

Jacob Puentes

Mr. Gregory Reinhardt

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Appex Corporation Case Analysis

Case Overview

Appex Corporation was a small company based out of Waltham, Massachusetts that formed when Appex Inc. and Lunayach Communications Consultants (LCC) merged in 1986. LCC focused on designing and engineering cellular radio networks for cellular companies while Appex Inc. focused on managing information systems in the cellular industry and credit scoring systems for the financial industry. Not long after the merger in 1990, Business Week recognized Appex as one of the fastest growing tech companies in the US.

At the beginning of their growth, Appex Corporation along with its venture capitalists, decided to bring on Shikhar Ghosh as the COO of the company with the expectation that he'd one day become the CEO. Ghosh was a consultant for BCG and provided Appex Corporation with knowledge in organizational structure and rapid response organization.

Upon his arrival, Ghosh realized that there was a culture at Appex Corporation that had been established by the CEO Brian Boyle. There was no organizational structure within the company and employees did as they pleased such as work when they wanted, as well as

mistreating customers. It was informal but it worked because at the time because there were only 25 or so employees. The functionality did not last for long. As Appex started growing rapidly, Ghosh was forced to implement a multitude of different organizational structures but would keep facing issues with each one and would implement a new one that could possibly better fit the company.

Five Forces Analysis

Threat of new entries

There was not a big threat of new entries into the cellular industry because most companies that were in were already so large and established. Along with this, getting into the cellular industry was expensive and uncertain at the time.

Threat of Substitutes

The threat of substitutes is also low considering how rapidly Appex Corporation is growing. Their growth can be attributed to the Appex Cellular Management Information System that collected data on the customer, financial information, collection information, asset management, and network analysis. This gave them a competitive analysis over most of the other companies in the industry which is why they held a large portion of the market.

Supplier Power

Because Appex did not need to buy products from third parties, they had no suppliers for their products or services. Everything was done “in house”.

Buyer Power

Customers held a high degree of power over Appex because of the threat of other companies that can offer a similar service.

Rivalry Among Existing Competition

Rivalry among the competitors was high as shown when GTE, Cincinnati Bell, and McDonnell Douglas aligned to put out a RFP to establish a joint entity that would end up giving them a large portion of the market. Appex then found a solution to this problem and put it out onto the market which led to the destruction of their joint entity proposal.

The Mission

The organizational mission was to provide Management Information Systems and Cellular communications networks services to companies by implementing and using the Appex Cellular Management Information System.

Generic Strategy

The company's strategy was to solve problems as they came. More reactive than initiative-taking. They provided a service to cellular companies that was better than their competitors.

Organizational Structure

In the first year that Ghosh was COO, he recognized that the company seemed to have no organizational structure within the company. Over the years, Ghosh tested; a circular structure, a horizontal structure, a hierarchical structure, a functional structure, and a divisional structure.

Key Problems

The key problems were that each one of these organizational structures came with their own set of problems. Whether the problem be that employees would not adapt to a specific structure, or the structure would affect revenue.

Stakeholders

The stakeholders within the company consist of the employees, investors, and customers. The employees are directly affected by the organizational structure, and it affects the output of products and services. The shareholders and investors are also directly impacted because if the organizational structure is efficient, they profit. The same can also be said about the customers. If they receive products/services efficiently they will keep buying from Appex.

Alternatives

Divisional Structure

This structure implemented by Ghosh in 1990 was composed of two broad divisions named the Intercarrier Services Division and the Cellular Management Information System Division. Along with this, an operations division was created to manage utility functions that served the other two divisions. This structure improved accountability, budgeting, and planning. It also encouraged employees to meet financial targets. As read in chapter 2, “employees identify with their division rather than their functional specialty.”. On top of this, “Each division can be held accountable for its performance “. These benefits solve the issues presented in the beginning of this analysis of employees not knowing who to report to and there being no accountability or specialty among workers.

Ghosh’s Structure

Ghosh’s philosophy was to change the structure of the organization by design every 6 months in order to keep up with the demands of the growing company. Although in theory, this seems like a great idea, the company at some point is going to slow down on its growth. Percentages of employees and new customers would lower in the future and the system would have to change to something more concrete because the environment would not be as rapidly growing as it was during the early 1990’s.

Matrix Structure

The matrix structure is a structure that implements authority in both the vertical and horizontal directions by implementing both the functional and divisional structures. In the text, “Resources can be flexibly allocated, and the organization can adapt to changing competition, regulatory, and resource conditions.” Shows that the three problems can be solved: The power structure will be established, competed for resources can be efficiently allocated, and employees will have an established department.

Recommendation

I recommend that Apex Corporation implements and sticks with using divisional structure. The divisional structure offers many advantages. The first advantage is that new employees over the coming months or years could be familiarized with how the organizational structure works because it is a more commonly used one throughout business. On top of familiarizing new employees, it holds employees accountable for their work in their departments. It is also a stable structure that will be able to be used in the future in the case that the company growth slows, or the market becomes more volatile or unpredictable.

Works Cited

Barker, Management Information Systems, Case 2.1 – Appex Corporation

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