

Chad Tracy

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Case 6: Connor Metal

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Dilemma

Connor Metal is a large manufacturer of metal products for large equipment manufacturers in the US. The current CEO, Bob Sloss, took over the family company in 1984 and made many changes to help Connor Metal survive. Before Sloss, the company was run in a traditional manner. When Sloss took over he decentralized the company and began opening facilities across the country, starting with Dallas in 1984. He also allowed the facilities to be more autonomous and was detached from the day-to-day operations. During this time, Connor Metal also became a service-oriented organization. Their focus was now on providing custom-developed products and being “100 percent reliable”.

The complete rebranding of Connor Metal quickly caught the attention of customers and other companies in the industry. This allowed Connor to be the vendor for bigger companies such as Hewlett-Packard, Motorola, and Honeywell. Despite the signs of success, Connor was not seeing much success. Only Portland and San Jose, the smaller divisions, were making profit and it still wasn't enough to reach the company's goals.

In response to the company's shortcomings Sloss hired Michael Quarrey to the position of Human Resource Manager. As HR manager, one of Quarrey's tasks was to develop an order-tracking and costing system for the plants. After the system was implemented into the LA division it allowed employees to have more involvement in their work and led to drastic improvements.

After the success of the LA division, Sloss is pushing to have the system implemented into the other divisions. While Sloss, Quarrey, and some of the plant managers were enthusiastic about the new system others were still skeptical. The plant managers who were against the

system were worried that the new system was a solution that would only work for larger plants. They believed that the issue was with the information chain and that it wasn't worth giving up what was already working for them.

Connor Metal faces a lot of constraints in this situation, one of them being the management of Sloss. While it is a divisional company and Sloss doesn't have as much insight onto the day-to-day operations he is still insisting that all divisions use one system for their issues. Sloss is also making drastic changes quickly, which can cause conflicts with management when dealing with technology (Cash p. 225). In his first year as CEO he has made these drastic changes to the company and plans to go even further by forcing the divisions to quickly implement the new software. It is apparent that management is a constraint because of how it has been hindering progress for the whole company and is the source for a lot of the issues occurring (Goldratt, Theory of Constraints). For example, since Sloss's takeover he has completely rebranded the company and now plans to change the process of all the divisions.

Industry Competitive Analysis

Mission Statement

What – Connor Formed Metal Products is a service organization that makes custom metal parts for equipment manufacturers. Their products are mostly metal stampings and wire forms while their service is designed to be “100 percent reliable”.

Who – Connor Metals customers are US equipment manufacturers. They maintain facilities across the country and maintain vendor relationships with large companies like Honeywell, Motorola, and Hewlett-Packard.

How – Connor Metal utilizes a differentiation strategy. Their products are custom made, which allows Connor to get business over competitors based on service and quality ratings. Based on their quality and service, Connor Metals is able to establish itself as a leader in the market. Sloss also goes out of his way to create strong employee loyalty within his company. Whenever he took over as CEO he established raise wages, quarterly cash bonuses, and an employee stock ownership program (ESOP). This helps employees become more motivated and take pride in their work (Cash p.62).

Five Forces Analysis

Competition – (High) A large portion of Connor's competitors come from overseas who have the advantage of lower cost structures. Many of them entered the market by buying the larger threats already stationed in the US.

Bargaining Power of Customers – (High) It was mentioned in the case that the manufacturers have a lot of other options at cheaper prices than Connor. This gives the buyer a lot of power and options in negotiation.

Threat of New Entrants – (Low) There are a lot of barriers in place for entering this market. One of the main ones being cost as you would need to setup a company, supplies, employees, etc. to compete.

Threat of Substitutes – (Low) Connor Metal is one of a kind in their industry. They make custom parts and they carry an outstanding track record for quality and service. Connor has proved that it will be difficult for even established companies to replace what they offer.

Threat of Suppliers – (High) Connor Metals requires raw materials to operate, which gives their suppliers a lot of bargaining power in negotiations.

Organizational Structure

Connor Metals is divisional. When Sloss took over he changed Connor to fit this structure as a part of the rebranding. Connor has facilities in Los Angeles, Dallas, Portland, and San Jose. All facilities are run autonomously with their own capital expenditure responsibilities as well as full profit and loss. Each division had its own functions that worked together closely together within their own divisions. This part of Sloss's plan for Connor to be able to survive into the future. By using a divisional strategy, Connor is able to be adaptable to their environment and support their products across multiple markets (Tanwar p.13).

SWOT Analysis

Strengths:

- Business of big companies
- High employee motivation and loyalty
- Success with new technology in LA branch
- Acquiring business based on services

Weaknesses:

- Losing profits in multiple divisions
- Technology illiteracy among some employees

Opportunities:

- Improve performance across all divisions
- Implement software in all facilities

Threats:

- Competitors with cost leadership
- Solution fails to work for all divisions

Stakeholders

Connor Metal Formed Products – Sloss and his managers must make a crucial decision that will affect the future of the company. They must decide if it is a good idea to implement the new system for all divisions.

Connor Metal Shareholders – The performance of Connor Metal is in direct relation to the benefits the shareholder receives.

Connor Metal Employees – Connor Metals is an ESOP and their employees have an especially high sense of loyalty towards the company. The environment Connor has set up allows them to take great pride in their work and the implementation decision will have a heavy impact on their futures at the company.

Alternative Decisions

1. Do Nothing – The do nothing approach for Connor Metals would result in only the Los Angeles facility keeping the new software. This decision would allow the LA division to continue profiting off the benefits of the system while giving Sloss and his managers more time to decide about the decision to push the system out to multiple divisions. This appears to be a good decision; however, it is ultimately incorrect because it does nothing for the growth of technology within the company.

According to Nolan's IT growth model for businesses it is important for technology to grow at a steady rate throughout the company (Cash 220). While it is important for the

company to be tight on managing the growth of technology they shouldn't necessarily hinder its expansion completely. Connor Metal is a divisional company, so the company should focus on expanding at a rate in which the other facilities are more prepared to adapt it.

2. Full Rollout of System – Under this decision Sloss and Quarrey will get their wish and all divisions will have the system implemented based on the successes seen in the LA branch. While it is true the LA branch did see success with the new system this goes against the model of growth and the very structure of the company. IT must be expanded gradually or else it will be too far ahead of management which will make it too difficult to implement.

The other plant managers are rightfully skeptical of the success the system seems to offer. All of the facilities are in different areas with varying conditions concerning IT, their employees, and current structure. If the issue really is an issue with the information chain of LA, it would be a waste of time and money to make efforts to adapt the system to every new branch. Sloss himself mentioned that they needed to keep their divisional structure and facility autonomy in order to preserve the company culture and maintain a competitive advantage over the competition.

3. Slow Rollout of the System – This decision would essentially allow the rollout of the system in a slower, more controlled manner on a basis of the facility. This is my recommendation for Connor Metal. Sloss had set the company up to be autonomous and as a result each facility operates in different conditions. Any decision that ignores such a crucial fact would be detrimental to the company. Doing so would also allow them to continue to follow the growth of IT in business.

Stage one of the growth model comes in the form of automation of systems such as payroll. We saw this in the San Jose facility, which triggered the initial experimentation of the LA facility. Stage two entails learning and adapting the technology. At this point in the model we see more money being spent on testing, implementation, and training. This is where Connor was when the new system was implemented and experimented in the LA facility. The employees had to be trained, the new system was being developed, and control over the whole situation was loose from the management perspective. Stage three is where the growth of technology begins to slow as management begins to take a more active role in the budget and spread of the technology. This is where the company is now with the other managers taking notice and pushing back on the technology (Cash 221).

This is where the decision is to expand or not is crucial because of how it can affect the business in the long run. If technology is expanded too quickly it can outpace management and become too difficult to control and properly implement. However, if nothing is done then they can miss a crucial opportunity to gain a competitive edge or momentum for the system can die out completely. It is important that they acknowledge the company's structure and decide which division(s) are able to accommodate the new system.

The most logical option would be to pick a branch with similar conditions to LA before they implemented the system. My recommendation for this would be the Portland facility. Like the LA facility their employees are already experienced with technology and aren't doing so well as a division. By doing this it will allow the rest of the company to see the benefits of the system and will make for a smoother transition to stage four of the growth model. By using employees that are already experienced it will allow users to

become more involved and management will be able to balance the spread of technology, slack, and control of the system.

It works better for companies the size of Connor Metal to replace technology in a revolutionary manner (Cash 227). This is the company's first major technology investment, evidenced with how Sloss has hired engineers and a software developer for the first time in the company's history. This type of growth allows a whole replacement of the system with a new and flexible one. This is what Connor should do as long as they operate within the confines of their own company and structure. This includes maintaining what they already have in place such as the divisional structure, strong employee empowerment, and a hands-off approach to the facilities. These are all crucial to a smooth adoption of the new IT system.

Works Cited

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