



# Enginuity 2013 Competition

## Review of the Performance of "Pbers"

### The Task

A fledgling UK-based construction company, with headquarters in London, had been trading for just one year. A new management team was needed to run the company for the foreseeable future, making decisions related to the key functions of the business for each period/quarter.

The first task facing the new management team was to form a business strategy to satisfy the high demands of the company's shareholders, who were keen to see a quick return on their investment.

Although based in the UK, and subject to UK tax laws and interest rates, the decision to expand into overseas markets, and different continents, would depend upon the prevailing economic climate in the UK, and worldwide, and the direction the new management team wanted to go in.

Working in different countries would present some particular risks and 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 (worldwide client base, niche markets, lucrative large-scale contracts), may outweigh the risks.



### 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.



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## Key Performance Indicators

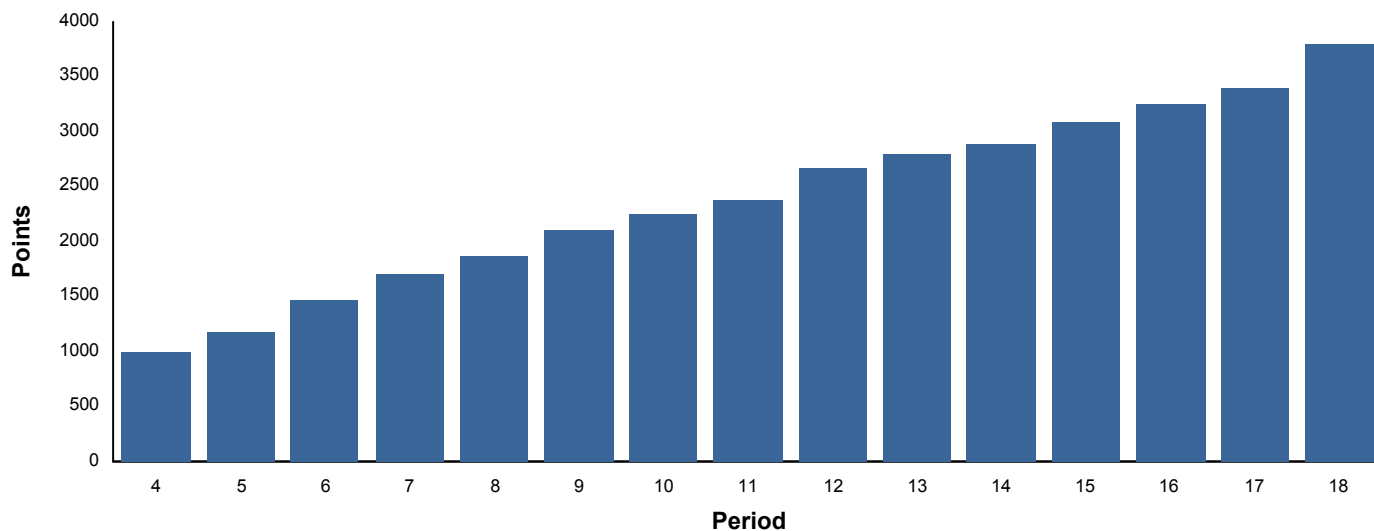
Performance indicators were used to measure the progress of the company in a number of key areas.

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 3,790 points

Period	Turnover	Gross Profit	Operating Profit	Company Value	Capital Employed	Contract Complete	Forward Workload	Forward Margin	Share Price	Client Satisfact	Total Rating
		To	To								
4	40	130	130	170	120	100	70	100	70	70	1,000
5	46	163	179	184	123	135	63	106	81	103	1,183
6	51	190	219	203	133	140	108	195	105	128	1,472
7	58	222	272	232	139	175	104	208	125	170	1,705
8	63	251	320	267	144	175	109	193	152	202	1,876
9	68	263	337	294	148	240	110	221	183	244	2,108
10	73	272	348	316	151	270	118	206	214	278	2,246
11	79	288	372	353	152	300	107	157	260	317	2,385
12	82	295	382	370	155	335	137	235	324	353	2,668
13	86	301	392	384	156	365	136	220	365	396	2,801
14	90	311	411	406	158	380	144	159	400	428	2,887
15	94	312	416	466	159	440	145	146	438	465	3,081
16	97	313	416	516	159	475	148	141	481	501	3,247
17	100	315	422	579	158	490	117	145	539	533	3,398
18	101	317	426	631	159	530	201	221	634	570	3,790

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:	5,058,013	18,769,810	271 %	E
Share price:	1.11	10.06	806 %	E
Capital employed:	88 %	93 %		A
Turnover:	14,935,390	22,210,340	49 %	A
Job profit:	4.3 %	11.8 %		D % of job cost
Overhead costs:	1.8 %	1.8 %		D % of job cost
Operating profit:	1.9 %	7.2 %		D % of job cost; net, after tax and interest
Dividend paid:	1.4 %	2.1 %		D % of job cost

### **Overhead Management**

Market share:	12 %	36 %		D % of the overall new work in the market identified
Market share split (UK):	59 %	28 %		D % of the market share in the UK
Market share split (OV):	41 %	72 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	211 %		D The benchmark was 100%; the optimum level was 200%
QHSE staffing level:	100 %	217 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	217 %		D The benchmark was 100%; the optimum level was 200%

### **Procurement**

Number of jobs bid for:	18	48		D
Number of jobs won:	7	34		D
Bidding success rate:	39 %	71 %		D Jobs won as a % of jobs bid for

### **Job Progression**

Reduction in job costs:	0.00 %	2.36 %		D % due to targeted investments (build cost reductions)
Reduction in job costs:	0.00 %	0.31 %		D % due to targeted investments (risk cost reductions)
Risk cost incurred:	25 %	47 %		D As a % of the contingency in the bid
Project manager weighting:	7.6	9.3		D Out of 10
Jobs finished early:	2	27		D
Jobs finished on time:	0	5		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.98	0.96		D 0 to 1 where 1 the optimum level

Forward workload:	24,933,920	71,735,740		E
Forward margin:	883,296	1,950,813		E

### Colour coding

Green background indicates exceptional performance in this area

Red background indicates a weakness in this area

### 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 timerame)