



# ENGINUITY 2019 COMPETITION

## PERFORMANCE REVIEW FOR 'Shear Incompetence'

### MANAGEMENT TEAM

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### SPONSOR

Arcadis

### THE CHALLENGE



It is the **beginning of 2019**.

A UK-based **global construction business** that has only been in existence for one year needs a **new management team** to run the company for the foreseeable future.

The company **operates in a number of sectors**, with jobs, clients, rival competitors, and people worldwide.

To grow the business the new management team will need to devise an **effective business strategy**.

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

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

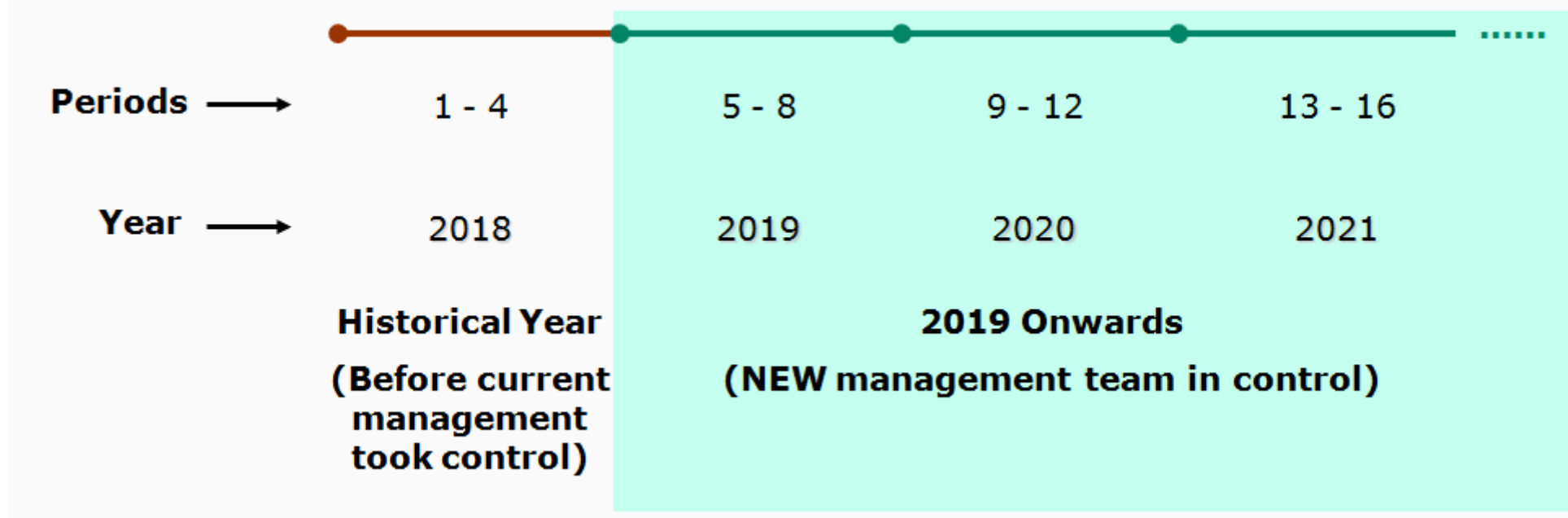
To implement the strategy **decisions** will have to be made in a number of key areas :-

- Financial management
- Overhead management
- Procurement
- Job progression



## TIMEFRAME

Decisions are made for a **period**, representing 3 months, or a quarter, in the real world.



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)

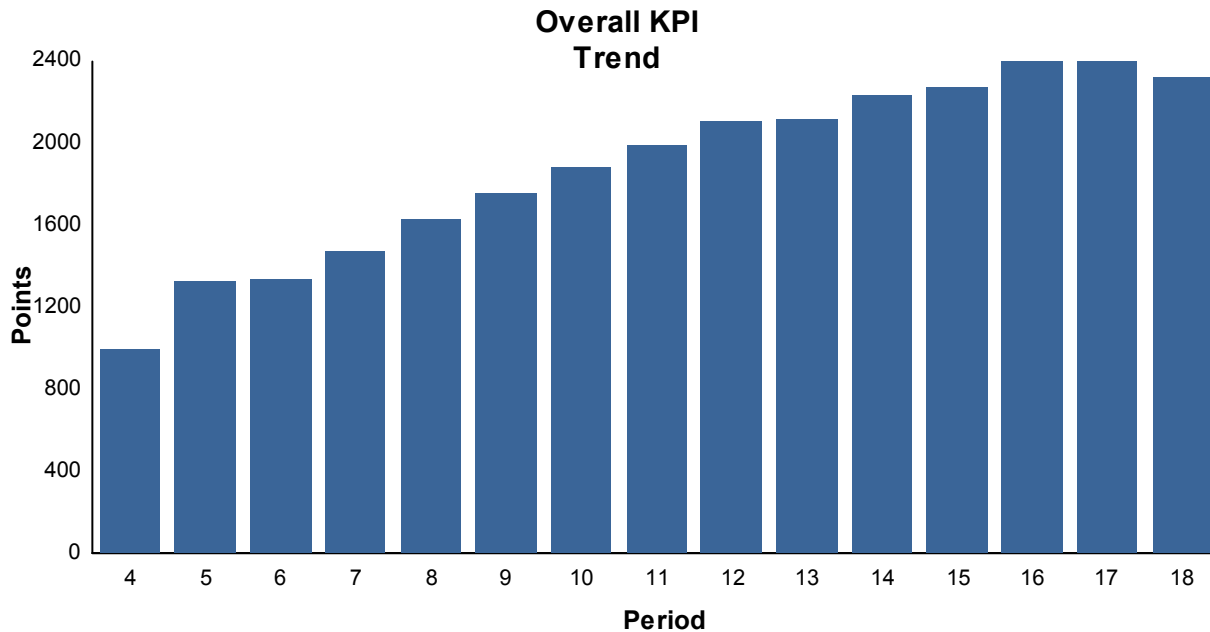
During the Later Years the teams compete 'head to head' against each other for work. This creates an even more uncertain and pressurized environment in which the skills and team dynamics formed in the early years are really put to the test.

# OVERALL PERFORMANCE (KPIs)

Performance Indicators were used to measure company progress, weighted at the end of the History to reflect their variability, initially to 1,000 points.

Overall company performance improved from 1,000 to 2,319 points

End Period	Status	Year/qtr	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	History	2018 (Q4)	40	170	120	170	130	80	70	100	70	50	1,000
5	Early Years	2019 (Q1)	52	170	132	173	172	105	157	208	83	79	1,331
6	Early Years	2019 (Q2)	75	145	117	175	203	117	138	179	77	114	1,340
7	Early Years	2019 (Q3)	96	151	139	188	224	146	130	164	89	150	1,477
8	Early Years	2019 (Q4)	106	154	149	194	238	170	150	188	95	185	1,629
9	Early Years	2020 (Q1)	117	155	155	200	251	195	163	193	103	222	1,754
10	Early Years	2020 (Q2)	129	162	172	215	261	219	162	182	118	264	1,884
11	Early Years	2020 (Q3)	137	163	177	224	269	241	169	184	127	297	1,988
12	Early Years	2020 (Q4)	146	161	176	230	276	270	179	185	139	340	2,102
13	Later Years	2021 (Q1)	154	159	173	232	281	295	165	149	140	371	2,119
14	Later Years	2021 (Q2)	160	164	181	242	286	324	187	121	153	414	2,232
15	Later Years	2021 (Q3)	165	168	183	245	289	336	173	96	163	452	2,270
16	Later Years	2021 (Q4)	171	166	181	247	293	385	180	98	179	494	2,394
17	Later Years	2022 (Q1)	175	155	159	219	296	409	199	110	143	530	2,395
18	Later Years	2022 (Q2)	178	151	149	205	297	426	151	83	126	553	2,319



## 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	Additional information
Number of periods	4	14			
<b>FINANCIAL MANAGEMENT</b>					
Company value	4,748,393	5,735,646	21 %	End of timeframe	
Share price	1.06	1.91	80 %	End of timeframe	
Average capital base	3,937,890	5,293,794	34 %	Each period of timeframe	
Average capital base utilisation	49 %	97 %		Each period of timeframe	
Average turnover	6,996,588	18,974,890	171 %	Each period of timeframe	
Job profit	4.7 %	4.1 %		During whole timeframe	As a % of job costs
Overhead costs	2.4 %	1.5 %		During whole timeframe	As a % of job costs
Net operating profit	1.7 %	2.1 %		During whole timeframe	As a % of job costs after tax and interest
Dividend paid	3.0 %	1.6 %		During whole timeframe	As a % of job costs
Forward workload	13,789,860	29,775,870		End of timeframe	
Forward margin	501,657	416,585		End of timeframe	
<b>OVERHEAD MANAGEMENT</b>					
Market share	11 %	28 %		During whole timeframe	% of the overall new work in the market identified
Market share split (UK)	44 %	39 %		During whole timeframe	% of the market share in the UK
Market share split (OV)	56 %	61 %		During whole timeframe	% of market share Overseas (outside the UK)
Head office staffing level	100 %	110 %		During whole timeframe	Optimum level is 100%
QHSE staffing level	100 %	116 %		During whole timeframe	Optimum level is 100%
Measurement staffing level	100 %	116 %		During whole timeframe	Optimum level is 100%
<b>PROCUREMENT</b>					
Number of jobs bid for	7	58		During whole timeframe	
Number of jobs won	4	36		During whole timeframe	
Bidding success rate	57 %	62 %		During whole timeframe	Jobs won as a % of jobs bid for
<b>JOB PROGRESSION</b>					
Project manager weighting	8.5	9.3		During whole timeframe	Out of 10
Project manager resignations	0	0		During whole timeframe	Due to insufficient bonus levels or being headhunted
Net gain from bonus payments to project managers	25,518	388,702		During whole timeframe	
Jobs finished early	0	26		During whole timeframe	
Jobs finished on time	0	11		During whole timeframe	
Jobs finished late	0	0		During whole timeframe	
Ineffective labour on site	0 %	2 %		During whole timeframe	
Subcontractor labour used on site	0 %	7 %		During whole timeframe	As a % of total labour
Job completion efficiency	n/a	0.90		During whole timeframe	0 to 1, where 1 is the optimum level
Reduction in job costs (build) due to targeted investments	0.0 %	0.7 %		During whole timeframe	
Reduction in job costs (risk) due to targeted investments	0.0 %	0.0 %		During whole timeframe	
For D&B jobs, change in build cost due to consultant designer	-0.7 %	-0.9 %		During whole timeframe	
Measure of risk contingency included in bids	1.0	1.0		During whole timeframe	0=No contingency, 1=sensible level, 2=full risk cost
Risk cost incurred before mitigating factors	45 %	79 %		During whole timeframe	As a % of the contingency in the bid
Change in risk cost incurred due to mitigating factors	-37.0 %	-10.8 %		During whole timeframe	
Risk cost incurred after mitigating factors	28 %	70 %		During whole timeframe	As a % of the contingency in the bid