

Consultancy advice for X-Max Systems

Suggested answers

As a consultant working for AMIC, my recommendations are:

Recommended 4 management actions that will be required in order for X-Max Systems to grow its revenue streams:

1. X-Max Systems need to urgently recruit more skilled IT specialists, to ensure that its available headcount exceeds the growth in its revenues. Revenue is growing faster than headcount (revenue growth 13.2% but average headcount growth is only 9.8%), resulting in X-Max Systems' employees being continuously under pressure to work harder to deliver the contracted work that X-Max Systems has won.
2. This is not a professional way to operate and could reflect badly on JOT's reputation and JOT could be accused of wrongly invoicing its customers for goods that were delivered only as replacements for faulty products.
3. JOT's IT systems are clearly not providing sound information of integrity in order to prepare accurate invoicing. This is both a business issue as well as an ethical dilemma.
4. This is not a professional way to operate and could reflect badly on JOT's reputation and JOT could be accused of wrongly invoicing its customers for goods that were delivered only as replacements for faulty products.

Recommended 3 management actions that will be required if X-Max Systems is successful in winning the contract for IT work from TN based on its tender:

5. Urgent need to assess X-Max Systems' available skilled manpower for this contract which requires 25 skilled IT people within the contract duration of the next 9 months. As X-Max Systems only have a total of 52 skilled IT people (excluding support staff), this new contract could dominate almost half of the company's current IT employees, who are currently all working long hours on other contracted work.
6. Urgent recruitment of new skilled employees to work on this project or to free up other X-Max Systems' employees to work on the TN project.
7. Preparation of a clear project development timetable for the TN project. This contract would need to be planned carefully, to identify critical points and manpower planning requirements at each stage, to ensure that project is delivered on time and to TN's satisfaction.

Recommended 3 ways in which X-Max Systems' employees could be motivated to stay with the company now and in the future when the company is listed on the AIM market:

8. Introduce profit related pay (PRP). This could be linked to the company's overall profits and PRP paid to employees who are assessed annually as "satisfactory" or better by their manager.
9. Introduce awards to recognise individual employees work, such as "Employee of the month" or "Employee of the year" or "Employee of the month for New Ideas" which could help drive operational efficiency within the company. Additionally, teams should be recognised, such as for new tenders prepared and won or project teams delivering IT contracts to customer's satisfaction.
10. Introduce an Employee Share Ownership Scheme. This scheme would be best introduced when the company becomes listed in a few years' time and more shares are issued. An Employee Share Ownership scheme would encourage employees to remain with the company, as this helps to develop a real sense of ownership and also increases loyalty and engagement. An Employee Share Ownership scheme also helps to align employees' interests with those of the shareholders, to drive growth, and ultimately increase share value.