A Crisis at Hafford Furniture:
Cloud Computing Case Study

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EXECUTIVE SUMMARY

This case presents a cloud computing technology solution that gives promise to a company devastated by a natural disaster. After a hurricane, the company recovered because of a solid disaster recovery plan, although it was financially strapped. The Vice President of Information Technology suggested using cloud computing to cut internal information technology costs. With a cloud computing solution, the IT department would go from twelve people to six. IT infrastructure (servers, hardware, programs, processing) would be done by a vendor ("the cloud"), although responsibility for information technology would be retained by the company. The case presents a background in cloud computing and cloudonomics. As the case unfolds, the authors find that proper oversight was neglected; rash decisions were made; and a crisis developed. The president took matters into his own hands, and without following proper protocols, selected a vendor that later went bankrupt and forced the company into dire circumstances.

Keywords: *Cloud Computing, Cloudonomics, Disaster Recovery, Management of Information Technology (IT), Software as a Service (SaaS)*

ORGANIZATIONAL BACKGROUND

Founded in 1970 by Don Feckle, Hafford Furniture began as a small furniture manufacturer based out of Beaumont, Texas. Hafford originally sold office furniture to businesses in Texas, Oklahoma, and Louisiana, but, by 1978, was supplying furniture to businesses throughout the entire South. By 1980, Hafford was the third largest furniture manufacturer in the United States, supplying a variety of furniture to retailers and wholesalers throughout the entire country. When asked in a 1981 interview what Feckle attributed the rapid success of Hafford to, he said 'Hard work, perseverance, and a watchful eye over each penny.'

However, the recession during the early 1980s severely hurt Hafford's business, and forced the company to close one-third of their factories. Sales fell by 73 percent over a two year period. Hafford was able to recover from its downturn, but never quite to the level of success and growth the company enjoyed before the recession. Additionally, as Feckle aged, his ability to run the company as astutely as he had in the past began to diminish, and many employees questioned some of his business decisions which typically included cutting costs in vital areas of the com-

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pany. Beginning in 2007, the company began to experience tremendous financial difficulty as a result of the rising cost of commodities used by Hafford, as well as decreased demand for their products, which had begun to decline in quality due to some of the questionable cost-cutting measures implemented by Feckle (Figure 1).

In the beginning of 2008, the financial crisis exacerbated the company's financial difficulties. That same year, Hurricane Bruce, one of the worst on record, devastated coastal Texas. Hafford's operations, including its entire IT infrastructure and data storage were destroyed. Business was halted for three days while the company's disaster recovery plan was initiated. While Hafford had the financial capacity to replace the physical building that housed its headquarters, Don Feckle was advised that the company would not be able to make the investment to restore its IT function.

In a television special entitled "Beastly Bruce: The Effects One Month Later," Feckle was quoted in an interview from the disaster recovery cold site as saying that "I don't know where to turn. How can we go on?"

General

Hafford had six factories located across the south and northwest. Furniture was manufactured based on custom orders received from customers with whom Hafford has had longstanding relationships. In 2010, Hafford had contracts to supply furniture to 23 customers (down from 38 in 2006). Seventeen of these customers were major retail furniture outlets which sold directly to residential end customers. For example, one of these customers was American Furniture Showcase, with 106 locations in the northeast and eastern United States. Some of Hafford's furniture was branded as "American Furniture Showcase" in those stores, and yet other furniture was sold under Hafford's brand names. Four of these customers were wholesalers who sold to furniture retail outlets themselves. The remaining two customers under contract were businesses in the process of constructing new office locations. These types of customers, with whom there were no longstanding relationships, typically require large one-time orders. Hafford accepted these orders if they have unused manufacturing capacity, and typically sold furniture to these one-time customers at cost plus ten percent. The retail and wholesaling customers have longstanding relationships with Hafford and require regular shipments based on their current inventory levels and customer demand.

Furniture styles have not change drastically over the years, although fabrics and other materials have changed. A chair could be produced from materials in one of Hafford's factories in a matter of hours. Wholesale customers could select either special orders (like a chair for one of their specific customers with a certain fabric) or more generic items that went on showroom floors.

Business Information System (BIS)

Hafford's BIS consisted of an Executive Information System (EIS), a Management Information System (MIS), a Decision Support System (DSS), an Accounting Information System (AIS), and a Transaction Processing System (TPS). The DSS and AIS were extensions of the MIS with data provided for decision making.

Hafford's BIS also contained a Supply Chain Management System (SCM) which assisted in managing the production flow from raw materials procurement through delivery and customer support. Inventory levels, production data, and other support information related to Hafford's supply chain were relayed to Hafford's geographically dispersed factories via the company-wide intranet.