

# ASTRA GAZ Crisis Simulation Game



# Significance of the game

- How many companies face bankruptcy in the first 5 years of their existence?

Answer \_\_\_\_%

- How many companies face a deep crisis in their existence (near bankruptcy)?
  - Your answer A,B or C?
  - A: some 20% B: 50% C: nearly 100%

# The answer is

- \_\_\_\_\_ of the companies that were less than 5 years in business went bankrupt (Belgian figures Graydon).
- Nearly \_\_\_\_\_ of the companies face a deep crisis in their existence.

# Your Task

- You are hired as a team to analyse the company for the next weeks.
- The company has some difficulties.
- You will have to act fast.
- The assignment is to analyse and gradually develop a plan (Day 1 & Day 2) and present your conclusions on Day 3.
- How? Through a series of exercises.

# Practicalities: the team schedule posted on the door

Please choose the time slot to meet with your coach

*Fill in your team number in an empty slot. Please, be on time for your meeting!*

*There are 2 teams of coaches, you have to meet with the same team the whole day.*

*You can change coaches on the second day.*

Coach meetings	Coaches A	Coaches B
11h30		
11h45		
12h00		
12h15		
14h00		
14h15		
14h30		
14h45		
15h00		
15h15		
15h30	<b>DEBRIEF Day 1, ALL in room 316</b>	

# Practicalities

- Day 1 is merely financial (tactical).
- Day 2 is about the marketing (strategical).
- Day 3 presentation (conclusions).
  
- A group selects 4 time slots (team schedule posted on the door). Starting from 11.30. A visit to the team of coaches may take 15 minutes then the next group is scheduled.
- Consequently you need to be prepared with questions and analysis.
- **Changing from one coach team to another is not allowed during the same day!**

# Marking/Grade

- The coaches will evaluate your team based on:
  - *performance during Day 1 and Day 2*
  - *final plan (written report)*
  - *presentation on Day 3*
  - *teamwork performance*
- The teams will be evaluated **compared to each other**, so the best team will have the highest score. So, while the teams will not compete dynamically it is important to work separately and try to have the best result possible during this course.

# Schedule of today: Day 1

- Introduction to the crisis simulation.
- Understanding the situation at Astra Gaz Corporation.
- Extensive financial analysis.
- There might be some additional data available. This may be obtained by asking the coaches, but only if you ask pertinent.

# Instructions:

a.) Read the Astra Gaz document and analyse the overall situation of the company. Analyse the **financial situation** in detail.

- Look into both:
  - **short term** (1 Year)
  - **long term** (1 to 5 Years)
- Develop a horizontal analysis (for each element compare Year N-1 with Year N)
- Develop a vertical analysis (looking at the different elements in the same year and try to understand the situation)

b.) Schedule your meetings with the coaches.

# Day 1: refer to handouts

- The first day your coaches will introduce you to the crisis simulation during an introductory session with a presentation to all the participants. This first day is all about saving the company on the short term (1 to 6 months), it is a tactical exercise mainly focused on analysing the company financial situation and advise on how to get back on track.

# Day 1: refer to handouts

- The first action is to plan your meetings with the Crisis management simulation coaches. You will find an empty schedule on the door of the classroom, you can schedule more than one meeting (refer to the introduction session for the number of meetings you may reserve). You will need to meet with the coaches early in the process to be able to get additional data. You will receive more information only if you ask pertinent question to your coaches.
- Read the situation analysis on page 6 and analyse the overall situation of the company.
- Analyse the financial situation in detail. Ask yourself *“is this company viable? what about their liquidity? customer payments? stock rotation? cash flow?”* You will need to setup some financial analysis tools such as the balance sheet, income statement, cash flow using the limited information you received from Astra Gaz management. Don't forget that additional information will be made available during the information sessions with your coaches.

# Day 2: refer to handouts

- During the second day you need to focus on the long term, this is a more strategic exercise compared to the first day. This day will focus on strategic marketing, the product portfolio choices that have to be made to get the company back in the market on the long term (2 to 5 Years).

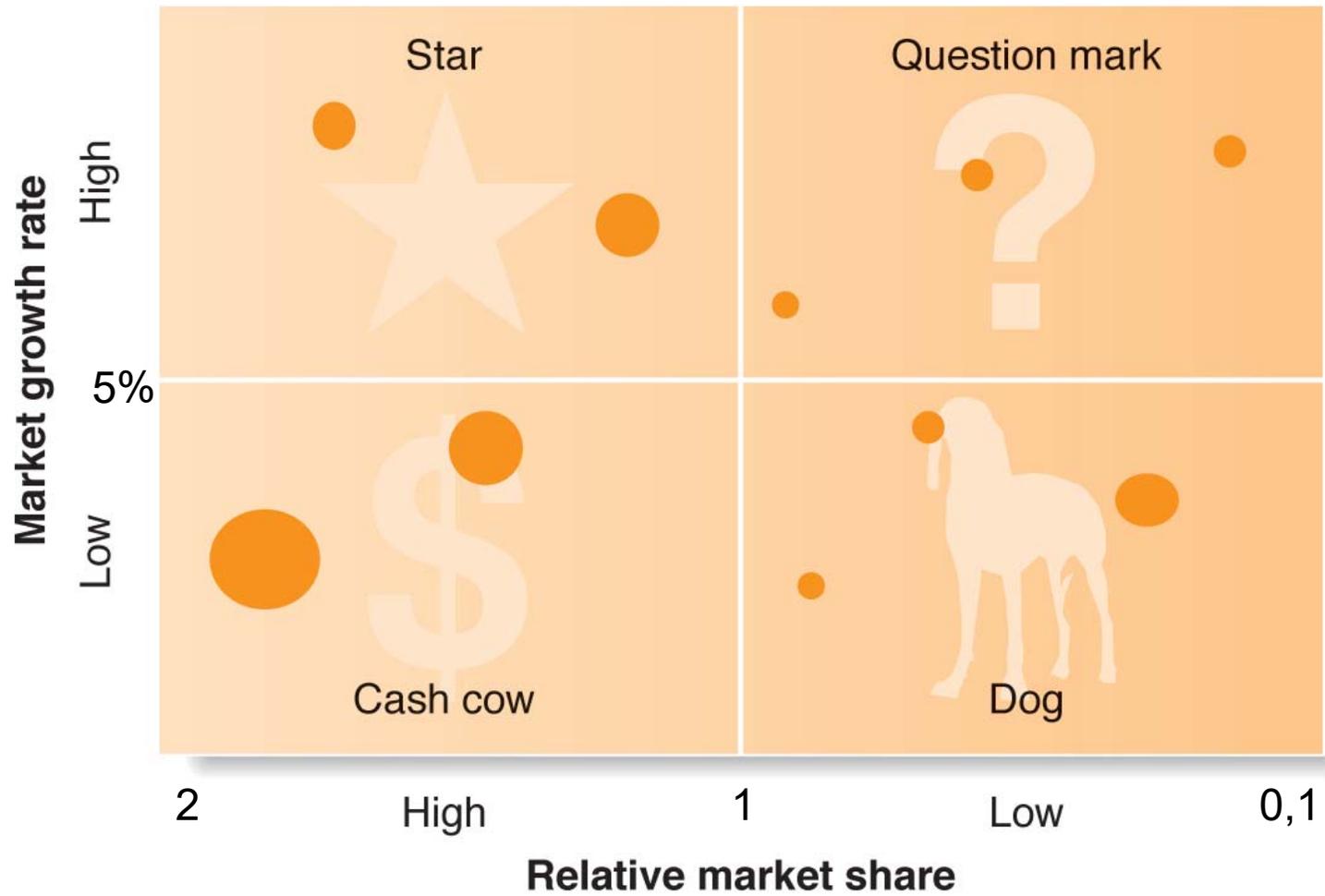
# Day 2: refer to handouts

- Plan your meetings with the Crisis management simulation coaches as you did on the first day.
- Perform an analysis of the Astra Gaz product portfolio and strategic business units (SBU's). Build a "Boston Consulting Grid (BCG = portfolio analysis)". Discuss this analysis with your coaches. The meetings with your coaches are discussion sessions, you don't need to have a final presentation ready during these sessions, you need to have pertinent questions prepared, this will trigger additional information to be revealed by the coaches.
- Have 2 participants in your team concentrate on the sales forecasting assignment (Year N+1 until Year N+3/N+5). This information will be of the utmost importance to build your final analysis. The sales forecast can only be finalised once you have all the information available such as your financial plan and your product portfolio of course. But don't hesitate to start soon in the process to prepare the structure of your sales forecast.
- Based on your analysis so far, formulate your preliminary tactical and strategic plan. Discuss with your coaches. No need for a formal presentation at this stage, your coaches need to see the highlights of your plan to be able to feedback.
- By the end of the second day, you need to make arrangements with your team to prepare your final plan and to rehearse your presentation (Day 3).

# BCG

- Analysis and remarks on products and markets
- Products
- Markets
- Proposal of action after BCG

# BCG



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# ASTRA GAZ SALES FORECAST

YEAR N	TOTAL	AGA small	AGA large	AGRf/m/p	Thermal Treatment	Services	Costs, fees, taxes
Turnover	600	100	100	100	100	100	100
Purchases	30	5	5	5	5	5	5
Payroll & services	30	5	5	5	5	5	5
Operating charges	30	5	5	5	5	5	5
Depreciation	30	5	5	5	5	5	5
Provision	0	0	0	0	0	0	0
<b>Result</b>	<b>480</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>

Consolidation N+1+N+3			
YEAR N+1/N+3	TOTAL N+1	TOTAL N+2	TOTAL N+3
Turnover	1500	2500	5500
Purchases	525	1025	2025
Payroll & services	30	30	30
Operating charges	30	30	30
Depreciation	30	30	30
<b>Result</b>	<b>885</b>	<b>1385</b>	<b>3385</b>

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# Marketing

- Swot analysis (can help)
- Production cost (action to be taken)
- Competition (action to be taken)
- New strategy (action to be taken)
- Measures towards personnel (action to be taken)
- Chronology (when to do what)
- Sales objectives
- Eventually price changes (action to be taken)
- Proposal of action after new strategy
- **Leading to the forecast**

# Growth rate

- How to calculate a growth rate on the turnover (and other) figures:
- Growth rate= (present- past)/past
- turnover N **100** N+1**105** N+2 **110**
  - » N 100
  - » N+1 105  $105-100/100 \times 100 = 5\%$
  - » N+2  $(110-105)/105 \times 100 = 4,76$
- So to calculate a growth rate on a percentage of 5% look at the previous year.
  - » N 100
  - » N+1 105 = 5%
  - » N+2  $105 \times 1,05 = 110,25$

# Calculating back the growth rate

- Example

- In year 1 past turnover was 205
- In year 10 turnover was 310
- Growth rate present (n=10)
- Growth rate=  $(\text{present/past})^{1/n} - 1$ 
  - »  $(310/205)^{1/10} - 1$
  - » = 0,0422= 4,22%

# Day 3

- The is the final day of this crisis simulation. Your team will present a final plan to the coaches during a presentation session.

# Day 3

- You need to deliver a plan, a document of maximum 10 pages. This document should be high level and containing your analysis and your recommendations for Astra Gaz. The final plan should be delivered as explained during the introduction session on day 1.
- You need to prepare a presentation for day 3 to present to the coaches. The presentation should be no more than 20 minutes. You will have 10 minutes of Q&A at the end of the presentation session. Your presentation should show a clear analysis of the issues you have discovered at Astra Gaz on day 1 and day 2, you need to offer recommendations for these issues going forward. Organise your presentation in a first part that will cover the financial issues and solutions on the short term, and a second part that focuses on the long term (strategic marketing, portfolio analysis, sales forecast). Make sure your presentation is carefully rehearsed, and that it matches your written document you have sent to the coaches.
- If your presentation and/or your plan still shows some problems after the presentation, you could receive additional assignments on day 3. You will need to deliver the solution(s) before the end of day 3.

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