

Case 8.1 Connor Formed Metal Products

Nick Gay

The Problem

Connor Formed Metal Products is a small manufacturing company that produces manufactured metal springs and stampings for large U.S. original equipment manufacturers. In 1990, Connor, at the peak of a six-year growth, decided to test the implementation of a new, custom made order tracking system in one of its four divisions. This change was pushed by Connor's current president at the time, Bob Sloss, and it brought many benefits to the division it was implemented at. Over his career, Sloss also introduced several other changes into the organization including changes to its structure, controls, and flows of information. Sloss was especially keen on keeping Connor's employees informed of what was happening within the organization. This falls in line with increasingly popular trend of information dispersal, or the trends in technology acquisition that are dominantly directed at the dispersal of information technology into the business units that use the information (Adams). An article on *Forbes*, a well-known American business magazine, also suggests that informing employees is the right decision. The article highlights the facts that in a traditional organization, "the traditional change model views top-management as sole originator of change ideas," and "employees are construed merely as auxiliary implementers." This means that executive decision makers don't truly value employee input when deciding on an organizational change. Sloss sought to change that. The main idea behind the order tracking system stems from Sloss' original plans to increase the amount of information available to employees. If he had not tried to make the adjustments to the flow of information, the system probably never would have been created.

After successfully implementing the test run of the system at the Los Angeles division, however, Sloss was faced with a new problem: Should Connor implement the system at all other divisions, or will it only work for Los Angeles? Other divisions expressed both enthusiasm and concern for the new order tracking system, and Sloss must decide what the next step for Connor will be. This decision is the main problem being examined within this case study.

Industry Competitive Analysis

Mission Statement

The mission of Connor is that they are a small manufacturing company that produces manufactured metal springs and stampings for large U.S. original equipment manufacturers. At first, they produced commodity products, but Sloss' changes within the organization prioritized custom parts over commodities. This means that Connor uses a differentiation strategy.

Organizational Structure

The organizational structure of Connor is divisional. According to James Cash, "a divisional structure groups diverse functions such as manufacturing, research and development, and marketing within each division, and it is organized by outputs." Connor is broken up into four divisions based on region, and each of the divisions complete their own separate functions. The main problem of the case is caused by the fact that Connor is broken up into divisions as well. If Connor was a functional organization, they would not have the problem of dealing with multiple implementations of the same system at different divisions. Everything would be standardized, and the new direction that Sloss is aiming to take the organization in would be made a little clearer. That is why Connor is a divisional organization.

Business Model

Connor is a value shop. Although they manufacture the parts, they provide custom made ones to satisfy each individual customer. The case also goes on to say that Sloss wanted to shift the model of the organization from being a manufacturer to a service provider. That's why Connor is a value shop.

Generic Strategy

The generic strategy of Connor is differentiation because they offer products to many different customers on an economy of scope, which means that they provided their services in a way that they could be sold anywhere in the world. They also associate specific customer needs with a

specific product or service by offering custom manufactured parts. That's why Connor's generic strategy is differentiation.

Analysis of Porter's Five Forces

1. **Intra-Industry Competition: High Risk** because the industry is full of small owner operated job shops, and any one of them can take Connor's market share
2. **Threat of new entrants: High Risk** because foreign manufacturers were giving their best effort to enter into the local market. They also had lower cost structures, and produced higher quality products
3. **Customers: High Risk** because the customers have plenty of different options to choose from when it comes to custom manufactured parts. They have high bargaining power
4. **Suppliers: Low Risk** because Connor probably has plenty of suppliers to choose from which translates to higher bargaining power
5. **Threat of Substitutes: High Risk** because of all the foreign competitors trying to get into the U.S. market. They can easily produce their own custom parts, and are always a threat to Connor's market share

Stakeholders

The stakeholders within this case are:

- Bob Sloss, President of Connor
- Michael Quarrey, Connor's Human Resource and Information Systems Manager
- Connor Divisional Managers
- Connor's Employees
- Connor's Customers

Bob Sloss is a stakeholder because he and Michael Quarrey are the ones who will decide to implement the new system in other divisions. They make the decision that directly affects the future of the organization. The Divisional Managers are a stakeholder because they decide what systems they use at their individual division. Some of the managers stated that they already had a good enough system and were resistant to the idea of adding a different one. The employees are a stakeholder because they are the main ones using the new system and they are the owners of the company. Since Connor uses an ESOP, or employee stock ownership program, the employees own parts of the company, and they seek to maximize its profits for the sake of lining their own pockets. Finally, Connor's customers are a stakeholder because the quality of the products that they receive from Connor is dependent on how well Connor can produce them. The new order tracing system was found to have drastically improved productivity and efficiency at the Los Angeles division, and it is stated that customers began to take note of Connor's service and quality record. These are all the stakeholders within the case.

Alternatives

The problem examined within this case is very simple and is based solely around Sloss and Quarrey's decision to implement the new system at other divisions. Therefore, the three solutions to this case are:

- **Do Nothing**
- **Implement the new system at all divisions**
- **Implement the new system at only some of the divisions**

Doing nothing in this situation equates to leaving the new system implemented at the Los Angeles division, but not implementing it anywhere else. The second alternative solution is to do the opposite.

1. Do Nothing

In this solution, Sloss and Quarrey decide to leave the implementation as is and do not invest the time or money into getting it setup at other divisions. The pros of this solution are that the divisions that already use their own software can keep using it without interruption, and that Connor saves resources. The divisions that already used their own software, programs like Job Boss, were already showing signs of being resistant to the new system. Their willingness to adopt the new system, or voluntariness of use, is low and could end up derailing the entire project. If employees refuse to use it, a new technology can fail quickly, and that is why this is always the first hurdle of implementation. If Sloss decides not to implement the new order tracking system at other divisions, Connor can skip entirely over this hurdle. Connor saves on resources with this solution because Quarrey doesn't have to spend time instructing all the other divisions on how to use the system and Connor will save any money that went into implementing the system. The equipment at Los Angeles alone has an average cost of \$118,200, and that is only counting the new personal computers and network. For an organization that only had a net profit of \$79, 509 the previous year, \$118,000 seems a little too high a price for implementation.

The main con of this solution, however, is that Connor misses out on the added benefits of the new system. The Los Angeles division experienced a ton of improvement within the first few months of using the new system. Run speeds on jobs increased by 20%, repeat defects decreased from 14% to 4%, and credits issued from customers fell from 4% to just 0.5%. Most importantly, Los Angeles' sales grew by 28% to reach an annual level of \$10 million. If Sloss and Quarrey decide to not implement the new system at other divisions, they could potentially miss out on all these benefits. One other thing to note is that some divisional managers wanted to implement the new system at their divisions too, so Sloss and Quarrey would also be denying those managers a system that they very much wanted to use. Since multiple divisions actually

wanted to use the new system and Los Angeles gained a large number of benefits through improved efficiency, this is the wrong alternative solution to go with because it causes Connor to miss out on so much.

2. Implement the new system at all divisions

The next alternative solution after only implementing the system at one division, should naturally be to do the opposite, and implement the system at all divisions. This solution gives the other divisions the potential to gain the same benefits that were experienced at Los Angeles, and most of the divisional managers seem to want it. The only naysayers for implementing the new system are the managers at the San Jose division, and that is only because they have already invested into their own system. Sloss and Quarrey would be “pushing” the new system onto San Jose, but every other division is “pulling” the new system. They want to use the new system, and Connor should try to find the most beneficial solution for all its divisions, not just San Jose. When implementing a new technology, you always want the new system to be pulled rather than pushed. Since most of the divisions want to use the new system, Connor should implement it at all the divisions.

Implementing at all the divisions also follows the Four Stage Model created by Gibson and Nolan. The model is as follows:

- I. Implementation – Technology Identification and Investment**
- II. Contagion – Organizational Learning and Adaptation**
- III. Control – Rationalization**
- IV. Integration – Widespread Task Transfer**

After successfully implementing the new order tracking system at Los Angeles, Connor has gotten through two stages of the Four Stage Model, Implementation and Contagion. According to the next two steps of the model, Connor must now standardize the new system throughout the entire organization. Once it has been established, the new system will never go away. To

complete the next two stages Sloss and Quarrey must decide to implement the new system at all the remaining divisions. The biggest potential con in this solution is that the San Jose division pushes back against the new system so much that it fails to catch on and ruins the entire process. Other than that, this solution provides that best results of any of the three alternative solutions.

3. Implement the new system at only some of the divisions

This solution incorporates the different opinions of the divisional managers. In this solution, Connor implements the new system at the divisions with managers that want to use it and does not implement the system at those with managers who don't want to use it. The pros of this solutions are that every manager gets what they want, and that Connor still receives some of the potential benefits to be gained from the new system. The cons are that this solution doesn't follow the Four Stage Model, so Connor's technology will eventually become very difficult to manage, and that it has a greater potential to completely fail due to resources being scattered between two widely different technologies. That's what would happen if Connor implemented the system at only some of the divisions. The decision to implement the new system should only be "all or nothing," there is no in between. If Connor has two competing order tracking systems one is bound to fail, and that one is likely to take the other down with it. According to the third stage of the Four Stage Model, an organization must standardize its technologies to successfully implement it. That's also the reason why Sloss and Quarrey should not go with this alternative.

My Solution

The best alternative solution in this situation is to implement the new system at all divisions. It provides the biggest opportunity for additional benefits, it follows the Four Stage Model, and Connor doesn't appear to be pushing the new system so there's less of a chance for fallout. The new system has already proven that it can increase sales numbers and efficiencies by a large

margin, and many of the divisional managers want it at their division. One other important factor to note is that the employees at Los Angeles find the new system very useful after initially having doubts about it. This means that their voluntariness of use went up after having the system for a while, suggesting that the same thing could happen at any of the other divisions. Los Angeles was able to automate many of the processes while also informing many of the employees. According to James Cash, automating is “substituting technology for labor,” while informing is “complementing human information-processing capabilities for compilation, analysis, and presentation of data.” Ultimately, implementing the system at every division is the correct decision because it increases the flow of information among employees, which makes them better at their jobs and gives them higher job satisfaction, while also raising the overall percentage of sales. That’s why the best alternative solution to this problem is to implement the new system at all divisions.

Conclusion

This case study involves Connor Formed Metal Products, a small manufacturing company that produces manufactured metal springs and stampings for large U.S. original equipment manufacturers, and the decision revolving around the implementation of the new order tracking system. The alternatives to the problem presented in this case are to do nothing, or to implement the system at just the Los Angeles division, to implement the new system at all divisions, or to only implement the new system at just some of the divisions. The best solution is to implement the new system at all divisions because it increases the flow of information among employees while also raising the overall percentage of sales. That is Connor’s problem within this case, the alternative solutions to solve the problem, the best solution, and why Connor should pursue this solution.