



# Enginuity 2015 Competition

## PERFORMANCE REVIEW FOR 'The Quay Stones'



### 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, making the key business decisions related to finance, marketing, overheads, procurement and job progression. The decisions are made for each period, which represents a quarter, or 3 months. The new management team need to form **an effective strategy to grow the business**, and 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, which changes as time progresses to provide a realistic and dynamic challenge for the new management team. 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.

**The decisions to be made, and fate of the company, rests in the hands of the new management team.**



### MANAGEMENT TEAM

Valerio Stuart  
Varley Matt

Jose Antonio Perez Lopez  
Carlos Morena Aguirre

Saeed Abid  
Mohammad Fraz Iqbal



### SPONSOR

WSP | Parsons Brinckerhoff



### 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 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.

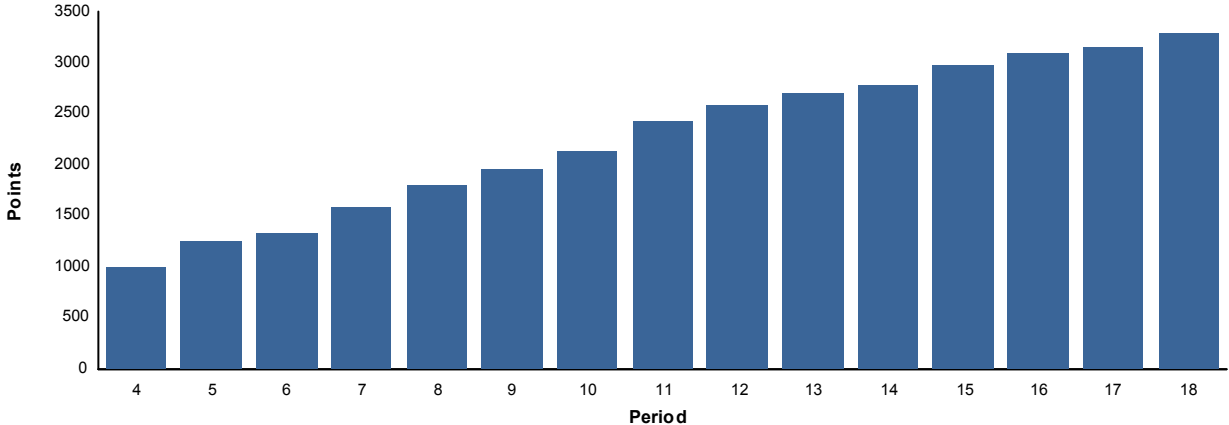
# KEY PERFORMANCE INDICATORS

Performance indicators were used to measure company progress in a number of key areas. They 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 3,291 points

| Base Period | 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           | 40       | 130                      | 130                          | 170           | 120              | 100                 | 70               | 100            | 70          | 70                  | 1,000        |
| 5           | 51       | 139                      | 146                          | 174           | 148              | 125                 | 126              | 169            | 79          | 106                 | 1,263        |
| 6           | 64       | 165                      | 207                          | 190           | 157              | 130                 | 79               | 107            | 91          | 146                 | 1,336        |
| 7           | 73       | 197                      | 271                          | 213           | 163              | 180                 | 88               | 122            | 108         | 179                 | 1,594        |
| 8           | 76       | 204                      | 270                          | 217           | 173              | 205                 | 140              | 180            | 118         | 216                 | 1,799        |
| 9           | 85       | 225                      | 317                          | 246           | 181              | 230                 | 123              | 151            | 142         | 256                 | 1,956        |
| 10          | 91       | 239                      | 350                          | 273           | 185              | 260                 | 127              | 155            | 170         | 296                 | 2,146        |
| 11          | 97       | 253                      | 378                          | 298           | 192              | 290                 | 168              | 196            | 209         | 342                 | 2,423        |
| 12          | 105      | 260                      | 397                          | 324           | 197              | 320                 | 167              | 191            | 249         | 384                 | 2,594        |
| 13          | 112      | 265                      | 413                          | 359           | 198              | 360                 | 138              | 152            | 285         | 429                 | 2,711        |
| 14          | 118      | 272                      | 428                          | 387           | 195              | 405                 | 101              | 106            | 304         | 461                 | 2,777        |
| 15          | 116      | 275                      | 413                          | 366           | 197              | 405                 | 211              | 182            | 317         | 500                 | 2,982        |
| 16          | 120      | 276                      | 418                          | 381           | 199              | 435                 | 214              | 165            | 349         | 545                 | 3,102        |
| 17          | 128      | 275                      | 424                          | 399           | 201              | 475                 | 171              | 126            | 381         | 579                 | 3,159        |
| 18          | 131      | 275                      | 423                          | 395           | 202              | 525                 | 199              | 142            | 392         | 607                 | 3,291        |

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         |        |  |
| <b>Financial Management</b> |            |            |        |  |
| Company value:              | 4,809,415  | 11,167,080 | 132 %  | E  |
| Share price:                | 1.12       | 6.28       | 461 %  | E  |
| Capital employed:           | 62 %       | 88 %       |        | A  |
| Turnover:                   | 10,072,540 | 19,729,740 | 96 %   | A  |
| Job profit:                 | 4.2 %      | 9.6 %      |        | D % of job cost                                      |
| Overhead costs:             | 2.1 %      | 2.4 %      |        | D % of job cost                                      |
| Operating profit:           | 1.6 %      | 5.6 %      |        | D % of job cost; net, after tax and interest         |
| Dividend paid:              | 2.2 %      | 3.0 %      |        | D % of job cost                                      |
| <b>Overhead Management</b>  |            |            |        |  |
| Market share:               | 10 %       | 39 %       |        | D % of the overall new work in the market identified |
| Market share split (UK):    | 59 %       | 40 %       |        | D % of the market share in the UK                    |
| Market share split (OV):    | 41 %       | 60 %       |        | D % of market share Overseas (outside the UK)        |
| Head office staffing level: | 100 %      | 226 %      |        | D The benchmark was 100%; the optimum level was 200% |
| QHSE staffing level:        | 100 %      | 240 %      |        | D The benchmark was 100%; the optimum level was 200% |
| Measurement staffing level: | 100 %      | 240 %      |        | D The benchmark was 100%; the optimum level was 200% |
| <b>Procurement</b>          |            |            |        |  |
| Number of jobs bid for:     | 13         | 74         |        | D  |
| Number of jobs won:         | 6          | 37         |        | D  |
| Bidding success rate:       | 46 %       | 50 %       |        | D Jobs won as a % of jobs bid for                    |
| <b>Job Progression</b>      |            |            |        |  |
| Jobs finished early:        | 0          | 27         |        | D  |
| Jobs finished on time:      | 1          | 10         |        | D  |
| Jobs finished late:         | 0          | 0          |        | D  |
| Job completion efficiency:  | 0.99       | 0.95       |        | D 0 to 1, where 1 is the optimum level               |
| Reduction in build cost:    | 0.00 %     | 1.59 %     |        | D % due to targeted investments                      |
| Risk cost incurred:         | 91 %       | 58 %       |        | D As a % of the contingency in the bid               |
| Reduction in risk cost:     | 27.4 %     | 37.3 %     |        | D % due to mitigating factors                        |
| Project manager weighting:  | 8.5        | 9.4        |        | D Out of 10  |
| <b>Future Outlook</b>       |            |            |        |  |
| Forward workload:           | 18,835,610 | 53,679,370 |        | E  |
| Forward margin:             | 745,985    | 1,060,424  |        | 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)