




GENERAL MANAGEMENT
BUSINESS GAME

University of Calabria
Master Degree in Computer Science
2018/2019

Team	Starks 
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Members	Alessandro Scarlato 193471
	Davide Amato 199670
	Giuseppe Muratore 193537
	Domenico Andrianò 170010
	Girolamo Luccisano 180067



Round 1 – Description of the general context and analysis of strategic decisions made compared to strategic behavior of competitors

In the first round we decided to heavily invest and try to give an initial boost to our business. We directed our investments mainly into our products and process innovation (to increase the quality) and in advertising (to promote it). For these reasons we launched our product with a medium-high price, and this will hopefully maximize our profit.

We decided to slightly unbalance the production, assigning 45% to smartphones and 55% to tablets. We think that our competitors may increase the production of smartphones. Following this thought and knowing that the market demand is equally divided, this will probably result in high competition for smartphones, consequently, there will be less demand for tablets. If this scenario occurs in future rounds, we will try to widen the production gap between the two products in order to become the leader in the tablet market.

We didn't invest a lot of money in human resources because we thought that we already had enough employees for the initial round. In the next rounds we will increase our investments in this sector if there are the right conditions to increment our production.

We started by demanding a long-term loan of \$1.000.000 to make a substantial investment in the product and in the process innovation. We obtained a long-term loan which we must repay in 4 instalments with 8% interest (\$80.000), so for each instalment we need to repay \$270.000 (inclusive of interest).

We decreased the payable accounts (outflow) so that payment to the vendors is faster (less interest), then we increased the receivable accounts (inflow) so that our firm receives payment from clients over a longer period but with less discount.

Our prediction for the end of this round (based on our decision) will be a low FCF (Free Cash Flow). But we expect that our plan will become profitable in the next round when we will then invert this strategy and consequently higher the FCF.

RESULTS

At the end of the first round we had no positive results concerning the investments made. As expected, the FCF at the end of this round was low but we are confident that in the next round we will substantially increase it and see the positive results from the investments. We also had a low product performance whilst the service performance was high. So, in the next round we will try to improve the product performance.



Round 2 - Description of the general context and analysis of strategic decisions made compared to strategic behaviour of competitors

In the second round we only had a few variables to customize. We directed our investments in promotion to increase the product performance and we also slightly rebalanced the production of the two products. Maintenance was increased to maximum value, additional temporary employees with high experience were hired to increase both the production (quantity) and the production process (quality). Continuing with our strategy, we increased the payment extension to suppliers and reduced the payment extensions to costumers in order to have a high free cash flow.

RESULTS

We saw that our investments produced positives results. The strategy we used for the FCF worked well and we obtained excellent performance. Having noticed that the product performance was low we concluded that we probably should have invested more in promotion.

Round 3 - Description of the general context and analysis of strategic decisions made compared to strategic behaviour of competitors

In the third round, thanks to the substantial budget achieved, we decided to make huge investments in many areas (promotion, advertising, human resources, innovation...) to further improve the product and especially the service performance, because in this year we know that costumers are more focused on the performance. We have also increased the product width and depth. These choices and the competitors' prices that we calculated, lead us to increase the price of the two products and this should increase the revenues and consequentially the EBITDA. As in the first round, we decided to decrease the payment extension to costumers and increase the payment extension from suppliers. Given the unexpected reduction of 10% in the overall demand, we decided to decrease the production of our products.

RESULTS

At the end of this round, as expected, the FCF was low but we are confident that in the next round we will substantially increase it and see the results of the investments. We were expecting more income and probably we should have fixed a higher price for our products.



Round 4 - Description of the general context and analysis of strategic decisions made compared to strategic behaviour of competitors

In the fourth round we couldn't customize many variables. We directed our investments in promotion, and we increased the maintenance to its maximum value. We have also increased the payment extension to suppliers and reduced to 0 the payment extensions to customers in order to have a high free cash flow. We also increased the product price nearly to the maximum value to maximize our profits and compete with the top firms.

RESULTS

At the end of this round we saw an improvement in product performance but an unexpected low value of the Service Performance. Despite having the best total net revenues among all firms, we have the lower EBITDA due to high production cost. So, for the next round our main aim is to decrease the production cost and increase the service performance without compromising our leadership in the product performance.

Round 5 - Description of the general context and analysis of strategic decisions made compared to strategic behaviour of competitors

In the fifth round, since the effect of the inconvenience no longer exists, we decided to slightly increase the total production. As we had already decided at the end of the fourth round, we decreased our production cost by lowering the quality of the raw materials from excellent to good and setting the raw material suppliers to two. This decision could result in a decrease of the product performance, but the advantage is that it could put us in the lead at the end of the game. We are still making important investments to maintain a high level in our performance, and we set the price of both products to the maximum value. Furthermore, we decided to continue to invest a lot in: training, bonus and career development, to keep the quality of the production process high, despite the high costs. We also increased the width and depth of the products to 5. The strategy for the FCF was repeated. Considering our choices, we expect to obtain a better EBITDA value thanks to the decreasing of costs.

RESULTS

At the end of this round, we obtained the best performance compared to all the previous rounds. We have a positive EBITDA, we are the best in Production Performance, and we improved Service Performance. We also noticed a high price performance despite the high price of our products.



Round 6 - Description of the general context and analysis of strategic decisions made compared to strategic behaviour of competitors

In our final round, we directed our investments in promotion to maintain or better increase our sales. Considering that the production cost for the tablets is higher than the smartphones and since the number of products sold is almost the same for both smartphone and tablets, we decided to set the production to 50% for both products. As always, we continue with our strategy for the FCF, increasing to thirty days the payment extension to suppliers and reducing to 0 the payment extensions to costumers.

RESULTS

In the final round the results of our choices are very impressive. Reaching the final round with the maximum price and very good performance took us to second place in the business game in terms of revenues. The gap between us and the leader is only 9.312 dollars. Lowering the production cost and the overall production made a significant difference and lead us to victory!

Looking at the Equity value we are just above the second team with a difference of only 468.637 dollars. We were the best group in terms of items unsold (701 for smartphones and 613 for tablets) and among the best group for sales volume. The strategy we applied to the free cash flow from the very first round until the last one, turned out to be extremely important for our success.

OVERALL EVALUATION OF STRATEGY IMPLEMENTED AND OBTAINED RESULTS

Our main strategy was to aim to a high-quality product. For this very reason we applied for the long-term loan, to make a significant investment from the beginning. We started with a low-price to try to obtain a bigger market share, however this strategy didn't take us to where we expected to go. Because of the high production costs, we all decided to progressively raise the price of the products to increase our profits. Our plan for the FCF changed depending on the round (even and odd). The tactic for the odd rounds was to decrease the payable accounts (outflow), giving fast payment to vendors with low interest, and to increase the receivable accounts (inflow) so that our firm received payment from clients over a longer period but with a lower discount. This will result in a low FCF for the odd rounds, but since the game finishes in an even round this is not so important. On the other hand, for the even rounds, the tactic was the inverse: increasing the payment extension from suppliers and reducing the payment extension to costumers in order to have a high cash flow.



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COMMENTS ABOUT THE BUSINESS GAMING EXPERIENCE

Our impressions of the business game are very positive. It was a captivating and challenging experience that simulates the dynamics of a firm in a good way. The competition with the other teams always keeps the interest high, encouraging you to do your best. We would strongly recommend this very enjoyable and educative experience, not only to students of the sector but to anyone who wants to be challenged in a business context.