Connor Formed Metal Products Case Analysis

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Connor Formed Metal Products is currently a divisional organization on the cutting edge of management and organization trends. Connor provides custom metal springs and stampings to manufacturers who request it. Before the current vice president - Bob Sloss - Connor was run with cost leadership as its generic strategy, only growing by the bottom line. They were a functional centralized organization. To contrast this, they currently succeed in the market through differentiating themselves on quality products, something this industry is not known for (Tanwar, 13). They have restructured to be a divisional organization, allowing tactical authority to reside in the plants themselves and corporate HQ simply being the strategic head of Connor.

The Porter’s Five Forces analysis for Connor Formed Metal Products will begin with a competitive analysis. The threat here started out as high as a result of a crowded marketplace and Connor’s homogeny with the market. After the radical intervention from the new vice president Bob Sloss, their threat of competition is still high due to the amount of low cost foreign alternatives currently entering the market. They have also raised their prices to reflect their commitment to quality which have put them at a slight disadvantage since the market primarily operates on price due to an overall homogeneity in quality.

The threat of new entrants for Connor Formed Metal Products is also high. The only factor which raises this for Connor is the specificity of the product they are making. Currently there are no other barriers to entry. The industry is not a government created one and there are no patents which Connor holds which would create a barrier to new entrants. The only deterrent which Connor may be able to provide is internal economies of scale, which they do have. This would be a mere speedbump in most cases since their economies are enough to be competitive and not much larger (Team FME, 18).

Fortunately for Connor, the threat of substitutes is low since there are no substitute markets. If a plan calls for custom parts, it is likely that the engineers exhausted options that use standard parts and a specialized manufacturer would have to meet their needs.

The bargaining power of suppliers for Connor is low. Since the supplies that Connor typically needs are usually commodities like metal wire and there are multiple suppliers for that, Connor has the option to simply purchase from a different supplier. Since the supply is a commodity, imposing switching costs would be cumbersome and unattractive to many consumers. It being a commodity, even if a supplier chooses to reduce the amount of wire they are producing in order to increase demand, it won’t work because commodities are inelastic (Team FME, 23).

The bargaining power of customers for Connor is high, though they are making a concerted effort to amend this. This is mostly due to the amount of homogeneous manufacturers currently competing as discussed earlier. However, due to Connor’s efforts in quality control in order to differentiate themselves on quality and changing their marketing tactics it seems they are attempting to stand out in the market above the competition. Through this, Connor has increased their market share, which has resulted in the form of good will and good recommendations from current clients, which implicitly raises the switching cost (Team FME, 25).

There are four stakeholders in this case. The first stakeholder is the shareholders for Connor. The second stakeholder in this case is Bob Sloss, the man who runs Connor Metal. The third stakeholder are the divisions of Connor. The fourth and final stakeholder in this case are Connor’s customers.

There are four courses of action with which Connor Metal can proceed with. The first is doing nothing, where they do not advance the rolling out of the system. The second alternative is where the divisions who are asking for the new system will receive it. The third alternative is where Connor rolls out the system to the overperforming divisions. The final alternative is a combination of the second and third alternative, which is to rollout to divisions who want the software and are overperforming.

In the first alternative of doing nothing, shareholders are affected in that the losing plants at Connor are still losing and they don’t see better margins like they have at the Los Angeles plant. This act of leaving money on the table might even insult shareholders and incite some of them to abandon their investments in the company. The effect this has on Bob Sloss is that he does not get the rapid adaptivity he longed for when he set out to make changes in the company in an attempt to prepare them for the future. This is critical because Morgan, in his chapter on the organism metaphor, talks about adaptability being key in the survival of an organization (Morgan, 59). The divisions are largely unaffected, but the plant managers might be insulted by the lack of initiative in ‘spreading the wealth’ of technology to the rest of the company. Connor’s customers are affected by region, the underperforming regions are affected by the lack of initiative in headquarters to pick these failing plants up in order to support that region.

The second alternative of rolling the system out to the divisions who want it would require hiring contract programmers or a consulting firm to ensure the system gets delivered to multiple plants simultaneously. This affects shareholders because most of the plants who want this new technology are also failing and are seeing the effect it had on the Los Angeles plant, which would boost productivity and margins. Sloss would be affected not only by the increased productivity, but also the spreading of employee empowerment and modernization of Connor Metals. The divisions would end up happy as well, since the plants who desired this new technological advantage received it and the plants which did not want it do not receive it. The divisions who did not want it will eventually end up wanting the technology in accordance with the four stages of technology assimilation operating in tandem with the halo effect (McFarlan et. Al). The customers are affected by getting better service and are more likely to recommend Connor Metals.

To more adequately discuss the third alternative of giving the technology to overperforming, I will start with the impact this decision has on Sloss and his plan. Unfortunately for that, forcing technology into a workflow which rejects it is the fastest way to end up in a stagnation block in the four stages of technology assimilation (McFarlan et. Al). The impact this has on the divisions is a lack of faith in headquarters to respect their autonomous decisions. This affects customers in varying capacity, but it will most likely consistently affect response times and communication positively. This affects the shareholders because ultimately, the market share of Connor will grow.

The final alternative of only giving the technology to overperforming branches who want it affects the shareholders positively due to increased market share. It affects Bob Sloss and his plan of employee integration positively, the reason for this will be explained in more detail later. The divisions will be affected positively, since only the divisions who want it will get it while also succeeding, it will encourage the underperforming divisions who want it to perform better since it will be seen as a reward for doing well. Finally, this affects customers positively, since even the underperforming units will attempt to boost numbers which will lead to higher customer satisfaction across the board.

After all is said and done, I believe that the fourth alternative is the best given the choices. To assess the reason for this I will look through the other alternatives and explain their hindrances. The first alternative of doing nothing is astoundingly counter productive and should be discarded immediately. The third alternative of giving it to the overperforming divisions is also counterproductive by potentially donning the technology with the horns effect and would shoot any chances of total technological integration in the foot. The second alternative of giving it to the divisions who want it is attractive, and would be a valid course of action in its own right, however, it does not breed an attitude for success that Sloss is aiming to have permeate the entire organization the way encouraging them with a reward does.

Sources:

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