Appex Corporation

CIS 410-02: Case 2

Sarah Muss

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**1. The Problem**

Before Shikhar Ghosh joined Appex; the company was entrepreneurial, technology-driven, and loosely structured. The company was at its start-up stage; few business procedures had been defined as they were considered as unnecessary given the relatively small size of the company. People had particular expertise but everybody did anything because nobody had any sense of what their job description was, which is typical of a start-up company. The key problem that Ghosh and APPEX Corporation were facing is the chaotic condition of the company’s current structure. There were no clear-cut job responsibilities or expectations. Ghosh stated, “Everyone just did what they felt like. For instance, customer service people were supposed to start at 8:00 am. They wouldn’t arrive until 10:00 am. But they would work until 2:00 am. Everybody did things on their own time, and the attitude toward the customer was – “We’ll call you back.” Ghosh changed the organizational structure about every six months, with each new structure presenting new problems for the company.

**2. Environment Position**

**3. ICA**

1. **Mission**

Appex Corporation was a highly successful information service provider in the fast-paced cellular phone industry. It sustained impressive revenue growth of 1600% over three years between 1986 and 1989, while increasing employee count by 600%.

1. **Generic Strategy**

Cost Leadership

Differentiation

1. **Organizational Structure**

Appex Corporation has tried many different organizational structures. When Ghosh arrived he was changing the structure roughly every six months. He attempted a circular structure, functional teams, product teams, business teams and finally in August 1990, a divisional structure. The division structure was implemented in response to problems created by the previous functional structure. In actuality, this structure was a mix between a functional and divisional structure establishing an ICS and IS divisions, while maintaining separate divisions for Operations and Finance and HR. While this had effect of improving company focus on cost, schedule, and responsibility, it was not without limitations.

1. **The Five Forces**
2. **New Entrants**

The threat of new entrants is high for APPEX Corporation. The cellular phone industry was just getting off the ground in the late 1980s, it was growing at an extremely fast pace. Due to the fast pace growth and ability to join an industry on the rise, the threat of new entrants was very high. There is a high number of young, fast growing industry-leading companies failing to maintain their market share due to new entrants outperforming them (Kalakota).

1. **Substitutes**

The service that Appex provides is one that could be provided by other companies. The roam and billing services provided by Appex are intangible and a well-equipped telecom company could provide these services.

1. **Customers**

Appex’s customers have a great deal of power over Appex as there is a limited amount of them and they are all high volume buyers who could choose to go to a different company once their contract ends.

1. **Suppliers**

APPEX does not have a conventional supplier. They are in a business that does not require raw materials and very little new equipment. For this reason, suppliers have very little to no power over APPEX.

1. **Competitive Rivalry**

Similar to new entrants, the threat of competitive rivalry was very high. APPEX had done an outstanding job competing with their competitors as a smaller company and beating them to the market with new innovations. Their not as quick to respond as a larger entity giving other companies more of an opportunity to beat Appex to the market with new ideas.

**4. Alternatives**

1. **Do Nothing**

By doing nothing, Appex remains in a divisional structure, which has presented some advantages to them. For example, this structure improved accountability, budgeting, and planning. It kept employees focused on financial targets and allowed for co-operations between the divisions. This structure also created other problems once implemented. These issues would need to be addressed if they choose this route. Some of the problems from the attempt at a functional organization persisted and sharing the company’s resources (exp. a database manager) caused antagonism between the divisions. Appex would likely have to hire separate managers for each division, which in turn, would raise costs. Also, less product ideas are generated under this system of management, as there are high walls between the divisions despite their co-operations.

1. **Implement a matrix structure**

A matrix structure is in some ways similar to the divisional structure. Employees would be grouped by both function and product and teams would frequently be assigned to a project to accomplish a specific goal. This type of structure can take advantage of the best parts divisional and team based structures. If Appex chooses this route, I would recommend a balanced/functional matrix. This involves project managers being assigned to oversee projects and sharing the power with the functional managers who are the normal chain of command. A disadvantage to this route is, the division of power between the managers.

1. **Implement a functional structure**

A functional structure is when data flows bottom up and information flows from top down. It is usually focused on cost-leadership, so everything is revolved around cost and efficiency. This is the cheapest structure because you don’t need people to run it. It is built to run inputs. It also has a super strong informal structure and there are numerous levels of management.

**5. Stakeholders**

1. **Employees**

This group is directly affected by whichever alternative Appex Corporation chooses. This could change whom their current direct management is, whom they report to, or whether they even stay on the same team they are on. This outcome has the biggest influence on this group of stakeholders.

1. **Customers**

This group is also highly affected by the outcome. If Appex cannot figure out a beneficial organizational structure, then their customer service could continue to decrease. The wait times could become longer than they currently are, this would cause frustration with between them and their customers. If Appex improves then this could benefit their customers in a positive way.

1. **Shareholders/Board of Directors**

This group isn’t concerned with the organizational structure of Appex. What this group is concerned with is how much money it is or isn’t making them.

**6. Alternative’s Impact on Stakeholders**

1. **Employees**

By doing nothing, the employees would be in the same situation as they were before. They would have an unorganized and chaotic work structure. The departments would continue to give late feedback and arrive and leave work at their leisure. However, they would be allowed to work as they please, good for the employees, bad for the company. A matrix structure would impact the employees by giving them an actual start time that they arrive at everyday for starters. It would show them the hierarchy of the company so they know who to report to and can quit competing with each other at the company’s expense. Decision rights go to the one with the most expertise.

1. **Customers**

By doing nothing, this will cause Appex to lose customers. There are already issues with their customers and not being able to address their issues in a timely fashion. If the customers do not get the respect and consideration they deserve, then Appex will lose customers. A functional or matrix structure could benefit this group in a sense of customer service and response times. Depends how and what is implemented with these structures to ensure the best possible outcome.

1. **Shareholders/Board of Directors**

By choosing to do nothing, this would affect this group negatively. The company will continue to have problems with their organizational structure. Which would in turn affect the money going to this group. Money is what this group is worried about. Is it benefiting them or costing them? By doing nothing, it will end up costing. If a matrix or functional structure is implemented this group is worried about the outcome. Does it benefit them as far as putting money in their pockets or does it cost them? This group wants to gain money, no more no less.

**7. Recommendation**

A matrix organization, although not without its difficulties, best serves Appex. It achieves a workable combination of functional elements while promoting cooperation and communication. With careful control of the resulting projects, Appex can achieve renewed customer focus. With the elimination of the competition between divisions, resource allocation problems will be reduced. Because the project leads report to the CEP, visibility will be restored to senior management.

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