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BUSINESS IN PRACTICE:

FIRM ANALYSIS AND PERSONAL REFLECTION ON LEADING BEEP'S ELECTRIFICATION JOURNEY

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Abstract

The Business in Practice (BiP) simulation is a three-week group exercise simulating the management of an automotive company. Teams were assigned roles in five key areas: Marketing, Operations, Innovation, Human Resources, and Finance, collaborating to navigate the company's shift toward electric vehicles. The analysis focuses on Human Resources, Innovation, and Finance, examining their role in Beep's strategic transformation. It explores the impact of employee engagement, green innovation, and capital structure on business outcomes. Two critical incidents during the group exercise are analyzed, highlighting tensions within the team and the importance of cross-functional collaboration for long-term success.

Keywords

Business Simulation, Team Dynamics, Conflict Handling, Innovation, Automotive Electrification Strategy, Corporate Finance, Sustainability and ESG

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1. Firm Analysis

1.1. Introduction

Beep, a global automobile manufacturer operating in Europe, China, and the United States, is at a crucial juncture in its strategic development. The company, previously focused on traditional combustion engine vehicles, has identified the urgent need to pivot toward electric vehicles (EVs) in response to both growing environmental concerns and significant legislative changes aimed at reducing carbon emissions in the auto industry.

In recent years, the global automotive industry has witnessed rapid development and adoption of electric vehicles (EVs). This company understood that the transition from combustion engines to electric vehicles was a strategic necessity for its survival.

In 2023, electric vehicles accounted for nearly 14 million global sales, representing 18% of all cars sold, a significant increase from 14% in the previous year (International Energy Agency 2024). Governments around the world are enforcing tougher emissions regulations and providing incentives to encourage electric vehicle (EV) adoption, aiming to fight climate change and lower carbon footprints (Nicola and Lew 2024).

The firm analysis section explores Beep's performance and strategic decisions through the lens of Human Resources, Innovation, and Finance to navigate the shift to EVs. In Human Resources, employee engagement was improved through intrinsic and extrinsic motivation, boosting productivity and satisfaction. Innovation played a crucial role in developing cutting-edge EV technologies and developing Beep's EV portfolio. Financially, Beep faced cash flow constraints due to high inventory levels and production capacity expansion. However, strategic investments in green projects and R&D helped to stabilize the company’s profitability in later years. This section explores how these elements contributed to Beep's evolution into a leading electric vehicle manufacturer.

1.2. Human Resources

In addition to innovative technology, adherence to regulations, and adaptation to market dynamics, the transition to electric mobility requires the role of Human Resources (HR) in developing a trained, motivated, and creative workforce (Jelti, Allouhi, and Tabet Aoul 2023). A critical role of human resources is to maintain and drive employee engagement within the company. For example, organizations with highly engaged employees experienced 25% to 65% lower attrition rates compared to their peers, depending on whether they typically faced low or high turnover. Employee engagement involves focusing on work tasks, channeling energy into purposeful actions, and engaging in productive discussions with colleagues and clients. It means going beyond the bare minimum requirements (Froiland 2023). Employees with high engagement also receive higher scores in productivity and clients satisfaction. Hence, employee engagement has direct bottom-line implications (Graber 2015, 2). Deci and Ryan (2008) found that autonomous motivation drives employee engagement, comprising intrinsic and extrinsic motivation.

Conversely, controlled motivation through external regulations such as rewards or punishments does not significantly improve employee engagement. Deci and Ryan (2008) developed the self-determination theory, which suggests that people across the world require autonomy, relatedness, and competence to drive their engagement. There is a fourth driver, which is extrinsic motivation, primarily driven by compensation and benefits.

Adams' Equity Theory of Employee Motivation (Adams 1963) posits that employees are motivated when they receive a fair reward for their work. They tend to compare their effort (inputs) and rewards (outputs) with others and will take action to restore equity if there is a perception of inequity. From a compensation strategy standpoint, pay needs to be perceived as

fair from three dimensions of equity. Firstly, external equity is based on market wage surveys and represents the competitiveness of a brand in a market to attract top talent. Secondly, internal equity ensures that employees in similar roles and qualifications are paid comparably within an organization. It is a crucial dimension to reduce turnover and increase employee engagement. Finally, individual equity is essential to retain top talent and consists of compensating employees according to their performance, skills, or tenure to reward individual achievement. Adams' Theory assumes that individuals are equally sensitive to equity.

However, (Huseman, Hatfield, and Miles 1987) suggest that individuals have different preferences regarding their outcome/input ratios compared to those of others. As stated in the study: 'Benevolents prefer that their outcome/input ratios be less than the comparison other's; Equity Sensitives, who adhere to the norm of equity, prefer balanced outcome/input ratios; and Entitleds prefer that their outcome/input ratios exceed the comparison other's.'

To act on our strategy to become a profitable EV company and improve Beep's ESG Rating, the HR department played a crucial role in improving employee engagement through increased intrinsic motivation by providing sustainability training programs to managers. This training improved their skills to drive the electrification shift and satisfied their need for competence in the workplace. In addition, HR also impacted extrinsic motivation by adjusting management salaries. Ultimately, improving employee engagement impacts the social dimension of ESG, as the 'S' in ESG analyses the relationships of a company with employees and other stakeholders.

During the simulation, the firm invested a total of $40M to create a sustainability policy and maintain consistent policy and awareness training. These investments qualified for green bonds and positively impacted the demand for our products and corporate social responsibility. During the simulation, we maintained consistent investment in Digital Expert and Sustainability skills to sustain a skilled workforce. To improve engagement through extrinsic motivation, HR paid employees slightly more than the benchmark to keep them motivated and avoid the cost of having to rehire new employees. The metric used throughout the simulation to achieve this strategy was the comparison ratio (compa-ratio), which represents how much a manager is paid relative to the average industry salary for the same role. A compa-ratio above one means the employee earns more than the industry benchmark. During the simulation, we assumed that employees with a higher compa-ratio (closer to 100% and higher) exhibit higher job satisfaction and engagement, as they feel their compensation is more in line with or above market standards. In the simulation, there were some cases when a manager's motivation stagnated during the year after a salary increase; hence, we assumed recurring underperformance and terminated the employee in question.

Nonetheless, as already mentioned, Huseman, Hatfield, and Miles (1987), in their Theory of the Equity Sensitivity Construct, show that different preference archetypes exist. The Benevolent or Equity Sensitives type of preferences might be more engaged if their wage is at par or slightly below the market. However, it is very difficult to identify the different types, and in this simulation, we can assume most managers are Equity Sensitives or Entitleds. In quarter 28, only 4 out of 29 managers were paid slightly below the industry level with a compa-ratio of -1% to -2%. In addition, 15 managers were paid above the average by 1% to 3%, and the remaining ten managers were paid at par with the industry. This strategy to increase management motivation by paying them at par or more than what they could get in other

companies, coupled with digital and sustainability training, achieved a 13% increase in motivation from 87% in Q5 to 100% in Q23. From Q24 to Q28, the motivation level among management remained at 100%. Human resources' positive compa-ratio strategy consists of a steady increase in the monthly management salary (computed by dividing the total monthly management salary by the number of managers). Monthly management salary grew by 35.35% during the simulation, from $118,821 in Q5 to $169,829 in Q28. As Figure 1 tends to indicate, there is a positive correlation between monthly management salary and level of motivation.

1.3. Innovation

The innovation department works closely with finance to identify financial constraints and profitability goals. Carefully planning product launches or technology investments is essential to forecast the level of debt needed for the project. Innovation also collaborates with human resources to hire employees and share recommendations about the latest digital or sustainability skills Beep employees must acquire to produce and sell new cars.

Beep, responding to the green revolution and global regulations on emissions, transitioned into an electric vehicle brand using the Dynamic Capabilities Framework (Teece, Pisano, and Shuen 1997). The framework assesses the company's ability to rapidly reconfigure resources and competencies to address changing market conditions, technological advancements, or other changes in the broader business environment. Through the 'sensing' capability, Beep recognized the market shift towards electrification as a critical opportunity. In the 'seizing' phase, it capitalized on this by driving organic growth, investing in R&D, hiring new talent, and developing training for digital and sustainable practices. Beep continued to innovate, reconfiguring resources and launching new products to capture value and maintain competitiveness in the evolving automotive industry.

As demand for more sustainable mobility solutions increases in the automotive industry, manufacturers must improve their corporate social responsibility (CSR). Gackstatter and Goehlich (2022) emphasize that automotive companies must adopt an ambidextrous approach to effectively address these emerging challenges and enhance their CSR performance. This involves optimizing their core business for greater efficiency while simultaneously capitalizing on new opportunities for growth in the transition toward a sustainable automotive industry. Organizational ambidexterity is about balancing exploiting the core business and exploring new business models and markets. Ambidextrous companies need to optimize their core business to generate cash flows for investment in R&D and new growth areas. Despite improving its CSR and Sustainability Rating, as illustrated in Figure 2, Beep underestimated the importance of improving the core business of combustible cars to provide cash flow to fund capital expenditures for R&D and new EV development. Hence, the firm had to rely on extended leverage, undermining its profitability.

Companies with strong ESG practices and a high focus on green innovation can boost their financial outcomes. Green innovation enables firms to achieve better economic results through cost leadership and product differentiation (Chouaibi, Chouaibi, and Rossi 2022). So, Beep decided to prioritize investment in green innovation. In the first quarter of the simulation, Q4, Beep invested $785M in the product development of the Model B2, Beep's first electric car featuring extended Li-ion battery technology and the latest Autonomous Drive technology. In addition, the firm invested $250M in Q4 in sodium-ion batteries, which are made of less expensive material than lithium-ion batteries, leading to lower costs of goods sold. In Q5, $500M was invested in AI implementation to improve safety and driving experience, which improved the demand for EVs at the same time. In Q9 and Q10, Beep invested $700M in Next Generation E-Drive Modules, unifying battery installation for all vehicle types, leading to

higher demand and lower cost of production, as well as in Cyber Security. This intense R&D allowed Beep to introduce three new electric cars to the market in Q6, Q8, and Q10, in addition to its existing EV portfolio. This latest product development allowed Beep to discontinue all its combustible cars by Q11.

Consequently, Beep shifted too fast from its core business to a complete electric car portfolio. Beep should have delayed the discontinuation of combustible cars or launched some new combustible cars to maintain stable cash flows from its core business until the latest EVs enter their growth and maturity phase, allowing Beep to gain operational efficiency in this new market. As Beep transitioned too quickly and opened too many product lines and factories, demand didn't follow.

Saebi, Lien, and Foss (2017) state that firms' propensity to change their business models depends on their level of perception of threats or opportunities in the market. The study's findings are that the more severe a threat is perceived, the more likely the company will engage in business model adaptation. In contrast, perceived opportunities lead to upholding the status quo of the business model. Policy changes around CO2 regulation with increasing penalties and lower allowances have been perceived as a severe threat by many manufacturers and explain in part the shift towards greener business models.

As illustrated in Figure 3, CO2 fleet emissions have been reduced from 69.6 g/mile in Q5 to zero in Q11. The reduction is due to the discontinuation of all combustible cars by Q11. Despite a CO2 penalty of $8.81M in Q6, Beep has been able to stay below the CO2 allowances in the other quarters generating a cumulating CO2 bonus of $503.3M between Q1 and Q12. The regulator suppressed CO2 bonuses in Q13, leading to a net zero CO2 Penalty/Bonus between

Q13 and Q28. Thies et al. (2022) showed that staying well below the allowance's threshold might be favorable from a purely financial perspective. This outcome stems from the interaction between CO2 emissions, related penalties, and the contribution margins of individual vehicle projects. Thus, Beep's shift towards a green business model participated in generating a substantial bonus.

1.4. Finance

Finance played a crucial role in assessing and validating green capital expenditures across the board, to implement Beep's sustainability strategy across all departments. Operations was the major contributor to green CAPEX, with projects ranging from water consumption reduction (Scope 1), solar panels installation (Scope 2), and external battery recycling (Scope 3). Human Resources invested in sustainable policy and training to develop the necessary skills to act on Beep's sustainability strategy. In Q28, Beep issued a cumulated $16.5bn worth of green bonds to finance sustainable projects. According to Porter's hypothesis, firms will increase their R&D investment in pollution control and energy-saving technology when facing policy pressure or environmental regulation (Porter and Linde 1995). Green bonds offer lower interest rates as sustainable companies are considered less risky and prone to default than their counterpart. Hence, green credit policies promote green innovation as new capital expenditures allocated to green projects are eligible for green bond financing (Zhang 2024).

A critical issue identified was the rising inventory levels; the Average Holding Period rose from 80 days in FY1 to 114 and 133 in FY2 and FY3, respectively. This effect explains the inflation of the Cash Conversion Cycle to 138 and 141 days in FY2 and FY3, respectively. Despite a lower Average Holding Period of 101 in FY4, the Average Collection Period was increased from 45 days in FY3 to 70 days in FY4 due to increased customer credit terms to drive sales up. However, this decision decreased operating cash flow and maintained a high

Cash Conversion Cycle of 140 days in FY4, as exhibited in Figure 5. Demiraj, Dsouza, and Abiad (2022) affirm that the high Average Holding Period and high Receivables Collection Period show a significant negative relationship with ROA. Indeed, ROA has consistently decreased from 12% in FY1 to 4% in FY4.

High inventory levels strain cash flow, as funds are locked in unsold goods rather than generating returns through sales. This situation increased reliance on short-term debt to finance ongoing operations, raised interest expenses, and reduced net profitability (Demiraj, Dsouza, and Abiad 2022). Indeed, Figure 4 shows a decreasing net income until FY4. In the simulation, the overproduction relative to demand caused high inventories due to expanding production capacity by constructing additional factories, which likely outpaced actual market demand, suggesting potential inefficiencies in demand forecasting. In addition, Beep's initial focus on maintaining a premium pricing strategy without adequate marketing support may have contributed to slower sales, further exacerbating inventory buildup. The strategy now focuses on significantly increasing marketing expenditure to drive sales and align production with market demand.

Beep's aggressive production line expansion led to taking on essential loans, which significantly increased Beep's leverage, which increased interest payments. As additional production capacity did not generate sufficient revenue to offset the cost of borrowing, margins were pressured by prioritizing cash flow over profitability. Whereas the simulation benchmark started to decrease from FY4 onwards after a period of growth, Beep's debt ratio kept increasing to 52% in FY6 versus 42% for the simulation benchmark, as presented in Figure 7. In comparison, Beep’s main competitor, BMW, had a debt ratio significantly lower than Beep at 37.8% in 2023 and 38.1% in 2022 (BMW 2023). In Figure 8, Interest Coverage Ratio from

FY3 onwards has been consistently under the simulation benchmark and reached its lowest value at 4.6x in FY4. In Figure 4, as the EBIT margin sunk to a low of 14.5% in FY4, the ability of the firm to pay its interest expenses on outstanding debt decreases. In addition, higher leverage has negatively impacted credit rating, leading to higher interest rates to offset the bankruptcy risks. Beep's credit rating oscillated between A to BB+ across the quarters.

High leverage reduces free cash flow by increasing interest expenses and limiting the company's ability to reinvest in growth opportunities. This reduction in FCF (free cash flows) can impair the company's ability to create long-term value, as it restricts flexibility, increases financial risk, and raises the cost of capital. Companies create value if they find investment opportunities where the return on the investments is higher than the cost of capital for investors. Value is the difference between the Return on Invested Capital (ROIC) and the Weighted Average Cost of Capital (WACC) (Magni 2021). As illustrated in Figure 9, FCF is declining to reach its lowest point in FY4 at -$2,904,000. ROE decreased from 23% in FY1 to 9% in FY3 before reverting to 16% in FY5 and 29% in FY6. After the reversal, it is better aligned with BMW, which had an ROE of 13.1% in 2023 and 20.35% in 2022 (BMW 2023). ROIC is proportionally declining to reach its lowest point at 4% in FY4, and there is a negative value creation (ROIC-WACC) of -1% in FY3 and -2% in FY4. There is a trend reversal in FY5 and FY6, with a significant rise in revenue driven by constant investment in innovation, R&D, the launch of new electric models, and marketing. Beep managed to shift towards a highly differentiated electric vehicle company, generating positive FCF of $2,133,000 in FY5 and $6,239,000 in FY6. Beep also generated value creation for its shareholders with an ROIC of 7% in FY5 and 13% in FY6, which translates to a value creation (ROIC-WACC) of 1% in FY5 and 8% in FY6. According to Lloyd and Davis (2007), to maximize the long-term financial performance and the value of a business, it is critical to focus on improving revenue growth

and ROIC. Revenue was up 38.3% in FY5 and 19.7% in FY6, as shown in Figure 4. Beep successfully managed to follow this principle in the last two years of the simulation and is now on the right track to long-term profitability and value creation.

1.5. Conclusion

In conclusion, the analysis of Beep's operations across the key areas of Human Resources, Innovation, and Finance reveals critical insights into the strategies that drive successful business transformation, particularly in the electric vehicle (EV) industry. The firm's journey demonstrates the complexity of managing a rapid shift toward sustainability while balancing profitability demands, workforce engagement, and technological advancement.

From a Human Resources perspective, Beep emphasized the importance of employee engagement as a driver of productivity, retention, and overall organizational success. The application of motivational theories, such as the Self-Determination Theory and Equity Theory, underlined the significance of intrinsic and extrinsic motivations in maintaining employee satisfaction. Beep effectively leveraged compensation strategies, such as paying employees slightly above industry benchmarks, to enhance motivation and reduce turnover. Furthermore, the firm’s investment in sustainability training enhanced employee competence and commitment to the firm’s green transition. As a result, Beep saw a marked improvement in employee motivation, achieving a 13% increase during the simulation, which stabilized at 100% motivation. This emphasis on HR underscored the critical role that a well-engaged workforce plays in driving both ESG goals and operational efficiency.

In terms of Innovation, the firm’s aggressive investment in green innovation, including the development of new electric vehicle models and advanced battery technologies, demonstrated

its commitment to staying at the forefront of the market. However, Beep's over-reliance on this rapid shift without fully capitalizing on its core combustible car business resulted in financial strain. The company could have benefitted from a more balanced approach, maintaining some of its traditional business lines to generate stable cash flow while the EV segment matured. This issue highlights the risks associated with overly ambitious transitions in technology-driven industries, emphasizing the need for careful timing in resource reallocation and product development.

In Finance, Beep's heavy investments in green capital expenditures and reliance on green bond financing showcased its alignment with sustainability goals. However, rising inventory levels and extended customer credit terms led to liquidity challenges and increased reliance on short-term debt. This mismanagement of working capital contributed to declining profitability, evidenced by the fall in Return on Assets (ROA) and growing leverage. Nonetheless, Beep’s consistent focus on innovation and increased marketing expenditure allowed the company to reverse this trend in the latter years of the simulation. These initiatives have not only driven the company’s growth, evidenced by a compound annual growth rate (CAGR) of 11.31% over six years, but have also ensured its long-term profitability and value creation, as seen in the return on equity (ROE) figures of 16% in FY5 and 29% in FY6.

2. Personal Reflection

2.1. Introduction to Personal Reflection analysis

During the three weeks of the Business in Practice (BIP) simulation, we collaborated in group of seven students to run an automobile company transitioning towards an electric business model for a total of 28 quarters starting at quarter four. Each student was either in charge of Marketing, Operations, Innovation, Human Ressources or Finance. This pivotal experience provided valuable insights into running a business through teamwork and strategic decision-making.

This essay explores two critical incidents from my experience as a Finance Director during the BIP simulation, focusing on conflicts over capital expenditure decisions and the team's strategy regarding debt maximization. The first incident involved my disagreement with the team's continuous investment in new production lines despite potential liquidity and solvency risks. Though I initially opposed the decision, I eventually conformed to group pressure, leading to a decrease in my motivation and engagement. The second incident occurred in the final stages of the simulation, where I stood firm against my Co-Finance Director on the issue of increasing debt to lower the WACC (Weighted Average Cost of Capital). Unlike the first incident, I proposed a compromise that partially satisfied both sides. For each incident, the essay outlines the situation, the response, the analysis, and include a reflection on the lessons learned that can be interpreted as a conclusion for each incident. These incidents are relevant for analysis as they reflect fundamental team dynamics, decision-making processes, and the personal challenges of balancing assertiveness with group harmony. They also offer an opportunity to explore the psychological and theoretical frameworks, such as group conformity, conflict management, and leadership styles, that influenced my behavior and the team’s effectiveness.

2.2. Critical Incident I

Situation

Before the simulation started, the team needed to establish a detailed forecasted capital expenditures plan due to the difficulty in planning each quarter. However, we came up with a transparent decision process for the group. We agreed that each role would first discuss internally the resources needed to implement the strategy. Then, present the logical reasoning behind any required capital expenditures to the group. As a Finance Director, I developed a contrarian view about the level of capital expenditures that the rest of the team and my Co-Finance Director targeted. During the first four quarters of the simulation, we agreed on new factories and products, which was necessary to gain new market shares at the start of the simulation. However, from quarter eight onward, the team and my Co-Finance Director insisted on investing heavily in operations and innovation. I openly disagreed with the level of capital expenditures they were targeting. I argued that launching too many production lines might lead to inventory, liquidity, and solvency issues for the company. They disagreed with my point and insisted that this was necessary to meet our differentiation strategy.

Response

Being alone against the group, I decided to avoid open conflict and conform with the group, agreeing with most capital expenditures without any resistance or even much reasoning. In the following quarters, connecting to any compelling direction for our team was impossible, and I lost my purpose as an influential team member. During the following quarters, I restrained from expressing my view as I felt the team did not value my alternative take regarding the investment decisions. I lost the purpose and motivation to be actively involved in the process. Hence, I gave the other Co-Finance Director more space to take the lead on decision-making.

Analysis

To better understand my response to this critical incident, the Insights Discovery color type is a valuable tool to gain insights into my way of working in teams. According to the model, I have an earth-green personality. Such personality is diplomatic, empathetic, and supportive. It favors collaboration and harmony with strong interpersonal skills but may sometimes appear passive or indecisive (The Insights Group 2024). My earth-green personality influenced me to avoid confrontation with my team members after I first expressed my contrarian views about a more conservative capital expenditures scheme, which my colleagues met with reluctance. Instead of insisting on debating my point, I preferred maintaining harmony and avoiding an open conflict with the team, as I value good relationships with my team members. However, while this creates a superficial closedness within the team, it does not help create a working environment open to healthy conflict. Hence, this behavior eventually harms the group's productivity and might lead to the failure to achieve positive results (Lencioni 2015). Furthermore, Johnson, Heimann, and O'Neill (2000) mention the following reasons for team failures that illustrate the critical incident discussed: new ideas are discouraged, open disagreement is rare, and decisions are made without challenge or opposition.

Alternatively, group conformity explains my avoidance of open conflict. I felt pressured to conform with the group to fit in. Group conformity is an evolutive human characteristic in many social interactions and aims to increase social approval to better fit in the group. Groups generally make more rational and effective decisions compared to individuals. Nonetheless, the pressure of conformity is so high that some group members refrain from sharing ideas that divert from the group norms. Therefore, the group may ignore the view of the member subject to conformity pressures, while it might be a great idea to contribute to better results. Hence, when group conformity is substantial, it negatively impacts critical thinking and outweighs

contrarian ideas not shared by fear of social sanctions (Fender and Stickney 2017). As I dislike being in the spotlight and going against group decisions, I instinctively decided to conform to the group. In addition to my earth-green personality, which seeks harmony and likes to avoid conflict, group conformity is another tool to understand better why I chose to avoid open conflict in this situation.

The third unfolding effect in my response to the critical incident is a decrease in motivation due to a lack of compelling direction for the team and a lack of purpose in my role. My comprehension of the project was to maximize the value added to our company. However, I needed to understand how the team was still heading towards this goal by investing massively without regard to value-added metrics. At this moment, I thought that our direction was somewhat random without a clear strategy in terms of financing decisions. As Haas and Mortensen (2016) state, teams must have a compelling direction with challenging and consequential goals that reward members with recognition, satisfaction, or a sense of meaning to function at their optimum. From quarter eight onwards, I did not feel inspired and energized anymore by the group's direction due to my lack of trust in the way the group was working by maximizing debt at all costs and not willing to listen to my point of reflecting about another more sustainable investment strategy to create value.

This critical incident also negatively impacted my sense of purpose as Finance Director. Before the simulation, I expected to discuss issues related to investment decisions more openly and have more time to ponder each decision as a team. However, after the incident, my role did not have the impact I expected to have regarding making appropriate investing decisions. As the rest of the team agreed to expand the operations and product development by taking large amounts of debt without much regard for the cash flow available, I felt that my role was to

agree to most capital expenditures and report the financial data in Excel. Consequently, I became less engaged and committed to the decision within the team in the following quarters. Dai, Spencer, and Blazek (2021, 67–68) showed that when individuals felt a sense of purpose in their work, they exhibited higher levels of engagement and commitment. Among the eight purpose types developed in the study (advocating, basic needs, benevolence, career, family, personal growth, principled life, and quality life), a career where I can achieve the goals I set and personal growth in developing myself by overcoming my fears were the two types most impacting my lack of purpose in my role. As I realized I was not meeting my set goals of actively participating in the decision-making process and would not grow through developing my reasoning for a more conservative investment approach, I adopted a more passive approach in my interactions with the group.

Finally, as I did not see the meaning and value in my role anymore, I spent less effort working collectively than if I was working individually. According to the Social Loafing Theory, individuals in a group may contribute less when they perceive their input to be less valuable or when they feel less accountable (Karau and Williams 1993).

Reflection

Reflecting on this critical incident, I learned that an introverted and diplomatic personality makes me prone to group conformity and an aversion to open conflict with team members. This behavior might lead to not sharing essential ideas and negatively impacting the group's performance. Paradoxically, this behavior lowers my confidence and erodes my role's purposefulness. As I do not impact the decisions much by staying on the side, I feel my role is not as impactful as I expected. Eventually, the team’s change in strategy to maximize debt without regard to the cash available made me lose trust in the team's direction.

Regarding the peer assessment, I graded myself three for contributing to the team and interacting with teammates. I did not feel happy with my level of engagement, but my response to the critical incident and my more introverted personality pushed me to stay on the side. My colleagues graded me four for contributing to the team and interacting with teammates. As we shared the grades within my group, I noticed that most members had a grade of five for both dimensions. Thus, my lower engagement is reflected in a lower grade than most members who got a five.

In future group work, I will emphasize the importance of setting a working environment that stimulates healthy conflict within the team. Toegel and Barsoux (2016) argue that team conflicts arise not from differing opinions but from perceived incompatibility. This leads team members to think and act in divergent ways, and when these differences cannot be reconciled, the resulting conflicts hinder productivity and suppress innovation. Thus, as discussed in this article, it is vital to have a teambuilding activity before the start of a project to understand how people think and to define a decision-making process accordingly. For example, each team member should speak their mind at each decision stage to foster open conflict and innovative ideas. Another idea is to nominate a moderator to ensure everyone is engaged and committed to idea generation. The moderator will find out during the teambuilding activity if someone is more introverted or reluctant to open conflict and can act upon it by pushing more introverted individuals to share their views.

2.3. Critical Incident II

Situation

The second critical incident happened towards the end of the simulation during quarter twenty-seven. Teams are ranked according to the value-added created, which can be simplified by subtracting the weighted average cost of capital (WACC) from the return on invested capital (ROIC). Half of the team wanted to take as much debt as possible in the last quarter to lower the WACC, as debt has a lower cost than equity. In theory, this approach decreased the WACC, though we strongly disagreed with the other half of the team. From a business perspective, taking such an amount of debt in the last quarter did not make any sense as it would have massively impacted the company's free cash flow and its solvency. We wanted to follow our strategy till the end as if we were running an actual company. At the same time, the rest of the team wanted to play by the simulation rules and maximize our chances of winning the award for the simulation. The team eventually decided that it should be the finance department that would make the final decision. However, my Co-Finance Director also favored maximizing debt to decrease the WACC.

Response

Contrary to the first critical incident, I decided to defend my view against the other Co-Finance Director. I had not been committed and engaged enough during the simulation due to a fear of openly sharing my thoughts within the group; I decided that this was the last opportunity to make an impact. Thus, I explained the points about not taking debt, but the Co-Finance Director disagreed. We did not have the same approach to this issue as he focused on winning the simulation, and I wanted to limit the debt level as we were running an actual business in the long term. At this moment, I realized the only solution was to make a compromise. So, I suggested taking only half the total amount of debt. After hearing his objections, I brought back

the issue at the team level and suggested voting to make the same compromise to satisfy everyone partially. In the majority, the team voted in favor of the compromise.

Analysis

The Thomas-Kilmann Conflict Mode Instrument (TKI) theory is a tool for understanding one's conflict-handling style. The model assesses one's style based on assertiveness and cooperativeness. Based on this theory, analyzing my behavior in this situation reveals the use of the compromising conflict-handling style. The TKI defines compromising as a middle-ground strategy in which I seek to reach a quick, mutually acceptable solution that partially satisfies both parties (Kilmann 1977). While I initially did not want to negotiate on this topic, I realized there were no other options as the Co-Finance Director and other team members in favor of maximizing debt were very high in assertiveness. They most likely had a competing conflict-handling style. Therefore, I took the lead in convincing the team to adopt a compromise. An inclination toward compromise is evident in my willingness to bring the decision back to the team level and engage in a democratic process. This approach can be constructive in maintaining team harmony and avoiding prolonged conflicts. However, the compromise may not have fully satisfied my strategic perspective, potentially leading to a suboptimal decision from a business standpoint. A desire to avoid further conflict rather than genuinely believing it was the best solution may have influenced the compromise.

In this scenario, the conflict within the team also reflects the dynamics explained by the Social Identity Theory (Tajfel and Turner 2001). According to the theory, people categorize themselves into social groups, shaping their sense of identity based on group membership. In this case, two distinct sub-groups emerged: those focused on maximizing debt for short-term simulation success and those prioritizing long-term business strategy. My initial reluctance to

assert my viewpoint reflects the influence of these sub-groups and the pressure to conform to the dominant group's goals. By advocating for a compromise, I sought to bridge the division between these sub-groups, highlighting the challenge of navigating competing group identities while maintaining team cohesion and effective decision-making.

Furthermore, my behavior in this incident can be analyzed through the lens of transformational and shared leadership style theories. Transformational leadership is a leadership style that encourages employees to surpass their initial performance expectations by influencing their values, norms, and personal interests. This approach fosters innovative behavior among employees and enhances overall organizational performance (Aryee et al. 2012). Secondly, shared leadership has a horizontal structure emphasizing collaboration, teamwork, and a participatory approach to decision-making. Choi, Kim, and Kang (2017) found that transformational and shared leadership positively affect team effectiveness. Although transformational leadership yielded better results in improving output effectiveness, shared leadership performed better in improving planning and organizing effectiveness.

Initially, my decision to stand firm against my Co-Finance Director demonstrated the qualities of a transformational leader who is committed to a vision and willing to challenge the status quo by inspiring others to change their mind. Then, the subsequent decision to compromise and involve the team in a vote reflects a shift towards a more democratic or shared leadership style, where I sought to balance competing interests rather than thoroughly inspiring the team to embrace a long-term strategic vision. While this approach ensured a resolution and maintained team cohesion, it may have fallen short of the transformational impact I initially aimed for. Adopting a transformational leadership style might not fit my personality as it would

require me to be more assertive and outcomes-oriented instead of prioritizing cohesion within the group.

Reflection

This incident highlights the importance of balancing assertiveness with collaboration. While compromising can effectively manage conflicts, assessing when it is appropriate versus when a more assertive stance might better serve the team's long-term objectives is crucial. In the end, it will be critical to understand if a compromise is the best solution possible or if I am biased towards compromising and staying in my comfort zone. In the future, I should develop skills in persuasive negotiation to better advocate for my position while still being open to collaborative solutions. I could attend sales and negotiation workshops and take more initiative to argue when I am right. In addition, at the beginning of a new group project, I should identify the conflict-handling styles of other team members to know better how to navigate potential conflicts with them.

Eventually, to strengthen my leadership effectiveness, I can develop my transformational leadership skills, particularly in inspiring and motivating others to align with a shared vision. However, a transformational leadership style might not be the most suitable for my earth-green personality. Shared leadership might suit my personality better because I am very diplomatic and looking for harmony within a team. However, it is worth noting that the study by Andersen (2006) shows that personality traits have low explanatory and predictive power over leadership emergence. Plus, there are no universally found traits related to leadership, and leaders' traits do not account for organizational effectiveness. To conclude, I should take the lead whenever an opportunity arises to explore my leadership style and not choose a style according to my personality traits but just a style with which I feel authentic.

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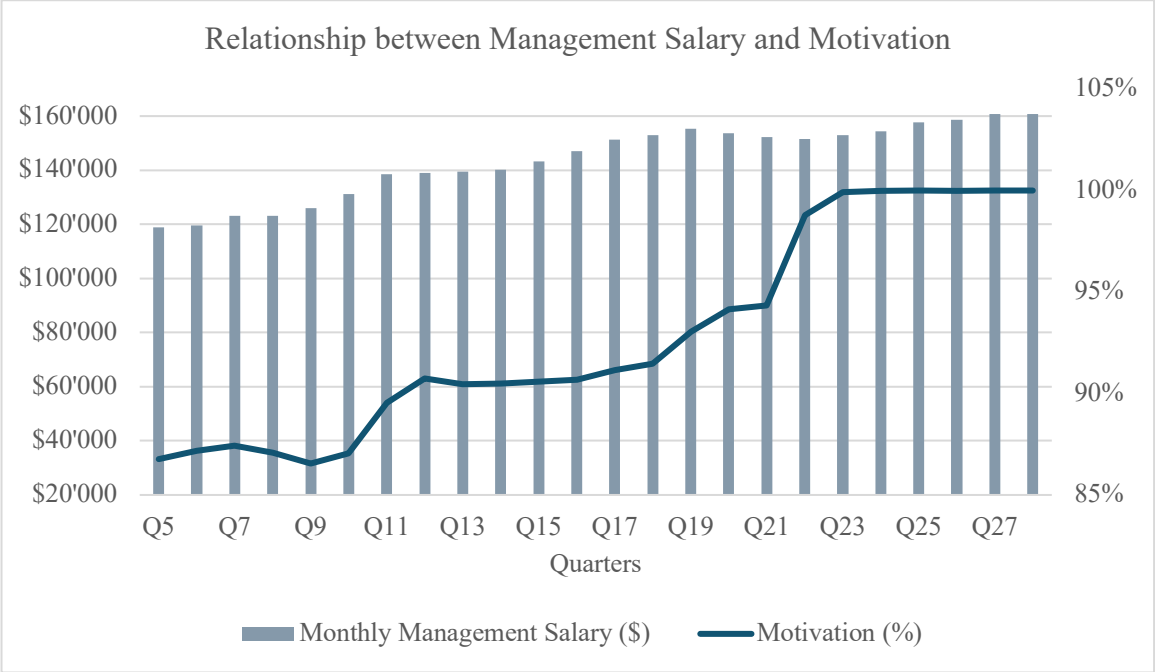
4. Appendices

4.1. Appendix A: Human Ressources

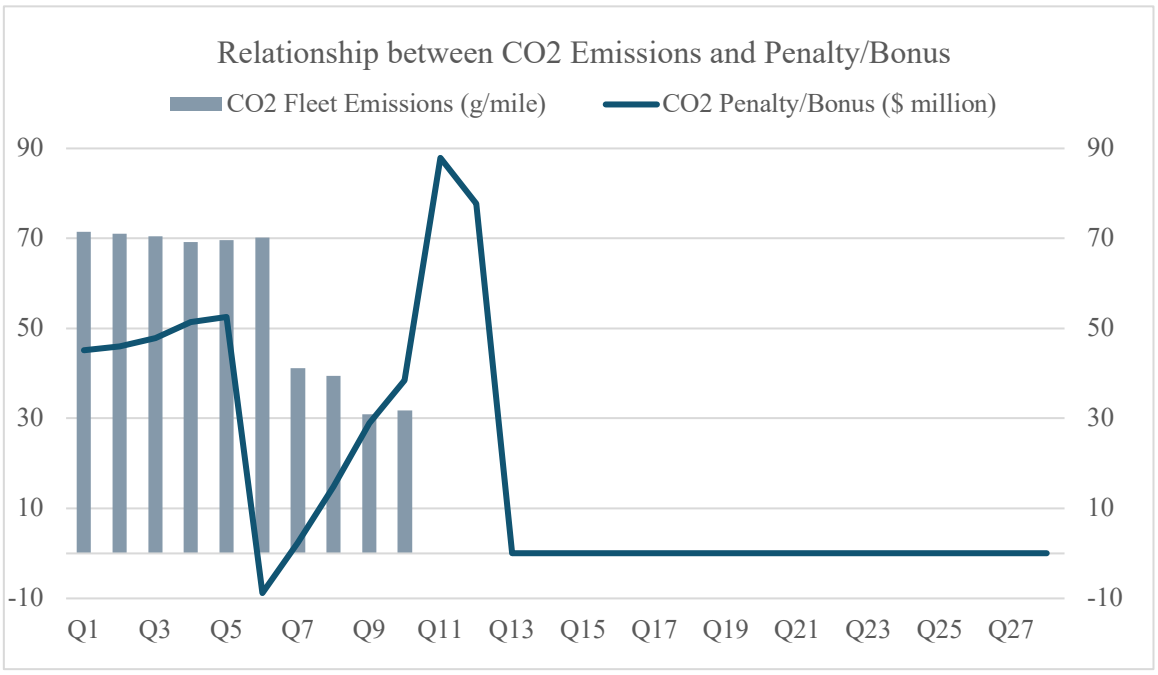
Figure 1: Relationship between Management Salary and Motivation



4.2. Appendix B: Innovation

Figure 2: CSR and Sustainability Rating

Figure 3: Relationship between CO2 Emissions and Penalty/Bonus



4.3. Appendix C: Finance

Figure 4: Income Statements and Balance Sheet

Years	FY1	FY2	FY3	FY4	FY5	FY6
Financial Statements						
Income Statement						
Revenue	18'235'096	18'091'401	20'161'001	20'944'220	28'966'476	34'680'538
Growth Rate		*-0.8%*	*11.4%*	*3.9%*	*38.3%*	*19.7%*
COGS	11'312'976	11'321'970	12'840'587	15'171'215	19'357'460	21'602'933
COGS as % of sales	*62.0%*	*62.6%*	*63.7%*	*72.4%*	*66.8%*	*62.3%*
Gross Profit	6'922'120	6'769'431	7'320'414	7'773'005	9'609'016	13'077'605
Gross Margin (%)	*38.0%*	*37.4%*	*36.3%*	*37.1%*	*33.2%*	*37.7%*
Marketing Expenses	207'021	323'397	558'856	695'512	1'111'231	1'150'630
Marketing Expenses as % of sales	*1.1%*	*1.8%*	*2.8%*	*3.32%*	*3.84%*	*3.32%*
G&A Expenses	618'022	849'799	1'023'722	1'161'009	1'565'121	1'820'762
G&A Expenses as % of sales	*3.4%*	*4.7%*	*5.1%*	*5.5%*	*5.4%*	*5.3%*
EBITDA	6'287'485	5'657'220	5'970'842	5'916'484	8'107'631	11'543'437
EBITDA Margin (%)	*34.5%*	*31.3%*	*29.6%*	*28.2%*	*28.0%*	*33.3%*
Depreciation	1'806'439	2'004'773	2'419'310	2'883'322	3'646'283	4'015'441
EBIT	4'481'046	3'652'447	3'551'532	3'033'162	4'461'348	7'527'996
EBIT Margin (%)	*24.6%*	*20.2%*	*17.6%*	*14.5%*	*15.4%*	*21.7%*
Interest	519'315	520'688	639'745	665'608	751'398	692'974
Interest as % of sales	*2.8%*	*2.9%*	*3.2%*	*3.2%*	*2.6%*	*2.0%*
Profit Before Tax	3'961'683	2'697'049	2'211'437	1'955'185	3'709'862	6'835'023
Taxes	1'188'505	809'115	663'431	586'555	1'112'959	2'050'507
Net Income	2'773'178	1'887'934	1'548'006	1'368'630	2'596'903	4'784'516
Net Margin (%)	*15.2%*	*10.4%*	*7.7%*	*6.5%*	*9.0%*	*13.8%*
Balance Sheet						
Current Assets	8'280'472	10'733'016	12'114'870	10'895'391	13'471'167	13'222'100
Cash and Cash Equivalents	2'765'386	4'308'355	4'926'064	2'691'041	3'006'297	3'730'151
Account Receivable	3'035'286	2'886'334	2'508'496	4'005'744	4'777'242	5'308'919
Inventory	2'479'800	3'538'327	4'680'310	4'198'606	5'687'628	4'183'030
Inventory of Revenue(%)	*13.6%*	*19.6%*	*23.2%*	*20.0%*	*19.6%*	*12.1%*
Long-Term Assets	15'632'477	17'623'037	19'401'262	20'983'390	20'639'648	18'579'227
Property, Plant & Equipment	10'932'477	13'023'037	14'901'262	16'583'390	16'439'648	14'479'227
Land & Buildings	4'700'000	4'600'000	4'500'000	4'400'000	4'200'000	4'100'000
Total Assets	23'912'949	28'356'054	31'516'132	31'878'781	37'590'120	36'536'039
Current Liabilities	1'009'442	1'072'344	1'301'198	1'267'505	1'694'279	867'246
Short-Term Debt	0	0	0	0	0	0
Accounts Payable	1'009'442	1'072'344	1'301'198	1'267'505	1'694'279	867'246
Long-Term Debt	11'068'702	14'316'150	16'318'570	15'893'848	20'061'749	18'971'557
Total Liabilities	12'078'144	15'388'494	17'619'768	17'161'353	21'756'028	19'838'803
Shareholder Equity	11'834'805	12'967'560	13'896'364	14'717'428	15'834'092	16'697'236
Total Liabilities and Equity	23'912'949	28'356'054	31'516'132	31'878'781	37'590'120	36'536'039

Figure 5: Relationship between activity ratios and ROA

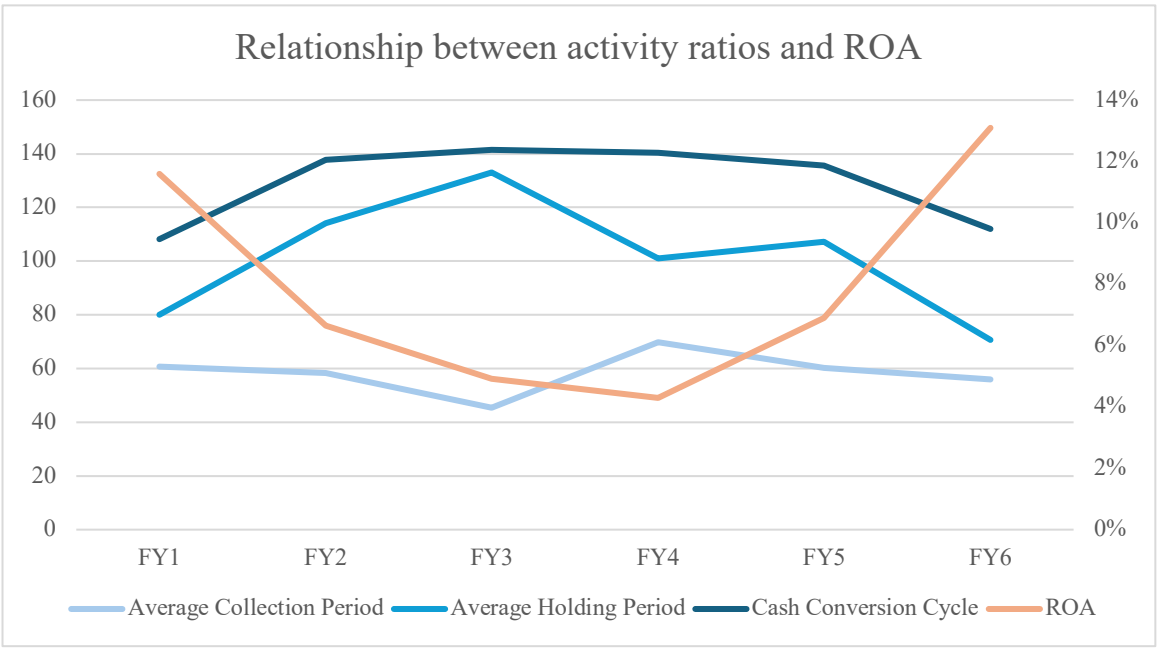


Figure 6: Market Spend/Revenue

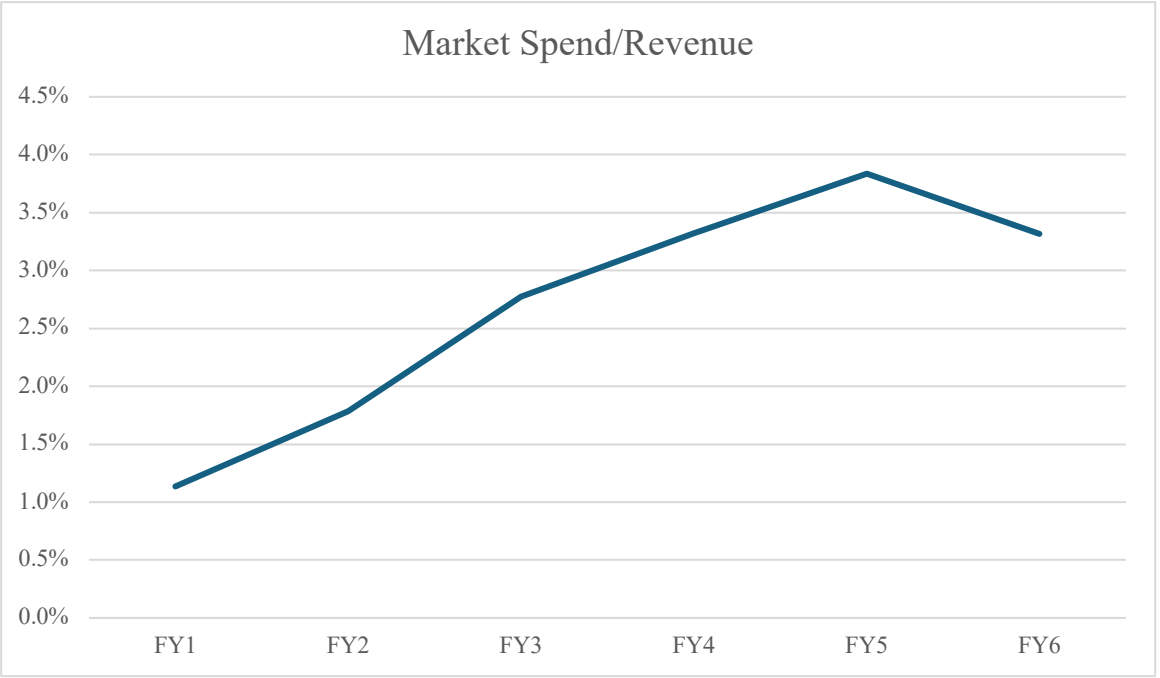


Figure 7: Debt Ratio and Simulation Benchmark

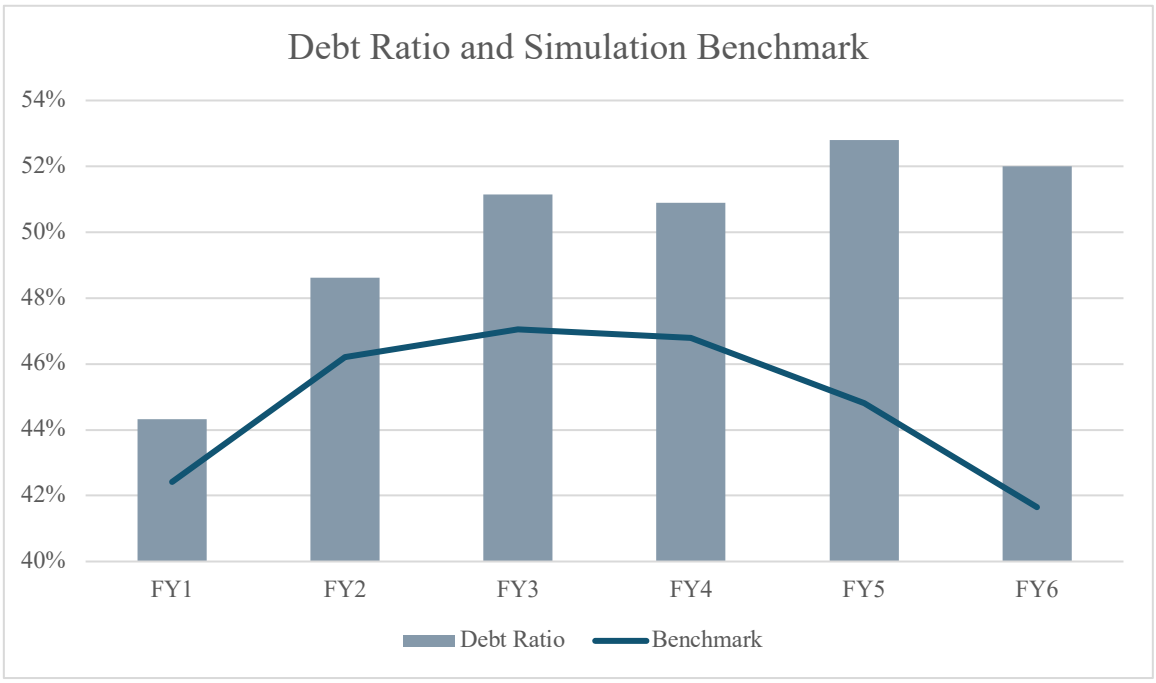


Figure 8: Interest Coverage Ratio and Simulation Benchmark

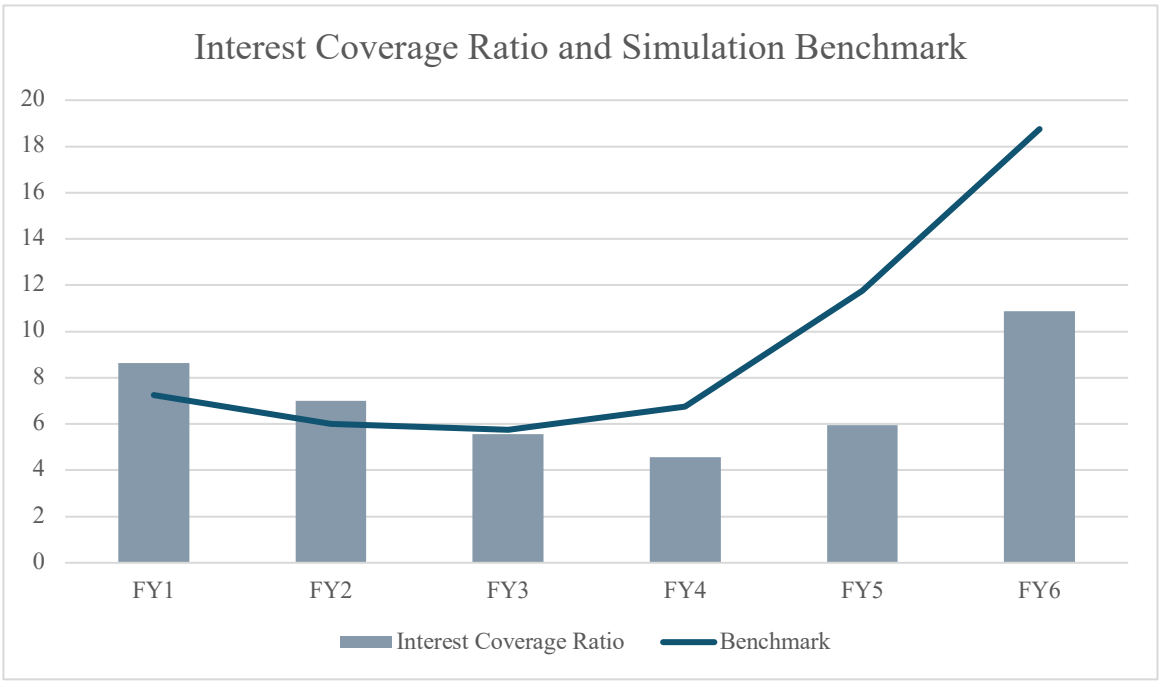


Figure 9: Relationship between FCF and Value Creation