APPEX CORPORATION

CIS 410-50 Case 2

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2019

**The Problem**

Appex Corporation specialized in proving management information systems (IS) and intercarrier network services to cellular phone companies (ICS). The cellular telephone industry was new at the time and APPEX was rated as the fastest growing high-technology company in the United States by Business Week in 1990. They were a small but successful company. Brian Boyle, the first CEO of Appex had very few business procedures and the office structure was somewhat informal. Although the structure was not formal by any means, employees were committed and hardworking. They were able to bring technical solutions that allowed them to compete with other firms. Appex was a project-based company. As more projects increased, more people were hired to deal with the workload. Expenses were not being tracked and the company was losing money. Shihkar Ghosh was hired to essentially give solutions for the growing company’s structural issues. He found that the lack of a strong organizational structure turned Appex into a chaotic company that had no financial tracking and planning and the workload was too much to handle for the employees. He implemented a few structures: circular, horizontal, hierarchical, and divisional. Ghosh changed structure about every six months fix issues that arise from each structure, only to be introduced with another set of problems. The challenge is to figure out what type of structure APPEX should adopt to ensure that the company succeeds in meeting their demands and creating an organized, environment for employees and their customers.

**Industry Competitive**

**Mission Statement**

Appex specialized in providing management information systems and intercarrier network services to cellular telephone companies in the United States and Canada.

**Core Competency**

Appex provides services and products through their management information systems (IS) and intercarrier network services (ICS). Through these different services, they can serve different markets, does giving them an upper hand to other industries. As a project-based company in its early stages, they were able to meet their client’s demands and trust and were able to get more clients and projects through this foundation. Since then, their business has grown and in reputation and Appex was able to serve markets in both the United States and Canada.

**Primary Markets**

Appex provided service to cellular service to “roamers” through their intercarrier services and cellular telephone companies in the United States and Canada through their management information systems.

**Generic Strategy**

Appex uses a differential strategy. “Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique” (Tanwar). Appex was a strong company in the wake of the cellular industry in 1982. Through economies of scope, they use the same cellular service product line and tweaked it so that it appeals to as many consumers as possible. Appex provided products and services that can be divided into two categories: intercarrier services and cellular management systems. “ICS was a high-volume transaction service… ICS consisted of an integrated software system designed to manage the primary functions of a cellular carrier in is home market.” Through IS and ICS, they were a unique company in a growing telecommunications industry that fit the demands the of financial and technology market.

**Porter’s Five Forces**

**Supplier Bargaining Power**

Supplier bargaining power is low for Appex. They need not require physical goods; thus, supplier did not have much say. Their main supply was mostly intellectual. As a new industry in the market, their main supply were employees with experience. As the company grew, Ghosh realized that the need for more employees with different skill-sets and experience were a must. Therefore, in terms of an intellectual supplier, bargaining power was high.

**Buyer Bargaining Power**

Buyer bargaining power is low for Appex. The cellular industry was a new industry at the time, therefore some products and services that Appex provided were unique to the market. Also, since the industry is new, there were not a lot of companies that could compete with Appex.

**Threat of New Entrants**

Threat of new entrants is medium for Appex. As the industry is new, there will be new competitors readily available, but the ability of them staying depends on their software and their service. Since all technology and services are new currently, if the new entrant can develop the current goods better, then they have a chance to compete. “Buyer’s

loyalty can also serve as entry barrier-new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully” (Tanwar).

**Threat of Substitutes**

Threat of substitute is medium-high for Appex. The company was struggling with customer service and meeting deadlines. Not being able to meet client needs will lower buyer’s loyalty which would take a big toll for Appex. Clients who do get service from Appex are said to be content with their service. It will be up to Appex to fix this issue to lower the threat of substitutes.

**Threat of Infra-Industry Competition**

Threat of infra-industry competition is low for Appex. Appex was very responsive during Boyle’s leadership when he created a solution to a business problem causing ACT, a joint entity of Appex’s competitors, to disband which lessened their competition.

**Stakeholders**

**Appex and employees**

This includes Appex and its individual employees. Appex employees are the main driving force for the company. Since the early stages of the company, the employees were the ones providing service and innovation to boost the reputation of the company. Going from an informal to formal structure will directly impact employees and its internal environment.

**Shareholders**

Shareholders have been concerned with the financial well-being of Appex. They have noticed that although Appex was successful, they were losing money and “the venture capitalists who had invested in the firm were hoping that Ghosh would be able to turn it around” (Gladstone). The success of their financial gain is dependent of Appex’ success.

**Customers**

Appex marketed its business to cellular carriers and most of their customers were big names in the industry such as BellSouth, Cellular Communications, Inc., and Southwestern Bell. They signed contracts to these companies and these multiproduct, multiyear service agreements ranged from $100,000 to over $2 million. They are a big source of revenue for Appex and their success will increase their loyalty.

**Alternatives**

**Do nothing**

This alternative would mean that Appex does nothing and will continue with Ghosh’s structure philosophy. The company will have a change in structure every six months and will change according to the problems that arise in the previous structure.

1. **Impact on stakeholder: Appex and employees**

Appex employees will continue to go through experimental changes. Hierarchical structures, work flow, and flow of information will continuously change. Conflicts and problems will arise as new structures are introduced.

1. **Impact on stakeholder: Shareholders**

Shareholders will not see immediate impact as most of the changes are internal. If finances are not kept track of in one structure, it will affect them. The effect depends on which structure is Ghosh will implement next.

1. **Impact on stakeholder: Customers**

Customers will either see better customer service and products or mediocre performance. This all depends on how employees adapt to the changing environmental structure. Employee performance is dependent on the customer’s satisfaction and this may fluctuate depending on how the structure is affecting work flow.

**Adopt a functional structure**

This alternative would mean going back to a hierarchical, functional structure than Ghosh has previously implemented. The company would be separated into teams, hierarchy and roles would be assigned. This worked for the company for some time as order was put into place. This was also the traditional approach that many companies adopted. In 1990, Electronic Data Systems (EDS) acquired Appex. They are a larger, more successful and bureaucratic organization. Appex can go with the bureaucratic approach in the hopes of EDS as an example.

1. **Impact on stakeholder: Appex and employees**

Since this is a structure that was previously implemented, they can work on the problems they had before to fully feel the impact of the structure. Politics among the workplace may arise once again, but in due time, roles will be clearer as new employees will find their place in the hierarchy. Employees will be less concerned with internal processes and issues. If the structure does not fix previously problems, they will experience the same issues of resource allocation, diminished customer focus and less focus on company goals.

1. **Impact on stakeholder: Shareholders**

Shareholder will not be immediately impacted by this structure. In their first run of this structure, the company was less concerned with company goals and more about the culture of the workplace. If the structure were to repeat its previous events, the likelihood of financial downfall for shareholders will be high due to Appex’s inability to adopt to the structure and its mixed concentration on company goals.

1. **Impact on stakeholder: Customers**

Customer will be impacted depending on how the structure affects the employees. When this structure was first implemented, customer focus diminished as employees focused on workplace politics.

**Adopt a matrix structure**

This alternative would be adopting a new structure called the matrix structure. This structure would be experimental. The consequences and benefits are unknown. This structure is like the initial structure of the company during Boyle’s leadership. It is project based and teams are formed to tackle projects. This would be going back to how Appex was during its early but successful times but in a more organized fashion.

1. **Impact on stakeholder: Appex and employees**

A new structure means things will be different around the workplace. Hierarchy will still be set in place, but there will be a lot more flexibility. Employees will have to adapt to this new structure.

1. **Impact on stakeholder: Shareholders**

Like previously structures, they will not be directly impacted. The matrix structure is known to be able to meet the demands from the environment, which would mean more satisfaction for customers. This could have a positive impact on shareholders if this structure is utilized correctly.

1. **Impact on stakeholder: Customers**

The matrix structure is very adaptable and to the environment. Customers may receive better service than before in previous structures.

**Recommended Solution**

I recommend that Appex adopt a matrix structure. Appex has continuously struggled with meaning consumer demands and order within the workplace. This structure will provide the flexibility and order that Appex needs and is complimentary to an organization with a differential strategy due to its project-based focus. “Division managers and functional managers have equal authority within the organization, and employees report to both. Most employees have dual assignments” (Cash). This is like the initial, informal structure Boyle implemented in Appex’s early days but with more structure. According to Cash, matrix is appropriate if “environmental pressures from two or more critical dimensions” and we see that with Appex’s IS and ICS. Cash’s second condition is that the task environment of the firm is uncertain. Many of Appex’s employees were new hires who had no experience in the cellular industry. It was uncertain what each employee could do well, and people were moved from different positions and roles due to changing structures and demands in the company. Cash’s third condition is that “economies of scale in the use of internal resources (people, equipment, information, cash) are needed.” Appex fits all the conditions where a matrix is appropriate to implement. A problem Appex continuously faced was resource allocation and the matrix structure allow resources to be flexibly allocated. A problem that they will face with this alternative is because of dual authority with the managers, there is lack of clarity in relationships among employees. This ambiguity is not all bad as this forces the employees to fix previously hierarchical issues they have faced when they issued the functional structure. This matrix also forces managers to adapt to the information and power-sharing, which means more collaboration among teams. This will fix the walls that were established during the implementation of the divisional structure. Employees will need to learn to collaborate for this structure to work.

**Rejected Alternatives**

Do nothing would cause a lot of chaos within the company. This alternative would mean going along Ghosh’s plan of changing structure every six months to fix issues that arise. This would cause a lot of issues as employees must adapt to new strategies frequently and instead of fixing issues to go along with the structures and letting the structure settle among employees, they will be restarting repeatedly and generate a new set of problems. Problems will stack on top of each other and this will cause more time to be put into fixing internal issues instead of focusing on organizational goals.

Adopting a functional structure would be my second choice of structure. It is the safer path because it is traditional and what many successful companies use. By analyzing the issues that Appex employees have and the nature of their business, this structure is too rigid. With this structure, political issues arose, and employees were more focused on what is happening within the company than their customer service, which is one of their biggest sources of revenue. This caused constant battles within representatives of teams and executives had to step in meetings to make decisions. The company and the industry are too young to adopt this structure. Innovation and teamwork were what was needed for Appex to strive and this structure is too slow to react to the changing environment.

**Citations**

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Gladstone, Julie A., *Appex Corporation*, President and Fellows of Harvard College, 1992. Print.

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