

**Appex Corporation**

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## Introduction

Appex Lunayach Systems was formed in May 1986 through the merger of Appex, Inc. and Lunayach Communications Consultants. Lunayach's specialized in the design and engineering of wireless radio networks, while Appex specialized in credit scoring and management information systems. They became Appex Corporation in 1989. **As part of its strategy and mission**, Appex pursues a cost leadership strategy and provides cellular carriers with Intercarrier services and Cellular Management Information Systems that allow them to manage their customers within the domestic and roaming territories.

As the market grew, so did Appex. Shikhar Ghosh was appointed head of Appex in May 1988 to gain more control over the company's cash flow. Early in his tenure, he realized Appex was changing into a chaotic atmosphere centered around managing crises on a day-to-day basis without a proper structure in place. As a result of the growth in customers and the increase in orders, the company was not able to manage the increased workload and communication was generally becoming more difficult. According to Ghosh:

Everybody just did what they felt like. For instance, customer service people were supposed to start at 8:00 a.m. They wouldn't arrive until 10:00 a.m., but they would work until 2:00 a.m. Everybody did things on their own time, and the attitude toward the customer was—"We'll call you back."

In response to his first impression, Ghosh stated: "I knew what had to be done. Appex needed control and structure." In 1991, a divisional structure was implemented. A structure like this promoted an atmosphere in which each division was responsible for its own part of the business.

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## Analysis

### Organizational Structure

***Divisional Organizational Structure:*** This organizational framework allowed divisions to take responsibility for different functions in a decentralized environment. Two of the main divisions were:

- I. **Intercarrier Services:** Online verification system, location forwarding system and financial clearing house.
- II. **Cellular Management Information Systems:** A software application with several use cases including inventory control, billing information, credit and collection information, and accounts receivable.

### Porter's Five Forces

***Competition:*** High - The existing failure in the organizational structure means they will not likely be able to dominate the current market players.

***Threat of New Entrants:*** Low - Considering the cellular industry is so massive and so expensive, it would be extremely unlikely for a new company to enter the market.

***Threat of Substitutes:*** High - With Appex offering the same products and services as other companies in the market, customers can easily switch from one to another.

***Buyer power:*** High - Customers have very few options when it comes to negotiating: They can either switch companies or cancel their contract.

***Supplier Power:*** Low - Appex has a large network of suppliers and does not require any raw materials to operate.

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## The Problem

Despite its technology-driven nature and project-oriented approach, the company is poorly structured. There is a lack of direction, product development errors, frequent installation delays, and high customer complaints. The CEO of Appex is seeking a new organizational structure to regain control.

## Stakeholders

**Investors:** Appex Investors expect growth and revenue from the company if it is going in the right direction, otherwise they will start to lose money.

**Employees:** There are 172 employees at Appex. As the face of the organization, employees interact with a great deal of customers, which is why they play a vital role in the success of the company.

**Customers:** Appex has approximately 75 customers with a financial stake in the company's success.

## Solutions

### Matrix Structure

Matrix organizations have two or more management reporting structures. It introduces multiple levels of leadership, including function managers and division managers, which addresses communication between teams. The purpose of this structure is to create a control system that is balanced based on environmental factors, and to allocate resources based on multiple demands from the environment.

**Impact on Stakeholders:**

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***Employees:*** In some cases, employees who report to multiple leaders may encounter conflicting directions, resulting in role ambiguity and hindering their career advancement.

## **Circular Structure**

Circular structures are non-hierarchical, which allows information to move freely between employees, management, and the CEO. In this structure, Ghosh implemented concurrent circles, with a CEO at the center, followed by function managers and employees, and customers in the outer ring.

### **Impact on Stakeholders:**

***Employees:*** Employees did not know who had authority to make decisions and this created a conflict of power.

## **Divisional Structure**

The divisional structure groups each organizational function into a division. Each division had a single head who reported directly to Ghosh. This structure brought numerous advantages to Appex by improving accountability and allowing for better budgeting and planning to achieve financial goals.

### **Impact on Stakeholders:**

***Employees:*** Despite its ability to facilitate communication between upper management and within divisions, it was less effective when it came to resource distributing between different divisions.

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## Recommendation

Appex should implement the Divisional Structure and assign divisional representatives to represent the departments in different matters. As a result, communication and interaction can be streamlined, confusion can be minimized, resources can be distributed more efficiently, and more organization can be possible. Reps can be responsible for representing the interests of their divisions, delivering news and bringing back information from other divisions.

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