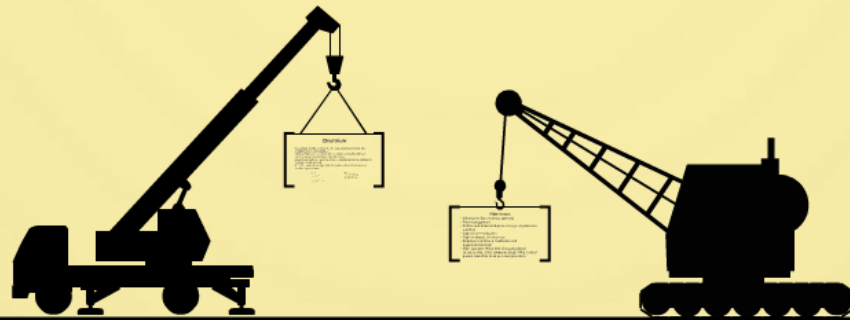


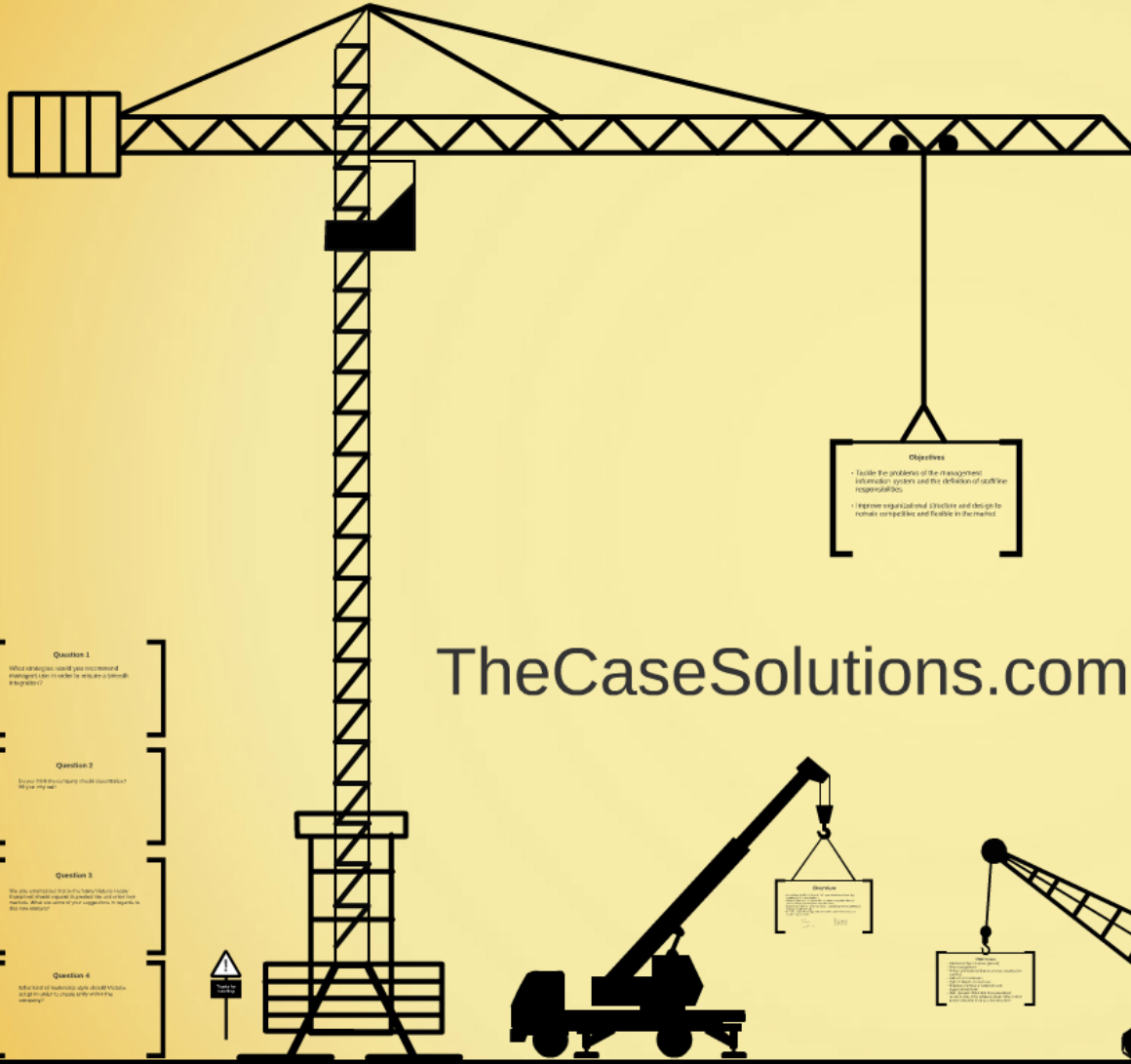
# VICTORIA HEAVY EQUIPMENT COMPANY Harvard Case Solution & Analysis

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- Question 1**  
What strategies would you recommend management use to reduce the company's operating costs?
- Question 2**  
Do you think the company should diversify? If so, why not?
- Question 3**  
What are the advantages and disadvantages of the Victoria Heavy Equipment's current organizational structure? What are some of the challenges it faces in terms of its organizational structure?
- Question 4**  
What kind of leadership style should Victoria use to ensure it remains competitive in the market?



<p><b>SWOT Analysis</b></p>	<p><b>Key Decision Criteria</b></p> <p>Criteria to be used for comparing alternatives:          - Cost          - Customer profitability          - Financial performance          - Risk of loss of implementation          - Strategic value          - Ability to increase market share</p>	<p><b>Action and Implementation Plan</b></p> <p>1. Implement the recommended strategies to reduce operating costs.          2. Diversify into related markets to increase revenue.          3. Improve organizational structure and design to remain competitive and flexible in the market.</p>
<p><b>Quantitative Analysis</b></p> <p>Quantitative analysis is a method of analyzing data that involves the use of mathematical models and statistical techniques. It is used to identify patterns and trends in data, and to make predictions about future outcomes.</p>	<p><b>Alternative Analysis</b></p> <p>Alternative analysis is a process of evaluating different options or alternatives to a problem. It involves identifying the strengths and weaknesses of each alternative, and comparing them to determine the most viable solution.</p>	<p><b>Missing Information and Assumptions</b></p> <p>Missing information and assumptions are factors that are not explicitly stated but are necessary for a complete understanding of a situation. They can include hidden costs, risks, or dependencies that are not immediately apparent.</p>
<p><b>PEST Analysis</b></p>	<p><b>Alternative Assessment with Predicted Outcomes</b></p> <p>Alternative assessment with predicted outcomes involves evaluating the potential results of different alternatives. This is done by comparing the predicted outcomes of each alternative against the key decision criteria.</p>	<p><b>Recommendations</b></p> <p>Based on the analysis, the following recommendations are made:          - Implement the recommended strategies to reduce operating costs.          - Diversify into related markets to increase revenue.          - Improve organizational structure and design to remain competitive and flexible in the market.</p>
<p><b>Porter's Five Forces Model</b></p>	<p><b>Selection of Preferred Outcomes</b></p> <p>Selection of preferred outcomes involves choosing the alternative that best meets the key decision criteria. This is done by comparing the predicted outcomes of each alternative against the key decision criteria.</p>	<p><b>Conclusion</b></p> <p>The analysis has identified several key areas for improvement and has provided a clear path forward for the company. By implementing the recommended strategies, the company can reduce its operating costs, increase its revenue, and remain competitive and flexible in the market.</p>



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<p><b>SWOT Analysis</b></p>	<p><b>Key Decision Criteria</b></p> <ul style="list-style-type: none"> <li>• Costs &amp; value: Buy company or lease?</li> <li>• Risk: Financial availability?</li> <li>• Production: Public, financial, production, environmental</li> <li>• Scale or speed of implementation</li> <li>• Multiple factors: Safety or security</li> <li>• Market entry model: lease?</li> </ul>	<p><b>Action and Implementation Plan</b></p> <p>1. Buy company 2. Buy company 3. Buy company 4. Buy company 5. Buy company 6. Buy company 7. Buy company 8. Buy company 9. Buy company 10. Buy company</p>
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# Overview

- Established in 1917 in Victoria, BC, to produce horse-drawn log skidders for the forest industry
- Victoria Equipment has been able to remain competitive through product innovation and price competitiveness
- Later diversified into the crane industry, producing the first commercial hydraulic crane controls.
- In 1977, company emerges into international market and focuses exclusively on cranes.

## Product Line

### LTM 1000

- bulk of crane sales in 1990s-early 2000s
- Mobile cranes of 5 basic sizes
- approx. \$750K price tag

### A 100

- Introduced in 2006
- 70 tonne capacity, could lift loads to heights of 61m
- optional ram-operated tilt-back cab to alleviate stiff necks
- approx. \$975K price tag

## Brian Walters

- Board Chairman, major shareholder, and CEO
- Had successfully led the company to becoming the second-largest producer of mobile cranes in the world
- Concerned with his succession after he retired and who would be an appropriate replacement
- Implemented strategies to decentralize the organization
- Focused on maintaining flexibility throughout Victoria
- Michael Carter was selected in 2007 to temporarily takeover

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## Main Issues

- Information System (misalignment)
- Poor management
- Politics and factional dispute amongst organization (conflict)
- Lack of communication
- High employee turn over rate
- Employees unclear of leadership and organizational vision
- Main Question: What kind of organizational structure should this company adapt? What kind of person should be hired as a new president?

- Canadian company that has expanded to the U.S. Dominant in the Canadian market (60% shares)
- World's second largest producer of mobile cranes
- Very profitable single product line
- Competitive price for medium capacity and heavy capacity cranes

### Strengths

- Unclear and disorganized organizational structure
- Sales are growing but work is also piling up and not getting done
- No current profit sharing program for employees in place.
- Low employee morale and motivation
- No clear-cut plan if expanding product-line.
- Company might be too centralized

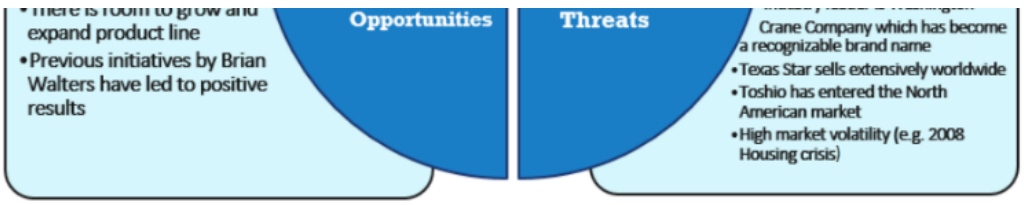
### Weaknesses

- There is room to grow and expand product line
- Previous initiatives by Brian Walters have led to positive results

### Opportunities

- Industry leader is Washington Crane Company which has become a recognizable brand name
- Texas Star sells extensively worldwide
- Toshio has entered the North American market
- High market volatility (e.g. 2008 Housing crisis)

### Threats



# Quantitative Analysis

## Crane Market:

- Custom built and standard cranes are the two major segments
- World crane market judged to be \$945 million in 2007
- 15% share in \$360 million U.S market; 60% share in smaller \$66 million CAD market
- Washington Cranes had sales of \$600 million in 2007 and 50% world market share
- Victoria had sales of \$150 million in 2007 in over 30 countries

## 2008 Crisis:

- Decline of 10% in world crane sales; 30% decrease in North American Markets
- 75 employees laid-off at Squamish facility

## Important Numbers:

- 2003 Assets were \$56K and Liabilities were \$40K; 2007 Assets were \$69K and Liabilities were 47K
- 2003 Revenue of \$95 Million; 2007 Revenue of \$151 Million
- 2003 Net Income of \$2.3 Million; 2007 Net Income of \$2.45 Million