Shivani Patel

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Dr. Barker

Connor Metal Case

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**Summary**

Connor Formed Metal Products is a small family-owned company. It was formed in 1947 when two individuals Joe and Henry Sloss purchased the company as an investment. By the 1960’s they had opened divisions in San Jose, Phoenix, Los Angeles, and Portland, Oregon.

Connor Formed Metal Products manufactured metal springs and stampings for large U.S original equipment manufacturers. Most of the organization’s profits came from producing complex metal stampings and wire forms, while the other twenty percent of profits came from producing coiled springs.

Connor Metal was originally managed for over twenty years. Connor had no debt and extremely slow growth during this period. When Sloss became the manager, he knew that he could not continue down this path; competition was steep and there were many opportunities for a takeover from an offshore firm. Sloss began to reshape the organization in hopes to stay competitive.

One of the first changes he made was to decentralize the company into four autonomous divisions. He wanted to take a “hands-off” approach and gave each division responsibility for their profit, loss and capital expenditure. Another change that Sloss made was to change from a top-down control system where minimal information is shared, to a more open system where information is shared, and employees were encouraged to be involved in the business processes. He also developed an Employee Stock Ownership Plan (ESOP) that gave employees a stake in the success of the company. According to author Jerry Ripperger, ESOP’s are a good idea because “Increased organizational performance typically leads to a higher share price and therefore a higher balance in employee ESOP accounts. Simply put, when the company does better so do the employees. The ESOP provides a return on their sweat equity. That generally leads to highly motivated employees” (Ripperger).

**Problem**

Sloss had large goals for Connor Formed Metal Products. He changed the entire organizational structure to be decentralized and divisional. While making all these changes, Sloss wanted to ensure that he kept information flowing between divisions and with all employees. Before Sloss took the management position, Connor Metals had very little information technology infrastructure. The only technology the organization possessed was an IBM System 34 mini-computer at corporate, that was used for accounting and financial purposes. Everything within the divisions was done with pen and paper, which led to many frustrations and inefficiencies within the organization. Eventually, Sloss introduced IBM System 36. This software worked for some divisions but posed a challenge for others. While employees were initially uncertain about the new system, it was well designed, and the operation was intuitive enough that even employees with little skill were able to use it. One machine operator stated that although he was initially afraid because he had never used a computer before, he found it to be easy. Another reason that the system was so well received is that it gave the employees greater visibility and control over jobs. The shop orders contained a notes section that gave workers the ability to make comments about the job throughout the manufacturing process. If there was a problem with the order workers were empowered to put a shop hold on it until the problem was corrected.

The Los Angeles division saw dramatic improvements due to the implementation of this system. Run speeds on several jobs had increased by as much as 20 percent. Repeat defective jobs had reduced from 14 percent in 1989 to 4 percent, and credits issued to customers fell from 4 percent of sales to .5 percent during the same period. The plant’s headcount had dropped through attrition by 15, while its sales had risen 28 percent to an annual level of $10 million. (Cash) The problem is that Sloss isn’t certain that the other smaller divisions will respond to the system in the same way. He is concerned that they will find the system to be structured and bureaucratic. He has to decide whether or not to expand the system to these divisions or not.

**Industry Competitive Analysis**

Connor Formed Metal Products’ mission is to provide reliable, custom-developed metal stampings and wire forms to large U.S original equipment manufacturers and supply consumers with superior customer service. When analyzing Connor’s competitive environment it is helpful to consider Porter’s five forces described by Harvard Business School.

**Porter’s five forces:**

1. **Threat of New Entrants:** The threat of new entrants is high for Connor Metals. The new entrants are mostly offshore companies that are providing products and services at a cheaper cost than Connor Metals. Connor Metals is always going to have new entrants come into their market as offshoring labor and products are more cost effective for big businesses.
2. **Threat of Substitutes:** The threat of substitutes is low because customers are not easily going to find products or services that meet their needs from another market. “A substitute product is a product from another industry that offers benefits to the consumer like those of the product produced by the firms within the industry” (Team FME).
3. **Supplier Power:** The bargaining power of suppliers is low because Connor uses raw materials and those can be purchased from any supplier without much differentiation in quality.
4. **Power of Customers:** In this case, the switching costs are somewhat dependent on the product they are purchasing. The switching costs to purchase springs elsewhere would be relatively low because it would be easy for them to purchase those from another manufacturer. The switching cost to purchase custom stampings, complex wire forms and assemblies would be higher because these items because they require significant engineering expertise to produce. This means that overall customers have moderate bargaining power.
5. **Degree of Rivalry:** The degree of rivalry is high. Connor faced competition from 600 to 700 primarily owner-operated job shops. Connor also faced competition from foreign competitors who were taking market share with lower prices.

**Stakeholders**

A stakeholder is “a person, group or organization that has interest or concern in an

organization” (Business Dictionary 2018). The stakeholders in Connor Formed Metal Products are:

**Employees** - the non-managerial employees of Connor. “Employees should always be considered as stakeholders because they invest their time and labor into the company as well as any interests or concerns that may arise within the company that could have a profound effect” (Chron 2018). The decision to whether to implement the system in the other divisions will affect the employees because the new system will require training to learn how to use it.

**Customers** - Customers are a stakeholder because they need the custom parts that the

company produces and expect good customer service and high product quality.

**Shareholders** - Shareholders want Connor Metal to be profitable to earn money. Shareholders are normally happy if they are making money and are expected to continue making money in the future.

**Management** - Executive managers of Connor, including Bob Sloss. Bob Sloss is a stakeholder because he is responsible for this company that has been in his family for years and he is financially dependent on its success.

**Four Stage Model of Growth:**

The four-stage model by Gibson and Nolan which was later modified by McFarland and McKinney is used to analyze how new technologies are incorporated into the IT architecture. If we leverage the model correctly, we can better incorporate technology into an organization’s architecture. This model only consisted of four stages until it was updated in 1979 where it added an additional two more stages (Wikipedia, 2018).

The first stage of the growth model is Technology identification and investment stage which is also called the initiation stage. This stage focuses on where the IT is introduced and placed within the organization. In this stage, Michael Quarrey was assigned to make a system that focused on cutting costs and increasing the efficiency of their employees at Connor Metals. This system will either be implemented within the company or go elsewhere. This will help us decided whether they go on to stage two or they hit stagnation block A.

The second stage of growth Model is Contagion stage. This is the learning and adaptation stage. In this case, Connor Metals implemented Michael Quarrey’s new system across the Los Angeles office to make sure it truly applicable for the rest of the company. Connor Metals will hit stagnation B if Bob Sloss decides if the employees aren’t learning the new system and aren’t adapting to the change well.

The third stage of growth Model is rationalization and control. In this stage, the business focuses on how much money it would cost the company to have the technology and using it. In this case, Bob Sloss would need to meet with Michael Quarrey to discuss if it is worth it for Connor Metals to implement this new system company wide or not to implement the system companywide from a financial standpoint.

The fourth and final stage is Integration. In this final stage if everything has passed through the other stages the company will decide to push out the technology or the system. In our case, Bob Sloss will tell Michael Quarrey to implement it companywide.

**Alternatives and Impact on Stakeholders**

1. The first alternative would be to do nothing. They can choose to only use the new system in the Los Angeles plant and not roll it out to the other divisions at all. This option would have the least amount of impact on all the stakeholders because nothing would change for any of them. It could, however, result in the lost financial opportunity for the company that could have had a positive impact on Bob Sloss and the employees. The impact on the stakeholders are as follows:

Employees of Connor - Employees would continue their everyday job without anything affecting them. The company is successful so most employees may remain content.

Customers of Connor - Customers will keep enjoying high quality customized products as they have been.

Shareholders of Connor - Shareholders will continue as they were.

Management - San Jose managers would be happy because they are content with the job system but managers in Portland may be a bit bothered because they want to apply the software.

1. The second alternative would be to adopt the new Connor software to all the divisions. The impact on the stakeholders are as follows:

Employees of Connor - As mentioned before, some employees will be happy about the implementation, while others will not be happy. It is a significant change for some, so there may be some hesitation for going straight into this new software. There will also need to be training and maybe some frustration at first.

Shareholders of Connor - Shareholders will be happy if they are making money. If the software implementation increases productivity, shareholders will be happy.

Customers of Connor - Customers could be impacted positively or negatively, depending on the use of software across divisions. They would be happy if the new software helped improve customer service and is a smooth transition. However, if things do not go smoothly and employees are unhappy with the implementation, this may affect customers adversely.

Management - Sloss could also be affected depending on how implementation goes across the organization. He may receive backlash if things do not go well.

1. The third alternative would be to let the divisions decide individually (four stages model). Management of the divisions can meet their employees and decide what to do. The impact on the stakeholders are as follows:

Employees of Connor - Employees will be happier and may perform better if they are given a choice if to apply the new system. San Jose may not want to change their computer system. They are already doing well and have invested heavily in training on the Job Boss system.

Customers of Connor - The effects on customers will depend on how the new system implementation works out at several divisions.

Shareholders of Connor - Shareholders may benefit or go through depending on how the implementation is received at the other divisions.

Management of Connor - Managers of Connor including Sloss may benefit or suffer depending on how implementation is received at the other divisions.

**Best Course of Action**

As Goldratt states in The Goal, “So this is the goal: To make money by increasing net profit, while simultaneously increasing return on investment, and simultaneously increasing cash flow” (Goldratt 1984).My recommendation is to apply the four stages of growth model and let the divisions make a choice of whether to implement the new Connor system. By doing this, no one will feel that their autonomy is being disobeyed and there is no turn down from employees who are not happy about having to change the way that they are doing things. If the divisions have time to see how the Connor software helps business processes, they may have more acceptance of the system. With the employees involved in the ESOP, employees are very interested in the success of the company. Connor is currently in the data processing era of the technology. They have entered the stage one of the stages theory of IT adoption and organizational learning. The technology has been adopted by at least one of their divisions. Connor is nearly staging four as they decided whether to implement the new technology to all their divisions. Connor should let the divisions decide on whether to implement the Connor Software, based in the four stages model.

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