



Enginuity 2013 Competition

Review of the Performance of "Malt Water Hops & Yeast"

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.



Key Performance Indicators

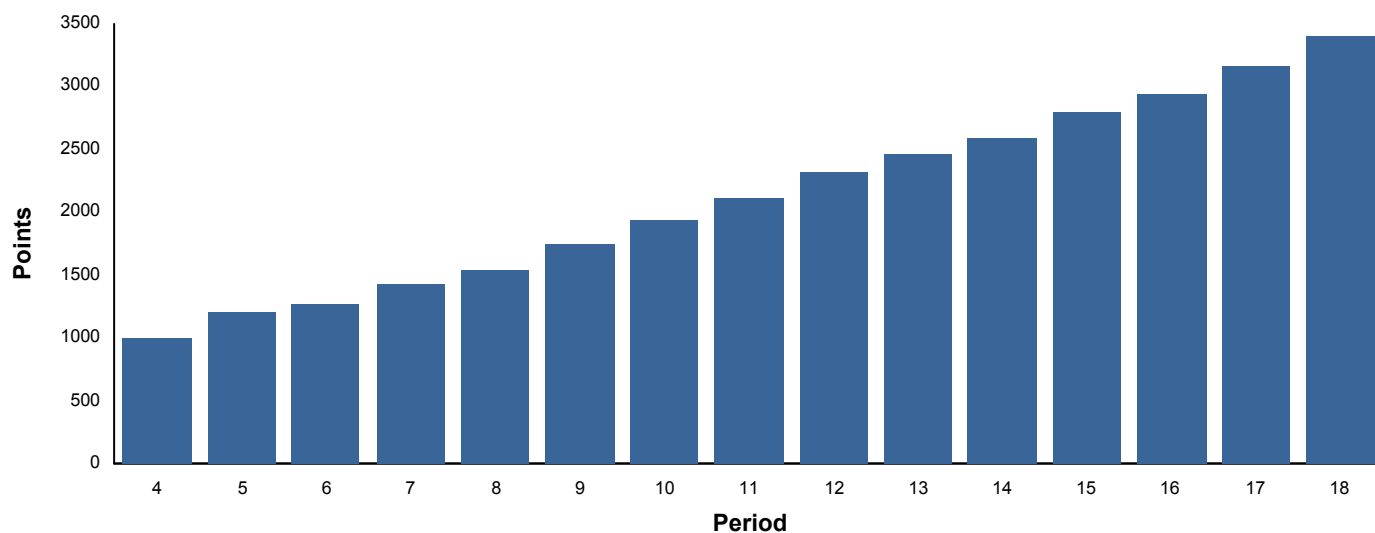
Performance indicators were used to measure the progress of the company in a number of key areas.

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 3,392 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	47	147	157	180	132	135	96	140	82	93	1,209
6	51	140	148	187	139	140	104	171	72	112	1,264
7	57	160	184	211	145	150	108	191	76	146	1,428
8	64	202	254	261	148	160	93	117	73	165	1,537
9	69	202	254	277	151	200	115	182	92	204	1,746
10	74	217	275	310	154	230	114	200	116	244	1,934
11	80	230	296	344	156	260	121	192	152	281	2,112
12	85	245	320	383	158	305	118	187	200	324	2,325
13	89	253	333	436	159	350	130	134	209	366	2,459
14	92	259	344	464	160	370	135	120	231	414	2,589
15	95	263	352	485	161	415	152	150	271	450	2,794
16	99	268	361	508	160	440	128	157	320	499	2,940
17	102	274	372	535	160	480	152	168	371	546	3,160
18	105	278	379	543	161	520	199	210	409	588	3,392

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	16,149,400	219 %	E
Share price:	1.11	6.49	485 %	E
Capital employed:	88 %	95 %		A
Turnover:	14,935,390	23,002,010	54 %	A
Job profit:	4.3 %	10.2 %		D % of job cost
Overhead costs:	1.8 %	1.4 %		D % of job cost
Operating profit:	1.9 %	6.3 %		D % of job cost; net, after tax and interest
Dividend paid:	1.4 %	2.4 %		D % of job cost

Overhead Management

Market share:	12 %	30 %		D % of the overall new work in the market identified
Market share split (UK):	59 %	65 %		D % of the market share in the UK
Market share split (OV):	41 %	35 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	213 %		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:	18	64		D
Number of jobs won:	7	39		D
Bidding success rate:	39 %	61 %		D Jobs won as a % of jobs bid for

Job Progression

Reduction in job costs:	0.00 %	2.05 %		D % due to targeted investments (build cost reductions)
Reduction in job costs:	0.00 %	0.28 %		D % due to targeted investments (risk cost reductions)
Risk cost incurred:	26 %	47 %		D As a % of the contingency in the bid
Project manager weighting:	7.6	8.9		D Out of 10
Jobs finished early:	2	22		D
Jobs finished on time:	0	15		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.98	0.91		D 0 to 1 where 1 the optimum level
Forward workload:	24,933,920	70,769,580		E
Forward margin:	883,296	1,850,968		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 timeframe)