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FINAL THESIS

***DECISION MAKING AND RESULTS ANALYSIS OF THE
MANAGEMENT OF GENERAL MANAGEMENT DEPARTMENT OF
BRENES COMPANY IN THE MARKET SEJD1920B***

Author: María de Felipe Toro

Tutor: Jesús Duarte Merelo

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Abstract.

This Final Degree Project aims to show the functioning of the enterprise called Brenes during the simulation process carried out for the period of time between January 2020 and December 2023. Specifically, the development of the department of General Management led by the CEO.

In order to do so, first the main characteristics and particularities of the company will be discussed. That is: the company itself, highlighting the foundation of the company and the general aspects such as mission, vision and values; the products they offer and the markets in which Brenes operates.

Then, the department managed, the General Management one, will be considered. To do so the structure of the area will be explained. The methodologies used in the decision-making process will be illustrated as well as the objectives and main decisions that need to be made each period by the CEO. Within this section, it will be also reviewed the relationships that the role of the CEO has with the other departments of the company.

Afterwards, the results of the company during the period selected will be shown by classifying them into different categories to facilitate their analysis. In addition, an assessment of each decision made will be offered as well as graphical representations of them.

To conclude, it will be verified in the last section of the project if the objectives that were intended to be achieved through it, have been achieved.

Key Words.

CEO, General Management, Sales, Strategies, Results, Decision-Making, Efficiency and R&D.

Resumen.

Este Trabajo de Fin de Grado tiene por objeto mostrar el funcionamiento de la empresa llamada Brenes durante el proceso de simulación llevado a cabo para el periodo de tiempo comprendido entre enero de 2020 y diciembre de 2023. Concretamente, el desarrollo del departamento de Dirección General liderado por el CEO.

Para llevar esto a cabo, primero las principales características y particularidades de la empresa serán tratadas. Es decir: la empresa en sí, resaltado la creación de la empresa y aspectos generales como su misión, visión y valores; los productos ofrecidos y los mercados en los que Brenes trabaja.

A continuación, el departamento dirigido, el de Dirección General, será considerado. Las metodologías usadas en el proceso de toma de decisiones serán ilustradas, además de los objetivos y principales decisiones del departamento que tienen que ser tomadas en cada periodo por el CEO. Además, en esta sección se discutirán las relaciones que la figura del CEO tiene con el resto de departamentos de la empresa.

Después, los resultados de la empresa durante el periodo seleccionado serán mostrados mediante su clasificación en diferentes categorías para facilitar su análisis. También, se ofrecerá una valoración de cada decisión tomada y representaciones gráficas de las mismas.

Para finalizar, se comprobará en la última sección del proyecto si los objetivos que se pretendían conseguir mediante el mismo han sido conseguidos.

Palabras Clave.

CEO, Dirección General, Ventas, Estrategias, Resultados, Toma de decisiones, Eficiencia e I+D+i.

1 Introduction.

This Final Degree Project aims to develop the decision-making process carried out by the CEO through a simulation experience in the company named Brenes during the period concerned between January 2020 and December 2023.

Before entering the subject, it is necessary to indicate a series of objectives that were set at the beginning of this process:

- To reach an adequate communication between the team members. Both written and oral.
- To guarantee the fair division of labor between the members of the group.
- To apply the knowledge acquired throughout the study of the Business Administration Degree to the simulation process.
- To understand the data provided by the simulation and make coherent decisions.
- To approach the actual work of a manager in a company. Specifically, the CEO's job.

Taking into account the aforementioned, throughout the entire document data about the company as well as the performance of Brenes as a team will be explained in order to know if these objectives are reached.

2 The Company and the Markets.

2.1 The Brenes Company.

2.1.1 Introduction.

Within this part, the company's precedence and main characteristics will be discussed to show a general overview of how the company is like.

Starting from the Brenes Company history, which will be the common thread for this part, a pathway will be made through the company's structure and the main characteristics of the market in which Brenes is competing.

The structure of the firm refers to the company's main characteristics such as the sector in which the firm operates, the products that are sold and the resources of the company. In addition, an organizational chart will be included in order to clarify the internal organization of the company.

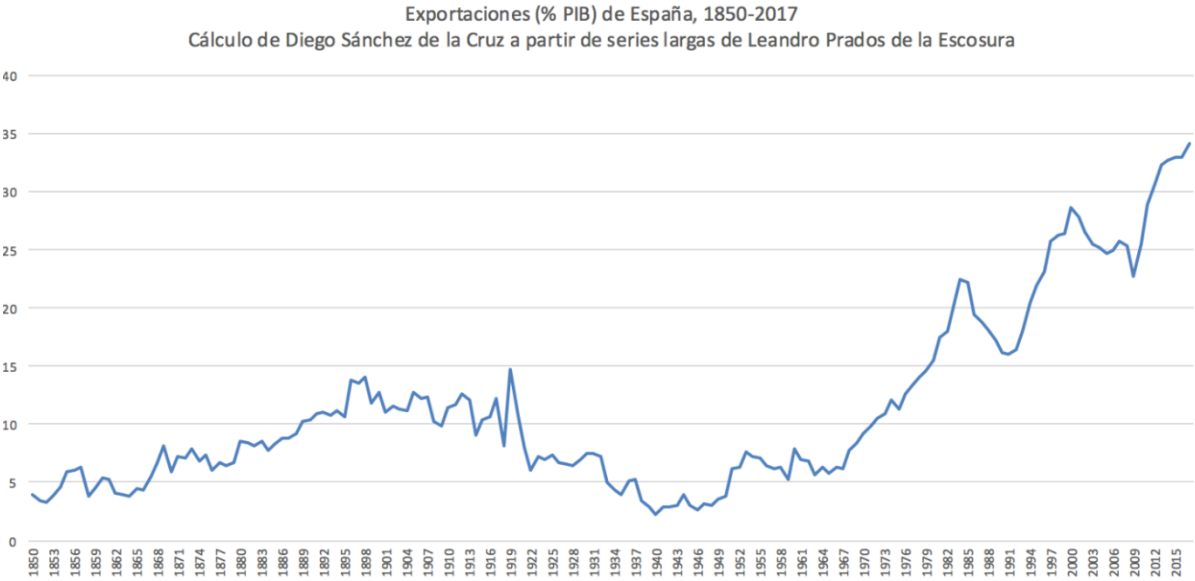
On the other hand, the structure of the market refers to the main features of the environment where the company operates. That includes the competitors that the company must face and their products, the consumers as well as the geographical areas where the firm operates.

2.1.2 The origins.

The Brenes Company is an enterprise focused on the sale of sports machines, founded in Spain in 1976 by Antonio de Felipe. It is a family business, as the founder was the grandfather of the current CEO.

The circumstances under which Brenes was founded, are key to understand the nature of the company. In 1976, Spain shyly began its Transition process. A year before, the Spanish dictator Francisco Franco died, and uncertainty took center stage in the Spanish economy. However, the Spanish trade, and specifically the exports, started to increase.

Graph 1. Weight of exports on Spanish GDP from 1850-2017.



Source: (Sánchez de la Cruz, 2018)

The graph above shows the evolution that Spanish exports experienced throughout the period from 1850 until 2017. The decade of the 1970s is the beginning of a decade of continuous growth, in which the foundation of Brenes is placed. This context of

economic growth, as well as the openness in the minds of the Spanish population, allowed Brenes to place itself as one of the most competitive companies in the market.

The products offered throughout the history have changed. At the time of the founding of the company, products were very different since technology was not as important in lives as it is today. In those times, Brenes only sold Exercise Bikes, that were the most fashionable sport machines.

The business priorities of Brenes evolved over time. As globalization became a reality all around the world, Brenes decided to expand its business all around Europe. The creation of the European Union and especially, the establishment of an economic union, allowed Brenes to distribute its products to all the countries of the European Union.

Besides, Brenes started to distribute its products in South America too. The reason behind this huge growth was that part of the family had to go into exile there. So, years later, when the next generation of the family was already settled there, the South American expansion began. As it has been said before, Brenes is a family business. In addition, during the second decade of the 21st Century, the North American market was seen as a business opportunity for sport machines. As the company was already operating in the South of the continent, it was not difficult to reach the Northern one. Therefore, the company owns offices across the Atlantic Ocean.

2.1.3 Mission, vision and values.

The mission, which is the essence of the business (Navas López & Guerras Martín, 2018), is the following: “Brenes provides happiness by creating highly technological sport machines, which allow people of all ages to get as fit as they desire”.

The vision is related to the future of the company and what it wants to become. (Navas López & Guerras Martín, 2018) The vision of Brenes is achieving sustainable and fair growth, taking into account the following scopes:

- People: Take care of the clients but also of the workers, without losing that “family-approach” that characterizes the company.
- Products: Provide the best machines the company can produce.

- Environment: Be responsible with the wastes and try to accomplish all the Sustainable Development Goals.

The Brenes Company is completely engaged with Corporate Social Responsibility and therefore, with the Sustainable Development Goals. Brenes pretend to be responsible with the waste it generates by trying to use the least polluting machines in the market. In addition, the treatment the workers receive is aligned with the family values that Brenes promotes: a good working environment, methodologies for the communication between workers and managers, good working conditions, etc.

2.2 Structure of the firm.

2.2.1 Sector in which the firm operates

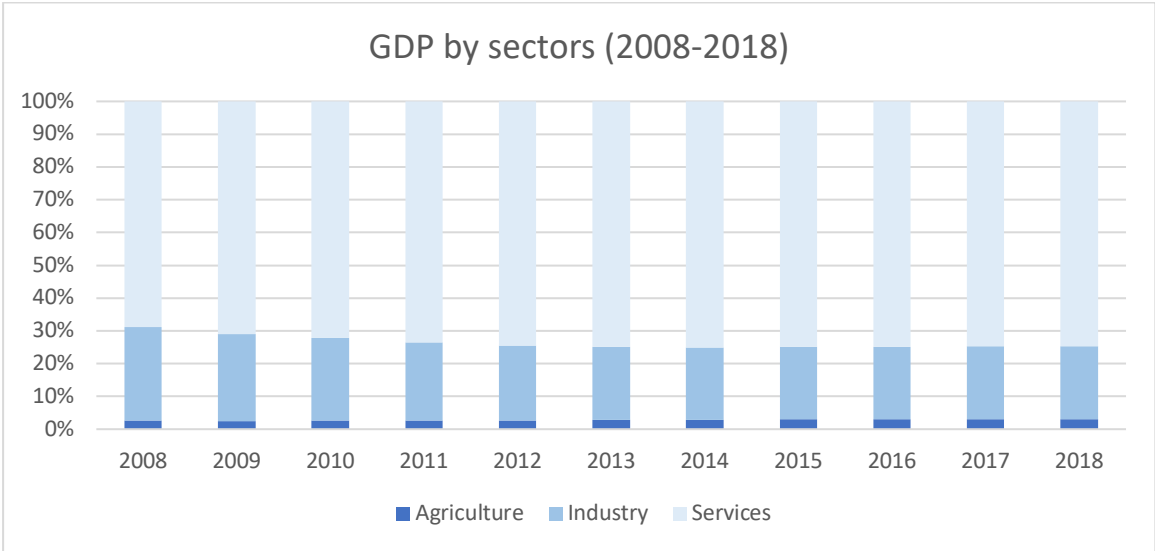
The Brenes Company is a firm that manufactures goods, concretely fitness and exercise machines. Manufacturing businesses belong to the secondary sector, which according to Cambridge University Press is defined as “industries where finished products are made from materials produced in the primary sector” (Cambridge University Press, 2020).

Along with the story of the company, the secondary sector in Spain had suffered lots of changes. During the 80's and 90's, the Spanish industry went through a critical point in the history. Brenes was one of the firms that survived those years. As it was a company relatively new, the managers took advantage of the versatility for change that the firm still had in those early years, and then renewed the company in 1982.

During the last decade, the secondary sector had lost hundreds of businesses due to the economic crisis. Currently, this sector is reducing its percentage in terms of GDP, going from 26,29% in 2008 to 19,99% in 2018, as can be observed in the graph below. However, Brenes had been able to manage its survival in the market due to the wide range of clients that are loyal to the brand.

Specifically, the sector for fitness machinery, had a strong and growing market before the economic crisis in 2008, as the economy went well. Nevertheless, after the crisis, this sector reduced its sales consistently with the whole manufacturing sector. The crisis impact was a hard issue to surpass for Brenes, but nowadays it is recovering and starting to grow again since healthy lifestyles are becoming more and more fashionable.

Graph 2. Participation in the GDP of the economic sectors in Spain (2008-2018)



Source: (Statista, 2020)

Although Brenes may acquire some concepts and technology ideas from other countries, it is a company that highly values providing national products manufactured completely in Spain. The Brenes Company does not delocalize its work centers, it is all produced in Spanish factories. One of the main initiatives that the firm had defended along its path is buying from suppliers of raw materials that use Spanish iron and steel.

2.2.2 Commercialized products.

The products that Brenes Company manufactures are four: multi gym, exercise bike, elliptical bike and treadmill. The **exercise bike** was commercialized since the beginning of the company, as it had been the most popular machine to exercise indoors in Spain. Then, during the 90s, the demand for **multi gym** started to grow so Brenes decided that it could be a profitable investment to start producing it. Recently, in the year 2020, the company decided to commercialize the **elliptical trainer**, a product that was implemented for the first period of the year 2021. Finally, the company began to feel comfortable investing in new products. For that reason, in 2022 the **treadmill** was first produced by Brenes.

Firstly, the **Multi Gym**. This product is the most complete of all exercise machines, the multi gym is developed to strengthen muscles from the whole body. The model developed by Brenes has forty-five options of exercises in just one machine, some of them are rope pull exercises, rowing, bench press, etc. The focus for this product

regarding competitive strategy is innovation, therefore the company tries to achieve a wider range of muscles to train with the newest exercising techniques.

Second, the **Exercise Bike**. In contrast with the multi gym, is mainly a cardio exercise machine. This product helps weight loss and leg muscle strengthen while evoking the sensation of riding a bike without having to move from one's home. Its competitive strategy is image differentiation, channeled through its marketing. The model produced by Brenes has programming options to set routines regarding the age, fitness level, and weight. It also has a heart-rate monitor that works through the pressure of the veins in hands and wrists.

The **elliptical trainer** is a cardio exercise machine as well. The difference is that exercises more parts of the body as involves arms' movements at the same time as steps. It is more focused on weight loss than gaining muscle.

The competitive strategy is also image differentiation through marketing, which is enabled by its impressive features. This product has smooth elliptical motion, that provides the closes emulation of walking and running without the impact. The upper body motion is dependent on the lower one, which enhances coordination. The resistance is easy to adjust and it offers a wide range of options for losing weight. (Florez, 2020)

The **treadmill** is also a cardio exercise machine. The success of this machine lies on the fact that it is really easy to use and anyone can use it. For its functioning it is only needed to run. In addition, the treadmill produced by Brenes includes numerous functions such as different speeds and tilts for a more complete and satisfying workout at a very competitive price.

2.2.3 Physical and human resources.

According to **the physical resources**, these are the ones that are needed to carry out the business activity correctly. Therefore, the physical resources can variate within the different companies. The company divided its physical resources in different categories: buildings and facilities, transport facilities, materials, machinery and IT equipment, emergency equipment, and products in-process or finished.

Concerning the **buildings and facilities**, the company's factories are in Spain. Brenes also is the owner of five warehouses, two in Europe, two in South America and just one in North America. In those warehouses, the company stores raw materials, intermediate products, products still in-process and finished products. The Brenes company has central offices too in which the decisions are made.

Besides, the **materials** used to develop the products are physical resources. Mainly, it refers to the raw materials that are employed in the production process and to the waste generated in these production processes. This waste generated is recycled to contribute to the social responsibility of the company.

Related to the **machinery**, the **office materials**, and the **IT**, there are different type of resources. Within the machinery, there are manufacture machines and assembling machines. These machines are crucial for the production.

The products in-process or finished are also a part of the physical resources. These products are stored until they are distributed in the warehouses. The company also counts with fire sensors and a security system in all of its buildings and facilities to ensure the safety of the employees.

Regarding the **Human Resources**, the company has a large number of employees, whether there are direct operators working in the production processes, different teams from the central areas (Marketing, Human Resources, Financial and Operations), cleaning services or security guards.

The direct operators are divided into three different categories depending on their qualifications. There are low, medium and high qualified employees, and depending on which category they form part of, they will be more or less efficient.

According to the different teams from the central areas, there are different subgroups in each area. The subgroups normally count with five people and are designated with specific tasks related to their area and are supervised by the senior managers that the main managers have selected.

Concerning the cleaning services and the security guards, they belong to companies that Brenes company have contracted their services from. Due to the firm's loyalty to these companies, these employees have been working for Brenes for many years and are considered as part of what the company has become today.

In order to summarize the employees that the company has, the table below helps to clarify its composition.

Table 1. Workforce data.

		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8
<i>Central areas employees</i>	Nº of low-qualified employees in each period	300	270	315	315	170	126	126	59
	Wages of low-qualified employees	1.900 €	1.938 €	2.016 €	2.076 €	2.118 €	2.160 €	2.203 €	2.247 €
	Nº of medium-qualified employees in each period	170	213	263	263	145	186	186	274
	Wages of low-qualified employees	2.300 €	2.346 €	2.440 €	2.513 €	2.563 €	2.614 €	2.667 €	2.720 €
	Nº of high-qualified employees in each period	50	55	97	97	55	137	137	256
	Wages of high-qualified employees	2.600 €	2.652 €	2.758 €	2.841 €	2.898 €	2.956 €	3.015 €	3.075 €
<i>Cleaning services</i>	As it is an outsourced service, the nº of employees remains constant, except in period 5 when a reduction in workforce was needed	200	200	200	200	100	200	200	200
<i>Security guards</i>	As it is an outsourced service, the nº of employees remains constant, except in period 5 when a reduction in workforce was needed	50	50	50	50	35	50	50	50

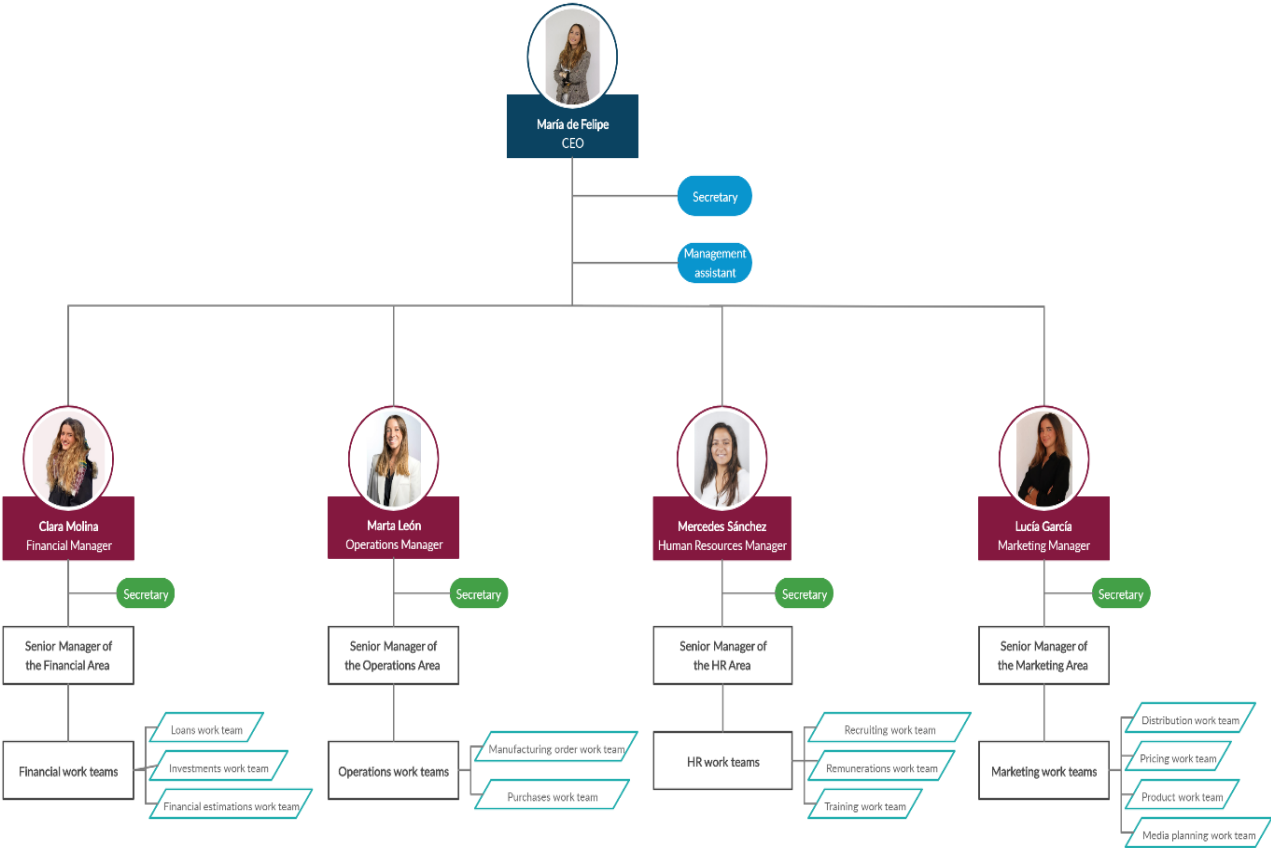
Source: Human Resources Department. Own Elaboration.

2.2.4 Organizational chart and internal organization.

As it can be seen in the organizational chart (Figure 1), Brenes has a hierarchical organization. The reason is that one of the company's objectives is the communication between managers to be straightforward.

The CEO tries to delegate tasks as much as possible so that employees can increase their knowledge in assorted tasks and so that they feel that they are trusted enough to make crucial decisions. In this way, the CEO wants to make employees feel that they are important, from the first manager to the last operator. Therefore, the company's CEO has four middle managers who have this order to delegate as much as possible so that employees increase their knowledge and skills.

Figure 1. Organizational chart of Brenes.



Source: General Management Department. Own Elaboration.

2.3 Structure of the market and main characteristics.

2.3.1 Competitors and products.

Competitors are going to be divided according to the area in which they operate. The data correspond to the results obtained during the last period analyzed: the end of the year 2023.

In Europe there is a crowded market led by a small group that gathers most of the market share.

Table 2. Competitors in Europe.

Multi gym	<ul style="list-style-type: none"> • Camas (Market share: 0,60%) • Cantillana (Market share: 16,98%) • Carmona (Market share: 28,16%) • Cazalla (Market share: 16,81%) • Coria (Market share: 9,48%) • Écija (Market share: 19,91%)
Exercise Bike	<ul style="list-style-type: none"> • Cantillana (Market share: 9,41%) • Carmona (Market share: 33,16%) • Cazalla (Market share: 17,55%) • Constantina (Market share: 0,67%) • Écija (Market share: 31,68%)
Elliptical Bike	<ul style="list-style-type: none"> • Cantillana (Market share: 11,30%) • Carmona (Market share: 23,55%) • Cazalla (Market share: 17,62%) • Coria (Market share: 7,67%) • Écija (Market share: 24,26%)
Treadmill	<ul style="list-style-type: none"> • Cantillana (Market share: 7,93%) • Carmona (Market share: 23,07%) • Cazalla (Market share: 29,88%) • Constantina (Market share: 5,30%) • Coria (Market share: 7,04%) • Écija (Market share: 23,94%)

Source: Marketing Department. Own Elaboration.

While in South America, there are not many competitors yet, and so the market share can still be fought.

Table 3. Competitors in South America.

Multi gym	<ul style="list-style-type: none"> • Constantina (Market share: 48,92%)
Exercise Bike	<ul style="list-style-type: none"> • Carmona (Market share: 48,11%) • Coria (Market share: 24,69%)
Elliptical Bike	<ul style="list-style-type: none"> • Carmona (Market share: 55,58%)
Treadmill	<ul style="list-style-type: none"> • Carmona (Market share: 75,74%)

Source: Marketing Department. Own Elaboration.

On the other hand, the competitors market share for the products in North America looks more like the distribution of the market share in Europe.

Table 4. Competitors in North America.

Multi gym	<ul style="list-style-type: none"> • Camas (Market share: 2,48%) • Cantillana (Market share: 19,87%) • Carmona (Market share: 14,54%) • Coria (Market share: 19,49%) • Écija (Market share: 22,03%)
Exercise Bike	<ul style="list-style-type: none"> • Cantillana (Market share: 19,38%) • Constantina (Market share: 1,49%) • Écija (Market share: 51,33%)
Elliptical Bike	<ul style="list-style-type: none"> • Cantillana (Market share: 11,75%) • Carmona (Market share: 14,93%) • Cazalla (Market share: 22,40%) • Coria (Market share: 9,33%) • Écija (Market share: 24,45%)
Treadmill	<ul style="list-style-type: none"> • Cantillana (Market share: 7,94%) • Carmona (Market share: 13,78%) • Cazalla (Market share: 26,51%) • Constantina (Market share: 7,62%) • Coria (Market share: 9,27%) • Écija (Market share: 20,57%)

Source: Marketing Department. Own Elaboration.

2.3.2 Consumers.

Brenes' consumers should be classified, in order to create a proper marketing mix focused on each area, according to their geographical area.

North America is positioned between the other markets: it does not have a great sensitivity neither to price nor to quality. South American consumers are more sensitive to price, while Europeans care more about the quality of the product, regardless of the price.

Another distinction between the two is the degree in which they are influenced by the media. While Europeans are not much influenced by media, nor by any of them in particular, South America's consumers are much more affected by media, mainly by

TV and internet advertisement. In addition, North America is more affected by media than Europe but, less affected than South America.

Brenes' target profile, despite the area of residence and gender, is a young adult (mid-twenties, early thirties), from a well-off family, in a medium-high level neighborhood, who likes working out weekly despite their lack of time, reason why rather than going to a conventional gym they have equipment in their own home to save the time, worried about health as much as about appearance.

2.3.3 Geographic areas.

The geographical areas where the company commercializes are focused mainly on Europe, North America and South America. The following tables takes a closer look at the various opportunities and threats that provide these three areas: In South America, note the following special features:

Table 5. Opportunities and threats in South America.

Opportunities	<ul style="list-style-type: none"> • Expanding market • Room for improvement • Strategic positioning • Prestige and international recognition • Little business saturation (privileged position, capacity for differentiating)
Threats	<ul style="list-style-type: none"> • A future financial and worldwide economic crisis as a result of the coronavirus crisis • Difficulty obtaining clear and accurate information. • International aspects, government relations, political instability • High distribution costs

Source: General Management Department. Own Elaboration.

Then, in North America is important to highlight the following:

Table 6. Opportunities and threats in North America.

Opportunities	<ul style="list-style-type: none"> • Expanding market • Similar features to the European Market • Prestige and international recognition • High amount of new customers
Threats	<ul style="list-style-type: none"> • A future financial and worldwide economic crisis as a result of the coronavirus crisis • Vast region with diverse tastes • High distribution costs

Source: General Management Department. Own Elaboration.

While in Europe, the following can be found:

Table 7. Opportunities and threats in Europe.

Opportunities	<ul style="list-style-type: none"> • Market is highly segmented • Room for improvement • New technologies • Customer loyalty (greater understanding of knowledge and tastes) • Further specialization • Added value to products and increasing competitiveness (better brand, exclusivity and class)
Threats	<ul style="list-style-type: none"> • A future financial and economic worldwide crisis as a result of the coronavirus crisis • Falling market • Business saturation • Fall in demand • Losing market opportunity

Source: General Management Department. Own Elaboration.

3 Definition of the General Management Department.

3.1 Introduction.

In this part, the area of responsibility will be discussed. That is, the General Management of the company. The one in charge of this department is the CEO, that comes from the acronym of Chief Executive Officer. The CEO is part of the Senior Management of the company which has the general responsibility of the company and is in charge of ensuring that the objectives are met. (Morales Fernández & Ariza Montes, 2015)

Firstly, it is important to know the structure of the area. In other words, how it is organized, who compose it and where it is placed within the whole organization. In addition, the functions regarding the general management area will be discussed too.

Then, the methodology used by the CEO in order to make decisions regarding the area are crucial. The main methodologies explained within this part are: the Ansoff Matrix, the Boston Consulting Group Matrix, Porter's Five Forces and SWOT Matrix.

The following section will approach the objectives of the area. Hence, the strategic objectives of the whole firm.

Afterwards, the discussion will be moved towards the decision-making process that the CEO uses in order to develop the business properly.

Then, it is key to understand the main decisions a CEO must face. The matters that will be approached are: The corporate and competitive strategies, the sales objectives, the return on assets (ROA), the sales growth, the corporate social responsibility, the financial security and also the research, development and innovation section.

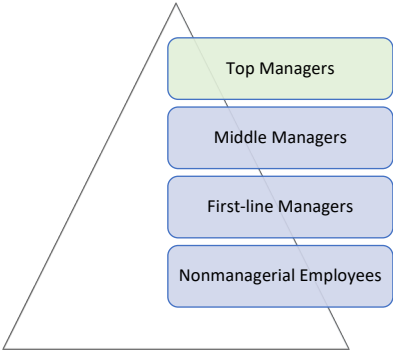
The next section regards the indicators that measure the performance of the CEO and thus, the whole organization's efficiency. Some of the decisions such as the ROA and the sales growth provide valuable information about the performance of the company. In addition, there are some ratios that are more explicit in explaining the outcome of a company in a certain period of time.

Lastly, the relationships between the CEO and the rest of the company will be approached. In this section, is important to understand that, as it has been previously noted, the CEO is part of the senior management.

3.2 Structure and functions of the area.

Starting at the definition above, the CEO could have multiple tasks. According to Robbins and Coulter in their book *Management* a CEO belongs to the Top Managers area, whose members depends on the company. For some companies, it is just the CEO. However, for others there is a President, an Executive Vice President, a Managing Director... Either way, the constituents of this area are the ones “responsible for making organization-wide decisions and establishing the goals and plans that affect the entire organization”. (Robbins & Coulter, 2016)

Figure 2. Organizational Structure.



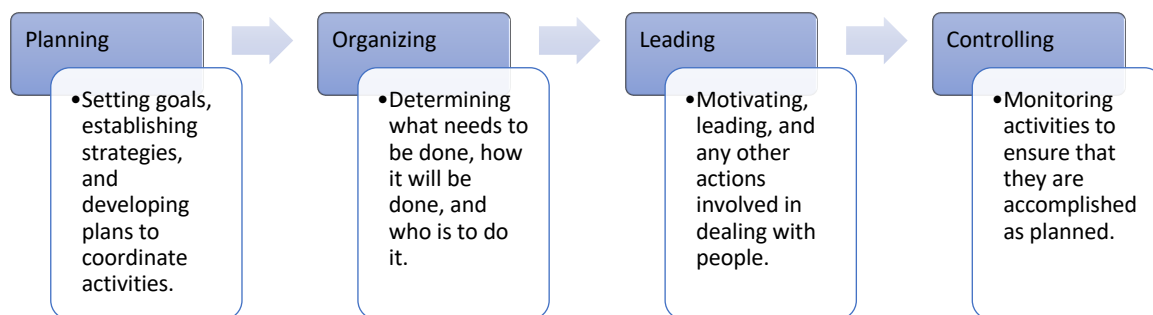
Source: (Robbins & Coulter, 2016)

Some of the functions a CEO must accomplish are:

- To define the objectives of the company, both the corporative and competitive ones.
- To develop an strategic plan in order to achieve the objective previously set.
- To organize and, therefore, delegate tasks to other departments depending on their nature.
- To make decisions taking into account the company's priorities.
- To foresee, as much as possible, potential changes and risks in the market.
- To communicate the decisions to the rest of the organization. (Nícole Roldán, n.d.)

These six functions could be summed up in four key points: A CEO must **plan**, **organize**, **lead** and **control** the company. (Robbins & Coulter, 2016)

Figure 3. Management Functions.



Source: (Robbins & Coulter, 2016)

3.3 Methodologies used.

The methods used by a CEO to make decisions, could be some. However, there are few that could be especially helpful to make the right choice.

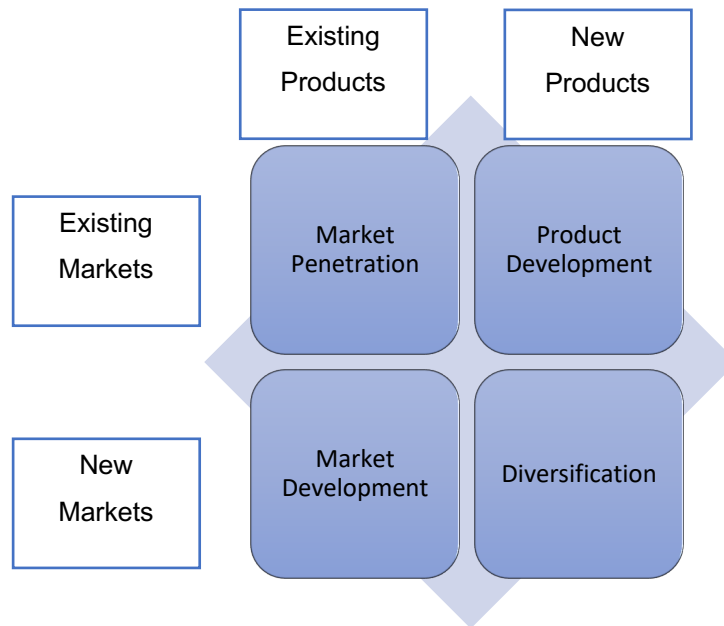
3.3.1 Ansoff Matrix.

The Ansoff matrix was first published by H. Igor Ansoff in 1957 and it is used as a tool for CEOs in order to establish an strategy for growth. (Corporate Finance Institute, n.d.-

a) Ansoff himself described the matrix as follows: “a method for measuring the profit potential of alternative product-market strategies, starting with a forecast of trends and

contingencies and then working toward company needs and long-run objectives”. (Ansoff, 1957)

Figure 4. The Ansoff Matrix.



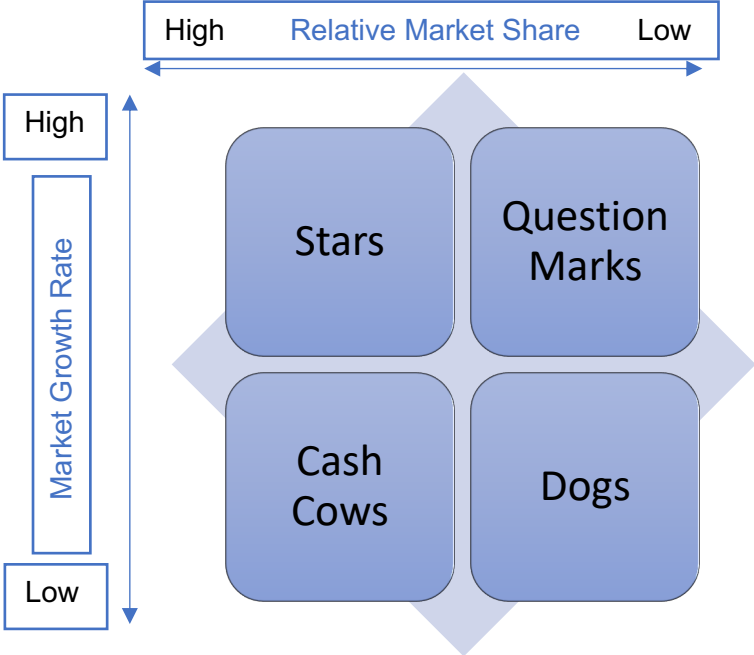
Source: (Ansoff, 1957)

3.3.2 Boston Consulting Group Matrix.

The Boston Consulting Group Matrix or BCG Matrix, received its name since it was created by the global consulting firm. This matrix analyze products according to its market share and growth. With this classification, a CEO could determine which of its products are best for them. (Martin, 2019)

As it is shown in the graphic below, the products with the highest market share and growth rate, are called **Stars**, since they are the best for a company’s growth. If there is a product with a high market share but with a low growth rate is called **Cash Cows**, because they are products that produce so much revenue for the company even if they do not tend to grow. When there is a low market share but the growth is high, there is a **Question Mark** product, since they consume money without returning what the company expected. Finally, **Dogs** are those products that usually are located at break even. They do not give anything interesting to the company. (Martin, 2019)

Figure 5. The BCG Matrix.



Source: (Martin, 2019)

3.3.3 Porter’s Five Forces.

The five forces of Porter is a model that helps companies to identify the strengths and weaknesses of a market, in order to determine if the investment in that market is worth it or not. (Chappelow, 2020)

Figure 6. Porter’s Five Forces.

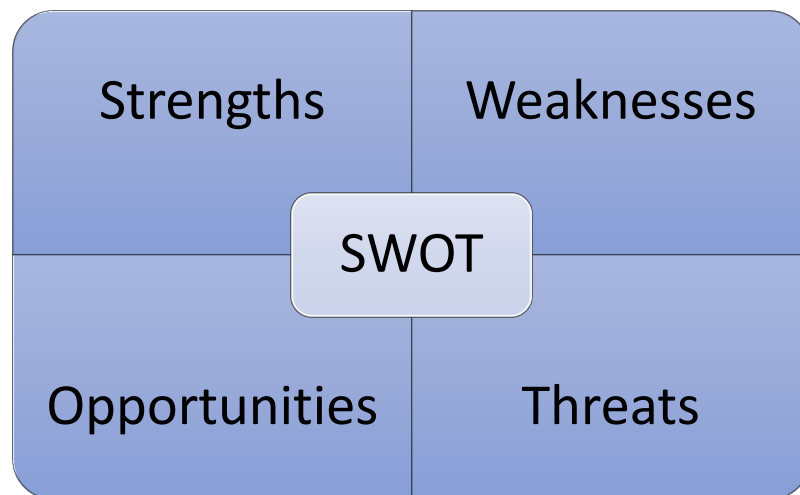


Source: (Chappelow, 2020)

3.3.4 SWOT Matrix.

SWOT Matrix helps to determine the competitive position of a company in order to develop a strategy. In other words, it helps a CEO to decide if a potential business would be worth it. (Grant, 2020)

Figure 7. SWOT Analysis.



Source: (Grant, 2020)

3.4 Objectives of the area.

Firstly, related to the objectives of the management function, there is a concept which has to be taken into account: the strategy. The strategy refers to “the way a company is linked to the environment”. Therefore, in order to combine perfectly the objectives of the company with its interests and the market’s ones, objectives must be **strategic**. (Navas López & Guerras Martín, 2018)

The CEO of the company is the one in charge of deciding the strategies that the business must follow. Consequently, some of the area’s objectives are also the company’s objectives and the degree of importance is the highest. (Robbins & Coulter, 2016)

The objectives of the company are conditioned by the mission and vision of it. As it has been previously said, on one hand, the mission refers to the essence of the business, which remains fixed during time. On the other hand, the vision of a company is related to the future and how the business will be developed. For that reason, the objectives of the company must refer to the way how a business will become what they want.

That kind of decisions influence the whole organization, as none of the departments could make a decision without taking into account the general strategies and objectives of the company. (Navas López & Guerras Martín, 2018)

3.5 Mechanisms for decision-making process.

As it has been introduced throughout the previous paragraphs, CEOs own the responsibility of making decisions affecting the whole organization. Therefore, there is a process they must follow. However, in the real life decision-making process is difficult to follow exactly a rigid process. For that reason, a more flexible methodology is used for the Brenes company.

Firstly, the Senior Management of the company must get together in order to make decisions regarding the strategic plans for the enterprise. That means, the CEO must make decisions about competitive strategies concerning the products in sale. In other words, to decide what will make those products better than the ones sold by the competitors.

In addition, the strategic decisions include other matters concerning the company's structure and characteristics such as the degree of diversification of the firm, the internationalization or vertical integration.

Once the strategic decisions are made and are checked so the interests of the stakeholders and the ones of the firm are aligned, specific decisions for each area are made. That means the CEO must meet every intermediate manager to make decisions regarding all areas.

The first meeting each period is the one with the **Financial Manager** of the company. That is because without a budget for the period it will be impossible to assign individual budgets for each area.

The next meeting is the one with the **Operations Manager** to check the production forecast as well as the purchase needs of the department both for machinery and raw materials.

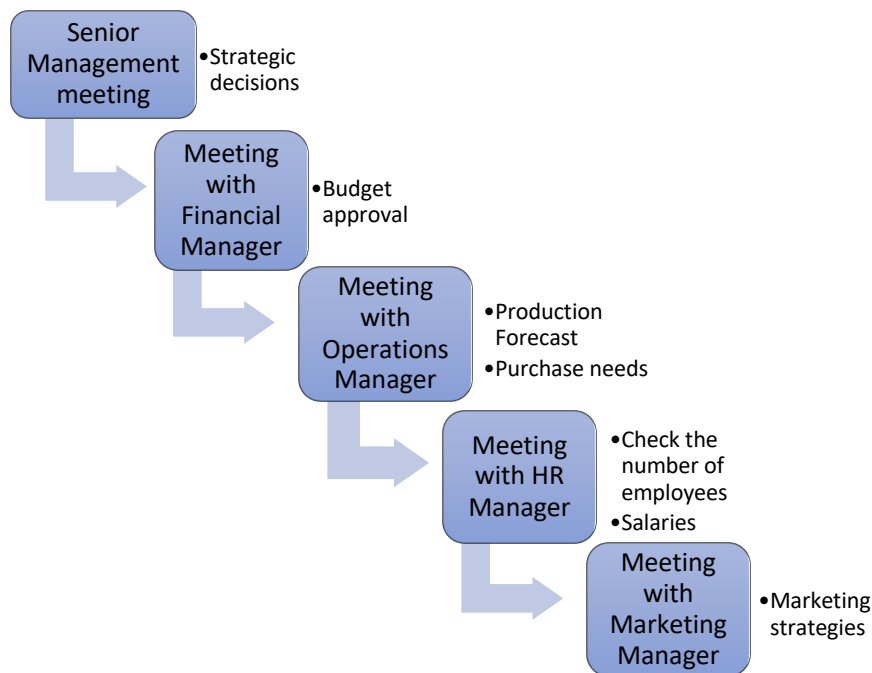
Then, a meeting with the **Human Resources Manager** is arranged. The information provided by the Operations Manager is taken into account to make sure if there are

enough employees or if the company needs to hire. In addition, salaries are adjusted every period according to the Consumer Price Index (CPI).

Finally, the **Marketing Manager's** meeting is held to decide the strategies of the company as well as the prices for the products.

Once the CEO has met with all the middle managers, each one should inform the rest of the department of the actions taken for that period.

Figure 8. The decision-making process for Brenes.



Source: General Management Department. Own Elaboration.

3.6 Main decisions.

The main decisions regarding this area are those related to the general functioning of the company, as it has been said before. These include strategic decisions as well as innovative ones. The decisions could change depending on the company, but the following are the basic decisions a CEO must make.

3.6.1 Corporative Strategies.

The Corporative Strategy it is the one that must guide the company at the beginning of each new project. Is the one that requires mission, vision and values; but it also needs the CEO to plan, implement and control it. (Cristancho Dueñas, 2014)

The strategies composing the corporative level could be some. The basic ones are:

- Degree of diversification: The diversifications refers to the strategy of simultaneously adding new products and new markets. (Navas López & Guerras Martín, 2018)
- Degree of internationalization: It is known that globalization is becoming even more important in the business sector. For that reason, companies move to other countries following an internationalization strategy. However, it is not that easy to have a high degree of internationalization: distribution costs tend to be higher, there could be entry barriers, etc. (Navas López & Guerras Martín, 2018) Notwithstanding, the degree of internationalization could be measured through the percentage of revenue from other countries from total revenue. (Riahi-Belkaoui, 1999)
- Degree of vertical integration: According to Navas and Guerra, vertical integration is: “a firm’s entry into activities related to the full production cycle of a product or service, whereby it becomes its own supplier or customer”. (Navas López & Guerras Martín, 2018)

3.6.2 Competitive Strategies.

Competitive strategies refers to the advantage of the company compared to others. In other words, what differentiates a company from others in the market by creating value. It is also called Competitive Advantage, as it creates and advantage against the competitors. (Navas López & Guerras Martín, 2018)

There are many forms of differentiating the company from others. However, there are two main competitive advantages:

- Cost Leadership: According to Navas López and Guerras Martín, Cost Leadership advantage happens when a firm’s costs “are lower than its competitors’ for a product or service of similar or comparable quality”. (Navas López & Guerras Martín, 2018)
- Differentiation: A company has a competitive advantage in differentiation when “it provides a product or service that, being comparable with one provided by other firm, has certain attributes that make customers perceive it as unique”. (Navas López & Guerras Martín, 2018) In addition, there are several ways to

differentiate a business such as in quality, innovation, service to the client, etc.
(Essays UK, 2018)

3.6.3 Sales objectives.

To set the sales objectives for the period is a key decision for the company, as it establishes the quantity that the company is planning to sell during that period. The objectives must meet some requirements in order to be useful and proper for the company. (Hart, 2019)

Those requirements are the following: Sales objectives must be specific, measurable, successive, appropriate, set in time, realistic and challenging. (Navas López & Guerras Martín, 2018)

3.6.4 ROA.

Another decisions a CEO must make is calculating the ROA. ROA stands from Return on Assets and “it measures the profitability of a business in relation to its total assets”. Therefore, the highest the ratio, the better the performance of the company in the efficient use of their resources. (Corporate Finance Institute, n.d.-b)

The formula used to calculate ROA is the following: $\frac{\text{Net Income}}{\text{Average Assets}}$

3.6.5 Sales Growth.

Sales Growth is the quantity by which the sales of the company are increasing regarding the results from the previous period. (Business Dictionary, n.d.)

The formula used to calculate the Growth in Sales is: $\frac{(\text{Current period sales} - \text{Prior Sales})}{\text{Prior Sales}}$

3.6.6 Corporate Social Responsibility.

In addition, as the environment and climate change are becoming such important issues, Corporate Social Responsibility is becoming key for companies. CSR “incorporates sustainable development into a company’s business model”. (Schooley, 2019)

It is important to know that CSR is of voluntary application, and it has three factors: Environmental, Economic and Social. (Navas López & Guerras Martín, 2018)

Related to Corporate Social Responsibility it can be found the Sustainable Development Goals by United Nations. It consists on seventeen goals for the future in order to have a better world in terms of environment, peace, equality and prosperity. (United Nations, n.d.)

3.6.7 Financial Security.

Safety is a need for all human beings. That is the reason why Maslow included this need in his pyramid. In his hierarchy, safety is the second need for humans. Obviously, if this need is important for personal life, it can be also extrapolated to business life. (McLeod, 2018)

For some scientists, the financial security for enterprises can be defined as “the protection of financial interests of businesses at all levels of financial relations”. (Delas, Nosova, & Yafinovich, 2015)

3.6.8 Innovation in products.

Innovation is crucial nowadays. There is not a single successful company that does not spend huge quantities in innovation. However, it is important to mention that innovation is not just a huge investment in R&D, as OECD innovation indicators show. (Kastelle, n.d.)

Nevertheless, when people think of innovation, they usually tend to think about innovation in products. Therefore, it is the most common one. It could refer either to technological development or changes for customer requirements, etc. (Differential, n.d.)

3.6.9 Efficiency.

Efficiency refers to “getting the most output from the least amount of inputs”. (Robbins & Coulter, 2016) Investments on efficiency can make the difference for a company. It is a risky investment. (Hodgson, Breban, Ford, Streatfield, & Urwin, 2000) However, in the

long-run, the areas where the investment on development is made could be the best ones.

3.7 Key Performance Indicators (KPIs).

There are not a fixed amount of indicators to show if a CEO is making the right decisions. However, there are some basic ones that can help.

Firstly, as it was noted before, if the Return on Assets (ROA) is high, means the company is using their financial resources wisely and, therefore, efficiently. (Corporate Finance Institute, n.d.-b)

Second, the sales growth, again, is an important indicator. Obviously, if the growth is constant means that the strategy and therefore, the expectations of the CEO are going as planned. (Business Dictionary, n.d.)

Third, the financial autonomy ratio could be a great indicator too. Before making any investment, a company should check if their financial status is good enough to handle it. That is where the financial autonomy ratio applies, to compare the relationship between the funds of the enterprise and the liabilities it bears. Consequently, the formula applied is as follows: $\frac{\text{Share Capital}}{\text{Total Liabilities}}$ (OBS Business School, n.d.)

Fourth, knowing the percentage of the market share a company is owning can be useful too. The market share refers to “the percentage of total sales in an industry generated by a particular company”. Therefore, the highest the market share, the highest the sales and, consequently, the overall performance of the company. (Hayes, 2019)

Lastly, as in the general management area the decisions made are basically the organization’s decisions, strategic evaluation could be made to test the performance. Control could be made either using qualitative methods or quantitative ones.

- Qualitative methods consists on answering a series of questions through a questionnaire about different issues in the company.
- Quantitative methods are the financial ones. They are related to the figures and objectives the company must achieve. (Navas López & Guerras Martín, 2018)

3.8 Relationships with other areas.

On the one hand, as it has been noted before, the CEO is the one in charge of the General Management of an organization. For that reason, the limitations from other areas towards this one, are limited and scarce.

On the other hand, the relationship between the General Management area and the rest of them is hierarchical. A hierarchical relation means that the CEO must supervise (either directly or indirectly) the performance of the rest of departments. The relationship goes upside-down, being the CEO the one in charge of assigning the roles. (Morales Fernández & Ariza Montes, 2015)

However, division of labor and coordination is necessary. This division could be both horizontal and vertical. Each one is typical for a certain organizational structure.

- Horizontal division of labor refers to flat organizations, which are based more on cooperation rather than hierarchy. In this kind of companies, employees can make decisions, just asking for instructions for a very important issue. (Teeboom, 2018) One advantage of this type of organizations is that it forces the CEO to delegate. Notwithstanding, a disadvantage is the risk of having overcharged managers. (Morales Fernández & Ariza Montes, 2015)
- Vertical division of labor refers to the attribution of certain responsibilities to whom it may concern. For example: Human Resources topics must be delegated to the Human Resources Department. A CEO cannot take care of every single issue in the company. One advantage could be the high degree of internal promotion. However, one disadvantage could be the costs incurred in intermediate managers. (Morales Fernández & Ariza Montes, 2015)

Specifically, the relationships within the departments of the company are the following:

Regarding the **Financial Management Area**, even though the CEO is higher than the Financial Manager in the hierarchy of the company, some limitations are presented to the CEO. The Financial Manager must show the forecasts, and the CEO the strategies for that period. Taking into account all the information, a budget for each department will be made.

The relationships between the CEO and the **Operations Management Area** are key too. Operations are in charge of the whole technical functioning of the organization. Therefore, the Operations Manager must show the production planned and inform

about the needs of the company: machinery and raw materials. It is important for the CEO to know which raw material supplies are used to be consistent with the CSR policy followed.

As regards the **Human Resources Management Area**, the HR Management must inform about the personnel needs, as well as if it is necessary to train the employees so their efficiency increase. The Brenes Company is concerned about the importance of having happy employees in order to obtain an excellent outcome. For that reason, the CEO keep an eye on salaries, which are often raised and personnel is cared.

Concerning the **Marketing Management Area**, the relationship with the CEO is also direct. The CEO must watch out the decisions regarding this area such as the prices for the products sold, as it will have an impact on the whole organization. In addition, the Marketing Manager must inform about the distribution company hired, as some of them are more responsible than others with the environment.

4 Decisions of the General Management Area.

4.1 Introduction.

Within this part, the variables related to the General Management of the firm will be analyzed in order to determine whether the decisions made were right or not.

In order to do so, the variables will be divided in the sections where they belong. The decisions made as well as the consequences arising from them will be treated. In addition, the hits and misses of the Brenes Company will be assessed and the section will be closed by some general conclusions.

Firstly, the variables that will be analyzed are the ones composing the general strategy of the company: the corporative strategies and the competitive ones. Here it will be analyzed what the company intended to do and what it actually did. Consequently, whether strategies were respected or not.

Then, the sales objectives will be discussed. That is how much the company expected to sell in the sequence of periods and how did it actually turn out.

The following variables are the financial ratios, since the company calls them that. Those ratios are, undoubtedly, the Return on Assets (ROA), the sales growth, financial security and financial autonomy. The financial ratios are interesting to inspect since

they provide a view on how the company is actually doing its job and to what extent it is being developed.

The next variable is the Corporate Social Responsibility. Although it is very important for the company, is very difficult to measure its degree of accomplishment. However, it will be possible to determine to what extent it has been respected through the type of machinery used and the distributor hired.

After, the variables from the Research & Development section will be examined. Those are the innovation in the products produced by the Brenes Company as well as the efficiency of the human resources personnel and machinery.

Taking into account the classification provided above, the consequences, good or bad, derived from decisions made on these variables will be assessed.

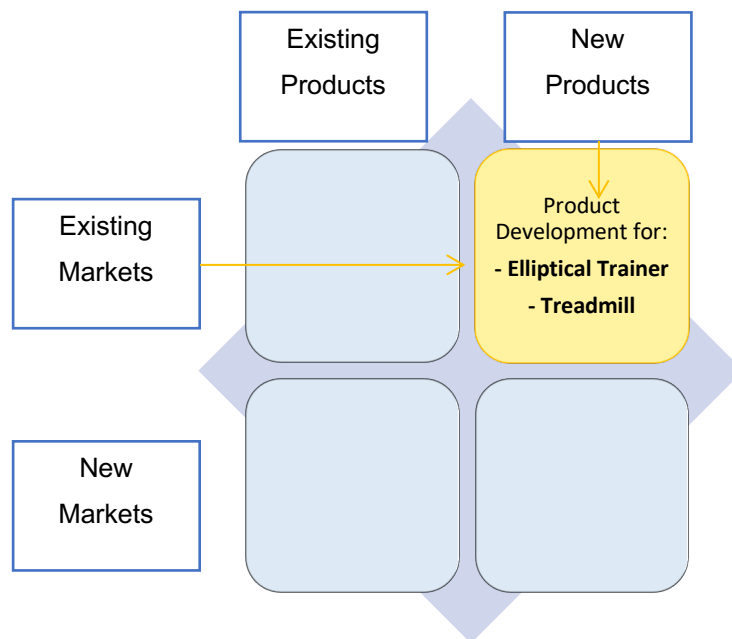
4.2 Strategic Variables.

4.2.1 Corporate Strategies.

First, as it has already been noted, **the degree of diversification** of a firm refers to its range of products or services offered. Therefore, the degree varies from a narrow to a wide range of them. The aim of Brenes has always been to evolve in the same way as technology. Therefore, the products are adapted to new needs and, of course, new ones have been introduced over time. Consequently, Brenes has succeeded in its attempt to evolve over time, since the degree of diversification progressed gradually from medium-low to high, passing through medium-high before. The underlying reason for this evolution is the entrance of new products in the company:

- During the second semester of 2020 the company decided to start producing the elliptical trainer since the analysts detected that a new need for this sport machine was being born within the world population. According to the Ansoff Matrix previously mentioned (Figure 4.) the strategy used is **product development** as it is a new product in an existing market.
- Two years later, at the beginning of the second semester of 2022, Brenes was concerned about the changing in tastes in young people, so the management of the company determined that treadmills should be produced. Following the Ansoff Matrix previously mentioned the strategy used is **product development** as it is a new product in an existing market.

Figure 9. Ansoff Matrix applied to diversification of products.

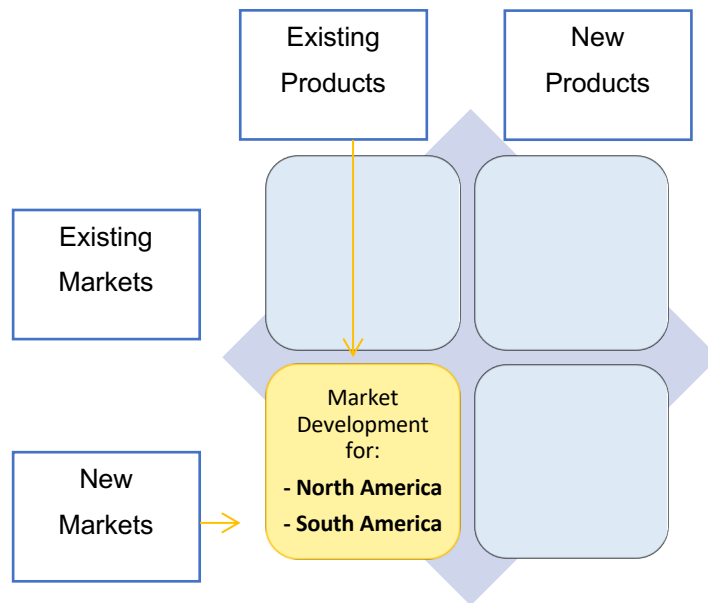


Source: General Management Department. Own Elaboration.

Second, **the degree of internationalization** depends on the markets in which the firm operates. Since the Brenes Company has been evolving too, according to its values, it can be considered that the internationalization strategy has been successful. The progression has been made from a low degree until it reached a high one. The reason behind the progress lies on the fact that throughout the company's history, Brenes has had to adapt to new markets due to the special situations the company have had to live.

- As it has already been said, Brenes, a familiar business, has part of the family living abroad in South America. For that reason, at the beginning of 2021 the family reunited again to start distributing its product there. According to the Ansoff Matrix previously mentioned the strategy used is **market development** as it is a new market with the existing products: multi gym, exercise bike and elliptical trainer.
- After that, and once the firm was settled in the South American market, the firm decided to keep growing upwards to the North American market. It was at the beginning of 2023. Taking into account the Ansoff Matrix, the strategy used is **market development** as it is a new market with the existing products.

Figure 10. Ansoff Matrix applied to the degree of internationalization.



Source: General Management Department. Own Elaboration.

Third, **the degree of vertical integration** correspond to the way the company operates regarding the value chain. Since its foundation, Brenes attempted to be a company responsible for their own production. That means, a high degree of vertical integration, therefore, not outsource. Outsourcing has always been the last option for Brenes, for the simple reason that if the company decides to outsource, there will be no chance to control the production and for a familiar business as Brenes and its CEO is important to know every single detail about the production of each period.

It can be considered that the outcome of the decisions made regarding the vertical integration has been successful too. The firm bet on a high level of vertical integration, therefore not outsourcing, and it has been fulfilled excepts in two semesters, due to production and personnel circumstances that it was necessary to outsource the production of some of the products.

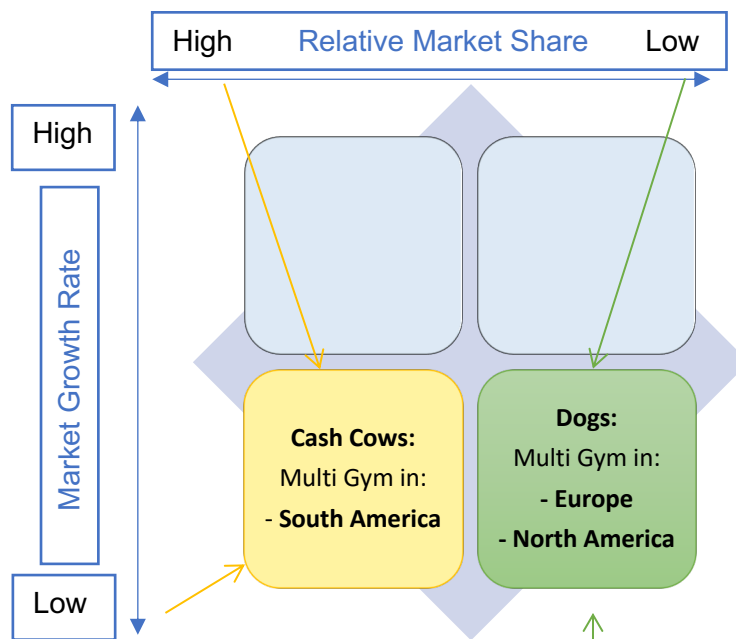
4.2.2 Competitive Strategies.

The competitive strategies are the ones that differentiate a business from another one. Therefore it is important not only to formulate them well in theory, but also to fulfill them in practice.

First, **innovation differentiation** was selected as the competitive strategy for the **Multi Gym** because the product was shrinking in all markets. Innovating in the product could be a way to improve it and, therefore, it could help to stop or to slow down the shrink.

The outcome of the decision was not as expected, since Brenes was forced to stop investing in R&D for this product because the production of it stopped in July 2021 due to stock existence. However, before the overstocks, the company was investing three million euros per semester for the Multi Gym in innovation concepts. In addition, the market share of the product in Europe tended to decrease with a low market growth too, which make it a **dog according to BCG Matrix**, and for North America too with a 1,76% and 3,18% of market share, respectively. Notwithstanding, the opposite happened for South America, where it can be seen as a **cash cow**, with a 47,36%.

Figure 11. BCG Matrix applied to the Multi Gym.



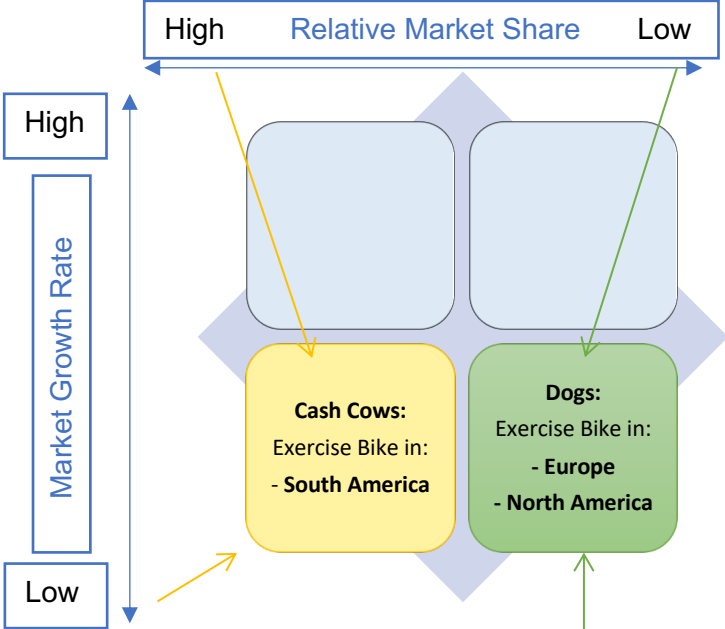
Source: General Management Department. Own Elaboration.

Second, **image differentiation** was selected for two the products offered: the **Exercise Bike** and the **Elliptical Trainer**. This kind of differentiation was thought with a different purpose for each product. On the one hand, for the Exercise Bike as it was shrinking in all markets, it could be a way to improve the sales of it by improving its image and showing it on the media. On the other hand, for the Elliptical Trainer it was a strategy to get potential customers to know this new product expanding in all markets.

According to the BCG Matrix, the exercise bike in Europe and North America has been a **dog** (2,64% and 4,36% respectively). However, as in the multi gym, for South

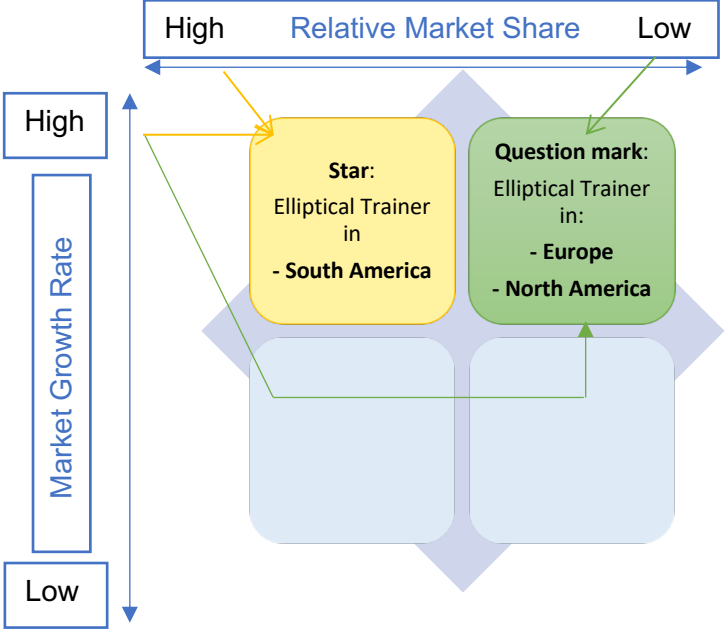
America, the exercise bike is a **cash cow** (25,57%). The elliptical trainer is product growing in the market, with a relative high market share, especially in South America (43,66%) which makes it a **star** in that market, but a **question mark** in the others (8,32% in Europe and 9,33% in North America).

Figure 12. BCG Matrix applied to the Exercise Bike.



Source: General Management Department. Own Elaboration.

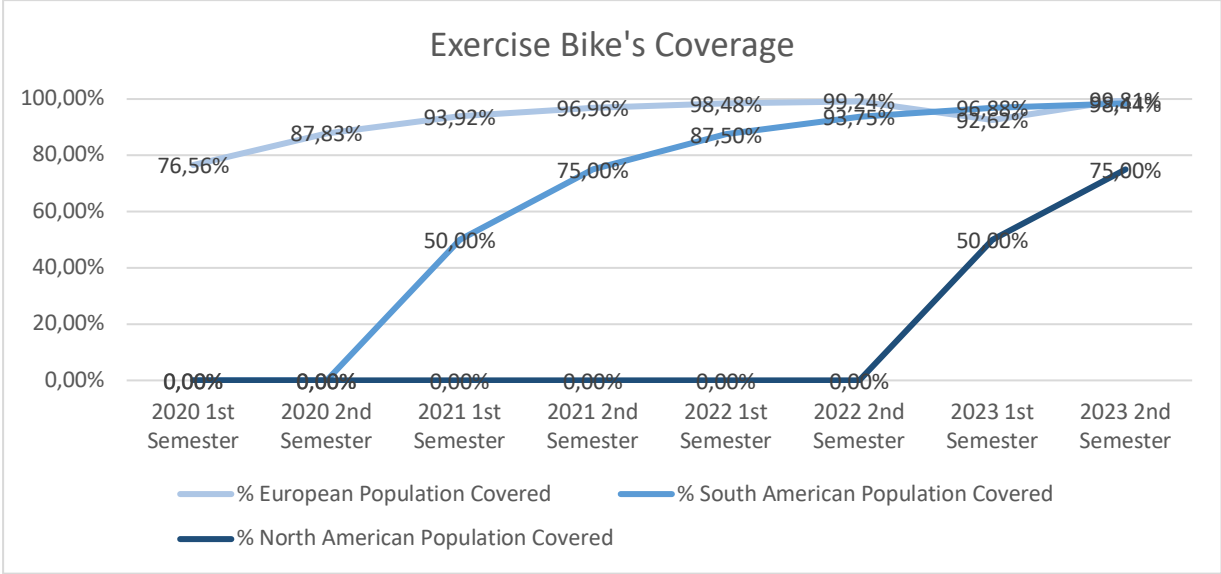
Figure 13. BCG Matrix applied to the Elliptical Trainer.



Source: General Management Department. Own Elaboration.

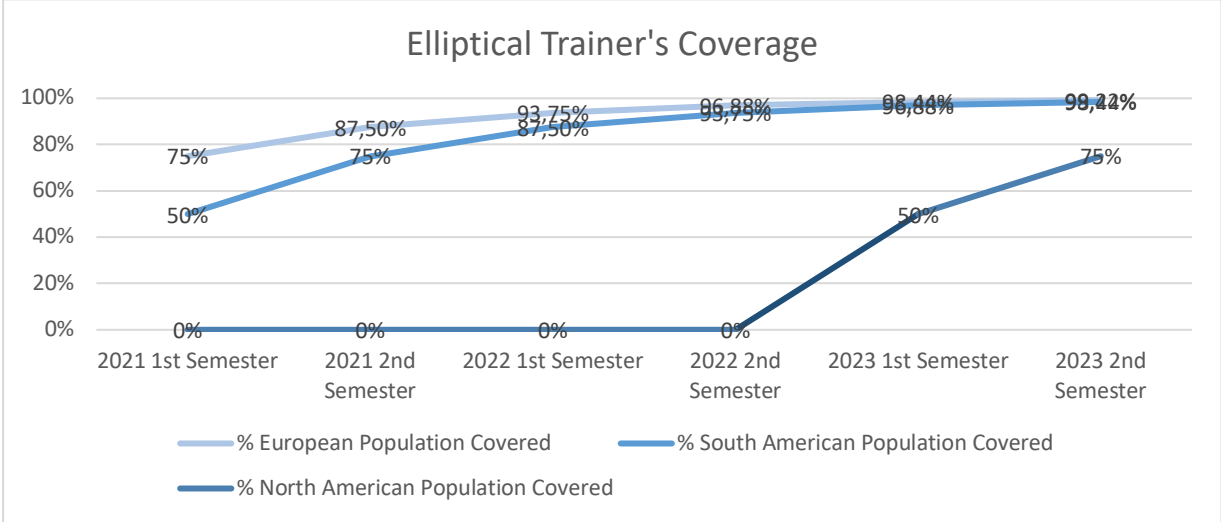
It can be said that the objectives were successfully achieved since more than 80% of the combined population of Europe, South America and North America got the advertising of the products one way or another¹.

Graph 3. Media Coverage for the Exercise Bike.



Source: Marketing Department. Own Elaboration.

Graph 4. Media coverage for the Elliptical Trainer.



Source: Marketing Department. Own Elaboration.

In addition, according to the researches made before starting to sell in a new market, it was known by Brenes that South American population was affected by advertising in

¹ This figure was calculated through the combination of the last period's media coverage for the three markets and both products. The graphs helps to understand its precedence.

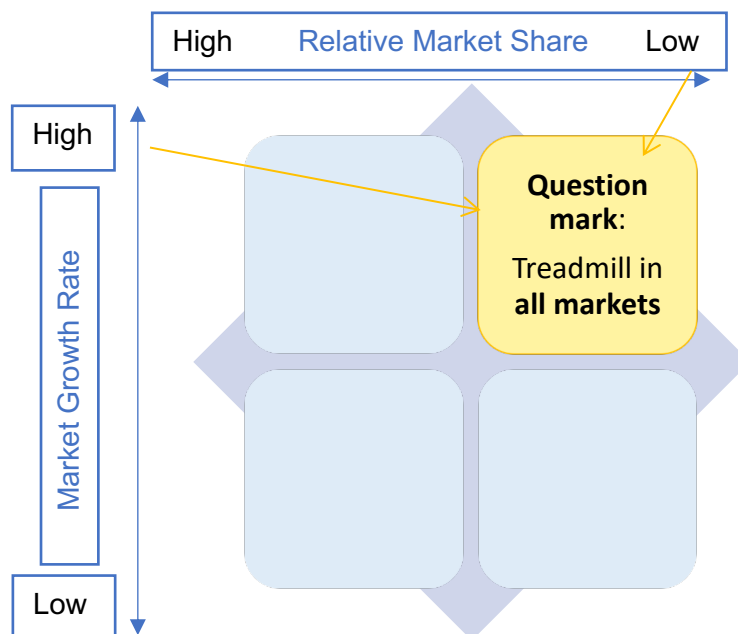
a more clear and positive way than any other region. Consequently, a higher amount was invested in image there.

Third and last, **cost differentiation** was the strategy used for the **Treadmill**. This decision was a consequence of a research which said that this product was the most expensive one to produce, therefore, its price would be even higher. Brenes decided to lead the cost in all markets so that the most modern product could be achieved by the largest number of population possible.

However, the outcome was not exactly what Brenes was looking for. That could be due to the purchase of raw materials for the product to the supplier “Gold King”, which was a 15,95% more expensive than the cheapest supplier. As a consequence, the production costs may have been higher than the competitors’ ones. Notwithstanding, the outcome was not as bad as expected as it is shown in the company’s market share for the product: The market share in Europe was 7,02%; in South America 23,3% and in North America 9,87%. It should be also said that the selection of the distributor compensated the misunderstanding of the raw material, as the cheapest one was selected.

Finally, according to the BCG Matrix, the treadmill has been a **question mark** in all markets.

Figure 14. BCG Matrix applied to the Treadmill.



Source: General Management Department. Own Elaboration.

4.3 Sales Objectives.

The expectations on sales could be the section in which the managers obtained the least expected results. As it can be seen in the annexed documents² the forecasts almost never reached the demanded quantity.

The objectives of sales were planned following a methodology: Firstly, a market research was commissioned in order to determine which will be the expected demand for each product in that period. Taking into account how many units of each products are going to be demanded, the demand corresponding to Brenes is calculated using the market share percentage. That is: multiplying the total demand expected by the market share for each product. However, sometimes in the calculations, the market share is considered a little bit higher since the aim of the company has always been to keep growing and improving its sales.

In addition, some other factors are taken into account. For example: The first time operating in a new market, demand always tend to be lower, since the company is not known by the customers. Therefore, in the second period operating there, the demand results will be higher.

Taking into account this information and the one provided by the charts at the annexed documents, it can be seen that during the fifth first periods Brenes expected a much higher demand than it really was. Specifically, period three was the worst one.

In period three, Brenes started to work in South America. Therefore a huge growth was expected. However, the COVID-19 rebound began to be echoed in the news of all the countries in the world. For that reason, in order to be prepared for another confinement season, a huge quantity of Multi Gyms and Exercise Bikes were produced. The decision to distribute them in South America corresponds to the fact that in the first wave of COVID-19, Europe was much more affected and therefore more time of confinement was needed. The demand for sport machines tripled at that time in Europe. Consequently, it was believed that the same will happen for this 2021 COVID-19 rebound, where South America was the most affected region.

Unfortunately, either due to the sensitivity of the South American population to price, or due to changes in consumer tastes and habits, the demand was not the expected

² Annexed Documents can be found at the end of the report.

one. In fact, south Americans demanded a 90,86% less Multi Gyms than expected and a 93,93% less for the Exercise Bike.

These alarming figures allowed the company to have available stock until 2023. The positive part of this misunderstanding and unexpected result could be that the company owned available stock until 2023. Nevertheless, as production was not needed, a great part of personnel needed to be fired, since their services were not needed and it was nonsense to keep paying them without anything to produce.

Besides that, since the last semester of 2022 the company started to grow again, the demand expectations were more accurate and also the quantity sold. Nonetheless, the awful results commented above could not be compensated with these three last periods.

4.4 Financial Ratios.

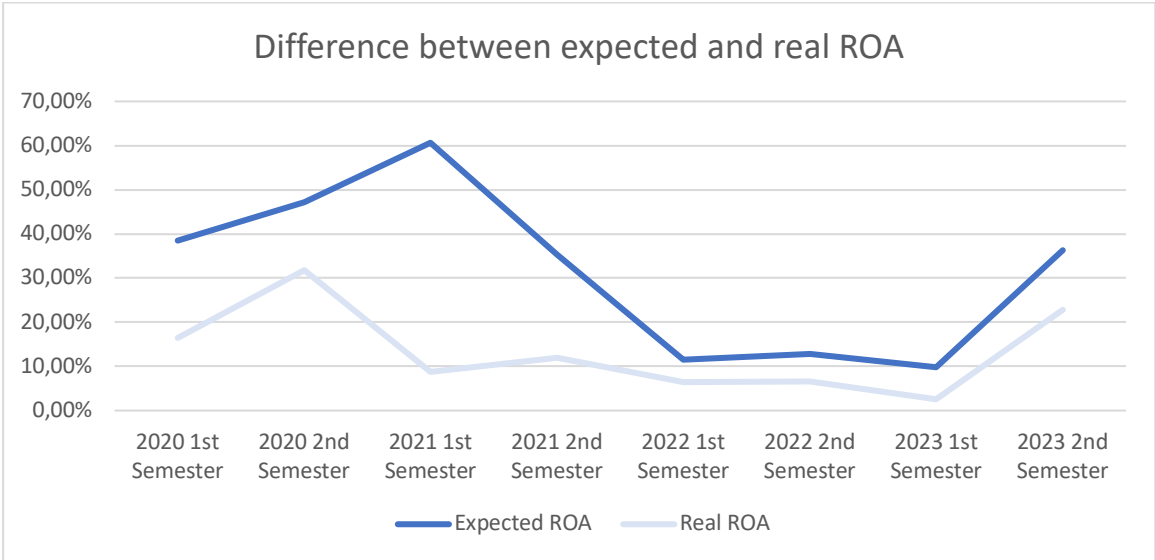
4.4.1 ROA.

The Return on Assets ratio can offer a vision of whether the company is using efficiently its resources or not. It can be interpreted as: For each euro invested, the company is able to get a return on the size of the percentage of ROA. For Brenes it has always been quite constant in the periods analyzed, which means that the firm is efficient.

However, as it is shown in the graph below, although the ROA has always been constantly positive, it has not been as high as the management expected it to be. That is due to the forecast made by the company. Brenes always expects the best from its firm and makes the forecasts taking into account the best scenario possible. That is foreseeing that all the expected sales will be demanded and sold. For that reason, the investments made by the company has not been as profitable as the management thought it will be. Some consequences are obtained:

- There is a constant decrease in the margin on sales, an exception from the last period. This reduction is the consequence of the incremental increase in costs from the third period and expenses derived from the expansion. Also, it is a consequence of the price fight with the competition.
- The turnover of assets is decreasing, as a consequence of the stock generated from period three.

Graph 5. Difference between the expected and the real ROA.



Source: Financial Department. Own Elaboration.

4.4.2 Sales Growth.

The sales growth has been calculated through the sales figures of each period. The tendency has been the constancy of the figures, which have stayed in a range between 50.000.000 and 100.000.000 for almost three out of four years analyzed. Obviously, those were not the results expected by the company. What happened is that the overstock since the first semester of 2021 (period three) has conditioned all the decisions made since then. Consequently, the aim of the company has been to survive rather to grow.

However, things changed since the beginning of 2023, the Treadmill whose production began the previous semester was a good investment and Brenes, with an abundant liquidity, was able to start operating in North America. For that reason, it could be said that the real growth as expected by the managers started at the end of 2022. Notwithstanding, compared to the expected sales the real figures looks insignificants. So, it can be deduced that the expectations were not very well estimated.

In order to make a more complete analysis, the following table will show the expected percentage of growth by the company as well as the sales figure that correspond to that increase for each period. As it can be seen the company’s expectations were much higher than the results. For that reason, Brenes considers those figures as unexpected results for their company during the period analyzed.

Table 8. Difference between expected sales and real ones.

	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8
Expected sales figures for this period	-	52.685.869	249.106.810	256.078.111	218.940.551	73.642.237	237.168.337	13.896.769.839
Expected Growth for next period	21,41%	182,29%	221,29%	141,75%	-0,63%	103,03%	103,03%	128,88%
Real sales figures	43.395.000	88.245.000	79.675.828	90.564.861	74.109.125	116.814.430	133.584.253	253.357.066

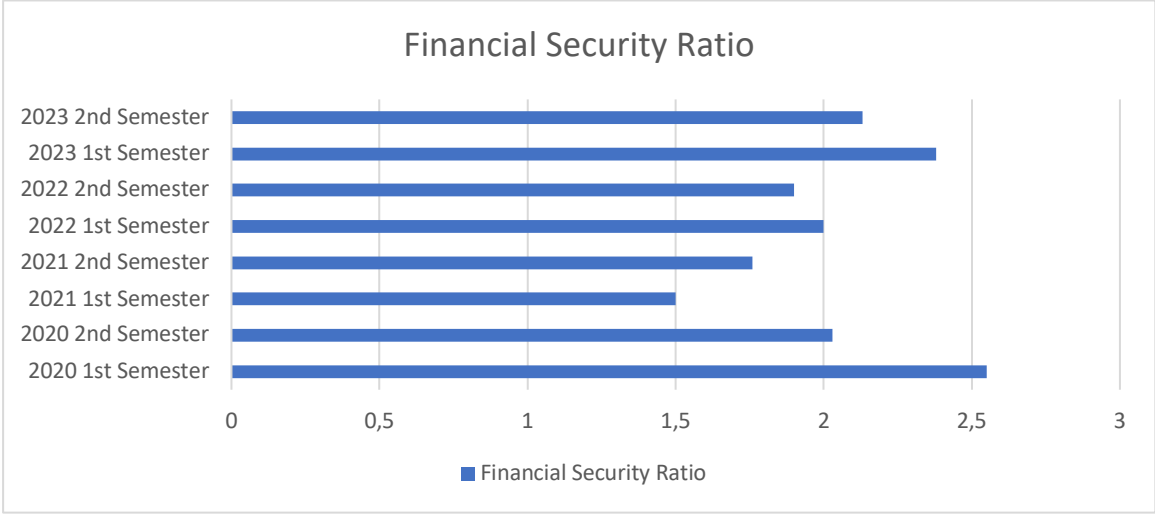
Source: Operations Department. Own Elaboration.

4.4.3 Financial Security.

As it has been previously said, the financial security of a company refers to the extent to which a company can meet its liabilities using its assets. Therefore, the higher the result of the ratio, the higher security for the company since it can afford those liabilities without incurring in more.

The following graph shows the evolution of the financial security ratio within the period analyzed. A conclusion can be extracted: the company has managed to maintain itself substantially over time, with values between 1.5 and 2.5. Despite not adopting particularly high values, it shows the financial stability of the company.

Graph 6. Evolution of Financial Security Ratio.



Source: Financial Department. Own Elaboration.

However, during the decision-making process of some periods, the company has not been that optimistic. In some semesters the senior management of the company decided that the financial security would not be high and, therefore, secure. That is the case of the following periods:

- During the second semester of 2021, although the result was a financial security of 1,76; the management thought that it would be lower since the period before the company went through a delicate time due to an abundance of stock.
- The next period, the first semester of 2022, the senior management estimated the financial security to be low and, consequently, risky, because a very large loan was requested. Notwithstanding, the result was unexpectedly high: a financial security of 2.

4.4.4 Financial Autonomy Ratio.

As it was mentioned, the Financial Autonomy ratio must be made before making an investment in order to know if the company’s financial status can handle it. Therefore, the periods in which Brenes carried out an investment will be examined.

As it can be seen, the Financial Autonomy ratio decreases over time. The reason behind this loss of financial autonomy is that, while the share capital remains constant, the liabilities increase substantially. That is because of an increase in the company’s debts due to the **criterion of prudence** followed by the Financial Department, which

combined autonomous and external financing in such a way that there is always a guaranteed margin of safety.

Table 9. Financial Autonomy ratio for Brenes.

<i>Investment</i>	<i>Period</i>	Share capital	Non - Current Liabilities	Current Liabilities	Total Liabilities	Financial Autonomy Ratio
<i>Elliptical Bike</i>	Period 2 (2 nd semester of 2020)	9.000.000	5.767.633	20.492.374	26.260.007	34,27%
<i>Expansion to South America</i>	Period 3 (1 st Semester of 2021)	9.000.000	39.772.752	20.721.215	60.493.967	14,88%
<i>Treadmill</i>	Period 6 (2 nd Semester of 2022)	9.000.000	96.246.985	-	96.246.985	9,35%
<i>Expansion to North America</i>	Period 7 (1 st Semester of 2023)	9.000.000	83.444.080	32.524.258	115.968.338	7,76%

Source: Financial Department. Own Elaboration.

4.5 Corporate Social Responsibility.

Even though CSR is considered as an important element in Brenes, the truth is that in practice it has not been that important. That means, when the activity started until decades later it was a priority for the firm. The least polluting machines were bought, as well as the raw materials suppliers with the least wastes were hired.

However, as the firm started to grow, first in products and later in markets; it became kind of hard to control. The production was huge, plenty of machines were needed in order to reach the expected sales. The same happened with the raw material, whose costs increased proportionally to the growth of the company.

For that reason, it could be said that the real performance of the company does not match completely with their values and standards, as a large number of waste was produced and a lot of water and energy was consumed.

Notwithstanding, CSR refers to three dimensions: the Economic, Environmental and Social one. It has only been commented the environmental one. In the economic dimension it can be said that the company has been as responsible as it could since the necessary materials have been purchased considering their price so as not to waste money. So the outcomes have been the expected ones. Furthermore, investments in efficiency have allowed the company to maximize its resources, both physical and human.

In addition, the social dimension of CSR has been the best performed. Although in some period Brenes faced some problems with personnel because the available stock was so high that the layoffs were necessary (almost nothing needed to be produced in that period), caring for workers has been constant. Salaries have been raised in each period and training for each category has been developed.

As a result, in all periods (except the one when a large part of the workforce had to be fired) the working environment has been very good and the workers at Brenes have been very grateful and willing to work.

4.6 Research & Development.

The innovation in products is measured through the amount invested in each product for research and development. There is not a clear and stable result, as researchers do not find new improvements always.

Brenes has tried to invest as much as possible in the innovation of its products, especially in the Multi Gym, as it is its competitive advantage towards competitors. However, due to the stock surplus that the company experienced since 2021, the research for this product needed to be stopped.

The firm has tried to remain stable over time. However, despite the fact that Brenes figures seem very low compared to those of its competitors, the percentage of improvements in products derived from the investment in R&D are significant.

- A **30,60%** of product innovation was accumulated for the **multi gym**. That means, the Brenes multi gym was a 30,60% more innovative at the end of 2023 than it was at the beginning of 2020.
- A **24,45%** of product innovation was accumulated for the **exercise bike**.
- A **29,75%** of product innovation was accumulated for the **elliptical trainer**.

- A **20,50%** of product innovation was accumulated for the **treadmill**.

The same happened with the efficiency: Brenes decided to invest a sustained and constant amount of money to increase the efficiency of human resources personnel as well as the machinery.

As a result, the personnel accumulated a 17,01% of improvements. That means that at the end of 2023, the employees of the company were a 17,01% more efficient than they were at the beginning of the period analyzed (the beginning of 2020). This improvement summed to the one in machinery: a 17,01% too; leads to a wise use of the resources of the company, both physical and human.

Some of the benefits arising from the investment in efficiency are that, by increasing the efficiency of human resources and machinery in the same proportion, less time is needed to manufacture products.

In addition, innovation and efficiency are correlated since societies with the largest number of qualified workers generate more ideas, which serve to generate innovation within the company, giving it a competitive advantage within the market, and as a consequence help to maximize the company's resources and make it grow (Alonso, Gracimartín, & Fillat, 2010).

4.7 Conclusions of the decisions made.

Finally, it can be said that despite Brenes' efforts to be as consistent as possible, there were plenty of unexpected results. The most important unexpected event is the one that conditioned the whole performance of the firm during the periods analyzed.

That event is the previously mentioned: COVID-19 rebound that was expected to be a period of high demand for the company. Since the 90% percent of the sales objectives were not sold, Brenes did not need to produce the products for a while, which meant a stoppage in manufacturing, therefore a large part of the workforce had to be fired, and investment in R&D had to be stopped. In addition, as in order to be able to undertake the investment, Brenes had to request a loan for a large amount. For that reason, the management was skeptical about making another large investment for the company.

In addition, instead of being worried about the solvency of the company due to the large amount of the loans, Brenes should have paid more attention to its liquidity and

financial security ratios, and to have been more daring when it came to innovating and risking new investments.

Perhaps the reason behind this failure is that Brenes has always been a small, family-owned, Spanish company that expanded into the European Market years ago and has known how to maintain and improve itself in that position. Consequently, it is possible that these large expansions both in markets and in products, in such a short time, have come to be too large for Brenes.

However, in spite of the failure of the figures of the company (little correspondence between expected and real sales, low sales figures and middle investment figures), it can be said that the strategic decisions made by the company were right.

That is, the competitive strategies of the products manufactured by Brenes were, to a large extent, very successful and consistent, since the results were mostly the expected ones.

5 Simulation Experience.

Regarding the **simulation experience**, it can be said that it has been a very entertaining process in which learning to work as a team is the greatest lesson that it can be taken. Working with all the intermediate managers has made the decisions truly consensual, which will be crucial in a near future. Also, it has been a huge lesson to know that great decisions supported by real mechanisms for the decision-making process take time. Decisions cannot be made lightly, everything has a reason why.

Digging deeper into the team theme, it has been a pleasure to work surrounded by such hard-working managers. They have taken very seriously the task of developing and maximizing their department, as well as coordinating it with the general management.

From the CEO's point of view, even though there have been mistakes and not-so-positive results, the involvement and perseverance of the team have been incredible. These aspects have lead us to understand how difficult is to coordinate a company and how important is to have a room for improvement.

Therefore, the simulation experience has been a great training for real life. This has highlighted the pressure felt by having a company whose results are not as expected

and whose time is running against it; but also, the joy that it feels to see that every effort has its reward and that the things that are hard-worked can go well at the end.

6 Final Conclusions.

To conclude this Final Degree Project, it will be verified that the objectives set out in the introduction have been met, as well as a general assessment of the whole process.

First, the **communication between the team**. This objective, which was the most basic one, has been fully completed. As it has been advanced in the previous section, it was crucial for the project to go well. Furthermore, at the beginning of the simulation process a protocol was written and signed by the entire team so that there was no controversy during the decision-making process.

Continuing with the mentioned, the **fair division of labor** was successfully completed too. Part of the reason lies in the action protocol that guided the team, but most of the reason lies on the fact that the team was hardworking and always ready to help with any task so that no one worked more than others.

Third, the simulation process has offered a practical vision of the theory that has been learnt during the four years of the **Business Administration Degree**. It has been a great opportunity to challenge each one to see what they are capable for as managers. Specifically for this project, subjects such as Strategic Management, Business Management & Organization or Management Control have been extremely useful.

Then, the **decisions made** during the simulation process have been agreed, as it has been noted, but also coherent. The information provided by the simulator has been understood, since it worked like in a real company. For that reason, the decision have been made in the most logical way possible. Of course some mistakes have been made, but the company has tried to look for the reasons behind those errors.

Finally, **approaching a CEO's job** has been perfectly understood. That it so say, the entire simulation process has been carried out by thinking as a manager. Specifically the CEO of the company as it has been noted during the whole project.

Therefore, it can be said that all the objectives settled at the beginning of the project has been reached. This means that both the simulation and the writing processes have been understood and developed to complete the Business Administration Degree.

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Annexed Document I. Expected and real demand for products.

PERIOD 1 (01/01/20 - 30/06/20)		
	EXPECTED	DEMANDED
MULTI	55.000,00	35.056,00
BIKE	37.500,00	16.678,00

PERIOD 2 (01/07/20 - 31/12/20)		
	EXPECTED	DEMANDED
MULTI	50.000,00	16.182,00
BIKE	50.000,00	45.745,00
ELLIPTICAL	50.000,00	70.440,00

PERIOD 3 (01/01/21 - 30/06/21)			
		EXPECTED	DEMANDED
MULTI	EUROPE	15.000,00	15.137,00
	SOUTH	137.214,00	12.546,00
BIKE	EUROPE	13.000,00	5.839,00
	SOUTH	185.658,00	11.274,00
ELLIPTICAL	EUROPE	42.500,00	19.599,00
	SOUTH	40.804,00	32.121,00

PERIOD 4 (01/07/21 - 31/12/21)			
		EXPECTED	DEMANDED
MULTI	EUROPE	15.000,00	11.903,00
	SOUTH	60.000,00	10.577,00
BIKE	EUROPE	35.000,00	25.314,00
	SOUTH	40.000,00	14.483,00
ELLIPTICAL	EUROPE	80.000,00	39.960,00
	SOUTH	20.000,00	12.129,00

PERIOD 5 (1/01/22 - 30/06/22)			
		EXPECTED	DEMANDED
MULTI	EUROPE	15.050,00	10.270,00
	SOUTH	13.400,00	22.585,00
BIKE	EUROPE	8.050,00	3.823,00
	SOUTH	35.400,00	49.490,00
ELLIPTICAL	EUROPE	16.000,00	15.987,00
	SOUTH	32.000,00	25.629,00

PERIOD 6 (01/07/22 - 31/12/22)			
		EXPECTED	DEMANDED
MULTI	EUROPE	10.300,00	8.163,00
	SOUTH	18.300,00	36.478,00
BIKE	EUROPE	17.500,00	14.455,00
	SOUTH	13.500,00	34.845,00
TREADMILL	EUROPE	50.000,00	24.098,00
	SOUTH	4.000,00	6.952,00
ELLIPTICAL	EUROPE	45.000,00	51.067,00
	SOUTH	10.000,00	10.564,00

PERIOD 7 (01/01/23 - 30/06/23)			
		EXPECTED	DEMANDED
MULTI	EUROPE	9.412,00	8.215,00
	SOUTH	36.000,00	54.140,00
	NORTH	2.959,00	3.395,00
BIKE	EUROPE	4.475,00	2.916,00
	SOUTH	29.944,00	71.107,00
	NORTH	2.396,00	1.110,00
TREADMILL	EUROPE	20.276,00	25.904,00
	SOUTH	9.000,00	3.481,00
	NORTH	16.517,00	47.303,00
ELLIPTICAL	EUROPE	16.813,00	17.457,00
	SOUTH	21.231,00	23.847,00
	NORTH	12.594,00	13.872,00

PERIOD 8 (01/07/23 - 31/12/23)			
		EXPECTED	DEMANDED
MULTI	EUROPE	8.654,00	7.465,00
	SOUTH	55.000,00	77.547,00
	NORTH	4.000,00	3.289,00
BIKE	EUROPE	13.644,00	13.539,00
	SOUTH	35.000,00	29.233,00
	NORTH	20.000,00	10.679,00
TREADMILL	EUROPE	26.500,00	33.081,00
	SOUTH	4.000,00	5.630,00
	NORTH	55.000,00	37.234,00
ELLIPTICAL	EUROPE	53.000,00	51.932,00
	SOUTH	11.000,00	9.461,00
	NORTH	50.000,00	56.631,00

MULTI EUROPE	NÚM.	2020 1ST	2020 2ND	2021 1ST	2021 2ND	2022 1ST	2022 2ND	2023 1ST	2023 2ND
	%	- 19.944,00	- 33.818,00	137,00	- 3.097,00	- 4.780,00	- 2.137,00	- 1.197,00	- 1.189,00
		- 36,26	- 67,64	0,91	- 20,65	- 31,76	- 20,75	- 12,72	- 13,74

MULTI SOUTH	NÚM.			2021 1ST	2021 2ND	2022 1ST	2022 2ND	2023 1ST	2023 2ND
	%			- 124.668,00	- 49.423,00	- 4.780,00	18.178,00	18.140,00	22.547,00
				- 90,86	- 82,37	- 35,67	99,33	50,39	40,99

MULTI NORTH	NÚM.							2023 1ST	2023 2ND
	%							436,00	- 711,00
								14,73	- 17,78

BIKE EUROPE	NÚM.	2020 1ST	2020 2ND	2021 1ST	2021 2ND	2022 1ST	2022 2ND	2023 1ST	2023 2ND
	%	- 20.822,00	- 4.255,00	- 7.161,00	- 9.686,00	- 4.227,00	- 3.045,00	- 1.559,00	- 105,00
		- 55,53	- 8,51	- 47,74	- 27,67	- 52,51	- 17,40	- 34,84	- 0,77

BIKE SOUTH	NÚM.			2021 1ST	2021 2ND	2022 1ST	2022 2ND	2023 1ST	2023 2ND
	%			- 174.384,00	- 25.517,00	14.090,00	21.345,00	41.163,00	- 5.767,00
				- 93,93	- 63,79	39,80	158,11	137,47	- 16,48

BIKE NORTH	NÚM.							2023 1ST	2023 2ND
	%							- 1.286,00	- 9.321,00
								- 53,67	- 46,61

TREAD. EUROPE	NÚM.					2022 2ND	2023 1ST	2023 2ND
	%					- 25.902,00	5.628,00	6.581,00
						- 51,80	27,76	24,83

TREAD SOUTH	NÚM.					2022 2ND	2023 1ST	2023 2ND
	%					2.952,00	- 5.519,00	1.630,00
						73,80	- 61,32	40,75

TREAD. NORTH	NÚM.						2023 1ST	2023 2ND
	%						30.786,00	- 17.766,00
							186,39	- 33,52

ELLIPT. EUROPE	NÚM.		2020 2ND	2021 1ST	2021 2ND	2022 1ST	2022 2ND	2023 1ST	2023 2ND
	%		20.440,00	- 22.901,00	- 40.040,00	- 13,00	6.067,00	644,00	- 1.068,00
			40,88	- 53,88	- 50,05	- 0,08	13,48	3,83	- 2,02

ELLIP. SOUTH	NÚM.			2021 1ST	2021 2ND	2022 1ST	2022 2ND	2023 1ST	2023 2ND
	%			- 8.683,00	- 7.871,00	- 6.371,00	564,00	2.616,00	- 1.539,00
				- 21,28	- 39,36	- 19,91	5,64	12,32	- 13,99

ELLIPT. NORTH	NÚM.							2023 1ST	2023 2ND
	%							1.278,00	6.631,00
								10,15	13,26