



# Engenuity 2014 Competition

## Review of the Performance of "Monty ANZACs"



### 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

Bryce Neyland  
Celia Schofield

Alex McKenzie  
Christopher Povey

Naida Suprpto



### 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

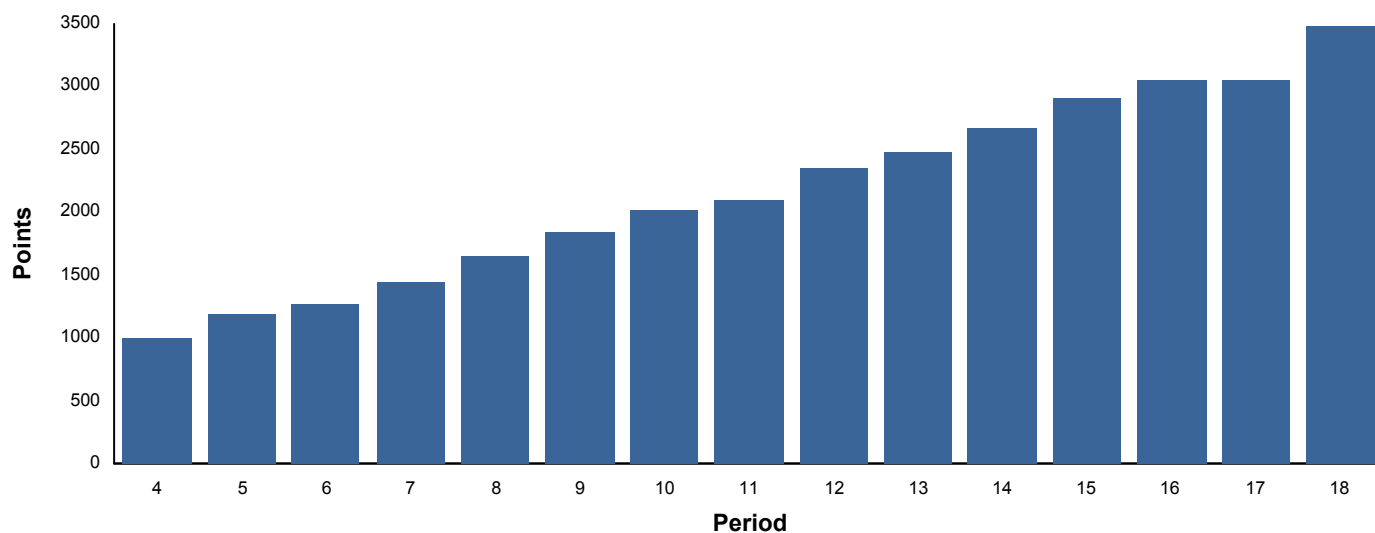
Performance indicators were used to measure the progress of the company in a number of key areas.

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 3,475 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	58	135	155	179	160	115	96	122	71	98	1,189
6	78	129	152	188	189	135	93	120	64	115	1,263
7	95	151	209	214	207	145	85	111	75	145	1,437
8	106	161	238	236	223	175	108	133	88	178	1,646
9	121	174	271	271	236	210	104	132	101	217	1,837
10	131	185	295	302	245	230	112	145	122	257	2,024
11	140	191	310	332	246	255	81	104	137	293	2,089
12	144	197	322	355	253	295	138	147	166	327	2,344
13	153	201	333	404	258	325	122	117	189	374	2,476
14	163	206	346	458	261	365	112	112	235	411	2,669
15	169	209	352	502	264	410	138	119	290	452	2,905
16	172	213	358	543	267	410	159	103	339	485	3,049
17	179	210	356	594	264	440	81	54	351	515	3,044
18	179	210	350	616	267	485	211	163	450	544	3,475

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	17,380,720	263 %	E
Share price:	1.25	8.03	542 %	E
Capital employed:	48 %	92 %		A
Turnover:	7,356,342	20,147,770	174 %	A
Job profit:	5.7 %	9.7 %		D % of job cost
Overhead costs:	3.4 %	2.6 %		D % of job cost
Operating profit:	1.8 %	5.1 %		D % of job cost; net, after tax and interest
Dividend paid:	2.9 %	1.1 %		D % of job cost

### Overhead Management

Market share:	14 %	32 %		D % of the overall new work in the market identified
Market share split (UK):	60 %	60 %		D % of the market share in the UK
Market share split (OV):	40 %	40 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	209 %		D The benchmark was 100%; the optimum level was 200%
QHSE staffing level:	100 %	205 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	205 %		D The benchmark was 100%; the optimum level was 200%

### Procurement

Number of jobs bid for:	21	66		D
Number of jobs won:	10	34		D
Bidding success rate:	48 %	52 %		D Jobs won as a % of jobs bid for

### Job Progression

Reduction in job costs:	0.11 %	1.90 %		D % due to targeted investments (build cost reductions)
Reduction in job costs:	0.12 %	0.36 %		D % due to targeted investments (risk cost reductions)
Risk cost incurred:	78 %	32 %		D As a % of the contingency in the bid
Project manager weighting:	7.8	9.0		D Out of 10
Jobs finished early:	0	22		D
Jobs finished on time:	3	12		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	71,495,700		E
Forward margin:	1,132,632	1,851,199		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)