



# Enginuity 2016 Competition

## PERFORMANCE REVIEW FOR 'OPM d.o.o.'



### 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

Jelena Jovanovic  
Svetlana Krstic

Branislav Jelkic  
Bogdan Kosanovic

Milos Mitrovic



### 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.

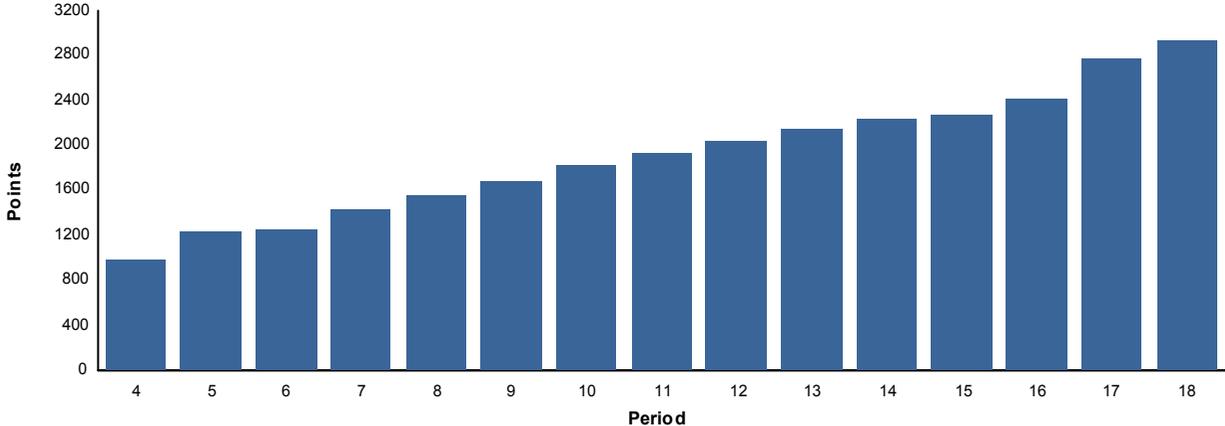
# KEY PERFORMANCE INDICATORS

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 2,942 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	48	151	172	178	142	130	99	142	81	105	1,248
6	56	145	166	182	156	130	97	136	78	119	1,265
7	66	169	210	202	167	160	99	126	87	150	1,436
8	74	177	227	219	175	175	107	132	95	178	1,559
9	83	187	247	245	182	190	107	126	106	218	1,691
10	91	193	259	270	186	220	115	132	118	245	1,829
11	97	197	267	294	190	220	131	145	131	269	1,941
12	104	199	271	320	194	220	143	147	143	303	2,044
13	110	197	268	340	197	265	155	132	154	341	2,159
14	115	198	269	359	199	275	170	116	160	387	2,248
15	123	188	255	366	200	280	167	119	167	417	2,282
16	131	184	250	389	200	340	137	134	193	454	2,412
17	133	183	246	400	201	360	237	295	236	485	2,776
18	133	181	241	403	203	395	281	339	240	526	2,942

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:	4,886,205	11,594,220	137 %	E
Share price:	1.18	4.05	243 %	E
Capital employed:	68 %	96 %		A
Turnover:	10,522,050	20,999,870	100 %	A
Job profit:	4.4 %	6.3 %		D % of job cost
Overhead costs:	1.8 %	1.7 %		D % of job cost
Operating profit:	1.9 %	3.7 %		D % of job cost; net, after tax and interest
Dividend paid:	2.0 %	1.1 %		D % of job cost
<b>Overhead Management</b>				
Market share:	12 %	38 %		D % of the overall new work in the market identified
Market share split (UK):	45 %	28 %		D % of the market share in the UK
Market share split (OV):	55 %	72 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	116 %		D The benchmark was 100%
QHSE staffing level:	100 %	119 %		D The benchmark was 100%
Measurement staffing level:	100 %	119 %		D The benchmark was 100%
<b>Procurement</b>				
Number of jobs bid for:	10	69		D
Number of jobs won:	6	35		D
Bidding success rate:	60 %	51 %		D Jobs won as a % of jobs bid for
<b>Job Progression</b>				
Jobs finished early:	1	15		D
Jobs finished on time:	0	15		D
Jobs finished late:	0	3		D
Job completion efficiency:	0.96	0.92		D 0 to 1, where 1 is the optimum level
Reduction in build cost:	0.00 %	1.84 %		D % due to targeted investments
Risk cost incurred:	49 %	81 %		D As a % of the contingency in the bid
Change in risk cost:	-12.7 %	-21.5 %		D % due to mitigating factors
Project manager weighting:	7.8	9.5		D Out of 10
<b>Future Outlook</b>				
Forward workload:	22,485,540	90,112,100		E
Forward margin:	866,077	2,933,889		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)