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Case #2

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Appex Corporation is a company that provided management information systems and intercarrier network services to cellular telephone companies. Their more defined purpose was to focus on management systems for the cellular industry and credit scoring systems for financial service companies until they integrated with LCC who designed and engineered cellular and radio networks. These two vastly different specialties point to the fact that Appex didn’t really know who they are or who they want to be as a company. They then moved into providing ICS and IS where their mission was to provide information systems to automate roaming cell phone calls and provide an easier billing system for those calls. Their purpose then was clear: they created software and information systems that made the cell providers jobs easier. ICS was a set of on-line services that managed the information that was required for carriers to provide service to cellular subscribers. Its main function was an on-line verification system to authorize roamer calls, a national clearing house for settlement of roamer chargers between carriers, and a national location and call forwarding system to automatically locate roamers when they made their calls. This ICS contributed to 60 percent of revenues for Appex in 1990. IS was software as a service that managed primary functions of a cellular carrier in its home market. It included customer information, billing information, accounts receivable, credit and collection information, inventory control, and cellular network engineering analysis. They also offered Appex billing service for customers who were too small to afford or simply didn’t need the larger informational system. This IS charged a fixed three to four-dollar charge monthly for its users and contributed to the other forty percent of the company’s revenue in 1990. The company prior to the new CEO had lacked any kind of structural control. There were no job descriptions, everybody just worked when they felt like it and did what they felt like doing. When the company was smaller it wasn’t a huge deal but now that the company has grown, they new CEO has decided changes must happen and they must happen quickly. He started implementing major changes to the structure of the business and it’s employees. He tried horizontal structure, circular, and a mix of variations of a hierarchical structure. Each time, the company brought issues to light. A majority of the issues stemmed from the fact that there were rarely defined figures of authority and each position rarely knew exactly what their authority was. Those problems subsided somewhat when he implemented a structure that was based on products so each product was almost a separate company themselves, however, this created warring among the different product teams. Clearly, change needed to be made.

Appex must adopt a hierarchical structure based on product where roles and authorities are clearly defined throughout the entire organization and there is no confusion about job responsibilities. They need each have a sub department of authority positions. Meaning there needs to be figure heads over all main tasks of the organization and also these heads within the product teams themselves so that every team can report to one person and there will be know evidence of one-sidedness based on which product gets approved for what. In the novel “The Goal” it is explained that the purpose of any business is to make money now and in the future (Goldratt). With the current structure this will not be an attainable goal. Before explaining which decision Appex should adopt, one must first understand the business and the environment that it resides in. To do this we will look at Porter’s five forces (Porter).

First, we’ll begin with the suppliers for Appex. These suppliers would be the suppliers of the mediums used to produce the software that Appex produces. They do not hold a ton of power over Appex because once bought, there isn’t a huge need to continue buying. Although at this time, there weren’t an abundance of technology providers as there were today so to some extent, if Appex needed to buy new technology to handle the growing business or to update their current systems, they maintain some power over Appex until more technology providers come to market.

Next, we’ll look at the intra-industry competition that Appex faces. The text mentions GTE, Cincinnati Bell, and McDonnel Douglas as their immediate competitors. Appex maintains some control over these forces due to the speed that they once were able to produce new products with. In fact, all of these competitors tried to come together to produce a new product to cover a service need but Appex quickly came out with a perfect substitute for that product, and thus those companies abandoned the proposal. If Appex can continually come out with new products rapidly, they will maintain this power over their competitors even though their competitors may have a vastly larger amount of resources.

Third, we’ll look at the threat of new entrants. With the manpower increase that Appex is deeming necessary and the vast amount of resources needed to complete the tasks that they complete, the amount or capital needed to join in on this market and come away with a reasonable share keeps Appex and their competitors with some power over this force. Appex has went from a very small company to well over 100 employees to keep up with the rapidly expanding market due to the takeover of all telephone services by the cellular market. In fact, an article titled, “The Growth of the Cellular Phone Market” says, “By 1985, the 100th commercial cellular phone system had begun service in the U.S., and by 1986, the 200th system started operations. Currently, 306 cellular markets in the U.S. serve approximately 1.5 million cellular phones. This compares to nearly 800,000 units believed to be operating at the end of 1987.” (www.automotive-fleet.com). This shows how rapidly this market is in fact growing. To put things into perspective, that article was written in 1988, meaning the number of markets has increased by over 200% from 1985 to 1988. The resources needed to keep up with that growth is massive.

Fourth, we’ll look at the customers. In this market there are at least a few competitors in this space. What they are producing is differentiation. In software, many times, companies are intending for their software to handle the most tasks and be the easiest to use from the user’s perspective. Since they are operating in a space that thrives on product differentiation and they have been said to rely on thin costs, not only is Appex producing a different and innovative line of products, they are also doing it at low costs, meaning they can set the price lower than most of their competitors due to their smaller amount of liabilities. This all points to the fact that the buyers don’t have much power over Appex especially due to the necessity of the product with the vastly growing cell phone market.

The last force we have to look at is the threat of substitutes. There really are no highly competitive substitutes for what Appex provides. Software and technology systems are often hard to create a substitute for. The only real non-software substitute would be a system of hard copy reports and tools to help cell service providers document everything and maintain organization. Due to this, there is no real threat of substitute to their product in the immediate future.

Now that we understand Appex as a company and the environment that they reside in, we need to discuss the decisions that are plausible for Appex as a company to make going forward. I will stick to three most plausible decisions, define the main stakeholders involved in the decision, and lastly, how the decision will affect them and why it’s the correct or wrong choice.

Stakeholders are people that are impacted by changes in an organization. The main stakeholders I will reference are the customers who Peter Drucker describes as the most important stakeholders (www.destination-innovation.com), regular employees, and corporate employees. These stakeholders are the ones that are most heavily affected by any major change in organizational structure. These are the people that should be taken into account when deciding any major decision crisis.

The first decision would be to simply do nothing, to not change a single thing about his envisions going forward for the company. He intends on changing the companies structure vastly every sixth month. This idea isn’t even plausible with the amount of problems that come up with each change to structure. Every time a new structure is implemented there is vast unrest and stress that cascades down the entire organization. Everyone starts confusing their roles, and they don’t have time to truly settle in to their job responsibilities. Customers would be inconsistent. What I mean by that is that sometimes, the structure will be better accepted by employees and the organization leading to better products for the customers and better customer support and sometimes it will not. Therefor I will conclude that customers will remain neutral due to ups and downs. Regular employees will remain stressed due to the lack of comfort in constantly changing the way they will go about doing things and who they will report to. People are creatures of habit (Newby-Clark), most wouldn’t want to walk into their office everyday not knowing what to expect or who to even expect it from. Corporate employees will remain inconsistent due to the ups and downs in results that they will see. They will be stressed not knowing what to expect or being able to predict the future for the company when everything is constantly changing. This decision is unacceptable because it will not create a better rapport between the company and any of its stakeholders.

The next decision would be to revert back to what succeeded in the past. A very low control work environment which is very chaotic but seemed to work for the company in prior stages. With the exponential growth of the cell phone market, this decision isn’t very feasible. Customers will lack the support they need, in the text when this face of structure remained implemented some customers would receive great service, while some had to call hundreds of times to even hear back form Appex. Customers therefor will be unhappy especially as the number of Appex customers grow. Corporate will be unhappy since they are the ones that hired the new employee to reorganize the structure due to the current structure being infeasible in the growing market. Employees would be happy. They would be able to work on their own time and settle into their own ways. This decision is deemed infeasible to the majority unhappiness from stakeholders and the growth of the market going forward.

The final decision would be to implement a consistent structure. At the root of most of the problems Appex faced when they switched structure was the fact that they didn’t have any time to get comfortable in the new structure and truly understand their role in the business day in and day out. Consistency leads to the allowance of accurate measurements, it creates accountability, and maintains the companies message or goal. (Holtzclaw) This structure should be one that has division heads over the entire company and division heads within each product team. These division heads would report to the companies’ division heads and would eliminate the sense of not knowing who to report to and would also eliminate the warring between product divisions since they all essentially report to the same overhead people. Problems will certainly arise but the consistency will keep regular employees happy because they will know their role in the company and the consistency will allow for them to be comfortable. Corporate employees will be happy because they will be able to predict future measurements and will likely see increased revenue. Customers will be happy because they will see consistent helpfulness from Appex. This decision is the most plausible to continue on their mission as a company and to make money now and in the future.

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