High Sierra Industries: IS Gridlock

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EXECUTIVE SUMMARY

High Sierra Industries (HSI) is a not-for-profit (NFP) organization with the dual purpose of being a competitive light manufacturer, while also providing productive jobs for physically and mentally disabled members of the community. This case documents how HSI’s accounting information system (AIS) failed to evolve with organizational needs. Throughout the case, HSI was able to rely upon temporary system fixes each time it faced a system failure. Each temporary fix brings them closer to a debilitating loss of information and business functionality. The case places the reader in the shoes of a student/consultant (SC) who was called upon to help HSI plan its next revision of the AIS. Analysis confirms the need for new software and renewed attention to internal controls. A legitimate debate among corporate directors and officers about priorities resulted in decision-making gridlock. This case consequently draws attention to the role of governance in a NFP and the leadership dynamics necessary for a systems project. The five key stakeholders are the chief executive officer (CEO), operations manager, accountant, an executive board member, and the SC. They need to find a way to move forward. The SC decides to use an evaluation matrix to organize the competing perspectives to help HSI decide on the goals of its first planned system development life cycle.

Keywords: accounting information system; not for profit; nonprofit organization; system analysis; evaluation matrix; change management; governance; user conflict; systems development life cycle; consulting

ORGANIZATION BACKGROUND

Located in Reno, NV, High Sierra Industries (HSI) is a 501C(3) not-for-profit organization with a dual purpose. One purpose is to be competitive in light manufacturing; the other purpose is to provide productive jobs for physically and mentally disabled members of the Reno/Tahoe/Carson region. HSI has both a board of directors and an advisory council that are involved in management decision making, in addition to set-
ting policy. The chief executive officer (CEO) of HSI actively pursues the input from members of the board and advisory council. The management team consists of seven functional managers who report directly to the CEO with each manager responsible for leadership of his or her respective functional areas.

HSI was started in 1977 to operate as a small “sheltered workshop.” By 2002, the organization employed more than 135 local citizens and provided living-assistance training and services to many of those employees. HSI also provided a supported-living arrangement (SLA) for its employees, which is governed by a service contract that is funded by the State of Nevada and Medicaid. These programs are part of the social services offered by Nevada (http://ds.mhds.state.nv.us/nmhiprog.htm; http://www.hr.state.nv.us/directors/disabilitysvcs/dhr_odsprog.htm). This case was written with the cooperation of the organization in the context of the situation it faced in 2002. The organization has continued to grow and fulfill its dual purpose since that time (http://www.hsireno.com).

In 2002, HSI operated three production divisions, manufacturing, electronics, and pallet manufacturing, with total gross annual sales approaching $10 million. HSI provided supervisors, referred to as facilitators, in a facilitator-to-employee ratio ranging from 1:2 to 1:7, depending on the disabilities of those in the work group. Facilitators managed and coordinated the work, ensuring that each employee was actively engaged in their tasks and that they reached quality control standards. Income was earned from manufacturing contracts, state-supported work programs, federal social programs, and fund-raising activities. The cost of the facilitators to HSI was partially offset by state funding targeted at reducing the cost of hiring disabled employees who were not capable of producing at the productivity levels of an average worker. Due to reduced rate subsidies and foreign competition, cash flow had become negative in recent years. HSI addressed the funding reductions through increased fund-raising efforts. Fortunately the company has a substantial cash reserve, so the situation was not an emergency.

During the last 10 years, HSI also provided an SLA program for its employees. The SLA program provided training and assistance to employees who could not otherwise live on their own, providing a dramatic improvement in participants’ quality of life. The assistance ranged from assisting an employee with cooking and banking to one-on-one supervision of more complex tasks. The assistance was governed by a service contract funded through the state and Medicaid. Compensation for this program was determined by the total hours of service provided in accordance with the contract.

The governance of HSI has evolved over the years. Until recently HSI, possessed only a board of directors. Currently HSI has both a board of directors and an advisory council to aid in management and policy decisions. The utilization of an advisory council is a new trend in aiding business management. The advisory council is comprised of business leaders from the community who collectively aid in the management of the business. Unlike the board of directors, advisory council members need not attend board meetings and have less legal responsibility. The current CEO of HSI actively pursues the input of members from the board and advisory council. The CEO has the same attitude of collective management and empowerment when it comes to the daily
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