Case 5: Waco Manufacturing

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Problem Statement

Waco area manager, Monique Saltz, informed plant engineering manager, Monk Barber, of her disappointment with the slow progress of a new set of designs for products critical to the company plan. Barber shifted blame onto his subordinates, stating that he had met with those responsible for completing the designs and emphasized the project’s significance several times. After examination of the location records collected by the new company transceivers, Saltz identified a conflict between Barber’s account of having met with all of the project engineers and the location records, which showed no such meeting having occurred that year. *Thus, the problem is that Saltz does not know why the project at hand fell behind schedule*. Saltz must decide whether to trust the new transceiver system and discipline Barber for lying, or determine that the transceivers provided inaccurate location data and that the project engineers were, in fact, untruthful.

Industry Competitive Analysis

Mission

Waco is, unsurprisingly, in the manufacturing industry. The company specializes in the efficient production and supply of custom automotive parts to the auto industry.

Generic Strategy

Waco maintains a generic strategy of cost leadership. While the case alludes to little in terms of the company’s production process, there is one key factor that makes the firm’s cost leadership strategy evident. This factor is the recent installation of the security and information system to track employee location. Greater monitoring of employees is employed by organizations as a way to increase the productivity of each employee (Katz). Doing so may allow the firm to drive down production costs. Thus, as Tanwar argues, “close supervision of labour” is typically associated with a cost leadership generic strategy (Tanwar 12).

Porter’s Five Forces

As a reminder, Porter’s Five Forces “considers five forces that determine the ‘attractiveness’ of your market by analyzing the competitive intensity.”

*Competitive Rivalry*

Waco faces a moderate to low threat of competitive rivalry. The auto part industry was still quite large in 1987, with manufacturing as a whole employing roughly 18% of employees in non-agricultural jobs (Plunkert 4). However, it is stated that the industry is highly concentrated, with the 50 largest organizations in the industry (out of 4300) accounting “for more than half of industry revenue” (“Automobiles”). This concentration is more reflective of low competitive rivalry (Porter’s 13)

*Buyer Power*

Buyers in this situation hold a significant amount of power. This is due to the highly concentrated nature of the automotive industry. Additionally, automotive companies typically have cost leadership strategies, leaving them quite price sensitive. Finally, they are likely very knowledgeable concerning the parts they are ordering, especially considering they are in need of custom machined parts (Porter’s 27).

*Supplier Power*

Supplier power is low. The cost to switch between suppliers is almost negligible, as there is little differentiation between metal and machinery suppliers. According to Plunkert, the iron and steel industries (as well as the related foundry industries) were among the top 20 most rapidly declining industries between 1979 and 1989 (Plunkert 11). Therefore, they are a weak force compared to buyers.

*Threat of substitution*

The threat of substitution is low. At the time, there were few alternatives. Today, there exists the threat of 3D printed parts, but process was not in place at the time of this case.

*Threat of new entrants*

Waco faces a low threat of new entrants. According to Lois Plunkert, between 1979 and 1989, employment in the transportation equipment manufacturing had declined, and the services industry was rapidly growing (Plunkert 8). Thus, it may not have been a very attractive market to step into. Furthermore, companies such as Waco may have patents on their custom machined parts process, and have reached internal economies of scale. All these factors could caution companies from entering the market (Porter’s 19).

Stakeholders

* Monique Saltz
* Monk Barber
* The three engineers assigned to the project

Alternative Actions

* Do nothing- Do not take action against either Monk or the engineers. Continue using the new information system for normal applications, and on a case-by-case basis for irregular uses. Do not test the system any further. The design project, as well as others, could continue to run behind schedule.
* Discipline Monk Barber- Trust the data received from the transceivers and the word of the three engineers that Barber was lying. Demote Barber for lying to his superior. Sets precedent for monitoring employee whereabouts more strictly in relation to their productivity.
* Continue testing the accuracy of location-based data being collected by the transceivers- Discover whether the system results can be taken as the truth in any situation. Afterwards, take action concerning the project and those involved. This could take several months, or possibly a year.
* Disregard the location data, take Monk’s word, and discipline the engineers- Effectively dump the new information system, as it’s not seen as a reliable source. Give the engineers a warning and take them off the project.

Impact

* **Do nothing** 
  + Monique Saltz- Monique receives no benefit from this action except zero push back from her employees. The project which resides in her area will likely continue to be late, and she may be blamed for the failure of the 1987 plan. She will not have a better picture of the honesty of her workers. Whoever lied to Saltz will likely lie to her again, so she’s in an even greater position to lose. She also may continue to question the honesty of her employees, and may blame the wrong person.
  + Monk Barber- He may not receive any direct benefits from this option. However, he will not be punished as he would under some of the alternative actions. He will likely have a bad relationship with the three engineers going forward. If he lied, he may feel inclined to lie any time he finds himself in trouble.
  + The three engineers- The engineers will also not receive any punishment under this course of action. They may feel inclined to still not care to finish the project in a timely fashion. The engineers may also suffer from low morale while working with a manager whom they distrust. Thus, we can expect all future projects in which they must work with Barber to go similarly.
* **Discipline Monk Barber** 
  + Monique Saltz- If Barber lied, this would be the best action to protect herself and her team. She could potentially find herself in trouble if it is later discovered that Barber had, in fact, not lied. In any case, this action would serve as a good deterrent to anyone who thinks about lying in the workplace. Saltz can also continue to monitor her employees to ensure they are actually doing what they say they are doing.
  + Monk Barber- This would, of course, be the worse course of action for Barber. At the very least, Barber would get a warning. At the very worse, he could be let go from the company for lying. In any case, Barber stands to lose a lot.
  + The three engineers- Are put into a position of trust. This may boost their morale, and allow for better communication to reach them. If Barber is replaced, they may actually receive pertinent updates and notices about projects and work related to them. If it was them, however, that lied, then they may choose to team up and continue to lie in order to get themselves out of doing work.
  + Important to note that in this case, the new information system will be taken as truth, and no further testing will likely occur. It will be assumed that the system produces accurate information.
* **Continue testing the accuracy of location-based data being collected by the transceivers**
  + Monique Saltz- By the time she gets the information related to the incident, it may be too late to take proper action. The deceiver may have already lied on other projects, which have also been made late. However, this action will leave her the most informed. Therefore, she will be best suited to make a decision as to whether the system can be relied upon, as well as who had lied.
  + Monk Barber- Provides Barber with job security for at least the time being. In this time, he may be able to attempt to work harder to meet deadlines, and follow through with his work objectives. Thus, this may be a period of redemption for Barber if he is the liar. He could also use the time to continue to not do any work and lie until the system is fully tested.
  + The three engineers- Increases the amount of time they have to spend with Barber, creating an ever more hostile work environment. Could stand to benefit if it is determined the system was true in its original claim about Barber is correct. If the system is deemed unreliable, that may have a negative impact on their careers, as well as their relationships with Saltz and other employees.
* **Disregard the location data, take Monk’s word, and discipline the engineers**
  + Monique Saltz- May receive harsh criticism for this action, as she is only using the word of one person, against the word of three individuals and a computer system. If it turns out true that Barber was the liar, she could be disciplined, herself. On the other hand, if the engineers were the liars, then she is doing her team a favor by either disciplining them or replacing them for the project.
  + Monk Barber- This is the best outcome for Barber. He receives the trust of his boss, and is free to make such claims about any subordinate in the future. If he was the liar, he is essentially getting away with it.
  + The three engineers- The worst outcome for the engineers. Their careers will likely be affected in some way. Their morale will be reduced greatly, especially if they were telling the truth.

Recommendation

There exist several hypotheses as to what happened to cause the project to fall behind schedule. To decide which hypothesis should be accepted, Occam’s razor may be applied. Occam’s razor is a principle of favoring simplicity when determining a cause. According to the Stanford Encyclopedia of Philosophy, Occam’s razor supports this form of decision-making: “if theory T is simpler than theory T\*, then it is rational (other things being equal) to believe T rather than T\*” (Baker)

Applying this to the case of Waco Manufacturing, it can ultimately be determined that the best hypothesis is that Barber lied to Saltz about meeting several times with the three engineers. The least number of assumptions are related to this hypothesis, as both the transceivers and the three engineers point to Barber being the liar. On the other hand, to accept Barber’s argument would be to reject the findings of the information system, and to deny the claims of three individuals. Additionally, it is worth adding that it is likely all employees could reasonably be aware that they could be monitored, having the knowledge that they could be called from any phone. Finally, while the three engineers could have taken off their badges, it would have also been required that Barber take off his badge, as well. That is simply too complex of an event to accept. It is much more reasonable to trust the simpler explanation that Barber lied.

With that in mind, it is recommended that Monk Barber be disciplined for his actions. Doing so will protect the team from further harm, and hopefully allow it to begin meeting deadlines again. While it would also be wise to continuously test the information system to ensure accuracy, that should not be the accepted course of action, as it would take too long to take the proper actions to protect the company. The best thing to do would be deal with the lying that clearly occurred as quickly as possible.

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