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

BUSINESS IN PRACTICE – ANALYSIS OF EVON'S PERFORMANCE AND SELF-REFLECTION FROM A PERSPECTIVE OF A DIRECTOR OF FINANCE

KRZYSZTOF PIETRZAK

Work project carried out under the supervision of:

João Loureiro Rodrigues

10/09/2024

Abstract

Participation in Business in Practice enabled me to lead the car manufacturing company EVON for the period of 6 years as a Director of Finance. During that period I had opportunity to put the theoretical knowledge I acquired during studies into practice as well as find out about other business areas such as strategy, operations, marketing, sustainability, innovation and HR. In addition, Business in Practice enabled me to further develop my soft skills, what was possible due to participation in pitches and workshops as well as deeper understand my behavior in various business situations.

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

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

Company Analysis

1.1. Introduction

As a Team 12, we had the opportunity to lead the car manufacturing company EVON for a period of 6 years. At the beginning of the year 2025, the share of EVs in EVON total sales was at a level of 60% - however, as independent reports indicate, the future of the automotive market is electric (McKinsey Center for Future Mobility, 2021). Thus, it became a valid question for EVON whether it should undertake radical changes in its operations and make a transition to offer more or even only electric vehicles.

During the 6 years of simulation, EVON launched 7 new cars, opened 2 new factories and conducted several investments to stay competitive in the automotive market. During that period EVON managed to steadily increase its revenues to a level of $32,766m in FY2030, giving a CAGR of 12.4% from FY2024. On the other hand, investments, implementation of new cars and resulting from them changes in operations, led to a decrease in margins, which, mostly recovered only in 2029 and 2030.

In the following sections, I will firstly conduct a thorough analysis of EVON's strategy, including defining EVON's mission, values, proposed business model as well as EVON's competitive positioning. In the next section, financial management of EVON will be analysed, with a focus on capital structure, working capital management and investment analysis. The third section will include a description of operations management, especially in terms of factories management and cooperation with finance directors in order to manage inventory and reduce its impact on EVON financing needs. Finally, I will conclude with main conclusions and key take-aways, which I and team derived during the simulation.

1.2. Strategy overview

Strategy creation: According to the literature, corporate strategy is a fundamental pattern of present and planned objectives, resource deployments and interactions of an organization with

markets, competitors and other environmental factors. Strategy should specify what organization wants to accomplish, on which markets and by which methods (Boyd, Walker, and Larréché 1995, 26*)*. To answer these questions for EVON, firstly we took advantage of frameworks such as Porter's Five Forces and SWOT to understand the current Company and market situation. The SWOT analysis of EVON (*Figure 1*) at the beginning enabled us to understand that at the initial stage EVON was a financially healthy Company with a diversified vehicle portfolio. However, with electrification of the fleet at only 60%, the Company faced exposure to CO2 penalties. As the automotive industry began shift towards electric vehicles, failing to address this change could jeopardize EVON's market position. Additionally, Porter's Five Forces analysis (Porter 1980, 30) helped us to understand the EV market opportunity – it is a competitive market consisting of traditional car manufacturers adding electric vehicles to their portfolios, companies specializing only in electric vehicles and startups trying to disrupt the market (*Figure 2*). The bargaining strength of suppliers is high and there are medium difficulties to entry due to high capital requirements, making this market especially interesting for companies already operating in it (Porter 2009, 82). Based on these analyses, we decided that EVON should enter the EV market and offer only 100% electric fleet in the near future. Given EVON's established market position, necessary know-how, access to funds, and financial health, the move was feasible. However, we recognized that this transition would require significant investments as well as smooth shift from the existing portfolio, which consisted in 40% of vehicles with combustion engines.

The Business Model Canvas of EVON enabled us to clarify future strategy of EVON. Value proposition of EVON was to offer a wide range of modern affordable electric vehicles, be present in every market as well as to be associated with sustainable transition. The mission of EVON was to *revolutionize the automotive industry by creating sustainable, innovative, and accessible electric vehicles and to deliver features universally desired by customers across the*

US, Europe, and Asia at a competitive price point, within a selection of car types (*Figure 3*). EVON strategy could be compared to Volkswagen's one, which offers the widest range of electric vehicles with the goal of keeping affordable prices as well as to steadily move to electric vehicles (Volkswagen, 2024).

Implementation of our strategy assumed a gradual transition into EVs. The transformation was not intended to be rapid - given EVON's initially diversified portfolio, we aimed to leverage on it to maintain profitability during the transition and meet the needs of customers who were not prone to switch to EVs. Over time, traditional car models of cars were planned to be replaced with their electric counterparts featuring the latest technologies. This approach was designed to ensure a sustainable transition, considering the generally lower demand for electric vehicles due to inadequate charging infrastructure and high vehicle prices (World Economic Forum 2024). To achieve this, it was necessary to invest in new technologies related to the development of EVs. Our goal was to gain a first-mover advantage by investing in R&D as soon as possible, enabling EVON to introduce new types of cars. Additionally, we planned to invest in the green transformation of EVON's operations and enhance the Company's public image from a CSR perspective. However, EVON's strategy did not specify deadlines for these actions - we had only a general overview of the decisions and of their timing.

Strategy implementation: In the first years of the simulation, EVON was strictly following its initial strategy. EVON invested in the development of AI implementation in its cars and sodium-ion batteries, introduced the sustainability policy within the Company and launched new car - EVON Micro, electric vehicle, designed to meet the needs of customers who wanted to buy a small, electric car with the advanced features for reasonable price. EVON continued to produce cars with combustion engines and only stopped temporarily their production if there was a risk of supply exceeding market demand, which could lead to excessive stock. Similarly, in second year of the simulation, EVON conducted several

investments including launching two new cars EVON Lux and EVON Biz – first steps to replace traditional cars with their electric counterparts, in line with the initial strategy. Additionally, EVON introduced the EVON City 2, a more advanced version of an existing electric car, to further diversify its portfolio. In the years 3 and 4, EVON invested a significant amount in, among other things, development of cyber security of the cars, V2V communication, cutting edge e-drive modules, energy efficiency investment and waste reduction facilities. In addition, EVON developed strategy of "Car for Everyone" to promote EVON as a provider of vehicles to every group of consumers. Moreover, EVON launched cars with the most advanced features possible – EVON Micro V2 and EVON PICKUP-E as well as EVON Biz v2, a cheaper business car for the Chinese market, which goal was to meet needs of local clients as well as avoid tariffs imposed on EVON Biz produced in Americas.

Strategy implementation flaws: Despite launching only electric vehicles, it took EVON 4 years to fully stop producing vehicles with combustion engines and reach 100% of fleet electrification. In addition, at the beginning of the third year, EVON relaunched PU225G – car with combustion engine, generating significant amount of CO2. We made that decision as we had spare factories and not enough other models that EVON could produce – as this car was profitable in the past, its relaunch was a low hanging fruit, however a strong deviation from the strategy. Even though the Company's goal was to gradually move to EVs, the transition was conducted relatively slowly, what was caused by lack of a specific plan and timeline of it, making strategy implementation much more difficult and less "smooth". Here, our issue was that we did not plan long term, but we were rather reacting to events instead. Despite the fact that most car manufactures plan smooth transition to electric vehicles, they usually set a specific year by which they want to achieve it, with CO2 reduction targets (International Energy Agency (IEA). 2023) For EVON, we did not establish a specific timeline, sense of urgency, or short-term goals, which, according to the literature, are key reasons why corporate transformations

may fail (Kotter 2007, 97). Additionally, EVON did not undertake all possible investments to enhance sustainability, such as installing solar panels or implementing external battery recycling. As a result, EVON's sustainability rating peaked at only 70.6% in Q20 (*Figure 4*). Although our initial aim was to position EVON as a role model of sustainability, we skipped some possible investments, such as installing solar panels or implementing external battery recycling, despite having the resources to fund them. This decision was driven by the perceived lack of short-term benefits before the end of the simulation. This is a common issue with sustainable projects, as companies and stakeholders often prioritize more immediate, "conservative" metrics, such as financial performance, market share, and competitive positioning - EVON's focus on maximizing EVA reflects this tendency (Farri, Cervini, and Rosani 2022, 3). Lasty, despite our goal to deliver cutting-edge vehicles and develop advanced models, we launched only two highly advanced vehicles – reason for that was, similarly to above, the fact that our strategy did not consist of any schedule, what led to a situation in which investments where not aligned in time with the plan of new car launches. Similar example of mis-investment in car industry may be the case of Audi, which launched its factory in Belgium to produce electric Q8 cars, however it is supposed to be significantly restructured due to much lower demand than expected (Audi, 2024).

To sum up, EVON's EVA (*Figure 5*) increased by 37% by the end of year 6 compared to the beginning of the simulation, indicating that the strategy and its implementation enhanced EVON's value. However, the growth was modest, with the lowest values being up to 57% lower than at the start of the simulation. This suggests that there was room for more aggressive investments and transformations, with a temporary shift away from strict focus on financial metrics.

1.3. Finance overview

According to financial literature, role of a financial manager is to create value by taking proper investment decisions, adjusting capital structure and managing company's liquidity (Ross, Westerfield, and Jaffe 1996, 5). **Capital structure** policy should ensure company's financial health, support its liquidity and minimize WACC of the company. Level of leverage depends on many factors, but according to the literature firm size and tangibility of assets contribute to higher leverage (Titman and Wessels 1998, 17) similarly to capital-intensity of the industry. Given that automotive sector is capital intensive, requires a lot of tangible assets and consists of few large companies, we set aim to keep the leverage of EVON at the level around debt-to-equity ratio of 50%, as we noticed that it is the most optimal level of the leverage according to Trade-off Theory, above which costs of financial distress are higher than benefits of issuing more debt (Myers 1984, 577). However, on average EVON's debt ratio was equal to 44% (*Figure 6)* - and there were several reasons for that. Firstly, there were quarters in which EVON did not require external financing. Given that EVON's free cash flow was relatively low at the beginning of the simulation, we opted to conserve cash when immediate expenditures were not necessary, anticipating future financial needs. Moreover, increasing debt would have resulted in higher debt service costs, which, at certain points, became unsustainable due to insufficient free cash flow. As a result, new debt was issued only to service existing obligations rather than to finance new investments. Significant relief for EVON's cash flow was issuance of $5,082m in green bonds in order to refinance bank debt in Q16 (approximately 37% of total debt). This strategic move effectively reduced the anticipated annual debt service costs from $5,000m to approximately $2,500m, as EVON was no longer required to make quarterly principal repayments. In the automotive market, green bonds are becoming more popular – for example, Mercedes Benz issued 3 emissions of green bonds and their proceeds are used for financing green investments such as development and production of electric vehicles

(Mercedes-Benz Group 2024). In general, green bonds are primarily utilized to support the transition to electric vehicles, with the value of such borrowings growing significantly each year (Mutua 2023).

Leverage and covenants of EVON were growing significantly in relation to EVON's profitability. The interest coverage ratio averaged 8.47x during the simulation, compared to the automotive sector's 2024 average of 14.61x. Similarly, EVON's net leverage ratio averaged 5.88x, higher than the sector average of 4.99x (Damodaran 2024) – especially in the second year of simulation, ND/EBITDA was on average more than 7.00x, value which justified our carefulness in taking more debt than necessary. Furthermore, an analysis of the Altman Z-Score (*Figure 7*) revealed that EVON was in the "safe zone" only in the final year of the simulation, while it remained in the "grey zone" for most of the preceding years, with the lowest score observed in the second year. This was primarily due to decreased asset productivity, resulting from both an increase in inventory and overall lower margins (Altman 1968, p. 606). Debt refinancing with improved profitability, enhanced cash flow and improved debt ratios (*Figure 8*). In the fifth year of the simulation, as we had spare debt capacity, we decided to buy back shares, financing it with debt, what enabled us to further decrease EVON cost of capital. This capital structure policy enabled EVON to reach average quarterly WACC of 5.8% throughout the simulation (*Figure 9*)– in addition, we won the Finance Price, for the lowest cost of capital.

Moreover, in the first year of the simulation EVON issued shares to finance its investment needs instead of taking debt. The rationale for this decision was based on the share price at that time, which stood at $377.31, approximately 5% below the 12-month average. Despite this slight decline, we considered the share price relatively overpriced in light of the upcoming corporate transformation and the anticipated deterioration in financial performance over the next few quarters. As equity should be issued in situation when managers perceive company's equity to be overpriced (Berk and deMarzo 2019, 615), it was good moment for that decision.

On the other hand, according to the Pecking Order Theory (Myers 1984, 581), equity should be a last resort – EVON had debt capacity that time, however, more debt would have increased the interest expenses and required principal repayment. Therefore, despite the availability of debt financing, the decision to issue equity was in our opinion justified.

Working capital: Important for ensuring liquidity for EVON was also proper management of working capital. EVON was significantly growing during of the simulation, thus investments in working capital were normal. However changes should be aligned with revenue growth as not proportional growth of working capital leads to decrease of ROIC (Koller, Goedhart, and Wessels 2010, 517). In the early years of the simulation, EVON was producing more cars that it was able to sell, what caused value of inventory to grow significantly, thereby decreasing operating cash flow and imposing more pressure on EVON's cash flow. Because of that, it became necessary from the perspective of financial management, to change the payment terms of accounts receivables and accounts payables to improve cash position of EVON (The Boston Consulting Group 2009, 4). Impact of these adjustments was especially noticeable in Q12, when decreasing customer credit to 15 days and increasing supplier terms to 40 days added an additional $1,655m to the cashflow – in turn, in Q20 we decided to keep customer credit on 30 days, after keeping it for a longer periods at 15 days, what negatively impacted cashflow by $1,312m. Having understood that decrease in customer credit is likely to decrease demand for EVON products, we calculated that impact of decline in revenues by 2% can be mitigated by using saved funds for investments and by saving on debt service. Similarly, extending supplier terms resulted in increase in costs of materials by 0.5%, but the extra cost was lower than saved amount. In total, in FY2027 changes in customer credit and supplier terms led to decrease in EBIT by $568m and net profit by $397m but operating cash flow improved by $1,655m – thus, net positive impact equalled to $1,258m. In addition, we implemented the same changes for the last year of simulation – even though it was not

necessary for cash conversion, reducing accounts receivables and extending accounts payables decreased overall invested capital of EVON, leading to higher return on invested capital, as a consequence, higher EVA. In addition, cash conversion cycle of EVON significantly declined during the simulation (*Figure 10*) – it was possible because of changes in consumer credits and supplier terms, but also significant decrease in days of inventory at the later stage of simulation, described more in details in operations part.

Liquidity ratios: Throughout the simulation, EVON's liquidity ratios remained at relatively safe levels, although they fluctuated over time (*Figure 11*). Ratios reached their peaks in Q12, due to a significant increase in cash and cash equivalents resulting from adjustments in working capital. However, as the cash position decreased, the liquidity declined accordingly. The lowest values were observed in Q20 due to the highest value of current liabilities – after that, the ratios were improving gradually as cash position was improving, even despite a decline in inventory. In comparison to the car industry, ratios of EVON where higher than average in the market, thus should be considered healthy (Macrotrends 2024).

1.4. Operations overview

The operations function in a company is the centre of the organization as it produces goods and services that are the reason company exists. In some organizations, the operations function is easily visualizable and detachable from other functions, whereas in others, especially those providing services, the operations function also includes marketing and product development functions – thus, broadly operations should be understood as management of the systems or processes that create goods and/or provide services (Stevenson 2018, 4).

4Vs: A common way to characterize a company's operations is the 4Vs method – standing for **Volume, Variety, Variation and Visibility** (Slack, Chambers, and Johnston 2010, 22). In terms of production **volume**, EVON aimed to balance two objectives: taking advantage of economies of scale by producing a large number of vehicles to reduce unit costs,

while also being concerned about the risks associated with overproduction. Excessive production without corresponding sales could lead to a significant increase in inventory, exerting pressure on cash flow, unnecessarily raising financing needs, and increasing invested capital. Therefore, during the initial quarters of the simulation, EVON aggressively adjusted the number of manufacturing lines in operation and the types of vehicles produced. This strategy was intended to control output while simultaneously capitalizing on the benefits of economies of scale. As visible on the *Figure 12*, we were only partially successful in achieving that balance – even though we managed to significantly increase factory utilization and keep it at the level of on average 93% in 2 last years of simulation compared to 81% in first 4 years, we did not fully take advantage of economy of scale what can be derived from decrease in gross margin, even despite overall increase in production output as shown on the *Figure 13* (McGee 2005,1). Decrease in gross margin can be attributed to overall inability to reduce material and staff costs, or even its slight increase in relation to revenue (*Figure 14*). The main reason for that is the fact that EVON switched to cutting-edge EVs, which had higher material costs compared to the production costs of more basic cars. Additionally, EVON opted to price these vehicles lower to stimulate sales. This pricing strategy may have been a mistake, as modern EVs typically warrant higher prices. Given the advanced nature of these vehicles, EVON should have set higher prices to better reflect their value and cover the increased production costs.

Regarding **variety**, EVON produced on average 6.6 different models in each quarter, with a minimum number of 4 and maximum number of 9. According to theory, lower variety should enable a company to decrease units costs (Chopra and Meindl 2016, 245) – however, this was not a case for EVON. As shown on the *Figure 15*, there was no evident correlation between the number of models produced and profitability. Possible reason for that is the fact that unit cost depends on many other factors. In addition, especially in the beginning of the simulation, we

were often changing the place of production of different models, thus it was impossible to capitalize on the learning curve effect (Argote and Epple 1990, 924).

Variation refers to changes in demand and one of the biggest challenge was planning production in a way it was the least affected by imposed tariffs. As the main selling market was the region where the car was produced, it was particularly difficult to sell in America cars, which were produced in Asia, and *vice versa.* Therefore, EVON produced similar models of cars in both America and Asia. This strategy was also adopted by some Chinese EV brands, such as BYD and Stellantis, which relocated part of their production to Europe to mitigate the effects of tariffs on EVs made in China (Alim and Novik 2024). Despite the risk of cannibalization of similar products, this move turned out to be successful – for each of indicated model factory utilization was at least on the level of 90%, mostly of 100%, at these models needed on average 63 days in inventory to be sold (*Figure 16*).

Visibility refers to the degree of how much a company and its processes are visible to the customers. Due to the specification of the simulation, this feature did not impact significantly EVON and couldn't be controlled in significant way.

Inventory management: For EVON, inventory management was area of dispute between operation, finance and marketing department. As indicated in the literature, there are conflicting inventory objectives within the firm (Schoeder 1993, 579). From a financial perspective, maintaining a high level of inventory puts pressure on cash flow and increases invested capital without positively impacting ROIC. To address this issue, one solution was to reduce production levels. However, from an operational standpoint, frequent adjustments in production can lead to inefficiencies, diminish the benefits of economies of scale, and result in unstable employment levels. In contrast, the marketing director could lower product prices and increase marketing expenditures to stimulate demand. While this approach might boost sales, it would also lead to reduced profit margins. Thus, the challenge lay in balancing production

efficiency, inventory management, and pricing strategies to optimize overall performance. As visible on *Figure 17*, inventory of EVON was significantly raising during two first years of simulation, reaching days of inventory of 93 and inventory value of 106% of revenue - on average EVON was increasing its inventory by $342m each quarter in that period. To prevent further deterioration of cash flow in the second year, we decided to stop producing models whose inventory was much higher than quarterly sales, so for models such as PU225G (stop of production for 3 quarters), Lux 225G (for 2 quarters) and EVON Micro (for 1 quarter). As a consequence, in Q12 EVON operated only 6 out of 11 factories, but sold in the period of Q11 – Q13 cars produced in earlier periods worth $2,061m. That decision had rather neutral impact on the gross margin, however EBIT margin decreased to 14% from average 20% due to an increase in G&A expenses due to keeping factories empty. In the following periods, EVON aimed to produce cars at levels that would prevent a significant increase in inventory. To achieve this, we adjusted prices and marketing expenditures to stimulate sales effectively. As a result of these adjustments, it became unnecessary to halt production at any of the factories. Consequently, both the days of inventory and the total inventory value significantly decreased.

In addition, operations director was responsible for conducting various investments concerning production, energy and supply chain, all together related to emissions generated by Company from various scopes. From Scope 1, so related to emissions from Company-owned and controlled resources, EVON conducted every possible investment. Despite their cost of $1.1b, they positively impacted demand, material costs, CSR and motivation. However, from Scope 2 and Scope 3, we conducted only one investment in each scope. From Scope 2, we didn’t decide on installing solar panels and energy management systems as at some point of the simulation we didn’t had enough funds and later, when we had enough financial resources, we didn’t decide as we were concerned that positive impact of investments will not be noticeable before the end of simulation. From the perspective, it was reasonable to undertake these

investments earlier, as they would increase the demand for EVON's products and reduce material costs, leading to higher margins, what was one of EVON's challenges. Similar reasoning was behind not investing in Scope 3 investments (beyond offsetting suppliers CO2) – switching to sustainable suppliers would lead to higher material costs, thus further decreasing EVON margins. This investment along with external battery recycling were supposed to increase the demand for vehicles, but we were not convinced that we will have enough time to capitalize on that.

1.5. Conclusion

Beyond the examples of cooperation between functions mentioned above, there were many other ways in which EVON's directors cooperated with each other. Each quarter we followed similar structure – firstly, we were assessing, from the perspective of finance director, the sales of each model and, from the perspective of operations director, the number of units produced and sold. Then marketing department was proposing demand forecasts, pricing, and budgets, to, on the one hand, stimulate the demand, and on the other hand, ensure proper margins. Additionally, if a decision to launch a new car model was made, the innovation director and marketing director would review current market trends to ensure alignment with consumer needs (*Figure 18*).

Overall performance of EVON can be considered as good. The Company managed to switch to the production of only electric vehicles, implement solutions which allowed EVON to be associated with change in automotive industry (car for everyone, subscription-based model, building power charging network) as well as decrease emissions and increase CSR along with sustainability of the Company. From the financial perspective, EVON increased financial metrics such as EBITDA, EBIT, Gross Margin, EVA in absolute values as well as found an optimal capital structure which minimized cost of capital. In addition, EVON conducted several investments that now allows the Company to produce the most advanced EVs.

Yet, there were several flaws – the transition to EVs was not smooth and took time. Despite improvement in financial metrics, margins decreased and for a while, EVON financial situation was not stable, for example it was not generating enough cash to repay its debt.

One major area of improvement would be a better preparation of the strategy, with the emphasis on its implementation schedule. EVON approach to stay flexible, was in general good practice, but as indicated earlier, it lacked sense of urgency, leading to a focus on financial returns rather than executing the initial plan effectively. This lack of a structured timeline impacted financial and operations management, making it challenging to predict financial needs accurately and manage capital structure and working capital effectively.

From the operational perspective, EVON made a great effort to reduce days of inventory for each product, what was significant struggle at the beginning of the simulation. However, developing an optimal vehicle portfolio strategy took time. With a more detailed strategy and better planning, EVON could have reached the optimal portfolio sooner and focused on improving margins towards the end of the simulation.

There are several takeaways from the simulation. The most important is the impact of the strategy – it should cover both short and long term, indicate schedule of actions and consist of short term wins. For EVON, it was too often reacting to market events than really strategic planning. Another takeaway is significance of meeting supply with demand. Excessive production leads to excessive inventory, what has negative impact on company's cash flow and invested capital. On the other hand, rapid stop of production creates issues from operational and HR perspective, thus it is important to correctly plan production and estimate future demand. From the operational perspective, the experience underscored that achieving positive outcomes often requires substantial time. EVON frequently changed production locations, which unabled the Company from fully capitalizing on economies of scale and the learning curve. Consequently, EVON struggled to reduce unit production costs effectively.

2. Personal Reflection

2.1. Introduction

Participation in the Business in Practice was a great experience, allowing me to work in a team of 7 people for 3 weeks and encounter various issues that can arise when leading a company or while working as a team. These included conflicts of interest, mistakes, unexpected events, and simple misunderstandings. There were at least two critical incidents that were particularly significant for me.

The first incident significantly affected my confidence. Despite feeling well-prepared and being one of the team leaders, it turned out that the ideas I was opting for and which were, eventually, implemented, might not have been the most optimal for the Company, resulting in unfavourable outcomes in the simulation. This was a humbling experience and made me question my business knowledge.

The second incident involved our team failing the pitch, for which I felt partially responsible. This disappointment was an example of dealing with unfavourable outcomes that cannot be reversed. It taught me the importance of coping with stress and how to manage it effectively, but also indicated that good preparation sometimes isn't enough to succeed.

Both of these critical incidents were analysed following the same structure. I began with an overall introduction of the situation, including a separate section detailing the critical point of each incident. Then I described the response that I and the team had for the unfavourable situation. This was followed by the analysis of the situation, in which I tried to understand the whole situation and my feelings. Finally, I reflected on both incidents from a time perspective, assessing what I or the team could have done differently, what we did correctly, and what were the key lessons from each incident, which I will then be able to implement both in my personal life and professional career.

2.2. First critical incident

Description of the situation: During the initial years of the simulation, I emerged as the principal figure within our team, deeply involved in decision-making processes and overseeing every department. I diligently argued my points of view, often connecting assertiveness with openness to others' ideas. However, I was often strongly convinced about my ideas, which were sometimes unpopular within the team. Despite this, I was able to persuade my team members that I was correct. A notable instance was my firm belief that stopping production of cars which EVON couldn't sell cars was the right choice, even at the cost of reduced factory utilization, which was concern of the rest of the team. Additionally, I strongly opposed increasing the debt ratio solely to lower the cost of capital, such as through share buybacks – as described earlier, I believed that even though debt to equity ratio was relatively low at some point of the simulation and there was still debt capacity, EVON's financial situation was at that point not very strong and taking more debt could be dangerous for the Company. Moreover, I think my approach was very long term as I was thinking about EVON as a real Company, not only in the perspective of 6 years of the simulation, thus I was not so concerned about Economic Value Added, but rather about every KPI.

Crucial point: However, my attitude changed after third year of simulation, when EVON's score was not satisfactory, but especially because of the simulation clinic, during which we were told that in many ways the way we are leading EVON – so the way that I was mostly opting for – was not the most optimal or even wrong. After that, I was feeling demotivated and had lowered self-esteem and confidence. I did not think that I was very wrong in ideas I was presenting to rest of the team, especially because we had opportunity to discuss them with another mentor from IndustryMasters. However, apparently for the purpose of the simulation, my approach was not completely correct and rest of my team members were more focused on the score of the simulation, thus we had a different approach to that (I completely

understood that approach though, I didn't consider mine or theirs as correct or wrong). Thus, to sum up, this made me feel that I might have lost my position and reputation within the team as well as undermined my self-esteem and confidence to be always the first one to speak one's mind about EVON operations.

Response: The first day of the simulation following the simulation clinics marked a noticeable shift in my engagement level. Previously, I had been a vocal and assertive participant, confidently presenting my views and guiding the team's decisions. However, the feedback from the simulation clinics had a significant impact on my self-esteem and confidence thus I did not argue decisions with which I didn't agree with or I was much less tenacious in defending decisions I considered correct if other people disagreed with them –I was rather focused only on my role. This change in my behaviour also influenced how I interacted with my colleagues - I became more deferential, prioritizing consensus over advocating for what I believed to be the best course of action. According to the literature, it was a normal response after receiving negative feedback (Bryan et al. 2023, 563).

My attitude changed again after the peer assessment which helped me to return to my previous confidence level – it was a sort of reassurance that my teammates considered me as a valuable member of the team. Because of that I became again active team member, deeply involved in the decision making for every department. However, I changed the way I was reasoning my points of view – as after the simulation clinics we unanimously agreed that what we were concerned about is Economic Value Added, I started to make recommendations which included an analysis of the decision on the score. Actually, it was a very good practice for me as my arguments were better built up and included an analysis of more factors.

Analysis: Initially, I considered that situation very negatively for me personally and for my position within the team. Firstly, I felt bad about it because as a CFO I felt responsible for EVON and I thought it could undermine my position within the group and that my team might

consider me to be the reason for the bad score of the Company. However, currently I reckon that there was a misunderstanding on my side about how we want to run the company, what should be the main point of concentration and what we want to achieve as a team and as EVON - yet my concerns about running EVON were overall valid. Now I can say, that it was very good that we had the simulation clinics because it also defined what we wanted to focus as a team. I was, though, afraid that I wouldn't have been able anymore to propose critical ideas regarding EVON management, especially if they had been in contrary to recommendations we heard during the clinic sessions - it wasn't the case though. In addition, the simulation clinic helped me understand that as a team we were mostly concerned about Economic Value Added metric, which was vitally important for the further way I was arguing my points of view.

After that situation, I was also sort of concern about my peer assessment, which took place after the simulation clinics. However, I was positively surprised with the results – I was still assessed higher than I assessed myself, in each category obtaining more than 4 out of 5, especially in the category "having relevant knowledge, skills and abilities" and "contributing to the team". That peer assessment enabled me to regain my self-esteem and confidence in my knowledge, what I think was relevant for the later performance during the simulation. This relationship, i.e., that peer opinions and self-assessment influence each other is scientifically proven, so that was normal that after being well assessed, I felt better (Concina 2022, 51).

Reflection and learning: When I think about it now, I consider that being concerned about my peer evaluation was justified. According to the literature, if the team is dominated by a particular individual (in this context, me), it may lead to deficiencies in decision making processes (West 2012, 127). However, even though I was the biggest proponent of some of the ideas, I think I never forced anybody to make any decision, but I tried to explain my rationale in such a way that other members were also thinking in a similar way – thus, nobody took it as a trial to dominate the team but rather as an information sharing. In addition, I think that

everybody in our team was a team player and supportive, element necessary for proper teamwork (West 2012, 119). These two factors, along with the fact that we were never blaming anybody for anything, I think were the main reasons why that situation didn't impact my peer assessment. However, I reckon that in our team we were not prone to be negative about other people ideas. If we had been, maybe then some of the ideas I was recommending wouldn't have been implemented, in consequence leading to better results (Ginka and Barsoux 2016, 82).

Described situation showed me how my self-esteem and motivation can change after receiving some sort of feedback about my ideas or decisions, in both negative and positive way, even if it is not feedback directed towards me, but rather my self-interpretation of the situation. This is also confirmed in the literature, that negative feedback can decrease intrinsic motivation (Fong et al. 2019, 156). I also understood how important it is to not get negatively impacted in such a situation. According to the literature, one of the best ways to handle such situations is to take a few minutes to see the bigger picture of the whole situation in order to better understand it (Tasha 2018, 2). Moreover, it is apparently normal to stay in isolation as negative feedback is un uncomfortable thing (Gino 2022) – however, it is much better to stay open and consider it as a potential reset with other team members (Tasha 2018, 5).

To sum up, I consider this incident as valuable experience. While making decisions, it is necessary to be ready to face their consequences. It is also essential to provide insights about decisions taken – even if initially other team members do not agree with a specific point of view, it is necessary to thoroughly explain own interpretation of the situation. As a result, if they understand the rationale and broader perspective, they will be less likely to blame and undermine that decision (Carucci 2024).

2.3. Second critical incident

Description of the situation: During the simulation, EVON took part in two important role plays – the sales pitch and the client retention meeting. Both were essential for EVON's overall performance. Securing a new client through the sales pitch, which occurred at the beginning of the simulation, provided an opportunity for a significant cash injection for EVON. On the other hand, the client retention meeting, held at a later stage, was crucial for maintaining a high EVA and minimizing the risk of liquidity problems, especially as EVON was underperforming at that point of the simulation.

According to the rules, each team member was required to participate in one pitch. For the sales pitch, EVON was represented by three directors. Since I was not among them, my role focused on supporting the preparation process. I assisted with creating the sales presentation, analysing the client, and helping the directors prepare by conducting mock pitches. From the directors' description, the pitch was challenging, with many unexpected questions from the client. Nevertheless, EVON secured the client, which I believe was largely due to the directors' skills demonstrated during the meeting.

Due to the rules, I had to participate in the second meeting. I wasn’t pleased about that. While I believe in my competence and my team's peer evaluations supported that, I don't feel confident in formal speaking. These situations stress me out and make me feel uncomfortable.

Crucial point: EVON was supposed to meet with the client in the afternoon, but we decided to gather earlier to discuss strategy and anticipate how the meeting might unfold. We simulated various scenarios, prepared responses to potential questions, and considered reasons why the client might consider terminating contract with EVON. This exercise helped to calm my nerves as I received positive feedback from my teammates made me feel well-prepared for the meeting as well as built confidence in our strategy - we aimed to remain professional, ask as many questions as necessary to fully understand the client’s situation, and be ready to

propose feasible solutions that would satisfy both parties. During the preparation, I began to feel that I was emerging as the main point of contact for the meeting. While this gave me a positive boost of adrenaline and motivation, it also made me feel responsible for the outcome of the meeting.

After the meeting with the client, I felt that we performed well. We began with handshakes, asked permission to sit, and engaged in what I believed was a constructive conversation by asking numerous questions. EVON was represented by four directors without a single, clearly defined leader, allowing everyone to contribute. Although the client mentioned close to the end that we hadn't addressed all their concerns, I believed we had managed to cover these in the final moments of the discussion. Despite my positive impression, however, my teammates were more pessimistic. The next day, we found out that we had lost half of the client's account, resulting in a $384m loss in gross profit for the year—around 5% of the previous year's total gross profit. While this amount might not seem significant, it was impactful given EVON's efforts to enhance profitability. The feedback we received highlighted our professional body language, good open-ended questions, and customer focus, but also pointed out the lack clear call to action and our failure to fully address the client's concerns, which led to the partial loss of the account.

Response: After we found out about losing half of the client's account, there was visible disappointment within our team, particularly among the directors who had participated in the first, successful pitch. However, no one blamed anyone for the outcome. Personally, I felt a sense of disappointment, as this loss added to EVON's financial challenges. Despite this, I didn't feel as insecure as I did after the first incident. This was likely because the loss was a result of teamwork, and I didn't feel solely responsible - – however, my confidence still decreased. While I could theoretically blame myself for not stepping up as the lead during the meeting, I was not convinced that taking the lead would have necessarily produced a better outcome.

The sense of disappointment within the team lasted for one year of the simulation. Although this feeling persisted for a while, I don't think it significantly affected our work. This was likely because the client's decision to leave had already been made, leaving us with no opportunity to reverse it. Our only option was to focus on leading EVON as effectively as possible until the end of the simulation, ensuring that the loss of the account would be compensated as much as possible through EVON's ongoing operations.

Analysis: Client retention pitch was another situation that led to a decrease in my self-esteem and confidence, which is a common feeling after an unfavourable outcome (Baumeister et al. 2003, 14). Similarly to the first incident, as CFO I felt responsible for EVON and for that meeting, so losing half of the client's account, despite it not being a significant amount of money, had a negative impact on me. I also felt disheartened because the sales pitch had gone well and we had successfully won the client - so the three directors involved had done their part to help EVON, and I wanted to contribute positively as well. Nevertheless, I believe that within EVON, we managed to cultivate a strong sense of mutual accountability, which is crucial for effective teamwork (Katzenbach and Smith 1993, 116). Since we were all working toward the same goal, we built trust within the team, and no one blamed anyone else. Thus, the sense of disappointment I felt was likely just my own internal perception.

In addition, negative feedback from the client retention meeting meant that I wrongly assessed the potential outcome. I had a good feelings about the discussion we had with the client – another reason I felt bad in terms of confidence. Also I regretted not asking my team if I could lead the meeting, as I felt confident and well-prepared after our mock sessions. With four of us present, everyone wanted to contribute, which I think was not the most optimal approach. On the other hand, I didn't want to be solely responsible for potentially losing the client's account, and that fear likely outweighed the potential satisfaction of successfully saving it.

Reflection and learning: That experience was important for me because, it was another opportunity for me to overcome the fear of active participation in important meetings. I think it was an example showing that confidence comes with preparation – thus, even though it is difficult to fully calm down before such a meeting, I learnt that one of the ways to stress less is proper preparation in advance (Aspinwall and Taylor 1997, 418). For me, preparing with others and receiving positive feedback was effective and provided a valuable boost of adrenaline. Yet, that experience also showed me that even extensive preparation may not be sufficient, as it's challenging to anticipate every possible issue without complete information. In such cases, it can be more effective to follow a general framework and to pause before answering questions, taking time to consider the response and its potential consequences thoroughly.

Reflecting on the experience, I regret not taking the lead during the meeting. While the idea of being the most responsible person was intimidating, it was valuable growth opportunity. Although losing the client's account was disappointing, from a personal perspective, leading the meeting would have been a great way to practice and receive feedback. Moreover, since it was just the simulation, the consequences, although significant during the workshops, ultimately were not as impactful.

Finally, I think it was a good example of why it is recommended not to overthink failures. We lost the account, but after finding out, we could not do anything about it – the decision had been made. As indicated in the literature, the most appropriate response was to analyse what went wrong, treat it as a lessons learnt and then concentrate on the remaining operations (Edmondson 2011, 53). There is no reason to overthink situations that have occurred and cannot be changed. It is far more productive to acknowledge the failure, understand what happened, determine what steps are needed to avoid similar issues in the future and find ways to mitigate the impact of negative outcomes through other actions (Cannon and Edmondson 2005, 308).

2.4. Conclusion

Both critical incidents provided valuable lessons. The first one taught me that as a leader, coping with the responsibility for failures is inevitable. This can lead to temporary isolation, decrease in self-esteem, and lower motivation. However, peer assessment confirmed that my thoughts about being incompetent were unfounded. The second incident was an important lesson for me in terms of dealing with stress and unfavourable situations. I learnt that thorough preparation can significantly reduce, though not completely eliminate, stress. Moreover, honest support from other team members can boost motivation and further reduce stress before important meetings or events. This experience also emphasized the need to analyse unfavourable outcomes to prevent recurrence and mitigate their impact through improved future actions. In summary, a key feature of EVON was the supportive team atmosphere we created, which fostered participation and idea-sharing (West 2012, 157).

Overall, participating in the simulation was a very beneficial experience for me. It was a great way to learn not only hard but also soft skills. I particularly appreciated the opportunity to discuss next steps and defend my ideas. My team rated me very highly in terms of contributing to the team and keeping the team on track, which I agree with, as I tried to participate in every business decision we made and substantiate my points of view. Similarly, I was rated higher than I rated myself in the categories of expected quality and having relevant knowledge, skills, and abilities. However, in the category of interacting with teammates, I was rated lower than I rated myself. I gave myself a score of 5, believing I was very friendly and polite to everyone in my team. Yet, now I think that I could have expressed my thoughts and ideas more clearly and been more open to others' proposals.

To sum up, I consider Business in Practise as a great three weeks not only of applied hard skills learning, but also as very good personal experience and opportunity to work in the team. I am convinced that I will be able to adapt many of lessons I learnt in my future personal life and professional career.

References

Alim, Arjun N., and Mari Novik. 2024. *Stellantis to shift some Chinese EV production to Europe".* Financial Times. June 13, 2024. Stellantis to shift some Chinese EV production to Europe

Altman, Edward I. 1968. "*Financial Ratios, Discriminant Analysis and the Prediction of Corporate Bankruptcy.*" *The Journal of Finance* 23 (4): 589–609. https://doi.org/10.2307/2978933.

Argote, Linda, and Dennis Epple. 1990. "*Learning Curves in Manufacturing.*" *Science* 247 (4945): 920–24. http://www.jstor.org/stable/2873885.

Aspinwall, Lisa G., and Shelley E. Taylor. 1997. "*A Stitch in Time: Self-Regulation and Proactive Coping.*" *Psychological Bulletin* 121 (3): 417–36. https://doi.org/10.1037//0033-2909.121.3.417.

Audi MediaCenter. *Audi is formulating its intention to restructure the Brussels site.* July 9, 2024, https://www.audi-mediacenter.com/en/press-releases/audi-is-formulating-its-intention-to-restructure-the-brussels-site-16097

Baumeister, Roy F., Jennifer D. Campbell, Joachim I. Krueger, and Kathleen D. Vohs. 2003. "*Does High Self-Esteem Cause Better Performance, Interpersonal Success, Happiness, or Healthier Lifestyles?*" *Psychological Science in the Public Interest* 4 (1): 1–44. https://research.ebsco.com/linkprocessor/plink?id=40096dd8-f1df-33db-9f47-ba42c2dbbd76.

Berk, Jonathan B., and Peter M. DeMarzo. 2019. *Corporate finance*. 4th ed. Harlow: Pearson

Boyd, Harper W., Orville C. Walker, and Jean-Claude Larréché. 1995. *Marketing management: A strategic approach with a global orientation.* 2nd ed. Chicago: Irwin/McGraw-Hill

Bryan, B T, G Andrews, K N Thompson, P Qualter, T Matthews, and L Arseneault. 2023. "*Loneliness in the Workplace: A Mixed-Method Systematic Review and Meta-Analysis*." *Occupational Medicine* 73 (9): 557–67. https://doi.org/10.1093/occmed/kqad138.

Cannon, Mark D., and Amy C. Edmondson. 2005. "*Failing to Learn and Learning to Fail (Intelligently): How Great Organizations Put Failure to Work to Innovate and Improve.*" *Long Range Planning* 38 (3): 299–319. https://doi.org/10.1016/j.lrp.2005.04.005.

Carucci, Ron. "*How to Talk to Your Team About a Decision You Disagree With*." *Harvard Business Review*. February 2024. https://hbr.org/2024/02/how-to-talk-to-your-team-about-a-decision-you-disagree-with.

Chopra, Sunil, and Peter Meindl. 2016. *Supply Chain Management: Strategy, planning, and Operation*. 6th ed. Boston: Pearson

Concina, Eleonora. 2022. "*The Relationship between Self- and Peer Assessment in Higher Education: A Systematic Review.*" *Trends in Higher Education* 1 (1): 41–55. https://doi.org/10.3390/higheredu1010004.

Damodaran, Aswath. 2024. "*Debt to capital & debt to equity ratios, with key drivers".* January 5, 2024. dbtfundGlobal.xls (live.com)

Edmondson, Amy C. 2011. "*Strategies For Learning From Failure." Harvard Business Review* 89, (4): 48–55. https://search.ebscohost.com/login.aspx?direct=true&AuthType=sso&db=bth&AN=59477883&site=ehost-live&scope=site.

Eurich, Tasha. 2018. "*The Right Way to Respond to Negative Feedback." Harvard Business Review Digital Articles* (5): 2–6. https://research.ebsco.com/linkprocessor/plink?id=bace590a-b7cd-3fdd-9267-6ddb74f0c380.

Farri, Elisa, Paolo Cervini, and Gabriele Rosani. 2022. "*How Sustainability Efforts Fall Apart*." *Harvard Business Review Digital Articles*, (9): 1–10. https://research.ebsco.com/linkprocessor/plink?id=24dce862-9fd1-35ed-ab70-9c2dc8c83535.

Fong, Carlton J., Erika A. Patall, Ariana C. Vasquez, and Sandra Stautberg. 2019. "*A Meta-Analysis of Negative Feedback on Intrinsic Motivation*." *Educational Psychology Review* 31 (1): 121–62. https://research.ebsco.com/linkprocessor/plink?id=2d7d22df-9a7c-3256-8f93-974e4e07c81d.

Gino, Francesca. 2022. "*Research: We Drop People Who Give Us Critical Feedback." Harvard Business School Cases* (3):1–909.

https://research.ebsco.com/linkprocessor/plink?id=f17787e7-3d5f-325a-abf5-ba7092fce7ab.

International Energy Agency (IEA). 2023. Global EV Outlook 2023. Paris: IEA. https://www.iea.org/reports/global-ev-outlook-2023.

Katzenbach, Jon R., and Douglas K. Smith. 1993. "*The Discipline of Teams." Harvard Business Review* 71 (2): 111–20. https://research.ebsco.com/linkprocessor/plink?id=d4121de3-2538-3d31-9ab5-a685577ce827.

Koller, Tim, Marc H. Goedhart, and David Wessels. 2010. *Valuation: Measuring and managing the value of companies*. 5th ed. Hoboken, N.J.: John Wiley & Sons,

Kotter, John P. 2007. "*Leading Change: Why Transformation Efforts Fail." Harvard Business Review* 85 (1): 96–103. https://research.ebsco.com/linkprocessor/plink?id=3772d45f-7734-36e3-82bd-f92c9c283504.

MacroTrends. 2024. *"Automotive Current Ratio 2010-2024 | GPI".* Accessed July 10, 2024. Group 1 Automotive Quick Ratio 2010-2024 | GPI | MacroTrends

Mercedes Benz Group. 2024. *Green Finance – Using sustainable financial instruments.* Green Finance at Mercedes-Benz | Mercedes-Benz Group > Investors > Refinancing > Green Finance

Mutua, Caleb. 2023. "*Green Bond Sales From Automakers Could Double In Global EV Push."* Bloomberg. January 24, 2023. Green Bond Sales From Automakers Could Double In Global EV Push - Bloomberg

Mcgee, John. 2005. "*Economies of Scale." Blackwell Encyclopedic Dictionary of Strategic Management* (1): 1–113. https://research.ebsco.com/linkprocessor/plink?id=82b564fa-3d2d-329e-aab8-7adf2106324f.

McKinsey Center for Future Mobility. 2021. *Why the Automotive Future Is Electric*. New York: McKinsey&Company. https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/why-the-automotive-future-is-electric.

Myers, Stewart C. 1984. "*The Capital Structure Puzzle." The Journal of Finance* 39 (3): 575–92. https://doi.org/10.2307/2327916.

Porter, Michael E. 1980. "*Industry Structure and Competitive Strategy: Keys to Profitability." Financial Analysts Journal* 36 (4): 30–41. https://research.ebsco.com/linkprocessor/plink?id=d74e3eaf-393f-3060-9bb6-7617543999db.

Porter, Michael E. 2008. "*The Five Competitive Forces That Shape Strategy." Harvard Business Review* 86 (1): 78–93. https://research.ebsco.com/linkprocessor/plink?id=3a107300-41a0-3b9d-8e84-c439b7859ca4.

Ross, Stephen A., Randolph W Westerfield, and Jeffrey Jaffe. 1996. *Corporate Finance*. 4th ed. Chicago: Irwin

Schroeder, Roger G. 1993. *Operations Management. Decision Making in the Operations Functions*. 4th ed. New York: McGraw-Hill

Slack, Nigel, Alistair Brandon-Jones, and Robert Johnston. 2010. *Operations management*. 6th ed. Harlow: Financial Times Prentice Hall

Stevenson, William J. 2018. *Operations management*. 13th ed. New York, NY: McGraw-Hill Education

The Boston Consulting Group. 2009. *Winning in a downturn. Managing Working Capital*. Boston: The Boston Consulting Group https://www.empresas.hsbc.com.mx/-/media/media/mexico/pdfs/2009-08-bcg---managing-working-capital-201.pdf

Titman, Sheridan, and Roberto Wessels. 1988. "*The Determinants of Capital Structure Choice." The Journal of Finance* 43 (1): 1–19. https://doi.org/10.2307/2328319.

Toegel, Ginka, and Jean-Louis Barsoux. 2016. "*How to Pre-empt Team Conflict." Harvard Business Review* 94 (6): 78–83. https://research.ebsco.com/linkprocessor/plink?id=5375390d-4906-3507-ad23-0ae82e792b26.

West, Michael A. 2012. *Effective teamwork practical lessons from Organizational Research*. 3rd ed. Newark: John Wiley & Sons, Incorporated,.

Volkswagen Newsroom. 2024. *E-mobility*. https://www.volkswagen-newsroom.com/en/e-mobility-3921

World Economic Forum. 2024. *Electric Vehicles and the Energy Transition: How Demand for EVs is Shaping the Future of Energy*. Geneva: World Economic Forum. https://www.weforum.org/agenda/2024/04/electric-vehicle-evs-energy-transition-demand/

Appendix

Figure 1: SWOT Analysis of EVON

Figure 2: EVON – Porter Five Forces

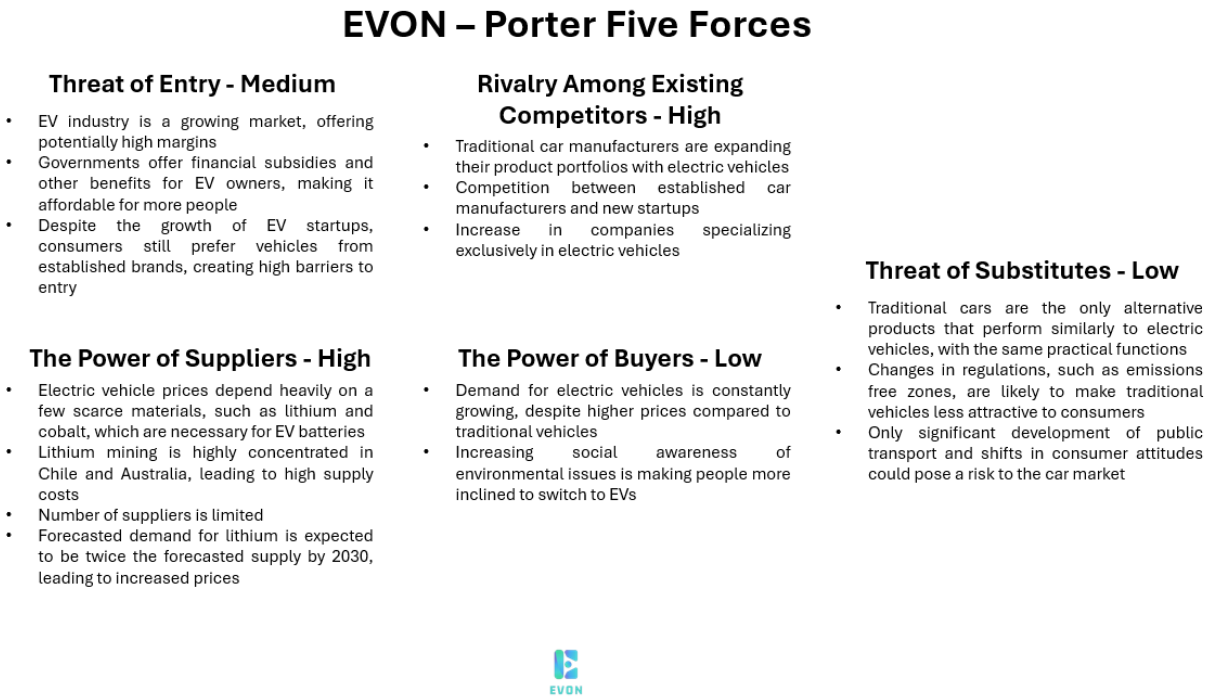
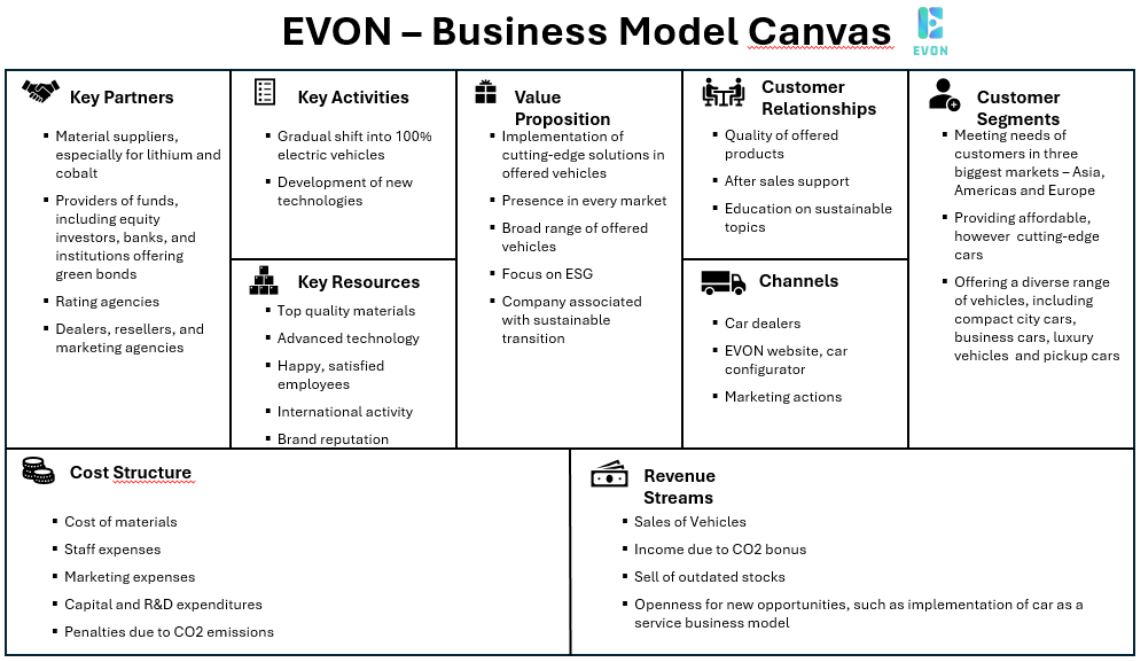


Figure 3: EVON – Business Model Canvas



To revolutionize the automotive industry by creating sustainable, innovative, and accessible electric vehicles and to *deliver features universally desired by customers across the US, Europe, and Asia at a competitive price point, within a selection of car types*

Figure 4: Sustainability Rating, (%)

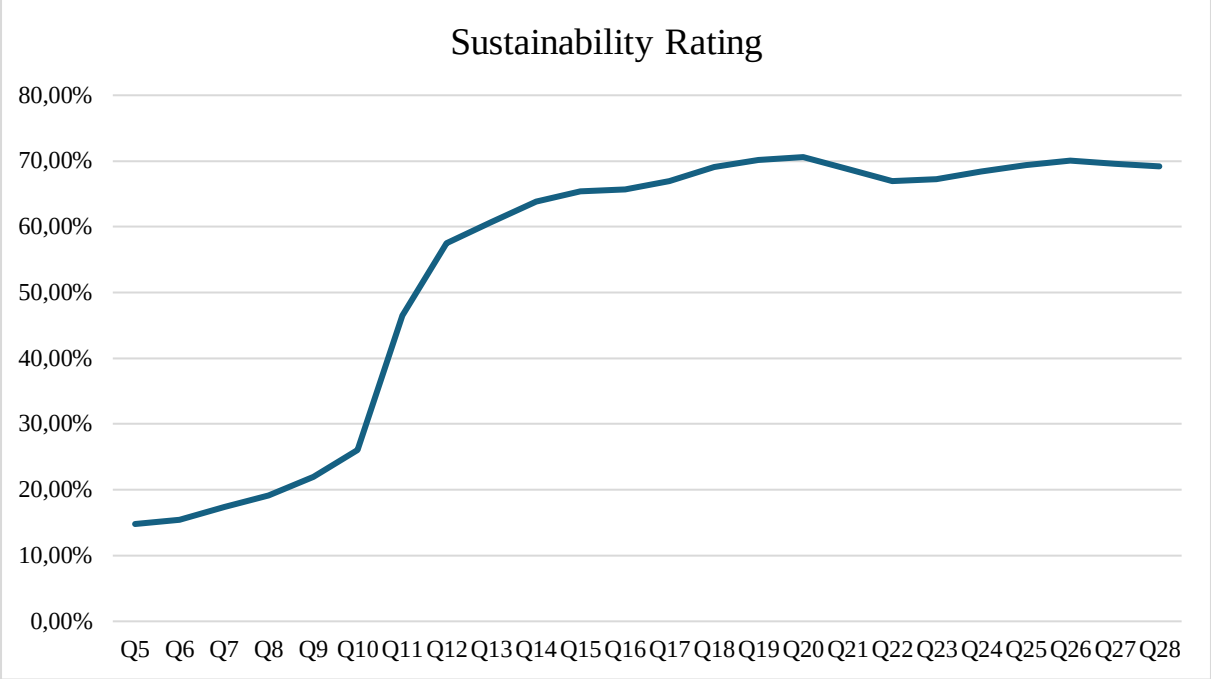


Figure 5: Economic Value Added, mUSD

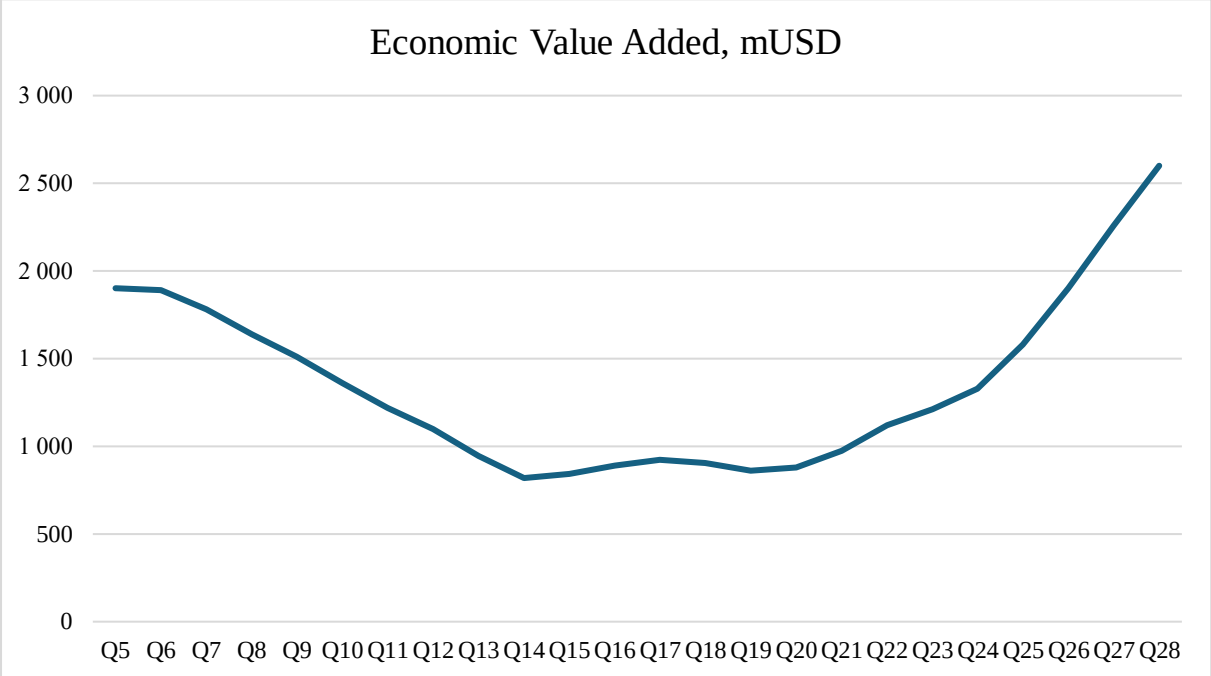


Figure 6: Debt ratio, (%)

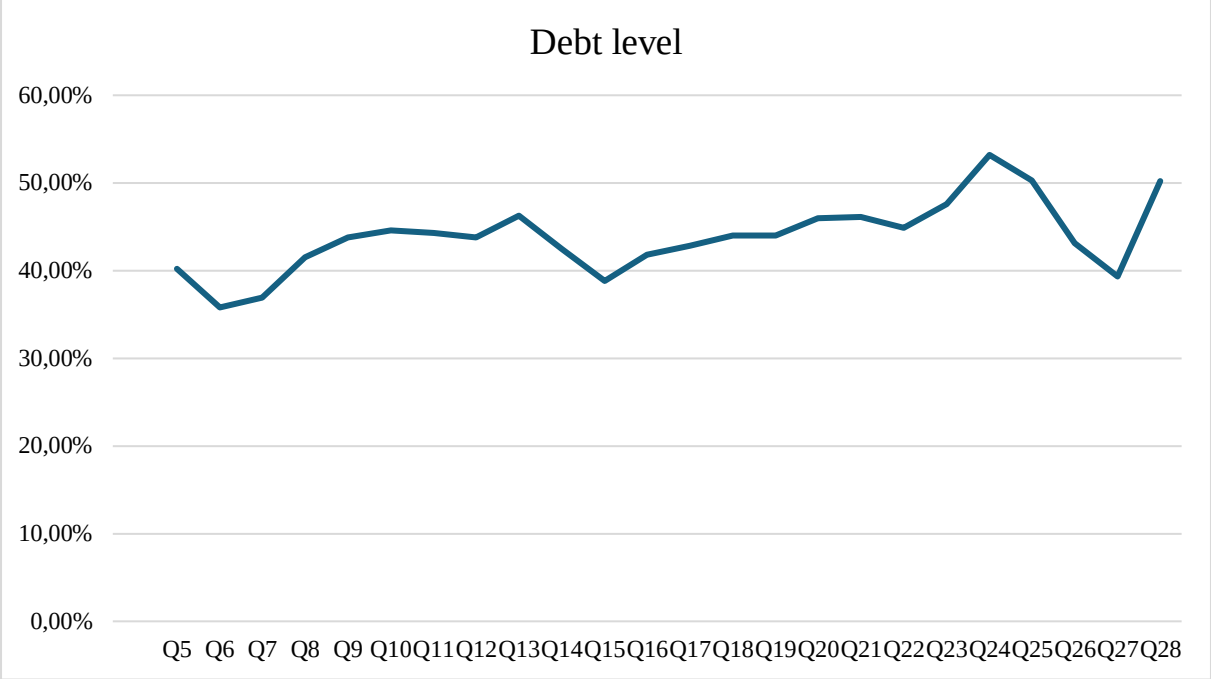


Figure 7: Z-Score

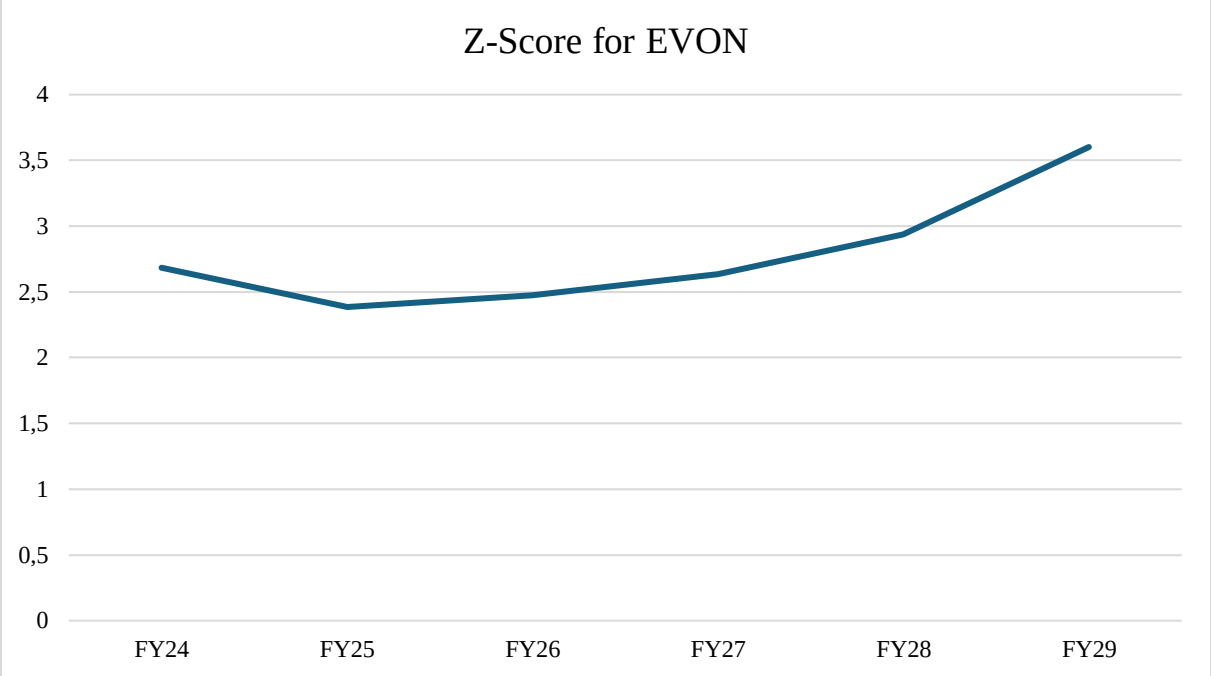


Figure 8: Net Debt, ND/EBITDA, Interest Coverage

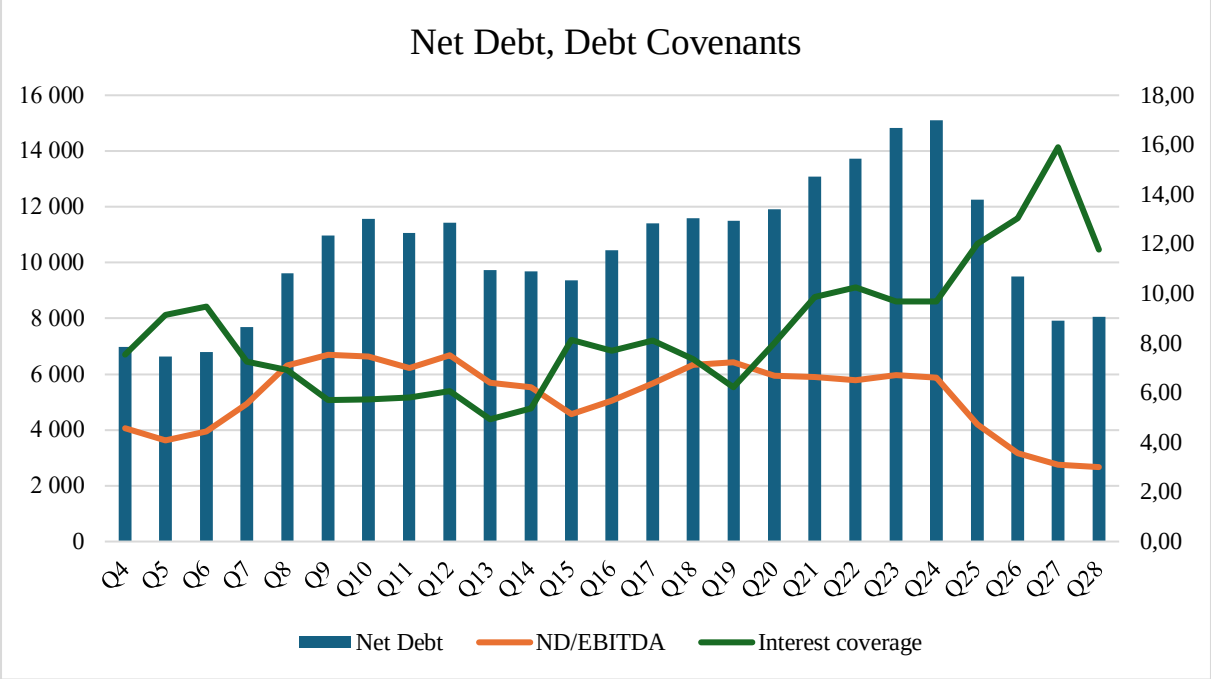


Figure 9 : WACC

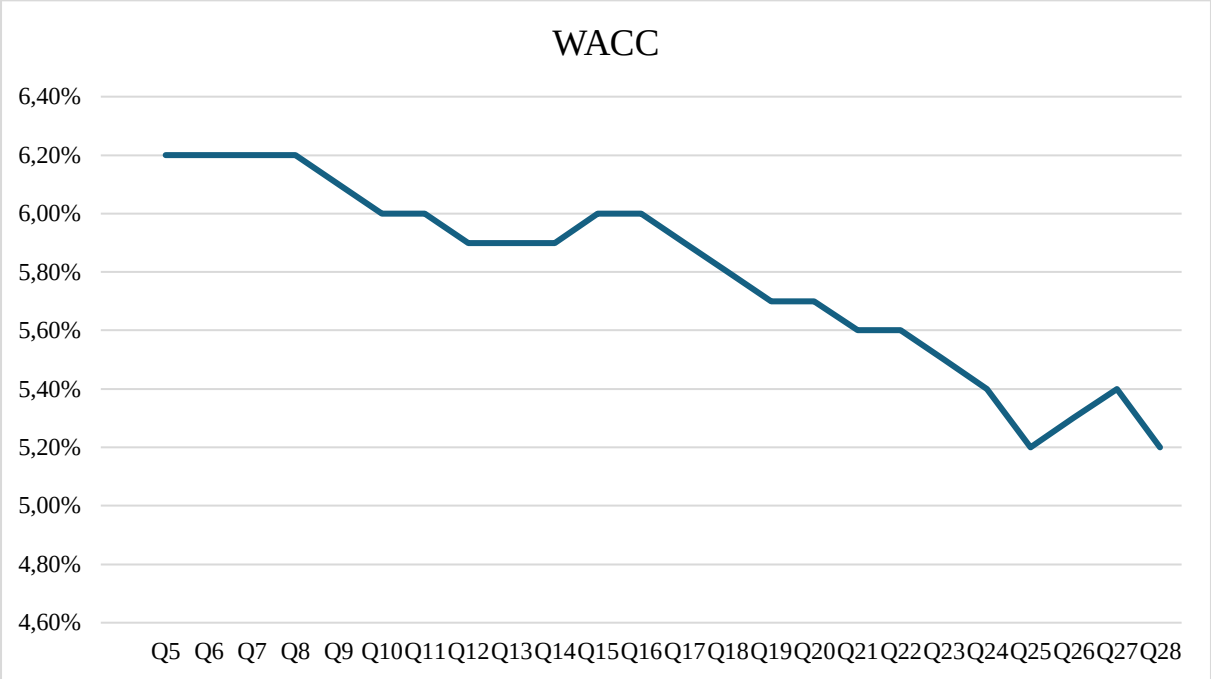


Figure 10: Cash Conversion Cycle

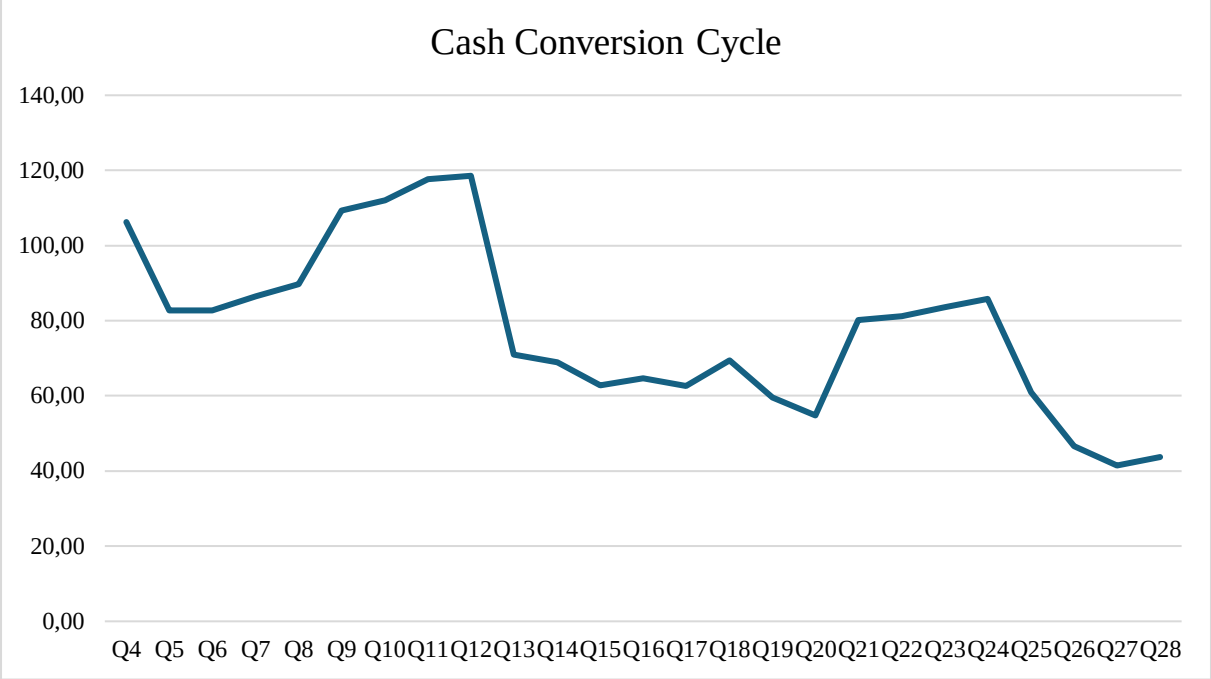


Figure 11: Liquidity Ratios

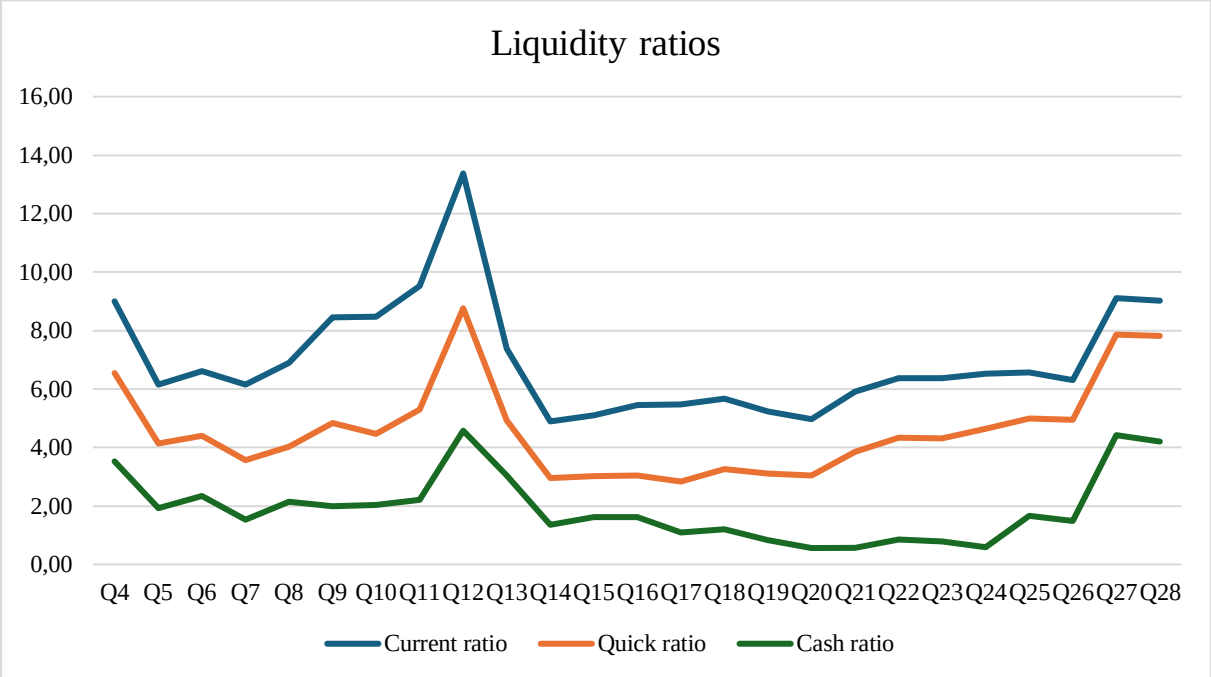


Figure 12: Factory Utilization and Gross Margin, %

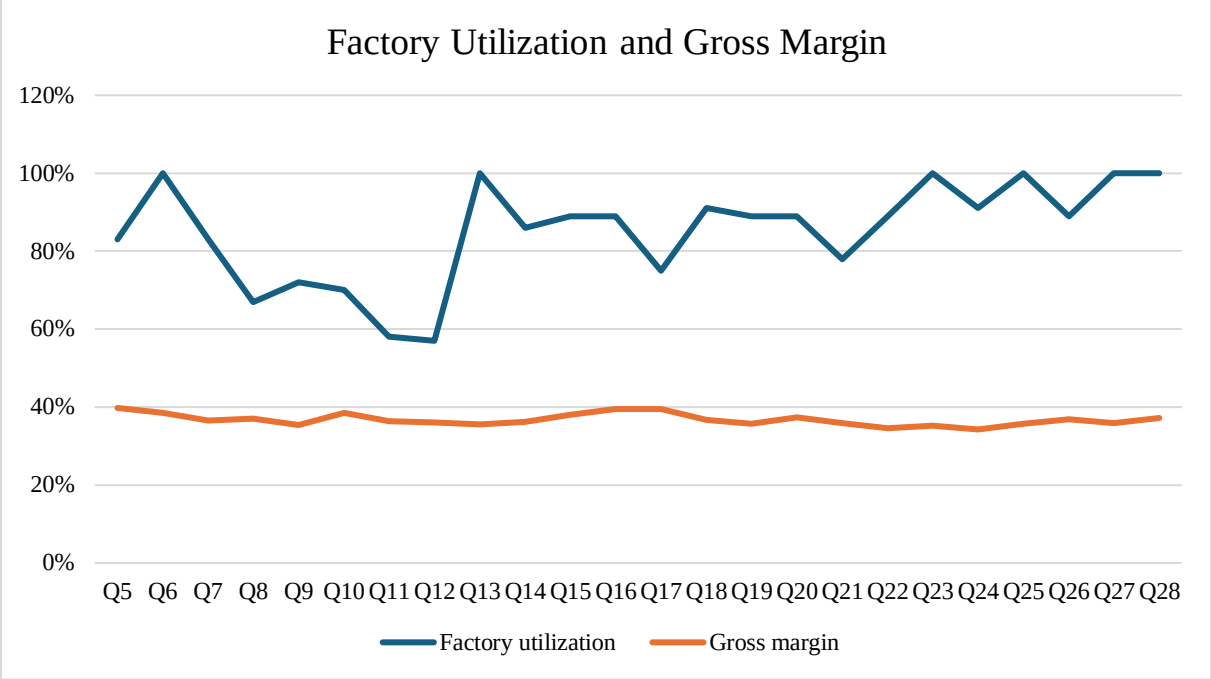


Figure 13: Average production output, units

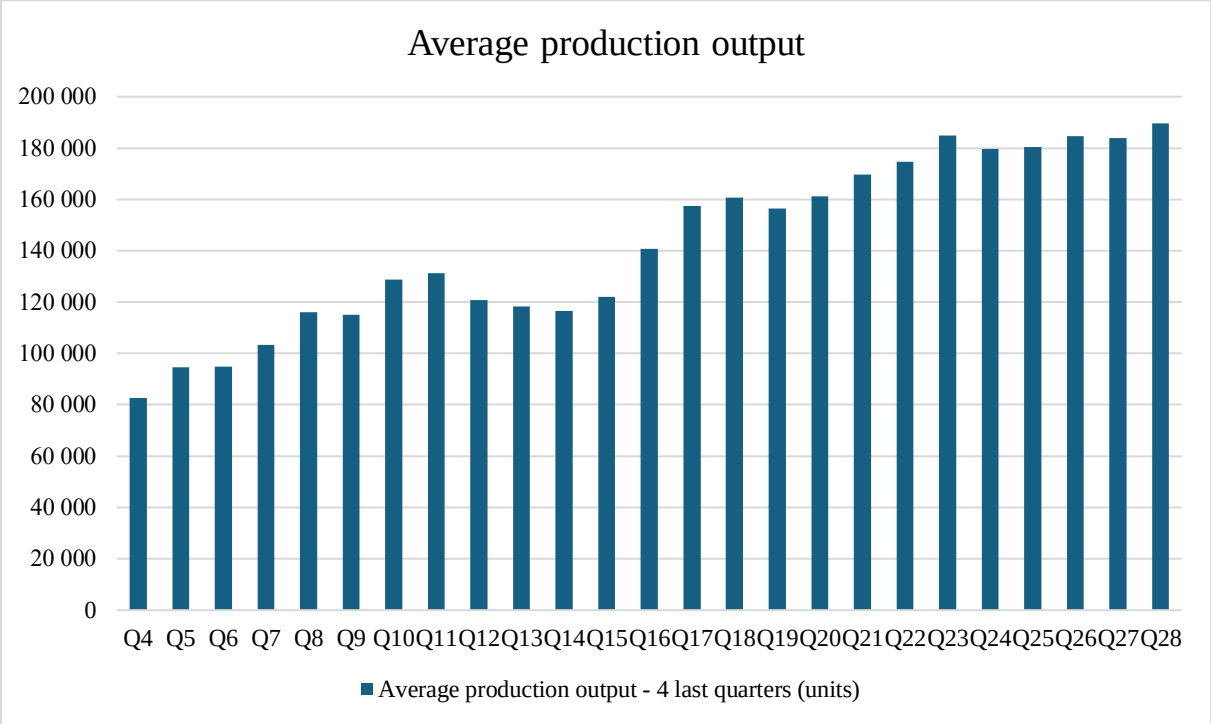


Figure 14: Material Costs and Staff Expenses as % of revenue

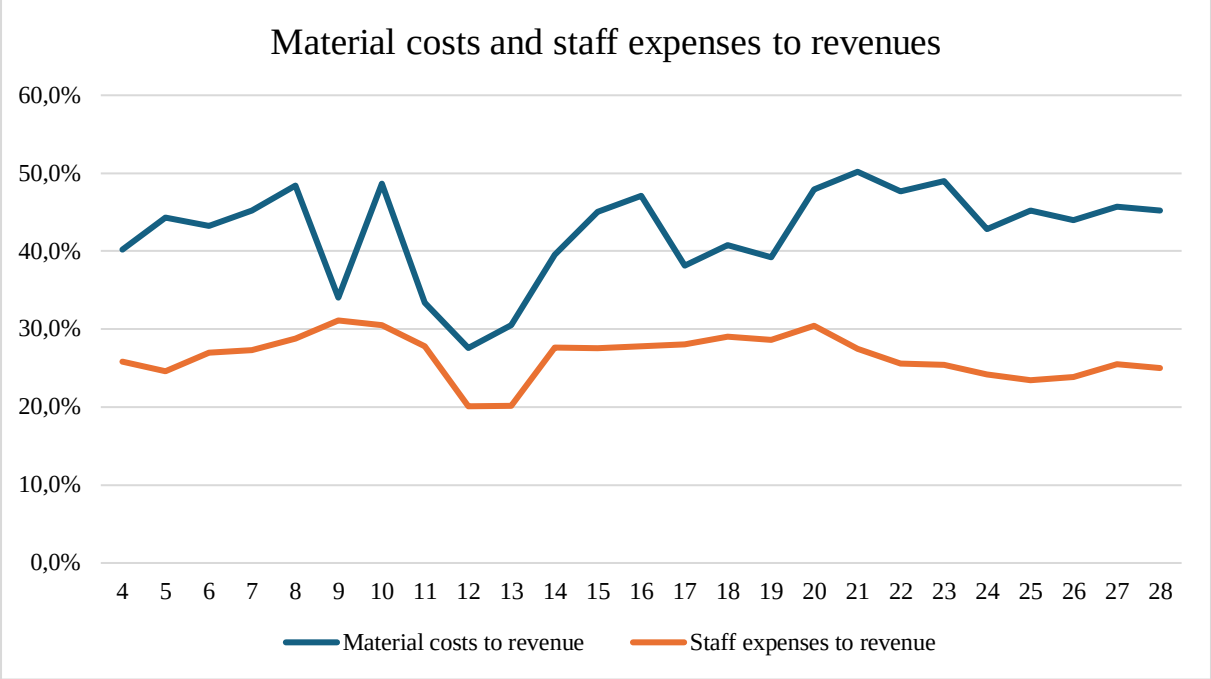


Figure 15: Number of models produced and gross margin

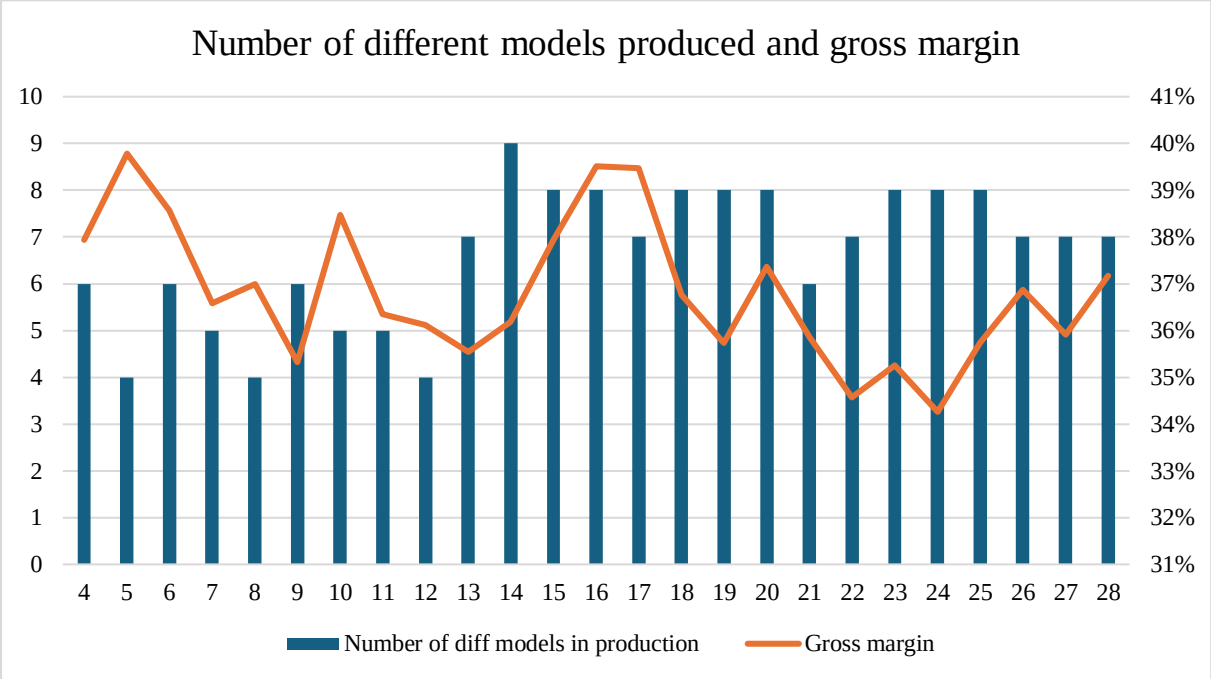


Figure 16: Factory utilization and average days of inventory for selected models

Model	Average Factory Utilization	Average Days of Inventory
EVON Micro	96%	62,5
EVON Micro V2	92%	80,25
EVON Biz	96%	53,25
EVON Biz V2	100%	55,625

Figure 17: Days of Inventory and Inventory as % of Revenue

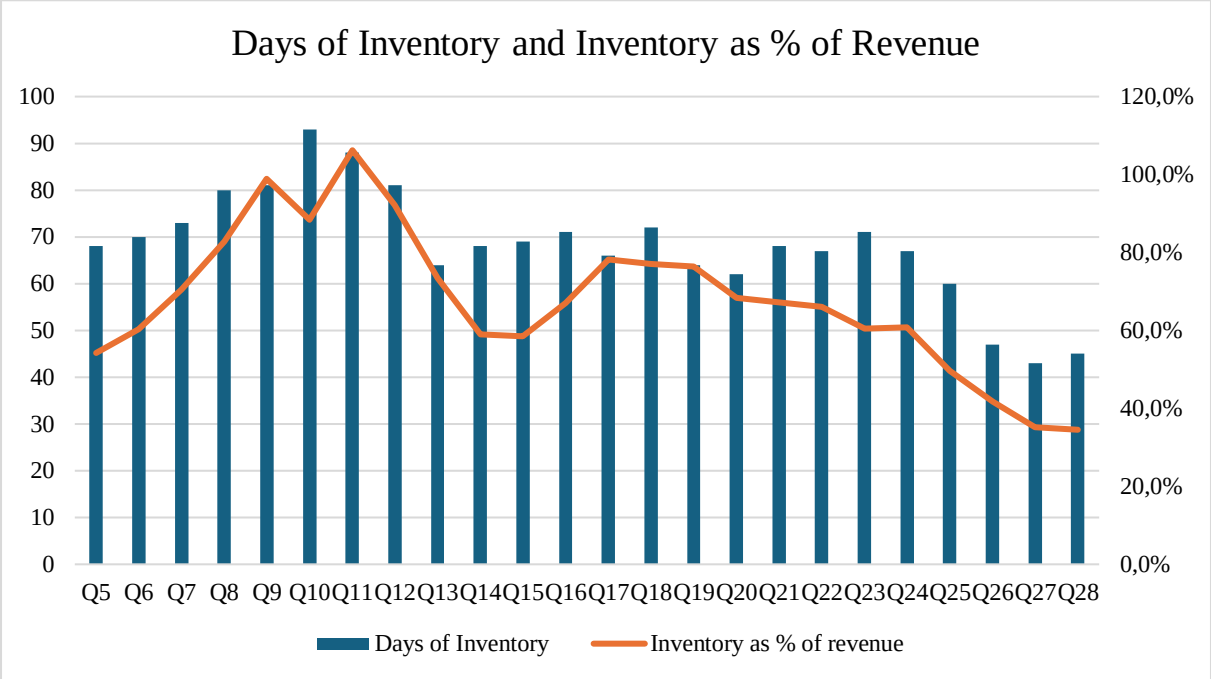


Figure 18: Team Charter

Business in Practice I Team Charter I EVON Team 12 I Updated Version

1. Communication

- We want to share ideas, feedback, and concerns respectfully.
- We want to give full attention to the speaker and provide constructive feedback.
- We aim to keep everyone informed about progress and challenges.

2. Respect and Inclusivity

- We strive to treat all team members with respect, regardless of their role or background.
- We aim to make every team member feel valued and heard.
- We want to celebrate diversity and leverage different perspectives for better solutions.

3. Collaboration

- We prioritize collective goals over individual achievements.
- We use Microsoft Teams to enhance teamwork and productivity.
- We aim to understand different viewpoints and find mutually beneficial solutions promptly.

4. Decision Making

- Our primary method of decision making is collective. All directors collaborate and reach a consensus on the proposal depending on the impact and urgency of decision. This involves:
    - Open discussions
    - Collaborative problem-solving
    - Mutual agreement on final decisions
- In scenarios where time is limited or consensus cannot be reached, a democratic voting process is employed. Each team member votes on the proposal or specific issues within the proposal. The majority vote determines the final decision. We trust all team members to make the best decisions for the team.
- In our team, the decision-making process starts with the Marketing department proposing demand forecasts, pricing, and budgets. Then, the Operations department assesses these proposals and recommends production strategies and locations. Following this, the HR department aligns workforce plans based on operational needs. The Innovation department adds ideas for new products and investments to keep the company competitive. Finally, the Finance department ensures the plans are financially viable, confirming budget availability. This structured approach allows every department to contribute, ensuring well-rounded and effective decisions.

5. Time Management

- We want to respect others' time by being punctual for meetings and deadlines, and by being prepared and concise.

1

- We aim to prioritize tasks based on their importance and deadlines.
- We want to keep meetings focused and efficient, setting clear agendas and sticking to the allocated time.

6. Quality of Work

- We strive for excellence in all tasks and deliverables.

7. Professional Development

- We do not judge others.
- We aim to share expertise and experiences, providing guidance to less experienced team members.

8. Adaptability

- We aim to adapt to changing circumstances and new information.
- We want to be open to new ideas and approaches.
- We strive to handle setbacks and challenges positively and constructively.

9. Ethics and Integrity

- We want to uphold honesty and integrity in all activities.
- We aim to protect the confidentiality of sensitive information and discussions.
- We strive to maintain a high level of professionalism in all interactions and work.

10. Documentation

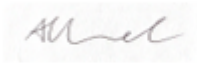
- At the end of every day, we take time to reflect and journal about what happened in the day so that we have lots of information to write about for the thesis.
- For every decision we take we add the rational for it in the Excel File called "Decision".

11. Conflict management

- Any team member who identifies a conflict is encouraged to respectfully initiate a discussion with the involved party as soon as the issue arises.
- All discussions are guided by the principle of constructive feedback to maintain a collaborative environment.

Date: 21.6.2024

Signatures:



Ann-Cathrin Hummel

Carlotta Feliciani

Catarina Antunes

Krzysztof Pietrzak

Walid Jaza

Franz Anton Held