Connor Formed Metal Products

Case Analysis by: Jarui Desai

The Connor case discussed the current issues that Connor Formed Metal Products, a small custom metal spring and stampings manufacturer, was faced with. The case went into detail about the transformation that Connor Formed Metal Products went through after Bob Sloss became the president of this organization. After Sloss showed his interest in changing the information systems software in one of the set locations, the question of whether the new information systems software should be implemented in all of the four locations was brought up. After having all the information reviewed and analyzed, the best decision that Connor Formed Metal can make is to implement the new system into the locations that request a change in their systems or that are not performing as well as expected by their managers. There are various reasons as to why this is the best decision, and these will be discussed below alongside two other options that Sloss was exposed to.

Before we go into why this is the best course of action for the company to take, we have to first discuss the history of this organization and the progress and obstacles that it has faced since Sloss took over. Joe and Henry Sloss, purchased Connor Spring in 1947 and closed their family’s hardware business. When Connor’s current Vice President of Operations, George Halkides, decided to retire, Bob Sloss ended up taking over his position in 1984. Bob had been working in this company since 1972 and was excited to make some changes to the firm. After finishing the Stanford program, Sloss realized that Connor could “either keep plugging along and eventually get lose, or we could really turn it around and set it apart from the competition.” At that moment, he made it his goal to reposition Connor as a service-oriented business which would focus on providing custom-developed metal stampings and wire forms, while being a completely reliable company. This goal motivated him to make dramatic changes to the company in hopes to increase revenue and increase efficiency throughout all locations (Goldratt).

To begin acting upon his request, Sloss decided to change the name from Connor Springs to Connor Formed Metal Products and printed new marketing materials, updated sales presentations, and produced a professional videotape on the company. Talking to multiple businesses such as Motorola, Hewlett-Packard, and Honeywell, and changing the way the business functioned resulted in a $9 million revenue increase in just over 6 short years, from under $8 million 1982 to $17 million in 1988. They also opened up five new locations including one in Oregon, Portland, San Jose, Los Angeles, and Phoenix. With so much additional success however, Sloss realized that the Dallas plant had not been profitable in the five years of existence and the Los Angeles was starting to see tough times as well. According to the company’s financial summary, the company was not making steady net profits since 1967 up till 1990. This is the reason that Sloss needed to make another change in the business, and he went after the information systems in order to make that change. He knew that in order to make the business more competitive, they would have to go look at that section of the business in order to vamp up current processes (Kalakota).

Now that some of the businesses’ background has been discussed, we need to go over Porter’s five forces and how it impacts this organization. By doing this, we will better understand the problems that Connor is currently facing and will help us to decide what decision would be best for the company to move forward in the future. Starting off with the degree of competition that Connor faces, this is relatively high. This is for the fact that there are around 600 to 700 owner-operated job shops that are in competition with this business. The only reason that this is not at the highest point is because Connor focuses on specialization which is what sets them apart from the rest. Sloss is also trying to improve the quality and service that has been notoriously poor within this industry. With that being said however, there are similar companies in other countries that have a lower cost but also higher quantity, so in order to keep being a level playing company in this field, Connor needs to change improve their processes.

The threat of new entrants is also pretty high due to the reasons discussed above. But the one point setting them apart from the other organizations is that they are a specialization company. Only 20% of the company deals with producing coiled springs, whereas 80% of the organization is for metal stampings, wire forms, and assemblies, which all vary widely in design. With such a high stake and having customer loyalty be low, is the reason this is high.

The threat of substitutes is also high because of the fact that other businesses in competition have low switching costs for buyers. The other competitors also have better quality and better service. The buyer power for Connor is high because customer’s have a large ability to find substitute products with lower switching costs. Although the other items may not be as specialized, they still have the ability to find a similar company out of the 700 in the market. Finally, the supplier power of Connor is low because of the fact that this business does not deal with suppliers and only sticks to the products that they develop from scratch (Cash).

Now that we have gone over Porter’s five forces, we can see that this company needs to stay ahead of the game in order to stay in business and make a large profit. Going over the structure of the business will also be critical in discussing the problem at hand. Before Sloss took over the company, Connor followed a functional organizational model. Their management made all the decisions and the lower level employees did not have much of a say, if any. When Sloss took over however, he really tried to show and provide greater leadership and power to individuals below him so that they too can learn and grow with this business. He wanted the company to become more of a divisional organization. Instead of figuring out how to stick with the cost leadership strategy that was previously implemented, he wanted to stick to the openness and freedom of decision-making and make the company more related to being service-oriented and driven (Mallach). By doing this, a lot of the employees started to applaud the efforts of Sloss and preferred this new way of business. Sloss also focused more on the engineering aspect of the business process and hired the first engineers the business had seen (Porter).

Shifting on-to how the control systems worked at the company with Sloss as the president, the business ended up becoming more efficient with their time and efforts. As stated before, the control systems needed to be realigned and instead of following a top-down management approach, actively involving employees had ended up making the staff more attentive and happier. The workers ended up meeting a lot more throughout the year. Sloss encouraged weekly staff meetings with different areas of the business including sales, customer service, quality control, personnel, production management, and engineering. These meetings would be run by someone new each time so that there would be an exchange of power each time. This allowed for a flatter management approach (Makenzie). Additionally, the Product teams met on an ad hoc schedule, once a week, and there would be monthly departmental meetings with the divisional manager. And finally, they would have quarterly meetings where Sloss himself would go and visit the specific branch. All of these meetings helped to keep everyone on track with the process and what was going on, so that everyone would be well-informed and it would cut down on any problems or confusion that may result.

The company culture changed drastically from all of these changes, and the company overall had made quite an improvement to all the processes. The culture of the company turned into one where the employees of the company would act as owners as well. They had the ability to invest in the company and then they would have monthly company newsletters and events for the sole purpose of team-building. This tied into the rewards and incentives that came with the changes. Sloss ended up increasing everyone’s pay so that this would be the prime location and business to work, and if there were excellent performance, then they would be able to get a bonus on their check at the end of the payment period. Not only this, but Sloss decided that he wanted to recruit the top engineers and find younger, high-potential employees (Cash).

The last topic that we need to address before moving onto the decisions that can be made is the information systems, which is what this whole issue at hand is regarding. In efforts to reduce the paperwork that employees and the business was seeing, Sloss decided that they needed to upgrade their technology so that they would be more efficient. In 1985 he ended up buying the IBM system in order to do basic office tasks. The problem with this system and how it was implemented in the different locations is that if the location did not have employees who knew the technology well or were able to try and experiment with the technology, it would have been a failure rather than a success. For example, the employees in the Portland division were accustomed to such technologies and were able to use the new systems as something more useful and helped to make their business processes easier. On the other hand, the employees at the San Jose branch did not know how to use these very well, and as a result, the technology was more of a barrier than anything. There were then changes made to the Los Angeles branch and although there were some problems over at that branch since it was the underperforming location, the experiments ended up leading to greater success later on. The number of jobs increased by 20%, defective jobs decreased from 14% to .5% and then sales had risen 28%.

From this point, we can now talk about the three decisions that can be made in regards to whether the rest of Connor should implement the new technology or not. The first approach is to do nothing. Currently, the business is working and although the new system brought positive changes to the Los Angeles plant, that does not mean that it will positively affect the other branches. This can be seen when the technology was first implemented in the San Jose branch. If the technology is not as affective in the other branches, then that may just affect the business negatively if the business was already functioning fine as is. If this decision was made, then it would affect all the stakeholders in some manner. This decision would affect Sloss by what implementation he would have to do and then how the employees would view him for this decision. He would not be as happy because he could not be as efficient as he wanted, however, he would know that the business was still working properly. It would affect the employees because they would not have to learn any of the new technology and just embrace the process that is already in place. And finally, it would impact the shareholders and customers minimally, because they would still be getting the same services and profits as before. With the shareholders, since the profits are never set year by year, that pattern would not change.

Moving onto the second decision, the company can decide to implement the technology in all of the plants but do it right away. This decision would mean that all the locations would have information technology systems changing to the system that was use in the Los Angeles plant. Since this technology was adopted by this plant, who is to say that it would not work similarly in the other plants. Although there is a change that it does not work in all the plants, this technology ended up turning the other plant around, so the business would have a greater chance of having a positive impact on their revenues. This decision would impact Sloss because he would have to announce this decision and then invest the money in order to implement all the technology into these locations. If the decision turns out having a positive impact, then he would be really glad he invested the money. On the other hand, if it does not work, then he knows that it was a risk that had to be taken. It would affect the employees because they would have to learn how to use the technology and see how they can use it to be efficient. This may cause extra hassle to some of the employees, but it is something that needs to be done. It may also help make their jobs easier, so it can be positive. It would affect the stakeholders depending on how the revenue was impacted. If there is more profit then it’s a positive impact, and if there are more losses, then it would not make them happy. And finally, it would impact the customers because if these processes help to make the company more efficient, then it would impact the way that the customers would be receiving the goods. They may even get their orders earlier and the quality of goods and services would also be impacted positively if the systems have the impact that everyone is expecting.

Lastly, the third decision that can be made is to implement the new technology in the locations that need extra assistance, where their managers of that area want to try and implement new technology to get a better more efficient business process going. Then, once those are slowly implemented, we can expand to the rest of the locations. This approach is a slower version of the second, however it uses free will in order to make the change that the company needs to implement. At the end of the day, all of the locations will eventually have to upgrade to the new technology in order to keep ahead of the times, but if we use this approach, then we would be implementing the four stage model that Gibson and Nolan would have implemented. Step one of Technology Identification and Investment has already been completed because the company already sought out the new technology, then, step two, Organizational Learning and Adaptation, is already halfway there because of the implementation of this technology has already been done in some of the locations and it has been a success. As more of the employees talk up the benefits of the technology, then the other plants will hear about it and will also want to implement it in their location. From this point, step three will come into place because here is where we use free will in order to implement the technology into the plants that need the technological assistant right now to keep up with their business processes. Rationalization is this step, and once they start to realize just how useful this new system can be for all the employees, then it would be beneficial for all. And finally, step four, Widespread Technology Transfer, will deal with closing the gap in the business currently and help to implement the technology in all the locations. With this step, everyone in all the branch should already be somewhat excited to use this technology and with the help of giving them the chance to make the decision of whether they want this technology in their organization is huge. Also, providing them small incentives in order to implement this, will make the transition smoother (Cash).

At the end of the day, all of the locations will have this technology implemented and they can use it to be beneficial to the business so then Sloss would be happy. He would be able to provide his employees the freewill that he has always tried to implement, while being able to keep Connor a up-to-date decision for customers. This would impact the employees because they would all have to learn the technology, but this approach to the change in systems would be more efficient because most of them will be more willing to make the move. Also, if they get incentives out of it, then that would be more beneficial for them anyway. The stakeholders would be happy, but they would be able to see the process slowly overtime rather than right away. And finally, the consumers would be happy because this decision is one that would help give them more will to want to stay and be a consumer of this business rather than another.

For the reasons discussed in the last decision, I believe this would be the best approach for Connor to implement in the future. Considering the way that the business is set up and all of the history that was analyzed, we would be able to see that this decision is the best fit for the business. It not only implements a greater sense of community by having the employees make the important decisions or play a part in making the important decisions, but it keeps the business running and keep it at the forefront of this field. All the benefits that this new implementation can have will be able to pull a greater revenue in the future and keep the business afloat and successful.

Citations

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