



Engenuity 2014 Competition

Review of the Performance of "Aspire Bridges"



THE TASK

A fledgling UK-based multinational construction company, with its headquarters in London, has been trading for just one year.

A new management team is needed to run the company for the foreseeable future.

The first task facing the new management team is to form a business strategy to satisfy the high demands of the company's shareholders, who are keen to see a quick return on their investment.

Although based in the UK, and subject to UK tax laws and interest rates, **expansion into overseas markets**, and different continents, may be an attractive proposition. A lot will depend upon the prevailing economic climate in the UK, and worldwide.

Working in different countries will present some **particular challenges** to overcome, such as client restrictions, global competitors and environmental problems (extreme weather conditions, civil unrest, local labour problems etc).

However, the **potential rewards and opportunities** of operating globally, such as worldwide client base, niche markets and lucrative large-scale contracts, may outweigh the risks.



MANAGEMENT TEAM

Ben O'Connor
Ren Fu

Nicolas Geroudes
Chris Scholes

Hossam Mustafa



TIMEFRAME

The company had already been operating for periods 1 to 4, known as the History year, before the new management team took control.

The new management team were in charge for two different stages.

The Early Years (periods 5-12)

During the Early Years the competition during the procurement process came from simulated companies, based in particular countries, who could tender for work in their own country only, or worldwide.

Each rival company had their own unique profile and tendering history, which had to be carefully assessed in order to formulate an effective procurement strategy for competing against them.

The Later Years (periods 13-18)

During the Later Years the competition during the procurement process came from the other 'human' teams in the competition. There was also competition for the services of project managers.

This created an even more uncertain and pressurised environment in which the skills and team dynamics formed in the early years were really put to the test.

KEY PERFORMANCE INDICATORS

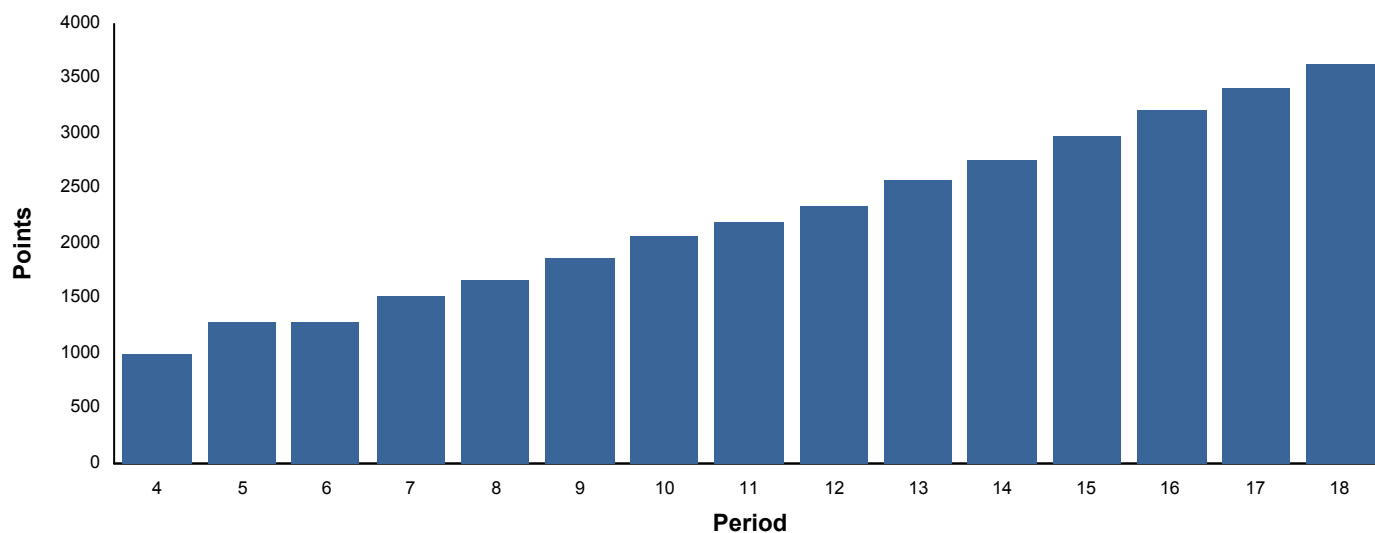
Performance indicators were used to measure the progress of the company in a number of key areas.

The indicators were weighted at the start of the early years to reflect their variability, initially to a 1,000 points

Overall company performance improved from 1,000 to 3,640 points

Period	Turnover	Gross Profit To Turnover	Operating Profit To Turnover	Company Value	Capital Employed	Contract Complete	Forward Workload	Forward Margin	Share Price	Client Satisfact	Total Rating
4	40	130	130	170	120	100	70	100	70	70	1,000
5	54	148	179	179	162	115	105	162	80	100	1,284
6	80	138	174	189	190	125	85	121	80	112	1,294
7	101	157	224	213	211	135	93	137	101	150	1,522
8	112	167	253	232	224	155	105	124	116	183	1,671
9	123	184	288	271	236	170	115	150	123	215	1,875
10	134	188	300	300	246	215	118	179	142	246	2,068
11	143	198	321	340	253	225	123	149	150	296	2,198
12	152	204	337	383	259	250	127	135	161	337	2,345
13	159	214	363	444	265	300	142	117	193	375	2,572
14	165	218	375	494	269	325	144	128	230	412	2,760
15	172	220	380	547	273	335	154	168	285	442	2,976
16	179	225	394	615	276	375	158	157	338	493	3,210
17	188	225	397	683	279	415	166	132	396	531	3,412
18	196	217	382	712	282	480	179	158	459	575	3,640

Overall KPI Trend



Turnover: An indication of how much work the company has done

Gross Profit to Turnover: A measure of how profitable the company's jobs have been

Operating Profit to Turnover: A measure of how profitable the company is after considering all operating factors

Company Value: A measure of the asset value of the company

Capital Employed: A measure of how well the company's infrastructure is being utilised

Contract Completion: An indication of how successful the company is in completing contracts

Forward Workload: The remaining turnover (value) of jobs still in progress

Forward Margin: The remaining profit of jobs still in progress

Share Price: A measure of the strength of the company's share price

Client Satisfaction: An indication of the strength of the relationship build up with the company's clients

PERFORMANCE SUMMARY

	<u>History</u>	<u>Since</u>	<u>Change</u>	<u>Basis</u>
Number of periods:	4	14		
Financial Management				
Company value:	4,793,606	20,086,960	319 %	E
Share price:	1.25	8.20	556 %	E
Capital employed:	48 %	98 %		A
Turnover:	7,356,342	22,070,230	200 %	A
Job profit:	5.7 %	10.0 %		D % of job cost
Overhead costs:	3.4 %	2.3 %		D % of job cost
Operating profit:	1.8 %	5.6 %		D % of job cost; net, after tax and interest
Dividend paid:	2.9 %	0.9 %		D % of job cost
Overhead Management				
Market share:	14 %	38 %		D % of the overall new work in the market identified
Market share split (UK):	60 %	39 %		D % of the market share in the UK
Market share split (OV):	40 %	61 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	189 %		D The benchmark was 100%; the optimum level was 200%
QHSE staffing level:	100 %	203 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	203 %		D The benchmark was 100%; the optimum level was 200%
Procurement				
Number of jobs bid for:	21	46		D
Number of jobs won:	10	36		D
Bidding success rate:	48 %	78 %		D Jobs won as a % of jobs bid for
Job Progression				
Reduction in job costs:	0.11 %	2.13 %		D % due to targeted investments (build cost reductions)
Reduction in job costs:	0.12 %	0.30 %		D % due to targeted investments (risk cost reductions)
Risk cost incurred:	76 %	30 %		D As a % of the contingency in the bid
Project manager weighting:	7.8	9.4		D Out of 10
Jobs finished early:	0	24		D
Jobs finished on time:	3	12		D
Jobs finished late:	0	2		D
Job completion efficiency:	0.96	0.94		D 0 to 1 where 1 the optimum level
Future Outlook				
Forward workload:	23,773,620	60,741,730		E
Forward margin:	1,132,632	1,793,684		E

Basis

The basis for setting each measure was :-

- E** (At the end of the timeframe)
- A** (An average for each period of the timeframe)
- D** (The value during the whole timeframe)