

Case 8: connor

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# Case background:

Connor Metal was formed in 1947 when two individuals purchased the company as an investment. Connor Formed Metal Products manufactured metal springs and stampings for large U.S original equipment manufacturers. 1 About 20% of Connor’s business was producing coiled springs, while the remaining 80% was metal stampings, complex wire forms, and assemblies. The organization was originally managed conservatively for over twenty years. Connor had no debt and extremely slow growth during this period. In the early 1980s, when the formal president Halkides retired, Bob Sloss became president. Bob had worked in the company for several years and even enrolled in Stanford’s summer executive education program to prepare himself for this new role in the company. When Sloss became the president of the company, he knew that he could not continue down this path; competition was steep and there were many opportunities for a takeover from an offshore firm. Sloss began to reshape the organization in hopes to stay competitive.

The problem:

When Sloss took over, he recognized that the company could not survive by maintaining its traditional way of doing business. Sloss had large goals for Connor Formed Metal Products. He changed the entire organizational structure to be decentralized and divisional. While making all these changes, Sloss wanted to ensure that he kept information flowing between divisions and within the employees.

Before Sloss took the management position, the company had very little information technology infrastructure. The only technology the organization possessed was an IBM System 34 mini-computer at corporate, that was used for accounting and financial purposes. Everything within the divisions was done with pen and paper, which led to many frustrations and inefficiencies within the organization.

Responding to the threats the company faces, Sloss had to make some changes. He introduced IBM System 36. This software worked for some divisions but posed a challenge for others. Sloss knew that he needed custom software to solve important business problems and evaluate how each division was doing. To support these changes he hired Michael Quarrey as human resource and information systems manager. Quarrey developed an order tracking system that drastically changed access to and availability of information regarding the process for designing, manufacturing, selling, and servicing products. After the system was running successfully in the Los Angeles division for six months. Sloss hoped to push the technology out to the other divisions in an attempt to improve the firm’s profitability.2

Industry Competitive Analysis

1. Mission Statement:

Connor Formed Metal Products’ mission was to provide reliable, custom-developed metal stampings and wire forms to large U.S original equipment manufacturers. And supply consumers with superior customer service.1

1. Stakeholders:

“A stakeholder is anyone who is affected by your business in one way or another.” 5 The main stakeholders on this case are; Connor’s Executive Management, shareholders, employees and customers.

* 1. **Connor’s Executive management:** Management must be able to change how the system works so that they can increase efficiency. The managers have a responsibility to the company to ensure their employees follow all policies and procedures. The managers are encouraged to use any and all resources at their disposal in order to carry out these responsibilities, which could mean in this case Sloss and Quarrey Will be responsible as to whether the new technology is embraced by the other divisions or stagnates in spreading.
  2. **Connor’s shareholders:** Shareholders have the right to receive dividends on their investments as well the right to vote on important decisions within the company. Shareholders have a monetary stake in the success of Connor and would expect a return on investment. In this case, employees also can be shareholders if they decide to join the employee stock ownership program (ESOP), instituted by Sloss to increase employee motivation. Employee shareholders constitute 42% ownership in Connor.
  3. **Connor’s employees:** Employees rely on Connor for steady income, and benefits. Also, as mentioned above, employees are not only stakeholders from an employment standpoint, but also as shareholders, thereby further increasing their rights as stakeholders.
  4. **Connor’s customers:** Customers are key stakeholders as the new IT system has provided improved customer service for the Los Angeles division. They rely on Connor to provide superior quality products that are tailored to their needs.

1. Market:

The market for the company was really huge. As stated above, a large portion of Connors business relies on the service component of its production. In addition, they have an advantage in that their machinery is fairly new. “Connor’s competition … comprised 600 to 700 owner-operated job shops.”1

1. Generic Strategy

“Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique”3. Changing the organization strategy was one of the major changes that Sloss had when he became the president. the organization went from using a cost-leadership strategy to a differentiation strategy. Sloss wanted to focus the business on being service-oriented by providing reliable custom stampings and springs. Connor would now focus on high quality, custom-developed metal stampings, and wire forms.

1. Organizational sturcture

Once Sloss became president, he slowly transitioned Connor Metals into a divisional organization. He created four autonomous divisions with four separate regions; Los Angeles, San Jose, Portland, and Dallas. He transitioned Connor from a functional structure, complete with rigid hierarchical controls, to a decentralized divisional structure that could operate with a ‘hands-free’ approach. Key to this strategy was employee empowerment and information flow that shifted away from top-down-only approach, allowing increased and improved access to information and appropriate delegation to employees throughout all levels of the organization.

THE FOUR STAGES MODEL OF GROWTH

A key component, in this case, is the understanding of McFarlan and McKenney’s diffusion model of technological assimilation and what stage Connor currently occupies. At its base, the 4-stage model “proposes that every organization traverses four stages of learning in

Sequence.”2 If we can leverage the model correctly, we can better assimilate technology into an organization’s architecture.

* **The first stage of this model is Initiation;** it is the Technology Identification & Investment stage. If the technology was successful during this stage that is referred to as stagnation block A.
* **The second stage is Contagion or Learning & Adaptation stage;** if the technology was successful during this stage that is referred to as stagnation block B.
* **The third stage is Rationalization & Control stage.** if the technology was successful during this stage that is referred to as stagnation block C.
* **The fourth stage is Integration.** The organization integrates new technology into IT architecture. In this model, each stage must be traversed for a technology to become commonplace in use and distribution in an organization, and at any stage, technology may be subject to a ‘stagnation block’, causing the model to end and the technology to fail to gain acceptance. This model helps describes why changing business processes, especially with new technology, must be done carefully. If the new technology is forced on users, there will be pushback. By understanding the model, management can first roll out the technology to its top performers, train them extensively and make it a reward and less of a requirement. Other employees will then view this as a reward that can improve their performance.1

Porter’s 5 Forces

"Understanding the competitive forces, and their underlying causes reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time" 3. Porter’s five forces is a very important framework in analyzing a company against competition in the industry.

1. Inter-Industry Competition

Inter-industry competition is high. Connor faced competition from “600 to 700 primarily owner-operated job shops.”1 Many of these competitors are also using a cost-leadership strategy because the assumption was that all products were of the same quality. Connor also faced competition from foreign competitors who were taking market share with lower prices.

1. Threat of New Entrants

The threat of new entrants is medium. Because of the smaller shops and offshore competition and low barriers of entry into the industry. The market is very populated, so it may prevent some from starting up a new company and entering the global market.

1. Customer’s Barging Power

Customer’s bargaining power is extremely high. Since there are so many different providers in the industry, in these situations, there is a low switching cost for the customer if they are unhappy with the product. Connor relies on high quality and customer service to maintain a competitive advantage with customers over other options.

1. Supplier’s Barging Power

The Supplier’s bargaining power is low. There are many providers that Connor Metal could choose to purchase their materials from. Connor uses basic supplies (metal) that have a number of different suppliers available.

1. Threat of Substitutes

The threat of substitutes is low. There are not many other products that you could substitute for custom metal stampings and springs. Connor’s shift to a service-oriented business with a focus on custom created products has enabled Connor to minimize the threat of substitutes.

alternatives:There are only three alternatives in this case that Sloss can choose from. They are; do nothing, push the system, and pull the system.

1. do nothing:

The first alternative is to do nothing. If Connor Metal were to do nothing each branch would continue to operate as it already does. Sloss as the president of Connor would continue to have improvements in sales and customer service, but wouldn’t know the potential the system could have had in the other branches. Shareholders would be happy if they were continuing to earn money. Employees will continue to go along as they are. The company is successful so most employees may remain content. Customers would remain happy if the products remained at the same level of quality that they have always had.

1. Push the system:

Sloss could attempt to implement the new system across the entire organization by cutting support for other systems and mandating the new system replace it. This will more than likely lead to push back from divisions that didn’t want to use the new technology, potentially risking the loss of productivity. Morgan illustrates this point by stating, “control of access to some valued computer program...can lend individuals considerable organizational power.”4 While the technology would be in place, Sloss’ overall management style seems at odds with this alternative. Further, management of other divisions would be less than enthused, such as Stan Petty, manager of San Jose division, who had San Jose posting record profits. Shareholders will not be happy with that If the pushback was severe, quality and service could decline from currently profitable divisions, leading to the potential for lost profitability. Employees who were unfamiliar with computers could leave and cause a lot of turnovers, and some employees could simply reject the system because management is forcing it on them. Customers at the other divisions could end up being given bad service by angry employees or new employees once the old ones quit.

1. Pull the system:

If Sloss were to pull the system, it could possibly work. Since the system was successful in the Los Angeles branch. Make the system as a promotion to use might give employees the incentive to use it. Sloss and management will be happy if they can implement the system without any losses. Shareholders included ESOP employees might be concern about the cost. Employees will have the motivation to use the system. The customers could end up getting great service at the other branches with the new system if they accept it, and if they don’t, customers will be unaffected.

Recommendation

After reviewing the alternative that Connor has I believe the best alternative is to do nothing and let each branch operate as it already does. The system has clearly been successful at the Los Angeles branch, but it has been made clear that not all the other branches want to switch to it. No company wants employees that are not afraid to lie to their superior management. If Sloss were to push a new system on them after a lot of training on another system, it is likely there would be a lot of employee turnover as people would get angry and quit. He could try to convince other employees like this that the new system is easy to use and worth it, but it is doubtful that they would even be interested. The other alternative Connor has is pulling new technology through a system is better than pulling it, but you don’t always have that choice. It is a good idea in theory here, but it is unlikely that employees from two branches would bother contacting each other at all, so it makes it nearly impossible to pull this through the system. By doing nothing, you are ensuring that the other branches do not lash out at the new system, and you still have the continuing improvements at Los Angeles. Each division already has a system in place and each division has been redefined to be its own entity, so let it be that way.

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