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Connor Formed Metal Case

CIS 410

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**Executive Summary**

Connor Metal manufactures metal springs and stampings for large U.S. equipment manufacturers. Around 20 percent of their business is producing coiled springs and the remaining 80 percent of their business is making custom metal stampings. Conner faces a lot of competition from around 650 owner-operated shops.

Bob Sloss became the president of Connor Metals in 1984, when he took over, he realized that the company could not survive if they did not change the way they were doing things. He decided to open new facilities and decentralize the company. At the close of 1990 a new system had been rolled out at the Los Angeles facility and Sloss wanted to push the new technology out to other facilities.

The issue Sloss is facing is whether to roll out the new Information System to the other divisions and when/how to do it. This analysis will provide a complete organizational image of Connor Metal and discuss its courses of action they could take based on the facts presented.

**Mission**

Connor Formed Metals’ mission is to provide high quality metal stampings and springs to their customers at the lowest price possible through their Value Chain Manufacturing Process.

**Five Force Analysis**

Threat of New Entrants: High

The threat of new entrants is high due to there being many different offshore competitors.

Threat of Substitutes: Low

Since Connor Metals specializes on custom made metal products, the threat of substitutes would be low. This doesn’t mean that there are no threats, but it would be hard for one to arise.

Supplier Power: Low

The supplier power is low since Connor Metals only deals with a small range of materials that are readily available throughout the world.

Buyer Power: High

There is a high buyer power because customers have the ability to shop around for the firm that they feel like will meet their needs the best.

Degree of Rivalry: High

Connor Metal is facing a high level of competition to them having such a diversified product line and there being so many different competitors. There are many competitors both domestic and offshore. There are around 650 owner shops in the United States that can steal customers from Connor Metal’s.

**Organizational Structure**

Before Sloss took over the company Connor metals used a functional structure with a rigid hierarchy when it comes to management. Their generic strategy would be a cost-leadership one. After Sloss became president, he decided to decentralize the company into four divisions out of the four branches making it a divisional structure. The branches were in San Jose, Los Angeles, Portland, and Dallas. The Dallas branch had a merge with the Phoenix branch and the Phoenix branch moved into the Dallas branch. When this change happened Sloss repositioned Connor as a service-oriented business and focused on making custom stampings and forms. Their strategy also went from a cost-leadership one to a differentiation one.

**Stakeholders**

The first group of stakeholders for Connor Metals are the shareholders, this group has investments in the company and want their investment to do well so they get a good return. Bob Sloss as the president of Connor Metals has a large stake in the company as well. He is the one who decides whether to make a change and if the change is a bad one then it will look bad on him.

The employees are another group of stakeholders. These people will be affected by the new IT system and need to like the system for the company to continue growing. Connor Metals also needs to impress their customers. The customers have a share in the company because they are the ones who decide to buy the products.

**Problem Areas**

At the Los Angeles plant, Sloss has had great success with technological changes. Run speeds increased by 20 percent and defective jobs were reduced by 10 percent. Also, stock value also increased 35 percent. Even though there was so much success within this division, the company profits didn’t meet the initial goals. There was something that needed to be done to improve the processes of the other divisions to keep that all at par with the Los Angeles plant.

**Options**

*Option 1:* Do Nothing

The first option is to continue what they are doing and don’t update anymore of the plants. In the short term this option will cost less since the new technology is expensive, but it would isolate Connor Metal’s investments into one plant and would stall future spending. However, Connor Metals is in a competitive environment and the new technology would enable their business processes efficiency to increase and keep the company relevant. Making no change at all would only increase the difference between the Los Angeles plant and Connor Metal as a whole. The bottlenecks would only increase in other plants (Goldratt). The difference between the plants would eventually aggravate the employees and then the gains of the Los Angeles plant wouldn’t even matter.

*Option 2:* Give the Technology to all Plants

The second option for Connor Metal is to rollout the technology used in the Los Angeles plant to all other plants together. This solution would require the most amount of money. The technology is very expensive and will also need to be customized to fit each individual plant all will add more costs. The large investment required and instant transition from one system to another will be hard on the employees as a mandated use of technology could lead to stagnation (McFarlan/McKinney). This would also displease the stakeholders due to the amount of debt Connor Metals would go into.

*Option 3:* Slowly Rollout the new Technology

The best option for Connor Metal is to slowly roll out the technology to one plant at a time. This will allow each location to get used to the system and won’t be too large of a financial burden on Connor Metals. Over time, the technology in the Los Angeles plant has changed over time and the same will be true for the other plants. This will also allow Sloss to see what pieces of technology would fit in each plant and could even save money if specific plants don’t want or need certain technologies.

**Conclusion**

Due to the highly competitive environment Connor Metal must adapt in order to survive and increase profits. The solution is to upgrade IT Architecture for each of the plants one at a time and slowly implement it to each individual plant to resolve the kinks that come with any new system.