CASE REPORT 5

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Summary

Connor Formed Metal Products (Connor Metals) a family owned company manufactured coiled springs and metal stamping. Coiled springs accounted for 20% of the revenue and customized metal stamping accounted for the remaining 80% of the revenue. CEO, Bob Sloss, inherited the company from his family after the reign his predecessor, CEO Halkides, who managed with a top-down approach utilizing a functional cost-leadership which may have been driven by the original product, coiled springs, a commodity based manufacturing product. Upon taking over Sloss wanted to exploit the customized stamping for further growth as Connor Metals whilst it had a steady incline never really reached its maximum potential. Sloss had a unique challenge in motivating his staff and in taking advantage of technological advances to create a new "drum" to avoid The Herbies that were occurring and affecting their process (Goldratt and Cox). Sloss made several changes to the organization with hopes to see it flourish. He changed the functional structure to a divisional structure. The quality produced improvement but not enough to "see the results in the bottom line" (Cash). An epiphany generated a solution that was Michael Quarrey and a new customized software system to envelop all of the needs of the system not just the financial aspects of it that the current IBM 34. After a full assessment of the process and input from the bottom-up to include the machine shop where much of the work is accomplished with the help of one employee, Roy Gallucci, the software developed simply and was "important so that the systems be used to not to manage people but […] the process" (Cash). The flagship location, Los Angeles, proved to be a success. The question now remained on how to expand the software to the remaining divisions.

Problem

The quandary is how to affect change throughout the now divisional organization through what has shown to be a valuable IT asset affecting every department of the Los Angeles division of Connor Metals to the remaining divisions of Connor Metals. There has been pushback from the managers at the other 3 locations in San Jose, Dallas, and Portland for this forward moving transformation as told by one of the managers;, […]whether the system would really work in the smaller divisions" (Cash).

The new Connor Software had shown dramatic improvements in the Los Angeles location as stated by Cash noting " a number of jobs increased by 20 percent" and "repeat defective jobs reduced from 14% to 4%" within a year (Cash). Not only did they see improvement from the shop but there was an improvement from their bottlenecked backlogs from 10% to less than 1% all while "improving sales 28% for an annual level of $10 Million" (Cash).

Generic Strategy

Connor Metals prior to 1984 utilized a functional strategy but since CEO, Bob Sloss, purview Connor Metals has a divisional structure with an emphasis on differentiation.
Porter's Five Forces presents:

Competitive Rivalry: High

Connor Metals highest competitors are from the 20-30 local shops in addition to evidence of offshoring jobs with lower cost permeating the market.

Threat of New Entrants: High

Connor Metals accounted for 80% of their revenue in customized metal stampings however there are several companies that can provide this type of work.

Threat of Substitutes: Low

Connor Metals accounted for 80% of their revenue in customized metal stampings.

Bargaining Power of Suppliers: Low

There are several sources for raw materials as well as different means on how to process it.

Bargaining Power of Customers: High

There are several choices for the buyers.

Stakeholder(s)

Critical Stakeholders of Connor Formed Metal Products (Connor Metals) include:

- Connor Metals Customers

Customers have a vested interested. With the success of the software, potentially costs could go up but ultimately, their experience would be better and develop a loyal customer base.

- Connor Metals Employees

  Connor Metals is an employee owned company holding 42% of the stock. Employees have a great interest in its success.

- Connor Metals Suppliers

  Connor Metals buys several raw materials and could affect suppliers. If Connor Metals becomes insolvent, suppliers could feel the ripple effect through either lack of product purchase developing into overall revenue losses.

- Bob Sloss

  As CEO, Bob has a large stake in the success of the company aside from the fact that he has inherited the company and that its private, this software idea is currently against the corporate grain and is seen as an inventor by bringing new processes combined with old.

Alternative Actions and Outcomes

1. *Do nothing:*

   The new Connor Software was customized to meet the specifications of the Los Angeles location therefore does not need to be implemented in other divisions. The Los Angeles division saw great improvement. There's no guarantee other processes in different divisions will see quantifiable enhancements to their process like the LA division had. Quarrey developed a system with "maintainability, effectiveness and efficiency" (Fried). The LA division will find continued success as perhaps the remaining divisions will phase out and potentially close down or merge. At the time the LA division implemented the Connor Software, it was one of the lowest performing locations. Other divisions were already performing well. Leaving the remaining divisions alone, Sloss could continue to see the steady increase that has been maintained over the years. Ultimately, you would be denying the software to the other divisions until they buy into the technology and ask

for it. In referring to the McFarlan-McKenney Model, technology will end at Stagnation Block A after the initiation and investment in Los Angeles because the software may be too narrowly focused.

2. *Implement the software companywide immediately:*

   According to Fried, "Information technology will continue to affect business whether or not it is welcomed." (Fried) Sloss has an opportunity to utilize his "charismatic domination" to move through the other division manager's doubts and fears to implement what he knows will be his greatest contribution (Morgan). However, with a forced implementation Sloss runs the risk of the divisions rejecting his latest endeavor. Some concerns from the managers have been voiced regarding the performance expectancy of the new system. Los Angeles understands the benefit but each of the divisions are individual in their implementation. A 3-pronged approach for implementation would be costly, unwise and possibly not feasible. There would need to be further training of either consultants plus consideration for the legacy systems already in place. A narrowly focused implementation would end by the McFarlan-McKenney model Stagnation Block B because there wouldn't be an understanding for each division. Quarrey built the software for the LA division needs. Each division has different needs. Each of those divisions needs to be analyzed to understand the process to best implement the software for maximum use.

3. *Implement the software divisionally:*

   Allow for creative destruction. Morgan points out that whenever an "organization succeeds in creating a breakthrough in relation to one of its products and services. […] this begins to define a new frontier for new competition" (Morgan). Prepare each division by analyzing their needs. Understand that the "evolution involves destruction" (Morgan). The best IT approach to implement the software would be to integrate and layer the inflexible infrastructure into the new systems while phasing out the old systems. Phase 1 of The McFarlan-McKenney Model is shown through the success in the LA division, Sloss should continue to allow education to the remaining managers in regards to how the Connor Software could serve their mission. The employee attrition rate

would weed out the "non-believers" in the system to further promote its competitive advantage.

Recommendation

My recommendation is do nothing. The software was specifically designed to meet the process requirements of the LA Division with the lowest profit margin. Connor Metals should take the win where they can and move forward. Nowhere is there evidence that each division is losing money except perhaps the location in Dallas but that can be explained by the Phoenix location closing. The software does give Connor Metals a competitive advantage but without more resources to understand the complicated systems of each of the divisions. The other scenarios can't produce a potentially successful deployment of the software. Without further analysis with more man hours on a man already covering two positions and clear understanding of what the software will provide to the remaining divisions, the software should grow organically. A "contagion" reaching Phase II of the McFarlan-McKenney Model allowing for acceptance of the technology. Holding back the technology would allow the current managers to assess their current situation and assuage conflicts within the division, only then laying the ground work for a successful deployment.

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