

# Connor Formed Metal Case Analysis

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## Introduction

Connor Formed Metal Products is a company that provides metal springs and stampings for large U.S. original equipment manufacturers (Cash 255). Connor Metal must compete with 600 to 700 owner-operated job shops in providing their products to equipment manufacturers. The metal products industry is well-known for its poor product and service quality, which leads to price being the most important factor in the competitive rivalry between similar businesses. Connor Metal Products was split into four different divisions, which were located in San Jose, Phoenix, Los Angeles, and Portland, Oregon (Cash 255). These divisions are split into two regions, being north and south. The two major divisions are the Los Angeles and San Jose locations, while the Phoenix plant reported to the Los Angeles plant, and the Portland plant reported to the San Jose Plant. Bob Sloss, president of Connor Formed Metal Products, realized that the current control system needed to be realigned, as the current control system was in the form of a top-down approach, giving most of the company power to higher authority. Sloss aimed to empower all levels of the organization, and in doing so, offered employees extra benefits for employees that had shown exemplary performance (Cash 261). Sloss transformed Connor Metal into a divisional structure company that maintained a bottom-up approach. While most aspects of the company proved to be successful, Sloss believed that the company's major downfall was its heavy reliance on paperwork. Sloss met with their information systems manager and decided that they would test out a new information system on their Los Angeles plant, as this plant was doing poorly and was the largest plant. By the end of 1990, the Los Angeles division had already begun to see drastic improvements in overall performance with the implementation of this new system.

## Problem

The current problem that Connor Formed Metal Products faces is that they must decide whether it is worth for the company to implement the same information system that they implemented in Los Angeles into the other divisions of Connor Metal. The implementation of this new information system in Los Angeles, their largest plant, led to drastic improvements in many forms: run speeds on several jobs had increased by as much as 20 percent, repeat defective jobs had been reduced from 14 percent to 4 percent, and credits issued to customers fell from 4 percent of sales to .5 percent during the same period (Cash 269). The employees of San Jose began to argue that the implementation of this new information system was unnecessary, as they were much more experienced with the current system and were already making record profits. Employees from other divisions argued that this new information system could be beneficial in data entry and ease of access to stored data. The company must decide whether to implement this new information system in the other divisions.

## Mission

The mission of Connor Formed Metal is to provide custom-made metal products to as many customers as possible to ensure an overall profit for the company. Connor Metal looks to be as efficient and effective as possible when conducting business processes to maintain competitive advantages over their competitors (Goldratt 34).

## Porter's Five Forces Analysis

### Threat of New Entrants: High

As stated in their case report, Connor Formed Metal competed with 600 to 700 owner-operated job shops that offered similar products (Cash 255). The threat of new entrants into this market is high because the product type they provide is easily imitable and it requires a small amount of capital to join the market, seeing as there are hundreds of small business offering the same form of product.

### Threat of Substitute: Low

The threat of substitutes for Connor Formed Metal is low because Connor Metal focuses on custom-made products, while other competitors focus on easily imitable products.

### Bargaining Power of Suppliers: Low

The bargaining power of suppliers for Connor Formed Metal is low, as there is a limited number of suppliers for the materials they rely on for their product.

### Bargaining Power of Customers: High

The bargaining power of customers for Connor Formed Metal is high, as customers mainly decide their suppliers based on price. The industry is known for having poor quality and service, so most customers look for suppliers that offer their product for the lowest possible price (Cash 255). Since price is the deciding factor in customer purchases, competitors will aim to reduce overall costs for production to lower the price of their product.

### Competitive Rivalry: High

While Connor Formed Metal focuses on custom-made metal products, competitive rivalry is still high due to price being the main factor of customer purchasing. Customers do not focus on the overall quality of the product when purchasing from suppliers, rather the price at which they can obtain product for. Companies within this industry will often face off against each other in price wars, as the leading price will often earn the most sales (Porter 1).

## Stakeholders

### Connor Metal President, Bob Sloss:

Bob Sloss plays a major role in the future of the company, as he is the president and has the most say in what is done within the company.

### Connor Metal Employees:

Connor Formed Metal employees are in important factor in the success of Connor Metal as the company is ran from a bottom-down approach, meaning that employees are given more of a say in how the business is operated and are given more knowledge about the company's business processes (Barker 7).

### Connor Metal Customers:

Connor Formed Metal customers are major stakeholders in the company, as they determine how well the company does based on how many customers invest into Connor Metal products.

### Connor Metal Shareholders:

Connor Formed Metal shareholders are major stakeholders in the company, as they fuel the company with their investments. If signs of failure begin to arise within Connor Metal, shareholders will look to pull out future investments, which will have a snowball effect in the downfall of the company.

## Alternatives

### Do Nothing:

With this alternative, Connor Formed Metal Products can choose to not implement the information system that they tested on the Los Angeles plant. The Los Angeles plant was the largest plant for Connor Metal, yet was the least effective plant of the four. With the implementation of the new information system, the Los Angeles division saw drastic improvements in many fields of work. Although this information system was deemed beneficial to the success of the Los Angeles division, it may not be successful for the other plants. The Los Angeles division was the largest, so this information system was able to help maintain a large

amount of information flow. The other divisions are much smaller than the Los Angeles division, so the implementation of this new system may not be as beneficial as it was for Los Angeles. Employees of smaller divisions argued that this new information system may be harmful for the division, as many employees are already highly trained with the current system. Implementation of an entirely new information system has a great chance of failure if employees do not adapt well.

### Implement new system in all divisions:

With this alternative, Connor Formed Metal Products can choose to implement the new information system into all other divisions of the company. Since the Los Angeles division had seen drastic improvements with the new information system, it may have the same effect on the other divisions. While many employees argue that the new system can be beneficial to their division, other argue that it can also be of harm. Employees of the San Jose plant argued that employees have already invested a lot into training all their employees with the current system, and that they may not like the new way of doing things. The employees also mention that with their current system, they are already making record profits, so why get rid of something that is already working properly? Other employees argue that this new system would allow for the ease of access to all stored information and will employee will spend less time searching through mountains of paperwork to find important information. The implementation of an entirely new system into three other divisions is costly and may turn out to be ineffective. In implementing this new system, some divisional employees may show resistance to a new system, but this can easily be avoided if employees gain knowledge of the system before it is implemented (Kotter 109). This will allow for employees to better understand how the system works.

## Effect of Alternatives on Stakeholders

### Do Nothing:

If Connor Metal were to do nothing, Bob Sloss will continue to operate the company in a bottom-up approach. Employees will continue to perform their operations using the currently implemented system. Customers will continue to purchase products from Connor Metal if they are unique and leading in price. Stakeholders will continue to invest if the company is making a great margin of profits.

### Implement new system in all divisions:

If Connor Metal were to implement the new system in all divisions of the industry, Bob Sloss will have to allocate resources to implementing this new system and will be required to implement a training program to make sure employees are working as effective and efficient as possible. Employees will have to adapt to the change in the information system and will have to be retrained to perform with the new system. Customers will likely be affected by this alternative if the price of product changes. Customers will likely purchase more from Connor Metal if prices decrease, while vice versa if prices increase. Stakeholders will likely withdraw further investments if this implementation negatively affects the profitability of the company.

## Best Alternative

The best alternative that Connor Formed Metal Products can choose is to simply do nothing. The current implementation of the information system that Connor Metal uses had proved to be effective, as shipments rose from under \$8 million in 1982 to over \$17 million in 1988. While the implementation of the new information system has proven to show drastic improvements for the Los Angeles division, it may not have the same effect on the other divisions. Connor Metal must factor in the overall size of each division when implementing this information system. This information system may prove to be effective in a large division, as

there is a massive amount of information flow, while in smaller divisions, it may not be necessary. The overall cost of implementing this new information system is not worth the risk, as it may prove to not be beneficial for other divisions in the company. Employees of the San Jose division argue that they are making record profits with the current system, so it would not be wise to change an already effective system. Other employees argue that this new system could be beneficial to the company in terms of data input and ease of access to important documents.



## Work Cited

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