Appex Corporation Case Analysis

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Appex Corporation is a service based company which sells its abilities to manage the “home” and “roam” status of the cellular telephone companies customers. Appex Corporation formed after the merger between Lunayach Communications Consultants and Appex Inc. to create Appex Lunayach Corporation which was later shortened to Appex Corporation. In the first 4 years of Appex’s creation, their profit margins increased 160% due to their ability to assess and adapt to emerging market needs (Barker, 43). Their generic strategy is differentiation because they are not risk averse like a cost leadership type organization would be (Tanwar, 3).

However good their ability to adapt to a new emerging market, they still had and have competitors in GTE, Cincinnati Bell and McDonnell Douglas, who joined forces to make ACT. ACT was eventually dissolved due Appex’s responsive design and nature. After this the case does not directly mention any competitors by name, but instead implies that simply because this group dissolved these organizations did not dissolve.

The other pressure on Appex Corporation is the threat of new entrants. Since Appex has established that a demand exists in its market space, other organizations are likely to try and fill the role to be a realistic alternative to Appex, especially if their customer service is a spotty as we are led to believe. To prove this I will go through the checklist outlined in the Team FME article on Porter’s Five Forces to analyze the threat of new entrants (Team FME,18). Firstly, there is no government regulation because the industry is so young and the government has hardly had time to react. There are no internal economies of scale to speak of, one could even argue the opposite is true of Appex Corporation. There are small cases to be made for asset specificity and proprietary knowledge. After following the list, it is obvious that Appex is a great risk for new entrants.

Thankfully, the threat of substitutes is vastly lower. Appex Corporation built their business on reactability and innovation, so in order to replace them, a successful idea would have to just as innovative as Appex and just as reactive. The only feasible substitute facing Appex Corporation are their customers getting frustrated enough to decide to build their own systems and replace Appex internally.

To assess the bargaining power of suppliers for Appex Corporation, it is first important to identify their suppliers. For an organization which is growing rapidly, I like to include labor as a demand for the company on top of its ordinary demands for operation. My reasoning is that expansion demands new labor for the company to run effectively and expand. In this line of thinking, the supplier has a fair amount of control over the bargaining power of its suppliers, since they can set the minimum price for a position relative to its skill level and market price. On top of office supplies, there isn’t much of a supply chain feeding Appex’s operations other than data from its customers.

The bargaining power of its customers is moderate. On one hand, one can imagine that the switching cost for the customers of Appex is fairly high, since they have presumably have integrated their system into their client’s systems, but aside from that there isn’t a whole lot keeping customers with Appex. Between the sub-par customer service performance and tendency to be late on some projects, and the high threat of new entrants, Appex’s position is potentially fragile with its customers.

There are four stakeholders in this case. The first is are the shareholders; they stand to lose money if Appex does not succeed. The second stakeholders are the executives at Appex; this decision informs them how they need to steer the company going forward. The third stakeholders are the employees of Appex; this decision affects them because it will decide their livelihood at Appex. The final stakeholder are Appex’s customers; they stand to gain improved correspondence with Appex representatives and a better experience with Appex.

I’d like to discuss several things before I discuss the alternatives Appex can take. The first is that we must keep in mind that strategy drives structure ultimately. The second thing is that currently, CEO Ghosh has resigned himself to biannual corporate restructures. Though not explicitly stated, one can imply that this is for two reasons, because he can’t think of a structure that supports the organization long term and he feels positively towards changes for their lack of resistance. Ghosh’s philia for structural change is a fallacy identified in the Hawthorne studies- an experiment which concluded that any change in environment will positively affect productivity in the short term (Wikipedia).

There are five alternatives on the table. The first alternative is to do nothing; that is to say stop the restructures and let the organization behave as it will. The second alternative is to continue doing what previously worked, consistent scheduled restructures. The next few alternatives discuss different organizational structures, so the third will assess a matrix strategy, the fourth will assess a functional strategy and the fifth will assess a divisional strategy.

The first alternative of doing nothing affects affects the stockholders negatively. As shown by the case itself, no single form of structure over a period of time has been able to solve all of the problems and make a sustainable profit, which negatively impacts the shareholders. The executives get off easy here, since structure is not their only concern anymore and they can focus solely on optimization and improvement. The workers perspective is the most interesting, because it reverts back to the entrepreneurial days of Appex when the organization could react quickly to change in its environment. This behavior calls to the Morgan text’s analogy of the organization as an organism and its ability to adapt to its environment (Morgan, 33); the workers will naturally adapt to the organization’s environment. In turn, the customers will benefit from this increase in service quality.

The second alternative of constant restructures will positively affect the stockholders. As mentioned earlier, the only consistent way for this company to show signs of growth are with the scheduled restructures. This does create a burden for the executives to create serious changes to the organization at an incredibly rapid rate and just as tough for the employees to have to work in a chaotic state. However, the case says that the employees actually dealt with this efficiently, so perhaps this isn’t as bad for the workers as it is in theory. The customer also benefits from this alternative. Radical change seems to be the new status quo at Appex Corporation, which in turn means that everyone will be used to delivering in a state of fluctuation.

The third alternative, which involves the adoption of a functional structure, will negatively affect every stakeholder. At a high level, functional structure is bad at responsiveness and flexibility (Barker, 41) which are both high priorities for Appex Corporation. Being inflexible and unresponsive leads to lower profits which negatively affect shareholders, create delayed response times, which negatively affect the customers who already wait a long time for their responses, compound the two mean that everyone working in the company has no long term viability in their current market.

The fourth alternative, which is the adoption of a divisional structure is a deceptive beast. At a glance it seems like a reasonable fit since Appex Corporation is the result of a merger, however the nature of their operation proves that a divisional structure is still unsuitable. Under the hood, divisional structure is more or less multiple bureaucracies which as we concluded previously is too slow for our needs (Barker, 36).

The fifth and final alternative is the matrix structure. Throughout the case, Appex Corporation seems to have constant conflicts between project managers and operational managers and the chain of command seems muddy in these scenarios. A properly implemented matrix structure could achieve the differentiation goals that the company has while still maintaining flexibility. The stockholders would see an improvement on their bottom line due to the cohesion of goal and implementation. The second stakeholders, the executives, would see more responsiveness since the employees would be able to form comfortable circles and have a clearer chain of command. The customers will benefit from the improved service.

Out of these five alternatives, it is easy and clear to see that the matrix organizational structure is the path I’d choose if I were Appex Corporation. From the outset, it seemed that Appex did not need structural change as much as it just needed policy change and reinforcement. The structure at the beginning most resembled a matrix style.

In order to defend this position, I will start by arguing against the second place alternative - do nothing. Giving the workers the autonomy to naturally form a structure which works is tempting, but an initial change must be made to empower the workforce to recreate their previous conditions. As for the alternative of continue changing I will refer back to what I said about the Hawthorne study and how these short term delusions are not healthy for the organization’s long term survival. As for the third alternative, a functional structure would be Appex Corporation shooting itself in the foot outright. The sluggish nature of bureaucracy tremendously affects the speed of decision making. It also prevents information and data from freely flowing through the organization, something that would be important for Appex. For similar reasons, a divisional structure is not good. It does provide a little more flexibility, but the limitations on information flow are too severe to consider seriously.

**Sources**

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