



Enginuity 2014 Competition

Review of the Performance of "Occupy Peachtree"



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

Justin Sampson
Aaron Mercer

Jason Vaia



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

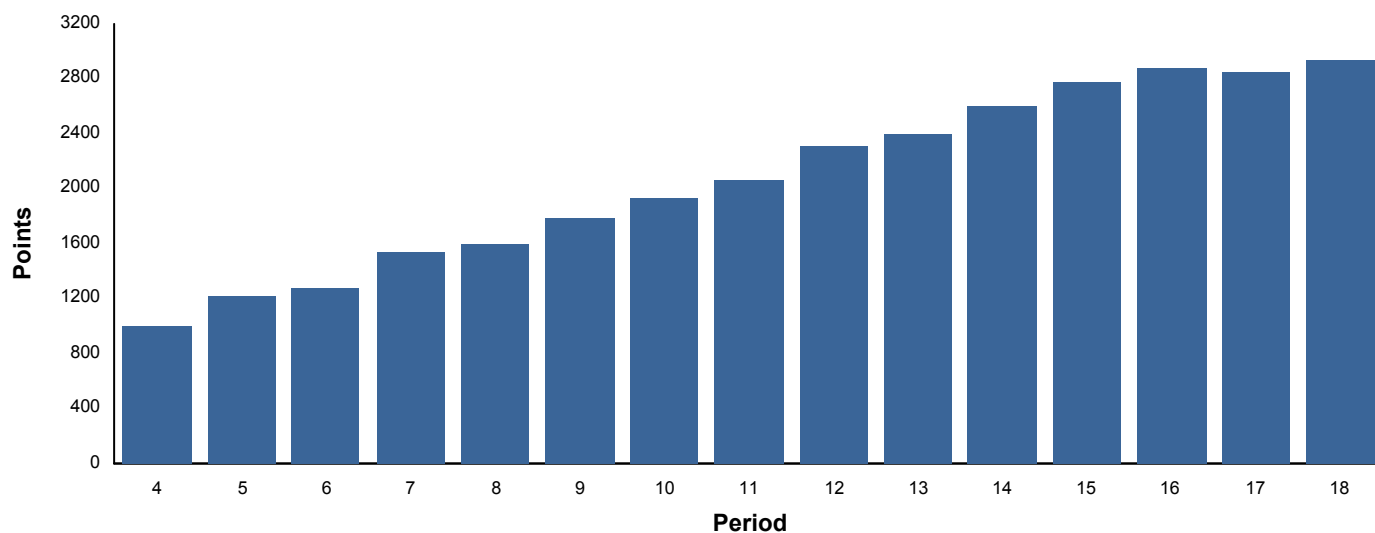
Performance indicators were used to measure the progress of the company in a number of key areas.

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 2,936 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	55	141	154	180	161	115	103	140	64	111	1,224
6	82	131	150	193	190	135	90	109	59	136	1,275
7	102	158	221	228	211	175	95	109	64	170	1,533
8	109	159	217	238	219	190	94	106	62	206	1,600
9	121	167	233	266	231	210	113	138	67	238	1,784
10	132	173	245	297	241	235	119	142	67	285	1,936
11	144	179	259	336	249	270	112	127	66	319	2,061
12	153	190	278	383	256	310	128	172	70	370	2,310
13	160	202	297	430	259	310	126	111	82	419	2,396
14	168	207	310	480	264	370	144	109	99	454	2,605
15	171	210	314	515	267	385	156	143	125	489	2,775
16	179	208	314	557	270	405	152	120	151	522	2,878
17	186	204	309	592	270	415	125	43	159	545	2,848
18	192	205	315	640	268	480	112	0	156	568	2,936

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	18,056,640	277 %	E
Share price:	1.25	2.78	122 %	E
Capital employed:	48 %	92 %		A
Turnover:	7,356,342	21,602,860	194 %	A
Job profit:	5.7 %	9.4 %		D % of job cost
Overhead costs:	3.4 %	3.1 %		D % of job cost
Operating profit:	1.8 %	4.6 %		D % of job cost; net, after tax and interest
Dividend paid:	2.9 %	0.3 %		D % of job cost
Overhead Management				
Market share:	14 %	39 %		D % of the overall new work in the market identified
Market share split (UK):	60 %	23 %		D % of the market share in the UK
Market share split (OV):	40 %	77 %		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 %	215 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	215 %		D The benchmark was 100%; the optimum level was 200%
Procurement				
Number of jobs bid for:	21	108		D
Number of jobs won:	10	34		D
Bidding success rate:	48 %	31 %		D Jobs won as a % of jobs bid for
Job Progression				
Reduction in job costs:	0.11 %	2.22 %		D % due to targeted investments (build cost reductions)
Reduction in job costs:	0.12 %	0.38 %		D % due to targeted investments (risk cost reductions)
Risk cost incurred:	75 %	37 %		D As a % of the contingency in the bid
Project manager weighting:	7.8	8.5		D Out of 10
Jobs finished early:	0	19		D
Jobs finished on time:	3	18		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.96	0.93		D 0 to 1 where 1 the optimum level
Future Outlook				
Forward workload:	23,773,620	38,051,380		E
Forward margin:	1,132,632	-5,538		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)