CREATING THE DASHBOARD

**THE DASHBOARD EXISTS IN ALL PERIODS FOR LEGACY AND FOR PRIODS 4 TO END FOR NewCo. THE LEGACY DASHBOARD COMPONENTS CHANGE IN PERIOD 6**

There are four parts to the Dashboard

1. Market Performance
2. Management Performance
3. Financial Performance
4. Value Created

**Market Performance**

LEGACY PERIODS 1-5 INCLUSIVE

* B2B Market Share with Competitive Rank (at the end of period)
* B2C Market Share with Competitive Rank (at end of period)

LEGACY PERIODS 6 TO END and NewCo PERIODS 4 TO END

* NICHE 1 NUMBER OF CUSTOMERS with Competitive Rank (at the end of period)
* NICHE 2 NUMBER OF CUSTOMERS with Competitive Rank (at the end of period)
* NICHE 3 NUMBER OF CUSTOMERS with Competitive Rank (at the end of period)
* Total customers all niches with Competitive Rank (at the end of period)

**Management Performance**

* Weighted Organizational Competence Index with Competitive Rank
* Weighted Stress Index with Competitive Rank
* Weighted Adaptability Index with Competitive Rank

How to visualize each of the above

|  |  |  |  |
| --- | --- | --- | --- |
|  | Example Competence Index | Weight | Result of Multiplication |
| Marketing & Advertising | Insert index number | Weight as used in this period in market share calculation | Multiplication of index and weight |
| Sales & Distribution | Insert index number | Weight as used in this period in market share calculation | Multiplication of index and weight |
| Market Support | Insert index number | Weight as used in this period in market share calculation | Multiplication of index and weight |
| Logistics & IT | Insert index number | Weight as used in this period in market share calculation | Multiplication of index and weight |
| Product Development | Insert index number | Weight as used in this period in market share calculation | Multiplication of index and weight |
| Weighted Index |  |  | Weighted index is Sum of above |

**Financial Performance**

* Return on Sales: with Competitive Rank: This is AB031 divided by AA041 expressed as a percentage
* Return on Assets: with Competitive Rank This is BA100 divided by AA041 expressed as a percentage
* Net Operating Cash Generated: with Competitive Rank: This is the CA041 of a period minus the prior period to find the increase or decrease is net cash from operations

**Value Created**

The value created is calculated using data from the other dashboard items above

**Step 1: REDUCE EACH CATEGORY OF PERFORMANCE TO A SINGLE NUMBER**

**Market Performance**

*Legacy 1-4*

* B2B times 0.7 (this is the relative size of the market in the category, allow it to be amended)
* B2C times 0.3 (this is the relative size of the market in the category, allow it to be amended)
* Add above together to get a combined market share

*Legacy 5 to end and NewCo 4 to end*

* Simple addition to total number of customers all niches as in dashboard above

**Management Performance**

Take the weighted indexes from dashboard and create a COMBINED WEIGHTED INDEX for Management performance

* Competence times 0.5
* Stress times 0.3
* Adaptability times 0.2

THE MECHANISM IS MULTIPLICATION. E.G., COMPETENCE TIMES 0.5 TIMES STRESS TIMES 0.3 TIMES ADAPTABILITY TIMES 0.2.

**Financial Performance**

Take the Net Operating Cash Generated ONLY from the Dashboard. DO NOT BOTHER WITH THE FINANCIAL RATIOS IN THIS CASE THOUGH THEY ARE RECORDED ON THE DASHBOARD

**Step 2: CREATE A WEIGHTED COMBINED NUMBER FOR EACH COMBINED PERFORMANCE MEASURE**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type of Performance** | **Number** | **Weight** | **Weighted Number** | **Arithmetic Function** |
| **MARKETING: share or customers** | Combined Weighted Number from Step 1 | 0.3 | Multiply number by weight | Multiply Weighted numbers to form one HUGE number |
| **MANAGEMENT: index combination** | Combined Weighted Number from Step 1 | 0.3 | Multiply number by weight |
| **FINANCIAL: net operating cash generated** | Combined Weighted Number from Step 1 | 0.4 | Multiply number by weight |
| **GRAND TOTAL** |  |  |  | Combined HUGE number from above calculation |

**Step 3: COMPARE THE COMPETITORS’ COMBINED HUGE NUMBERS AND FIND THE HIGHEST. DESIGNATE THAT NUMBER AS 100%**

**Note: if the Net Cash Flow is NEGATIVE then we get a negative result which is not possible in reality. So insert the following CONDITIONAL CLAUSE**

**WHEN NET CHANGE IN THE OPERATING CASH FLOW IS NEGATIVE THEN NET CHANGE IN THE OPERATING CASH FLOW IS DEEMED TO BE POSITIVE $1.**

**This Removes the negative number problem and the calculation moves on to Step 4.**

**Step 4: EXPRESS EACH OF THE COMPETITORS’ HUGE NUMBER AS A PERCENTAGE OF THE HIGHEST**

This means that the highest huge number is 100% and each of the others is a proportionally lower percentage of 100%

**Step 5: TRANSFER THE PERCENTAGES FROM STEP 4 TO THE PRICE/EARNINGS RATIO**

A price earnings ratio is a simple technique used in financial markets to capture the value of FUTURE earnings of a company. IT IS A ‘MASH’ NUMBER THAT ‘EMERGES’ FROM THE COMBINED OPINIONS OF ALL INVESTORS IN THE MARKET

For this game there is a table of P/E ratios

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **PERIODS 1-4 INCLUSIVE** | **PERIOD 5** | **PERIOD 6** | **PERIOD 7** | **PERIOD 8** |
| **LEGACY** | 20 | 5 | 50 | 70 | 80 |
| **NEWCO** | ZERO | 50 | 70 | 80 | 40 |

The above values may be adjusted in other versions of the game

This means that the highest huge number earns the full P/E ratio and each of the others is a lower P/E ratio

**Step 6: MULTIPLY THE P/E RATIO BY THE PLAYER’S EBITDA TO GET A VALUE FOR THE BUSINESS**

EBITDA is Earnings before interest taxes and depreciation and amortization. IT IS ITEM AB031 IN YOUR DATABASE

So if I have a P/E ratio of 50 and EBITDA of $2million the company value of $100million.

**HOWEVER**

IN THE EVENT THAT **EBITDA IS NEGATIVE** (I.E., THE FIRM IS LOSING MONEY) THEN THE FOLLOWING CONDITIONAL CLAUSE APPLIES TO THE CREATION OF THE BUSINESS VALUE

* LegacyCo periods 1 to 5 inclusive: value is 1 times total B2B and B2C revenue. (**AA021**)
* LegacyCo periods 6 onward value is 1 times Total New Offering Revenue (**AA041**)PLUS 0.5 times sum of any B2B and B2C revenue (**AA021**)
* NewCo period4 to end, 1 times Total Revenue all niches (**AA041**).

**Step 6: FIND THE SHARE PRICE**

For this version of the game all players have 100,000 shares. We use the same number for the legacy and new companies

So in our above example the SHAREPRICE is $100m divided by 100,000 or $1,000 per share

**Step 7: INSERT THE COMPANY VALUE AND THE SHARE PRICE INTO THE DASHBOARD ALONG WITH THE COMPETITOR SHARE PRICES. NO RANKING IS NEEDED**

**A NOTE ON THE GRAPHS**

**The numbers on the DASHBOARD are point-in-time numbers at the end of the period**

**Please group the numbers physically by type of performance – market, management, and financial with the VALUE CREATED NUMBERS AT THE TOP OF THE PAGE**

**The bulk of the numbers in the graphs are the SAME ONES ASIN THE DASHBOARD BUT GRAPHED OVER TIME.**

**Initially please focus on the numbers for the particular player.**

**Once that is done please add in the numbers for the competitors.**

**VERY IMPORTANT NOTE**

**THERE is an almost infinite number of graphs that could be created. I would like you to focus on the ones in the Dashboard AT THIS TIME.**

**As we play the game we will discover other numbers that would be of value. We will insert them then. At this time our business objective is to display the game to potential clients**

**SOME FURTHER REMARKS ON GRAPHICS**

**Market performance**

* **Continue to show the legacy offerings shares (B2B and B2C) as a continuation of the periods 1-5 graphs in periods 6 on**
* **Show the new offering customers in both legacy and NewCo on a separate graphic from the B2B etc. numbers. Show the ‘by niche’ numbers as well as the total and the competitors**

**Management Performance**

* **Show the raw indexes by function with competitor overlay**

**Financial Performance**

* **Show the ratios and the net cash generated PERHAPS on separate graphics because of the problem of the axis numbers**

**VALUE CREATED**

* **Show the total value and share prices with competitor values hovering**