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Appex Case

Appex Corporation is a startup cellular service company. They provide services to cellular carriers to allow them to manage their customers in their home territory and their roaming territory. They authorize roaming calls, have a clearinghouse for settlement of roaming call charges between carriers, and have a call forwarding system that locates roamers and forwards their calls to them. They also have an IS system that runs software that handles, billing, collection, customer information, inventory and performs network analysis.

The primary problem that Appex faces is determining and implementing an organizational structure that will increase investor confidence, stabilize growth, and end the chaotic nature of the company's day to day operations and planning. The greatest challenge Appex faces is changing its work culture. As new organizational structures are implemented, staff work habits will change. (Fried 5, pg. 350) Appex is a tech startup. It grew from a small group of employees, around 25, to 50, to over 100. The lax culture of a small company can work for small projects and limited demand, but when a company begins to grow, order and structure are needed to maintain consistent growth and customer satisfaction. Finding the right structure to keep the company growing, while hiring new employees, and maintaining order and a creative environment was challenging. Appex's customer service was bad. They were losing customers. Deadlines were not being met. Meetings were not being taken seriously. All these issues were symptoms of a problem. There was no organizational structure. CEO Shikhar Ghosh implemented many different organizational structures to solve the problem. He discovered that changing the organizational structure as the company grew was the best strategy.

Appex's Mission: To provide cellular phone services to cellular phone providers that connect different cellular service provider's networks and provide financial data and services about the charges incurred by customers.

Appex uses the Focus Strategy. Appex focuses on a narrow market. Their software and cellular services is a niche product. Appex is not the most efficient company, but their products and services are effective. (Tanwar, pg. 14)

Appex was a startup in an emerging market. The cellular industry began in 1982 when the FCC established guidelines for the industry. Appex was founded in 1986. This was a new market. There was competitive rivalry among several companies, primarily GTE. There was one instance where GTE and other competitors put out a Request for Proposal to address a certain issue, and Appex beat all other competitors to the solution and market deployment. Appex was an agile company that was beating its competition. The market was competitive and growing at a quick rate. Appex increased its revenue by over 1,600 percent in the span of four years.

The threat of new entrants is moderate. The technology to compete with Appex was already being used by several other competitors. The main obstacle is the expertise to challenge Appex's problem solving ability. Appex was able to come up with a solution for the GTE request for proposal before GTE. This gave them market share and put them ahead of their competition. The ICS and IS services are used by 75 customers, this gives Appex an established foothold in their market. This advantage won't last long though. The tech world is constantly changing. Products and services will change. (Fried 5, pg. 346) Appex will have to keep evolving to keep its market advantage.

The Threat of Substitutes is moderate. A company can acquire all the necessary hardware to compete but acquiring the expertise is another problem, especially in an ever-evolving telecommunications landscape. A substitute company would have to develop new ICS and IS software to

compete with Appex, this could take years, making switching costs high. Appex has an advantage in that it has worked with the existing system for years. Appex said that new employees had little to no experience in the cellular field, due to it being a new market. This will change over time. However it is hard to replace experience. Appex has an advantage in being specialized in their field.

The Bargaining Power of Suppliers is low. Appex at its core is a software company. Software is not very expensive, neither is the hardware. They make their money interconnecting and running systems with the cellular providers. Appex makes its own software and solves its own problems, it is not reliant on a supplier to solve its own problems.

The Bargaining Power of Customers is low. Appex has beaten its competition to new solutions and has seen rapid growth in their market. Before Ghosh was installed as the new CEO customers bargaining power was increasing. The lack of customer service and the chaotic nature of the company was putting it at a market disadvantage. However Ghosh turned this around and greatly increased revenues and the order of the company.

Appex at first had an informal flat structure. There were not divisions. Employees worked on problems that interested them. There wasn't a hierarchy. Employees worked in fluid groups. These are the characteristics of an informal structure. (Cash 2, pg. 106) You couldn't call it a matrix structure because there was no order. Employees could tackle whatever problem they wanted to. Which made for quick and dynamic problem solving. The problem was when you tried to take this approach to scale. It was too unorganized to meet multiple deadlines and aspects of the business, like customer service, were becoming secondary priorities.

The stakeholders in this case are the investors, the customers, and the employees. The investors are the people who provided the initial financing for the startup. They are the ones who put Ghosh in the CEO position to stabilize the company and wanted a better organizational structure to keep the

company profitable. The customers are the companies that use the services Appex provides. The customers want the projects that Appex is promising to be delivered on time, and for the products to work without bugs. The employees work for Appex. Every new organizational structure affects them politically. Each new structure results in new jobs and titles created.

The first alternative is to do nothing. This alternative is the riskiest. Appex was missing deadlines, employees were not showing for meetings, the company was losing money, and investors were calling for change. This option would not have been compatible when deployed at scale. This alternative would have been a poor choice for investors. Appex was on a downward trend when the investors appointed Ghosh. It is likely that Appex would have run out of money or due to poor performance would have lost market share and became unprofitable. Customers would have found a different company to provide the needed services. Employees would lose their jobs as the company lost market share and shrank.

The Second Alternative is to implement a functional structure. This structure makes sense because you could first divide Appex by the ICS and IS functional structure. The carriers service function would handle all the of cellular traffic and the IS function would handle the internal company software processes. This would allow for each department to focus on its own task and to optimize it. Common activities would be grouped together and encourage quality within the functions. (Cash 2, pg. 108) This alternative would benefit investors. The new structure would stop the chaos at the company and focus each functional structure on performing its stated mission. Customers would have product deadlines met and customer service would improve due to there being dedicated employees for customer service. Employees would see the company grow, wages would increase, and job security would be increased.

The third alternative would be a matrix structure. This would allow for a flexibility that is most similar to Appex's early days. However even the matrix structure has more rigidity than the early Appex

structure. This structure would allow for the team collaboration that helped make Appex successful in the first place. The downside to this structure is that employees would be reporting to multiple bosses (Cash 2, pg. 110), but since this is not new for Appex, it would work. Investors would benefit because the company would have structure and clearly defined roles, but also allow for flexibility in problems solving. Customers would get products on time and customer service would improve. Employees would have defined roles but also be allowed to work in teams on projects that interest them.

The fourth alternative is a combination of the functional structure with the matrix structure. This would allow for clear divisions to be created in the company, but also allow for employees from different departments to form teams to solve specific problems. Thus giving structure and flexibility. Investors would benefit from the formal structure while also allowing employees to problem solve in an agile way. Customers would get problems solved in a timely fashion while benefitting from organizational structure. Employees would benefit from having a structured work environment but also be able to work in teams on problems that interest them.

The best alternative for Appex would be alternative four, a Functional Organizational structure that would, when applicable, also use a fluid matrix structure to form particular teams to solve particular problems. In this system employees could move to one department then another, based on the department's needs, but the employee would only have over boss at a time. This would solve the problem of having to balance 2 managers interests at the same time. Appex has a ICS and IS component. These are two separate functions and should be treated as such. Also, every company needs to have a marketing, sales, HR, and Financing department. The interesting question here is how to blend or not blend the IS and ICS functions. A new problem always presents new opportunities, and a company should never limit itself to department titles and roles. Managers should always place the employees best suited to solve a problem to the task. Since Appex had much success early in its career using teams from different specialties, this approach makes sense. And making the matrix more fluid would be a

benefit, meaning don't be rigid with the matrix, if several employees from more than 2 sectors can make a difference, add them to the project as well. The tech field is a problem-based field, the more diverse the team, the better.

The first alternative of doing nothing would result in the company losing market share and would have not solved any of the performance issues. The second alternative might have worked but the traditional functional structure would have been too rigid to keep up in the evolving tech world. The third alternative might have worked but having employees report to multiple bosses would result in too much politicking and focus would be lost.