Connor Formed Metal

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Executive Summary

Founded in 1913 as Connor Springs, Connor Metals is a manufacturer of metal springs and stamping for large original equipment manufacturers (OEMs) in the United States. Around 20% of Connor Metals' business comes from producing coiled springs which are "commodity like" making them easy to mass produce. The remaining 80% consists of highly complex and highly variable products such as metal stamping, assemblies, and complex wire forms. These types of products are difficult to produce and require a great deal of engineering expertise and skill to make. In 1984 Bob Sloss took over as president and he immediately began making significant changes to the company. He quickly recognized that the company would need major changes if it was to remain competitive in its industry. He quickly opened a new plant in Dallas, Texas and in the same year decentralized Connor Metals' organizational structure. "Any system that insulates itself from diversity in the environment tends to atrophy and lose its complexity and distinctive nature" (Morgan). Sloss also Connor Metals' generic strategy from a low cost type to a differentiated type emphasizing quality. He went so far as to say that Connor Metal's products would be 100% reliable in an industry where quality and service where often quite poor. To achieve this goal Sloss hired Michael Quarrey as Information Systems Manager and was given the task of creating an order tracking system. This system would allow Connor Metals to empower employees with information regarding the process of designing, manufacturing, selling and servicing its products. At the end of 1990 the system had been implemented in Connor Metals' Los Angles plant for 6 months and had been very successful with it. Now Sloss is deciding whether he should push this system to the rest of Connor Metals plants.

Industry Competition Analysis

Connor Formed Metal Mission

Connor Metals mission is to provide 100% reliable products and services to its customers.

Connor Formed Metal Strategy

Connor Metals' strategy is of differentiation. It plans to compete based on the quality of its products and services as opposed to on cost as it had done in the past. "If you don't make a quality product all you've got at the end is a bunch of expensive mistakes" (Goldratt)

Connor Formed Metal Organizational Structure

Connor Metals has a decentralized structure where individual plant managers are responsible for the day to day operations.

Connor Formed Metal Competitors

Connor Metals competitors are around 650 owner-operated job shops. These shops are typically small scale operations that have around 25 employees.

Supplier Power: Low

While Connor Metals relies on natural resources the type of materials it requires are cheap and plentiful.

Buyer Power: High

The market for the types of products that Connor Metals manufactures is quite large and relatively homogenous. Buyers in the market can shop around for the best price when gives them a high amount of power.

Threat of Substitution: Low

Most of Connor Metals products are custom made OEM parts.

Threat of New Entry: Moderate

The barriers to entry on this market are high considering the type of equipment and expertise required to manufacture such products. Most of the domestic competition is from small shops which already saturate the market. However the primary threat of entry comes from lost cost foreign companies.

The Problem

The major question facing Sloss is whether this new IT system will be effective in the smaller plants as it is in the larger L.A. plant. Many managers where very excited about the new system but still had a number of questions about it. Chiefly among them being "…was whether the system would really work in the smaller divisions. In the Los Angeles shop where you have 100 people, things like the "shop hold" really cut through the layers. You may not need to do that in San Jose or Portland, where internal communication is already excellent." (Applegate et al.). This new system had proven very effective raising job run speed by 20%, reducing redundant jobs, credits to customers fell to 0.5% from 4% of sales in the 6 months the system was in place. It was an increase in sales of 28% and increased is stock value by 35%. But the question will loomed in many managers mind whether the system would be as successful everywhere. Connor metals is in stage 2, contagion, of McFarlane's 4 stage model of technology assimilation. It has already completed stage 1 where the new system is developed or purchased. If this system can be successfully implemented across all plants then Connor metals will be in stage 3 which is assimilation. In stage 2 involves the growth of the new system. If Connor Metals fails to reach stage 3 then it will be move into stagnation block B and will fail to successfully assimilate the new IT system.

Stakeholders

Bob Sloss: Sloss has a very large stake within the company. All of the changes made at Connor Metals are of his design and Connor Metals continued success hinges on his choices being correct.

Connor Metal Employees: The people who will be the most directly affected by the new IT system. Additionally the amount of employee ownership in Connor Metals is quite substantial giving some a higher stake in its success

Connor Metal Customers: Customers that rely on Connor making a reliable product. They have already shown to be willing to pay a higher price for better quality.

Connor Metals Shareholders: Shareholders generally have a high stake in the success of a business due to their investments.

Solutions

Solution 1: Do Nothing

This solution will see Connor Metals only use the new IT as the LA plant. The system was successful in raising the profits of the plant which was the lowest performing of all Connor Metals' facilities. This increase was clearly a boon to all stakeholders. However it would leave the future of other plants up in the air as they would continue as before.

Solution 2: Push the new system

This solution would see Sloss push the IT system to all its plants across the U.S. This system has been proven effective at the large LA plant which is was specifically designed for. However this doesn't meant that the smaller plants will have the same degree of success. This option hinges on

the successful adoption of the system for the smaller plant and could be a large boon or loss depending on how well the changes take.

Solution 3: Let the individual managers decide

This solution would let each plant manager decided when and how to implement the system. Keeping with Connor Metals organization structure this solution would give plant managers to power to decide whether the system is a good fit for their individual plant. While this solution may not have an immediate of an impact as solution 2 this solution would allow each manager time to evaluate the new system and decide if it was a good fit for them. This would mitigate a great deal of the risk to stakeholders posed by solution 2.

Proposed Solution

I proposed that Connor Metals go with option 3 and let the individual plant managers decide. This option mitigates the risk of the system failing at plants where it doesn't fit and work where it does. It gives the employees the power to decide how plant should be run and they are the best suited to know that situation. "Groups of employees usually have a clear understanding of power relations inherent in current work arrangements and are usually ready to marshal all their resources and ingenuity to fight changes that threaten their position." (Morgan). Connor Metals was still able to attract customers when it raised its prices and provided a better quality product in one market but it remains to be seen if they would continue across all plants. This option allows Connor Metals to be flexible in its operation and sets itself up for the best chance of success.

Works Cited

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