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Case 5-2 Waco Manufacturing

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### Overview

Waco manufacturing is a leading supplier of custom-machined parts to the automotive industry. They have installed a security and information system in one of its manufacturing plants. This is a system with transceivers that embedded in the plant corridors every 25 feet, and in the badges worn by all employees, including engineers. The system supported Waco having a continuous tracking of the location of all their employees. For security purpose and making sure the efficiency of employee, Waco has the rights doing this.

#### 1. The Competition in The Industry

As Waco is a leading supplier in the industry, they provided custom-machined parts for automotive industry. They are using differentiation strategy in the industry. As long as they have the high-quality product, efficiency productivity and good customer service, they will keep having advantages in this field. But there are still lots of competitors in the board market doing the same things. These factors make the threat of competitive rivalry medium.

#### 2. Potential of New Entrants into The Industry

The threat of new entrants would be low. The new entrants need a significant amount of budget to start their business. It would also be hard for them to expand their market and find customers. There should be lots of customers already have contract with Waco or other similar companies. The new companies have a high barrier to get into the market and get market share. Even new entrant company have been through a hard start-up stage, they cannot have a threat to such a huge manufacturing company like Waco.

### 3. Power of Suppliers

The bargaining power of suppliers is based on the raw materials they provided. For custom-machined manufactory, Waco will need machines, tools, steel, copper and other metal. There would be a lot of suppliers out there they can choose, Waco can easily find a substitute supplier. These factors make the bargaining power of suppliers as a lower force.

### 4. Power of Customers

The bargaining power of customers is medium. On the one hand, Waco's business is all based on their customers, their profits are all based on their selling products. They need as much customers as possible to make more profits, especially those large automobile companies. Waco needs to keep a good relationship with them. If they cannot satisfy their customer, they could find an industry with similar capability that could provide the same products. This factor makes the bargaining power of customers became larger. On the other hand, they are the suppliers to their customers. The automobile companies also need their products as raw materials to assemble a car. As the results, the overall bargaining power of their customers is medium.

### 5. Threat of Substitute Products

The threat of substitute product is low. Waco provides the custom-machined manufactory, there are also some firms can perform the same capabilities as well. There is no way the customer would choose the substitute product in another market and it is hard to find one.

## Problem

In this case, Waco has a problem with using their security and information system. The system could let the managers keep tracking the position of their employees at a specific time. And also have the functionality with calling the employee's nearest phone to assign a specific task. However, during the third-quarter performance review in September 1987, the area manager Monique Saltz was unhappy about the new set of designs for composite-based products. The designs were behind schedule which required in the 1987 plan. So, she informed this problem to the plant engineering manager named Monk Barber. But Barber says that he has repeatedly met with other three engineers who were assigned to this project, tried to impress upon them the importance of the designs. And said, "I am at wits' end". After that, Saltz subsequently met with the other three engineers, they surprisingly give the same answer: they had no idea how important this project was and cannot even remember the meeting with Mr. Barber discussed about this project. "Jung used the term shadow to refer to unrecognized or unwanted drives and desires, the other side of the conscious ego, standing in relation to the ego as a kind of submerged opposite that at the same time strives for completeness with the ego." (Cited from "Images of Organization", by Gareth Morgan). Finally, the security and information system come in handy. "Entities should not be multiplied without necessity" (Cited from the Occam's Razor). Saltz and the plant manager Shelly Tomaso reviewed the record of employee locations, and they found out that Mr. Barber and the other three engineers have not even meet since the

beginning of 1987.

## Stakeholders

### 1. Shareholders:

If the employees of Waco keep being dishonest and idleness at work, especially the manger in charge of specific project, shareholders would receive fewer returns on their investments due to the lost of the profit of the project failed. The security and information system would be a good tool and deterrent effect for those employees that is irresponsible.

### 2. Mangers and employees:

Waco's manager and employees have the responsibility to follow the policies and procedures. Their primary mission is to complete the project and tasked the higher-level management or supervisor assigned on time with high quality. Their goal may be better completed under the supervise of the transceiver system.

### 3. Customers:

Customers will have a contract with contract with Waco provide the detail of their demand. Waco's job is to provide the product or design the customer asked. If Waco cannot complete the project on-time, or the project got some glitch, it will also hurt the customer's benefits. Customers would also be hoping Waco's employee on the right track and do their jobs.

## Alternatives

### 1. Do nothing.

Waco will keep the way of their management process and do nothing about

the dishonest and lazy employees. This may keep the projects slow down now and in the future, and Mr. Barber will not know that his lie and attempting to push his fault to other engineers have been exposed. Through this incident, we can tell that the employees may not know they have been tracked position all the time with the badges. Saltz and Tomaso can keep using the system supervise their employees. But this may cause an ethical dilemma, that may cause a privacy infringement without the authorities of their employees. However, do nothing means there will be no other actions for Waco to improve their employee's accountability and reliability. The similar incident may happen again in the future. The productivity will decrease, and the customers' benefits and feedback could get impact. Follow on, Waco's profitability will go down which is not a good news for shareholders. Managers will get punishment because they did not have a good performance review. These consequences are bad for the firm.

1. Sign the privacy agreement contract and tell the employees about the transceiver system, set up new supervision policies.

In this alternative, Barber would know that his lie has been exposed and the best scenario is he and the other three engineers will do their best to catch the schedule of the project. In the meantime, all the employees will be familiar with the transceiver system and how it works. Some employees may not happy about the system, but they should not have any complained about this due to the system only has a position tracking function during work hours. As Waco's employee, they have the responsibility to stay at their position during work hours and complete their tasks. The transceiver system will also have a positive reinforcement and performs a deterrent effect for the employees. What's more, with Occam's Razor, if the system did not perform the ability and function it should have, it needs to be erased.

“Plurality should not be posited without necessity” (Cited from Occam’s Razor). If the system keep unknown by the employees, cannot perform a monitor and deterrent effect for the employees, it is meaningless and should not be posited. With this alternative, the system can have the maximum utilization, as well as in a positive ethical obligation because all the employees have signed the privacy agreement contract. And for those employees like plant engineering manager like Barber, and the other engineers, Waco would have a new policy which gives them dividend from the completion of high-quality and on-time project. That would be a motivation for them to have a good performance for the assigned projects. “Having a clear purpose in the life has been essential” (Cited from “How will you measure your life?”, by Clayton M. Christensen).

2. Keep the way of using the transceiver system but change the management process.

Waco could keep using the security and information system to track their employees’ position without noticed by the employees. They need to put more effort on the managing process, which means the area manager need to spend more time on monitoring their employees’ performance and the outcome. There is nothing change for the employee site, but managers will have less time dealing with other business but pay more attention on supervising. They could prevent this kind of incident happens again.

## Recommendation

I would recommend Waco to choose the second alternative, which is sign the privacy agreement contract and tell the employees about the transceiver system, set up new supervision policies. This is the most reasonable alternative for Waco. They can

make the transceiver system come to handy and create motivation for the employees to complete their jobs, because they will feel like someone is monitoring them. Also, the dividend from the good completion project is a good way of compensation. This alternative could make all employees have their maximum effort doing their jobs, which could improve the productivity and efficiency of Waco's manufacturing. "People within the organization become empowered as opposed to being controlled." (Cited from "The Reengineering Revolution", by Hammer Michael). The higher-level managers also do not need to spend extra time on monitoring their employees making sure they are doing the jobs. Do nothing is harmful to the industry and is not defer to the Occam's Razor. If they do nothing, the system will remain useless with keeping employees on the right track. With Occam's Razor, then the system needs to be shutdown to cut costs and stop investment. The third alternative is not effective enough to create a motivation for the employees to finish their jobs. "When there is little agreement on both axes, you have to use 'power tools'—coercion, threats, punishment, and so on—to secure cooperation." (Cited from "How will you measure your life?", by Clayton M. Christensen). And it also has more labor costs to monitor the performance of the employees.