# Case Study: Specialty Metalworking Company

**Background**

The Specialty Metalworking Company is a small-to-medium sized metal fabrication and manufacturing company, with head office and a 150,000-square foot plant located in Olympia, Washington. It’s Chairman and Chief Executive Officer is Kyle Metallurgy, now is his late forties. His partner, and brother, is Tom Metallurgy who is an aggressive businessman runs the company.

Kyle Metallurgy is affectionately known as “Metallico” and so the company is known as “Metallico’s”. Metallico, named after an apprenticeship as a metal worker, started his small metal working company back in 1965 and he and his brother Tom moved to its present location in 1969. The company quickly gained a reputation for attractively designed and well-constructed utility trailers and small RV’s that sleep four people. Metallico now produces custom heavy road building equipment like excavators, plows, and snow removal equipment.

Over the years the Metallurgy’s continued to prosper and build up a loyal staff and work force. Recently, Kyles son John Metallurgy, has joined the company after receiving a degree in project management from Colorado Technical University. Seeking other opportunities to grow the business John Metallurgy insisted that the company move into construction of high rise office buildings, which they decided to do. Since Metallico purchases high volumes of steel for their manufacturing company they found that they could build office buildings at a much lower price since they buy steel in higher volumes realizing lower costs than their competitors would be able to.

**Metallico’s Corporate Profile**

**Head Office:** Olympia, WA

**Business:** Heavy equipment and RV manufacturing. Federal charter 1970; privately held, number of employees approx. 600. Major Shareholder: Emelia Holdings Inc. At December 31, 2016, total assets were $181,000,000. In fiscal 2016, sales were $93,250,000 with net earnings of $6,540,000.

**Directors:**

Chairman and CEO………………………………… Kyle Metallurgy

President………………………………………………. Tom Metallurgy

Executive Vice President…………………….…. Kim Qualey

Director…………………………………………………. John Metallurgy

**Key Personnel:**

VP Production………………………………………… Miles Faster

VP Finance and Administration………………. Spencer Moneysworth

VP Personnel……………………………………….…. Molly Bussell

VP Sales and Estimating……………………….…. Bruce Sharpe

VP Human Resources………………………………. Johnathon Busybody

Controller………………………………………………… Kim Cashman

Proposal Coordinator………………………………. Ima Sure

Project Engineer………………………………………. Al Waysright

**Other Key Players in this Case Study:**

I. Leadbetter (Ian)……………………………………. Metallico's Project Manager.

R. Schemers (Randy)…………………………….…. Principal, Schemers and Plotters (S&P), industrial design

 consultants

A. Fowler (Alfred)……………………………………. Director, Expert Industrial Developers (EID), industrial

 property developers and contractors

I. Kontrak (Ivar)………………………………………. EID's Project Manager

D. Rivett (Dave)…………………………………….... I. Beam Construction Ltd., steel fabricators and installers

B. Leakey (Bert)………………………………………. Classic Cladding Co., cladding and roofing contractors

C. Droppe (Charlie)…………………………………. I. C. Rain Ltd., water-proofing contractors

A. Dent (Amos)…………………………………….…. Tinknockers Associates, mechanical contractors

O. Volta (Olaf)…………………………………………. Zapp Electric Co., electrical contractors

E. Forgot (Eddie)……………………………………… Piecemeal Corporation, equipment suppliers

W. Easley (Win)………………………………………. Project management consultants

**The Opportunity**

In February 2017, there was a mini-boom in commercial construction in the Olympia Washington area. With the possibility of a major airport expansion, and free-trade opportunities Bruce Sharpe persuaded Metallico’s directors that they were well placed to expand their manufacturing business. Miles Faster, regularly complaining that the company's production efficiency was being thwarted by lack of manufacturing space, made a pitch to John Metallurgy for moving to completely new and more modern facilities. John Carpenter, with a vision of growth based on computer controlled automation, talked over the idea with his father. Metallico discussed it with his wife who in turn brought Kim Cashman and Spencer Moneysworth into the debate.

**The Project Concept**

It was agreed at the meeting that additional production capacity would be added equivalent to 25% of the existing floor area. The opportunity would also be taken to install air-conditioning and a dust-free paint and finishing shop complete with additional compressor capacity. Equipment would include a semi-automatic woodworking production train, requiring the development and installation of software and hardware to run it. The President and Executive Vice Presidents' offices would also be renovated.

At the meeting, the total cost of the work, not including office renovation, was roughly estimated at $17 million. Metallico agreed to commit the company to a budget of $17 million as an absolute maximum for all proposed work and the target date for production would be eighteen months from now. To give Metallico’s personnel a feeling of ownership, Molly Bussell proposed that the project should be called Metallico 2100. Spencer Moneysworth would take responsibility for Project Metallico 2100.