

ENGINEUITY TUTORIAL



Forming A Business Strategy



Forming A Business Strategy

A smartly designed, well-executed business strategy is indispensable not only to an organization's long-term success, but to its very survival. Simply having one does not give you a competitive advantage. It is the depth, quality and flexibility of a business strategy that makes the difference.

The new management team need to develop a **clear strategy, or business plan** to :-

- **Grow** the business and improve its **value**
- Keep **shareholders** happy
- Enhance the company's **reputation** with clients

The value of the company is measured by a number of assets, such as the company cash account, capital base (infrastructure) and investments.

OBJECTIVES

Developing an effective strategy will involve acquiring a good understanding of :-

- The **economic environment** in which the company is operating
- The **strengths and weaknesses** of the business as it currently stands

The strategy will consist of **number of objectives** relating to :-

- Identifying new work in different sectors and locations (UK/Overseas)
- Expanding the infrastructure of the business to achieve growth
- Winning new work in a competitive bidding environment
- Improving profitability through effective job and overhead management



Forming A Business Strategy

We will now look at an example of setting and reviewing company strategy.

A **UK-based construction company operating globally** has been in existence for just one year, during 2024 (periods 1 to 4), known as the History.

A **new management team** have taken over at the beginning of period 5 (2025 Quarter 1).

To be able to develop an effective strategy the new management team need to first look at the **status of the company** when they took control at the end of the History.

To do this we refer to information shown in the **Performance Summary**.



Forming A Business Strategy

Measuring Performance

Assessing performance Help

Navigate to ["Main menu/Measuring performance/Performance summary"](#)

KEY PERFORMANCE INDICATORS

PERFORMANCE SUMMARY

THE HISTORY

END OF PERIOD 4

Company value:	4,781,791
Share price:	1.09
Forward workload:	20,822,000
Forward margin:	886,934

DURING HISTORY

Identifying Jobs

Market share:	11 %
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Infrastructure

Average capital base:	3,996,404
Average capital base utilisation:	61 %

Procurement

Average number of jobs won:	2
Bidding success:	67 %
Average value of work won:	13,001,260
Margin in work won:	4.4 %

Job Progression

Average turnover:	9,090,866
Average amount job profit:	474,816
Job profit:	5.5 %

Company Profitability

Average amount gross profit:	
Average amount overhead cost:	
Average amount operating profit:	

Dividend Payments

Average dividend paid:	
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Change in Company Value

Average change in company value:	
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At the end of the history :-

- The company is **valued** at 4.8m
- The company **share price** is trading at 1.09
- The company **order book** looks healthy, with a forward workload of 20.8m

During the History :-

- The company identified 11% of the **new work** in the market (market share)
- 61% of the **company's infrastructure** was utilised in procuring and progressing jobs (capital base utilisation)
- When **bidding for work (procurement)**, the average amount of work won each period was 13m, with at a profit margin of 4.4% above cost
- When **progressing jobs** the average turnover was 9.1m each period, with a job profit of 0.47m each period, which was a 5.5% profit above cost



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Client History

Navigate to "Main menu/Measuring performance/Assessing performance/Client history"

Client information Gratings

SUMMARY

DETAIL

All clients

Where jobs have been won

Client	Base	Current relationship	Tendering details		Jobs won details			Jobs completed details				
			No. jobs identified	No. jobs bid for	No. jobs won	Value of work won	% of total	No. jobs	Early	On time	Late	Markup % cost
Doha Development Group	QAT	satisfactory	1	0	0							
Fenlands County Council	UK	satisfactory	5	1	1	5,690,422	14.6 %					
First Wind USA	US	fairly good	3	3	2	17,888,210	45.9 %					
HS Rail Connection Group	UK	satisfactory	4	2	1	11,258,790	28.9 %					
Los Angeles Olympic Group	US	satisfactory	3	1	0							
NAMCO Meat Products	NZ	satisfactory	2	0	0							
Syrian Pipelines	SYR	satisfactory	1	1	1	1,895,167	4.9 %	1	0	1	0	5.7 %
The Defence Agency	UK	fairly good	1	1	1	2,271,201	5.8 %					

CLIENT RELATIONSHIPS

The company currently has :-

- 'Satisfactory' relationships with a number of clients
- 'Fairly good' relationships with both First Wind USA and The Defence Agency



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Market Trend

Navigate to "Main menu/Industry information/Market trend"

BY SECTOR

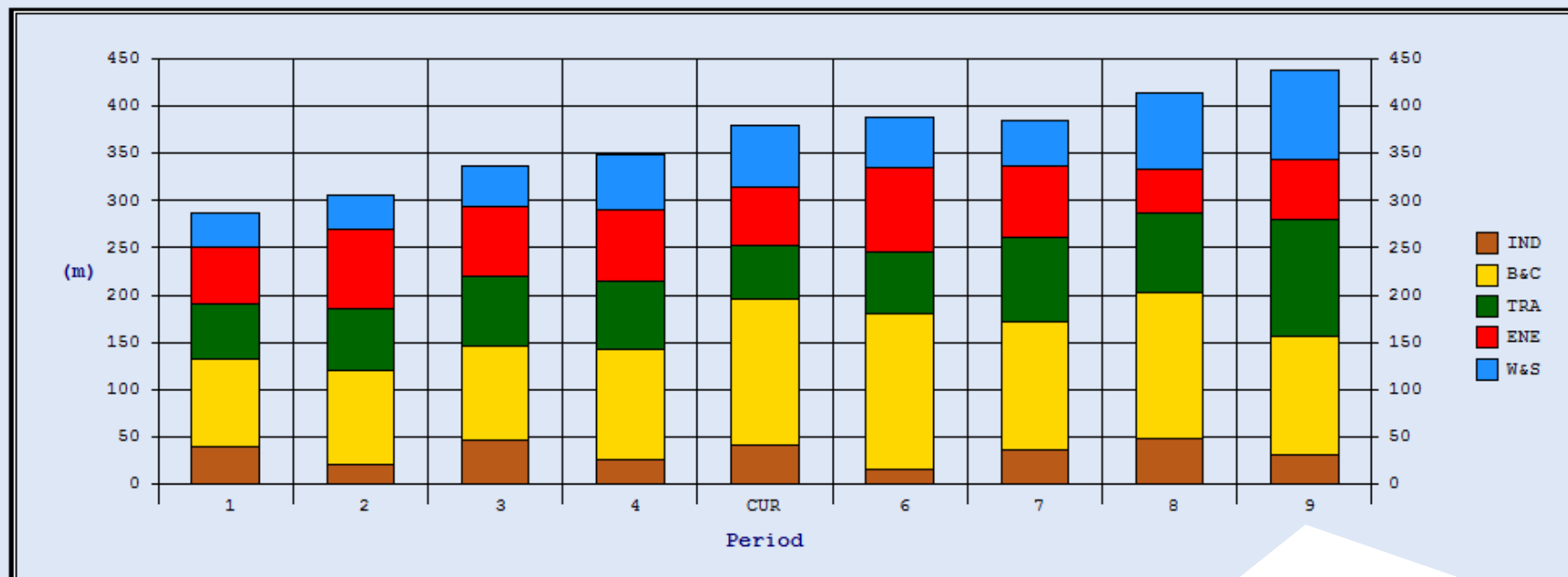
BY CLIENT

Amount of work
% of the market
Number of jobs
Exposure to risk

All countries
UK only
Overseas only

Marketing effort will identify jobs that are available in the current period, highlighted by the green column.

The value of work is shown in millions.



	1	2	3	4	5	6	7	8	9
	Hist	Hist	Hist	Hist	Early	Early	Early	Early	Early
IND	39	20	47	26	42	15	37	48	31
B&C	94	101	99	117	154	166	135	154	125
TRA	58	65	74	72	57	64	89	85	124
ENE	59	83	73	75	61	90	75	47	63
W&S	37	37	43	58	65	53	48	80	95
	287	306	336	348	379	388	384	414	438

POTENTIAL FUTURE WORK

For the construction industry worldwide the overall value of **new work in the global market** is predicted to increase steadily from currently 379m in period 5 to around 438m by the end of period 9.

There appears to be work in all sectors, but particularly in the building & commercial and transport sectors, and the water and sewage sector look to be growing steadily.



Forming A Business Strategy

After a thorough review of the current state of the company, and the global economic outlook, to **achieve the key strategic aims** of :-

- Growing the business and increasing its value
- Keeping shareholders happy
- Improving the company's reputation with clients

the following **key objectives** are set for the foreseeable future.

MARKETING

Increase market share, and the number of new jobs identified by :

- Increasing the size of the Marketing Department
- Primarily target the two largest sectors, Building & Commercial and Transport to guarantee a identifying plenty of new work for the foreseeable future in both the UK and Overseas. This would also help to build stronger relationships with clients in both sectors in the hope of securing repeat work in the future

Also, maintain a smaller but potentially niche presence in the energy sector

TURNOVER

Increase the average turnover each period through a combination of :-

- Identifying a larger share of the new work in the market, as previously outlined
- Expanding the company's infrastructure, known as the capital base, to support more work
- Competitive bidding in the target sectors to secure more work each period



PROFITABILITY

To **increase the profitability** of the business by:

- Progressing jobs won as profitably as possible by completing them on or before schedule, allocating appropriate personnel, effective risk and cost management and targeted investments.
- Efficient management of the Head Office, QHSE and Measurement departments, to ensure that the staff can cope the company's turnover.

There are many other areas that could be considered, and creating a long-term strategy is a complex task. Indeed, the strategy will have to be **periodically reviewed**, particularly as the economic environment is constantly changing, and our original objectives may not have been met.

ONE YEAR LATER, how did the company perform against the objectives that were set ?



Forming A Business Strategy

OBJECTIVE

To increase market share.

ASSESSING PERFORMANCE ✓

THE HISTORY		SINCE HISTORY	
END OF PERIOD 4		END OF PERIOD 8	
Company value:	4,781,791	5,159,831	+8%
Share price:	1.09	1.42	+30%
Forward workload:	20,822,000	25,775,640	
Forward margin:	886,934	1,024,003	(4.1% of job cost)
DURING HISTORY		PERIODS 5 TO 8	
Identifying Jobs			
Market share:	11 %	28 %	% of overall market identified
Infrastructure			
Average capital base:	3,996,404	4	42 each period
Average capital base utilisation:	61 %		94 %
Procurement			
Average number of jobs won:	2	1.2	each period
Bidding success:	67 %	56	% of jobs bid for that were won
Average value of work won:	13,001,260	76,530	each period
Margin in work won:		4.2	% of job cost
Job Progression			
Average turnover:		3,537,720	each period
Average amount job profit:		606,502	each period
Job profit:		4.7	% of job cost

Industrial	0 %
Building & Commercial	41 %
Transport	32 %
Energy	26 %
Water & Sewage	1 %

By the end of period 8 the **market share** had increased from 11% to 28%.

This was achieved by :-

- Increasing the size of the Marketing Department each period to identify more work.
- Targeting the Building & Commercial and Transport sectors in particular, which accounted for 73% of the new work identified, with a significant presence also in Water & Sewage sector in line with the original strategy.



Forming A Business Strategy

OBJECTIVE

To increase the average turnover each period.

ASSESSING PERFORMANCE ✓

THE HISTORY		SINCE HISTORY	
END OF PERIOD 4		END OF PERIOD 8	
Company value:	4,781,791	5,159,831	+8%
Share price:	1.09	1.42	+30%
Forward workload:	20,822,000	25,775,640	
Forward margin:	886,934	1,024,003	(4.1% of job cost)
DURING HISTORY		PERIODS 5 TO 8	
Identifying Jobs			
Market share:	11 %	28	% of overall market identified
Infrastructure			
Average capital base:	3,996,404	4,465,842	each period
Average capital base utilisation:	61 %	94	%
Procurement			
Average number of jobs won:	2	1.2	each period
Bidding success:	67 %	56	% of jobs bid for that were won
Average value of work won:	13,001,260	14,776,530	each period
Margin in work won:	4.4 %	4.2	% of job cost
Job Progression			
Average turnover:	9,090,866	13,537,720	each period
Average amount job profit:	474,816	506,502	each period
Job profit:	5.5 %	4.7	% of job cost
Company Profitability			

By the end of period 8 the **average turnover each period** had increased from 9.1m to 13.5m.

This was achieved by :-

- Identifying more new work in the market (market share increased from 11% to 28%)
- Increasing the company's infrastructure, or capital base, to enable more work to be undertaken (4m to 4.5m)
- Increasing the average amount of work won from 13m to 14.8m
- Progressing the work won to improve turnover



Forming A Business Strategy

OBJECTIVE

To increase the profitability of the business.

ASSESSING PERFORMANCE ✓

THE HISTORY

SINCE HISTORY

The average turnover each period had increased significantly from 9m to 13.5m each period, and because the jobs had still been managed well (4.7% profit on each job), the **actual amount of job profit** made also increased from 0.47m to 0.61m each period.

With the significant increase in job profit, the **company gross profit** was a healthy 564,203 each period.

Overheads were also managed well, and after taking overhead costs off the gross profit, the company made an impressive 267,408 **operating profit** each period, which helped to increase **company value** by 94,510 each period after taking dividend payments to shareholders into account.

Average capital base utilisation:

1,700,000

94

% each period

Procurement

Average number of jobs won:

1.2

each period

Bidding success:

56

% of jobs bid for that were won

Average value of work won:

13,001,260

14,776,530

each period

Margin in work won:

4.4 %

4.2

% of job cost

Job Progression

Average turnover:

9,090,866

13,537,720

each period

Average amount job profit:

474,816

606,502

each period

Job profit:

5.5 %

4.7

% of job cost

Company Profitability

Average amount gross profit:

564,203

each period

Average amount overhead cost:

213,118

each period

Average amount operating profit:

267,408

each period

Dividend Payments

Average dividend paid:

151,000

each period

Change in Company Value

Average change in company value:

94,510

each period



Forming A Business Strategy

Overall, have the strategic goals of increasing the value of the business, increasing the company share price and improving the company’s client relationships been met ?

COMPANY VALUE ✓

By the end of period 8 **company value had increased by 8%.**

SINCE HISTORY		
END OF PERIOD 8		
5,159,831	+8%	
1.42	+30%	
25,775,640		
1,024,003		(4.1% of job cost)

KEEPING SHAREHOLDERS HAPPY ✓

During periods 5 to 8 the **company’s share price improved by 30%.**

This was influenced by dividend payments, changes in company value, forward profitability and the debt burden of the company, and external world events.

COMPANY REPUTATION ✓

During periods 5 to 8 the **company’s reputation** with clients improved significantly (client satisfaction) as jobs were identified, won and successfully undertaken.

End of period	Status	Year/qtr	Turnover	Gross profit to Turnover	Operating Profit to Turnover	Company Value	Capital Employed	Contract Completion	Forward Workload	Forward Margin	Client Satisfaction	Total
4	History	2024 (Q4)	40	170	120	170	130	80	70	100	50	1,000
5	Early Years	2025 (Q1)	51	141	84	165	157	105	103	143	70	1,091
6	Early Years	2025 (Q2)	62	147	102	168	175	110	95	127	85	1,148
7	Early Years	2025 (Q3)	68	177	147	178	188	122	101	137	101	1,308
8	Early Years	2025 (Q4)	80	178	156	183	199	122	87	115	114	1,325