**Cody Higdon**

**CIS 410:  September 13, 2018**

Case #2: Appex Corporation

**Mission Statement:**

*Appex Corporation provides service to cellular carriers which allows them to manage their customers in their homes and roaming territories* (Barker 2018).

**Introduction:**

Appex Corporation was founded in 1986 from the merger of Appex Inc. and Lunayach Communications Consultants (Bloomberg 2018). Brian E. Boyle founded Appex Inc. in 1984 (Barker, 2018). Appex Inc. was founded on the management of the information systems for the cellular industry and credit scoring systems for financial services companies. Lunayach Communications Consultants (LCC) focused on the design and engineering of cellular radio networks for cellular companies. In the beginning, Appex Corporation was named Appex Lunayach Systems Corporation (ALS) (Barker, 2018). This company was founded on Lunayach engineering expertise mixed with Appex’s business and systems expertise

In 1988, a partner from the Boston Consulting Group, Shikhar Ghosh, was named Appex Corporation’s Chief Operating Officer (COO). Ghosh believed he could change the structure of how Appex orchestrated business. He stated that, “I left BCG with my head full of ideas on how to structure organization”(Barker 2018). This statement opened the eyes to Brian Boyle and the rest of Appex Inc. about the possibilities of restructuring their organization.

**Executive Summary:**

Appex Corporation was very small compared to other companies in numbers such as employees and revenue when Shikhar Ghosh took over in 1988. Appex Corporation had only twenty-five employees that annually generated two million dollars in revenue. Two years later, Appex Corporation was rated by *Business Week* as the fastest growing high-end technology company. Appex went from two million dollars in revenue to over sixteen million dollars in revenue in a four-year span. They were also growing the number of employees from twenty-five employees to over one hundred and seventy people. Appex was adding an average of ten new employees each month since Ghosh’s take over as COO.

Shikhar noticed Appex Corporation didn’t have a true organizational structure when he took over the company in 1988. A true organizational structure is knowing the structure of employees and managers to show structure in the company. He was determined to utilize some ideas of frameworks he learned while he was a member of the Boston Consulting Group (Boston Consulting Group 2018). Shikhar first tried the circular organizational structure first. Appex employees were quite unfamiliar with this type of organizational structure and the employees couldn’t relate to it. The employees also found this structure to be hard to follow since there was no power or hierarchical structure. This led to uncertainty of who to talk to if an issue or problem arose as well as who would resolve it.

In 1989, Shikhar decided to listen to his employees and alter the organizational structure again on the Appex employees. They decided to go to a hierarchical structure to set up their different teams. These different teams included sales and marketing, operations, engineering and technology. These teams ensured that Shikhar was always kept in the loop for all decisions for the welfare of company and the teams. This structure fell apart because “personalities” came out through this structure. Employees began voicing their concerns that the standards were set by the leaders of the teams rather than dictated by the company. This alerted Shikhar to a flaw and was apparent at a meeting when he told his workers, I need “everyone to take out their ego and put them into [the] imaginary box ‘ego box’” (Barker 2018).

In 1990, Ghosh, after a recommendation audit done by Paul Gudonis, decided to implement a new divisional structure. This new division structure established three divisions, intercarrier services, cellular management information systems, and operations. These three divisions had one head of the division which would report to Shikhar. This structure had a lot of advantages for implementation but also had slight disadvantages as well. The advantages included higher productivity and larger divisions of workers. Employees voiced their opinions about the new direction of the company’s framework and the uneven resource allocation between the different divisions. These divisions just continued Appex’s organizational structure issues with structures such as Circular, Hierarchal, & the divisional structure.

**Current Situation:**

Appex Corporation has undergone a variety of different organizational structures of their employees and departments in the hopes of strengthening the day to day operations. Shikhar Ghosh learned a lot about different organizational structures during his time at Boston Consulting Group (BCG) and how they could be implemented. Shikhar was faced with a taxing issue when he became the new CEO of Appex in 1988. He had to make decisions quickly to ensure that the company ran smoothly and effectively. As Appex continued to revise and refine their company's framework, shortly after the implementation of the divisional structure, they were bought out by Electronic Data Systems. This led to Electronic Data Systems to inherit some of Appex’s issues on the internal makeup of the company.

**Porter’s Five Forcers:**

1. **Threat of New Entrants:**

The threat of new entrants is very important to Appex Corporation’s continued success story. They started as one of the first companies to provide cellular service to the phone companies. Appex needs to worry about the competitive market for providing cellular service.

1. **Threat of Substitutes:**

Everyday companies could be replaced or put out of business due to improper or ineffective managing. The case didn’t mention any substitutes but that could worry Appex Corporation in the future.

1. **Supplier Power:**

There isn’t much supply power for Appex Corporation since they do not supply much products. Appex mostly provides services, not products to their customers which could hurt them in an era that is defined by materials.

1. **Power of Customers:**

As expected, Appex has a large following from their customers compared to when they were an up and coming company. They expanded their customer base which created more revenue for them. They went from only making one million in their first year to over sixteen million in their fourth year of existence. If they continue this trend, their total revenue will continue to increase. As Goldratt states in *The Goal, “*So this is the goal: To make money by increasing net profit, while simultaneously increasing return on investment, and simultaneously increasing cash flow” (Goldratt 1984). Customers are foundational to companies and ultimately aid in them reaching the goal of sustainability in a competitive market.

1. **Degree of Rivalry:**

Appex Corporation could have some rivals in the competition when it comes provides their services to cellular companies ATT, Bellsouth, Verizon, & Sprint The case didn’t specifically mention any rivalry with another company currently. This is due in part because Appex is still a small company that continually growing each year. Appex only started with twenty-five employee and in 1990 they had 172 employees. Appex will gain rivals as they continue to expand.

**Stakeholders:**

According to Business Dictionary, a stakeholder is “a person, group or organization that has interest or concern in an organization” (Business Dictionary 2018). Appex Corporation has a few stakeholders when it comes to their company. Below, is a few of their stakeholders and why they are classified as one.

The first stakeholder for Appex Corporation is their CEO Shikhar Ghosh. Shikhar is a stakeholder because he is concerned for the organization when it comes to decisions about the organizational structure that could be effective or disastrous. He made changes that affected Appex on how they do business and how their employees handle any issues to strengthen the company as it grows. Shikhar was brought in for his expertise and his ability to manage people. While Shikhar is an important stakeholder, the employees of the Appex play a vital role.

The second stakeholder for Appex Corporation is its employees. Employees should always be considered as stakeholders because they invest their time and labor into the company as well as any interests or concerns that arise within the company can have a profound effect (Chron 2018). The Appex Corporation employees have been through a lot of restructuring during the first four years. These employees, just like Brian E. Boyle, will always continue to be stakeholders in the Appex Corporation.

The third stakeholder is Brian Boyle, who was the founder of Appex Corporation. He is the founder of Appex Corporation. Brian will always be a key stakeholder in Appex Corporation for his dedication to find one of the fastest growing, high-end technology company. He will always have an interest and concern in what goes on in his company because he will always want to have the leg up on the competition.

The fourth stakeholder regarding Appex Corporation is their competition. Appex’s competition is considered a stakeholder because they have interest and concern for what Appex does for the market when it comes to providing cellular service. Appex has been growing and expanding which can lead to an increase in the competition. Their competition will be just as invested to see what Appex does as well as their customers.

The last stakeholder for Appex Corporation is their customers. Appex’s customers make are foundational to how the company either succeeds or fails. Sam Walton, who is a part of the Walton family that owns Walmart and Sam’s Club said, “There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else” (Dizon 2018). Customers make the decisions that can make or break a company when it comes to what goes on in and outside of the company. Appex’s customers, like the others mentioned above, are stakeholders because they meet and exemplify the definition of what are stakeholders.

**Possible Solutions:**

1. **Do Nothing:**

Appex Corporation, when it was started by Brian Boyle, was still small after the merger of Appex Inc. and Lunayach Communications Consultants. The current divisional organizational structure is working with some slight errors that can be fixed easily. Shikhar Ghosh (Appex’s CEO) has revamped the organizational structure, but the company cannot continue to switch each year since this will open up the company to potential turmoil and lead to instability. This can cause their employees and customers to question their future with Appex Corporation.

1. **Functional Structure:**

In Shikhar Ghosh’s second year as CEO, he decided to implement a functional structure. This structure divided the company into 5 teams. When first established, the teams proved to be effective. The structure had each team focused on what they needed to accomplish to achieve the overall goal. While this structure was seemed to work, it created “personalities” among the different teams. These different “personalities” made it hard for business but increased the morale of the employees compared to the other structures. Appex Corporation even had an organizational audit on this structure to see if it would work.

1. **Adopt a New Structure from EDS:**

In October 1990, Appex was acquired by General Motors or EDS. Shikhar Ghosh was going to work with General Motors to see what they wanted to do with Appex’s organizational structure. He believed they would change the organizational structure because General Motors has a specific organizational structure for all their company and their smaller companies. It is unsure whether another restructuring would benefit the company or produce an endless cycle of trial and error.

**Recommendation:**

After looking over the case and the different exhibits the recommendation in the case readings. I have determined that Appex Corporation should do nothing. The reason I have determined this recommendation as the proper course of action is because the current divisional structure has proved to be beneficial for Appex as it has brought them more revenue than previous years. Alongside that, the divisional structure has increased employee’s morale as well. This organizational structure had it kinks just like any other structure, but their issues with their business procedures could easily be fixed. Also, after doing some research, we have found most General Motor companies use divisional organizational structure (Kissinger 2018). I believe this is the best recommendation for the Appex Corporation after the research I have conducted.

# Works Cited

Barker, R. (2018). *Computer Information Systems.* Louisville: University of Louisville.

Bloomberg. (2018, September 9). *Bloomberg*. Retrieved from Bloomberg: https://www.bloomberg.com/profiles/companies/0299820Z:US-appex-corp/united-states

Boston Consulting Group. (2018, September 9). *Boston Consulting Group*. Retrieved from Boston Consulting Group: https://www.bcg.com/

Business Dictonary. (2018, September 9). *Business Dictonary*. Retrieved from Business Dictonary: http://www.businessdictionary.com/definition/stakeholder.html

Chron. (2018, September 9). *Chron*. Retrieved from Chron: https://smallbusiness.chron.com/employees-affected-stakeholders-38732.html

Dizon, A. (2018, March 23). *FitSmallBusiness*. Retrieved from FitSmallBusiness: https://fitsmallbusiness.com/customer-service-quotes/

Goldratt, E. (1984). *The Goal.* Great Barrington: North River Press.

Kissinger, D. (2018, September 8). *Panmore Institute*. Retrieved from Panmore Institute: http://panmore.com/general-motors-organizational-structure-flexibility-regional-markets