



MARGA in the LDP 2015 of Deutsche Telekom

The MARGA business simulation was an optional part of the Leadership Development Program of Deutsche Telekom. It's a unique opportunity to work hand in hand with talented colleagues from all over the world and truly test your analytical and business leadership skills.

Test and main round:

Our story begins in Budapest with the LDP kick-off ceremony. As in every game we started by reading the manual and were surprised by the complexity and opportunities offered by the business simulation. Our strategy was based on six factors:

1. Don't hire people and buy machines only as replacement
2. Merchandise as much as possible
3. Try to destroy markets with low prices
4. High marketing and sales force expenditures
5. Moderate R&D spending
6. Very low bank and deposit reserves

Ultimately the goal was to weaken our competitors as much as possible, while generating a small but steady MARGA Value Added for our own company. During the test round this strategy worked without any doubt. We were the clear winner and so confident in our strategy that we decided to stick to it during the main round.

During the first two periods our strategy worked well. We didn't generate a high MARGA Value Added, but all our competitors generated a negative value. Due to our low prices we always sold everything on stock while our competitors weren't able to sell their produced units. But close to the end of the main round we realized that our strategy had its flaws. One company went for a clear cost leadership strategy and was close to beating us. They were able to produce cheaper and sell at an ever lower price point compared to us. If the simulation would have taken 6 or 7 periods we may not have been able to win. This came as a shock, since we realized that this could happen during the final round as well.

The final round:

We weren't expecting major changes in the finals scenario but, due to our experience in the main round we were discussing changes in our strategy and decided to keep it as it was and to see what our competitors will do.

Without any changes in our strategy we started into the first period of the final round in Bonn Bad Godesberg. Unfortunately our strategy did not work as expected. The reason was simple: There was an extreme demand in the market and we weren't able to produce the required amount. Low prices did help us to sell all the stocks we had, but our competitors were selling a similar amount at a higher price point. However, we were the clear quality leader for all three



products. This came as a surprise and we weren't expecting this. But it became clear to everyone that in the long run we would not win with our current strategy. Therefore after the first period we decided to change certain aspects:

1. ~~Don't hire people & buy machines only as replacement~~ → Hire people and buy machines in the first two periods
2. Merchandise as much as possible
3. ~~Try to destroy markets with low prices~~ → Increase prices and go for highest prices
4. High marketing & sales force expenditures
5. ~~Moderate R&D spending~~ → Increase in R&D spending to justify high prices towards customers
6. Very low bank and deposit reserves

After two periods of heavy investment and therefore low increase of the MARGA Value Added we were not sure that our changes will make us win the game, since we were still between the second and third place. We had fierce discussions and were questioning our changes but as a group we decided to put all eggs into one basket. This ultimately paid off in the last two periods. We were able to increase our MARGA Value Added by 276% in the fourth and by 180% in the fifth and final period of the game and took the lead position in these last two periods. The other groups clearly could see what our key success factors where, but there was no time to react to our changes. And in the end this was our key to success.



The winning team of LDP 2015 of Deutsche Telekom

All in all the MARGA business simulation was an unique opportunity to work with highly talented and skilled colleagues, face other groups in a highly competitive simulation and test and develop our individual hard and soft skills. Our key success factor was our clear strategy and not being afraid to change fundamental assumptions in order to win. Never only try to mimic your competitors' moves, aim to stay one step ahead of them.

Best regards from our team: Hasan, Michal, Anna & Advan (Missing in the picture: Istvan)