

# 2018

CIS 410-02

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## [APEX CORPORATION]

Case 2.1

## **Executive Summary**

Appex Corporation was founded in May 1986 which resulted from the consolidation of companies Appex, Inc. and Lunayach Communications Consultants (LCC). At the time, it was a relatively small organization with 25 employees and revenue of \$2 million. Although the company was entrepreneurial, technology-driven and loosely structured, it was losing money rapidly. In May 1988, Shikhar Ghosh was hired as chief operating officer (under the impression that he would eventually move up to chief executive officer), hoping he could put his specialty of organizational structure to use and possibly turn the firm around. For three fiscal years, numerous different innovative structures, such as circular, horizontal, hierarchal functional, and divisional structures were implemented by Ghosh which resulted in ups and downs for the company. Contemplating ways of working out its own structural changes in the context of its role as a division of a larger, bureaucratic organization was certainly a challenge for Appex but following the post-EDS acquisition it had no choice.

## **Problem**

The certain issue that Appex faced when Ghosh came into the picture was the disorderly fashion of the current structure at the time, including lack of control and structure. There was no financial planning, customer service was poor, the company began to fall behind and miss installation deadlines, and product development suffered as well. As the company grew, it changed from “entrepreneurial to chaotic” (Coursepack, 46). Employees would arrive at work and react to whatever crisis Appex happened to face that day, there was “fire-fighting” and not to

mention any development of an underlying planning structure. This eventually led to people quitting because they could not withstand the chaos.

## **Mission Statement**

Appex Corporation's mission was to provide management information systems and intercarrier network services to cellular telephone companies.

## **Generic Strategy**

Appex Corporation's generic strategy focused on the idea of cost leadership. By doing so, creating a system of accountability and division of labor was the most realistic innovative structure.

## **Industry Competitive Analysis**

### Industry Rivalry

In terms of the degree of rivalry, the risk of this occurring is more so high than low, because even though Appex was capable of beating certain competitors, such as GTE, Cincinnati Bell, and McDonnell Douglas to the market, the company unfortunately was not as responsive when it came to allowing other competitors to get a head start.

### Threat of Substitutes

The threat of substitutes in this case was rated very high because the type of service that was provided by Appex was not by any means unique to other companies. They were governed by a roaming service which did not involve any kind of incremental cost to the two cellular operations, and it was also more profitable to operators than regular service. So if a telecom company came into the picture and overrode the roaming activity customers would not be able to tell a difference which was a problem.

### Bargaining Power of Suppliers

When it comes to the bargaining power of suppliers, the threat runs pretty low because fortunately Appex does not require new equipment or

### Bargaining Power of Buyers

### Barriers to Entry

### **Stakeholders**

### **Alternatives**

- 1) Divisional Structure: Sticking to the already implemented divisional structure of the organization is one option. This structure presented many advantages such as improving accountability, budgeting, and planning altogether. Employees then became more focused towards meeting financial targets, and cooperation improved within the divisions as well. However, there are problems and challenges that come along with it, such as resource allocation, as “decisions were not always perceived as equitable” (Coursepack, 57), meaning
- 2) Team Structure:
- 3) Matrix Structure:

## **Impact on Stakeholders**

## **Recommended Course of Action**

Based on what I’ve acquired from this case,