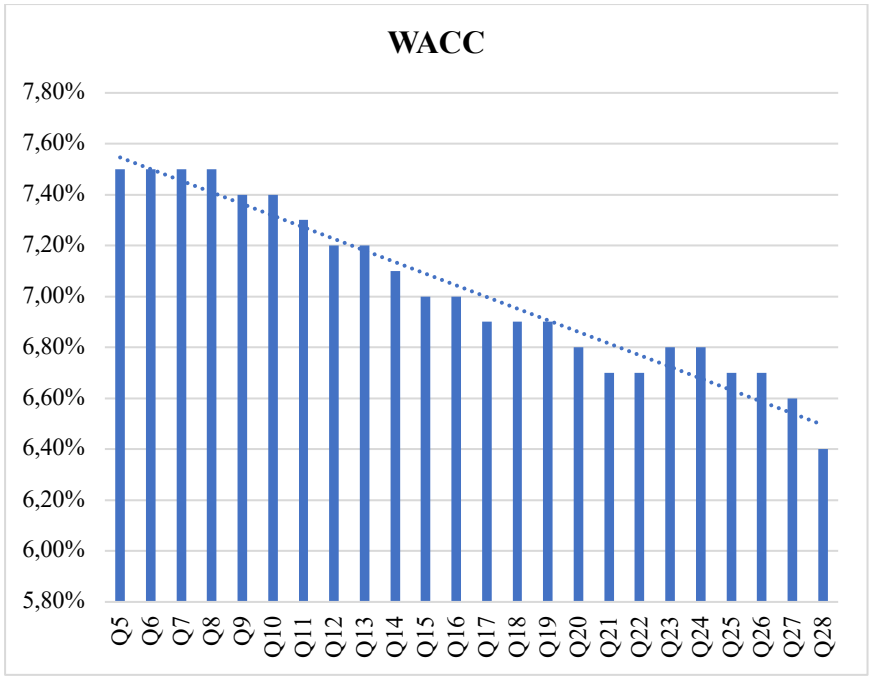


Figure 12: Weighted Average Cost of Capital per quarter.

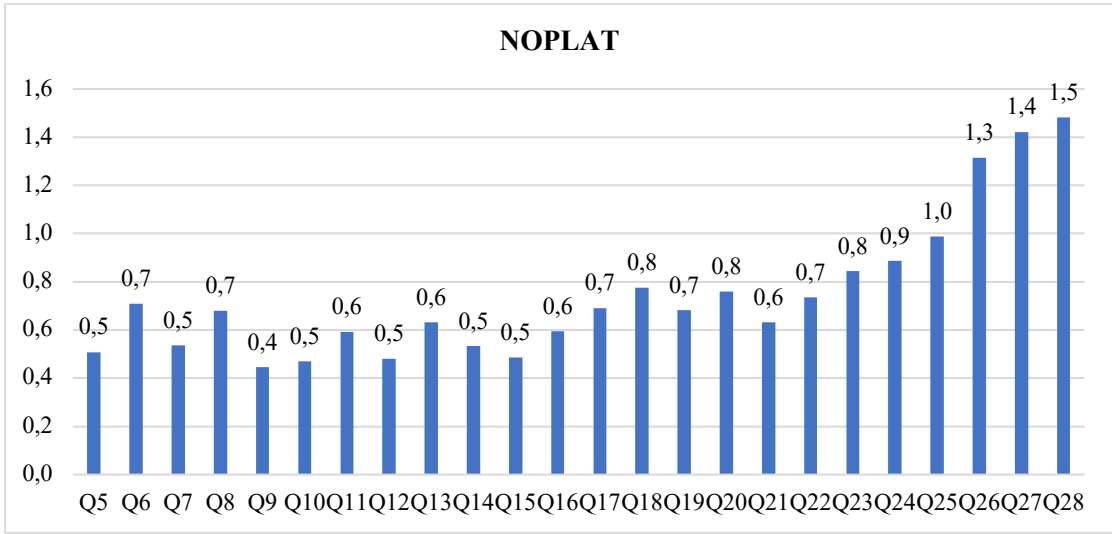


Figure 13: NOPLAT in Billions \$ per quarter.

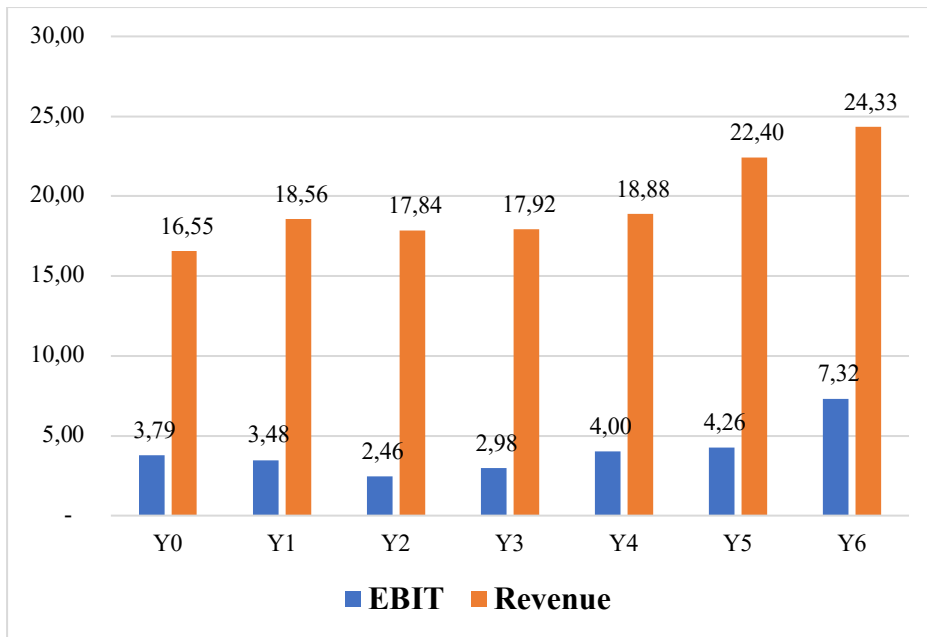




Figure 14: EBIT and Revenues in Billions \$ per year.

**Alcantara (2x)**



Revenue **\$1,241M** ↑  
 Contribution Margin **42.31%** ↑  
 Days of Inventory **33** ↓

DECLINE




Sales Price: **\$41,760.00**

Marketing: **\$13,572K**  
 % of Rev.: 1.30%


Maturity	140.00%	Sales Price	\$41,760.00
Sales	29,274	Marketing Exp/Revenue	1.36%
Marketing Expenses	\$16.83M	Marketing Exp/Car Sold	\$575

**HoneyMoon (2x)**



Revenue **\$1,107M** ↑  
 Contribution Margin **45.76%** ↑  
 Days of Inventory **42** ↑

MATURITY




Sales Price: **\$52,080.00**

Marketing: **\$19,530K**  
 % of Rev.: 1.50%


Maturity	70.00%	Sales Price	\$52,080.00
Sales	20,884	Marketing Exp/Revenue	2.30%
Marketing Expenses	\$24.22M	Marketing Exp/Car Sold	\$1,216

**Bloom (2x)**



Revenue **\$1,091M** ↑  
 Contribution Margin **44.31%** ↑  
 Days of Inventory **30**

DECLINE



Sales Price: **\$35,760.00**

Marketing: **\$12,516K**  
 % of Rev.: 1.40%

Maturity	120.00%	Sales Price	\$35,760.00
Sales	30,000	Marketing Exp/Revenue	1.42%
Marketing Expenses	\$15.52M	Marketing Exp/Car Sold	\$517

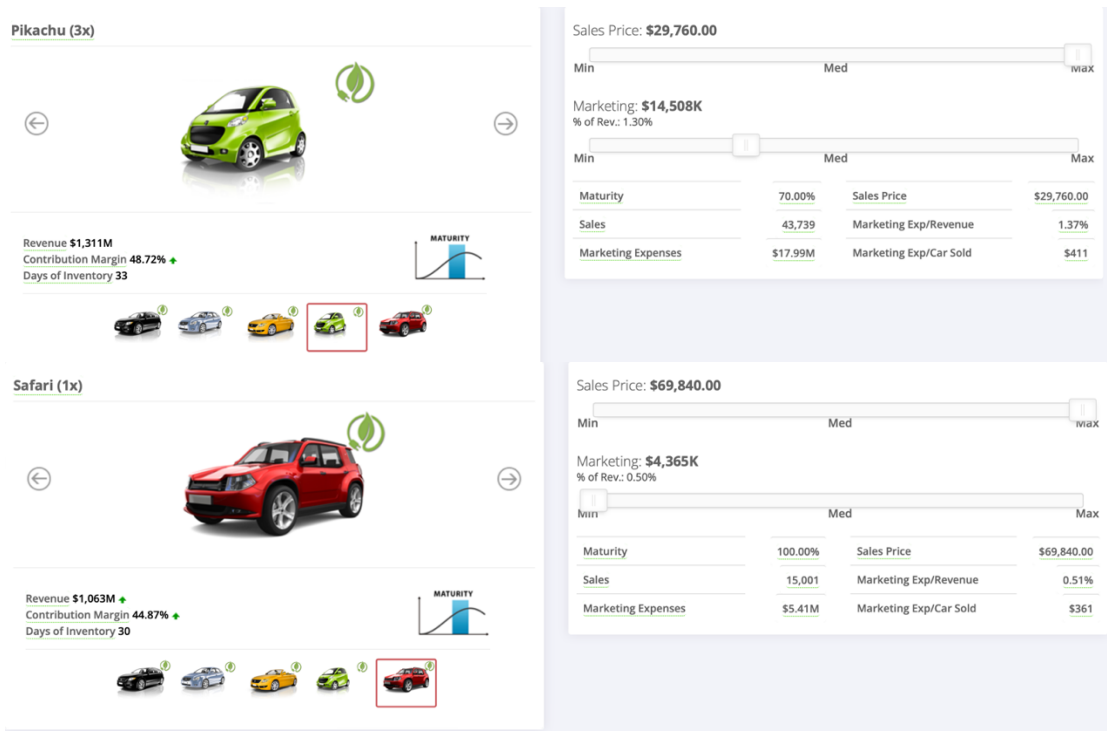


Figure 15: Sales Price and Marketing for the five models in portfolio by 2026

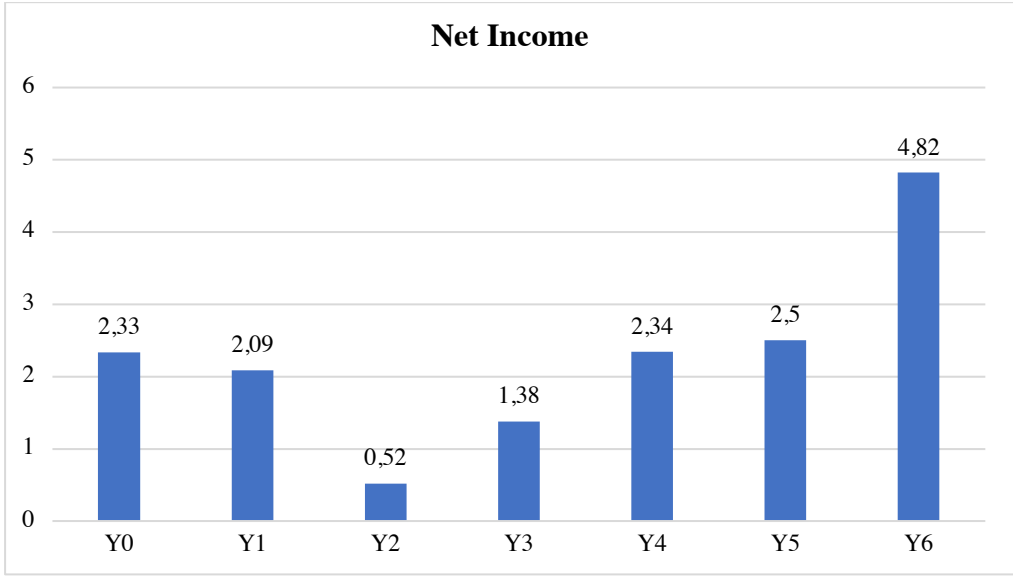


Figure 16: Net income in billions, yearly.

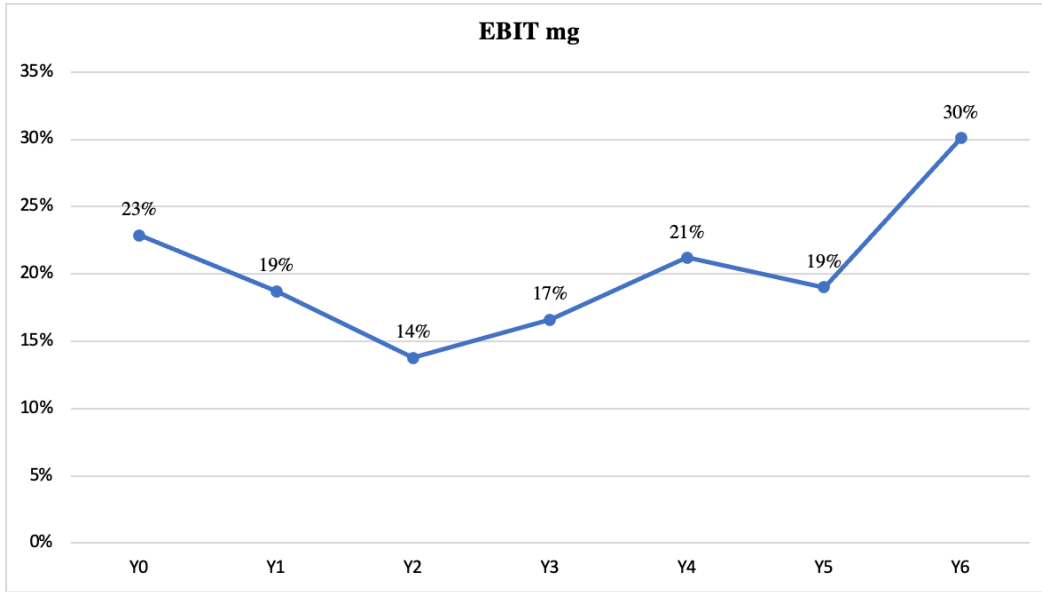


Figure 17: EBIT margin per year.

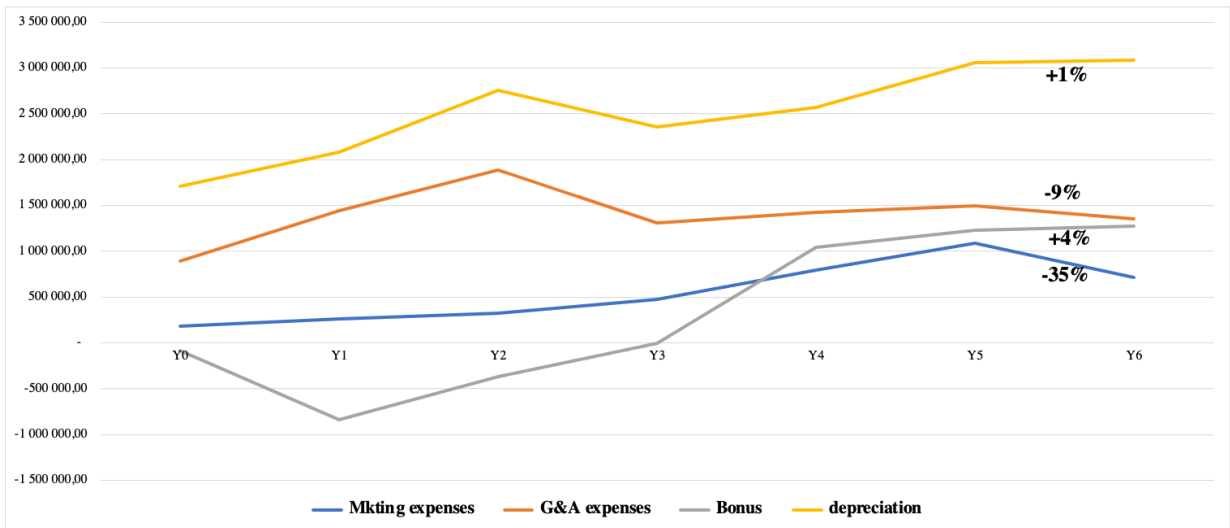


Figure 18: Marketing expenses, G&A expenses, CO2 Bonus/penalty, Depreciation yearly values in Thousands \$ and YoY growth 2025-2026.

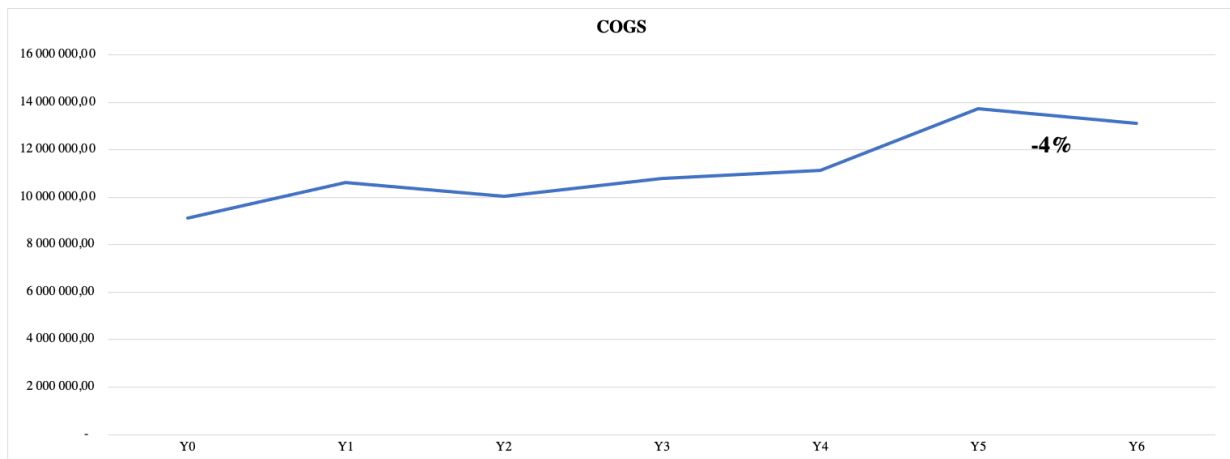


Figure 19: Cost of Goods Sold year values in thousands \$ and YoY growth 2025-2026.

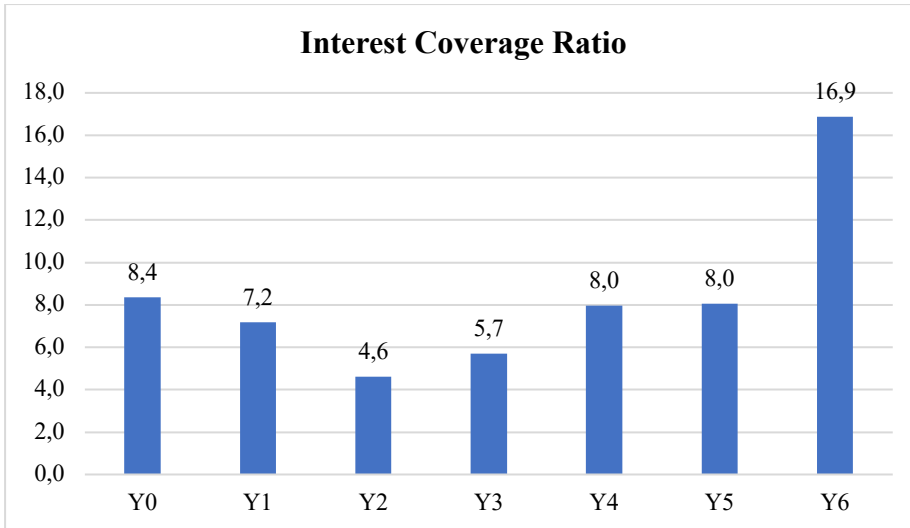


Figure 20: Interest coverage ratio (=EBIT/Interest Expense).

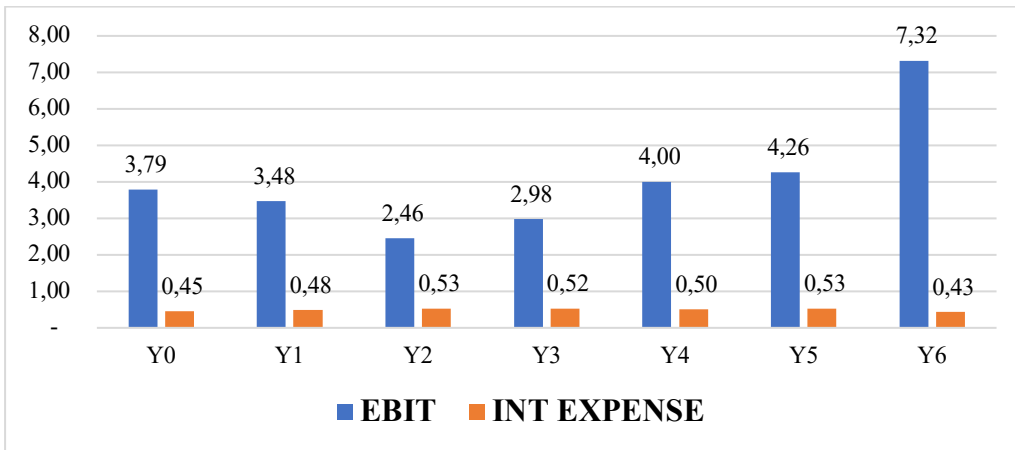


Figure 21: EBIT & Interest Expense yearly in Billion \$.

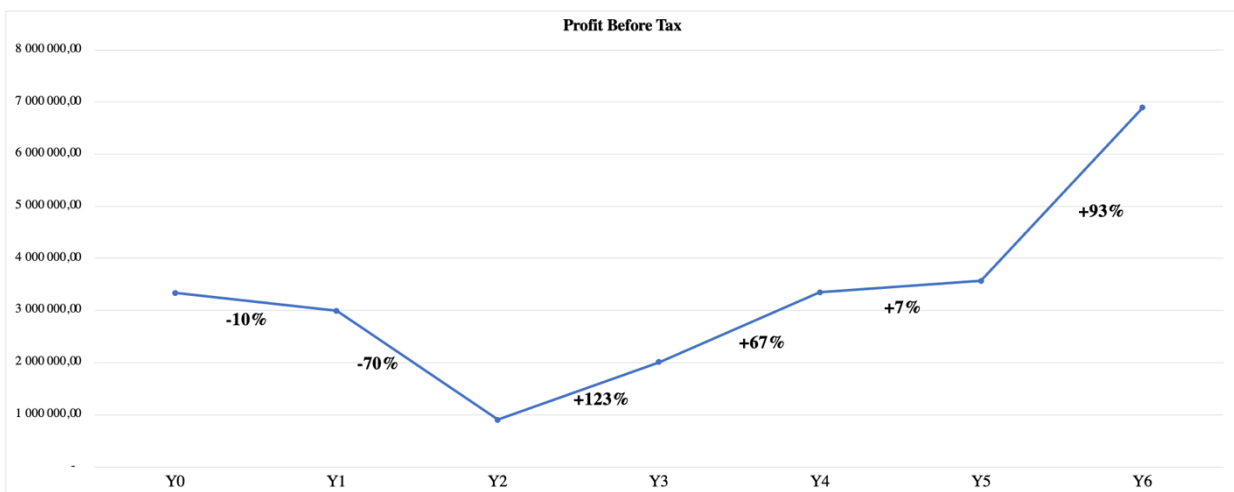


Figure 22: Profit Before Tax in thousands, growth YoY.

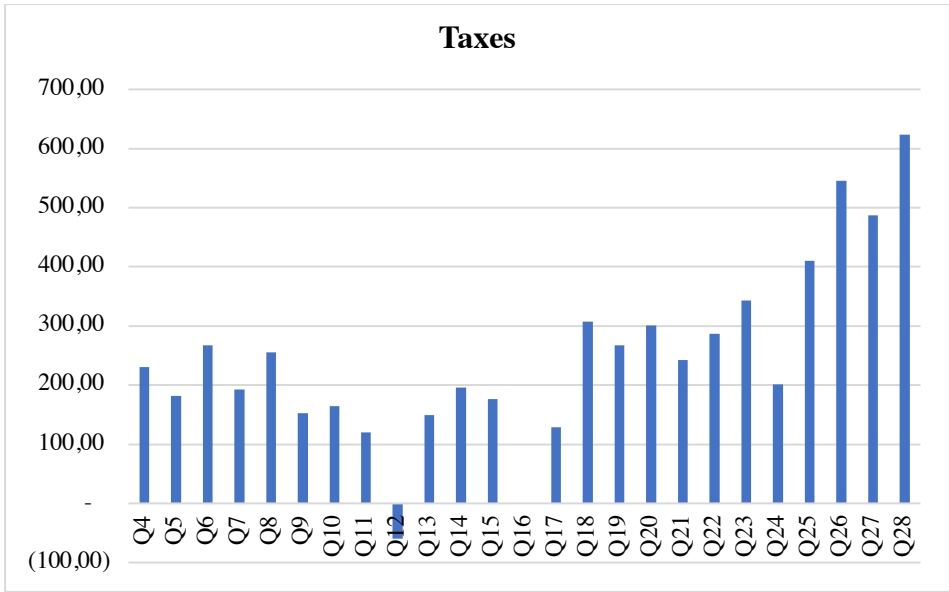


Figure 23: Taxes quarterly in million \$.

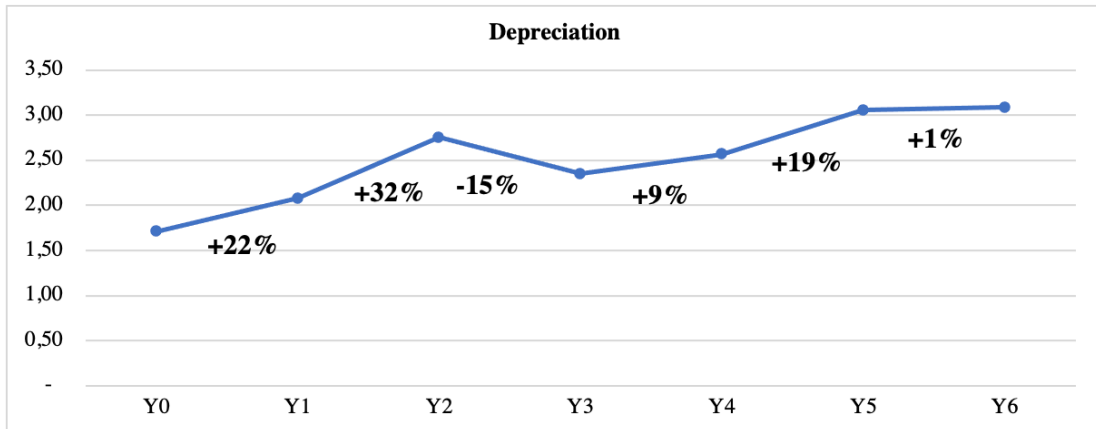


Figure 24: Depreciation yearly values in Billions \$ and YoY growth.

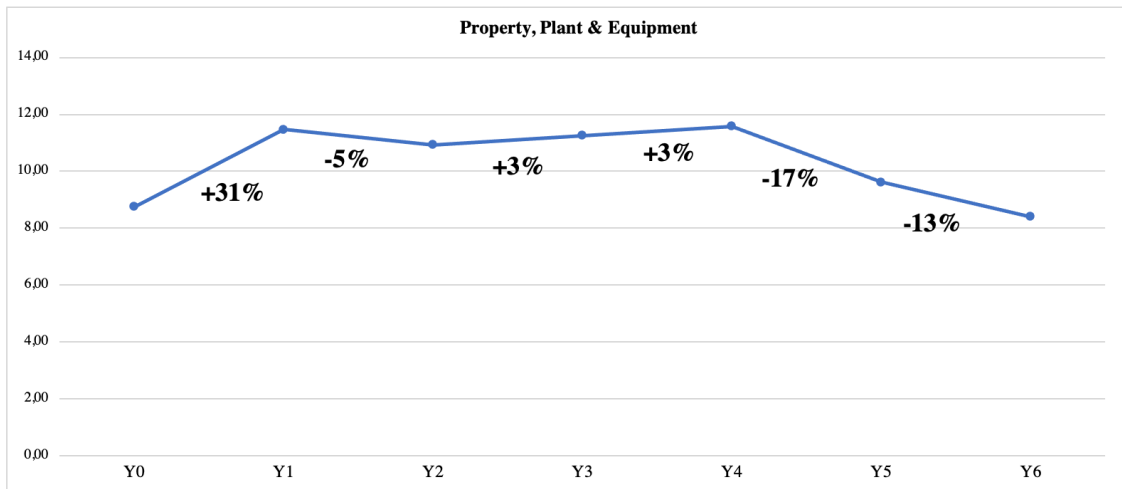


Figure 25: Property Plant and Equipment yearly values in Billions \$ and YoY growth.

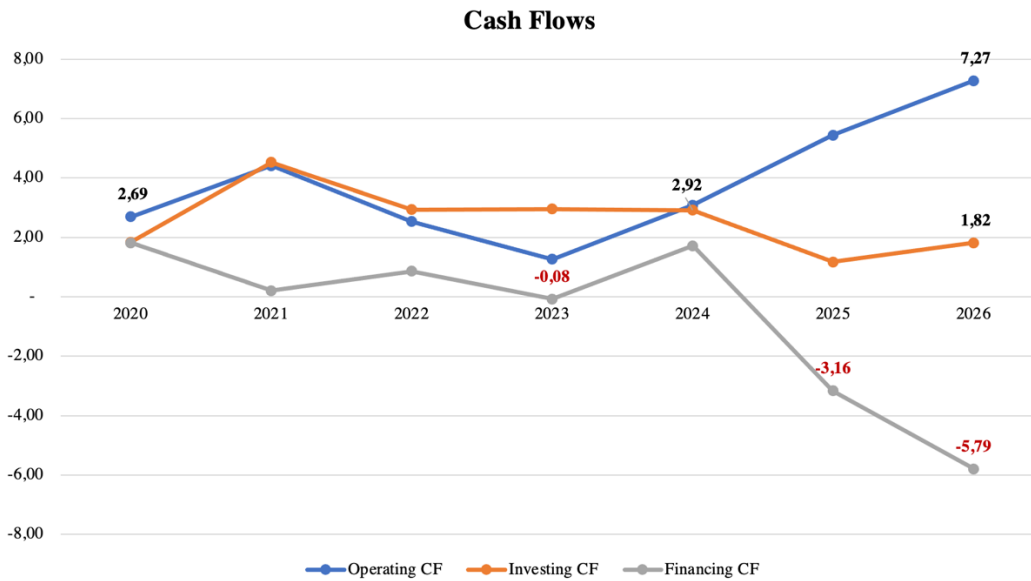


Figure 26: Cash Flow from Operations, Investments and Financing, yearly in Billion \$.

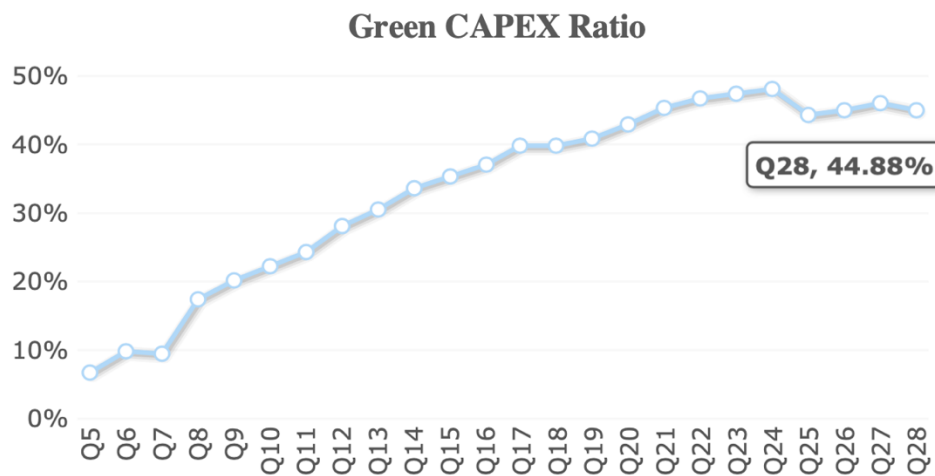


Figure 27: Humba Motor's Green CAPEX ratio.

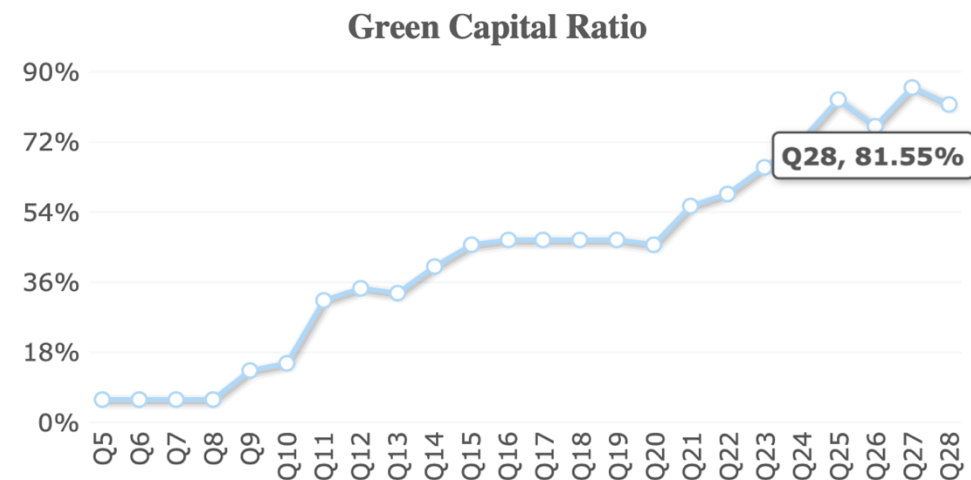


Figure 28: Humba Motor's Green Capital Ratio.

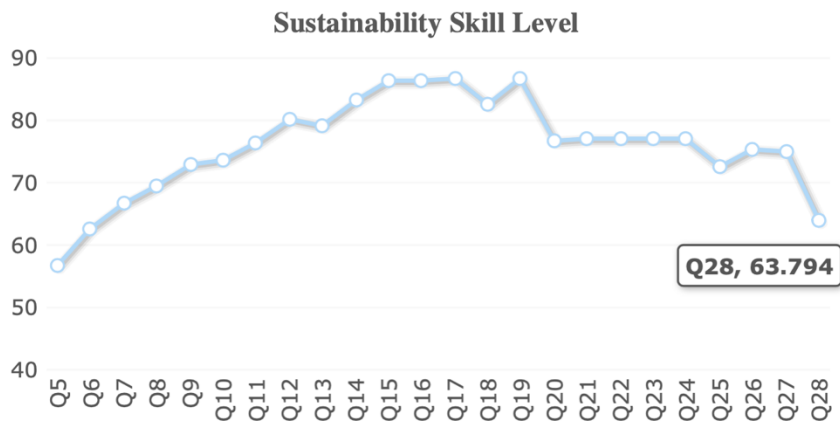


Figure 32: Employees sustainability skill level

Self-awareness	Self-management	Social awareness	Relationship management
Emotional self-awareness	Emotional self-control	Empathy	Influence
	Adaptability		Coach and mentor
	Achievement orientation		Conflict management
	Positive outlook	Organizational awareness	Teamwork
			Inspirational leadership

Figure 33: Emotional Intelligence Domains and Competencies Goleman 1998

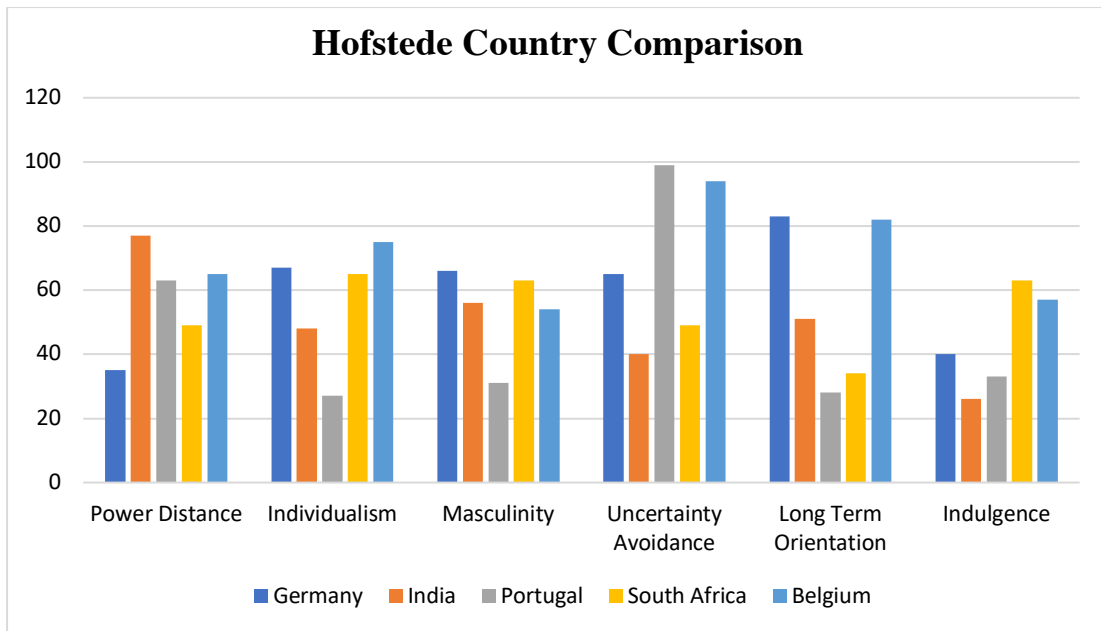


Figure 34: Hofstede Country Comparison over the 5 cultures of Humba’s executive team.

(Hofstede, n.d.)

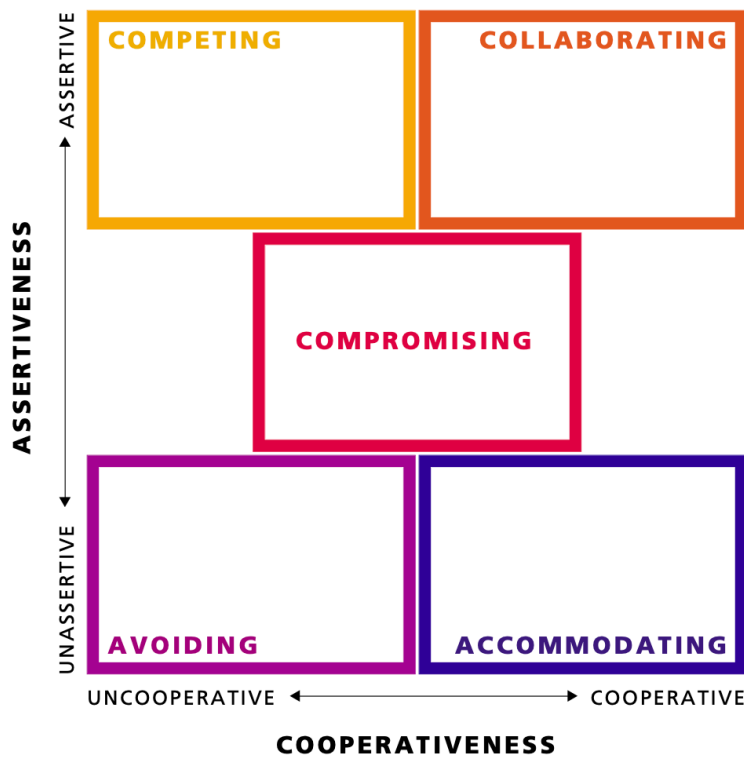


Figure 35: Thomas-Kilmann Conflict Mode Instrument (TKI) (Thomas and Kilmann 1976)



Figure 36: Five dysfunctions of a team

53364 \_ Catarina Barroso de Moura Barros

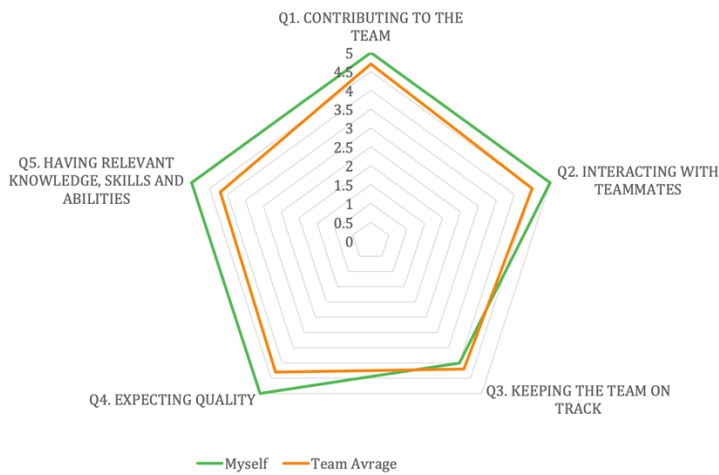


Figure 37: Peer Evaluation results.