

Case 2: Appex Corporation

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**Case background:**

The Appex Corporation was founded in May 1986 from the merger of Appex Inc and the Lunayach Communications Consultants (LLC), which specialized in the engineering of cellular radio networks for cellular companies. Appex integrated LLC's engineering experience and Appex Inc's business and system experience in the field of creating management information systems for the cellular industry and credit scoring systems for financial service companies. The growth of Appex was one of the fastest growing high- technology companies in the 1990s(Barker).

**Industry Competitive Analysis**

**Mission Statement:**

Appex Corporation mission statement is to provide reliable cellular service for all customers in low cost, which can be achieved by investing in high technology.

**Stakeholders:**

Based on business dictionary stakeholder is a person, group or organization that has interest or concern in an organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies (business dictionary). For Appex the main stakeholders are shareholders, The CEO Shikhar Ghosh, employees, and customers. First, shareholders have a huge impact on the decisions for the organization because the successor failer for the Appex will affect them. In other words, if their investment in the organization not profitable they would invest somewhere else(HR management). Secondly, The CEO Shikhar Ghosh, being the CEO of the corporation Shikhar Ghosh has the responsibility to what is the best for the company. After he defined the problem with the organization structure he has to participate in the decision to solve this issue. Thirdly, employees are directly affected by the performance of the company. And the way that the organization structure will have a huge influence on their daily tasks and the process of doing things. As a service company, the employees are the face of the company, which makes employee’s satisfaction, has to be considered when taken any decisions. The way for the organization to survive is to make money, which emphasizes meeting the customer, needs. If the decisions will affect current customers they should reconsider that because it's cost five times more to create a new customer from keeping one (Barker).

**Products:**

Provide service to the cellular carrier to allow them to manage their customers. Appex services can be divided into intercarrier service (ICS), which is an online service that managed the information required to provide service to cellular subscribers. And cellular management information system (IS), which was an online software system that includes customer’s information, building’s information, equipment inventory control, and cellular network, engineering analysis.

**Problems:**

The lack of organizational structure was the main problem in Appex Corporation. Appex was growing at a rapid pace. Their revenues exceeded 1600 percent growth within two FY. not only the revenue was growing the volume of customers and orders drastically increased and the company could not handle the demand. In the beginning, Appex's organizational structure was very informal, everyone did everything and they did it on their own time. the lack of communication between employees slowed down the business process. as the number of employees grows and with the lack of communication and there were no plans could be made to accomplish daily tasks. Customers were complaining about the service. As it's mentioned in the case "one customer claimed to have to call 150 times before he received a response" (Barker). As different structures were tested, some problems were fixed as others occurred, and it was very difficult to see which structure would best benefit the organization as a whole. Shikhar Ghosh as a CEO has to answer the question which organizational structure is right for Appex?

**Porter’s 5 Forces**

**Inter-Industry Competition**

Since the industry was relatively new and popular in the 1980s and 1990s there were no customer loyalty or switching cost customers were always looking for a newer technology or better service. Appex has many competitors such as GTE and Cincinnati Bell. The Inter-Industry competition considers high at the time.

**Threat of New Entrants**

The threat of new entry is low. This is because the barriers to entry are high. Even though the industry was growing rapidly the industry was already flooded with other companies like Apex. However new entry threat for Appex because an unsatisfied customer will look for better service.

**Customer’s Power**

The customer power is high. Since Appex primarily a service-based company. they has to lower prices or better technology to keep their customers and to compete with other companies in the industry.

**Supplier’s Power**

Supplier’s power is low because of Appex in a service-based industry where there is no need for raw material.

**Threat of Substitutes**

The threat of substitutes is relatively low. Because of the industry of cellular carriers was at the growth stage. And the need for the products rises with the sale in these types of products (as more people have cell phones, it's become more important to have one).

**Evaluate alternatives:** There is three options Appex can help Appex to improve the organizational structure.

* The first alternative Appex can use is to implement divisional structure. Labor will be broad as the company keeps hiring more employees in a different division. The desision right would be vertical which can help solve the leak of communication between employees and their daily tasks. The option will serve both routine and exaptation mechanisms. The organizational boundaries will be more flexible. The divisional structure has a weak informal structure. Also, information technology is decentralized (bottom-up).
* The second alternative Appex have to go back to functional structure, the managers would be much more involved in the day-to-day of the company. The labor will be narrow; each employee has to specialize in a specific area. Same as the other alternative the decision right would be vertical. With a routine mechanism. However, the organizational boundaries will be fixed with a strong informal structure. the information and data flow will be decentralized.
* The third alternative is to do nothing and keep the same current organizational system. Employees were not able to communicate within the company. Problems with communication flow lead to low cross-pollination of ideas. Also, they had an issue with resource allocation. Each one of the divisions wanted to have control over all of their resources.

**Solution:**

After analyzing the Appex corporation case using Porter’s 5 Forces. I believe the best course of actions to take is alternative three to do nothing. Since employees got used to the current system and know how to use it. A small improvement in communication and daily tasks should help improve the business process. Shareholders shoun't complain because this is the structure, which Appex grow to this point. The CEO Shikhar Ghosh not likes this alternative because he is attempting to improve the process. But at least he will be satisfied with the result. he knows that this structure has been beneficial in the past and should work with small improvments. Customers would be happy if the company keep hiring more employees to fulfil the demand so customers will be getting the service that they expected.

**Citation:**

Barker, Robert. CIS 410-01.”Computer Information Systems”

Goldratt, Eliyahu- “The Goal”.

Morgan Gareth- Images of Organization

Human resources Management- MGMT 305 (HR management)