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

Patrick Tunnah	Jean-Paul Churchward
Simon Chap	Luke Finn

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 3,627 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	59	120	139	179	161	115	98	140	64	104	1,179
6	81	128	160	195	190	130	87	118	62	127	1,278
7	96	140	191	218	208	135	90	110	63	165	1,416
8	108	154	225	241	224	165	109	141	75	202	1,644
9	124	169	259	276	236	210	96	126	89	250	1,835
10	137	176	275	302	245	245	104	128	109	289	2,010
11	144	173	269	312	253	270	122	147	124	328	2,142
12	155	183	291	346	260	295	113	156	154	372	2,325
13	164	190	310	400	266	350	124	150	177	427	2,558
14	171	200	335	464	270	390	131	116	198	472	2,747
15	178	211	358	531	273	405	137	105	230	521	2,949
16	187	208	353	579	275	470	114	101	259	574	3,120
17	191	207	347	613	277	515	171	184	334	619	3,458
18	194	213	360	672	279	515	171	171	376	676	3,627

Overall KPI Trend
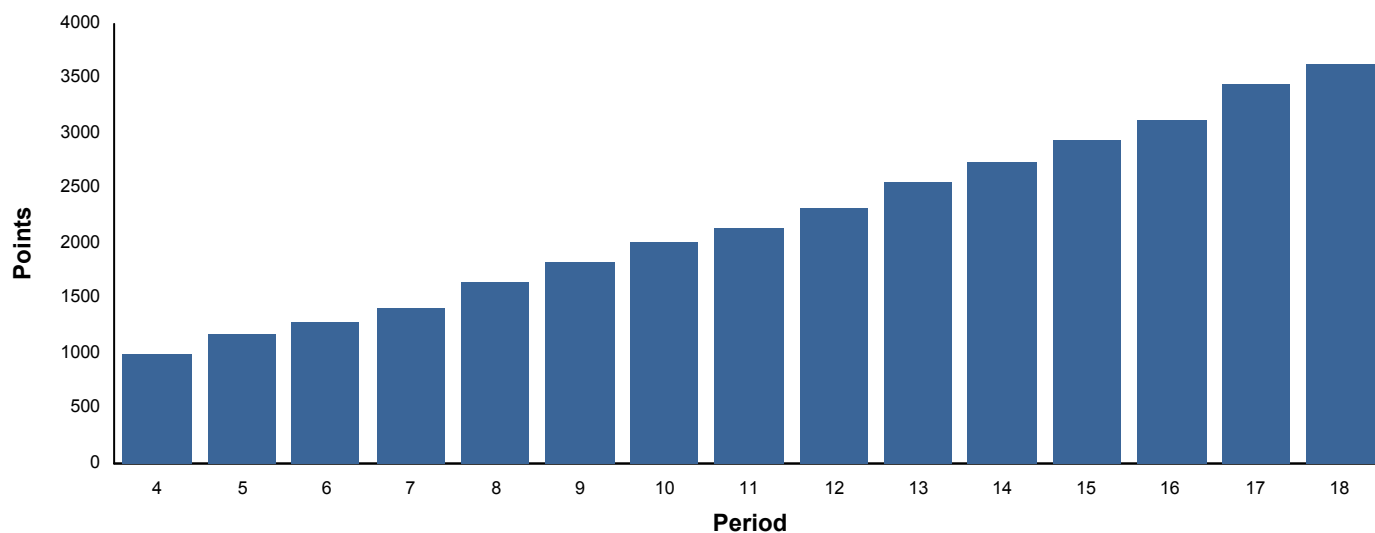
Turnover: An indication of how much work the company has done
Gross Profit to Turnover: A measure of how profitable the company's jobs have been
Operating Profit to Turnover: A measure of how profitable the company is after considering all operating factors
Company Value: A measure of the asset value 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

	History	Since	Change	Basis	
Company value:	4,793,606	18,935,360	295 %	E	
Share price:	1.25	6.72	438 %	E	
Capital employed:	48 %	97 %		A	
Turnover:	7,356,342	21,929,890	198 %	A	
Job profit:	5.7 %	9.8 %		D	% of job cost
Overhead costs:	3.4 %	2.5 %		D	% of job cost
Operating profit:	1.8 %	5.3 %		D	% of job cost; net, after tax and interest
Dividend paid:	2.9 %	0.7 %		D	% of job cost

Overhead Management

	History	Since	Basis	
Market share:	14 %	36 %	D	% of the overall new work in the market identified
Market share split (UK):	60 %	48 %	D	% of the market share in the UK
Market share split (OV):	40 %	52 %	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 %	218 %	D	The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	218 %	D	The benchmark was 100%; the optimum level was 200%

Procurement

	History	Since	Basis	
Number of jobs bid for:	21	62	D	
Number of jobs won:	10	44	D	
Bidding success rate:	48 %	71 %	D	Jobs won as a % of jobs bid for

Job Progression

	History	Since	Basis	
Reduction in job costs:	0.11 %	2.88 %	D	% due to targeted investments (build cost reductions)
Reduction in job costs:	0.12 %	0.07 %	D	% due to targeted investments (risk cost reductions)
Risk cost incurred:	80 %	48 %	D	As a % of the contingency in the bid
Project manager weighting:	7.8	9.4	D	Out of 10
Jobs finished early:	0	26	D	
Jobs finished on time:	3	15	D	
Jobs finished late:	0	1	D	
Job completion efficiency:	0.96	0.92	D	0 to 1 where 1 the optimum level

Future Outlook

	History	Since	Basis
Forward workload:	23,773,620	57,932,100	E
Forward margin:	1,132,632	1,936,415	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)