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CIS 410

Waco

Case 7

Background/Mission:

Waco Manufacturing was an automotive industry manufacturer that led the market in the mid-1980s. In 1986, Waco installed a new security system that had the ability to track the location of each employee at any given time. Transceivers were placed 25 feet apart all across the facility, as well as in the badges employees carried at all times. This system was implemented with the hopes that employees could utilize it to help their own individual productivity by redirecting phone calls from an employee's desk to the nearest phone to their badge.

Business Strategy:

Waco utilizes a differentiation strategy, as they offer custom-made parts to spec and to order. As per Afuah and Tucci, "product features, timing, location, service, product mix, etc." are all able to be differentiated between companies and their competitors (Aufah, Tucci), and Waco differentiates in most if not all these aspects. They seek to deliver the highest quality product that customers cannot obtain anywhere else.

Porter's Five Forces:

Competitive rivalry is low in this case. Waco offers custom machined automotive parts, and the case clarifies that Waco specifically is a leading force in the automotive industry as far as supplying these kinds of raw materials to other manufacturers.

Threat of new entrants is low in this case. The up-front cost to create and implement a new industrial manufacturing plant, as well as the effort to find clients and customers, are massive. It would be an incredible undertaking to enter a market with this high of an entry barrier.

Threat of substitutes is low in this case. We can define substitutes as “products or services that meet a particular consumer need but are available in another market” (FME). As mentioned before, clients go to Waco to order custom machined parts that they need made to exact specifications, size, quality, etc.

Bargaining power of suppliers is high in this case, as the suppliers can sell raw materials such as metals, tools, etc. to the highest bidder. Without their raw materials Waco can’t make a product, so they need to make consistent and sizable orders to keep these sellers satisfied with their revenue.

Bargaining power of customers is low in this case. The car manufacturers have an assumedly high switching cost and high switching effort, and because of these two factors their bargaining power is lessened (FME). This is all working on the assumption that Waco’s buyers are under contract.

The Problem:

An area manager by the name of Monique Saltz expressed her frustrations regarding the lateness of a set of designs for composite-based products. She took these complaints to Monk Barber, the engineering manager for the plant, who attested that he had repeatedly met with the three engineers assigned to the project and had repeatedly stressed the importance of said project. Barber went on to affirm that the engineers just hadn’t responded to him about the process, and that he was frustrated. Saltz then contacted the engineers and was surprised to find that the three of them had no idea about the project’s importance, and none of them had ever met with Barber about the composite designs. When Saltz relayed this issue to the plant manager, she suggested that they utilize the aforesaid transceiver tracking system to see if Barber and the three engineers had ever even been in the same room that year. They looked at the data and found that they hadn't.

The issue here is that Barber could be lying about meeting with the engineers, the engineers could be lying about NOT meeting with Barber, or the system could be malfunctioning and not reporting when Barber and the engineers had met. It's important not to consider the computer system infallible, as the production of an output doesn't always mean that it's true. False positives can always happen, especially in such a new system as the one in place at Waco Manufacturing.

Stakeholders:

The stakeholders in any given scenario are the people who will be directly affected by Waco's decision to act or not to act. This includes Waco's employees, managers, executives and shareholders, Waco's customers, and more directly, Monique Saltz, Monk Barber, and the three engineers assigned to the composite designs.

What to Do and Why to Do It:

One alternative is to fire/reprimand Monk Barber. Assuming the system is accurate and trusting the employees at their word means that Barber is lying. This also assumes that the employees would not be reprimanded, and the system would be left as-is. The customers would still be out of their product on time, and Saltz's reputation may be affected, as many might see her as aggressive or even overstepping her bounds by firing/punishing based on the results of a newly installed system.

Another alternative is to fire/reprimand the engineers. This disregards all trust of the tracking system and instead shifts the blame to the employees for lying about never having met with Barber. The assumption is that the system is fallible, and that Barber was telling the truth about meeting with the engineers. This affects the three engineers who will be fired or reprimanded and potentially other employees who, again, might subsequently see management as overreaching by firing people based on system reports. In this instance, the customers will still be out of a product on time and management will be out three engineers.

The final alternative and the one I recommend is to do nothing. The tracking system is still new and fallible, so I wouldn't base any decisions as harsh as firing people solely on the evidence that it was returning. Moreover, since there are two parties giving contrasting reports on what happened with their meeting, it could be beneficial to give both Barber and the engineers the benefit of the doubt and make efforts to communicate better in the future. The customer still doesn't have their order on time, but this can't be solved in any of the alternative routes. In this case, since nobody is being fired, management and employees are unaffected. Perhaps Saltz's reputation will be tarnished and she will be seen as too lenient, but the lack of a change in employment will not negatively affect employees, managers or shareholders. Therefore, this seems like the best option to do as little to disrupt the business flow as possible.