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CIS 410 | Spring Term | 2018

Midterm Exam

**1) Discuss the relationship between IT architecture, organizational structure and the problem issues at the Compaq and Symmantec. In what ways were the problem issues affected by this interaction? Given the culture of each company, how are their IT architectures respectively strategically positioned?**

To fully understand the relationship between IT architecture and organizational structure, we must first accurately and clearly understand what each are independently. First, we will detail what IT architecture is. In general IT architecture is described as “a term applied to both the process and the outcome of thinking out and specifying the overall structure, logical components, and the logical interrelationships of a computer, its operating system, a network, or other conception” (Rouse). So business IT architecture would be how exactly all of their technology is separated and laid out in general. Organizational structure is typically referred to as “a system that consists of explicit and implicit institutional rules and policies designed to outline how various work roles and responsibilities are delegated, controlled and coordinated. Organizational structure also determines how information flows from level to level within the company.”(Investopedia).

Now that we know exactly what both terms are, we can speak to how the connect with each other. They connect mostly because they need to match the needs of each other. For instance, if a company is laid out across multiple states or cities and need the information to flow throughout all of the locations and to effective communication across them, they would need to have and IT architecture that would support that structure. Another example would be that certain information should be hidden from certain levels of employees in a hierarchical organizational structure or that certain checks and balances should happen before an employee is able to do serious harm to the system or it’s data, this is all controlled by the infrastructure and security of the IT system of the organization. In one case an employee “at the investment banking giant UBS was so angered by his "meagre" annual bonus that he unleashed a computer virus designed to cripple the company” (Foley). Some security measures could have stopped this from even being possible. In fact, an article brings out that “71% of employees in a new survey say that they have access to data they should not see, and more than half say this access is "frequent" or "very frequent"” (Medland). IT architecture must be designed to support the exact structure of the organization at hand to compliment it.

At Symmantec, corporate was screaming for the need for better communication. However, Symmantec was a product focused company that had a very spread out business that reached states across the country from each other. The CEO wanted IT to help with more effective communication across the different companies he would purchase and choose not to relocate. Problem was that he didn’t realize how his own company was organized. They were a company that were product focused and were independently functioning. They had no need for increased communication. If he wanted to truly increase the communication he’d spend the money to relocate the different businesses that he acquired. Since he didn’t it’s evident that it really wasn’t that important to him or the company as a whole. Due to the majorly spread out organization and the product specific IT structure that he was in charge of, the IT didn’t support this massive amount of communication that he wrongly was seeking.

At Compaq, after trying to be a divisional organizational structured company briefly, they settled back into being a functionally organized company, which is odd for a company that emphasizes features rather than undercutting the competition’s price wise but that’s a story for another time. Typically, communication in a functional organization is between only people directly related to each other in the company’s hierarchy. Information sent to high ups should flow “through the department heads to the top management” (Usmani, Fahad, et al). However, at Compaq, their emailing system or as they call it “B-mail” allows anybody to send information to anyone at the company no matter where the receiver and sender are in the hierarchy in the company. Their IT doesn’t match their organizational structure at all when it comes to communication. This creates problems with them not understanding who they are as a company and possible security problems as well. Organizational structures should “clearly state who reports to whom. A subordinate cannot report directly to the manager before communicating with his immediate supervisor. This simplifies the work of executive employees so that they are not overwhelmed by the activities of the firm. Flow of information is controlled so that employees do not take advantage of insider information that may expose confidential information critical for the firm's survival.” (Brown). It’s hard to maintain consistent success when this happens. You’ve got a company that has communication flying everywhere and anywhere. They’re trying to operate in a low cost, commodity based organizational structure by carefully and slowly coming out with new products in a rapidly growing, rapidly innovative and massively adopted space (Bughin, Jacques, et al). They have no clue how to operate in this market or who they are themselves. A successful business must know their industry to the letter, in fact “Everything in your industry that happens outside of your business will affect your company. The more you know about your industry, the more advantage and protection you will have.” (Berry, Tim, et al). They’re combatting that by being early to market and coming out with better products, but as the market speeds up, this will all prove to be detrimental to the company’s possible success.

**2) Consider the following two organizations – Wal-Mart and Netflix. Given the models and theories we have covered up to this point in the course, which company is better positioned for the near future? For the next 15 years? Why?**

To accurately predict which company is more equipped for the future we must first try and understand exactly who each company is, what the offer, and how they offer it. Netflix started as a movie delivery subscription service where they would periodically send you new movie titles that you desire and then would receive them back from their viewers once finished or once the time period ended. The idea was first created when rumored that the creator had been charged a significant late fee for a movie rented at a would-be competitor, Blockbuster (CNN).

They eventually were first to market or at least first to hit it big offering paid subscription to a digital streaming service for movies and TV shows. With competitors arising heavily like Walmart’s Vudu, Hulu, and Amazon’s streaming services, Netflix is forced again to adapt to the changing and diluted market. They have recently hit it big with their Amazon original series and movies. They have sought big names and deep thriving stories for their movies and TV shows. They have popular titles like Stranger Things, The Ranch, and even have had actors like Will Smith and Adam Sandler star in some of their movies(Hastings). Instead of paying royalties to the owners of the TV shows and movies they were previously making, they now can have one flat sunk cost fee that they pay to produce said content, and then can charge reoccurring monthly fees to continue selling them. They now don’t have to worry about inventory levels, wear on the disks of the hard copies or anything like that. They even implemented a system that asks viewers if theyre still watching in order to avoid unnecessary use of their bandwidth which further reduces the costs of streaming due to their massive amount of traffic. In fact, it’s been calculated that Netflix accounts for over one third of all internet traffic in North America which is amazing to say the least (Luckerson).

Walmart on the other hand has many different specialties that they make money off of. Walmart has the massive amount of physical stores world-wide, online sales and vending, subscription based stores like Sam’s Club, and they even have a streaming service called Vudu that competes with Netflix. They have always prided themselves on offering better lives to people by maintaining a low-cost structure and a low-price structure. They have committed to hiring veterans and took the lead on disaster relief programs many times in their history. They do their best to maintain a good public image by helping the world out in many ways (Walmart.com). Walmart has a diverse group of services and products that they offer while also keeping up with technology advances with their streaming services and online marketplace. Most of all, Walmart is constantly innovating the way they sell their products. They have decided that it doesn’t matter how the sale happens or where it happens as long as they facilitate it. They have even mentioned the use of Virtual Reality to conduct sales which is a very interesting perspective going forward (Kline). Walmart is the proven retail formula. They are constantly gathering and mining data to create optimal inventory levels and available stock on the shelves. They know when and where to stock certain products and why. For example, an odd-ball case showed Walmart’s analysts that before a hurricane, Strawberry Pop-Tarts sell at about seven times their normal rate. So guess when they overstock the those items (Hays).

Now that we know more about both companies, we must ask the question, who is more suited for the future? My immediate answer is Walmart. Mostly for the reason that they offer a wider range of money making services and products while Netflix only offers one. Should the digital streaming market slow (it won’t), Netflix would slowly dwindle whereas Walmart offers many other things that will continue to make them money in the future. Walmart is operating entirely based on low cost while Netflix is operating based on differentiation. Walmart can tell it’s suppliers that they need to lower their cost so they can lower the prices, and due to the massive amount of products that Walmart buys from these suppliers all they can do is say okay. These two companies will most likely both thrive in their rights, but Walmart has the diverse offerings capable of being able to take a hit in one area and still stay afloat and a proven long term strategy while Netlfix is somewhat recently successful in the scheme of things. The next big step for Netflix I think is a videogame-based subscription where users can “Rent” games digitally. If Netflix adopts this or another money making service or product, it’d be hard to oppose them as the more successful company. For now, the massive product base, and amount of innovation that is happening at Walmart is hard to beat (Walmart Staff). They are constantly predicating the future and innovating to be ready when the time comes. For instance, they are currently developing a store with no cashiers. This makes the cost of operating tremendously less and also conforms to the new generation of people that prefer things such as self-check-out lines so that they don’t have to have any social interaction which is sadly the way people are starting to think since we spend most of our lives online at this point (Green).

In no way do I think Netflix isn’t equipped for the future. However, compared to Walmart, they don’t offer enough versatility to be able to withstand a major trend change in how people watch movies or shows and where they get it from, whereas Walmart offers a very large range of different money making tactics. Walmart with it’s massive size and innovative thinking and products/services is in fact, more prepared for the future than Netflix.

**3) In the Course Documents section of Blackboard, there is a Powerpoint presentation (in Control System Example; filename Colleague Core Competencies) from a large pharmaceutical outlining the annual results controls for the company’s sales force, which is the sole determinant of their annual bonuses. You are a consultant asked to comment on the controls. What do you report to the senior management of the drug firm?**

The purpose of controls on a sales force like this one is typically to reward positive outcomes or discourage negative ones, meaning they want to encourage people and motivate people to make sales and be good employees in general. When people are motivated to help the company, they will thrive. If people aren’t motivated to sell more products, then they really have no reason to. That’s why a lot of sales representatives work on commission because it encourages them to go out and make more money for the company, otherwise they would just do the bare minimum amount of work to get through the day in order to not over work themselves (Chron). At the end of the day, sales are what drive the business financially and the goal of any business is to make money now and in the future (Goldratt). The sales force is one of the most important pieces of a business especially when it comes to customer relationships. In fact, “In addition to generating income, the sales force builds trust with customers. Sales representatives engage customers at all stages of the relationship. New customers need interaction and opportunities to learn about the brand. Current customers gain trust through consistent follow-up and communication with the sales representative” (Gluck). Without good numbers, the company would be forced to go under. Commission or sales-based incentives force you to “work harder to get the sale, especially if there is a possibility that someone else could score the big account first” (Patrick). The sales team’s incentives typically differ from everyday employee because a sales representative’s performance is usually easier to measure due to the fact you can simply look at the numbers, while other employees are judged based on their traits and maybe not a measurable number. Typically, both sales reps and regular employees are both judged somewhat by their qualities and their interactions within the organization but then the sales force is also judged and compensated based on their sales numbers. This is why some sales forces are contractors that aren’t actual employees of the company, it’s easy to determine how much a salesperson has earned and it is easy to assign them specific tasks instead of being on the clock the whole day (Fishman). It also creates the ability to have pre-selected candidates with the market knowledge and prior screening you need in order to pay a sales contractor (Metler).

RBU seems to base their incentives on just good qualities of an employee in general. An employee could have every bit of those qualities mentioned and not sell a single unit. Seeing a sales force that’s incentives or bonuses have nothing to do with sales strike me as a little odd. There is no real motivation of them to sell more products. RBU is producing sound employees and human beings with these controls in place but that doesn’t necessarily translate into more cashflow going into the company. To base their incentives entirely on good qualities rather than the numbers of the sales force can translate into decent employees but terrible salespersons. It’s brought out that, “The biggest disadvantage to a straight-salary system is that it takes away your salespeople's incentive to excel” (Strain).

I would give them the advice to incorporate some kind of sale based bonus incentive as well. They don’t have to take away the other controls at all, but basing their bonuses entirely on those controls could turn out to be an issue. Their employees have no reason to go out and secure every sale possible, as long as they conform to the internal controls, they’ll receive their bonuses. Everyday employees should receive their bonuses exactly how it’s set up currently, but the bonuses for the sales team need to incorporate some kind of motivation to go out and make the company money.

They may also want to narrow the amount of analysis that must be done in order to accurately assign each employee a number in each category. To do that correctly you’d need employees who’s only job pretty much is to sit around and watch every employee and rate their interactions with other people. Customer feedback is an important aspect of rating a sales person as well. Including this could get an accurate view of how a person acts when being the face of the company as they’re outside of it. This would take some of the weight off of supervisors and other employees needing to monitor their own or other people’s actions (Gerber).

All in all, the current controls in place most likely are fine. However, basing bonuses entirely on those for a sales team is not effective enough in creating a hungry sales team that wants to go out and make the company money. While they are good employees, they may turn out to be poor sales persons. This will hurt the amount of cash flow coming into the company tremendously and cause nothing but problems.

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