Global Management Challenge

Briefing

GLOBAL MANAGEMENT CHALLENGE

Introduction to the Competition

See the **video**

Please note that the new criterion is highest **Investment Performance**

Introduction to the competition

You are about to start an unique experience.

Now you are part of a management team of a company that operates in the global market.

Your team is going to manage a company in a competitive market, and you will develop skills of:

- Strategic Management;
- Decision Making;
- Team Work;
- Leadership.

What you have to know to participate

START: Organisation, Calendar, Manual 4

COMPETE: Team, Historical, Reports and Decisions 11

COMPANY: An overview 23

Procedures 45

Start...

Your teams objective is to manage a company, analyze the recent past and design a strategy for the near future: analyzing the results, making decisions in different areas of the company, considering the competition and economic situation; to obtain the best results against the competition.

The measure of success achieved by the management team is:

- The highest Investment Performance at the end of each period, and of course at the end of the competition.

When the team starts, a historical report is made available. This report contains the results of the last five quarters.

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Management is Organization

The first step is to organise the Team.

The Team organisation will most probably influence the quality of decisions and the results obtained.

You must appoint a Chairman or General Manager and allocate a team member responsible for each of the following areas:

Marketing, Production, Human Resources and Finance.

Teamwork is an important part of the competition.
A well organised team, that uses all of the skills of its members in the consideration of its decisions, has a greater probability of obtaining a good classification.

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Management is Organization

The second step is to create an Activities Calendar.

It is important that the calendar is prepared and agreed with all team members participating, you have due dates to submit decisions and, as in any company, time management and meeting due dates are very important.

Plan in advance the meetings and information exchange events.
Time management will be very important to obtain the best results.

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Management is Organisation

The third step is to read the Manual, the manual is divided in 4 parts:

1. INTRODUCTION: How to use the Manual.

2. THE COMPANY ENVIRONMENT: The Economic Environment; World Events; Marketing; Production and Distribution; Human Resources and Finances.

3. MANAGEMENT REPORTS: Explanation of the Management Reports and how calculations are made.

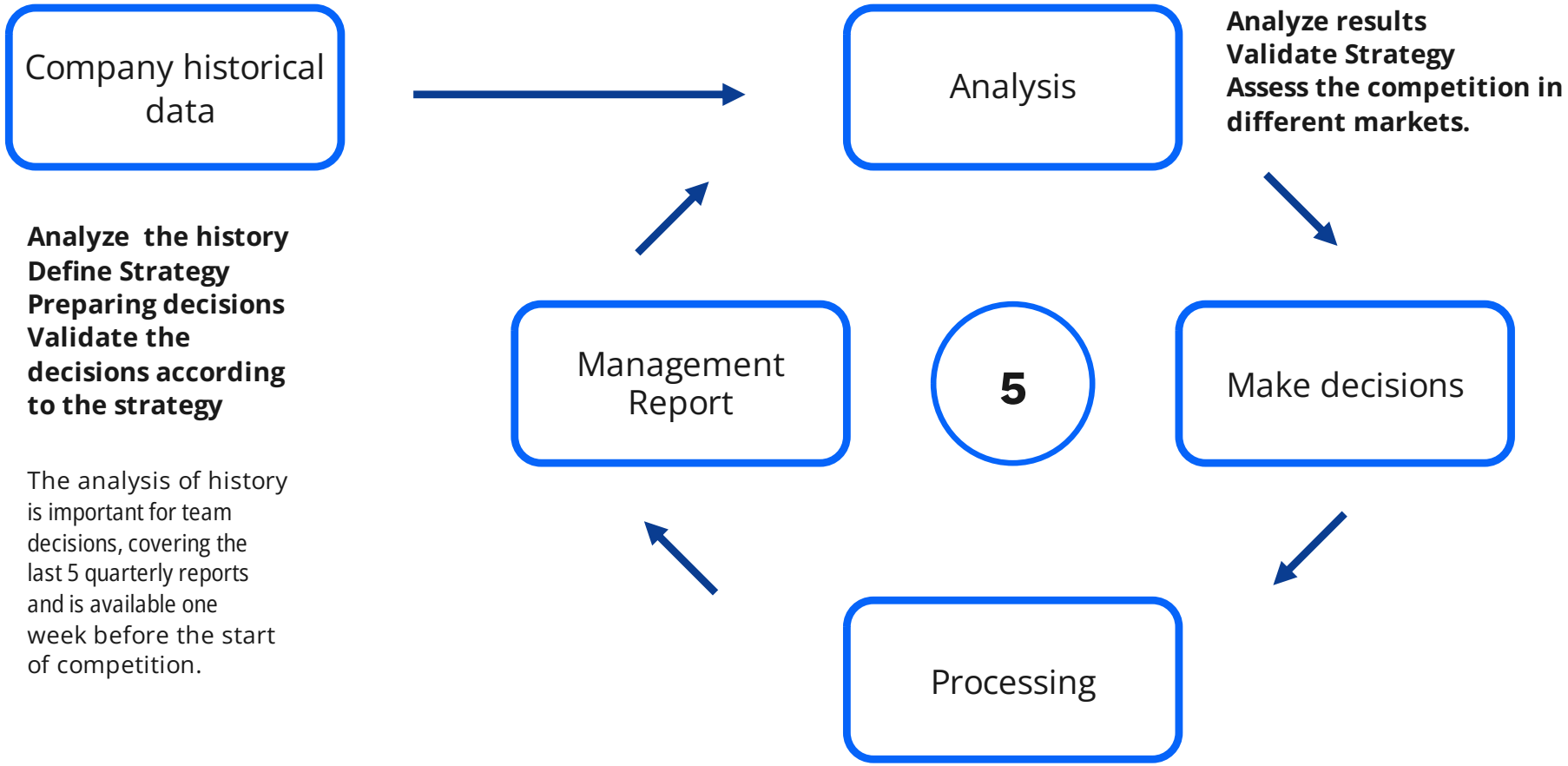
4. DECISIONS: Explanation of how the decisions are communicated for each quarter.

Managing a Company is a complex activity that requires much preparation. Read the manual to understand how: the company works and relates with other companies; the simulation fundamentals and what the team must do.

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The competition cycle

The simulation is organised in quarters.

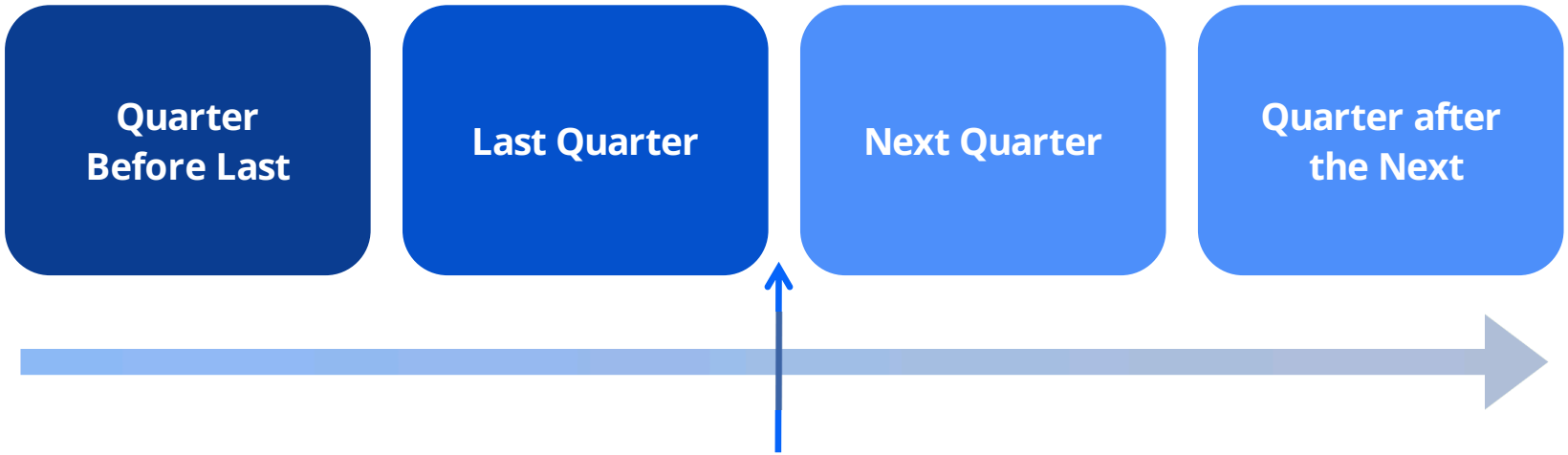


The analysis of history is important for team decisions, covering the last 5 quarterly reports and is available one week before the start of competition.

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Decisions/Quarters

The simulation is organised in quarters.



When making decisions, consider that they are done in an imaginary moment of time, between the Last Quarter and the Next Quarter, “This Quarter” does not exist. Note that some decisions only impact in the Quarter after the next quarter.

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Management is Organisation

Recapitulating:

1. **Organise your Team**
   Nominate the Team Leader, to be responsible for all communication with the organisation of the competition.

2. **Activities Calendar**
   Note carefully the decisions submission dates and plan accordingly.

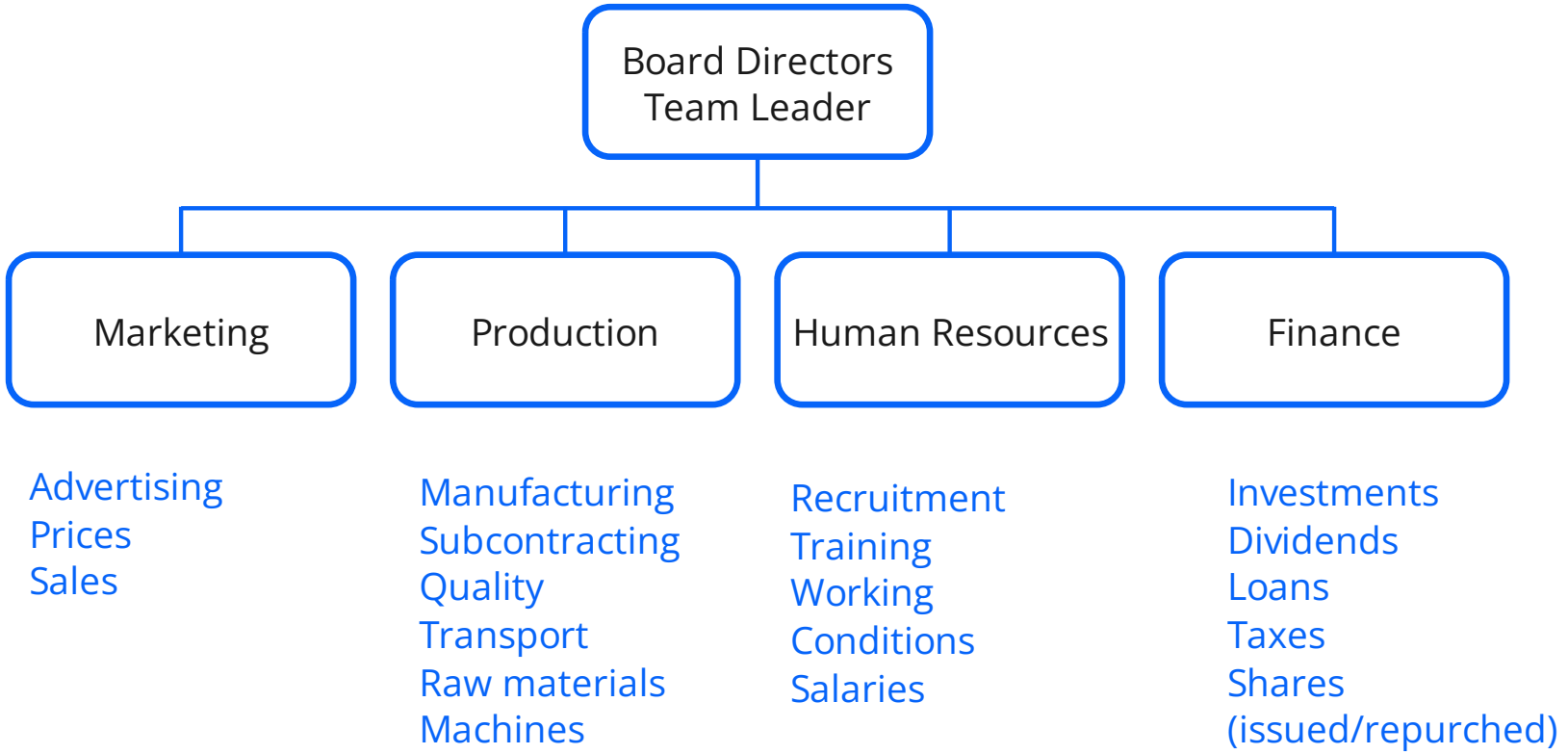
3. **Read the Manual**
   Read carefully the Manual, in case of doubt contact the control centre by email or telephone.

4. **Competition Cycle / Decisions / Quarters**
   Understanding the competition cycle is essential for the team success.

email your country organisation tel your country organisation

Return to topic list

Manage...



Create an organisation chart, define responsibilities and objectives, working methods and decision processes. **Use the example above or create your own organisation, with other functions.** Nominate the person in charge for the decisions input.

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The Management Report

The Management Report contains the information you need to analyse before making decisions and it is divided into 6 parts; read carefully in the manual about the Management Report, but know that:

- The Management Report reproduces the decisions you made.
- The Management Report informs you about: the Means of Production, Factory build/extend, Raw Materials, Human Resources, Sales, Products, Carbon Footprint, Transportation, and data on Financials: Balance sheets, Profit and Losses, Overheads, Cash Flow, Investment Performance, etc.
- The report also informs on the activities of competitors in the areas of Price, Total Employees, Payroll, Agents and Distributors, Market Shares, Consumer Opinion; and expenditures made by competitors in areas such as Advertising, Research and Development and efficiency of Websites.

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PLEASE CHECK ...

your decisions for Yr 2012 Q 2

		Corporate	Product 1	Product 2	Product 3
Advertising: (I'000)					
	Europe	25	25	25	25
	Nafta	0	0	0	0
	Internet	25	25	25	25
Prices (I):					
	Europe		359	610	700
	Nafta		360	600	650
	Internet		300	535	670
Quantities to deliver to:					
	European agents		700	550	350
(Not in full	Nafta distributors		300	150	100
if starred)	Internet distributor		2300	900	650
Quality:					
Take up product improvements			0	1	0
Product development (I'000)			40	30	40
Assembly times (minutes)			115	185	325
Premium materials (%)			1	1	1
Subcontracting:					
Components to order (units)			0	0	0

		Number needed		Support (I'000)		Commn. %
Agents and distributors:						
European agents		3		14		12
Nafta distributors		1		5		12
Internet distributor				14		10
Operations:						
Materials to buy ('000)	Spot	8	3mth	4	6mth	4
Maintenance hours/machine		35	Shift level			3
Number of ports operated		13	Web-site development			40
Personnel:						
Assembly workers to recruit		2	Number to train			0
Hourly wage rate (l.c)		11,00				
Management budget (I'000)		120	Staff training (days)			2
Finance:						
Shares to issue/repurchase		0	Dividend (cents/share)			0
Term loans (I'000)		0	Term deposit (I'000)			0
Machines to buy		0	Machines to sell			0
Factory extension (sq. m.)		0	Insurance plan			2
Information:						
Market shares		0	Corporate activity			0

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2nd Part

PHYSICAL RESOURCES: Usage and availabil	
Space:	**Sq. m.**
Land owned	9000
Access/parking etc	1800
Unused land	5700
Factory size next quarter	1500
Circulation and access	375
Machining operations	225
Assembly operations	360
Material and component stocks	0
Available space (overflow if negative)	540
Machines:	**Number**
Number decommissioned	0
Machines in use last quarter	9
Number bought and installed	0
Machines available for next quarter	9
Theoretical hours available	14418
Hours breakdown	149
Hours worked	8804
Hours planned maintenance	166
Average machine efficiency %	88.2
Materials:	
Opening stock available	0
Bought spot	8101
Bought default	2041
Lost or destroyed	0
Used	10142
Closing stock	0
For delivery next quarter:	
Bought last quarter	4000
Bought quarter before last	4000
For delivery quarter after next:	4000
Internet statistics:	
Number of web-site ports operated	13
Number of visits to your web-site	75317
Estimated level of failed visits (%)	0
Number of internet service complaints	165

HUMAN RESOURCES:		
Production personnel:	Assembly	Machining
At start of last quarter	34	87
Recruited	2	21
Trained	0	
Dismissed	0	0
Left	0	1
Available for next quarter	36	107

Assembly workers:	
Hours available	13584
Absenteeism/sickness (hours)	31
Hours worked	17818
Notice of strike weeks for next quarter	0

Agents/distribut	**Europe**	**Nafta**	**Internet**
Active last quarter	2	2	1
Resigned	0	0	
Dismissed	0	1	0
Appointed	1	0	0
Active next quarter	3	1	1

Transport:	**Europe**	**Nafta**	**Internet**
Journey length (km)	1434	500	300
Number of loads	7	2	14

Carbon footprint (CO2e)	**Tonnes**
Factory heating and lighting	14,25
Energy used in production	36,73
Total primary CO2e	50,98

PRODUCT DATA:	Product 1	Product 2	Product 3
Quantities:			
Scheduled	3300	1600	1100
Produced	3415	1652	1141
Rejected	115	52	41
Lost or destroyed	0	0	0
Delivered to:			
European agents	700	550	350
Nafta distributors	300	150	100
Internet distributor	2300	900	650
Orders from:			
Europe	984	511	470
Nafta	309	187	242
Internet	2199	954	603
Sold to:			
Europe	700	511	350
Nafta	300	150	100
Internet	2199	900	603
Backlog of orders:			
Europe	145	0	61
Nafta	7	22	73
Warehouse stocks:			
Europe	0	39	0
Nafta	0	0	0
Internet	101	0	47
Guarantee services	122	51	38
Product improveme	Major	Major	Major
Product components:			
Assembled last quarter	0	0	0
Ordered last quarter	0	0	0
Closing stock	0	0	0
Available for assembly	0	0	0

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3rd Part

FINANCIAL STATEMENTS

ADMINISTRATIVE EXPENSES

Advertising	200000
Internet distributor	168521
Internet service provider	59356
Agents and distributors	201335
Sales office	29488
Guarantee servicing	24470
Product development	110000
Web-site development	40000
Personnel department	27000
Machine maintenance	23015
Purchasing and warehousing	7881
Business intelligence	0
Credit control	5813
Insurance premiums	12056
Management salaries	120000
Other costs	32039
Total administrative expenses	1060974

Accumulated taxable profit:

Profit/loss before tax	87119
Previous taxable profit/loss	302954
Taxable profit/loss	390073

Insurance claimed	616
Primary non-insured risk	3444796

INCOME STATEMENT

Sales revenue	2635246
Opening inventory values	5346
Components purchased	0
Materials purchased	900592
Machine running costs	219208
Machinists wages	463320
Assembly wages	145432
Quality control	6208
Hired transport	45900
Less closing inventory values	354839
Cost of sales	1431167
Gross profit	1204079
Administrative expenses	1060974
Insurance receipts	0
Depreciation	55986
Operating profit/loss	87119
Finance income	0
Finance expense	0
Profit/loss before tax	87119
Tax assessed	0
Profit/loss for the period	87119
Earnings per share (cents)	2,18
Dividends paid	0
Transferred to retained earnings	87119
Previous retained earnings	1513917
Retained earnings	1601036

BALANCE SHEET

Non-current assets:	
Land	450000
Buildings	750000
Machinery	2183464
Property, plant and equipment	3383464
Current assets:	
Product inventories	35410
Component inventories	0
Materials inventory	319429
Trade receivables	913282
Cash and cash equivalents	1733513
Current assets	3001634
Total assets	6385098
Liabilities:	
Tax due	0
Trade payables	784062
Bank overdraft	0
Current liabilities	784062
Term loans	0
Net assets	5601036
Equity:	
Share capital	4000000
Share premium account	0
Retained earnings	1601036
Total equity	5601036

CASH FLOW STATEMENT

Operating activities:	
Trading receipts	2944791
Insurance receipts	0
Trading payments	2630485
Tax paid	400320
Net cash flow from operations	-86014
Investing activities:	
Interest received	0
Asset sales	0
Assets purchased	0
Net cash flow from investing	0
Financing activities:	
Shares issued	0
Shares repurchased	0
Dividends paid	0
Additional loans	0
Interest paid	0
Net cash flow from financing	0
Net cash flow	-86014
Previous cash balance	1819527
Cash balance	1733513
(including a term deposit of -	0)
Overdraft limit for next quarter	815000
Borrowing power next quarter	2092000

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4th Part

ECONOMIC INTELLIGENCE	Europe	Nafta	Rest (of developed world)	
Gross domestic product (de-seasonalised)	11971	16131	73	
% Unemployment rate (de-seasonalised)	9,4	9,4		
Balance of external trade	1167	-6690		
Information about next quarter:				
Central Bank base rate (% p.a.)	0,8	1,5	Exchange rate in € per $ (USD)	0,83
Building cost (€ per square metre)	500			
Component cost (€ per unit)	Product 1	Product 2	Product 3	
from (no premium materials)	117	184	285	
to (100% premium materials)	142	235	361	
	Spot price	3 month	6 month	
Material prices ($ per '000 units)	61376	58364	53452	

BUSINESS REPORT:

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5th Part

FREE INFORMATION	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6	Company 7	Company 8
Stock market data:								
Share price (cents)	145,34	144,33	138,15	145,75	141,91	142,46	136,76	137,3
Market valuation (€)	5813600	5773200	5526000	5830000	5676400	5698400	5470400	5492000
Dividend paid (cents/share)	0	0	0	0	0	0	0	0
Investment performance (€)	**5813600**	**5773200**	**5526000**	**5830000**	**5676400**	**5698400**	**5470400**	**5492000**
Business intelligence:								
Product prices (€)								
Product 1: Europe	359	370	380	380	380	360	379	379
Nafta	360	360	360	370	360	360	379	369
Internet	300	325	280	300	280	300	339	319
Product 2: Europe	610	615	659	630	630	630	599	649
Nafta	600	600	629	610	600	630	599	619
Internet	535	595	564	545	535	550	519	569
Product 3: Europe	700	890	890	890	780	850	849	889
Nafta	650	850	650	700	650	800	849	649
Internet	670	800	670	690	670	700	739	669
Production employees	142	142	142	114	142	142	114	142
Assembly wage rate (cents/hr)	1100	1000	1000	1000	1010	900	1000	1050
Number of agents/distributors	4	4	4	4	4	4	4	4

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6th Part

COMPANY BALANCE SHEETS for Company:	1	2	3	4	5	6	7	8
Assets								
Property, plant and equipment	3383464	3383464	3383464	3383464	3383464	3383464	3383464	3433464
Inventories	354839	391860	564356	425678	482425	239758	717178	302529
Trade receivables	913282	1062327	961281	1064323	1002840	922053	982661	1121778
Cash and cash equivalents	1733513	1650476	1402554	1677200	1519260	1769628	1357215	1452352
Liabilities								
Tax assessed and due	0	0	0	0	0	0	0	0
Trade payables	784062	870819	932543	976313	910691	755094	1070089	1125993
Bank overdraft	0	0	0	0	0	0	0	0
Long term loans	0	0	0	0	0	0	0	0
Equity								
Ordinary capital	4000000	4000000	4000000	4000000	4000000	4000000	4000000	4000000
Share premium account	0	0	0	0	0	0	0	0
Retained earnings	1601036	1617308	1379112	1574352	1477298	1559809	1370429	1184130
Net Worth	5601036	5617308	5379112	5574352	5477298	5559809	5370429	5184130

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7th Part

PURCHASED INFORMATION	Not requested
Company number:	
Market shares (% by volume sold)	
Product 1: Europe	
Nafta	
Internet	
Product 2: Europe	
Nafta	
Internet	
Product 3: Europe	
Nafta	
Internet	

Competitors' business activity	Not requested
Company number:	
Total advertising expenditure (€)	
Total product development (€)	
Consumer star ratings:	
Product 1	
Product 2	
Product 3	
Web-site	

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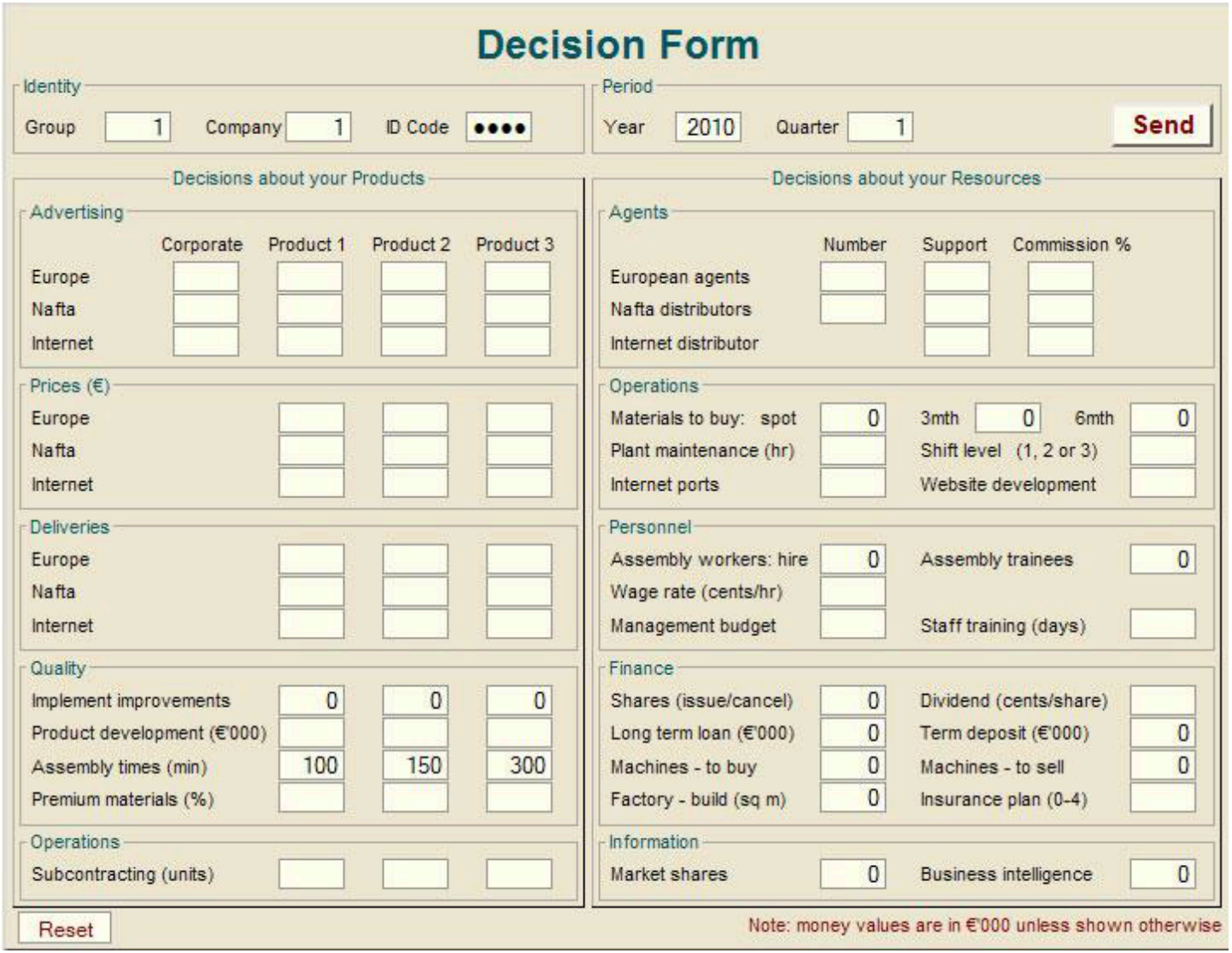
is to make decisions

The team's strategy is implemented by making 77 decisions, including:

- **Advertising** (corporate & products)
- **Prices** (products & markets)
- **Product Delivery** (agents & distributors)
- **Quality** (R&D, improvements, assembly times, premium materials)
- **Components Subcontracting**
- **Agents and Distributors** (recruitment, commission, support)
- **Operations** (materials, plant maintenance, shift level, website)
- **Personnel** (recruitment, training, management budget, wage rate)
- **Finance** (shares issued/repurched, dividend, long term loans, term deposit, machines, factory build/extend, insurance plan)
- **Information:** competitors & Markets (Market Shares, Business Intelligence)

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Decisions input form



75 decisions to make...

Ensure that the decisions were correctly entered.

Read carefully the tips and suggestions on the next page.

Return to topic list

Practical advice

The decisions input form is what you will use to implement the strategy. Read carefully these tips and suggestions.

- It is recommended that one member prepares the input and another verifies.
- Note that some decisions are in absolute value and others in relative value. (example: absolute value: number of total agents and distributors; relative value: number of specialized workers to be recruited.
- After the input of decisions is completed, logout; then follow by a login, to verify if the correct data was recorded.
- You may input decisions gradually. Do not wait for the last day to input the decisions.
- Team leader's do not have to input decisions, but they are fully responsible for this.
- In case of doubt always consult the manual.

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An overview

To manage the company you have to read the Manual.

Now you are going to have an overview of the most important points before you start:

Economic Environment ---------- 24

World Events ---------- 25

Marketing ---------- 26

Production ---------- 32

Human Resources ---------- 37

Finances ---------- 40

Objective ---------- 44

Economic Environment

The company operates in direct competition with others, who manufacture and market the same products, in the same geographic areas.

The market is divided into two geographic areas for the traditional distribution and marketing- **European Union (EU) and the dollar market (NAFTA)**

Simultaneously the company reaches these areas and the rest of the world through the **Internet**. In all areas there is competition between the same companies.

Exchange rates influence the competitiveness in some markets; economic statistics are supplied with seasonality correction. In the internet the dollar is the used currency.

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World events

These events may be caused by political issues, economic or environmental developments, wars, disasters like volcanic eruptions, earthquakes or pandemic diseases, etc..

These events can be sudden, but that does not mean that they will occur.

Read carefully the management report.

These events may affect the company working conditions and the results.

News on the world events media are not necessarily credible.

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Marketing

The marketing department is responsible for creating the demand and sales of the products, competing with rival companies.

To be successful you have to analyze the market and the competition, prepare marketing plans and make decisions to realise short and long term reality, work with other departments to assure that sales are profitable and that the company operates properly.

Read what others are doing in terms of pricing, number of employees, salaries, etc.. Observe market shares and all the other available information. The marketing plan impacts on all the other areas in the company.

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Marketing

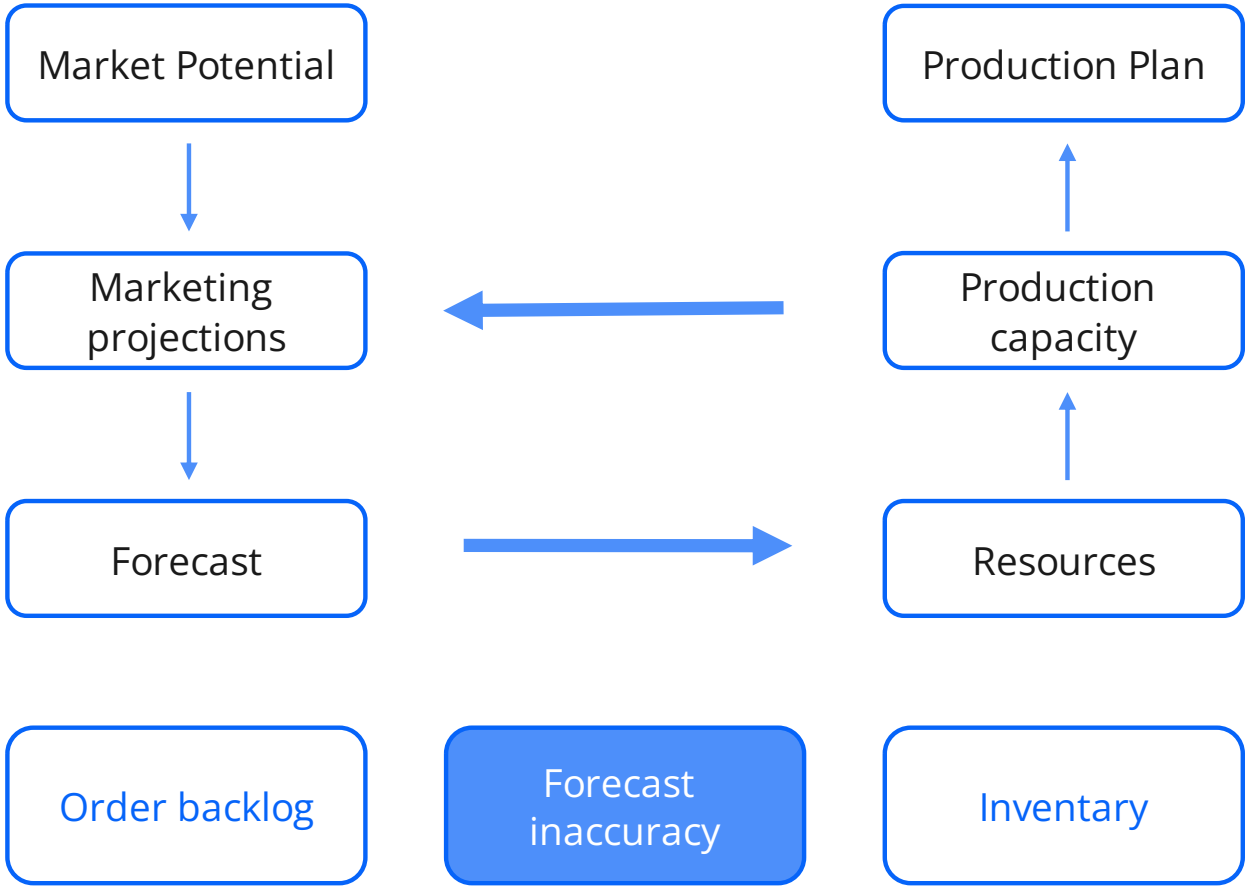
To make decisions in the marketing area you have a significant amount of information available. Some information is for free; other, you have to buy. With the available information, consider your decisions and make sure that you have read the manual on the subjects listed below.

- Prices
- Product Quality
- Research and Development
- Advertising
- Sales
- Product Availability
- Marketing Management

Return to topic list

Marketing – think about...

Conflict : MARKETING / PRODUCTION



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Marketing

The products

Up to 3 products

Decide how many products you want to manufacture and market.

THE DISTRIBUTION

Up to 3 markets

UE
agents

NAFTA
distributors

E-COMMERCE
distributor

Decide how and in which markets you will be present.
Read the practical details in the manual.

CONSUMERS

You may buy information to know what consumers think about your products.

Return to topic list

Marketing – Distribution

Orders forecast

You can sell using differentchannels or directly through the internet.

Study the manual to understand the rules.

UE
agents

- Number
- Commissions
- Financial Support

NAFTA
distributors

- Number
- Commissions
- Financial Support

E-COMMERCE
distributors

- Website Development
- Nº of Ports
- Commissions
- Financial Support

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Marketing – Advertising

Presenting the Company and the Products:

Advertising

Institutional
Long term

- By area

Study carefully, in the Manual, the effects of advertising on the different channels and markets

Products
Short term

- By area
- By product

Return to topic list

Production and Distribution

The Production Department is responsible for the production and distribution of products by the most efficient and economic way possible; respecting the quality standards defined by the marketing policy. This requires working closely with the Marketing Department and Human Resources Department to be sure that sufficient manpower is available at a reasonable cost and to achieve the right balance to ensure machinery can meet demand.

The main decision is the production plan.

Many decisions in this area only take effect in the following quarters.

The Management Budget will have a significant effect on the quality of management of the production.

Return to topic list

Production and Distribution

Production and Distribution will respond to the Marketing forecast. It´s possible to decide to outsource some, or all of your machining work to external subcontractors in addition to, or instead of, machining components in your own factory. The production is never limited because of lack of materials, since they are always available in the occasional market, at generally, higher prices.
Verify in the manual the subjects listed below:

- Machines
- Maintenance of the Machines
- Space availability
- Subcontracted components
- Carbon Footprint
- Guarantees and Quality
- Transportation, Storage and Distribution
- Purchase of raw material and Storage
- Information Technology
- Production Management

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Production

Factory build/extend

MACHINING



ASSEMBLY



Raw materials → **Components** → **Finished Product**

Up to 3 shifts

One shift, extra hours,
limited number of workers

Option to buy premium materials

Option to Subcontract Components

Consult the tables in the manual, to see the number of hours available for production, for each of 3 shifts.

From the manual, check the conditions that will affect assembly. Assembly times are your decision, based on the quality standards defined

Return to topic list

Production - Production Time

	Raw material units	Manufacturing time	Minimum assembly time
PROD. 1	1	60 min.	100 min.
PROD. 2	2	75 min.	150 min.
PROD. 3	3	120 min.	300 min.

Maintenance and age of the machines influence machining time.
Read, in the manual, how assembly is influenced by manpower.

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Production – Carbon Footprint

CARBON

FOOTPRINT



→ It is made up from the usage of energy by your factory *

- There is a cost for offsetting your primary footprint. This service is purchased from a charity who plant trees whose lives will offset the carbon footprint you generate

- There is an option to buy premium materials which are environmentally friendly

* heating and lighting, plus the energy used in your machining and assembly operations

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Human Resources

Human Resources Management is responsible for providing the company with enough manpower and a motivated and efficient workforce. The workforce is recruited in a competitive market. The management of Human Resources requires the monitoring of the market and co-operation between departments to anticipate the needs of manpower.

Sickness, absenteeism, unrest, strikes; will influence the company costs.

Wages influence the company success, including the top management remuneration.

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Human Resources

It is therefore essential for Human Resources Management to work as part of the management team to ensure that requirements for workers are met, and that those who are working for the company do so under the best conditions that the company can afford.

The following points are covered in the manual:

- Labour market
- Specialised Labour and Training
- Remuneration and Conditions
- Top Management

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Human Resources-The People

Stability v. Instability

Average quarterly wages
Overtime
Product Quality
Redundancies
Staff Training

- Recruitment
- Absenteeism
- Strike
- Staff reduction
- Train Assembly Trainees

Consider the effects of decisions in the Recruitment and Motivation areas
Remember that this can affect significantly the company's capacity
to operate efficiently

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Finance

The Finance Department is responsible for ensuring that the company's funds are managed efficiently, in line with corporate strategy. This implies a variety of roles, which include monitoring:

- Profitability
- Investment and loans
- Assets
- Taxation and Dividend policy

Importantly, it must work closely with the management team with the objective of getting the highest Investment Performance, against which performance is judged.

Loans, Assets and Insurance influence the costs.

Read carefully the accounting procedures and understand all costs associated with the company management.

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Finance – Criterion: Investment Performance

Each team runs a Company, with the objective of getting the

highest Investment Performance

This criterion measures the investment 'return' for the original shareholders not just as the value of their shares* at the end of the competition but also after allowing for any shares purchased, or sold, and also any dividends received.

* Your share price is determined by many factors (check the manual)

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Finance - Insurance

Sickness & workplace accidents

Non-current assets

Stocks: products & materials

Insurances minimise the cost of unusual events affecting the company results, but they do not replace a safe working environment provided by good management.

Return to topic list

Finance – Cash flow

Bank Overdraft

Term Loans

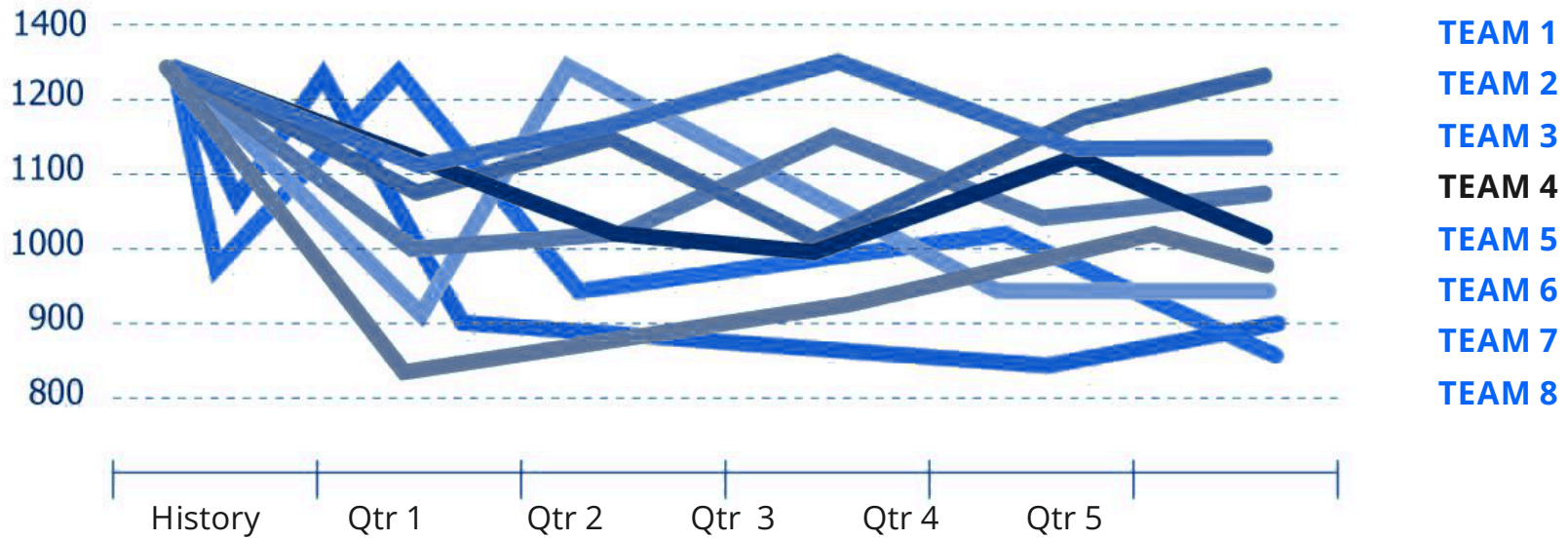
Unsecured Overdraft

Observe attentively these values, they will influence Investment Performance at the end of each period.

Return to topic list

Competition – Objectives

The highest Investment Performance **AT THE END OF LAST QUARTER**



Return to topic list

Procedure

DECISIONS

The team leader is responsible for the decisions to be communicated **www.sdg.pt** until **13:00 of the decision due day.**

(Avoid mistakes in the decisions data input. Verify your decisions input.)

Management Report

Available at **www.sdg.pt** until **24h of the decision due day.**

To guarantee the success of your company, you must examine the following documents

- Competition Manual
- History of the company

Global Management Challenge

Organisers:

SDG Expresso

www.worldgmc.com www.sdg.pt gmc@sdg.pt