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CIS 410

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Case 6-3 Connor

2020.4.11

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Overview

Connor Formed Metal Products is a small custom metal spring and stampings manufacturer, the president during 1990 is Bob Sloss. There are approximately 20 percent of business was producing coiled springs which are “commodity-like” in their composition and manufacturing. The remaining 80 percent was metal stamping, complex wire forms and assemblies, all of which varied widely in design and therefore required significant engineering expertise to produce. In 1947, Joe and Henry Sloss which are the owners of a family hardware business, purchased Connor as an investment. The Slossses managed the company until 1960s, when they sold off the hardware business. Then the family continued to expand Connor and by the 1960s, it had opened divisions in San Jose, Phoenix, Los Angeles and Portland, Orgon. After operated by George Halkides during 1970s and he retired in the early 1980s, Bob Sloss has taken over the company. Then he recognized that the company could not survive by maintaining its traditional way of doing business. There are lots of offshore competitors with lower cost structures and superior product quality, had entered the US market and stealing market share. Sloss decided to drive the company through significant change. “The pursuit of rationality can itself be a mode of

domination" (Cited from "Images of Organization", by Morgan Gareth).

1. The Competition in The Industry

The competition in the industry would be high. There are 600 to 700 primarily owner-operated job shops had an average of 20 to 30 employees' competitors fragmented around product lines. What's more, there are also lots of offshore competitors with lower cost structures and superior product quality. These competitors were stealing market share from them as well as from the small job shops. There are so many competitors in the industry would like to get more market share and provide a lower price. These factors make the threat of competitive rivalry high.

2. Potential of New Entrants into The Industry

There are lots of offshore competitors that try to enter the US market, and many of these offshore firms were attempting to buy the larger more successful U.S. competitors as a way of entering the market. "While the issues on which a multinational wish to exert its influence are usually economic" (Cited from "Images of Organization", by Morgan Gareth). The barrier of entering the market is low, even the start-up capital would not be too low, there are so many competitors would like to take a share of the spoils. There is also a significant amount of demand in the market and customers are looking for low price. As the results, the threat of new entrants is high.

3. Power of Suppliers

The bargaining power of suppliers would be low. All Connor needs are the raw materials to product their products. They can easily buy the same materials from other suppliers as well.

4. Power of Customers

The bargaining power of customers is high. Customers would have the ability to shop around and find the product they need. There are also lots of suppliers in the industry, which are the competitors of Connor. As long as the competitors have the senior engineer who can product the product, customers will have options of other suppliers. These factors make the bargaining power of customers higher.

5. Threat of Substitute Products

The substitute products would be the product that can replace the product what Connor product. However, there are only 20% of the products is “commodity-like”. The other 80% required significant engineering expertise which means Connor has the differentiation strategy on the 80% of their products. There is actually no substitute for these products could meet the requirement of the customers. Therefore, the threat of substitute products would be low.

Problem

Connor Formed Metal Products is facing the problem of that should they implement the new information system architecture to the other division. This new IT system has implemented at the Los Angeles division and facilitate the business process involving employees with a good result at the close of 1990. The performance and efficiency have improved while the cost has decreased. Repeat defective jobs had reduced from 14 percent in 1989 to 4 percent. The credits issued to customers fell from 4 percent of sales to 0.5 percent during the same period. The plant’s head count had dropped through attrition by 15, while its sales had risen 28 percent to an annual level of $10 million. With such positive results, Sloss was tempted to quickly roll out the system to the other divisions. But they also have lots of problems. Some

employees were not felt comfortable using the system. Los Angeles was large enough and communicating information was difficult enough. So that the division could easily get benefited from the IT system. However, for the smaller division, in which communicating information was inherently easier, the system probably would be too structured and bureaucratic. What's more, Sloss also worried about that the success of the Los Angeles is due to the circumstances of the particular plant. Sloss need to make the decision whether or not to implement the new system to other division of the company.

Four Stage Model

Phase 1. Technology Identification and Investment: the emphasis is on the learning and application of the new technology. "Staff skills are built by means of pilot studies" (Cited from "Assimilating new technology into the organization", by James Belohlav). For Connor, they just implement the system to the Los Angeles division, which also is the largest plant with 100 employees. They developed the system and start training their employees. They quickly showed the system to the employees and the employees immediately began using it. That's May 1990, to the close of 1990, it's about half year. During this phase, the experience with the technology is so limited that participants are unable to perceive long-term implications. This might be a problem if Connor decide to implement the system to other divisions immediately.

Phase 2. Experimentation, Learning and Adaption: "The focal point of this phase is on raising the user's awareness of the new technology and the problems it can solve by building on past experience" (Cited from "Assimilating new technology into the organization", by James Belohlav). Connor's machine operators are getting

used to the new system after the system implemented. Even lots of employees have not used a computer before, the system is easy to learn and understand. If there is a problem, employees can look above the computer where there's a key to the commands. They have improved the awareness of the new technology and also could solve the problem by having more experiences of using the system. More and more employees were getting used to the new system and get involve the new business process. For Connor in Los Angeles, they are successful in this stage.

Phase 3. Rationalization and Management Control: This phase is characterized by the pursuit of short-term efficiencies. Activities in this phase center on upgrading staff to acceptable knowledge levels, reorganizing to develop further projects, determining appropriate technology and cost-effective implementations of new technology. Connor was going through this stage and got a good result. The way the Los Angeles division did business dramatically changes. Just within few months of using the system, run speed on a number of jobs had increased by as much as 20 percent. Customers were hiring Connor despite its higher price. The stock price had increased 35 percent in the past year. Connor is doing well in this phase and the new system is working excellent in the Los Angeles plant.

Phase 4. Widespread Technology Transfer: "In this phase the benefits and experience of the new technology are disseminated to other units within the organization." (Cited from "Assimilating new technology into the organization", by James Belohlav). Connor was deciding whether they should enter this phase. Quarrey and Sloss were tempted to roll out the system to other division but they also have lots of concerns. The main problem is whether the system would really work in the smaller divisions. The system may not necessary for those plant where internal communication is already excellent.

Stakeholders

1. Shareholders
2. Employees
3. Customers
4. Managers

Alternatives

1. Do Nothing

Connor could keep the way that the Los Angeles of doing business and do not implement the system to other divisions. On the one hand, they do not need to train the employees in all the other divisions how to use the system, and they can also save the money of implement the system. On the other hand, there will be no risk of implementing the new system to other divisions. If the new system would not work or cannot improve the efficiency of the business process in the smaller divisions, Connor will afford a lost during the experimental phase. And the system might be too structured and bureaucratic for the smaller divisions which already have a good communication. The Los Angeles division could continue using the system and get benefits from it. After the employees get more and more familiar with the system, there is a possibility that the productivity and customer service is going to become better and better. Also, the employees would have more motivation of doing their job with clearer mission and information. They could see their contribution and improvements of the plant.

2. Push the System to All Divisions

In this alternative, the Connor software will be implemented to all divisions.

Even the smallest division with 20-30 employees are going to adapt the new system. The customers will get benefits from getting better customers service. While they have problem, the employees could get the information immediately and talk with them. The best case is that each department would get a better business process and better communication, improving their efficiency and reduce the lag between when something is pulled and documented which is very error prone. With the new system, this problem can be solved. But some department may not be happy with the changes such as San Jose division, they were already making record profit and does not want to throw the existing information system away. Connor also need to take the risk that if the new system is not working or making the business process more complicated for the smaller division without Quarrey's involvement.

3. Let each division make their own decisions

Sloss will give the power of decision to each division's manager. They could make their own decision whether implement the new system or not. For some divisions, they would have some improvement with the new system and make more profit in the future after adapting the system. But there will also be a risk if the system would be inefficient for some small department. Customers can buy the products they need as usual. This alternative has the advantage that each department could make the decision based on their situation. If the manager for their division think they need the new system and it might work well, they could implement. In addition, some division manager who thought they have done well with current system like San Jose, they could keep their way of running business.

Recommendation

I would recommend Connor to push the system to all department. Like I have

mentioned above, system could solve the problem of information lag in the process. Besides, for those smaller divisions such as Portland, Carl Brandstetter, their manager says they were absolutely wanting to go to Connor Software. They have recognized the limitations of the system 36. That proves they do can get benefits from the new system. Also, every department could improve their efficiency and provide a better customer service, their relationship with customers will improve. For San Jose, as the division with 60 employees, would absolutely get benefit from the system. Even they are running well with current information system and making record profit, the system still has the potential to improve the business process. San Jose is also a large that similar with the Los Angeles, they would have the similar problem as Los Angeles division does. They could adapt to the new system and get advance like LA does. In addition, according to the Four Stage Model, Connor is doing very well in the first three stages, there is no reason of not going to the fourth stage, which is disseminating the benefit and experience of the new technology within the organization. For the concerning of the difficulty training the employees with the new system, one machine operator who worked at the Los Angeles division has explained that even he had never used a computer before and it was really scary at first, but the way it is set up, it is easy and anyone can do it. As long as all employees get used to the new system, the dramatic improvements will show up.

If Connor do nothing, the problem in other department will not be solved and only LA department will get the benefits from the system. It is not good for the long run in such an intense competitive environment. For the third alternative, it might be good for different division to make their own decision whether or not using the system. But the entire company would have different structure in different divisions. It is discrepancy with the Four Stage Model. “The organization becomes aligned with

the end-to-end process rather than departments" (Cited from "The Reengineering Revolution", by Hammer Michael). It is also not good for management that each division have their ability to make such a big decision that may change the business process, also afford risks.