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**BUSINESS IN PRACTICE:
A LEADERSHIP PERSPECTIVE ON ZEN MOTORS'S ELECTRIFICATION
STRATEGY**

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Abstract (100 words maximum)

In the scope of the BiP program, an automotive company was guided in the context of this thesis, which is aiming for a decisive transition to electrification and is pursuing a drastic reduction of CO₂. The harmonious interaction of different corporate functions in this transformation process undertook a decisive role, with the areas of strategy, operations and finance being elaborated in detail. Similarly, team dynamics subjects and the essential function of self-reflection serve as a major fundament in effective collaboration and continuous development. The paper thus provides a holistic picture of the internal processes and challenges during a future-oriented transformation.

Keywords

Apply theory in practice, Business simulation, Develop a business strategy, Integrate and coordinate decisions across business functions, Managing a business, Reflective practice, Sustainability and ESG, Team dynamics, Working in Teams, Automotive Industry, Change management, Electrification, Transformation, Leadership

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1 Firm Analysis

1.1 Introduction of Zen Motors

Climate change, characterized by accelerating changes in global temperatures and weather patterns, is having a noticeable impact on our planet today. Achieving climate neutrality is essential to stop the devastating effects of global warming and ensure a sustainable future for the next generations. To achieve its goal of climate neutrality by 2050, the EU is taking action to reduce emissions from automotive vehicles, as road transport accounts for one-fifth of CO₂ emissions in the EU. All new passenger cars and light commercial vehicles sold in the EU from 2035 onwards must be zero-emission (BMUV 2020).

The automotive industry acts as a nexus of the global economy and supports a wide range of interconnected sectors. CASE (Connectivity, Autonomous, Shared, Electrification) reflects the megatrends transforming the automotive industry (Deloitte 2022). Companies in the industry that fail to adapt to these trends will be left behind. New technologies can pose a major challenge for mature organizations as well.

Zen Motors is an established automotive manufacturer with subsidiaries in Europe, China, and the United States (U.S.), operating primarily in the internal combustion engine technology market. Increasing concern about emissions and growing interest in alternative powertrain solutions have led the company to reassess its strategic positioning and explore a transition to more eco-friendly vehicles. A new executive management team was appointed by the supervisory board to make this transformation as sustainable and fast as possible.

In the following, a detailed company analysis is presented which analyzes primarily the corporate functions Strategy, Finance and Operations. Instead of dealing with this as a separate section, the analysis constantly refers to real corporations. Another topic of this paper is the relationships and interactions between the three functions by focusing on understanding their interdependencies and synergies. This final section is included in the conclusion and elaborates on the learnings obtained from the simulation.

1.2 Strategy: Blueprint for Success

One of the most fundamental questions a company asks itself is: Do we have a good strategy? To answer this question, it is necessary to define the term “strategy”. When new projects are often introduced under the guise of "strategy," how effective is it? Calling everything a strategy and the clustering of such initiatives only leads to confusion and diminishes the credibility of leadership. This often indicates a lack of coherent understanding of the business at the executive management level (Hambrick and Fredrickson 2005). According to the leading U.S. economist Porter (1996), the core of the strategy involves choosing a distinctive and valuable position based on a set of operations that are difficult for others to duplicate.

Before Zen Motors determined its initial strategy, it was crucial to conduct an external and internal analysis. The external framework “PESTEL” provides a comprehensive overview of the macro-environmental factors that may affect a business (Ghotge et al. 2020). Regulatory requirements for clean and safe vehicles and a government incentive for alternative powertrain systems were the key elements of this analysis. In addition, the company conducted a detailed Porter’s Five Forces analysis to explore the industry’s competitive environment. It is an effective tool for assessing a company's existing competitive position and evaluating the feasibility of a potential market. It is important to emphasize that the framework only evaluates the attractiveness of an industry and does not strategically analyze how a company can effectively compete in it (Dobbs 2014). A detailed illustration of the two concepts is shown in Figure 1.

In addition to the external analysis, Zen Motors executed an internal analysis to formulate its strategy. The company applied the SWOT analysis (see Figure 2), Business Model Canvas (see Figure 3), VARS and the Value Chain Analysis. Based on these frameworks, the company realized that its own product portfolio consists only of conventional vehicles and opportunities

exist in the electromobility sector. In addition, the very high volatility of the cost of materials is best hedged in the premium segment and strong investments in new technologies and equipment are needed.

After analyzing the internal and external factors, Zen Motor determined its initial strategy based on the strategic diamond (see Figure 4). The concept was designed by Hambrick and Fredrickson (2005) and includes 5 basic elements (Arena, Staging, Vehicles, Differentiators, Economic Logic). The framework offers a holistic approach for organizations to align their key activities and rationale to achieve competitive advantage. After careful evaluation of the previous analysis, market reports and consumer preferences, Zen Motos decided to offer vehicles in the premium segment and exploit this gap in the market. The high prices were justified with superior quality and innovation, as well as unmatched service. Paramount to these elements was the fastest possible electrification of the entire vehicle fleet and to dramatically reduce the CO₂ impact.

Zen Motors failed to define specific measurable quantitative and qualitative objectives as part of its initial strategy to track the efficiency of its strategy. Objectives provide a compass that guides the path of any strategic operation and ensures consistency and alignment across all organizational functions. Therefore, it is of tremendous importance to set measurable goals that affect all stakeholders of the company, which in addition to financial key figures also includes metrics related to for example employees, suppliers and shareholders (Doyle 1994).

The company rushed its electrification strategy and already in the middle of the 2nd year more than 70% of the product portfolio consisted of electric vehicles with focus on the luxury class. A small remark at this point: In this simulation game, year 1 starts with quarter 5. As a result of a not sufficient electric infrastructure and overestimated market analysis, the company was only able to sell 85,525 electric vehicles on quarter 11, which represents only 45% of total revenue. Sales volume lagged 20% behind the forecast and high initial investments (detailed

analysis in Operations section) resulted in a value added of \$512.4M, which represents a decrease of -63% since the beginning. The only bright spot of the executed strategy was Zen Motors' CO₂ management. The emissions have been drastically reduced over time, reaching 0g/mile in quarter 19 (see Graph 1). The company was able to undercut the CO₂ allowance of 70g/mile in quarter 11 and thus avoided further fines, which still amounted to \$250M in quarter 8. As of 2020, Europe introduced a fleet limit for car manufacturers of 95 g CO₂/km (BMUV 2020).

Zen Motors has failed to reflect and revise its strategy on a frequent basis. Setbacks have been accepted with the belief that at some point in the future the right path would be taken automatically. Traditional strategic frameworks often assume that industry boundaries and economic circumstances are broadly static, providing companies with a uniform environment in which to operate. Strategy is about changing – The essence of strategic genius derives from the ability to anticipate and respond to changes in the competitive landscape. Such flexibility and foresight ensure sustainable relevance and competitive advantage in a fast-passed business ecosystem (Hunsaker and Knowles 2021).

After the company has lost a significant amount of market share in its core segments since year 1 (Luxury Electric Class 8.6% to 6.6; Luxury Class 7.8% to 4.9%) despite constant competition and value added reached its all-time low with \$371.6M in quarter 16, Zen Motors was forced to adjust its strategy. In contrast to its initial strategy, Zen Motors developed a detailed strategy implementation plan for the first time to guide this transformation (see Figure 5). With the help of executives, Olson, Slater, and Hult (2005) determined that proper execution is more important than a good strategy. An implementation plan connects the visionary planning and the tangible results, while ensuring the proper leverage of resources and providing clear guidance to teams. The core element of Zen Motors' new plan was the so-called "Scrum" method. At the beginning of a Scrum project, the desired outcome is always visualized. A sprint

describes a time unit in which the team implements a previously discussed plan to achieve an intermediate goal. Every time a sprint is completed, the results are presented and used as input for the next sprint (Moe, Dingsøy and Dybå 2010). This method was able to reduce the decision time per quarter from approximately 50 minutes to an average of 40 minutes allowing each quarter to be treated with the appropriate diligence.

On the operational side, Zen Motors started to realign its strategy with the help of the Ansoff Matrix (see Figure 6). The matrix is designed to support companies in visualizing and deciding their growth strategy based on their risk attitude and their estimation of the market opportunities (Loredena 2017). Given the low demand (only 15,940 units sold in the Luxury class in quarter 16 ranking only 4th in internal revenue) and unwillingness in the market to pay very high prices for excellent quality, Zen Motors decided to adopt a new product development strategy. This strategy consisted of mass production of poorly equipped small and medium electric cars, generating projected sales of \$2,500m at the end of year 5. The successful implementation of the new strategy marked a turning point for Zen Motors as the company tripled its value added to \$1,100m and increased its revenue by 11% to \$7,100m in only one year.

A recent example of an adapted electrification and luxury strategy that has led to success is the German car manufacturer Mercedes-Benz (MB). Since 2022, the car brand has been focused on the luxury segment - production of small cars such as the Mercedes-Benz A and B Class is scheduled to be discontinued by 2025. CEO Ola Källenius explained his decision by emphasizing that the increase in raw material prices and the cost of innovations can be offset more easily in the luxury segment where margins are higher (Henninger 2022). Furthermore, the decarbonization strategy is one of the most ambitious in the entire automotive industry with demanding customers also eager to make an impact in this domain. This new strategy and its organized and consequent implementation helped MB to increase its net profit by 13% to

€7,652 million in the first half of 2023 (Mercedes-Benz 2023).

1.3 Finance: Budget Optimization Driver

As an integral part of a company, the finance department is responsible for managing investments, budgeting, and financial reporting. The finance department provides critical insights into the company's financial situation and facilitates well-grounded strategic decision-making, making an essential contribution to the long-term and sustainable growth (Chang, Ittner and Paz 2014).

The capital structure of a company reflects the balance between equity and debt capital. It has a significant impact on a company's profitability and risk profile and thus serves as a function of cost minimization and risk management. The optimal capital structure should minimize the cost of capital and maximize the value of the company. In other words, the capital structure should provide sufficient financial security but also a healthy proportion of debt to take advantage of the leverage effect, with debt usually being cheaper than equity and tax deductible (Sadiq et al. 2023). Given Zen Motors' many initial investments, the primary priority was financial security. Consequently, the equity balance was maintained at a safe level between 48% and 54% over the operating period (see Graph 2). As a result of the high equity ratio, the company held the best credit rating AAA for most of the time and never fell below an A- rating. A rating is a standardized and scaled assessment of the creditworthiness and accordingly the probability of default of corporate loans (Judge and Korzhenitskaya 2022). Nevertheless, Zen Motors' very high equity ratio should be viewed critically, as the return on equity in year 3 amounted to only 6%, despite good business development. By comparison, the German automotive giant Mercedes-Benz, with a similar vision as Zen Motors, held an equity ratio of approx. 34% in 2022 and enjoys a financially stable situation with approx. 17% return on equity (Mercedes-Benz 2023). The company never experienced serious financial distress and missed the opportunity to achieve higher profitability and take advantage of the leverage effect.

Liquidity ratios are an essential tool for identifying the state of a company's solvency. The current ratio (current assets/current liabilities) peaked at 19 in year 4 and never fell below 3.8 in year 1. In practice, a value of 2 is desired, while a very high value indicates that a company is not using its assets and equity effectively (Utami 2017). Similarly, the quick ratio ((current assets-inventory)/current liabilities) has remained constant at 8 over the years, well above the benchmark of 1.2, which again shows the inefficiency of asset utilization (Sexton 2023).

The WACC (Weighted Average Cost of Capital) indicates the average interest rate a company must pay for the capital employed, consisting of equity and debt. In other words, the WACC represents the minimum return that a company must achieve on an investment to satisfy its capital providers (Garcia, Saravia and Yepes 2016). The WACC is expressed by the following formula: $\text{Weight of Equity} * \text{Cost of Equity} + \text{Weight of Debt} * \text{Cost of Debt} * (1 - \text{tax rate})$. Zen Motors must admit to not really taking the WACC into account at the beginning. During the simulation game after internal clarification, the company was able to reduce its WACC from 7.5% in year 3 to 6.7% in the last completed year through increased borrowing without additional major financial risk (see Graph 3). A brief excursion into the valuation of companies using the DCF method also shows the importance of the WACC. The higher the WACC, the lower the present value of future cash flows. As a result, the calculated enterprise value decreases because of the rising cost of capital (Kruschwitz and Löffler 2013).

Green bonds are special bonds issued exclusively to finance or refinance projects with environmental or climate protection objectives and thus occupy a unique role in the modern era (Bhutta et al. 2022). As Zen Motors' overall goal of contributing to a better planet was consistently followed, the company always emphasized green bonds in its financing. With its strong focus on green bonds, Zen Motors achieved a green capital ratio of 100% in quarter 24. The green capital ratio shows the use of green bonds in relation to all funds raised. This not only resulted in an exceptionally good sustainability ranking and reputation, but also lowered

the interest costs of borrowed capital. The interest rate for green bonds amounted to 3%, while Zen Motors had to pay 4%-5% interest for conventional debt financing.

The elite German car manufacturer “Porsche” represents exclusive quality and sustainable growth. In 2019, the company became the first German company to issue green bonds with a volume of one billion euros to refinance exclusively sustainable projects. The full-electric Porsche Taycan is the nucleus of the green project portfolio which qualified for financing by green financial instruments. It meets all the requirements under the "Green Bond Principles" of the International Capital Markets Association for the use of funds in the "Clean Transportation" category (Porsche 2019). Not only the demand of more than 100 institutional investors proved to be a complete success - Porsche was able to sell their model Tycan 34,801 times worldwide in 2022 and meanwhile it is more favored than ever (Porsche 2023).

One of the most fundamental responsibilities of a finance department is working capital management. According to its definition, working capital is the sum of inventories and accounts receivables minus accounts payables. Working capital serves as a measure of liquidity - it should be at a level high to cover current liabilities but not too high where it ties up liquidity unnecessarily (Pomp 2020). Negative working capital does not necessarily mean something bad (Panigrahi 2014). Companies with a lot of bargaining power, for example in the retail sector (Walmart), often have negative working capital. The money is collected immediately at the cash register, the warehouse becomes smaller, and the supplier liabilities are paid very late. Zen Motors working capital remained at a balanced level over the 6 years (avg. \$5,538,630k) and ensured short-term liquidity on a continuous basis (see Graph 4). Nevertheless, by year 3 the company tied up too much capital in its operations (\$8,183,083k) that could have been used for other investments. To address this concern, Zen Motors increased the supplier payment term from 15 to 30 days to reduce net working capital. In addition, Zen Motors shortened the customer credit period from 40 to 30 days to reduce accounts receivable. If a company has good

inventory management or a high bargaining power, the working capital can be effectively optimized by changing the payment terms of customers or suppliers (Pratap, Singh and Kumar 2014). A closer look into the cash conversion cycle (CCC) proves that this adjustment was urgently necessary. The average working capital turnover period is explained by the CCC ratio. The CCC is calculated based on the following formula: $CCC = \text{Days Sales Outstanding (DSO)} + \text{Days Inventory outstanding (DIO)} - \text{Days Payables Outstanding (DPO)}$. The ratio indicates the time in days it takes for investments in inventory to be converted back into cash (Roedel & Partner 2020). The CCC remained excessively high for Zen Motors over the entire 6 years (see Graph 5). The company recorded a value of 151 days during the fourth year, which was then reduced to 53 days during the business period as a result of the previously described and some operational adjustments. One of the main reasons for this high value was a poor inventory/sales management and an initial wrong decision to reduce the supply payment term which resulted in a very low DPO ratio (12 days). An in-depth study by Nobanee and Alhajjar (2014) demonstrates that the traditional relationship between the cash conversion cycle and the company's profitability is that shortening the cash conversion cycle by reducing the time cash is tied up in working capital improves the company's profitability.

1.4 Operations: Backbone Efficiency Enhancement

Operations is essentially the backbone of every function and division within an organization. It includes the clustering of resources to build an interconnected supply chain, which represents the interrelated steps within and between companies to deliver a product or service (Krajewski, Ritzman and Malhotra 2016). According to Wienclaw (2019, p.1), "Operations management comprises those areas of management that are concerned with the productivity, quality, and cost in the operations function as well as strategic planning for the organization." This complexity and importance of the function continued to pose new challenges for Zen Motors.

As part of the preparations for the new sales launch, Zen Motors attempted to conduct a basic analysis of the 4 dimensions (Volume, Variety, Visibility, Variation in Demand) of Operations. Each of these dimensions has an impact on how operations must be structured and managed to be efficient (Slack et al. 2012). However, persistent monitoring of the 4Vs was missed and this caused some difficulties in volume planning. In quarter 20, only 25k units of the "Budget Bullet" car were produced, although demand significantly exceeded production (+5k units). In general, Zen Motors failed to establish a clear strategy and organization in their production planning, which can be seen in the production volume illustration in Graph 6. Instead of keeping a clear production line with a long-term focus, the company wildly increased or decreased volume, which created unnecessary complexity and costs. This can be illustrated by the example of the "Zen-Air E" production line: Its production volume was characterized by significant fluctuations, with permanent oscillations of up to +- 15k units per quarter from its introduction in quarter 7 until the last business period.

As already mentioned, production planning is a central task of operations management, which also involves the planning of new production factories. Zen Motors invested very early in new production facilities and as a result, by the end of year 2, one new factory had been built in Europe, one new factory in the USA and two new factories in China. This turned out to be a mistake, as the company clearly overestimated its demand and communication with the marketing team was lacking. This meant that factory utilization was not always at its optimum. For example, the Air 135G model had a utilization of only 77% until its discontinuation in early year 2. It was not produced at full capacity as inventory hovered consistently around 45k units per quarter during this period while only 15-20k units were sold per quarter. Nevertheless, the development of factory utilization was satisfactory throughout the game, reaching 93% on average (see Graph 7). Effective production planning ensures that resources are used to their full potential to manufacture the required quantity of products at the right time and with the

desired quality (Thomas and McClain 1993).

Another metric for efficiency and good inventory management is Days of Inventory (DOI). It describes the number of days it would take to sell the inventory based on recent sales. If the DOI decreases, it indicates that the sales rate is bigger than the production rate, meaning that inventory may be depleted soon, and vice versa (IndustryMasters 2023). In practice, the optimal value varies between companies and industries. After internal analysis, Zen Motors decided to target 30 days as the optimal value. Especially striking was the Zen-Air E model, which had its peak of 254 days in quarter 18. The short-term stoppage of its production and a recommendation to the marketing department to lower the price led the vehicle close to the desirable 30 days in quarter 20.

Naturally, costs constitute a central element of production planning. Especially the fixed costs can serve as leverage for the company due to the fixed cost degression. Economies of scale describe the effect whereby the fixed costs per unit produced decrease as the quantity produced increases. Thus, if production increases, these fixed costs are distributed over a larger number of units, reducing the fixed costs per unit (Silberston 1972). Zen Motors took this effect into account when introducing its small car Tiny Tornado and produced it on 3 assembly lines. This lowered the production cost per unit from \$19,101 to \$16,802 which allowed a selling price below the competition.

In line with its initial strategy to drastically reduce its environmental impact, Zen Motors committed its efforts to complete all possible investments in the areas of production, energy, and supply chain as quickly as possible. Peng, Schroeder and Shah (2011) observed in an empirical evaluation that investments in plant improvements and operations can substantially enhance a company's productivity and efficiency, paving the way for a significant competitive advantage in the business environment. The ultimate of all investments was the Energy Management System in the amount of \$10m which was implemented in quarter 14. Although

this investment was foreseen to reduce the EBITDA margin by \$76 million annually, the company was convinced the investment was necessary to comply with the long-term strategy to reduce emissions and this installation can be used in a microgrid system which increases the efficiency of energy management. Other investments, such as water consumption reduction or waste reduction, despite their high initial investment of up to \$400M, promised annual profit increases of up to \$100M by improving efficiency. Consequently, Zen Motors immediately realized these investments in year 1 to obtain financial benefits. As a result of these investments, the company managed to drastically reduce CO₂ emissions in production (from 98 tons to 21 tons) and energy management (from 59 tons to 8 tons). In addition, the CO₂ emissions of the supply chains were reduced to 0 tons in quarter 21. These investments contributed significantly to Zen Motors' superb sustainability ranking, which consistently outperformed the benchmark (see Graph 8), thereby improving the efficiency of its processes and company reputation.

1.5 Conclusion and integrated view across functions

Overarching my learnings and the concept of BiP could be summarized with the German phrase "A bird does not sing the melody; an orchestra plays it." This phrase emphasizes the importance of teamwork and collaboration and the fact that although individuals may be talented, they can often achieve greater results when they work with others. This translates beautifully to the various functions and departments within a company.

The Strategy function is a crucial aspect of management in any business. It is a plan and course of action to achieve certain long-term goals. To build and implement a sustainable and successful strategy, it requires the support of all departments in a company. Operations tries to generate output from input and thus deals with, for example, production planning, investments in new plants and supply chain optimization. These activities are based on the defined strategy and need financial resources from the finance department. This function is responsible, for example, for budget planning and thus ensures that all required investments can be realized and

the company is covered with enough liquid funds for daily operations.

Even though the HR and Marketing functions are not the subject of this paper, I would like to take a brief look at them and the important interconnection with other functions. The marketing team must constantly interact with the operations team, which manages costs and production lines, especially when pricing and introducing new models to stay competitive. The innovation team needs to be involved as well to develop new models which are produced, promoted and priced later. The HR division holds a central role in the production process. It is responsible for ensuring that the employees are well qualified and have an optimal workload and motivation to keep the efficiency and quality as high as possible. This described interconnectedness of the departments is visualized in Figure 7 for a final overview. Each department depends on the information and resources of the other, and when this communication is disrupted, processes may be delayed, and resources are used inefficiently.

Numerous misalignments of Zen Motors show the importance of this communication: The company planned large investments in the areas of Operations and Innovation in year 2 but was unable to realize them as desired due to budget shortfall as a result of lack of communication with the finance department. In addition, a short-term production line change without communication with HR resulted in an excessive workload for the employees, which was reflected in decreasing motivation and productivity.

Zen Motors' performance was overall satisfactory by increasing the value added from \$1,369M to \$3,205M (see Graph 9) over the entire game period but remained quite similar to the industry average and didn't represent an exceptional performance. One critical point was the lack of communication between the various business functions. The importance of harmonious cooperation and the interconnectedness of the different business divisions has already been demonstrated. Furthermore, the lack of constant monitoring mechanisms was a major drawback, which faced the company's management with various challenges in taking

strategic decisions. Although there was a basic understanding of the general business KPIs, the concrete recording, monitoring and evaluation of these important performance indicators was not maintained consistently.

Another critical takeaway was Zen Motors' insufficient ability to adapt to changes in the automotive industry and customer needs. If an industry or the entire economy is undergoing a change or if a company is facing the challenge of a transformation, the ability to adapt to the external environment is crucial. Market dynamics and new innovations can have a drastic impact on business models and operational processes. Therefore, it is essential to proactively anticipate changes and design agile strategies to achieve sustainable long-term success. The simulation successfully demonstrated that such a transformation is considerably more complex than it might appear in reality. It illustrated that transformative processes are not linear or predictable and cannot be accomplished overnight. Behind the visible surface of a transformation often hides a multitude of challenges and decisions that arise in the smallest part of the organization and need to be carefully considered.

Finally, I would like to emphasize the limitations of the thesis and the simulation game. Due to the limited page scope of this paper, it was not possible to address in detail the regional specifics of the individual production countries. These differences are reflected, for instance, in varying tariff structures, divergent consumer preferences and different accounting methods. Such country-specific characteristics can have a significant influence on business decisions and individual strategies, which makes it essential to examine them in a more in-depth analysis. In the simulation game, it was possible to manipulate the WACC downward by borrowing. Since the company was managed from a healthy base and the sales market grew strongly towards the end, driving the company to financial distress was almost impossible. An implication to the real business world might be that various departments in a company carefully manipulate their own KPIs without regard to other units to demonstrate high performance.

2. Personal Reflection

The "Business in Practice" program delves beyond the confines of traditional firm analysis and business strategies. Personal development and team dynamics play an essential role in this project and in the practical world. According to Peterson, Galvin and Lange (2012), character traits such as self-focus, ruthlessness and intolerance constrain an organization's success and its corporate culture. Problems are usually best solved in teams, but this requires a certain level of trust and an open communication style (Fapohunda 2013).

The BiP groups were curated with an eye for diversity, a deliberate blend of backgrounds, genders and nationalities. None of the group members had prior knowledge of one another and the respective working methods and characteristics. This initial unfamiliarity, paired with the cultural nuances each member brought to the table, led to conflicts and strained situations. Especially cultural gaps, if not managed effectively, can present several challenges (e.g., miscommunication, stereotyping and conflicting work ethics) in the workplace. According to a research study by Leroch (2014), people communicate their emotions very delicately through facial expressions and nuances often make a significant difference. Major misunderstandings can occur when people from different cultures refer to their knowledge. Embracing these differences had the power to broaden perspectives and cultivate a resilient team that was able to tackle major issues and gave me some valuable lessons for my professional career.

The following describes and analyzes two critical incidents. In addition, I will reflect on my behavior and draw lessons for my own personal development. The first incident occurred in the second week during the sales roleplay. There was a lack of communication, and everyone shirked their responsibility resulting in a non-coherent and coordinated pitch. The second incident I will elaborate on is the double occupation of my Operations role. This dual staffing has led to different opinions and a sharp decline in the sense of responsibility.

2.1 Critical Incident 1: The unprepared sales pitch

Description. In the second week of the BiP project, we had a sales pitch to convince a customer of our abilities and visions and thus acquire him. With this customer you have a significant advantage in the game, which is why everyone was very focused at the beginning of the preparations and eager to deliver. The team distributed tasks to each member. Unfortunately, not everything went as planned during the preparation period and we did not make any progress. I also pulled out of the responsibility and without definite agreements we met the next morning where a big quarrel arose. Our team did not have a unified coordinated pitch, instead we all showed up with our own ideas and half-finished documents. Each member, including me, started to blame someone else for this occurrence. I wanted to be the leader and tried to blame everyone but keep a clean slate myself.

Response & Analysis. According to the DISC personality test we conducted in class, I belong to the red group (see Figure 8). The character traits include dominance, extroverted and impatient with a very success-oriented competitive mindset (Sugerman 2011). To validate this test, I also took the Big5 personality test after the lectures, which showed me similar results and assigned me attributes such as extraversion. The Big Five have been proven in many different studies and are now internationally recognized as the standard of personality research (Shui et al. 2023).

Quite contrary to my actual characteristics, after we made no more progress in our preparations for the pitch, I dropped my head and gave up. The BiP project was becoming overwhelming for me for the first time and I pulled back. Exactly in this situation, I should have been a good leader, which my team members might have expected based on my actual characteristics. Leadership comes in many forms, and while it's challenging, everyone has their unique way of leading. James Scouller (2011) argued that to be truly effective, leaders should be proficient in all three levels (Public, Private, Personal) of his model (see Figure 9). The

model underscores the interconnectedness of leadership skills and the necessity of being a well-rounded leader. The key idea is that leadership is not just about external skills and actions, but also about internal reflection, growth and personal mastery. I must recognize that there's much I can still learn about my inner abilities, and I wasn't truly aware of them until now.

Leadership is a multifaceted topic and defining a good leader is an individual matter and cannot be determined in a generalized way. Over years of research, the Center for Creative Leadership (2023) identified 10-character traits that a good leader should possess (see Figure 10). In my perspective, respect stands paramount among these traits. Respect is a fundamental principle that enables healthy relationships and productive interactions. At its core, respect means recognizing and valuing everyone, regardless of their background or position. Even simple things like "listening" demonstrate this attribute (Wells 2020). Regrettably, I was very quick to block any opinions if I didn't agree with them.

As I mentioned before, after we were left with no real results the morning before the sales pitch, I blamed other people. This triggered the so-called “blame game”. The blame game is a colloquial expression used to describe a situation where individuals or groups attempt to assign fault or blame to others rather than taking responsibility for their actions (Resodihardjo 2023). The ensuing blame game, a natural but unproductive response to stressful situations, pointed to a lack of team cohesion and trust (McMahon 2023). It is a counterproductive behavior that stems from the desire to avoid responsibility which is exactly what happened in my case. By shifting the blame, I protected my ego and preserved my self-awareness.

My suboptimal behavior has similarities to the self-serving bias. According to the definition of scientists, “The self-serving bias refers to a tendency for people to take personal responsibility for their desirable outcomes yet externalize responsibility for their undesirable outcomes” (Shepperd, Malone and Sweeny 2008, p. 895). In this very unpleasant situation I was seeking protection, which obviously does not constitute a valid legitimization for my

behavior. The self-serving bias helps protect our self-esteem - admitting mistakes is very difficult for many people, including me, and it scratches away the confidence in ourselves. While the self-serving bias is prevalent, its intensity can vary across cultures (Dong et al. 2021). In the workplace, the self-serving bias can be particularly pronounced, as both our reputation and financial well-being are at stake.

Such team conflicts can add value to the team or ruin the climate. Constructive conflict facilitates healthy discussion and often leads to better working relationships than originally envisioned. In contrast, unproductive conflict occurs when team members remain stuck in their disagreements, hindering efficiency and limiting creativity (Toegel and Barsoux 2016). In my case, it has represented a major turning point. I listened to the feedback of what the others appreciate about me, but also the areas where I can strongly improve. This feedback was very valuable, and I tried to incorporate it into our collaboration.

Reflection. Looking back, I am very glad that this situation arose. I got to know myself personally better than I thought I would. During the BiP program, I realized that being a leader is not that easy. Just because I did something extra in my previous group work or suggested a restaurant to friends doesn't make me a great leader. When I got my peer feedback, I was very disappointed at first glance (see Graph 10). I often rated myself better than the team did me. As I write this thesis and reflect on myself, I can now better understand this evaluation. I always thought I am the leader of this group but ended up abdicating responsibility. Now I realize that taking responsibility, even when it's uncomfortable, is a gateway to real growth and understanding. Such avoidance can offer temporary relief, but it also hinders our ability to learn and adapt.

In the context of leadership, I have elaborated respect as an important element. During my research and analysis, I noticed that I was not always respectful to my team members in this context. When I disagreed with other ideas, I didn't listen to them and never gave them the

opportunity to explain their perspective. My team members could have felt very inferior from my behavior and could have characterized me as arrogant. Looking forward, trying to train myself as a leader, I strictly take it upon myself to include every opinion and come to a collaborative result.

Another phenomenon that occurred was the so-called blame game. The blame game may have been a defense mechanism, but it also prevented me from evolving, both personally and professionally. In reflection, I am deeply sorry because I probably blamed my team incorrectly for issues and thus hurt them a lot. Regrettably, I didn't apologize right after, which is another major weakness of mine that I really need to work on, not only to be successful in the future. Oliver (2015) investigated the behavior of managers and observed that pride and ego occupy an essential function. Apologizing can be perceived as an admission of failure, which can threaten a person's sense of identity and self-worth. This admission requires the acceptance of vulnerability, a move that many perceive as uncomfortable or even threatening. During the incident, there would have been better ways from my point to handle this conflict. Instead of blaming, I should have shared my concerns and feelings. Starting a conversation with "I feel" instead of "You have" can make a big difference in how the message is received. Furthermore, a good approach would have been not to focus on what went wrong, but to use my energy to find a solution. For example, it would have been more productive to quickly gather the team for a brainstorming session to rescue the presentation than to accusing others. This whole situation is a lesson I've had to learn the hard way, and I hope I won't forget.

To avoid such situations in the future, I could have also made sure that everyone knew their roles and responsibilities from the beginning to create a gameplan and not pulled myself out of the responsibility. For the future and my next teamwork, I know that a key initial action step is to create a detailed workflow and action plan. These lessons emphasize the importance of proactive planning and communication into teamwork. Taking responsibility is not just about

individual accountability, but also about fostering a spirit of collective reliance within a team.

Critical Incident 2: The double staffing of the Operations role

Description. In our team, the role of Operations Director was shared by myself and another student. My partner and I had very different academic backgrounds. In theory, this approach promises greater bandwidth, a combination of skills, and the ability to operate continuously even if one person were absent or uncertain about a specific issue. Teams can only benefit from these differences if an optimal team climate is maintained with supportive thoughts attitudes and focused mindsets (Haas and Mortensen 2016). However, in practice, the complexities of this approach were more challenging than anticipated. In the beginning, I developed a strong sense of competition to be perceived as being better than my partner by our team. However, after the first week, the overlapping responsibilities led to a severe lack of accountability, as I often assumed that the other would take the lead on important decisions. Communication proved to be another significant hurdle; instead of the anticipated fluid exchange of ideas, there were moments of misalignment and misinterpretation, compounded by each individual's unique working approach. This intensified over the 3 weeks and there were small consolidations, which led to disagreements in operational decisions and execution. This even led to the extent that we had other team members vote on our different opinions in the final phase and I have withdrawn from responsibility again.

Response and Analysis. At the outset of our collaboration, my mindset was imbued with a competitive streak towards my partner. I felt an enormous pressure to perform and drew parallels with the reality of the work environment and asked myself the question: In such a situation, will the underperformer be fired? Instead of viewing our dual staffing as an opportunity for synergy and mutual growth, I initially approached it as a zero-sum game, where one's gain was perceived as the other's loss. This comparison can lead to competitive behaviors, especially if there's a perceived disparity in rewards or recognition.

Murtza and Rasheed (2022) investigated competitive behaviors in the workplace and observed that these may have a damaging effect on the psyche and work behavior. Competitive thinking is part of the human psyche and has deep roots in human nature. Everyone wants their victim - and thus themselves - to be seen. This is an aspect of all competition and usually starts with siblings: Everyone wants to be noticed (Hudson and Trillmich 2008). In extreme cases, competition in the workplace can lead to sabotage. Sabotage involves deliberate actions taken by employees to damage or disrupt the workplace, its operations, or its members. Past conflicts and interpersonal issues can lead employees to sabotage others as an act of revenge (Giacalone and Rosenfeld 1987). Nevertheless, I never had this intention, as I was too afraid of the consequences if this became public.

My competitive thinking not only had the potential to strain our professional relationship but also risked overshadowing the primary objective: the successful completion of our shared tasks. Over time, I recognized the need to shift from competition to cooperation, understanding that our combined strengths, if channeled collaboratively, could achieve far greater outcomes than individual pursuits of dominance.

As highlighted in the introductory section, my partner and I hail from distinct cultural and academic terrains. Drawing upon the DISC model, his persona resonates most closely with the color yellow, emblematic of an optimistic and spontaneous disposition. In our dual staffing configuration, I leaned heavily towards an empirical approach, always prioritizing rigorous data analysis as the bedrock for decision-making. On the other hand, my counterpart often veered towards leveraging past experiences and trusted his intuition. My inclination towards perfectionism, though driven by a desire for excellence, acted as an impediment to our collaboration. This characteristic became a burden to the team and me especially in decision phases for our simulation inputs as time was short and I was protracting decisions. Regardless of the direction the decisions ultimately took, I struggled with discomfort and a lingering sense

of uncertainty. The two researchers Sorkkila and Aunola (2020) in the developmental psychology department have taken a closer look at perfectionism and its consequences. People who are perfectionists usually think that mistakes are synonymous with failure and are therefore very afraid of possibly doing something wrong. For some, the aspiration for perfection can lead to chronic dissatisfaction, burnout, and an overwhelming fear of failure. This fixation on achieving the ideal often stems from an internalized fear of judgment or a need for external validation. Recognizing the balance between healthy ambition and detrimental perfectionism is crucial for well-being and sustained success (Wan et al. 2023).

Additionally, I grapple with trust issues, a challenge that extends beyond my professional interactions and into my personal life. This underlying skepticism further complicated our collaboration, as it often hindered open communication and the free flow of ideas, which is critical to the success of our joint efforts. According to Lencioni (2002), absence of trust is one of the five pillars of team dysfunction. Trust is the fundamental basis for an effective and cohesive workplace. Without actual reasons, I didn't fully trust my partner and my team in decision-making. Trust is a very complex issue: Scholars have identified several dimensions of trust, with benevolence, integrity and competence being of critical importance (see Figure 11). When these three dimensions are aligned, organizations leverage their full potential as employees work together seamlessly and conflict is reduced (Dale and Muhanna 2012). The extent of my unfounded distrust of my team is more complex than I initially perceived, and it is imperative that I address and remove this internal obstacle.

I must admit that I have a problem with my ego, especially when my ideas are not adopted or implemented. Due to the double staffing of the operations role, it obviously occurred that not all my ideas were implemented, and some decisions were made that I did not advocate. This has led to a decline in my motivation, resulting in me not giving my best effort in subsequent tasks or discussions. I had the subconscious assumption that my counterpart would

handle specific responsibilities, leading to my withdrawal from certain key areas of our commitment. I often didn't approach a decision or task with 100% sincerity as I subconsciously knew my partner was also thinking about it and providing input. This phenomenon can be described as “social loafing” where individuals exert less effort when working in a group compared to when working alone (Wilhau 2021). I kept asking myself whether I was still needed at all, since the team was achieving good results even without my ideas. As an act of defiance, I imagined at home whether I would be able to perform the whole simulation better on my own than in a team. Scientists C. Hadley and M. Mortensen (2022) also asked themselves the question: Do we still need teams? They critically examined the complexity of modern work dynamics and realized that many teams are unable to unleash their full potential. Nevertheless, it is proven that working in teams enhances the productivity and efficiency of an organization. The bundling of different skillsets and methods offers an exceptionally high degree of innovation and creativity (Hadley and Mortensen 2022).

Reflection. The double occupation of the operation role was certainly not the easiest time for me, which started with a very strong competitive thoughts and ended with me pulling out of the responsibility. I have already mentioned that it cost me quite an effort to revise my work approach and ideas. The group work taught me that my approaches are obviously not always the most effective and that we achieve the best results as a group with different perspectives, which is indispensable for my professional future. In the future, I would like to focus more on fostering a culture of open dialog with my colleagues.

Seeing my partner as competition at first was a huge mistake. This competitive attitude dimmed my ability to see the strength that arises from cooperation and mutual respect. Instead of leveraging the different skills and unique perspectives we both contributed, I initially viewed each of my partner's inputs as a challenge to be beaten. Over time, I realized that real progress in teamwork stems from complementing each other's strengths rather than constantly

contending for dominance.

In the end, the disagreements often led me to pull out of responsibility because I felt that my partner also had something to contribute and that we would adopt his idea anyway. This act of defiance is, of course, not very conducive for effective cooperation. Putting myself in my partner's shoes, I'm sure he often felt let down and frustrated. I missed to have open discussions with my partner about our roles and expectations and how we could complement each other. Addressing concerns early from my side on would have preempted misunderstandings. If I have a similar situation again in the future, I will try to clearly assign tasks and roles to ensure that all tasks are properly covered and to have more confidence in my counterpart.

My behavior and reflection lead me to educate myself more on the topic of Emotional Intelligence. Goleman (1997) popularized this concept that comprises a range of skills, including understanding and managing emotions, empathizing with others, and dealing with interpersonal relationships (see Figure 12). This self-knowledge and ability to relate to others are essential not only for personal development, but also for fostering relationships in harmony in multiple areas of life. As I move forward in my professional career, the integration of these principles will be indispensable to ensure both personal well-being and success in collaboration.

Finally, I would like to reflect again on my peer evaluation, something I was very disappointed about at the beginning. Especially for the issues “interacting with teammates” and “keeping the team on track” I expected a better rating. While I am writing this thesis, I can now understand the evaluation. Internally, I handed over responsibility to my partner, which meant that he often communicated our decisions to our team, and thus the team did not always perceive me. This is obviously personal fault, and I will do everything to ensure that a similar situation does not occur in the future. I will engage in cooperation without prejudice and communicate with the team more frequently.

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4 Appendix

A. Abbreviations

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A. Abbreviations

Avg.	Average
BiP	Business in Practice
CCC	Cash Conversion Cycle
CEO	Chief Executive Officer
DCF	Discounted Cash-Flow
DISC	Dominance, Influence, Steadiness, Conscientiousness
DIO	Days Inventory Outstanding
DOI	Days of Inventory
DPO	Days Payables Outstanding
DSO	Days Sales Outstanding
EBITDA	Earnings before Interest, Tax, Depreciation, Amortization
EV	Electric vehicles
K	Kilo (thousand)
KPI	Key Performance Indicator
M	Million
MB	Mercedes Benz
U.S.	United States
WACC	Weighted Average Cost of Capital

List of Abbreviations

B. Figures

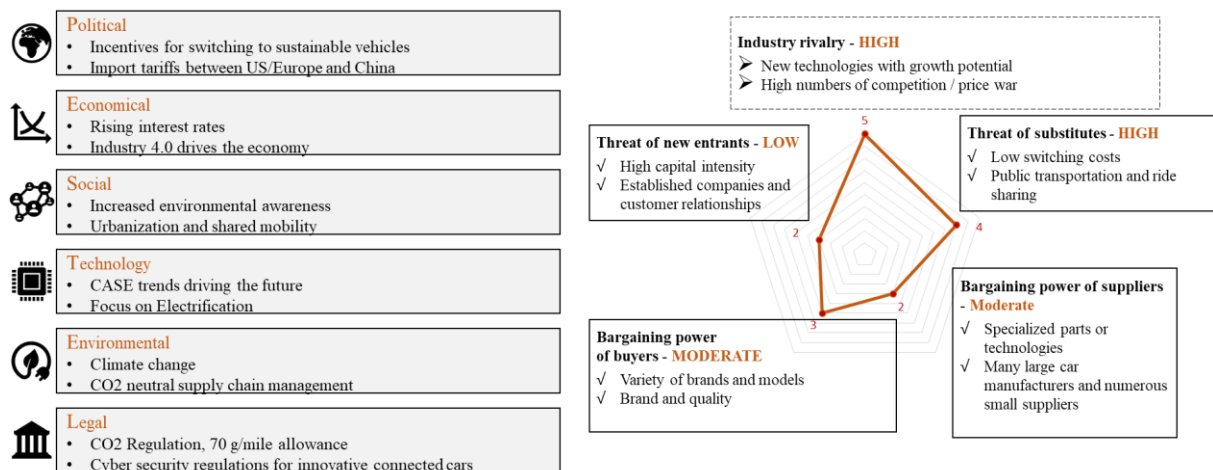


Figure 1: PESTEL and Porter's 5 Forces Analysis (own illustration 2023)

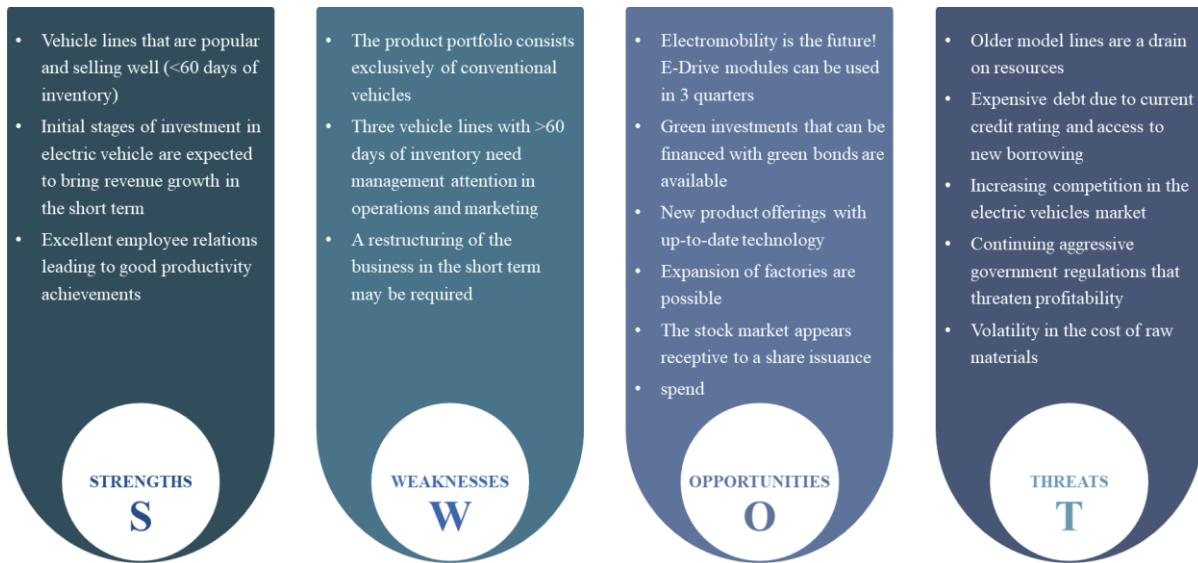


Figure 2: SWOT Analysis (own illustration based on IndustryMasters2023)

KEY PARTNERS • Dealerships • Sustainable suppliers	KEY ACTIVITIES • Producing and selling cars • R&D for new innovations	VALUE PROPOSITION • Innovative technology • High customer service • ESG awareness	CUSTOMER RELATIONSHIPS • High customer service and availability • Interaction with shows and magazines	CUSTOMER SEGMENTS • Europe, China, USA • Premium customers
	KEY RESOURCES • Production facilities • Workforce and intellectual property • Distribution network		CHANNELS • Dealership networks • Showrooms	
COST STRUCTURE • R&D Innovation, Wages (Personnel), Production, Materials, Marketing & Distribution			REVENUE STREAMS • Sales of vehicles	
ENVIRONMENTAL COSTS • Pollution & emissions • Waste production	SOCIETAL COSTS • Accidents • Noise pollution	SOCIETAL BENEFITS • New jobs • Favorable work policies	ENVIRONMENTAL BENEFITS • Reduction of CO2 emissions	

Figure 3: Business Model Canvas (own illustration 2023)

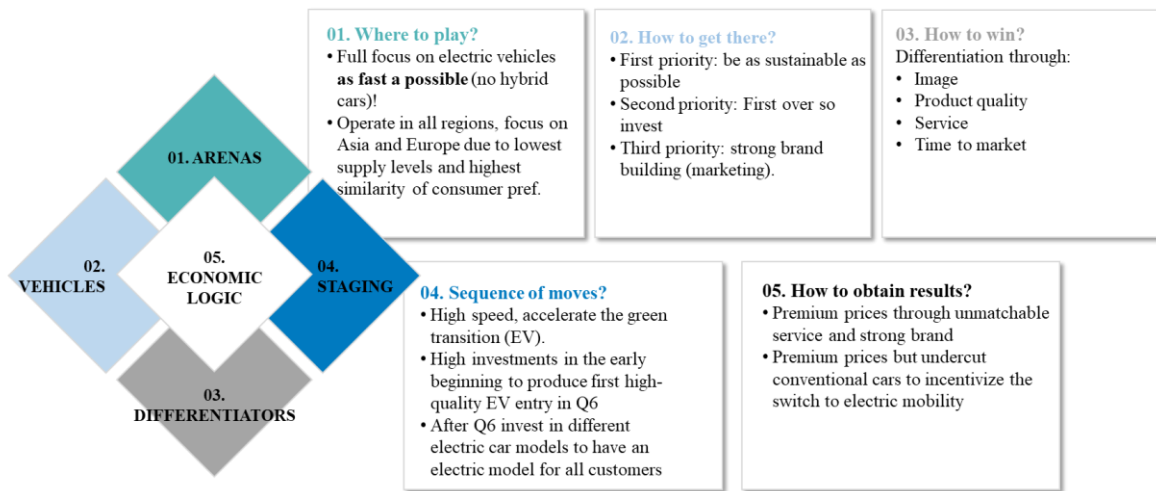


Figure 4: Strategic Diamond (own illustration 2023)

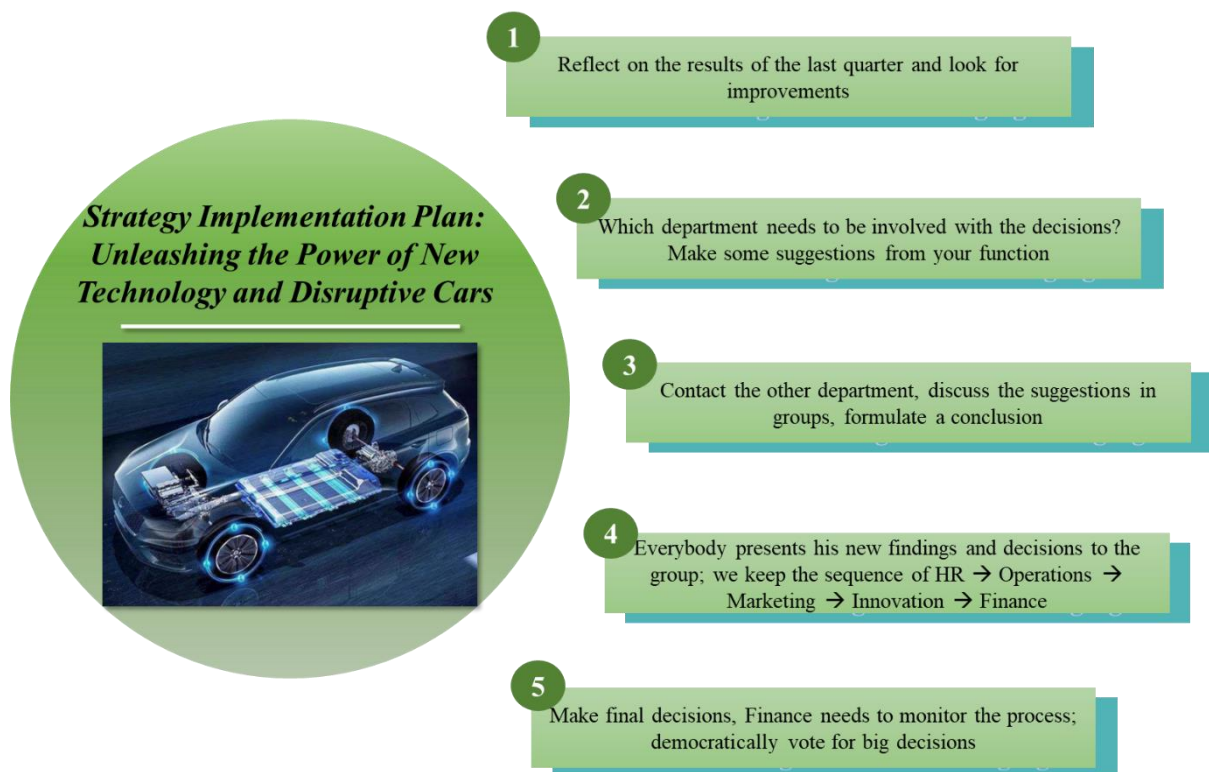


Figure 5: Strategy Implementation Plan (own illustration 2023)

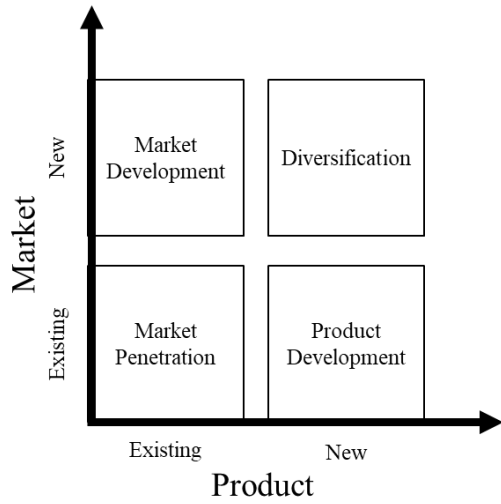


Figure 6: Ansoff Matrix (own illustration based on Watts, Cope, and Hulme 1998)

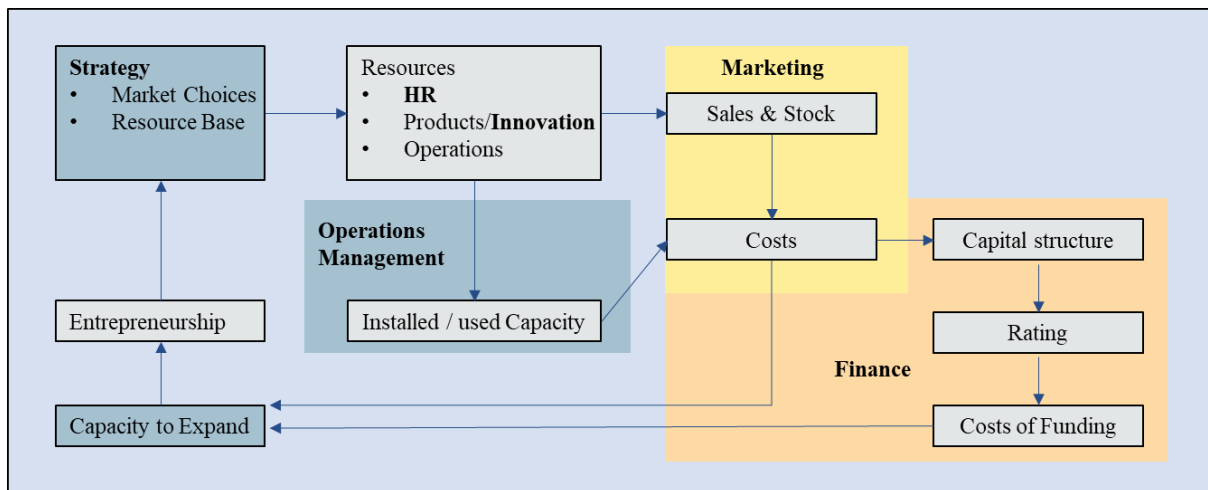


Figure 7: Interconnectedness of functions (own illustration based on Antunes 2023)

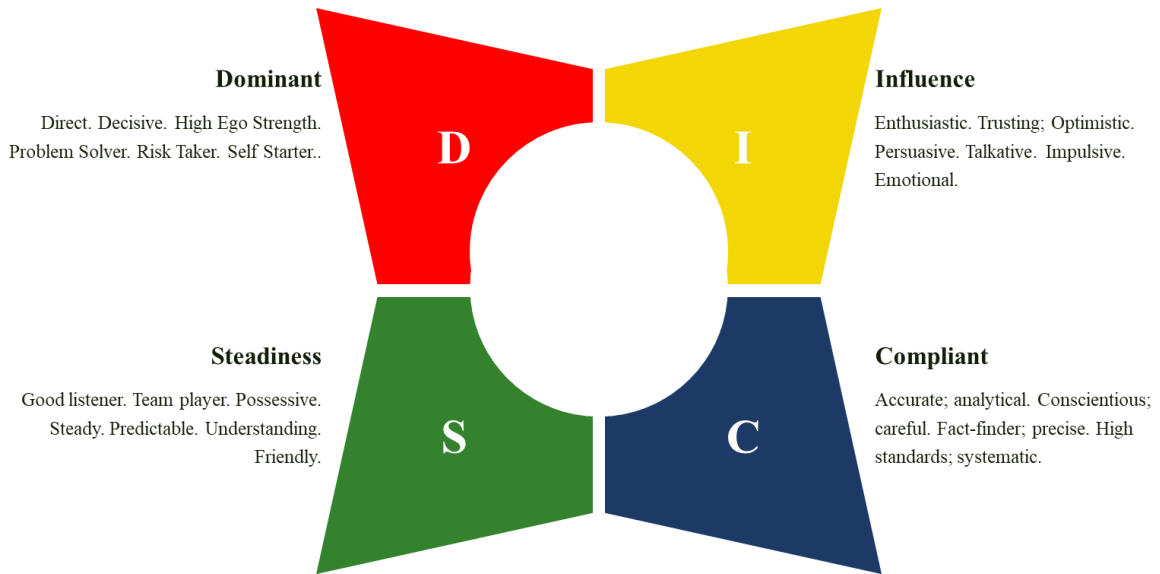


Figure 8: DISC personality (own illustration based on DISCinsights 2023)

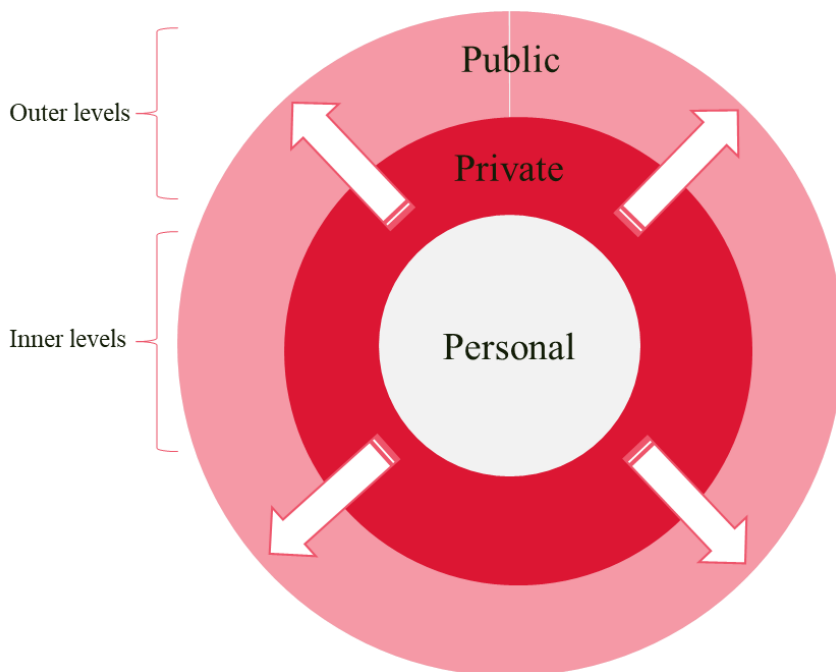


Figure 9: Three Levels of Leadership (own illustration based on Scouller 2011)

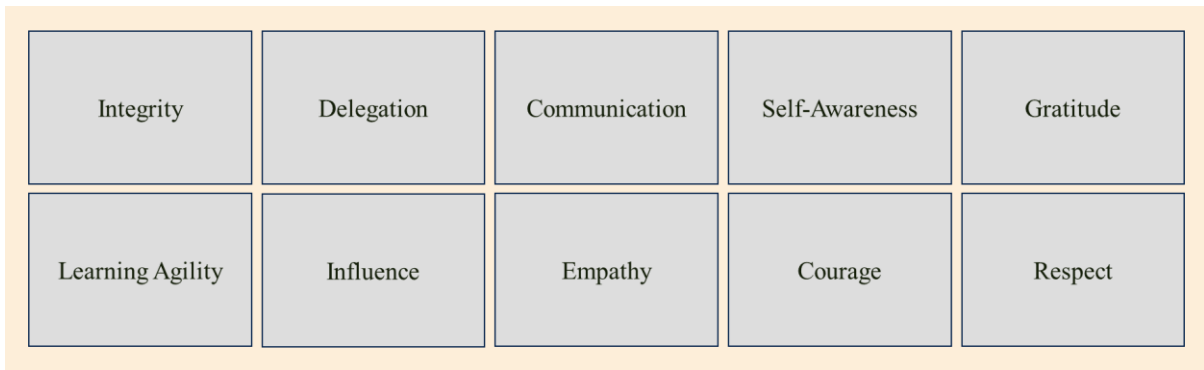


Figure 10: Leadership character traits (own illustration bases on Center for Creative Leadership 2023)

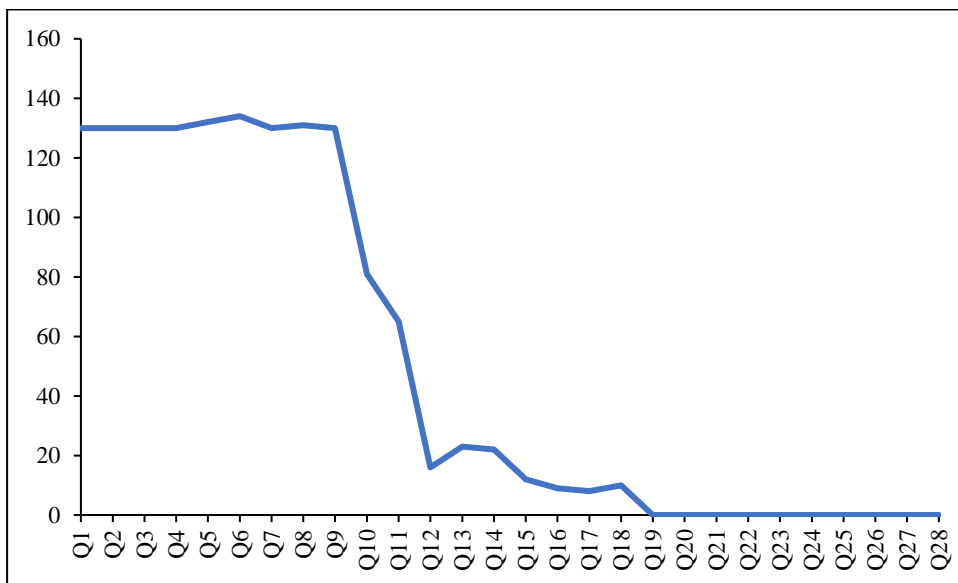


Figure 11: Dimensions of Trust (own illustration based on Firmansyah et al. 2019)

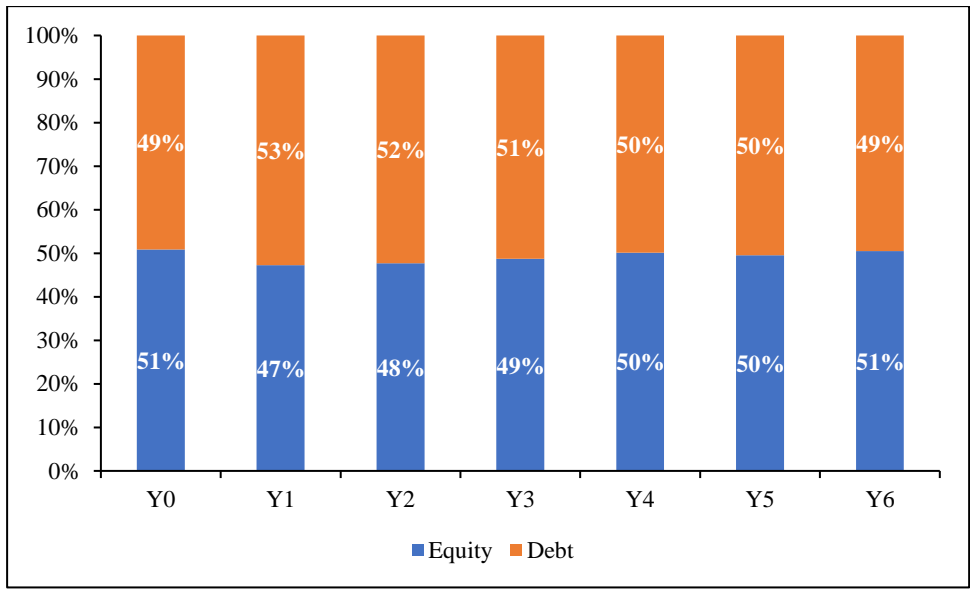
Self-awareness	Self-management	Social awareness	Relationship Management
Emotional self-awareness	Emotional self-control	Empathy	Influence
	Adaptability		Coach and mentor
	Achievement orientation		Conflict management
	Positive outlook	Organizational awareness	Teamwork
			Inspirational leadership

Figure 12: Emotional Intelligence (own Illustration based on Goleman 1997)

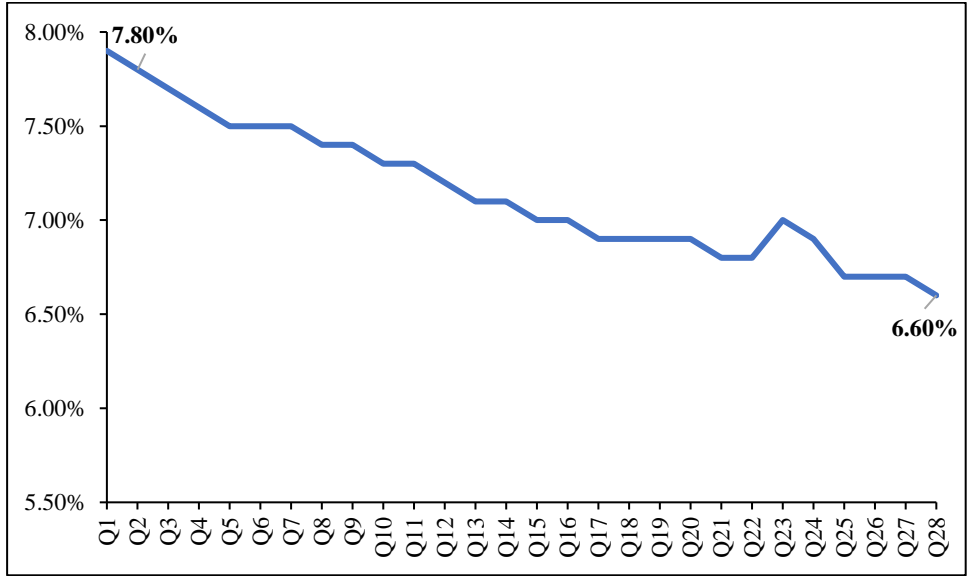
C. Graphs



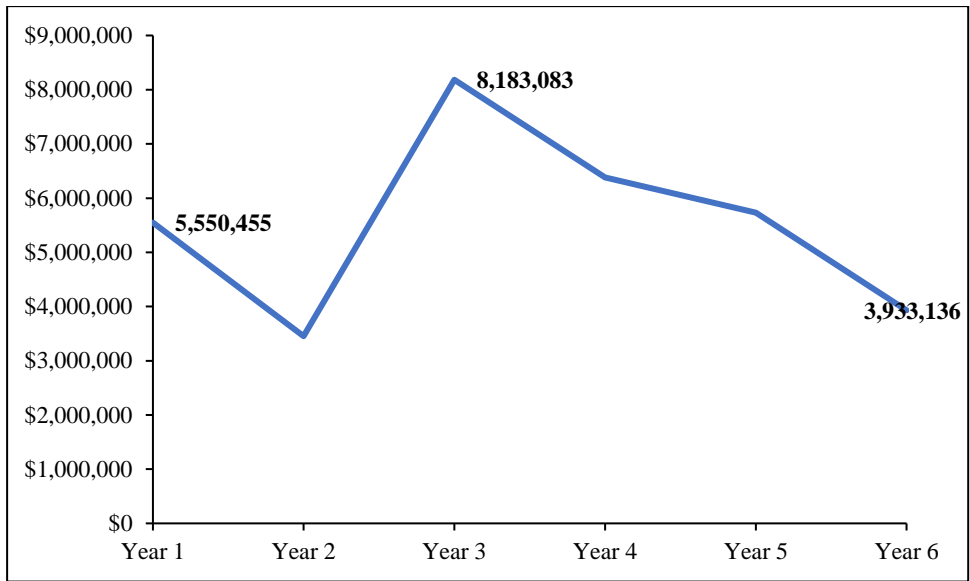
Graph 1: CO2 Fleet Emissions g/mile (own illustration based on IndustryMasters 2023)



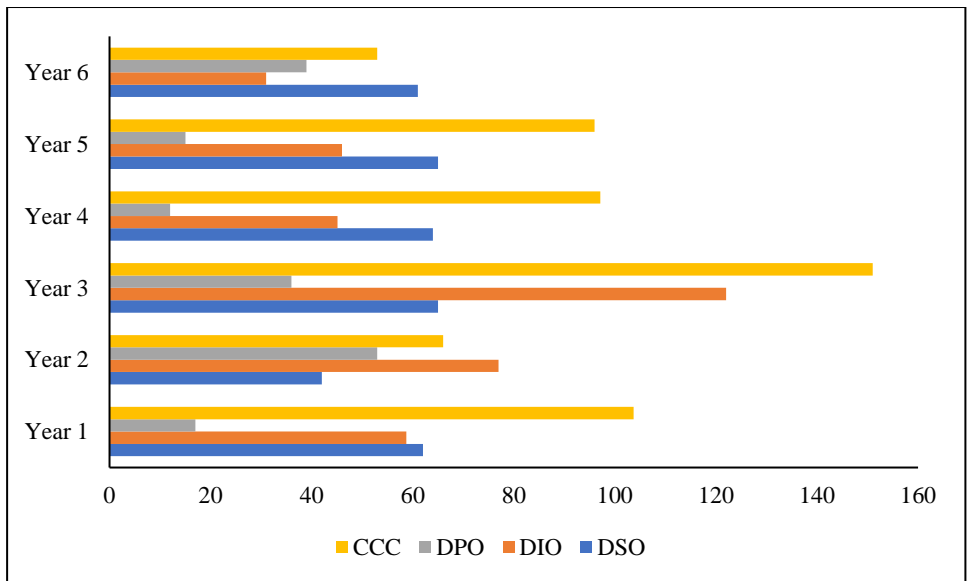
Graph 2: Capital Structure development (own illustration based on IndustryMasters 2023)



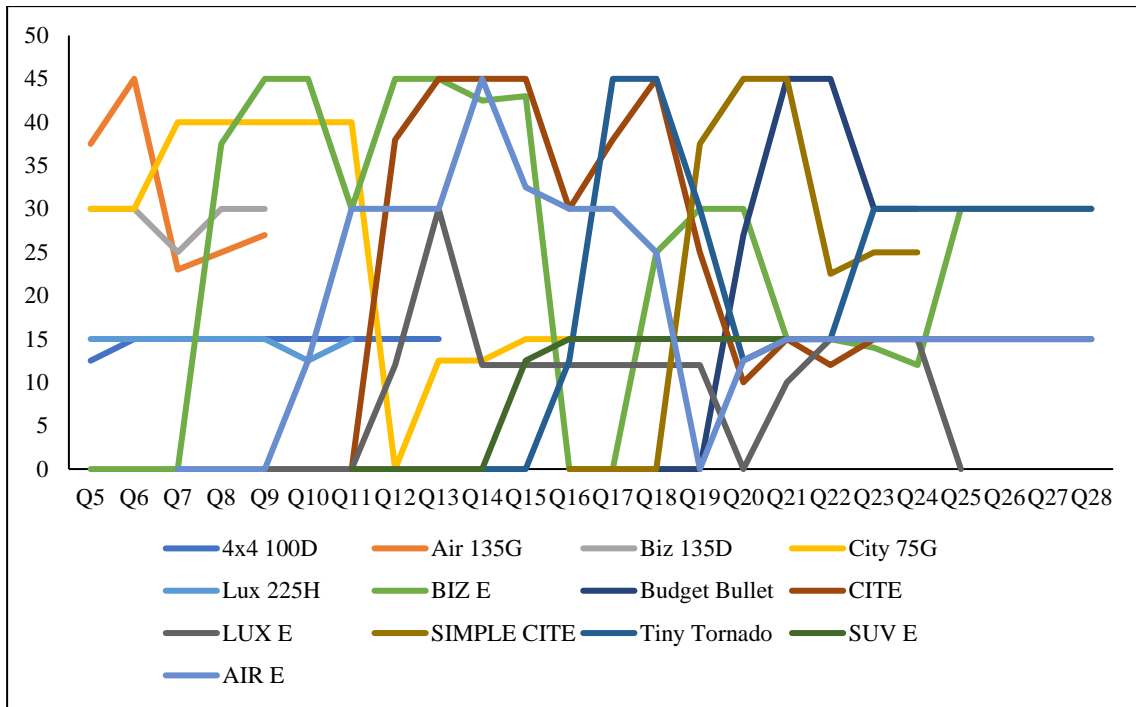
Graph 3: WACC development (own illustration based on IndustryMasters 2023)



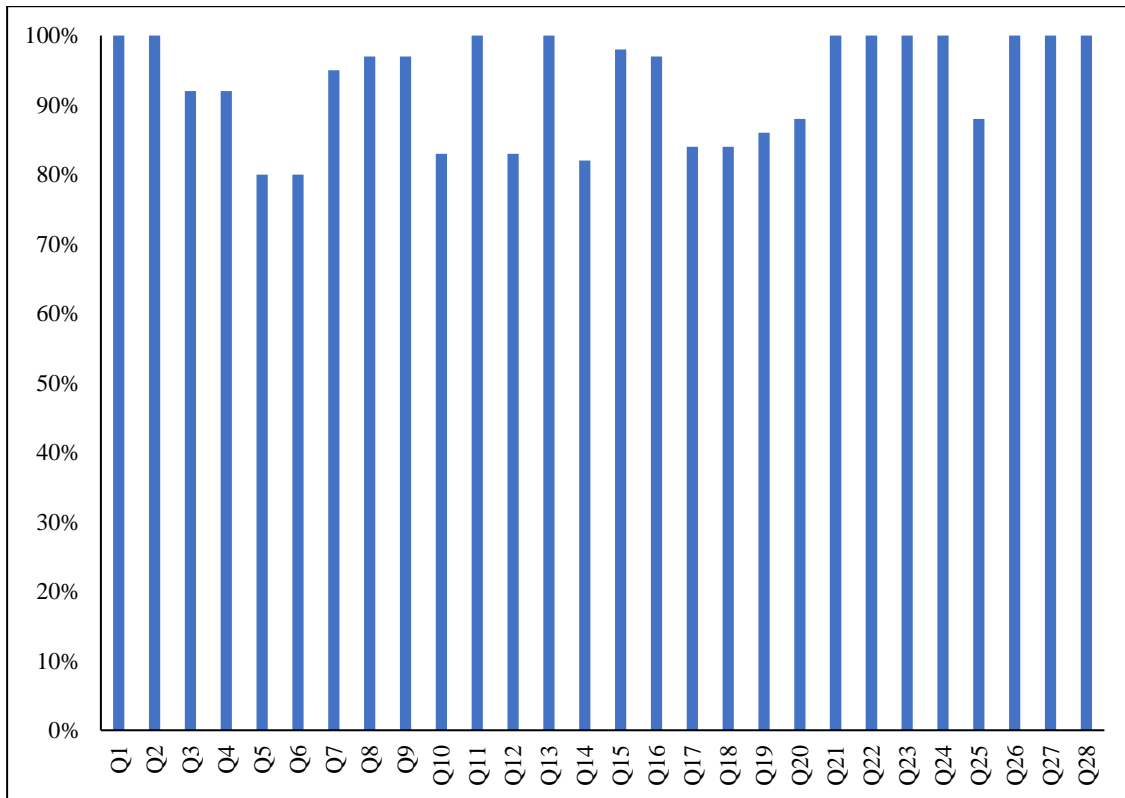
Graph 4: Working Capital development in thousand \$ (own illustration based on IndustryMasters 2023)



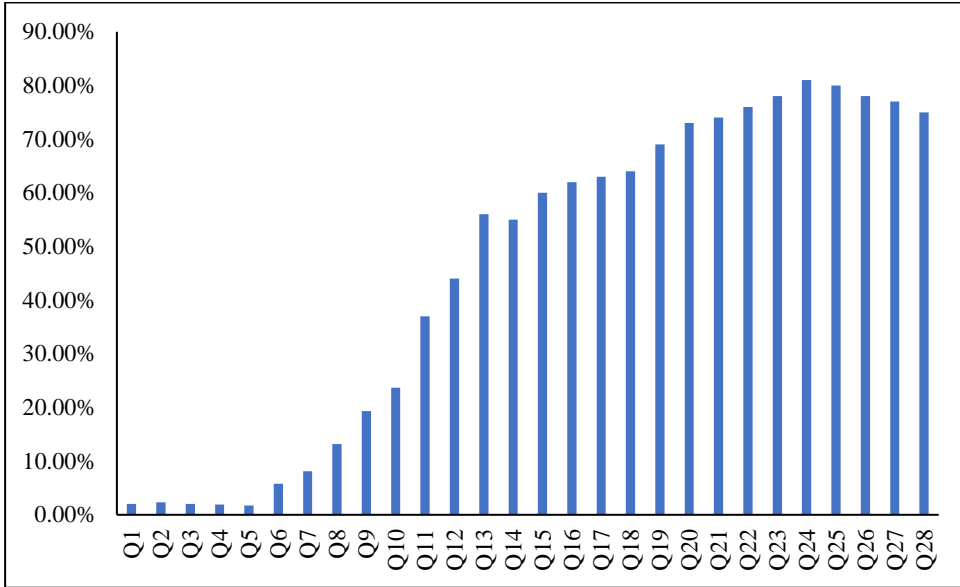
Graph 5: CCC (own illustration based on IndustryMasters 2023)



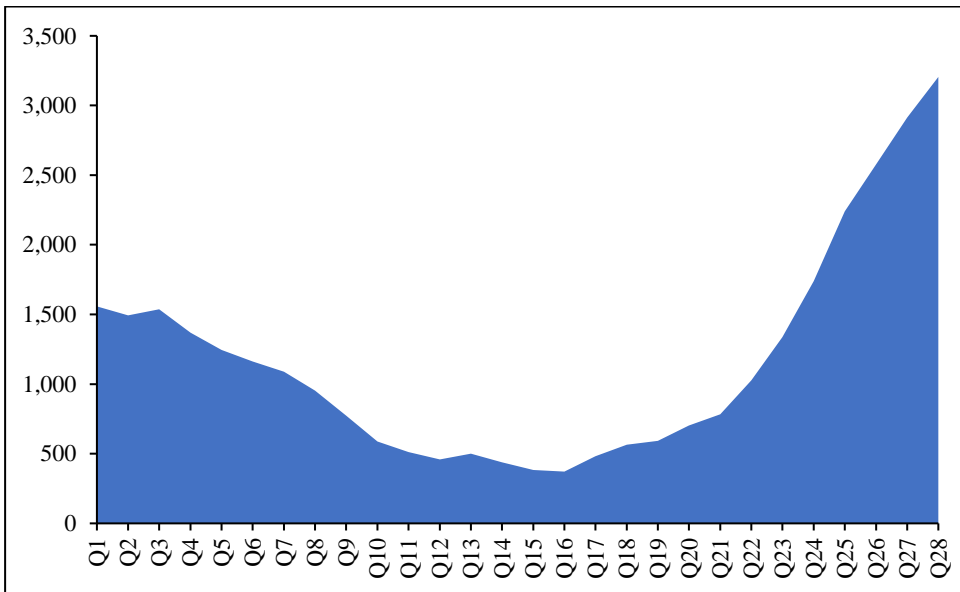
Graph 6: Production Volume in thousands of Vehicles (own illustration based on IndustryMasters 2023)



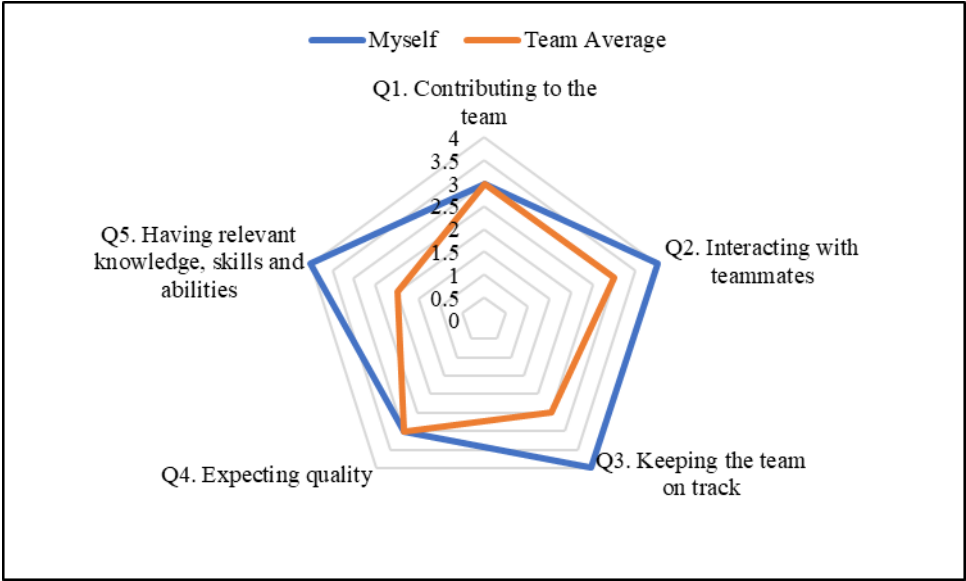
Graph 7: Factory Utilization (own illustration based on IndustryMasters 2023)



Graph 8: Sustainability Rating (own illustration based on IndustryMasters 2023)



Graph 9: Value Added development in million\$ (own illustration based on IndustryMasters 2023)



Graph 10: Peer-Evaluation (own illustration based on team-feedback 2023)