

ESMT Master's in Management (MIM) 2017 Winning Team Report

The approach

After a brief introduction to the objectives and main decision areas of the MARGA business simulation, we headed to our study room to start the simulation. As soon as we opened the platform, we were immediately overwhelmed by the amount of information and data.

We concluded the following: *“We need a unique selling point. A set of attributes that gives us a competitive advantage on the market. But how?”*

We were well aware of the fact that 90% of the time spent on solving a problem is allocated to understanding it. In fact, out of one hour, we spent forty-five minutes defining our strategy and only fifteen minutes to implement it.

The strategy

There were two main ways to go: either we beat the competition with our cost structure (cost leadership), or we out-perform them on quality (differentiation). Easier said than done.

Before proceeding, we looked at our product offerings. Three offerings were available: A consumer good that is currently a cash cow, a service product just introduced on the market, and an expensive capital good on its growing phase. We opted to be a cost leader for the first good and heavily invest on quality on the other two products.

Cost leadership meant zero inventory, lean raw material management, optimal production capacity, and careful personal planning. Differentiation meant heavy R&D investment, high advertisement budget, and premium prices to profit on margins. We also set some KPIs to monitor our performances: EBIT, cost of capital, and total liquidity (mainly cash).

The team

The whole group was responsible for all the decisions, making each decision together as a team. We want to be honest; it was often difficult to find a shared consensus on all the decisions that we needed to make. However, the involvement of everyone in every step, made sure that every single micro decision went through a critical analysis, which eventually optimized the outcome.

The results

After the first period, we were the team with the worst performances and our competitors had a MARGA Value Added eight times higher than ours did. It was difficult to accept a failure, especially after a very careful planning process. We returned to our study room very frustrated and there was silence for ten minutes. We did not utter a word. Nevertheless, we did not give up.

We were 100% convinced that our initial investments, especially on quality, would pay off eventually, so we stuck to our initial strategies and moved on.

By the second period, we had the highest MARGA Value Added (MVA) for the period. However, we were still far below on the cumulative MVA.

Encouraged by the latest results, we decided to double our initial investments. At this point, not only did we want to win - we really wanted to win. “Either we kill the game, or we get killed by it”, was one of the comments.

During the third period, we adopted an aggressive approach. We asked for a big loan of 450 Million Euro and we heavily invested on quality and paid dividends to our shareholders (to decrease the cost of capital).

The results for the third period were exceptionally good for us. In one period, we took the lead on the market and we got a big advantage over our competitors. The entire plenary room was puzzled when they saw our number.

The fourth and fifth period went in line with period three and eventually, we won the competition with a substantial margin.

The learnings

What MARGA mainly taught us is, never judge a decision based on its outcome. We could have revolutionized our strategy after the first period, but we felt we were on the right path. Overall, it was an exhausting, yet extremely gratifying experience. It gave us the opportunity to put into practice years of academic concepts. We will definitely never forget what we learned and all the emotions we felt.



Team 1 of the ESMT MIM 2017 MARGA Competition

Antonio Benina, Mohammad Heidari Lak, Sindhuja Kanteti, Diogo Monteiro, Archi Omanadze and Adrian Villarreal