

The MARGA Business Case

Annual Management Meeting of Senvion

What do we do when discounters push into our traditional market? Will we still be successful? Can we use innovation to differentiate our products from those of our competitors? And how do we continue to keep our costs under control? Maybe we need to increase our activities on major global growth markets, but what are the risks?

These and other questions were the focus of the simulation-based MARGA Business Case for Senvion SE, a part of the Suzlon Group, which ranks among the world's leading manufacturers of wind turbines and until January 2014 named Repower systems. The workshop was part of the Senvion Annual Management Meeting. In the MARGA Business Case, the top international managers formed groups of five or six to then lead a simulated company as its CEO.



International markets and three different products

Each company sells three products that are positioned on the market very differently. Product 1 is at the end of its life cycle, and the markets are saturated. Correspondingly, the price elasticity is very high and the profit margins are under pressure. Product 2 is still in a growth phase, but the comparability of competitors' products is increasing significantly, and the profit margins are melting as a price war heats up. Product 3 is the only one with sufficient possibilities for differentiation through technical development. However, this requires a correspondingly high R&D budget.

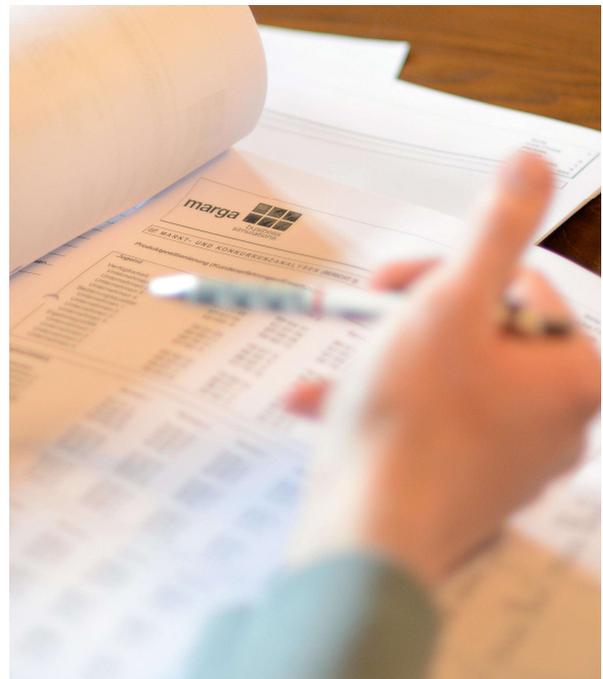
The key markets are in Europe, Eastern Europe, the United States, and Asia. Not all competitors are present in all markets, enabling increased sales volume effects and the potential to cut costs. Current and actual developments such as exchange rates, interest rates, and overall economic trends feed directly into the simulation.

Business decisions in active competition

The target was to increase shareholder value over a period of several years. A detailed controlling system was made available to each management team. Using this system, the teams could develop an integrated business plan that included marketing, production, and financing. After each round, MARGA simulated the sales, labor and financial markets, in which the teams were competing, thus calculating market share, revenues, profits, and, in the end, the MARGA Value Added that measures the generated value added of each business.

More than a case study

The simulation was based on a case study of the global competition situation, but it was more than that. The managers from Senvion were able not only to discuss their own strategic options and initiatives, but also to implement and test them directly in the simulated competition. Classic business cases do not offer this interaction on the market, and management decisions can be discussed only in theory. With the MARGA Business Case, however, participants receive specific market reactions and must continually adapt to the changing market environment.



The Senvion executives significantly increased the company's value. Based on the “real” discussions about strategy and performance improvement, the MARGA Business Case was an important part of the Senvion Annual Management Meeting’s success. With its high momentum, the competition not only increased the team spirit of the top management, but also took advantage of the innovative company culture of Senvion.