



Enginuity 2015 Competition

PERFORMANCE REVIEW FOR 'Hydra'



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

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SPONSOR

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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.

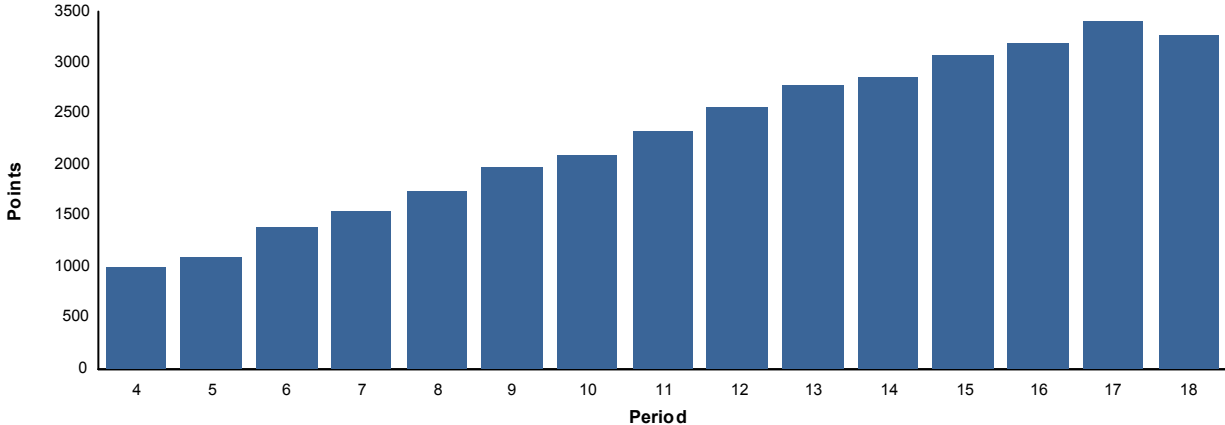
KEY PERFORMANCE INDICATORS

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 3,274 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	136	149	174	132	125	75	97	71	100	1,110
6	57	166	210	187	150	130	124	163	87	122	1,396
7	69	185	252	206	163	165	112	149	95	150	1,546
8	79	209	304	235	174	170	129	170	112	176	1,758
9	84	223	334	256	184	195	159	201	132	212	1,980
10	92	235	362	286	189	220	139	179	154	247	2,103
11	101	249	391	324	195	255	154	193	191	282	2,335
12	107	263	416	351	199	280	180	222	234	320	2,572
13	113	269	432	381	203	295	202	251	284	355	2,785
14	124	263	426	415	206	325	176	215	316	388	2,854
15	127	270	435	438	208	370	230	226	344	426	3,074
16	132	276	448	476	209	390	222	190	384	466	3,193
17	137	279	454	486	212	390	298	215	442	496	3,409
18	143	274	451	490	215	440	179	117	433	532	3,274

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				
Company value:	4,809,415	13,868,580	188 %	E
Share price:	1.12	6.92	518 %	E
Capital employed:	62 %	94 %		A
Turnover:	10,072,540	21,739,360	116 %	A
Job profit:	4.2 %	9.6 %		D % of job cost
Overhead costs:	2.1 %	1.9 %		D % of job cost
Operating profit:	1.6 %	6.0 %		D % of job cost; net, after tax and interest
Dividend paid:	2.2 %	2.7 %		D % of job cost
Overhead Management				
Market share:	10 %	35 %		D % of the overall new work in the market identified
Market share split (UK):	59 %	30 %		D % of the market share in the UK
Market share split (OV):	41 %	70 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	234 %		D The benchmark was 100%; the optimum level was 200%
QHSE staffing level:	100 %	232 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	232 %		D The benchmark was 100%; the optimum level was 200%
Procurement				
Number of jobs bid for:	13	51		D
Number of jobs won:	6	32		D
Bidding success rate:	46 %	63 %		D Jobs won as a % of jobs bid for
Job Progression				
Jobs finished early:	0	15		D
Jobs finished on time:	1	16		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.99	0.91		D 0 to 1, where 1 is the optimum level
Reduction in build cost:	0.00 %	1.40 %		D % due to targeted investments
Risk cost incurred:	91 %	59 %		D As a % of the contingency in the bid
Reduction in risk cost:	27.4 %	53.9 %		D % due to mitigating factors
Project manager weighting:	8.5	9.1		D Out of 10
Future Outlook				
Forward workload:	18,835,610	48,205,360		E
Forward margin:	745,985	872,555		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)