



Enginuity 2015 Competition

PERFORMANCE REVIEW FOR 'On the Brinck of Something Special'



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

Michael Boother
Alexandra Istrati

Richard Sweet



SPONSOR

WSP | Parsons Brinckerhoff



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.

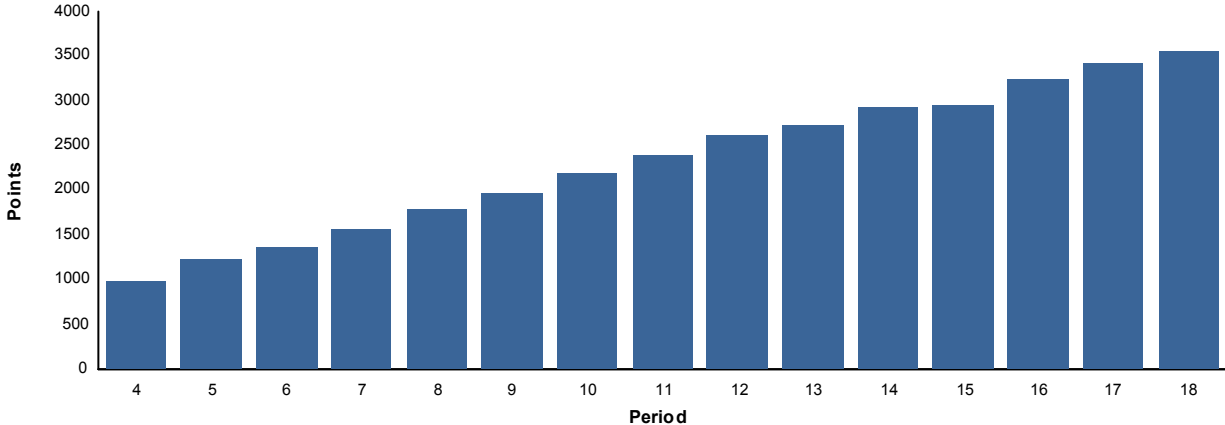
KEY PERFORMANCE INDICATORS

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 3,559 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	142	156	175	145	125	116	144	79	104	1,237
6	63	162	200	187	162	130	116	140	86	133	1,379
7	73	174	230	202	175	170	124	164	99	158	1,569
8	81	204	285	228	184	185	126	173	119	204	1,789
9	89	218	318	253	191	220	135	172	142	245	1,983
10	95	235	350	279	197	235	158	193	173	274	2,189
11	103	247	378	311	202	275	165	199	209	317	2,406
12	109	257	400	340	206	290	177	223	252	359	2,613
13	117	260	410	367	208	335	163	182	295	393	2,730
14	121	258	402	364	211	370	234	232	316	432	2,940
15	128	257	403	404	212	370	193	187	343	468	2,965
16	134	256	402	431	214	430	253	238	386	500	3,244
17	138	251	394	463	216	450	308	268	402	536	3,426
18	141	250	391	495	218	460	350	289	414	551	3,559

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		
Financial Management				
Company value:	4,809,415	14,003,630	191 %	E
Share price:	1.12	6.62	491 %	E
Capital employed:	62 %	96 %		A
Turnover:	10,072,540	21,316,070	112 %	A
Job profit:	4.2 %	8.7 %		D % of job cost
Overhead costs:	2.1 %	2.1 %		D % of job cost
Operating profit:	1.6 %	5.2 %		D % of job cost; net, after tax and interest
Dividend paid:	2.2 %	1.8 %		D % of job cost
Overhead Management				
Market share:	10 %	39 %		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 %	212 %		D The benchmark was 100%; the optimum level was 200%
QHSE staffing level:	100 %	241 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	241 %		D The benchmark was 100%; the optimum level was 200%
Procurement				
Number of jobs bid for:	13	56		D
Number of jobs won:	6	37		D
Bidding success rate:	46 %	66 %		D Jobs won as a % of jobs bid for
Job Progression				
Jobs finished early:	0	18		D
Jobs finished on time:	1	15		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.99	0.92		D 0 to 1, where 1 is the optimum level
Reduction in build cost:	0.00 %	0.93 %		D % due to targeted investments
Risk cost incurred:	91 %	51 %		D As a % of the contingency in the bid
Reduction in risk cost:	27.8 %	37.5 %		D % due to mitigating factors
Project manager weighting:	8.5	9.3		D Out of 10
Future Outlook				
Forward workload:	18,835,610	94,047,710		E
Forward margin:	745,985	2,154,113		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)