

# De havilland inc case study

Business



Executive Summary: The current problem with the De Havilland INC. case is awarding the bid to Marton who did not present their financial analysis as instructed in the bid. They came in with the lowest bid, which can be either a tactic just to get business and they hike their prices later, or they actually are that good at what they do.

The decision has been made to go with Marton because of their lower prices and we will be able to see their financials when we do a site visit to their facility. One of the issues with this process is that De Havilland has lost some of the control in the bid process since Marton as put a time limit on the decision of 120 days. This makes it difficult for De Havilland to be able to negotiate with the other companies that came in slightly higher than Marton. It seems as though Marton doesn't have as much to lose as Marton, which is clearly evident in what Dollard Plastics has been charging compared to what Marton is offering. De Havilland is trying to lower costs and get a five year fixed rate contract with the winning company in order to eliminate constant contract negotiations.

The financials of Devon were looked as since they are the parent company of Marton and are publicly traded. Marton submitted invoices on billing material and unit cost break downs, which makes one wonder what they are hiding. The recommendation is to go with Marton and do a full audit of their facility and financials. If everything looks in order, de Havilland will terminate the Dollard Plastics contract and start one with Marton, and if the financials are not in order, de Haviland will continue out the contract with Dollar Plastics and start a new five year with DAS Composites. Table of Contents: Issue

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Page 6 Issue Identification It has been decided that I would like to award the bid to Marton but there are some issues that come with this decision.

The main issues I see is that Marton has negotiated a “ stand alone price all or none. ” Even if the source selection Board (SSB) wanted to negotiate, Marton wouldn’t budge on price. Some short term issues that could arise from the bid process is that Marton’s bid is only on the table for 120 days. One would think this would be enough time to make a decision, but this is a big company dealing with another big company. Decisions rarely happen quickly.

We don’t have the actual financials of Marton, only the financials of Devon, which will also delay the decision while we visit their plant and facilities. Another issues is that de Havilland’s former ownerBoeing, is giving Marton 16. 5% of their business. This could be a conflict of interest for us since Boeing may sway Marton’s decision process in working with us on this projects because it looks like they are expected to do more work with Marton in the future. Environmental and Root Cause Analysis: Since we don’t have

the financials for Marton just yet, it is somewhat difficult to examine their financial state.

Looking at the information we do have for analysis, they are going to maintain the same amount of staff for the next five years regardless of how much work they bring into their shops, which appears to be on the rise. This is shown by the increase in labor hours on Exhibit 6. This makes me worry about slippage of deliveries and or work fatigue, safety and possible manufacturing errors to do overworking the staff. I also need to examine why Marton's costs are much lower than any of the other companies as seen in Exhibit 3. A thorough examination will have to be done on the Marton's financials once we do a facility visit, as there could be a chance that some pertinent information is being left out in order for them to have such a low bid or they are actually just that good at what they do.

De Havilland is focused on lowering our costs as we are clearly over paying for the flap shrouds and bay doors, we are also looking to move to a smaller base of vendors to permit each firm to capture economies of scale. We want fixed pricing for five years, which is what Marton is offering. This would eliminate constant negotiations on our part and the vendors part and we like the idea of having a firm fixed contract in place . There is also an issue with why Marton has given a 120 day acceptance period. This leaves little time to negotiate with the other two lower companies even if we wanted to. I feel as though this is not a big a deal to Marton as it is to us, making us feel like we're less in power, when we should have full control.

Alternatives and/ or Options: There is a possibility that awarding the bid to Marton may not be the best decision so in thinking this, I have decided that the BATNA with Marton would be to award the bid to the next best supplier, DAS Composites. If we can negotiate a Five year deal with Das and maybe bring the costs down slightly, we'd still be doing better than we were when dealing with Dollard Plastics. I would think that this is a deal that Marton would want to take on, but if they did walk away from the deal we do have other options to consider and Das Composites prices are only 7% more than Marton. The problems that could arise from doing the deal with Marton are that since they are such a large organization, our product might not be a priority as much as it would to a company. Schedules could potentially slip if they are not focused on the product or have too many work orders on the go. Going with a smaller company that is trying to prove themselves and get in the game is sometimes a better choice, but the downside is they just don't have the experience that we would be looking for in the final product. competitive problems could also be an issue when large companies like Boeing are consuming shop and man hours. This could potentially also cause delays for our company if they Marton and Boeing have a closer working relationship then we currently do. Recommendation and Implementation: My recommendation is to go with Matron on a few conditions. I would like to have a pre-award meeting to go through the financials at their facility, examine whether they're using high quality parts, if they will hire new employees as they get busier, or was there Exhibit #6 not accurate. I would also have to see what the penalty is for cancelling the contract with Dollard Plastics hoping that it's not too expensive. If everything seemed accurate

and in place at Marton, I would have to go with them and let the Source Selection Board know my decision.

If everything wasn't in line and I was uncomfortable with their financials, I would choose to go with DAS Composites for a five year term, and try to negotiate that the contract would start after the contract with Dollard was up. Monitor and Control: If everything went as planned and the financials at Marton looked to be in order, I would start monitoring by having conference calls or visits to the Marton shop by someone from our office every two weeks when they were working on our orders. I'd do a KPI on Marton once we had a year's worth of orders to see where we could have been better at communicating what we needed, or where they could have slipped up. I'd examine delivery dates and quality of their work, as well as the actual price we are charged compared to what they bid on. Conclusion: In conclusion, I'd say that going with the larger company will allow us to lower our costs and get the fixed five year term that we were focused on getting. We had to make a decision quickly and even though the decision would have penalized us in the end with our Dollard Plastics contract, we would be saving much more money by going with Marton.