

ENGINEUITY TUTORIAL



Forming A Business Strategy



Forming A Business Strategy

A smartly designed, well-executed business strategy is indispensable not only to an organization's long-term success, but to its very survival. Simply having one does not give you a competitive advantage. It is the depth, quality and flexibility of a business strategy that makes the difference.

The new management team need to develop a **clear strategy, or business plan** to :-

- **Grow** the business and improve its **value**
- Keep **shareholders** happy
- Enhance the company's **reputation** with clients

The value of the company is measured by a number of assets, such as the company cash account, capital base (infrastructure) and investments.

OBJECTIVES

Developing an effective strategy will involve acquiring a good understanding of :-

- The **economic environment** in which the company is operating
- The **strengths and weaknesses** of the business as it currently stands

The strategy will consist of **number of objectives** relating to :-

- Identifying new work in different sectors and locations (UK/Overseas)
- Expanding the infrastructure of the business to achieve growth
- Winning new work in a competitive bidding environment
- Improving profitability through effective job and overhead management



Forming A Business Strategy

We will now look at an example of setting and reviewing company strategy.

A **UK-based construction operating globally** has been in existence for just one year, during 2023 (periods 1 to 4), known as the History.

A **new management team** have taken over at the beginning of period 5 (2024 Quarter 1).

To be able to develop an effective strategy the new management team need to first look at the **status of the company** when they took control at the end of the History.

To do this we refer to information shown in the **Performance Summary**.



Forming A Business Strategy

Measuring Perfo

Navigate to "Main menu/Measuring performance/Performance summary"

Assessing performance Help

KEY PERFORMANCE INDICATORS

PERFORMANCE SUMMARY

THE HISTORY

END OF PERIOD 4

Company value:	4,852,965
Share price:	1.04
Forward workload:	20,831,500
Forward margin:	905,458

DURING HISTORY

Identifying Jobs

Market share: 12 %

Infrastructure

Average capital base: 4,117,310
 Average capital base utilisation: 67 %

Procurement

Average number of jobs won: 2
 Bidding success: 43 %
 Average value of work won: 13,876,460
 Margin in work won: 4.5 %

Job Progression

Average turnover: 10,398,900
 Average amount job profit: 550,744
 Job profit: 5.6 %

Company Profitability

Average amount gross profit:
 Average amount overhead cost:
 Average amount operating profit:

Dividend Payments

Average dividend paid:

Change in Company Value

Average change in company value:

At the end of the history :-

- The company is **valued** at 4.9m
- The company **share price** is trading at 1.04
- The company **order book** looks healthy, with a forward workload of 20.8m

During the History :-

- The company identified 12% of the **new work** in the market (market share)
- 67% of the **company's infrastructure** was utilised in procuring and progressing jobs (capital base utilisation)
- When **bidding for work (procurement)**, the average amount of work won each period was 13.9m, with at a profit margin of 4.5% above cost
- When **progressing jobs** the average turnover was 10.4m each period, with a job profit of 0.6m each period, which was a 5.6% profit above cost



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Client History

Navigate to "Main menu/Measuring performance/Assessing performance/Client history"

Client information Gradings

SUMMARY

DETAIL

All clients

Where jobs have been won

Client	Base	Current relationship	Tendering details		Jobs won details			Jobs completed details				
			No. jobs identified	No. jobs bid for	No. jobs won	Value of work won	% of total	No. jobs	Early	On time	Late	Markup % cost
AeroPower	US	satisfactory	1	1	0							
Amrail	US	satisfactory	1	1	1	4,454,338	10.7 %					
ANZ Water	NZ	satisfactory	1	0	0							
Breeze Energy	UK	satisfactory	1	1	1	4,290,445	10.3 %					
Dales Water Services	UK	satisfactory	1	1	1	2,875,567	6.9 %	1	0	1	0	3.9 %
Doha Development Group	QAT	satisfactory	1	1	0							
East Midlands County Council	UK	satisfactory	1	1	0							
English Waterways	UK	satisfactory	1	0	0							
FIFA North America 2026	US	satisfactory	2	1	0							
HS Rail Connection Group	UK	satisfactory	2	1	0							
Interstate Highways Agency	US	satisfactory	1	1	0							
London City Council	UK	satisfactory	1	1	1	8,401,668	20.2 %					
London Water Services	UK	satisfactory	1	0	0							
Madison Bank	UK	satisfactory	1	0	0							
Master Brewers UK	UK	satisfactory	1	1	0							
National Steel	UK	satisfactory	1	0	0							
NSW Energy	AUS	satisfactory	1	1	0							
Saintesc Foods	UK	satisfactory	1	1	1	18,806,140	45.2 %					
Tayoto Cars UK	UK	satisfactory	1	1	1	2,801,234	6.7 %					
The Defence Agency	UK	satisfactory	1	0	0							

CLIENT RELATIONSHIPS

The company currently has satisfactory relationships with all the clients they have worked with.



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Market Trend

Navigate to "Main menu/Industry information/Market trend"

BY SECTOR

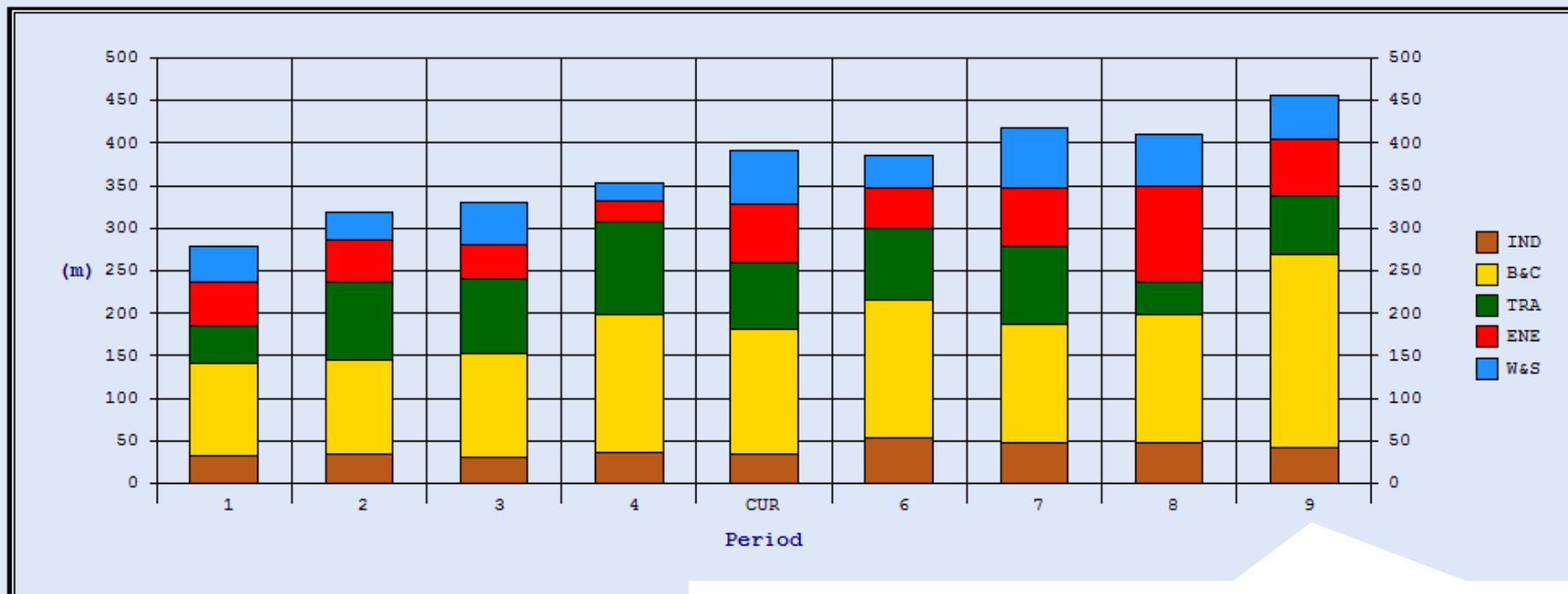
BY CLIENT

Amount of work
% of the market
Number of jobs
Exposure to risk

All countries
UK only
Overseas only

Marketing effort will identify jobs that are available in the current period, highlighted by the green column.

The value of work is shown in millions.



POTENTIAL FUTURE WORK

For the construction industry worldwide the overall value of **new work in the global market** is predicted to increase steadily from currently 391m in period 5 to around 456m by the end of period 9.

There appears to be work in all sectors, particularly in the building & commercial sector, and the energy and water and sewage sectors look to be growing steadily.

	1	2	3	4	5	6	7	8	9
	Hist	Hist	Hist	Hist	Early	Early	Early	Early	Early
IND	33	34	31	36	35	53	48	47	43
B&C	109	111	122	163	146	162	139	152	227
TRA	44	92	88	108	79	85	91	37	67
ENE	51	50	40	26	69	48	69	113	67
W&S	41	32	49	20	62	37	70	62	52
	278	319	330	353	391	385	417	411	456



Forming A Business Strategy

After a thorough review of the current state of the company, and the global economic outlook, to **achieve the key strategic aims** of :-

- Growing the business and increasing its value
- Keeping shareholders happy
- Improving the company's reputation with clients

the following **key objectives** are set for the foreseeable future.

MARKETING

Increase market share, and the number of new jobs identified by :

- Increasing the size of the Marketing Department.
- Primarily targeting the Building & Commercial sector to guarantee a flow of new work as it is the largest, with plenty of new work for the foreseeable future in both the UK and Overseas. This would also help to build stronger relationships with clients in the Building & Commercial sector in the hope of securing repeat work in the future. However, it would be risky to put all the marketing effort in one sector, so a presence would be maintained in the growing energy and water & sewage sectors.

TURNOVER

Increase the average turnover each period through a combination of :-

- Identifying a larger share of the new work in the market, as previously outlined
- Expanding the company's infrastructure, known as the capital base, to support more work
- Competitive bidding in the target sectors to secure more work each period



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PROFITABILITY

To **increase the profitability** of the business by:

- Progressing jobs won as profitably as possible by completing them on or before schedule, allocating appropriate personnel, effective risk and cost management and targeted investments.
- Efficient management of the Head Office, QHSE and Measurement departments, to ensure that the staff can cope the company's turnover.

There are many other areas that could be considered, and creating a long-term strategy is a complex task. Indeed, the strategy will have to be **periodically reviewed**, particularly as the economic environment is constantly changing, and our original objectives may not have been met.

ONE YEAR LATER, how did the company perform against the objectives that were set ?



Forming A Business Strategy

OBJECTIVE

To increase market share.

ASSESSING PERFORMANCE ✓

THE HISTORY		SINCE HISTORY	
END OF PERIOD 4		END OF PERIOD 8	
Company value:	4,852,965	5,865,802	+21%
Share price:	1.04	1.53	+47%
Forward workload:	20,831,500	30,317,150	
Forward margin:	905,458	1,170,757	(4% of job cost)
DURING HISTORY		PERIODS 5 TO 8	
Identifying Jobs			
Market share:	12 %	28 %	% of overall market identified
Infrastructure			
Average capital base:	4,117,310	4,117,310	each period
Average capital base utilisation:	67 %	88 %	
Procurement			
Average number of jobs won:	2	1.8	each period
Bidding success:	43 %	44 %	% of jobs bid for that were won
Average value of work won:	13,876,457	13,806,430	each period
Margin in work won:		4.2 %	% of job cost
Job Progression			
Average turnover:		14,435,200	each period
Average amount job profit:		847,344	each period
Job profit:		6.2 %	% of job cost

By sector:		
	Industrial	0 %
	Building & Commercial	53 %
	Transport	7 %
	Energy	22 %
	Water & Sewage	19 %

By the end of period 8 the **market share** had increased from 12% to 28%.

This was achieved by :-

- Increasing the size of the Marketing Department each period to identify more work.
- Targeting the Building & Commercial in particular, which accounted for 53% of the new work identified, with a significant presence also in the Energy and Water & Sewage sectors in line with the original strategy.



Forming A Business Strategy

OBJECTIVE

To increase the average turnover each period.

ASSESSING PERFORMANCE ✓

	THE HISTORY	SINCE HISTORY
	END OF PERIOD 4	END OF PERIOD 8
Company value:	4,852,965	5,865,802 +21%
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	DURING HISTORY	PERIODS 5 TO 8
Identifying Jobs		
Market share:	12 %	28 % of overall market identified
Infrastructure		
Average capital base:	4,117,310	4,875,784 each period
Average capital base utilisation:	67 %	88 %
Procurement		
Average number of jobs won:	2	1.8 each period
Bidding success:	43 %	44 % of jobs bid for that were won
Average value of work won:	13,876,460	16,806,430 each period
Margin in work won:	4.5 %	4.2 % of job cost
Job Progression		
Average turnover:	10,398,900	14,435,200 each period
Average amount job profit:	550,744	47,344 each period
Job profit:	5.0 %	6.2 % of job cost
Company Profitability		

By the end of period 8 the **average turnover each period** had increased from 10.4m to 14.4m.

This was achieved by :-

- Identifying more new work in the market (market share increased from 12% to 28%)
- Increasing the company's infrastructure, or capital base, to enable more work to be undertaken (4.1m to 4.9m)
- Increasing the average amount of work won from 13.9m to 16.8m
- Progressing the work won to improve turnover



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OBJECTIVE

ASSESSING PERFORMANCE ✓

To increase the profitability of the business.

	THE HISTORY END OF PERIOD 4	SINCE HISTORY END OF PERIOD 8
Company value:	4,852,965	5,865,802 +21%
Share price:	1.04	1.53 +47%
Forward workload:	20,831,500	30,317,150
Forward margin:	905,458	1,170,757 (4% of job cost)

The average turnover each period had increased significantly from 10.4m to 14.4m each period, and because the jobs had been managed well (6.2% profit on each job), the **actual amount of job profit** made also increased from 0.6m to 0.8m each period.

With the significant increase in job profit, the **company gross profit** was a healthy 797,093 each period. Overheads were also managed well, and after taking overhead costs off the gross profit, the company made an impressive 419,019 **operating profit** each period, which helped to increase **company value** by a healthy 253,209 each period after taking dividend payments to shareholders into account.

Bidding success:	44	% of jobs bid for that were won
Average value of work won:	16,806,430	each period
Margin in work won:	4.5 %	4.2 % of job cost
Job Progression		
Average turnover:	10,398,900	14,435,200 each period
Average amount job profit:	550,744	847,344 each period
Job profit:	5.6 %	6.2 % of job cost
Company Profitability		
Average amount gross profit:	797,093	each period
Average amount overhead cost:	256,118	each period
Average amount operating profit:	419,019	each period
Dividend Payments		
Average dividend paid:	150,250	each period
Change in Company Value		
Average change in company value:	253,209	each period



Forming A Business Strategy

Overall, have the strategic goals of increasing the value of the business, increasing the company share price and improving the company's client relationships been met ?

COMPANY VALUE ✓

By the end of period 8 **company value had increased by 21%.**

SINCE HISTORY

END OF PERIOD 8

5,865,802 +21%

1.53 +47%

30,317,150

1,170,757 (4% of job cost)

KEEPING SHAREHOLDERS HAPPY ✓

During periods 5 to 8 the **company's share price improved by 47%.**

This was influenced by dividend payments, changes in company value, forward profitability and the debt burden of the company, and external world events.

COMPANY REPUTATION ✓

During periods 5 to 8 the **company's reputation** with clients improved significantly (client satisfaction) as jobs were identified, won and successfully undertaken.

End of period	Status	Year/qtr	Turnover	Gross profit to Turnover	Operating Profit to Turnover	Company Value	Capital Employed	Contract Completion	Forward Workload	Forward Margin	Client Satisfaction	Total
4	History	2023 (Q4)	40	170	120	170	130	80	70	100	50	1,000
5	Early Years	2024 (Q1)	52	179	142	177	140	108	66	94	80	1,112
6	Early Years	2024 (Q2)	56	203	163	181	154	113	106	148	98	1,308
7	Early Years	2024 (Q3)	63	203	173	188	168	125	114	155	118	1,400
8	Early Years	2024 (Q4)	76	204	188	205	179	137	102	129	139	1,462