Conner Metal

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Connor Springs, later renamed to Connor Formed Metal Products, was being pushed in new directions in the 1990s by company President Bob Sloss and his new human resource and information systems manager, Michael Quarrey. Quarrey, who had a background working at the Nation Center for Employee Leadership, was tasked with using his prior experience to develop an order tracking system that would give employees access to the information they need to conduct their jobs more efficiently. In its present state, the various divisions of the company are experiencing varying levels of complication. The severity of the issue in each division was largely influenced by the division’s size. Larger divisions, such as the Los Angeles branch with 100+ employees, had the most difficulties in managing order information, whereas in smaller divisions, such as the Portland location with approximately 30 employees, didn’t experience much hassle when needing to find the information they needed for an order. Sloss and Quarrey conducted the “Los Angeles Experiment”, in which they created a custom software and trained the Los Angeles employees to use this new software to view and edit order information digitally on personal computers in the shop rather than by using physical order copies. While the results were quite positive at the LA branch, the smaller branches were hesitant about adoption. For one, many employees had no experience using computers and would have to be trained to do so. Secondarily, representatives from the smaller branches argued that they were operating fine without the system, so why should they change their process? Sloss now had to decide, should he push out the new system to all branches?

Before we dive further into how approach this issue, we should perform an in-depth analysis of the business at large. First, we know that Connor’s generic strategy is differentiation. Connor tries to stand out in the market by offering exceptional customer service and high product quality in a market that is known for substandard performance in both categories. Next, we also know that Connor uses a divisional organizational structure. Until Sloss came in as the new CEO, the structure was very hierarchical, and all of the decisions were made very high up. When he moved away from that and established a sort of “hands-off” approach to handling the business, he gave divisions authority over “administrative, quality control engineering, sales, and manufacturing functions (Case 265).” There are four divisions: one in Los Angeles, one in San Jose, one in Portland, and one in Dallas.

Next, we should perform a Porter’s Five Forces (Porter) analysis on the business. The bargaining power of Connor Metal’s suppliers is low. They supply raw materials that go into these fabricated metal parts and the market is so large and there are so many people that use these materials that the suppliers have no way of increasing the price. The bargaining power of Connor Metal’s customers is low. Normally in a market as diverse as the one Connor is in, the customer’s bargaining power would be high. However, Connor has exhibited the ability to retain customers while increasing the price. This means their bargaining power is low. The threat of substitute products is medium. While Connor’s products are like that of their competition’s, Connor has made switching costs high through great customer service and quality which lowers the threat of substitutes. The threat of new entrants is high. Competitors from overseas are continuously entering the market with their cheaper costs and higher quality items which means that someone could enter the market at any time and take over. The threat of inter-industry competition is high. According to the text, there are “600 to 700 primarily owner-operated job shops (Case 264)” that make up their competition. This threat is lowered a bit by said job shops being fragmented around product lines and their size relative to Connor, but the sheer quantity of competition is what makes this a high threat.

Finally, we should perform a short stakeholder analysis (Destination Innovation). In this scenario, major stakeholders include key Connor personnel such as Bob Sloss, CEO, and Michael Quarrey, systems manager. Division managers, who have autonomy over their branch, must also be considered. Lastly, one must consider the Connor employee body and the Connor customer base. These are the main parties that will be impacted by company decisions moving forward.

Now that we have a general overview of the business, we must reconsider the problem at hand. Connor has had a very successful trial run of new software developed in-house in the Los Angeles plant. Their information tracking and accessibility of information across functions in the divisions was very limited and resulted in poor performance in many aspects of the job. This was found out when Sloss, despite having made massive changes to the company already, “was not able to see results in the bottom line (Case 264)” with these improvements and rising revenues. Sloss saw it fit to hire an HR manager as well as someone who could develop a custom system instead of using their pre-packaged system they have in place right now. He hired Michael Quarrey to fill this position and start working on the custom software as well as increasing the Los Angeles division’s employee involvement in the ESOP. Once he had developed this software and put it in place in the Los Angeles plant, massive improvements across the board were observed. “Just within the first few months of using the system, run speeds on a number of jobs had increased by as much as 20 percent. Repeat defective jobs had reduced from 14 percent … to 4 percent, and credits issued to customers fell from 4 percent of sales to .5 percent during the same period. ...sales had risen 28 percent to an annual level of $10 million (Case 278).”

If we apply the McFarlan/McKenny Four Stage Model of Technology Assimilation, we can see that at this point, Connor successfully completed stage 1, and is now moving into stage 2. Stage 1: Identification and investment, showed clear signs of success at the LA division, after investing into custom software to improve information handling. The next step, stage 2, is the contagion stage. The problem at hand boils down to this: how should Connor handle the contagion stage so that the system will be adopted? Part of the Contagion stage is “stagnation block B,” which means that just because one person is getting excited over an investment, that doesn’t mean another person is going to. This is evidenced by the hesitation he hears from some of the plant managers. For instance, a San Jose plant manager said “I have some concerns about switching from Job Boss to the new software. We have already invested a lot in training everyone in the office to use our current system. What if we don’t like some of the new ways of doing things? Even if we do like it, we’re already making record profits in San Jose – why throw our information systems up in the air? (Case 278)”

Now that we have fully analyzed the situation, we must now carefully consider some alternatives. Based on the information we have already gathered, we can reach one of three logical conclusions: Do nothing, fully implement the system, or allow each division to independently decide to implement the system. Let’s carefully consider each one.

If Connor Metal chooses to do nothing, everyone will remain in the same state that they are now. The company is turning a profit, one of their once failing divisions is now improved drastically, and people are happy with their performance. Bob Sloss and Michael Quarrey have the same goal: to empower people with information. They have done that at the LA plant and, while maybe not on the scale that they wanted, they have empowered their employees with access to and control over information. The division managers will remain happy because the rest of the plants are performing well, and they are still in control of their own plants and decisions. Connor’s customers will remain happy with the improvement from the LA plant and the customers from the other plants are already satisfied. This would end up creating a fragmented IT system, however, which would make it harder for Michael Quarrey to manage.

Sloss and Quarrey could elect to fully implement the system in all divisions. This would give all employees the empowerment by information that Sloss and Quarrey are striving for, on the largest possible scale. Quarrey would have an easier job considering that all divisions would then be using a unified system, instead of a patchwork system. Quality and production improvements would likely been seen in all divisions. The downside is division managers and the employee body would likely be unhappy, given that they are used to the process that they already have, they would lose productivity in the short-term to learn the new process, and they would feel that their concerns may have been ignored.

Lastly, Sloss and Quarrey may choose to allow each division to independently decide to implement the system. Both Bob Sloss and Michael Quarrey will have fulfilled their goal of empowering their employees with information. Bob Sloss will have happy employees and managers because he is not breaking the autonomy he has developed for each of the divisions in his company. The division managers will be happy with that autonomy and with improvements that may come to their plant because of the implementation of the system. Connor’s customers may benefit from the significant improvements that comes to the other divisions, as evidence by what has happened with the LA division. On the other hand, this creates a very fragmented IT system for Michael Quarrey to manage just like the first solution. This would cut into step three of the four stage model – management controls. Stagnation block C happens in this stage, which means that the organization refuses to come up with a standard. If this happened, Connor would never be able to move into stage four (widespread technology transfer) which is the goal of the four-stage model.

It could be said that none of the alternatives provided are ideal in this scenario, since each presents its set of disadvantages. Considering that Connor is already at the contagion stage, I think the best of the three alternatives would be to allow each division to independently decide whether to adopt the new system. The key to a successful contagion stage is allowing people to be enthusiastic and excited about the premise of adopting a new technology in the workplace. If the technology is forced on the division, they will only feel the stresses associated with learning it, as well as the setbacks associated with reduced autonomy. One would think that the branches would see the growth gained by those who choose to adopt, and over time, and they would also be encouraged to do so. Regardless, with even one branch on the new system, the company is making record profits, even in the branches that are using their own systems. Ultimately, I believe this solution would allow the assimilation to progress in the most natural and least invasive manner.

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