

# Waco Case Study

CIS 410-01 FALL 2018

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## **Overview**

Waco Manufacturing serves as a leading supplier of custom manufactured parts for multiple automotive companies. This has allowed them to corner the market. Within one of their manufacturing plants, security and an information system were installed in 1968. There were transceivers embedded within the plant corridors that would maintain record of where employees were at any time. If a certain employee was receiving a call, the telephone closest to their location would ring. The area manager Monique Saltz, plant engineering manager Monk Barber, and engineers Sherman McCoy, Telly Frank, and Wanda Gogan are involved with the current situation at Waco Manufacturing. Saltz failed to relay a project involving composite-based products to the three engineers that would oversee the development. It was later found out that Monk Barber never had been in the same room with the engineers relaying the information.

## **Mission Statement**

The mission of Waco Manufacturing is to provide the highest quality custom manufactured parts to the automotive industry.

## **Generic Strategy**

According to Goldratt, the goal of an organization is to increase net profit, return on investment, and cash flow (Goldratt). The generic strategy used by Waco Manufacturing to achieve their goals is differentiation. They custom manufacture parts for the automotive industry which puts emphasis on ensuring high quality products for the customer. They do not have mass manufacturing that puts out generic parts. They focus all of their effort into certain unique parts to ensure this quality, which in turn allows them to charge a premium on their products. This

strategy creates entry barriers for competitors and a sense of brand loyalty from customers (Tanwar).

### **Organizational Structure**

We can assume the organizational structure used by Waco Manufacturing is functional as most manufacturing organizations utilize this structure. A functional organization is structured in a way so that employees are grouped around their area of specialization. There would be a chain of leadership in place so that functional areas have a functional leader and a hierarchical structure. We can assume that Waco would have functional groups such as Marketing, IT, Finance, etc.

### **5 Forces**

Customers – Medium/High Threat: It would not be in the best interest of Waco to lose customer sales. If they were to anger their customers, there are other firms with the ability to provide the same service. Customers are willing to pay for higher quality, but if they are no longer satisfied they can switch to a competitor.

Suppliers – Low Threat: Waco Manufacturing serves as a leading supplier of custom manufactured parts for the automotive industry which requires raw materials. Raw materials can be bought from many different companies other than the vendors that Waco is using. The switching cost is low.

New Entrants – Low Threat: A significant amount of capital would be required for a new entrant to compete with Waco Manufacturing. Even if a new entrant was able to come up with the necessary funding, Waco Manufacturing has cornered the market and has established relationships with customers.

Substitutes – Low Threat: Waco Manufacturing operates using the differentiation strategy which allows them to specialize in creating custom parts for their customers. Their parts are unique to others in the market. According to Porter, a substitute is a product that meets consumer need but is available in another market, however, that is not the case with Waco Manufacturing (Porter).

Competition – Medium/High Threat: The automotive industry that Waco Manufacturing is competing in is relatively large. They are competing with other manufacturers in the industry that create both custom and standard parts. If there was another organization that was able to provide custom parts at a lower cost while still maintaining quality and service, they would prove to be a significant threat to Waco Manufacturing.

### **Stakeholders**

Management: Individuals involved in the management chain of Waco Manufacturing such as Monique Saltz (area manager) and Monk Barber (plant engineering manager).

Employees: Individuals that work for Waco Manufacturing in various capacities such as an engineer.

Shareholders: Individuals that have financial investments in Waco Manufacturing and an interest in the organization's wellbeing.

### **Alternatives**

Do Nothing: If Waco Manufacturing decides to do nothing, the organization will continue to use their current security system that is in place with hopes that it is secure and accurate. The findings on Barber that Saltz has will not be brought to light. There would continue to be discrepancies about the contact between the engineers and Barber in regards to the importance

of the designs. None of the individuals involved in this situation would be blamed for the project schedule deviance.

Management: Saltz will not report her findings and will have to work around Barber to initiate the engineering team to work on the designs. Barber will feel the need to work with the team as well as he will want to prevent angering Saltz further.

Employees: Employees would not see an impact and will continue to have their movements tracked by the system. Normal operations would continue.

Shareholders: As long as production continues and Waco Manufacturing is profitable, shareholders will be pleased.

Terminate Barber: If Waco Manufacturing were to pursue this option, they would need to conduct a thorough review of the situation at hand. According to Adams, sometimes the biggest obstacle to the success of a project is management which could be the case here if Barber was lying (Adams). Individuals involved in the situation would need to be interviewed to adequately assess the claims that are being made. Following this process, Barber would then be terminated and no longer an employee of Waco Manufacturing resulting in a need for a new plant engineering manager. Hiring a new plant engineering manager would require time, money, and resources to train and educate a new hire.

Management: Saltz would share the information that she has on Barber leading to his termination. They would also have to admit to employees that they have been tracking them.

Employees: It is likely that employees will be displeased with the extent of the tracking and their lack of knowledge about this.

Shareholders: As long as production continues and Waco Manufacturing is profitable, shareholders will be pleased.

Establish Improved Communication Systems: Waco Manufacturing could integrate and establish improved communications systems that would in turn validate all interactions that occur.

Formal procedures that employees must follow such as setting clear expectations, communication of important information, and meeting logs should be established within the organization. According to Morgan, procedures are viewed as rational instruments with the intention to aid in task performance (Morgan). It is critical that there is adequate documentation available to avoid situations like these from happening in the future.

Management: Saltz will find that her subordinates are aware of the rules guiding them and in turn will have less incidents to respond to. Barber will find that his team members are on the same page in regards to the projects.

Employees: The controls that are implemented will increase the accountability of employees and likely increase positive outcomes. The behaviors of employees will be guided by the policies that are established. Accuracy of information will increase and employees are more likely to be honest.

Shareholders: As long as production continues and Waco Manufacturing is profitable, shareholders will be pleased.

## **Recommendation**

The alternative that I recommend Waco Manufacturing to pursue is establishing improved communication systems. This alternative would help to ensure the accuracy and strength of the security system that is in place. The environment at Waco Manufacturing would be reshaped to

be one that values honesty. By improving the communication and establishing formal procedures, more structure will be given to the engineering teams which is something that they currently lack. There are discrepancies about projects, which implicates the accuracy of a project, which could be solved by improved communications. These actions would be implemented by management and there would hopefully be an increase in productivity. According to Cash, an organization's performance is dependent on all functions working together in a coordinated manner and requires extensive information exchange amongst the functions (Barker). Customers would continue to remain pleased with the level of quality and service they receive from this organization. According to Occam's Razor, the simplest solution is generally the correct one (Bliss). If we use this principle to drive the decision, we can infer that establishing improved communication systems is the best option. This ensures that communication and truthful and accurate. It would not make sense for the organization to do nothing, as that requires the assumption that everything in place is functioning correctly.

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