

Information Technology in Management



Case III: Secor Enterprises

Mona Cortez, chief executive officer of the \$30 million publishing company Secor Books, was spending a lot of her time thinking about Fixit Press, a small \$4 million publisher. Secor was a college medical and architectural textbook publisher; Fixit Press was a family business. Cortez had known about Fixit for many years and always enjoyed the family story behind its business. Nathan Brown had run Fixit Press since his mother died. Thirty-five years before that, a young World War II widow named Nancy Brown started Fixit based on a very simple premise: Many young families were buying a lot of houses, with little money left over to fix them up. These young buyers wanted to work on their own homes, refinishing basements, retiling kitchens, installing air conditioning, and the like. But they didn't know how. The idea of publishing do-it-yourself home

improvement manuals was born. Nancy Brown's friend Wallace Schaumburg started writing books for her, one every two months or so, with titles such as *Building the Porch of Your Dreams*, *Installing New Windows*, and *Make Your House Bigger: Finish Your Basement*. All the books had the same basic design, and each was updated every three years. Soon Schaumburg was working with other authors, issuing a total of about 10 to 15 new titles per year. Fixit grew into a \$4-million company within a decade. And now, Mona Cortez was spending her time thinking about Fixit because she wanted to buy it.

All About Fixit

A lot had happened since Fixit started publishing—in the publishing world, in the housing world, and at Fixit as well. While Nancy Brown had been careful to keep the company focused on its particular market, she did branch out in a controlled way. Fixit now had three series of books:

- The original Home Improvement line
- The Career Enhancement line (started in the 1980s, when everyone was searching for the ultimate in job satisfaction, money, or both). It included titles such as *Finding Your Working Bliss* and *Road to Success: How to Communicate Effectively in the Workplace*
- The Alternative Health Line (which had grown significantly in the past five years), including titles such as *Pediatric Herbal Health* and *Nature's Way to Keep the Doctor Away*

Like all other publishers, Fixit was no longer just publishing books; it issued video tapes, audiotapes, and CDs. In fact, as Fixit grew, new departments were developed based on product type. There were now four departments:

- Print (books and magazines)
- CDs
- Videotapes and audiotapes
- Online subscriptions and services

Fixit's View

So, here Nathan Brown sat, more than 50 years since his mother's original idea started the family company. He thought about his business dinner with Cortez the night before. He didn't know whether to be wary or pleased that Cortez wanted to acquire his company.

From a publishing point of view, Secor and Fixit served two very different markets: Like other textbook publishers, Secor sold to professors, who, if they liked a text, used it in their classroom. So each sale was a minimum of 15 books up to about 3,000, depending on how many students took a course at a particular school. Fixit, on the other hand, sold in the direct consumer market, sending brochures and sometimes placing ads in appropriate magazines, trying to satisfy the "average" person's drive to improve his or her life (or home) in some way.

Yet Cortez preferred to see the similarities between the companies rather than the differences. The two companies served very different markets, but their subject matters overlapped, and that is where Cortez saw an opportunity. She noticed that many of Secor's authors were reworking their Secor-published textbooks into general-audience books and then publishing them with direct-market publishers. Cortez figured that if Secor were able to sell to the general audience, those reworked books would be Secor's instead of some other company's.

Cortez didn't want to spend the time and money to make a name for Secor in a new market. Instead, she wanted to acquire a small company that already had a good name in the direct market and was already publishing in Secor's subject areas. Then, Secor could build on that foundation and increase its sales from there. Cortez thought that acquiring Fixit was a perfect way to start that process. She moved ahead with confidence, discussing the acquisition with Brown over dinner. Brown seemed receptive, and Cortez expected the merger of Fixit into Secor to go fairly smoothly. She had a surprise coming. When her financial and operations people started examining Fixit's records, they found a mess.

Secor's View

Fixit had great products and an outstanding reputation, but from a business point of view, the company had problems. There were two that stood out:

- The company was organized based on the types of products being created (books, videos, CDs) rather than on the subject matter.
- Fixit did not treat information as the powerful resource it was. Cortez considered operational and market data to be the foundation of success in the publishing business. But because Fixit's ISs lacked even basic abilities to manipulate and use data, Fixit couldn't use its own information effectively, much less make use of any information outside the company. This presented Cortez with her greatest challenge and her greatest opportunity.

Even after the unexpected news, Cortez was still interested in Fixit, but in a different incarnation. Her new offer was this: within the first six months of acquiring Fixit, Secor would commit resources to restructuring Fixit's operation and overhauling its information systems. Nathan Brown could remain the publisher—in charge of the overall makeup of Fixit products—but Secor would be in charge of the business operations: Secor would provide all the accounting and marketing services required by Fixit, as well as taking over the management of Fixit's building and basic business services, such as telephone and Internet service. Brown wanted to know more before accepting Cortez's terms. Here are some of the highlights of what Cortez insisted on for the acquisition to go through:

- The first thing Fixit had to do, explained Cortez, was reorganize its operation by subject matter, rather than by product type. Instead of the current Fixit vice-presidents of print, video and

audio, CDs, and online products (who didn't develop or market their products cooperatively), there would be VPs of home renovation, career enhancement, and alternative health. Each department would develop and market a full line of products: books, videos, CDs, online products, and even courses.

- The next message: Fixit had to change the way it kept its records. Cortez knew Fixit was profitable, and that was the main reason for trying to purchase it. However, the company's success had occurred in spite of its approach to information, not because of it. It seemed that the only information Brown could consistently offer Cortez was monthly and annual revenue and expense figures for the entire company. Cortez couldn't believe Fixit didn't have the ability to sort its sales and expense data to give her the information she needed: expenses and income by subject, by product, by month, and by region, in the form of pie charts, bar charts, and other graphs. How could Brown's managers manage without the tools to track purchasing trends? How could they determine which products were profitable and which were losers? How could they find out which geographic regions were profitable and which were not? This information was vital for proper allocation of resources for greater efficiency and effectiveness.
- The next recommendation for Fixit became clear when Cortez realized why Fixit didn't have the reports she expected. It was because one person—Ian Canin—controlled all the company's data and information. He had control not because that system was best for the company but because he had been there from the beginning, had built his career on controlling information, and was intent on maintaining his control. Secor's solution to the

problem was simple: Fixit had to completely overhaul the way its information system was structured. What Cortez discovered was that all the company's data were kept on one old midrange computer, and only a handful of people had access to the data. She also found that the data were not categorized in a useful way. The system could only sort for product type or provide overall totals. The data needed to be sortable in any number of ways: by different managers, by geographic region, by subject, by author, and so on.

- Next, Fixit would have to adopt a more liberal approach to granting access to data. Cortez noticed that Brown always had to consult someone else to get the data he needed. Fixit had PCs on most desks and used e-mail internally and with vendors, but those computers could not access the business data on the midrange computer. Accounting, finance, and customer service were the only departments that could directly enter data into the midrange computer. And *no one* could create a report at will. Instead, any new report had to be programmed into the system by *programmers*.

Secor's data, on the other hand, were kept centrally, but they were accessible from almost any of the company's computers so that managers could manipulate and analyze the numbers for their use. Cortez wasn't sure how to reshape Fixit's data. It wasn't clear that merging the companies' systems was necessarily the best approach, but it was clear that Fixit's system needed to be easier to use and more flexible.

- The need to overhaul Fixit's ISs meant finding the right way to deal with Ian Canin. Canin had been Fixit's head of customer service for the past 20 years. By default, he had become the head of

Fixit's ISs as well, and he was very resistant to change. Cortez concluded that it wasn't that Canin didn't know *how* to make Fixit's ISs easier to use, he didn't *want* them to be easier to use. User-friendly interfaces had been available for Fixit's type of system for years, but Canin had chosen not to install them. Cortez knew that Canin was an important resource in the companies' merger. He had a lot of corporate experience. But he could also become a source of problems.

- Fixit had to prepare to take full advantage of electronic data interchange (EDI). Even Secor was only slightly involved with EDI, simply because its book manufacturer in Taiwan insisted on it. But Secor wasn't making the best use of the system. Secor conducted its business with T-K Printing electronically, sending purchase requests and payments and receiving confirmations, schedules, updates, and invoices online, but the EDI ended there. Reports were printed out from the EDI interaction, and then someone in accounting entered the data manually into the Secor IS. Cortez knew that tremendous savings could be realized from conducting business electronically. The publishing industry was ideal for EDI. Publishers could hook up with each other and with domestic vendors (printers and binders and graphic artists) as well as those in the Far East. Most importantly, Secor could take advantage of the EDI it had right now by linking its IS with T-K's.
- Fixit needed to integrate all its ISs into one. For instance, Fixit rented warehouse space and had a self-contained simple IS there for managing inventory. Inventory reports were issued once a week, and production and marketing personnel

sat down together and reviewed the paper print-outs to make decisions about how many units of which items to produce. Many decisions were made without accurate information. Clearly, almost all this reporting and decision making could be done automatically, electronically.

Brown read through the document summarizing Cortez's plans. He wasn't pleased, but he knew Cortez was right that Fixit needed an overhaul. She was right that the company didn't keep the kinds of records needed to run an operation efficiently and wisely; she was right that the relationship with its vendors could be managed better; and she was right that the computer system that was the backbone of the order-taking function badly needed updating.

A Perfect Match?

As is often the case with acquisitions and mergers, ISS were not the first thing Secor considered. Cortez had overseen acquisitions of both publishing and continuing education companies before, but they were mostly of fairly young companies. Their information systems were modern and could be integrated with Secor's systems fairly easily. Fixit was different. As Cortez looked deeper and deeper into the way reports were generated at Fixit and saw how poor the decision-making process was because of its outdated systems, she wanted Brown to buy into her list of changes if the acquisition was to go forward. Fixit and Secor were in the same business, and Cortez was convinced that acquiring Fixit would create a synergy that would benefit both firms.