



# Connor Formed Metal Products

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## Introduction

Bob Sloss, president of Connor Formed Metal Products, was determined to make changes for the improvement of the company since he took ownership of his family company in 1984. In 1990, six years into Sloss' hard work and investments, he hired Michael Quarrey as Connor's human resource and information systems manager. Quarrey, who holds a Bachelor of Science degree in Computer Science and an MBA, developed an order tracking system to support Sloss' goal of empowering workers with information. This system changed access and availability of information for designing, manufacturing, selling, and servicing products. The system has been operating at the Los Angeles division of Connor for six months and Sloss wanted to progress the technology into the other divisions to improve profitability. Connor has divisions located across the United States in the cities of Los Angeles, San Jose, Portland, and Dallas. Bob Sloss is located at the headquarters in San Francisco.

## The Problem

Connor Formed Metal Products have raised their number of shipments from 8 million in 1982 to over 17 million in 1988 under their new strategy and structure. However, Connor struggled to see profitability in its divisions. Sloss repositioned the company to a service-oriented strategy and offered incentives such as raised wages, created a quarterly cash bonus system, and set up an employee stock ownership program to motivate employees during the organizational changes. The new image and the closing of their Phoenix plant, causing the transfer of its employees to Dallas, accounted for a lot of the company's employee losses in 1989. For its 5 years of existence the Dallas plant has not been profitable, and the Los Angeles division also struggled before the changes. The company was able to provide 34 mini-computers at the

corporate office and later IBM System 36s were brought to Los Angeles, San Jose, and Portland to use for a variety of tasks and basic office automation. Moving forward, Sloss felt the company need to leverage new technology more to increase efficiency through the use of computers, which became Stan Petty's, the Division Manager of San Jose, job. Once Sloss hired Quarrey as the human resource manager, their goal was to test how to empower all their employees with information. Quarrey had created a new information system to meet their goals of improved efficiency and increased availability of information using computers. By May 1990 the new system was fully up and running at the Los Angeles division. As the Los Angeles division has seen dramatic improvements after the first couple of months using the new information system, the next step was to bring the system to the other divisions.

The problem begins with deciding if implementing Quarrey's new system in the other plants would have the same positive results as the Los Angeles division. Also, managers are concerned about replacing the current system that works well for smaller plants and the employees are already trained to use. Communication already worked well at the smaller divisions and the quality of their products were still exceptional, but the system can also be used to automate tasks and digitize information which some managers see as a large need for their division's improvement. As it says in *The Goal*, "if quality were truly the goal, then how come a company like Rolls Royce very nearly went bankrupt?" (Goldratt). Quarrey and Sloss must carefully consider if Los Angeles' success using the new information system should justify pushing the system out to the other divisions. They need to consider how the system will affect the profitability for each division and how to assimilate the divisions to the new technology if they choose to push it out to other divisions.

## Industry Competitive Analysis

### Mission Statement

Connor Formed Metal Products' mission was to manufacture metal springs and stampings for large U.S. original equipment manufacturers. 20 percent of Connor's business was to produce coiled springs, which were "commodity-like". The other 80 percent of Connor's business was metal stampings, complex wire forms, and assemblies, which all varied extensively in design.

### Generic Strategy

Bob Sloss' leadership transitioned Connor Formed Metal Products into a decentralized company with a strategy of product differentiation in the metal industry. Sloss repositioned Connor as a service-oriented company which provided custom-developed metal stampings and wire forms offering "100 percent reliable" products. Sloss noticed the company's initial conservative strategy would not be profitable for the long-term because technology advancements and foreign competition entering U.S. markets. Sloss began Connor's new service-oriented strategy by purchasing new machinery and establishing a statistical process control system. He also hired engineer to work at Connor for the first time. "Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product" (Tanwar). Once Sloss discovered that he could not compete with the low prices of competitors, he had the realization that the differentiation strategy would allow him to use their unique services to charge a premium since they had exceptional quality.

### Organizational Structure

Sloss dislike the company's structural hierarchy prior to his presidency. He decided to decentralize the company into a divisional structure operating under four autonomous divisions. The Los Angeles, San Jose, Portland, and Dallas divisions each maintained administrative, quality control, engineering, sales, and manufacturing functions.

### [Porter's Five Forces](#)

#### **Competitive Rivalry**

The threat of Connor's competition was high as there are many companies in their industry nationally and in foreign countries entering the US market.

#### **Threat of New Entrants**

The threat of new entrants is high because of the metal industry does not have high barriers to enter. The use of technology and foreign entry into the industry is the cause of Connor's organizational transformation to survive.

#### **Threat of Substitutes**

The threat of substitutes for Connor are relatively low since they provided services for custom metal stampings and complex wire forms which varied in design. The complexity of the industry makes the products hard to duplicate or substitute.

#### **Bargaining Power of Buyers**

The bargaining power of Connor's customers are low because with their new service-oriented model they claim to offer 100 percent reliable products and service for their customers. The

switching costs of finding a new supplier is high and the risk of other suppliers offering less reliable products is also high.

### **Bargaining Power of Suppliers**

The bargaining power of Connor's suppliers are likely to be low because of their supply of raw metal materials that can be produced in large amounts at a high quality by most suppliers.

### Stakeholders

- Bob Sloss, President
- Connor Division Management
- All Connor Employees
- Customers of Connor

### Four Stage Model

The Four Stage Model developed by Gibson and Nolan then updated by McFarlan and McKenney describe the stages of technology assimilation in organizations. The four stages are

**Stage 1:** Technology Identification (Initiation or Investment)

**Stage 2:** Technology Learning and Adaptation (Contagion)

**Stage 3:** Technology Rationalization (Control)

**Stage 4:** Widespread Technology Transfer (Maturity)

This model can be used to identify the solution to the problem at Connor Formed Metal Products for making the decision of whether or not to push out the information system tested in Los Angeles to the other divisions. In the context of Connor's new information system, the

first stage of technology identification describes initial understanding of the worth of investing in the new information system at its cost and if it is beneficial to the entire company. The second stage of technology learning is the understanding of the benefit of the new system which leads to its growth through advocates with much experience using it. The third stage of technology rationalization would be the entire company buying into the new information system and creating methods for economies of scale in purchasing to standardize the system to avoid problems with increased costs and large-scale support issues. The fourth step of widespread technology transfer is to make the technology a default part of the company's infrastructure. The first three steps have a stagnation block that if Connor does not see the benefit of utilizing the software they stop and do not move on to the next stage.

Connor must encourage technology assimilation without creating a structured technology that limits the employee's autonomy and without making employees feel like they are being forced to use the new technology. In the novel *The Goal* it says, "Putting it precisely, activating a resource and utilizing a resource are not synonymous." (Goldratt). If the company forces the information to each division, it is likely the divisions will not utilize a system they do not want. Sloss and Quarrey need to find a solution that lets the employees see the reward in using the information system pulling them into advocates of the technology and eventually pulling the system into each division.

## Alternate Solutions / Effect on Stakeholders

### 1. Do Nothing

Not doing anything would have the new information system remain only at the Los Angeles division and the other divisions would remain on their current state. Branches will still struggle to reach profitability fall behind as technology advances. Their goal of making information to empower employees will have a large focus only in the Los Angeles division, leading to only one division experiencing continuous improvement and the full attention of Quarrey. The other division managers will either accept this decision if they have concerns about leaving their current system or dislike the decision if they want appreciated the experiment with Los Angeles. The customers will continue to receive high quality products, but the customer service may lack improvement. "The challenge of managing complex systems often seems completely overwhelming. The complexity defies comprehensive analysis..." (Morgan). The major concerns come from users who have not had much experience using a computer and now they are likely having to train teams on an entire new system. This overwhelming task makes managers want the simple solution of doing nothing.

## **2. Push the division into implemented the new system**

If Connor were to push the system out to each division while there are still concerns of not needing a new information system, there will likely be employee push back and unacceptance. If the branch managers feel they have been forced to use the new system, they may dislike that they lack decision rights and autonomy. Pushing the system can lead to immediate organizational structure changes and can cause employee turnover rates to increase. Some employees will accept the system but may not use it because they do not see the need for it. Customers may notice a difference in improved quality and reliability, but branches that do not accept the technology may affect the customers negatively. The system will eventually benefit



the company as a whole, but it needs to be accepted as it is being implemented for each division to benefit and see that they are being rewarded with an improved information system.

### **3. Allow for the division managers to decide on their own based on results**

Having each division manager decide whether or not to implement the new information system would likely lead to each branch eventually adopting the information system if they see the division that want the system have seen major improvements. Division managers from Portland are enthusiastic for having the new system brought to their plant, while at San Jose they have concerns that system will not have the same effect as Los Angeles since they are a smaller plant. Letting divisions that are wanting the system will allow for concerned branches to talk to those who have become advocates for the information system and Connor will be following the Four Stage Model for assimilation. The system will either grow and become a standardized system across the entire company or fail to become a system that is necessary for the company to utilities in their operations. In this case, it is likely that the system will grow and be adopted by each division manager based on the benefits in the Los Angeles experiment. Cash stated in his list of rules of Project Management, "A successful product requires that the buyer and user like it. We need to explain the trade-offs to the buyer and let the buyer make educated business choices" (Cash). The division managers and the employees will be satisfied with the new system because they have chosen to pull the system into their organization and will find it to be a reward if the results prove its worth in other divisions. The customers of Connor's will see the benefit as employees will be working more efficiently to produce quality products and their reliability will be more consistent across the nation.

## Recommendation

It is recommended that Connor Formed Metal Products allows for each division manager to decide on their own to adopt the new system or not following the Four Stage Model. It is important that Sloss continues to follow his mission to empower employees rather than forcing them into changes. In *Images of Organization* it said, "The brain does not process information from an environment as an independent domain... Rather, it establishes and assigns patterns of variation and points of reference as expressions of its own mode of organization" (Morgan). This metaphor of the brain relates to the individual branches of Conner that operate autonomously, much like the brain that want to learn from points of reference in different situations before reaching a conclusion. Sloss and Quarrey's success of the Los Angeles experiment may have been a result of Quarrey's close involvement and the size of the plant causing a greater lack of communication. Allowing for the other branches to make the decision to implement the information on their own allows for them to continue to feel empowered and know they are choosing a system that is worth the change. Pushing it out to the employees could affect employees and customers negatively as managers will likely have concerns with a system they did not want to use. This will cause push back and can cause the company to not see growth as rapidly as they anticipated. Not doing anything will satisfy some divisions, but the company will only have seen great improvements in one plant which is not enough to benefit the entire company. The divisions that want the new information system will still have needs for it but will likely never get it. "Along with each of the alternatives, there are risks, and the risks associated with each alternative are generally different" (Cash). Sloss and Quarrey's

decision to allow each branch to decide on their own is the best alternative for reaching the result in the best interest of all stakeholders and is a win-win for the company.

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