



# Eginuity 2015 Competition

## PERFORMANCE REVIEW FOR 'Eclipse'



### 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, making the key business decisions related to finance, marketing, overheads, procurement and job progression. The decisions are made for each period, which represents a quarter, or 3 months. The new management team need to form **an effective strategy to grow the business**, and 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, which changes as time progresses to provide a realistic and dynamic challenge for the new management team. 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.

**The decisions to be made, and fate of the company, rests in the hands of the new management team.**



### MANAGEMENT TEAM

Santosh Ajarekar  
Digambar Takawale

Sudhir Deshmukh  
Mandar Babar

Samir Vadhwakar



### SPONSOR

MWH Global



### 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 for jobs comes from a number of simulated companies. Each one has their own unique profile and bidding history, and a careful assessment of the opposition is required to formulate an effective procurement strategy.

#### **The Later Years (periods 13-18)**

During the Later Years the teams compete 'head to head' against each other for work. This creates an even more uncertain and pressurized environment in which the skills and team dynamics formed in the early years are really put to the test.

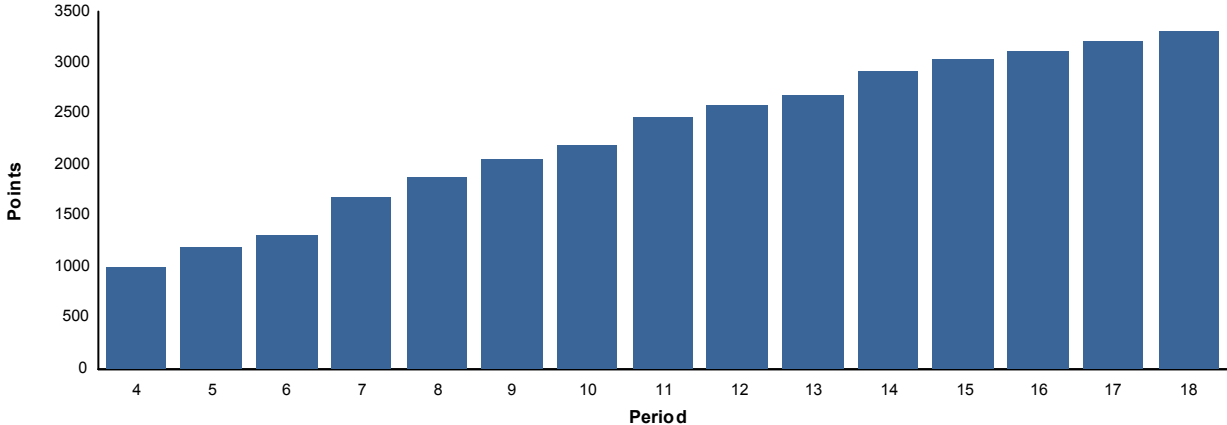
# KEY PERFORMANCE INDICATORS

Performance indicators were used to measure company progress in a number of key areas. They 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 3,306 points

Base Period	Turnover	Gross Profit To Turnover	Operating Profit To Turnover	Company Value	Capital Employed	Contract Completion	Forward Workload	Forward Margin	Share Price	Client Satisfaction	Total Rating
4	40	130	130	170	120	100	70	100	70	70	1,000
5	51	144	161	174	137	125	91	131	76	102	1,192
6	59	170	217	191	145	130	84	114	76	134	1,320
7	66	212	301	222	160	165	134	169	84	168	1,681
8	74	238	354	259	172	180	137	191	88	198	1,891
9	83	258	399	297	181	200	138	176	99	229	2,060
10	91	270	426	343	184	235	120	158	99	266	2,192
11	95	276	439	379	191	250	184	246	108	305	2,473
12	105	282	456	437	196	290	169	203	106	347	2,591
13	115	286	468	497	198	335	155	152	114	376	2,696
14	116	285	461	512	202	350	242	228	131	399	2,926
15	121	287	464	548	205	370	257	210	144	427	3,033
16	128	280	454	580	208	370	258	220	172	443	3,113
17	135	278	455	626	210	395	260	191	194	467	3,211
18	140	271	443	640	212	440	270	180	205	505	3,306

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

	History	Since	Change	Basis
Number of periods:	4	14		
<b>Financial Management</b>				
Company value:	4,809,415	18,120,010	277 %	E
Share price:	1.12	3.28	193 %	E
Capital employed:	62 %	92 %		A
Turnover:	10,072,540	21,273,410	111 %	A
Job profit:	4.2 %	9.5 %		D % of job cost
Overhead costs:	2.1 %	2.0 %		D % of job cost
Operating profit:	1.6 %	5.9 %		D % of job cost; net, after tax and interest
Dividend paid:	2.2 %	0.9 %		D % of job cost
<b>Overhead Management</b>				
Market share:	10 %	33 %		D % of the overall new work in the market identified
Market share split (UK):	59 %	36 %		D % of the market share in the UK
Market share split (OV):	41 %	64 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	215 %		D The benchmark was 100%; the optimum level was 200%
QHSE staffing level:	100 %	216 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	216 %		D The benchmark was 100%; the optimum level was 200%
<b>Procurement</b>				
Number of jobs bid for:	13	54		D
Number of jobs won:	6	32		D
Bidding success rate:	46 %	59 %		D Jobs won as a % of jobs bid for
<b>Job Progression</b>				
Jobs finished early:	0	17		D
Jobs finished on time:	1	13		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.99	0.94		D 0 to 1, where 1 is the optimum level
Reduction in build cost:	0.00 %	1.72 %		D % due to targeted investments
Risk cost incurred:	91 %	27 %		D As a % of the contingency in the bid
Reduction in risk cost:	27.1 %	54.6 %		D % due to mitigatng factors
Project manager weighting:	8.5	8.7		D Out of 10
<b>Future Outlook</b>				
Forward workload:	18,835,610	72,638,770		E
Forward margin:	745,985	1,344,710		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)