



Enginuity 2017 Competition

PERFORMANCE REVIEW FOR 'Orange is the new Blue'



THE TASK

A **new management team** are needed to run a **UK-based global construction business** that has only been in existence for one year.

Although based in the UK, **expansion into overseas markets** may be an attractive proposition, depending upon the economic climate in different parts of the world. Working in other countries presents some **particular challenges** to overcome, such as environmental problems and specialised local competition for work. However, the potential **rewards and opportunities** of operating globally may outweigh the risks.

To grow the business the new management team will need to devise and implement an **effective business strategy**. This will involve making decisions in a number of key areas; finance, overheads, procurement and job progression. **Decisions are made for a quarter, or 3 months.**

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



MANAGEMENT TEAM

Alex McKenzie

Christopher Povey

Celia Schofield

Hayder Albatat

SPONSOR

MWH now part of Stantec



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.

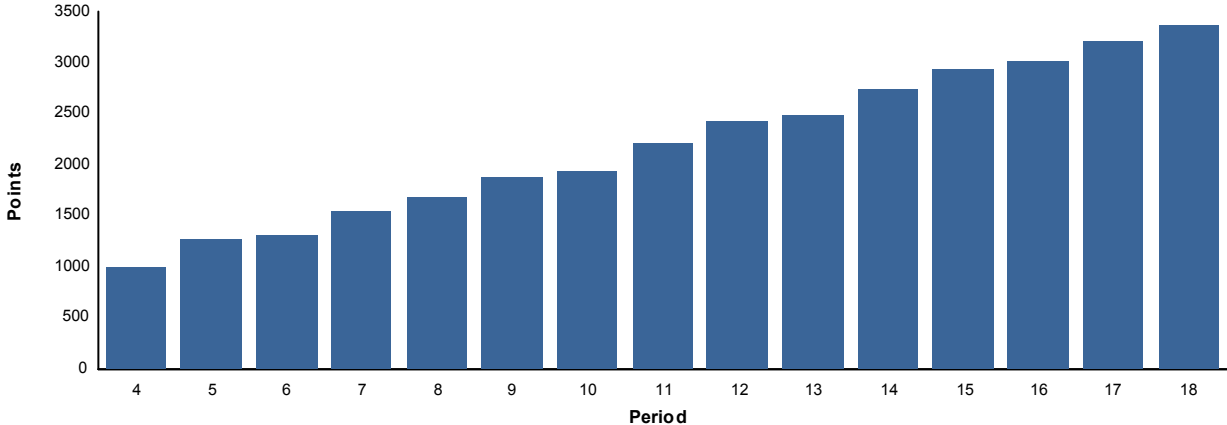
KEY PERFORMANCE INDICATORS

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 3,366 points

End Period	Status	Year/qtr	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	History	2016 (Q4)	40	130	130	170	120	100	70	100	70	70	1,000
5	Early Years	2017 (Q1)	54	149	200	182	137	140	103	125	84	107	1,281
6	Early Years	2017 (Q2)	59	144	196	184	141	160	93	122	76	137	1,312
7	Early Years	2017 (Q3)	66	169	253	206	150	175	123	165	82	160	1,549
8	Early Years	2017 (Q4)	73	182	283	224	156	215	119	155	91	194	1,692
9	Early Years	2018 (Q1)	79	201	329	252	161	230	139	174	107	222	1,894
10	Early Years	2018 (Q2)	86	209	354	278	162	260	105	128	118	253	1,953
11	Early Years	2018 (Q3)	91	220	377	305	164	305	148	173	149	286	2,218
12	Early Years	2018 (Q4)	92	231	395	324	167	305	197	226	170	317	2,424
13	Later Years	2019 (Q1)	100	238	413	369	169	320	169	175	188	343	2,484
14	Later Years	2019 (Q2)	107	249	444	424	171	395	185	156	222	383	2,736
15	Later Years	2019 (Q3)	111	254	453	465	173	425	236	166	243	424	2,950
16	Later Years	2019 (Q4)	117	254	456	508	174	440	220	128	258	456	3,011
17	Later Years	2020 (Q1)	123	257	465	567	175	490	239	131	280	497	3,224
18	Later Years	2020 (Q2)	128	255	460	608	176	505	284	130	289	531	3,366

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		
Company value:	4,798,249	17,174,470	258 %	E
Share price:	1.03	4.25	313 %	E
Capital employed:	78 %	93 %		A
Turnover:	11,919,030	22,902,290	92 %	A
Job profit:	3.4 %	7.2 %		D % of job cost
Overhead costs:	1.8 %	1.5 %		D % of job cost
Operating profit:	1.3 %	4.9 %		D % of job cost; net, after tax and interest
Dividend paid:	1.8 %	0.6 %		D % of job cost
Measurement staffing level:	100 %	124 %		D The benchmark was 100%
Market share:	11 %	33 %		D % of the overall new work in the market identified
Market share split (UK):	64 %	40 %		D % of the market share in the UK
Market share split (OV):	36 %	60 %		D % of market share Overseas (outside the UK)
QHSE staffing level:	100 %	124 %		D The benchmark was 100%
Head office staffing level:	100 %	116 %		D The benchmark was 100%
Number of jobs bid for:	14	65		D
Number of jobs won:	6	31		D
Bidding success rate:	43 %	48 %		D Jobs won as a % of jobs bid for
Jobs finished early:	0	25		D
Jobs finished on time:	0	5		D
Jobs finished late:	0	0		D
Job completion efficiency:	n/a	0.92		D 0 to 1, where 1 is the optimum level
Reduction in build cost:	0.00 %	2.33 %		D % due to targeted investments
Risk cost incurred:	46 %	38 %		D As a % of the contingency in the bid
Change in risk cost:	-18.8 %	-14.7 %		D % due to mitigatng factors
Project manager weighting:	8.1	8.9		D Out of 10
Forward margin:	715,258	930,962		E
Forward workload:	19,358,560	78,597,390		E

Basis for setting each measure

E (At the end of the timeframe)

A (An average for each period of the timeframe)

D (The value during the whole timeframe)