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| Appex Corporation Case  Samuel Akinfenwa | | |
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**Introduction**

Appex corporation is a company in need of control and structure. The Massachusetts based Cellular telephone company had a lot of problems with its organizational structure. “Organization theorists and managers alike have become increasingly aware of the relationship between culture and management” (Morgan) The company was growing faster than its management could handle, which led to the hiring of the new CEO Shikhar Ghosh. The former management culture was creating more problems than it was solving. In 1990, Business week rated Appex the fastest growing high-technology company in the United States. The company added about 10 new people every month due to the massive growth. Ghosh was recruited by Appex because its investors believed that the company was spending cash to haphazardly.

**Industry Competitive Analysis**

Organization Structure

Ghosh had plans for the company and was eager to try some structures the organization has been lacking. The first structure was the circular structure developed to create a non-hierarchical organization in which information flowed continuously and freely within the organization and its environment. The structure had its flaws, Ghosh realized it was not suited for the company because employees were not familiar with it, and a mentality developed that the customer was the enemy.

Ghosh established a functional structure; the company functions we organized as teams and they reported to him. He wanted a system of accountability, in which the team’s heads reported regularly to him and wanted to minimize the sense of hierarchy. Creating the functional structure brought some challenges: teams became polarized, standards were being set by individuals rather than company policy and Ghosh also found it difficult to measure managerial competence. It was also hard to bring new management to head teams due to the lack of knowledge on the products compared to the people in the team who have it.

The Last structure Ghosh tried to implement was a divisional structure. It was divided into multiple divisions to create cooperation within the organization. It limited Ghosh's role in the day to day operations of the company. The divisional structure also generated problems that caused a lack of development in the company. The divisions had problems with resource allocation (divisions wanted control over all their resources), there was little communications flow across divisions, divisions acted like small companies (they had their business procedures).

Ghosh realized the structures lead to behavioral changes in the organization which lead to the creation of problems and structural changes.

**Five Porter Forces Analysis**

The threat of new entry

The Cellular Telephone Industry was experiencing rapid growth when Appex Corporation was founded. It was easy to enter the field but hard to stay in. Analysts predicted the cellular telephone system might become the primary telephone system in the region of the world where conventional telephone systems were under-developed. The rapid growth meant new entrants would require a lot of market share to survive. With the rate Appex was advancing it would be hard a new market to stay. Low

Bargaining power of buyers:

Appex early struggles with a high volume of customers and orders without an increased demand meant buyers had high bargaining power. Appex had a structure that allowed them to get some things done and ignore some during Boyle’s management. Customers' demands were high and Appex’s competition wanted to capitalize on the market. But Appex had the upper hand with its ability to bring products to the market quickly and its lower price leaving its competitors powerless. Appex kept up with the market and it allowed it to stay on top despite its lack of financial planning and customer complaint. low

The threat of substitutes:

In a new and rapidly growing industry, substitutes were very limited. The growth in subscribers due to better cost and improvement in the quality of equipment and service meant substitutes would not be of concern. Low

Bargaining power of suppliers:

Appex had no suppliers since they were the suppliers. The company marketed its services directly to cellular carriers. Roaming could be a bargaining power of suppliers but its more profitable to the operators rather than the provided service (Appex). Low

Competitive Rivalry:

Appex faced little competition in the industry because the industry was new, and the established firms had no say to Appex ability to be responsive and effective at getting things done quickly and relatively cheaply. Despite the tame attempt to establish a joint entity from its competitors, Appex controlled the market and stayed growing leaving its competitors behind.

Low

**Stakeholders**

Shareholders

The shareholders (an investment group) decided to appoint Ghosh to help control the spending of cash. The shareholder wanted more control and structure in the company. Their decision to hire Ghosh shows they wanted more accountability of their investment in the company

Customers

The customers create the workload and require the assistance of Appex employees. They are massive stakeholders for Appex because they show the structure's functionality and they help Appex dominate the cellular telephone industry market.

EDS/General Motors

EDS acquired Appex making them a stakeholder.

Employees

The employees determine the culture of the organization and are affected by the organizational structural changes.

**Alternative solutions and Recommendation**

Implement a new Organizational Structure

Ghosh believed that the Appex structure should be altered regularly. The goal is to make money by increasing net profit (Goldratt), Appex has been successful so far despite all its structural issues by changing its organizational structure every six months the organization will experience and explore multiple structural changes by doing that it will able to find its best fit. Appex is still a leading market which means any structural change won’t massively impact so its market share. Its competitors are also exploring and looking for a better way to compete so

Appex must use positives from other structural changes to find a fitting structural change and balance its changing structure so it could continue at the top. The company is

growing so fast, change is necessary to survive in the industry.

**Impact on Stakeholders**

According to Ghosh, “structural changes created some anxiety among employees, but they were necessary.” Employees will have to get used to changing structures and understand why the changes are needed. New employees will be trained in dealing with organizational culture. Employees will be able to perform the services with limited knowledge, but they must understand the reason for changes. Ghosh will have to find a way to please the employees because the changes might lead to employees leaving.

Management might struggle with changes because of the decision they must make daily. Ghosh must work the managers to ensure they fully understand the structural changes before implementing it. Managers have different functions to run, lack of productivity from one function could cause problems. The divisional structure had functions struggling to cooperate caused few brand ideas to be developed.

The biggest concern will be the following EDS’s requirements. As a part of a larger organizational, Appex will have to find a structure that fits EDS requirement or else EDS might lose money or Appex itself

Do Nothing

This will leave Appex with a Divisional structure. This will allow Ghosh to explore more roles in the company and find more ways to improve the Divisional Structure. Each division of Appex would mostly be responsible for their day-to-day operations and Employees would remain separated by divisions.

The company was still growing quickly but it will be operations will be very risky. Shareholders might be disappointed with the lack of new ideas. This could lead to changes from the shareholder perspective and Ghosh's role as a CEO might be questioned. Ghosh will have to address problems like resource allocation, lack of communication, and divisions functioning as small companies. These problems are solvable, but it must be addressed for them to be successful with the structure.

Recommendation

I recommend that Appex implement a new organizational culture. This option allows Appex to address its problems and also keep the new shareholder satisfied with their acquisition. The market allows Appex to explore multiple structures and suffer little consequences. Appex must take advantage of the opportunity, the technology field is always changing by reviewing the structures every six months the company will be able to find a better fit.

This will also make Appex a great company to be part of because it always looking for ways to be better and it’s growing in every function. I think this recommendation will bring Appex more success and its new shareholders more funds

**Citations**

Goldratt, Eliyahu M., 1947-2011. The Goal: A Process of Ongoing Improvement. Great Barrington, MA: North River Press, 2004. Print.

Morgan, G. (1997). Images of Organization (2nd ed.). Thousand Oaks, Calif.: Sage Publications.