Case 6: Connor Formed Metal Products

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Problem Statement

After implementing several historical changes at Connor Formed Metal Products following his assumption of the Vice President of Operations position, Bob Sloss was still searching for ways to empower employees in a manner that would be reflected in the company’s bottom line. Financially positive results were discovered after rolling out a new information system in the Los Angeles plant. This new system increased productivity and communication, enlarged brand recognition, and empowered employees at all levels to deal with problems immediately as they arose through the use of shop holds. The system, therefore, greatly moved Connor toward the highly delegated environment Sloss had envisioned. With all the benefits realized at the Los Angeles plant, it made sense to expand the information system to the other plants. However, the divisional structure of the organization complicated matters. As Cash states, a divisional organization is differentiated by a high amount of autonomy to make strategic decisions (Cash 36). Connor was no different. Each division had full profit and loss, and capital expenditure responsibility. Thus, Sloss had to figure out whether the information system developed at the Los Angeles plant would reap similar benefits within the other divisions. If so, Sloss would also have to decide the best way to push the system to the other plants without sacrificing the sovereignty he had worked so hard to build.

Industry Competitive Analysis

Mission

Connor Formed Metal Products is in the manufacturing industry. More specifically, it is in the fabricated metal product manufacturing industry (“About”). Connor seeks to be an industry leader through the production of high-quality and mainly custom-engineered metal stampings, wires, and springs. The organization has also begun to adopt a service orientation.

Generic Strategy

Connor recently adopted a differentiation strategy. Tanwar suggests that the uniqueness associated with differentiation can be found in a number of areas, including design, brand image, technology, features, dealers, network, or customer’s service (Tanwar 13). In the case of Connor Metal, differentiation was achieved through high quality and improving customer service. It is mentioned that Sloss looked to companies like Motorola, and aimed to win the Baldridge Award, an honor given to those organizations with the best quality management systems in the U.S. Additionally, Sloss wanted to foster a service-orientation which ensured reliability to its customers.

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*

Connor faces a moderate threat from its competitors. Connor appears to be much larger than most competitors, and it makes custom products, which would be an indication of low competitive rivalry (Porter’s 13). However, the sheer number of competitors is great (600-700 firms) increases the competitive rivalry that can be observed.

*Buyer Power*

There is high, but slowly diminishing, buyer power. Buyers in the market are extremely price sensitive, which typically provides them with greater bargaining power (Porter’s 25). However, Connor has begun growing in its influence upon customers with its strengthening quality and service. These two positive aspects have been making customers more loyal to Connor.

*Supplier Power*

It seems likely that suppliers would not have a particularly great influence on Connor Metal. Raw materials are generally easy to acquire for the lowest price, and there are likely many suppliers to choose from.

*Threat of substitution*

There is a low threat of substitution, as there are only a few alternatives to some of the products and processes existing at Connor Metal. An example of an alternative to metal stamping would be hydroforming.

*Threat of new entrants*

There is a low threat of new entrants. Manufacturing is simply no longer the power house industry it once was, and services have easily taken over. Therefore, most industry leaders have been well-established for quite some time.

Stakeholders

* Bob Sloss- Wants to delegate most responsibility out to managers’ employees, and keep up with the rapidly changing business environment.
* Connor Metal Employees- Heavily aligned with their divisions
* Connor Metal Customers- Usually seeking the best price but are greatly appreciating better service and quality.

Alternative Actions

* Do nothing- Keep the new information system active in the Los Angeles division, but do not attempt to push it to the other divisions. Continue to allow divisions full autonomy to adopt any system they see fit. The divisions would remain on different levels of technical resources and expertise. The only thing in common would be that all divisions (except Dallas) have an IBM System 36s.
* Push the new information system to all divisions- This would keep the divisions on a similar page in terms of technology. Replace any similar software already in place. Update software to fit any specific divisional needs. Provide additional support to those divisions which are especially not used to using computers.
* Push the new information system to Portland only- While San Jose responded negatively towards the idea of adopting the new Connor information system, Portland seemed more enthusiastic. Additionally, the employees in Portland are notably more comfortable using computers. This may be a good way to test the system in a smaller business environment.

Impact

* **Do nothing**
  + Bob Sloss- Sloss would receive this alternative neutrally. By simply implementing the system in Los Angeles, he will have dealt with the “problem child.” Thus, the three main divisions will all be profitable enough for this option to benefit Sloss. He will also be able to continue his ideas of strong autonomy in the divisions by not imposing a technology they are unsure they want in the first place. Finally, he will not risk spending money on updating, implementing, training if the system should not be a good fit for the other plants.
  + Connor Metal Employees- The Los Angeles Employees are doing significantly better. They are able to perform their jobs more efficiently, are developing their technical skills which makes them more valuable, and are making fewer mistakes on the job. Additionally, as owners, the better the division does, they better they do. Thus, with the recent increase in sales, the Los Angeles employees are indeed sitting pretty. The Portland and San Jose employees and managers benefit in that they maintain their autonomy while making significant profit. However, they could probably benefit from the new software, especially those in Portland.
  + Connor Metal Customers- Only the customers of the Los Angeles division benefit from this option. These customers are receiving better/quicker service, and goods that are more often right the first time. The customers of the other plants feel no affect from this alternative, but it is likely they were already decently happy with the service and products they were receiving.
* **Push the new information system to all divisions**
  + Bob Sloss- Would be satisfied with his investment, knowing it will be implemented throughout the company. However, he risks a loss of respect if the system fails at the new locations, or contempt from those who did not want to implement it in the first place. He sacrifices his goal of leaving responsibility up to the divisions, as well.
  + Connor Metal Employees- They will probably all benefit, at least somewhat, from the new information system. However, many might not be happy about it. Those in San Jose seemed to especially meet the system with negativity and disinterest. The Portland plant will be more impacted by the system than those employees in San Jose. This is due to the fact that San Jose already has Job Boss. On the other side of the coin, their dependence and familiarity with Job Boss may serve as a detriment to their learning of the new system.
  + Connor Metal Customers- Will all benefit from the implementation of the system everywhere. This is due to the same reasoning as above - faster and more reliable service, etc.
* **Push the new information system to Portland only**
  + **Bob Sloss-** Probably the best option for Sloss. While the system seemed to be a success in Los Angeles, it is still very unclear whether such a system would be needed elsewhere. Thus, this option would provide Sloss with the ability to “test run” the solution without a full rollout. This way, less risk is involved. Additionally, since Portland was so positive about the new system, and do not already use a software like job boss, the conditions are best for Sloss to study the effects of the system on a smaller division.
  + **Connor Metals Employees-** In this option, it seems the employees from every division get what they want. The Los Angeles employees keep their system, the San Jose employees do not have to depart from Job Boss just yet, and finally, the Portland employees get to use the new system.
  + **Connor Metals Customers-** Only those who are customers of Los Angeles and Portland will likely benefit from this option.

Recommendation

My personal recommendation would be that Sloss do nothing at the moment. In a divisional organizational structure, it is important to maintain a semblance of autonomy in each division. Forcing divisions to roll out the new system would be debilitating on their ability to make strategic decisions. Also, it should be noted that the other 3 divisions are currently in Stage I (Initiation) of the IT Adoption and Organizational Learning Theory. Therefore, they have just recently been exposed to the new information system. With more time and exposure, they should reach Stage II (contagion) in which they gain momentum in adopting the new system (Cash 259). Furthermore, Portland probably does not need to be forced to adopt the system, as they are already enthusiastic about it. Meanwhile, more time will allow San Jose to decide whether it wants to maintain Job Boss or move on to the new system.

Moreover, this option allows Sloss and Quarrey to focus their efforts on ensuring Los Angeles is a continued success. If Quarrey is able to continue improving the system to meet user needs, there is a greater chance that the other plants will adopt in the future.

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