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CIS 410

Connor Metal

Case 8

Background/Mission:

Connor Metal, originally known as Connor Manufacturing Services, started operations in 1913 and was purchased by the Sloss brothers following the Second World War. The Sloss brothers ran the company as executives into the 1960s while most of the daily operations were handled by company Vice President George Halkides. When Halkides retired in the early 1980s, Joe Sloss's son Bob Sloss took over as VP and had a radical new view for the company, with a desire to embrace emerging technologies and implement them tightly into the business in order to maintain a competitive advantage (Connor).

Sloss underwent an executive education program at Stanford University, and as a result of the business knowledge he attained there, he started working towards decentralization of the company by allocating daily operations to each individual plant. These plants were all independently functional in their daily routines to diversify in the business environment by adjusting day to day practices based on individual plant needs. Connor Manufacturing was also rebranded as Connor Metal, a service-oriented manufacturing business that provided custom-made metal and machinery products. This restructure allowed for Sloss to differentiate the company even further, and his end goal was to offer a service at a high speed, high level of convenience, high level of personalization and low cost.

Business Strategy:

At the onset, Connor Manufacturing Services competed with a cost leadership strategy, the same as every metal manufacturing company at the time. When Bob Sloss took over and restructured the company, he implemented a differentiation strategy that focused on offering custom and unique products.

Organizational Structure:

As Cash says, “A successful company organization strategy includes organizational, control, and cultural variables, which are managerial levers used by decision makers to effect changes in their organizations” (Cash). Connor Metal employs a divisional organizational structure in order to better suit the needs of the company’s individual branches while maximizing profit.

Porter’s Five Forces:

Competitive rivalry is high in this case. According to the case, there were around six hundred to seven hundred metal manufacturers competing in this industry in the mid-1980s (Connor). This makes sense in the context of product differentiation between different firms.

Threat of new entrants is low in this case. It takes a considerable upfront cost to create a single metal manufacturing plant, let alone a corporation with several plants in its arsenal. The products offered also require expertise to craft and to design, and customers who are looking to buy manufactured metal will already have loyalty to another existing firm, and it will take convincing to lure that clientele.

Threat of substitutes is low in this case, As previously mentioned, the overall complexity in creating machined metal is too great for any substitute good. In addition, product variety would be hard to emulate for other companies outside the industry.

Bargaining power of suppliers is low in this case. Raw materials providers are ample, especially in the metalworking and metal manufacturing industries. In addition, contracts between the raw material suppliers and Connor Metal will ensure set prices for years to come.

Bargaining power of customers is low in this case. Metal working is not an industry in which buyers can substitute and get the same customizability and high-quality that Connor offers. And as mentioned, their switching costs could be high due to contracts between buyers and Connor.

The Problem:

Bob Sloss's restructure of the company eventually found its way to the IT architecture, as he wanted to see a higher return on his restructuring investments. Originally, Connor Metal was using a single IBM terminal to produce payroll and accounts receivable/payable. Anything beyond these three tasks was done using pen and paper. Sloss toyed with the idea of implementing new IBM units in the Los Angeles plant, and by combining new hardware with programmer Michael Quarrey's software "Job Boss" and relational database software, Connor Metal was able to create a system that helped workers estimate orders, learn job details, add custom comments to individual jobs, and even detect errors. This new system increased the employees' autonomy, feedback, task identity and skill variety in ways that no other workflow system had before. The software was easy and fun to use, and Cash states that this offers the highest likelihood that new technologies will be accepted (Cash).

The new system was a smash hit, and it saw huge ROI in the short term both financially and in employee productivity and satisfaction. While the plant in Los Angeles was thriving with this new system, they had also drastically changed the way that day-to-day business was conducted. The next logical step would be to implement the new system at every facility, but concerns arose as to whether smaller plants were going to benefit from such robust systems. The plant in San Jose in particular was against the new system since they had independently invested in their own system, and their profits were on the rise as well.

Connor's executives at this point have answered the questions "What do we change?" and "What do we change to?", and the final remaining question that Goldratt asks is "How do we *cause* the change?" (Goldratt).

Stakeholders:

Connor Metal's executives are in hot water due to the company restructures being on their hands. If the system implemented entirely changes the business practice, it's hard to pin association anywhere else in a company's success or failings. This trickles down to managers and employees, who face job layoffs or promotions based on failure or success, and customers who face raised or lowered prices as well as an increase or decrease in the quality of the end good.

What to Do and Why to Do It:

Sloss and the rest of Connor's executives have a few options here: they could do nothing, implement the systems company-wide, or potentially allow each plant to choose whether they want the new system or not.

By doing nothing, Connor essentially wastes all the money invested into the new system by only keeping it in the Los Angeles branch. This system was researched and developed for years, and the profits of only one firm using it would not be as impressive as the return was expected to be. Investors would be unhappy with the lack of incoming funds and a lack of improvement to the bottom line, but employees and managers would see no change in their workflow, which is good for both the LA and the San Jose branches. Customers might see a lack of customer support at branches other than LA.

Sloss could decide to allow the individual branches to decide whether to implement the new system on a case by case basis. The decentralization of Connor Metal was entirely done to allow frontline workers to be the ones making daily decisions about the tasks they need to perform in order to become most efficient at them. This would allow for the autonomy of managers to remain intact. Shareholders might be a bit turned off at the prospect of a lack of immediate funds, but if more branches move over to the new system, higher ROI will eventually trickle in. Customers would also see the benefits of the new system, but again, only in market where it was adopted.

Implementation of the systems company-wide would coincide with a high probability of Connor's bottom line increasing. The improvements brought about by the new system will only help to make it more efficient and profitable in the long run, and Goldratt will remind us that a firm's sole goal is to make money (Goldratt). For this reason and the fact that not a single branch is guaranteed to migrate to the new system, it makes sense to implement the system company-wide regardless of the wants and desires. Firstly, the new system would not conflict with other systems like the different San Jose system, so a consistent experience could be expected across each branch. Secondly, executives would see the ROI of the new system in every market, not just Los Angeles. Third, customers would receive the better customer support and higher efficiency workflow benefits in every market. Employees and managers can get used to the new system, and the reports from LA show increased autonomy, feedback, task identity and skill variety anyway, so it isn't unreasonable to expect the same end result from other firms using this new system, even in markets like San Jose who were already using a different system.