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CIS 410-05

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21 November 2020

Case 8: Connor Metal

Introduction to Connor Metal

Connor Formed Metal Products, previously Connor Springs, was facing change under President Bob Sloss and Michael Quarrey, the new human resource and information systems manager. Sloss believed Connor Metal needed to adapt to overcome competition. He decentralized the organizational structure by giving divisions authority over their administrative, quality control engineering, sales, and manufacturing functions. He also wanted to focus on high-quality, custom-developed metal stampings and wire forms. This changed Connor Metal's strategy from cost leadership to differentiation. He wanted to see a bottom-line return on the investment in these changes.

Quarrey was tasked with developing an order tracking system to boost employee efficiency. The system changed how available information regarding the designs, manufacturing processes, sales, and services of products were accessed. It was implemented in the largest division in Los Angeles and displayed great success during the six months of testing. Now, Connor Metal needed to decide whether to implement the system in other locations.

Divisions' newfound responsibility created more sales, but profit wasn't increasing on a wide enough scale. The goal of a company is to make money now and in the future (Goldratt). A change was necessary, but Sloss needed to decide how drastic it would be. With each division managing their own logistics and culture,

technological adoption becomes an issue. The system worked well in the main division, but it was unclear if San Jose, Portland, and Dallas would find the same success. Now, Sloss needed to decide whether to implement the system in these other locations.

The Problem

Quarrey's system comprised of personal computers and custom software to automate tasks. Increased efficiency was projected to increase profit. Quarrey implemented a relational database and software which allowed workers to estimate orders, pause jobs when problems emerged, access details about jobs in preparation, and add comments. Overall, employees experienced increased autonomy, received and contributed more feedback, and gained task identity and skill variety. Quarrey's system increased productivity, job satisfaction, and motivation by increasing worker's individual value, responsibility, and personal knowledge.

The software was user friendly, but a majority of the employees did not have experience using computers, so some training was necessary. Employees essentially only needed to use the up and down keys to interact with the system. The low effort expectancy employees had combined with a high-performance expectancy led to positive behavioral intentions. This increased the acceptance of a new technology (Cash).

Divisions that were experiencing difficulties tended to be larger. The Los Angeles branch had over 100 employees, but a smaller branch such as Portland only had approximately 30. Larger branches had more issues managing order information, but smaller ones didn't experience the same problems.

The Los Angeles experiment was successful, and the division was agreeable regarding a full fledge implantation, but smaller divisions were hesitant. Abandoning physical order copies was not an attractive solution to them. In addition, they argued that they were operating without issue and adopting a new system that may not benefit them did not appeal to them as it did to those in Los Angeles.

Porter's Five Forces

Connor Metal faces low to moderate risks in their industry (Porter). They operate in the metal stamping and coiled springs industry. Entering this industry requires large amounts of capital, engineering expertise, and infrastructure. In addition, convincing customers to contract a new supplier may prove difficult due to long-lasting professional relationships and satisfactory performance. However, foreign competition is increasing, and a handful of companies are entering the market with lower costs and high-quality products. For these reasons, the threat of new entrants is moderate. The threat of substitutes is low. Connor Metal offers a wide variety of complex products which are difficult to reproduce. Their quality is better than their competition, so customers are likely to choose them.

The bargaining power of suppliers is also low. There are several raw material suppliers, so finding the lowest cost is beneficial to Connor Metal. Entering a contract with the most favorable supplier ensures their stock is plentiful. The bargaining power is suppliers is low to moderate. Connor Metal is producing the greatest quality in comparison to their competitors, but customers could always choose to purchase products elsewhere for reasons beyond quality.

There is a high threat of intra-industry competition. There are around 600-700 metal shops in the industry. However, each shop is focused on their own product lines. The threat is fragmented, but each shop is of relative size to Connor Metal. While unlikely they enter the same market, the sheer number dictates the threat level.

Stakeholders

As Gareth Morgan states, “The organization as a coalition of diverse stakeholders is a coalition with multiple goals” (Morgan). First, we have the Connor Metal executives who have already reorganized the company and implemented a new information system within the Los Angeles division. They are responsible for the results of the decision. Next, we have the Connor Metal Employees. Employee satisfaction level is dependent on the decision of the executives. They may spend time learning the new system without seeing return for their efforts. If the system fails, they will have to revert to the old system, or eventually learn another one. Lastly, we have Connor Metal’s customers. The customers may end up spending more money than before if the quality of service and products declines due to a new system creating problems within Connor Metal’s business process (Destination Innovation).

Do Nothing

Overall, Connor Metal is profiting. Their worst-performing division has displayed drastic improvements and the employees there are satisfied. The Los Angeles division is thriving due to increased control of and access to information. Employees such as division managers would be happy with this option because they would continue to individually perform well in the immediate future. They would retain control of their divisions and continue making their own decisions. Employees who enjoy the system in

Los Angeles and those who have not experienced it yet would both be satisfied. Customers would see no change other than those who contract the Los Angeles division. Those specific customers would be happy with the improvements in service. However, executives would be neutral. They would be happy that the system worked, but unhappy that it creates a fragmented IT system.

Implement the System in Every Division

Implementing the system in every division within the company would create the level of information accessibility that Sloss and Quarrey envisioned. The system would be scaled in size and become unified rather than fragmented. Executives would be pleased because quality and production improvements would occur in the long-term. Employees such as division managers may be displeased because their concerns might have been ignored. Every-day employees would be displeased in the short-term because they have to learn new processes and lose productivity in the meantime. Customers would be satisfied with improved service once the implementation period ends. This option increases the probability that the bottom-line will improve but carries the risk that employees and managers would reject the system.

Allow Divisions to Make the Decision

Allowing each division to decide whether to implement the system fulfills executives' goals. Their employees would be empowered with increased access to information. Managers would be happy because their autonomy would remain intact. They would also see general improvements in their business processes if they choose to implement the system. Choosing to implement the system comes with the same outcomes as the second option, but also creates a fragmented IT system like the first

option. Customers would once again benefit from improvements with divisions. As seen in Los Angeles, job speed increased by 20 percent, repeat defective jobs reduced by 10 percent, credits issued to customers fell from 4 percent to 0.5 percent, and sales increased by 28 percent.

Recommendation

Connor Metal is currently in the contagion stage of the McFarlan/McKenny Four Stage Model of Technology Assimilation. The identification and investment stage contained the success of the Los Angeles division. Thus, I believe the best course of action is allowing each division to make the decision on implementing the new system. Moving out of the contagion stage requires people being enthusiastic about adopting new technology. If they are not given a choice, their level of autonomy will be reduced and they may reject the system all-together.

Executives want a short timeline, but this option increases the likelihood of assimilation in a non-invasive manner. If they encourage the divisions to adopt the system, and share results from the successful implementation in Los Angeles, managers will come to the correct solution. Managers will see that they need to update business processes to continue growing as a company and meet customer needs to remain competitive (Fried). In the case that Los Angeles is the only division that decides to implement the system, Connor Metal will already see a bottom-line return.

Doing nothing will not solve their problems and will have no effect on the bottom-line. Since that is Sloss' goal, taking any action is the correct solution. Forcing the system on managers and employees jeopardizes the divisional structure and increases the risk of rejection. There may be some success, but it may not be as bountiful as it is

Los Angeles due to hesitation and resentment. Any division that is hesitant to implement the system will quickly notice the improvements experiences by those that do. They will see how profitable those branches have become and plan to implement the system themselves.

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