



Enginuity 2014 Competition

Review of the Performance of "The Rail Deal"



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

Andrew Ferguson
Myles Hudson

David Forshaw
Patrick Hannah

Fernando Romero



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

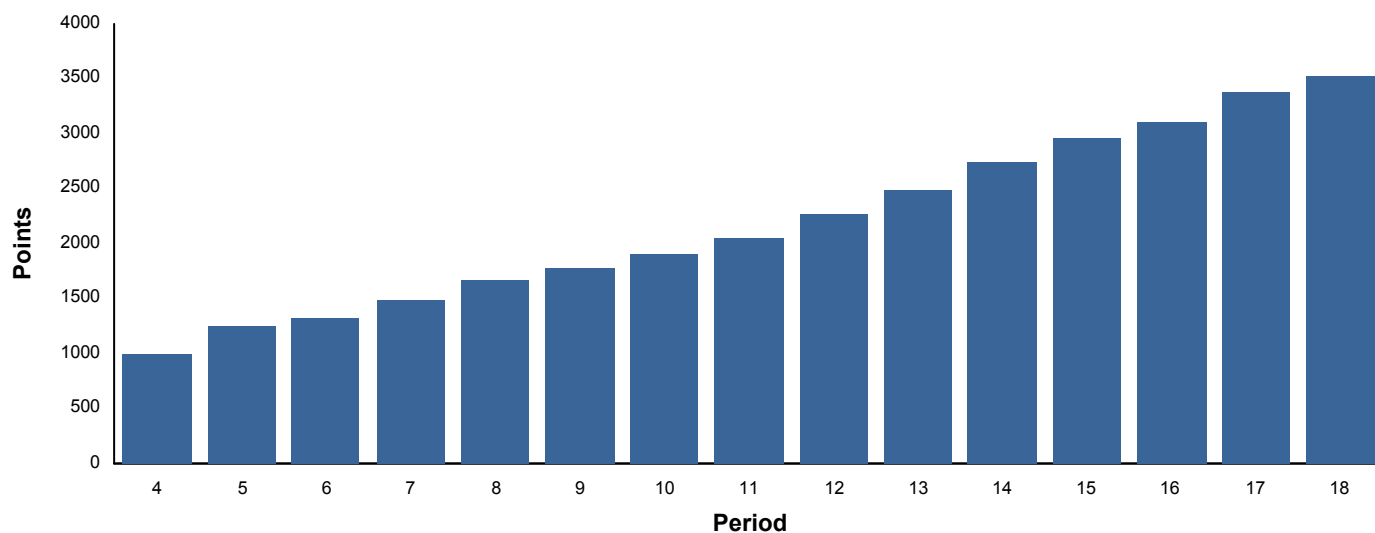
Performance indicators were used to measure the progress of the company in a number of key areas.

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 3,515 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	57	140	169	178	160	115	99	151	79	106	1,254
6	81	129	167	187	188	135	89	125	78	145	1,324
7	98	137	197	205	208	155	98	122	90	183	1,493
8	109	139	206	215	224	180	117	153	100	225	1,668
9	123	146	225	239	234	215	102	133	108	261	1,786
10	131	155	242	268	244	225	128	127	106	287	1,913
11	139	160	256	301	253	250	130	137	107	321	2,054
12	149	175	285	337	260	275	130	156	142	364	2,273
13	160	186	310	396	264	335	120	134	171	409	2,485
14	167	193	329	449	269	370	147	164	210	447	2,745
15	176	203	351	519	273	400	147	144	252	489	2,954
16	182	207	357	569	276	410	168	129	291	516	3,105
17	185	209	361	615	279	455	184	183	359	546	3,376
18	192	213	372	676	280	470	158	158	417	579	3,515

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	19,067,710	298 %	E
Share price:	1.25	7.45	496 %	E
Capital employed:	48 %	97 %		A
Turnover:	7,356,342	21,618,660	194 %	A
Job profit:	5.7 %	9.8 %		D % of job cost
Overhead costs:	3.4 %	2.3 %		D % of job cost
Operating profit:	1.8 %	5.5 %		D % of job cost; net, after tax and interest
Dividend paid:	2.9 %	0.8 %		D % of job cost

Overhead Management

Market share:	14 %	37 %		D % of the overall new work in the market identified
Market share split (UK):	60 %	38 %		D % of the market share in the UK
Market share split (OV):	40 %	62 %		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 %	191 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	191 %		D The benchmark was 100%; the optimum level was 200%

Procurement

Number of jobs bid for:	21	41		D
Number of jobs won:	10	36		D
Bidding success rate:	48 %	88 %		D Jobs won as a % of jobs bid for

Job Progression

Reduction in job costs:	0.11 %	1.83 %		D % due to targeted investments (build cost reductions)
Reduction in job costs:	0.12 %	0.41 %		D % due to targeted investments (risk cost reductions)
Risk cost incurred:	81 %	35 %		D As a % of the contingency in the bid
Project manager weighting:	7.8	9.3		D Out of 10
Jobs finished early:	0	17		D
Jobs finished on time:	3	19		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.96	0.92		D 0 to 1 where 1 the optimum level

Future Outlook

Forward workload:	23,773,620	53,796,450		E
Forward margin:	1,132,632	1,790,505		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)