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Case 2: Appex

Appex Corporation serves as an intermediary between cellular networking companies and their customers by providing critical Customer Relationship Management Systems, payment systems, and other intercarrier management systems that companies could use to serve the requests of their customers and bill them appropriately. Originally, Appex was small and had a defined purpose: facilitate the transactional processes that form the newly-emerging cellular industry. Appex sought and found success early and grew exponentially as a result. Staff continued to innovate products that gave Appex a significant foothold in an infant market. However, as Appex continued to expand, it suffered growing pains. The footloose management style of Appex as a startup allowed staff to innovate, solve problems quickly, and deliver impressive margins. In hindsight, this also meant that staff had no clear roles or authoritative management; they would work on whatever they deemed important on an individual basis. When Appex had as few as 25 employees, this wasn't a clear and present issue, but the company didn't stay at that size for long, and as it grew politics emerged, and Appex began to suffer. The day-to-day approach of the smaller Apex worked initially, but as it grew, there was a clear lack of financial planning, issues dealt with on a day-to-day basis, and customers were treated with a "I'll call you back," approach. People were focused on making money now and not in the future. (Goldratt)

Enter Shikhar Ghosh, the newly appointed COO of Appex Corporation, a man who hailed as new partner at Boston Consulting Group. With his expertise in organizational structure,

Ghosh figured he could bring order to Appex and make it better than ever, and was incentivized to do so with the promise of the coveted CEO position down the line. In short, Ghosh spent months implementing a variety of styles and structures to see what would stick. His first approach was a circular structure, a newly emerging organizational hierarchy that he had seen in Japanese companies during his time at BCG. It didn't take long for the shortcomings to become apparent; Employees had never worked in a similar style and didn't understand it well enough for it to be effectively applied. No one knew who had authority, what or who they had authority over, or even what their responsibilities were. New hires were especially confused, and didn't understand where they even fit in. With Appex growing by as much as 10% per month, people were constantly having to adjust.

Ghosh next tried a horizontal structure, which while less conventional for a business, was not entirely unfamiliar to employees, given that it was essentially just a vertical hierarchy flipped on its side. Employees proved unwilling to even give it a chance, with the text citing a meeting in which no one showed up on the day of the new structure's implementation.

After concluding that innovation was not the key to organizing Appex, Ghosh returned to more traditional techniques. He split the company into several functional divisions, all of which reported to Ghosh. It was at this point that politics began to appear. Teams began to form smaller units, and those units all had their own management and resources. Teams within divisions began to compete for resources and for the approval of higher-level management. Policies and standards were set at the micro-management level by emergent personalities among the groups. Company-wide policy was ignored, overruled, lacking, or not enforced properly. Some teams even went so far as to alter financial statements and other documents to influence their reputation and forge their performance.

Ghosh went on to make incremental changes to structure all the way up to Appex Corporation's acquisition by Electronic Data Systems in 1990, but even then the issue still persisted, and was largely unresolved. EDS, upon acquisition, made Appex aware that it was up to them to solve their structural issues on their own, so they could successfully integrate.

Before we can examine alternative solutions to the issue, we must do an industry competitive Analysis for Appex. In short, Appex serves as an intermediary between suppliers and customers in the cellular industry through product differentiation. Appex found success early because it penetrated an infant market with a new solution before competitors could introduce their solutions. In being first to market, a primary competitor called ACT, which included the joint efforts of many potential competitors, was disbanded before it even got its boots on the ground. Appex also innovated a variety of products in the industry, to their point where individual teams almost acted as independent companies.

Next, we must apply Porter's Five Forces model (Porter) to determine Appex's position in the market. Appex has the advantage of being the frontrunner in this market, which I believe is why it was such an attractive target for acquisition. In terms of the BCG Marketing Matrix(Professional Academy), Ghosh and others would likely describe Appex's main products as "stars" given the high market share and high growth rate. Competition is low for Appex, given how few can compete with the speed in which they get products to market. In the same vein, the threat of substitutes also seems to be quite low for Appex. Where Appex may suffer is with the threat of new entrants. Given the lack of structure and focus, it is entirely possible that another company can manage competition just by virtue of being structured better. With better focus brings better productivity, and this is where Appex is lacking. With so much internal chaos, its also not out of the question to consider that mis-management could cause Appex to collapse

from the inside. Because Appex is a tech company, they rely little on physical suppliers, and rely more on the notion that the cellular industry will continue to grow. As of right now, bargaining power for customers is relatively low given that there aren't alternatives establishing themselves in the market.

There are many stakeholders that are affected by changes to Appex's organization structure, including: employees, EDS, customers, and shareholders (Destination Innovation). In this scenario there's several alternative solutions that could be implemented to mitigate the issues that Appex has been facing. Ghosh could do nothing and keep Appex as is: This would be met with a range of reception. On one hand, employees had begun getting used to working under Ghosh, and this would minimize transitioning into a division of EDS. EDS would likely be somewhat unhappy, knowing that the company in its current form, while showing improvement, is still chaotic. Customers would likely be unhappy or content given the quality of service they are currently receiving, though it is likely sub-optimal. Lastly, shareholders, especially those of EDS, would be mixed given the uncertainty of the Appex integration.

Ghosh could adopt the organizational structure used in EDS: Employees would be unhappy given that much of their day-to-day jobs/responsibilities/authority/etc. would change as a result. EDS would be thrilled, it would simplify integration and bring Appex in line with company policy very quickly, as well as establishing consistency throughout the company. Customers, would likely see a downward trend in service during the transition, followed by consistently good service thereafter (and likely better service than Appex could've offered otherwise). Shareholders would appreciate the added structure and consistency throughout the company.

Theoretically, Ghosh could continue to implement unconventional and innovative structures to see if something works, but this induces constant employee anxiety (ADAA), given that people tend to work better when they know what to expect (Newby-Clark). This, compounded with the idea that Appex is now simply a division of a larger company, further reduces the probability of success.

Ultimately, when Appex merged into EDS, Ghosh's role in the company changed drastically. He became more involved with EDS, as well as implementing Appex within EDS. As such, Ghosh is no longer the CEO of Appex. Sure, he is now likely to be the top of the hierarchy in the new "Appex Branch" of EDS, but his focus is now on EDS grand strategy, not managing a company on his own. He should leave Appex as-is and focus on his new role. As Appex and EDS collaborate, pressure from higher-ups will force them to conform to company standards, and Appex employees will fall in line accordingly. In short, this is no longer Ghosh's job, and it should be resolved by the person appointed to deal with it. Ghosh should do nothing.

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