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Appex Case Analysis

CIS 410

1/22/20

**Executive Summary**

Appex Corporation was founded in 1984 by Brian E. Boyle and focused on management information systems for the cellular industry. Today they are a growing software development company that specializes in the engineering of cellular radio networks. Appex grew their total revenue by 1600% in 3 years, however, they were a startup at the time and revenue generally stabilizes over time to normal level. Appex provided service to cellular carriers that allowed them to manage customers in their territories. In 1990 Appex had around 75 customers including Southwestern Bell and Cellular Communications Inc. Contracts with each customer has multiple and agreements and offered products that ran from $100,000 to $2 million. The following analysis will provide a full organizational showcase of Appex, its potential courses of action regarding business processes, and will offer a recommendation based on the facts given.

**Mission**

Appex Corporation’s mission statement is hard to define but it encompasses providing management information systems and inter-carrier networking services to cellular companies as well as credit scoring systems for financial institutions.

**Five Forces Analysis**

The five forces of industry that drive the business strategy of an organization include: competitive rivalry, threat of new entrants, threat of substitutes, bargaining power of suppliers, and bargaining power of customers (Porter). When it comes to competitive rivalry, Appex has generally been good at beating their competitors to the market with new innovations, but their threat level would be considered growing. Appex was “the fastest growing high-technology company in the United States (Business Week)”. As Appex has grown, they haven’t been as quick to respond to change and this has allowed competitors to join the market easier with new ideas. Because of this, the threat of new entrants is also medium. The business that Appex is in is expensive to enter and there are only so many cellular carriers in the United States & Canada but as technology grows and the needs of consumers change, there may be some other firm that can provide those needs faster and more efficiently.

The threat of substitutes at Appex would be considered low due to the long-term contracts that they have with their clients. They also are secure due to the uniqueness of the products they sell. The long contracts also make it harder for their customers to bargain, the clients are contractually obligated to work Appex and their support team. Appex’s main suppliers are their employees. The employees provide Appex with their skills and time, due to this, the employees have high bargaining power and high training costs. The employees are not easily replaceable and then tend to need more employees that they currently have at a given moment.

**Stakeholders**

There are four main stakeholders at Appex including: Customers, Shareholders, Employees, and Shikhar Ghosh. The customers would include any cellular service provider they are partnered with, this would include BellSouth and Cellular Communications Inc. If the business fails and revenues decline, then the stakeholders will be negatively impacted. If internal problems are not fixed, then Appex will lose customers. Some of the internal stakeholders include the employees and parent company EDS. The CEO, Shikhar Ghosh, needs the business to succeed or his stock in the company will decline.

**Problem Area**

The main problem that Appex has is their lack of an organization-wide strategy. If they don’t have a clear goal and don’t increase throughput then they will not survive (Goldratt). It doesn’t matter how their organizational structure is implemented if they are not working on achieving their mission. This problem will enhance other problems that Appex has including their struggles to provide consistent and professional support to their customers.

**Options**

*Do Nothing:*

The first option Appex has is to do nothing. It must adopt EDS’ requirements, such as its financial planning systems, administrative procedures, and resource allocation systems. If Appex adopts these requirements, then they will lose their unique organizational culture and independence. Their employees would likely be displeased with the option. It will remove their flexible work environment and sense of individual purpose. EDS would most likely be pleased with this decision as it reduces potential conflicts between General Motors and EDS’ historical strategy and methods. In the long term, choosing to do nothing could harm the company. Innovation is essential to the success of any technology company. Without differing opinions, strategies, and technologies an organization cannot progress (Morgan). If Appex cannot innovate, then it has no chance of surviving. Because of this, this option is rejected.

*Use an Innovative Structure:*

The second option is to use an innovative structure. Ghosh implements one of them, the circular structure, in which there were concurrent circles expanding out from a middle circle. At Appex, the inner circle contains the senior executives. The idea was to create a nonhierarchical organization where information flowed continuously. The customers wouldn’t be affected by the change. They would continue to get service but could be delayed due to the confusion the employees have with the new structure. The employees would be affected however, this is because they can’t relate to a circular structure since they don’t know it. Their jobs would become more difficult making their jobs less desirable.

*Represent Appex in EDS’ Vision:*

The best option for Appex and their stakeholders would be to find where it fits in EDS’ overall vision and focus its strategy on achieving the mission. Part of this would be including a representative for Appex in EDS’ executive structure. This person would likely be Ghosh given his experience with client requests and employee recommendations. A centralized vision for the company that flows into strategies for each of the divisions is key for their success with EDS. If Appex stays on topic, its other problems will diminish as well. An environment that encourages innovation, productivity, and growth will lead to the success of the company, in turn pleasing the stakeholders. Employee representation will also increase the employees’ sense of purpose as they contribute to the organization they work for.

**Conclusion**

Throughout the case Appex lacked a central mission. The company is reactive and unpredictable. Even though they had early success and rapid growth, without new actions Appex will fail. Considering EDS’ purchase of Appex, the best-case scenario for Appex is to align their mission with EDS’ while also having representation within the executive management’s decisions. A centralized mission will allow them to continue moving forward with their growth.