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Case Study – Connor

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Overview

Connor Formed Metal Products is a company that manufactured metal springs and stampings for large U.S. equipment manufacturers. Of the manufactured business, twenty percent dealt with producing coiled springs, which was more of a commodity, while the other eighty percent went to metal stampings, complex wire forms, and assemblies. These last eighty percent required high degree of engineering expertise since they all varied in design.

Originally, the company was named Connor bought by Joe and Henry Sloss in 1947 and by 1960s, they had divisions of the company in San Hose, Phoenix, Los Angeles, and Portland, Oregon. Some time in the 1980s Bob Sloss, Joe Sloss's son, took over the company at the age of thirty-four. He took over the company when it was operating debt free and with slow growth but realized that changes would have to be made to keep the company alive in the environment which consisted of six hundred to seven hundred owner-operated companies manufacturing the same type of parts. (Cash)

Mission Statement

Connor Formed Metal Products mission is to be the best service-oriented business focusing on manufacturing the most reliable, custom-developed metal stampings and wire forms in the industry. (Cash)

Company Generic Strategy

Connor Formed Metal Products generic strategy shifted when Bob Sloss to over from cost-leadership to differentiation. We know this because he took a few products and split them

as many ways as he could. He competed on economies of scope, he made sure that business was repeated, and made sure that his products were just different enough to retain that business.

This strategy worked and for the most part they were still making a profit. In 1989, when they shut down the Phoenix division plant and relocated all their employees to Dallas, they saw their first net loss. This was short lived, as the next year the company saw the highest net profit the company has experienced. (Cash)

Organizational Strategy

Since the generic strategy for the Connor Formed Metal Products was differentiation, it is safe to say the organizational strategy is divisional. Bob Sloss was of the mindset that each division should be autonomous, functioning at high capacity on their own. Each division maintained administrative, quality control, engineering, sales, and manufacturing functions as well as giving them full profit and loss, as well as capital expenditure responsibility.

To incentivize individuals to work harder and become more productive, Sloss raised wages, established a quarterly cash bonus system, and set up an employee stock ownership program (ESOP) (Cash). In doing so, he believed that employees would be motivated to make the best products possible. Also, employees would be less likely to leave since the benefits would not be equaled elsewhere.

Porter's Five Forces

"Whilst understanding the macro-environment is essential for developing your strategy it only gives you half of the picture. You also need to have a thorough understanding of your competitors and the impact they can have on your organization. To gain this knowledge, you need to conduct Porter's Five Forces Analysis," (Team FME). Porter's Five Forces Analysis is used globally by companies either entering a new market or trying to get a better understanding of the current market they are in to improve their standing.

Bargaining Power of Customers: The bargaining power of customers is very high, since there were six hundred to seven hundred different companies (regardless of how small they were) operating within the industry. Customers could go to any other company they wanted if Connor were to overcharge on their products.

Bargaining Power of Suppliers: The bargaining power of suppliers is low. Raw material can be purchased from any company selling, and much like the industry Connor is in, there are many companies that sell raw material.

Threat of New Entrants: Threat of new entrants is extremely high. As stated before, there are many companies in the industry and many more can enter if they are slightly different and sell for the right price.

Threat of Substitutes: Threat of substitutes would be low. "A substitute product is a product from another industry that offers benefits to the consumer like those of the product produced by the firms within the industry" (Team FME). It would be difficult for companies currently

buying custom-made products from Connor to find the same quality and design from other companies.

Competitive Rivalry: Rivalry in the industry is high. As previously stated, they are competing with hundreds of other organizations for business.

Problem

The problem facing Connor Formed Metal Products was spawned from a lack of information technology. Sloss wanted a IT system in place that could automate many of the smaller administrative duties, would allow information about products to flow throughout the company, and which divisions were the most profitable. He also wanted information on which types of companies they were selling to most. This was hard to do with their current system which was predominately hand-written notes that had to be read through smudge marks. There was a lot of guess work to be done in the current system.

Sloss set out to hire someone who would fill the role of Human Resource Manager and found that person in Michael Quarrey. Quarrey was essentially a computer programming who knew a great deal about how business processes should function and decided Connor would be the perfect place to achieve his goals. This software package he wanted to implement would eventually be called Connor Software. However, the main issue faced is whether the other divisions would respond positively to this new implemented software after it had been so successful at the Los Angeles plant. Quarrey was very much involved with the Los Angeles division to help tailor the software to it's needs and the plant was large enough that it benefited greatly from the new tool.

Stakeholders

Employees: Employees would have to learn new system that may be harder than it is worth. However, even at smaller divisions, the new system could be of great benefit. Employees are directly affected by any decision made.

Shareholders: Any individual with a personal and financial stake in the company. This not only goes for outside investors, but also employees involved in the ESOP.

Customers: All individuals or organizations who purchase parts from Connor.

Alternatives

Do Nothing Implement the New Software at All Divisions:

If the software were to not be implemented at other divisions, Sloss may lose out on statistical information that could only be gained from the new software. The company has a whole may start to deteriorate and net profit would start going red.

Impact on Stakeholders:

Employees: At the divisions who do not have the software, the employees would not be impacted immediately. However, eventually something would need to change if the company starts failing in the market.

Shareholders: No immediate impact to the shareholders.

Customers: Customers will continue as normal but may consider switching to another custom-manufacturing company that provides better, more accurate service.

Implement the Software to Certain Divisions:

The adage goes, “If it isn’t broke,

don't fix it. It is possible that much like what Quarrey did with Los Angeles, he can work closely with all other divisions to tailor the software to their specific needs, but some divisions have an excellent system working for them and introducing something new would disrupt that.

The main issue that most individuals had at the lower level was that the "office never listened to the shop" (Cash). So, a computer was put in the shop so that employees directly handling the job had access to all the information needed to complete it. The system at Los Angeles was welcomed with open arms.

Impact on Stakeholders:

Employees: Employees will have to learn a new system that may hinder services momentarily as they learn new processes, but eventually it would lead to a positive outcome. Defective jobs decreased from 14 percent to 4 percent. Late jobs also declined from 10 percent of backlog to 1 percent. Employee ownership at Los Angeles had risen to 42 percent from 35 percent. (Cash)

Shareholders: Will see a direct, positive impact. Annual quality ratings at Los Angeles soared and the pre-tax profit rose 5 percent in one year, which meant higher return on investment for shareholders.

Customers: Customers were already seeing a positive outcome from the software. Even though prices were higher, they paid the prices because quality was also high. It was almost guaranteed buyers would get quality work almost 100% of the time.

Four Stage Model of Growth:

The Four Stage Model of Growth was developed by Gibson and Nolan, but later enhanced by McKenney and McFarland. This model is used to analyze how technologies are assimilated into the IT architecture. Sloss and Quarrey are currently facing an issue that can be answered by stepping through the four stages.

Stage 1 – Initiation - Technology Identification and Investment: This stage introduces the technology and hopes that it will stick and/or sell. If it does, we move on the Stage 2, otherwise we hit Stagnation Block A.

Stage 2 – Contagion – Learning & Adaptation: The technology has been sold to the individual (whether monetarily or conceptually) and the customer decides to learn it more thoroughly and adapt it to their own environment. If the learning and adaptation to not catch on, we hit Stagnation Block B.

Stage 3 – Rationalization and Control: In this stage, the company considers how much, if any, control is put on the technology being implemented in the field. In the case of Connor, should we implement the software in all divisions even though some don't want or need it?

Stage 4 – Widespread Technology Transfer (WTT) – Integration: If stage 3 passes, the organization pushes out the technology. In the case for Connor, it would be pushing the software to all divisions.

Solution

Implement the Software in Certain Divisions:

Basing my answer on the understanding of the

Four Stage Model of Growth, my normative recommendation would be to implement the software throughout all divisions. However, in doing so, Sloss can let the divisions decide whether they want the new software or if their current business processes were sufficient. This can ultimately be justified by customer service numbers, revenue, and other statistics. One division has already stated they do not want the software at all since they currently have a system in place that is working efficiently.

Sources:

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"Porter's Five Forces: Strategy Skills." Team FME, 2013, pp 1-33