Arrow electronics case study

Shafts Arrow Electronics Is the fastest growing distributors of electronic components in North America and the world's largest overall at the time of this study. Arrows capital structure policy Is heavy on dependence on debt financing, which Is sharp In contrast to Its mall rival, Vent. CEO Stephen Kauffman Is struggling with the implementation of an accurate and reliable way to evaluate his employees.

Kauffman implemented an PER (Employee Performance Review) system that was currently not providing him with enough information that he needed to determine he level of performance given to him by his employees. Because of industry trends and compensation practices, the electronics distributors sales force is transitory. The industry has a high turnover in sales and usually when sales reps move to other companies they take their customers with them. For five years Arrow struggled with the accuracy and implementation of their PER.

Arrow saw problems ranging from inflated scores, ratings that reflected the self- serving blabs of the managers who administered the appraisal, to lack of consistency. Kauffman decided to respond to these problems by providing training on how to call, score and administer the appraisal. He made video notifying managers exactly what he wanted and set goals to what percentage of employees should score in every single one of the categories. When Kauffman received the results from managers he became frustrated because the results were skewed.

A problem existed with how the appraisals were given, but the real problem lied with the appraisal itself. The PER that Arrow was asked to use was asking the managers to evaluate their employees compared to one another, rather than comparing them to expected standards using behavioral targets. The appraisal Is worded in a way that each Individual employee's success Is defined within the parameters of the success or failure of their coworkers. Because of this system, the appraisal was driving subjective feedback when Kauffman was looking for objective feedback.

Building on this mishap, Kauffmann system to evaluate his employees is used as a point in a fled of data to determine an employee's chance for promotion or termination. Kauffman states that he wants employees to understand that getting a low score is not punitive, but how would you respond if you received a low score? Kauffman needs to find a way to keep Arrow salespeople with Arrow. One way of doing this would be to have employees appraise their work satisfaction and have management develop and implement a system that increases the employee's satisfaction. Arrow had a couple key company objectives.

Arrow wanted to eliminate long turnaround to answer Reps, improve sales process by automating quotes, reduce pricing and Inventory errors, and expand Information capture capabilities. Arrow Electronics was experiencing a competitive disadvantage because of long turnaround times on customer requests for product pricing and availability. Even though Arrow had a sophisticated quoting system, their customers submitted Reps in multiple text file. Because of these different formats, this created turnaround and accuracy problems and required Arrow personnel to post data manually and prepare a response to the customer's RFC.

The costly delays that resulted from this turnaround resulted in lost sales. Scheming had described the poor shipping performance as resulting from a late day surge in orders hitting the Pods in large quantities that it was not possible to pick and ship them by the last carrier pick-up. When Scheming was the operations anger in the Philadelphia branch, she recalled that late orders Just meant a little overtime in the warehouse and an early start in the morning for their driver. With the closing of the local branch warehouses and the building of the four Pods, the situation had changed.

Scheming needs to focus on what actions are needed to get the same day shipping performance back to 95%. One way of doing that would be to focus on pushing back the carrier pick up times, adding permanent full-time staff to handle the daily surges, and building a part-time staff to call in on short notice instead of only working more overtime. The Mainframe System that Arrow was using as a repository of all data and converted the orders received from the Sales Desktop to shipping instructions for the appropriate PDP was experiencing some problems.

One of the abilities the Mainframe System had was the ability to track inventory at very detailed levels. There existed five possible on-hand positions for inventory that had been put on the shelf or picked for an order. Scheming once remarked that Arrow was " controlled by the IT System. " Arrow was dependent on its systems and the information contained in them had to be accurate. Inaccurate inventory data has the potential to drastically affect Arrows performance.

Arrow tracked their inventory accuracy and if it experienced dings between 2-5% then it needed " turning up. " Anything over 5% was a serious problem and would require a team from corporate to audit and suggest improvements. Shining believed that accurate data were central in such a way that failure to maintain data accurately resulted in managers being fired. Inaccurate inventory data could cause a trickle down affect that would negatively affect the way Arrow did business and portray them as someone who cannot be relied on as a successful business entity.