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Case 2 – Appex Corporation

CIS410

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1. **Dilemma:** What type of organizational structure should Appex inc. implement? Did the Merger with EDS solve their organizational structure issues?
2. **Role of IT:** The technology being used includes a large amount of complex cellular telephone technology, although the role of IT also expands to the structure of the organization.
   1. **Technology:** Each network “Cell” consisted of a “Base Station” which required a receiver, transmitter, and antenna. The base station was able to pick up the caller’s signal and relay the signal to either a landline or use microwaves to send it to the Mobile Telephone Switching Office (MTSO). The MTSO is a main part in the signal transaction because it routes the call to the desired location and without it the system would not function. Appex also used an online management system, which was used to track the cell phone user’s required information in order to provide service and bill them if necessary.
   2. **Organization:** Although the organizational structure is not a technological feature, is it a necessary aspect of the IT section of Appex. The structure defines how the members take on a variety of activities through division of labor, integrating mechanisms, the environment and boundaries of the organization. All of these functions determine how well the organization will operate towards its strategic long-term goals.

1. **Critical stakeholders and their rights:**
   1. **EDS/Appex Inc.** – Appex Inc., in the context of a division of the Electronic Data Systems (EDS) Company, is required to follow EDS’s financial planning, resource allocation system, and administrative processes. So Appex has the right to manipulate its own divisional and structural changes only within the boundaries set by the EDS Company.
      1. If the merger with EDS did, in fact, solve Appex’s organizational structure issues it would be because they are required to follow EDS’ standards. Appex’s organizational structure would change as the entire company changed to battle the environment and since EDS is a larger company it is harder to make large, company wide, changes. For Appex, this could mean there are less organizational structure changes in their division of EDS.
      2. If the merger did not solve Appex’s organizational structure then there is a possibility that EDS needs an organizational structure change. Appex can only control their own division within EDS so they have a limited amount of room to move while still following the company guidelines. So if the merger does not help Appex, it could actually restrict Appex’s ability to change.
   2. **Cell Phone Users** – Cell phone users utilize the service from the cellular carriers, which is provided by Appex. The users have the right to high quality service, honest roaming and contract prices, as well as respectable customer service.
      1. If the merger with EDS helps Appex, it could benefit the cell phone users as well. If Appex’s organizational structure enables them to work more efficiently and effectively, it would potentially increase their cellular and customer service. This benefits Appex and EDS because it could increase their revenue their internal operations. If EDS implements Appex’s same organizational structure, in other divisions it could potentially increase all internal operations and benefit the entire company.
      2. If the merger with EDS does not solve Appex’s organizational problems, the cell phone users will not benefit and Appex’s services could worsen. If this happens the users could leave to another company, which could decrease sales and revenue for Appex because the cell phone carrier would not have as many customers.
   3. **Employees** – The employees of Appex Inc. have a lot of stake in the company as well as a lot of influence on the organizational structure. Since Appex is now a division of a much larger, bureaucratic organization, their roles and responsibilities have changed greatly. The employees must adhere to the new policies and procedures although they still have the right to make structural changes inside their division.
      1. If the merger with EDS successfully fixed Appex’s organizational structure issues, their work environment would change dramatically from what it was in the past. This would mean the divisional structure issues they were having would potentially be eliminated such as, resource allocation and cooperation. The employee work environment could be easier to work in, more productive and more efficient and this would benefit the operations of Appex and EDS simultaneously.
      2. If the merger with EDS does not fix Appex’s organizational structure issue the employees would not be able to work to their full potential which could cause missed opportunities and an unhappy work environment. If this were true, Appex’s operations would not meet their production and service expectations, which could negatively affect their bottom line. If the work environment is not suitable for the type of work needed then the employees could decide to leave the company which would raise hiring and training costs in the future.

* 1. **Customers –** Appex provided service to cellular carriers to allow the carriers to manage their customer’s cell phone use in their home and roaming territories. These customers have the right to fair and equal service, equal opportunity, and honest billing from Appex.
     1. If Appex’s merger with EDS proved to be successful in fixing their organizational structure troubles then the cellular carriers could benefit from the enhanced performances. The customers would most likely receive a stronger, more reliable service, which would benefit their customers as well (cell phone users). If the carriers are benefited then they are more than likely going to increase the revenue of Appex due to increased sales of their cellular services. This also benefits the employees because it increases their need in the company and could provide them more job stability.
     2. If Appex’s merger with EDS were unsuccessful then the customers would potentially be harmed by an inconsistent service from Appex, which could cost them more in expenses and customer service fees. This could decrease Appex’s revenue if the cellular carrier’s revenue decreased from cell phone users switching providers. This would hurt the employee as well because when the company loses money they lose the company’s ability to pay their salary.

1. **Alternative courses of action**
   1. **Do Nothing –** If Appex did not do anything once they merged with EDS they would still be using the divisional structure that they implemented a month prior to the merger. This would mean they would still have issues with coordination between the different divisions. Besides the new EDS standards the Appex division has to follow, they could also experience a slightly different feel to the business. Ghosh’s role has changed from dealing with everything, to dealing with only the EDS people and this is similar for everyone in Appex. The employee’s projects and tasks may differ now because their management is now many more layers up in the hierarchical pyramid. Lastly, the customers may experience a different type of response when using Appex services because of the financial planning system and administrative procedures Appex must abide by. This could cause the payment or customer service process to change from the way the customers were used to it in the past.
   2. **Use the functional organizational structure –** During the time of the merger, Appex had implemented the divisional structure so by using the functional organization structure they would have to change their main structure once again. Appex would have to change from a broad, exception based, fluid, decentralized structure to an input oriented, highly routine, hierarchical, rigid, centralized structure. This would mean Appex would almost have to change their structure completely around and since they had tried and failed at implementing the functional organizational structure in February of 1989 they would have a lot of work to do to make it work. This would affect the employees because their divisions would change to teams, which means they would most likely be working with different individuals on different tasks than before. The customers would likely see a difference as well because the old, divisional, issues would be replaced with new, functional, issues that may affect them positively or negatively. Cell phone users would ultimately be affected by the customers because if they are negatively affected it will effect the way the users are served.
   3. **Use a matrix organizational structure** – The matrix structure is the only organizational structure that Appex has not tried yet. The circular, functional, horizontal, and divisional have all had their issues prior to the merger with EDS. The matrix structure is different than the others because it is almost a mix of functional and divisional organizational structures. Labor is divided by inputs and outputs, decision rights are shared, and it functions on exceptions rather than routine, which all affect the employees and promote coordination. Coordination was one of the issues the divisional structure had prior to the merge so if the matrix structure could alleviate those symptoms it could benefit the employees as well as Appex. The customer could benefit from horizontal and vertical matrix data flows because it allows their information to spread across the whole company, ensuring any problems will be fixed. If an issue were to occur the data flow has the ability to quickly reach the correct person, which also benefits the cell phone users.
   4. **Change organizational structure periodically to fit the influences of the environment and need of the organization –** By changing the structure of Appex every six months or so, it allows the division of EDS to adapt to different environment change and continue to flow with the company. Being agile benefits the entire company because Appex will always be looking for the best structure to perform at their best. The employees will benefit because adapting and changing the structure allows Appex to stay current and always progressing, which gives them goals and objectives to strive for while providing job security if the division is doing well. Lastly, the customers and cell phone users will benefit because if the company is doing well then they are providing high quality service to the carriers, which reaches the users.
2. **My normative recommendation:** My personal recommendation is merging with EDS was a good decision and helped Appex with their structural organization. Changing their structure every 6 months is good idea because when Appex had tried to implement the circular, horizontal, functional, and divisional structures prior to merging with EDS, it started off good until they eventually had to switch to the next structure. This shows that although they had issues in the beginning of each new structure, it was something that could be fixed with the next for a short period of time. There is never one exact structure for a company because the environment is always changing and in order to make money now and in the future, a company must change with the environment. My second recommendation is to use the matrix structure because it is one of the few Appex hasn’t tried yet and the new structure could fix the issues they were having with the divisional structure. My third recommendation is do nothing because I believe the merger helped Appex with their organizational structure by being forced to follow EDS standards. This removes those organizational pressures Appex had prior to the merger and allows them to focus on the remaining aspects of their structure so they can improve and possibly utilize the divisional structure. My final recommendation is use the functional organizational structure because prior to the merger Appex switched from the functional to the divisional structure so switching back to a structure that has proven failure seems illogical.

**Works Cited**

Management of Information Systems by Professor Barker: Case 2 – 1 Appex Corporation

Porter’s five forces

Critical Thinking Model Handbook