

# Fabtek (a) case analysis (harvard business school)

[Business](#)



Other issue is to keep and increase the welding capabilities in the company. The company face four big possible new orders. Choosing the right orders are critical to continue the company expansion and cover of new markets. Criteria to select new orders Although titanium had several fabrication peculiarities that required special skills, some operations - such a shearing, machine work and forming - closely paralleled those used in precision fabrication of certain stainless steels.

Heat treatment, thermal cutting and especially welding were generally considered the most difficult operations. Fatted used its strong competence in welding as a major selling point, cause that is good to have new Jobs that used challenging in welding is important to choose new Jobs that keep this good image of high quality In the market. To Increase the use of common resources, long run Jobs with high concentration of welding.

Possible future repetition are more desirable, because this can Meltzer engineering and other Minimal costs and create standard products that uses the welding competitive advantage from Fatted Fatted has a concentration of business in few customers, and is important to use new Jobs to open new opportunities for the company Criteria: 1. The Job Is technically welding challenging 2. The Jobs with welding, long run and repetitive are more desirable 3. The job flats with Fattens high-quality image and capabilities 5.

The Job has good payment terms (progress payments on labor and material as applied) 6. Price is not the primary factor in the customer's decision.

Possible new orders Refer Refer order has De biggest volume of welding on the list of possible new Jobs. They are customer with long tradition of

working with Fatted, not only that but Refer always pay on time. The biggest disadvantage of Refer Job is the concentration of Fatted revenue on Just one company, with this order.

With an estimation of \$36, 160, 00 sales in 1991 (growth of 16% over 1990 - average of the last couple years growth). Refer sales represent 12% ? 20% (in other part of the text the range is 30% ? 40%). In the worse scenario the sales of the new order in 1991 can increase their share from 40% to 45% of 1991 sales. To increase welding capacity Fatted need to add about three new welders on the next few months to be able to increase capacity and keep their welding core competence with this new Job.

Machinists and Fabricators departments can increase heir utilization and subcontract excess machine work to local precision machine shops if need. Is important to clarify the real share of Refer revenue to Fatted, in the text is two contradiction share ranges: 12% to 20% and 30% to 40%. If the real percentage is on the high part, is important to create a condition to accept this order. Use Fatted know how on making " Whoppers" to negotiate a penalty for lost of Antoine if Refer reduce more than 20% in orders from a year to other.

Note: Refer new order revenue is \$6, 000, 000 the percentage of revenue in 1991: 32% based on welding total Job time). Extra 1991 revenue with this new Job will be \$1, 920, 000, what could add 5% on total company sales in 1991 increasing share from 40% to 45% (worse case) Note: The extra number of welders need was calculated by dividing the Welder department

capacity by the total number of welders on the same department. 6, 920/33 gives a 210 approximately productivity by welder.

Using Exhibit 4 and Exhibit 6 is possible to have an idea of how many welders are necessary to increase production and fulfill the new orders. Fatted only can hire one or two a month and is accessory a long time to increase their skill to a higher level of qualification. The two companies represent a new market opportunity for Fatted. The Pierce-Pike creates a new desirable capability and Worldwide Paper order expands on one of the Fatted core capabilities.

Before sign the license with Worldwide Paper to manufacture this specific item is important to research the market size for this item. Normally licensed items have low Antoine and are good to know what to expect. Depending if Fatted closes with Refer order or not the hiring of new welders will be radical to complete those orders, because Fatted only can hire a average of two new welders per month, without Refer order is possible to add this two last orders with minor add of welders.

Kathy The Kathy order doesn't have a welding component what puts it out of the core competence of Fatted. If Fatted can get this order without a " price war", what could dilute any profit on this Job. Kathy order can be a good exercise on how to practice a service format inside of Fatted using outside subcontracts for Machinists and Fabricators to complement the full internal use of this departments. During this study will be important to find how much the local market can easily absorb, for Fatted knows how much can be easily outsourced for this two departments.

Conclusions Because the limit amount of possibilities to add new welders very quickly, in the company, the decision will be between Refer order and Pierce-Pike and Worldwide Paper orders. If Fatted decides to take the three orders together the welding department will not be able to fulfill this order on the time requested and the image of the company in the market can be serious damaged. The last two companies can ring new opportunities and capabilities to the Fatted, but can create a deficit in the month of July on the welding department of the 1, 441 .

The possibility of Refer been leaving the outsource market for titanium welding after start doing it internally, makes Refer a risky company to depend on it and makes a choice by Pierce-Pike and Worldwide Paper orders more logical. One advantage of Refer order is a lower load in the same month of July on the welding department. Deficits on the Machinists and Fabricators departments are not a problem because they can be outsourced.