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**Appex, Case 2**

CIS 410-50

**Executive Summary**

Appex Corporation has used the last three years growing and testing new organisational configuration as it transforms from a small-scale organisation of only twenty-five personnel to a substantial one that grows approximately fifty percent every six months. To do this they have recruited Shikhar Ghosh to the position of COO (chief operating officer) with the assured promotion of the CEO (chief executive officer) position in the upcoming future. Each of these frameworks executed by Ghosh has unveiled strengths and weaknesses after they were executed and as 1991 grows closer, it is time for another transformation. The justification of this paper is to show that a move to a more constitutional system is required more and more as the organisation extends its size. When the organisation is later assimilated into a larger company this would also expeditie such a move by more easily incorporated into the new parent organisation’s existing administration.

The key complication facing Shikhar Ghosh upon entering Appex is the disorganized condition of the organisation’s current composition. What was once a small group of workers is now a mass of people with no specific job duties or work ethic. Ghosh says that “Everybody just did what they felt like. For instance, customer service people were supposed to start at eight AM. They wouldn’t arrive until ten AM, but they would work until two AM. Everybody did things on their own time, and the attitude toward the customer was-we’ll call you back.” (Management of Informations Systems). Cellular production was beginning to increase rapidly and Appex found themselves having to add new workers at a rate of ten new workers per month.

Ghosh reorganized the organisation about every six months each time that the corporation increased by fifty percent. He commenced by trying a circular composition with the senior executives in the middle with each group of plummeting significance on each outward circle ending with the customer. He accompanied this with a more bureaucratic and practical framework with the objective of eventually disintegrating the system down into something less traditional. He established teams based on occupation and later enhanced teams based on byproducts independent of the initial teams. By 1991 Appex was a comparatively large organisation which had proliferated into a divisional configuration with each individual division superintendent for their part of the company. One managed ICS (inter-carrier settlement services) and one managed IS-2 (Information Systems) with another, widely extensive division overseeing operations. Appex was very crucial to the cell phone industry but was not widely known. At the time of this exhortation, in 1991, Appex was deployed in such a way that they became an equitably strong organisation with minimal threats from competition and room to expand.

**Problem Description**

“Productivity is the act of bringing a company closer to its goal. Ever action that brings a company closer to its goal is productive. Every action that does not bring a company closer to its goal is not productive … Productivity is meaningless unless you know what your goal is.” (Goldratt 32)

The first Chief Executive Officer of Appex was Brian E. Boyle. He had been the Chief Executive Officer previous to the merger with Lunayach Communications Consultants. As Appex’s Chief Executive Officer, Boyle inaugurated few business strategies. Traditional strategies seemed unnecessary, predetermined by the relatively small-scale size of the organisation. The key executives made all of the recommendations, and all other personnel were involved in making, merchandising, and marketing products.

Ted Baker, currently Vice President of Operations and Service Management, illustrated the culture of the organisation when he began in October 1988: “If you were interested in something, you just did it. Nobody had any sense of what their job description was.” (Management of Informations Systems.) The composition of Appex was very unpretentious and able to flow easily. personnel were focused, dedicated, hardworking and operated in close interdependence with each other. In conclusion, Appex was very perceptive and efficient at getting things done expeditiously and relatively cheap. This along with Boyle’s innovative technological solutions commissioned the company to compete against more prominent companies that had an abundance of capital and supplies, such as GTE Corporation (formerly General Telephone & Electronics Corporation).

The market was expanding quickly and so was Appex. The company was project-based, meaning work was structured around projects. As the number of projects exacerbated, people manoeuvred more and more projects at once. When the work began to seem irrefutable, the company just hired more workers. Appex spent money quickly and didn’t examine its expenses. Shikhar Ghosh was enlisted in May 1988 to lead Appex because their investors believed that the organisation was spending cash too carelessly. Ghosh discovered early on that the culture of Appex was transforming from entrepreneurial to anarchy.

People would come to work and would respond to whatever crisis of the day was occuring. They were unfortunately dealing with problems as they arose rather than planning strategically to avoid them. Future planning like schedules, meetings, or even basic tasks a week away were impossible to plan. Even price analysis of new products was inconceivable.

Appex’s customer list dwindled due to this lack of structure. Ghosh identified that the way in which Appex operated had become non-efficient. Ghosh believed that Appex needed to tackle both long-term preparation issues and current issues, such as who should frequent meetings and which ones, how to pay personnel and how to begin workers on a career path. Appex needed a better strategy.

**Major Stakeholders**

Shikhar Ghosh, Chief Executive Officer - has predominance over the company’s performance to complete their duties. He also has full control of how the strategy is put into place and takes responsibility for how well the business works in this strategy. Appex Corporation Management is responsible for leading the product management teams and ensuring the workers are doing what needs to be done. If there is a change in strategy, they will possibly have a divergent role and oversee a new team of personnel. It will take time to get used to the new role they reside.

Appex Corporation Employees - makes the adjustment into the new structure every time one is made. Perhaps working with different workers and new management can cause a transition in how they do their work. Ultimately, they will probably be doing a different job then previously for each move they make.

Appex Corporation Customers - engaged in how the product is accomplished and implemented for them. Dependent on how well the organisation could influence how the product is performing. If the product is not executed to great merit of excellence, they might have to move their business to one of Appex’s competitors.

**Industry Competitive Analysis and the Role of IT**

Porter’s Five Forces:

Competitive Rivalry - As stated in Porter’s theory, “rivalry is most intense when competitors are numerous, or industry growth is slow.” (Porter.) In this case, the manufacturing is rather new so Appex does not have a multitudinous of competitors, and the production is growing rapidly. In the early stages, Appex managed to stay competitive with innovations and resolving problems quickly. When their main competitors (GTE, Cincinnati Bell, and McDonnell Douglas) wanted to work conjointly on an industry-wide service entity, called ACT, Appex came up with a resolution and executed it causing ACT to be dissolved.

Threat of New Entrants - The threat of new entrants into the cellular industry is high because it is always changing and growing rapidly. Revenue is high and competitiveness is moderate,making entering the industry very appealing.

Threat of Substitutes - The threat of substitutes is also low for Appex. Currently, this was the latest and most advanced technology for this industry. Appex was able to gain numerous market shares and increase their reputation with the commencement of CMIS (Appex Cellular Management Information Systems), which incorporated information about the customers, billing documentation, accounts receivable, credit and collection statistics, equipment directory control, and cellular network examination. They also offered the Appex Billing Service which was constructed for smaller companies that could not afford the CMIS system. The non identical products offered by Appex set them apart and made replacement products have a lot harder time challenging because they would not be able to offer similar things to Appex.

Bargaining Power of Suppliers - Appex has minimal suppliers therefore this force is extremely low. They are the suppliers to other businesses. The only suppliers that could be considered would be the national service for recognizing “roaming” calls that have to be transferred back to the correct companies for billing.

Bargaining Power of Customers - Customers have high buying power due to the large number of customers in comparison to the number of competitors serving them. This is a noteworthy concern for Appex because they are not promoting good customer service for their consumers. Customers have trouble getting issues reconciled in a sensible amount of time. They can’t rely on the organisation to meet the installment dates that have been scheduled for them. This type of service often results in customers looking elsewhere for alternative suppliers and possibly switching.

“At its most basic, SCM. is the coordination of material, information, and financial flows between and among all the participating enterprises and a business transaction:

* *material flows* involve physical product flowing from suppliers to customers through the chain, as well as reverse material flows, such as product returns, servicing, recycling, and disposal.
* *Information flows* involve demand forecast, order transmissions, and delivery status reports.
* *Financial flows* involve credit card information, credit terms, payment schedules, and consignment and title ownership.”   
  (Kalakota/Robinson 275)

**Alternative Courses of Action and Impact on Stakeholders**

Option #1: Do Nothing **–** If Appex did not do anything once they merged with EDS they would still be using the divisional structure that they implemented a month prior to the merger. This would mean they would still have issues with coordination between the different divisions. Besides the new EDS standards the Appex division has to follow, they could also experience a slightly different feel to the business. Ghosh’s role has changed from dealing with everything, to dealing with only the EDS people and this is similar for everyone in Appex. The worker’s projects and tasks may differ now because their management is now many more layers up in the hierarchical pyramid. Lastly, the customers may experience a different type of response when using Appex services because of the financial planning system and administrative procedures Appex must abide by. This could cause the payment or customer service process to change from the way the customers were used to it in the past.

Option #2: Use the Practical Organisational Strategy – throughout the time of the merger, Appex had administered the divisional strategy by using the practical organisation strategy, they would have to change their main strategy yet again. Appex would have to transition from a broad, anomaly-based, fluid, decentralized strategy to a narrow, input-oriented, exceedingly routine, hierarchical, inelastic, centralized arrangement. Meaning Appex would have to change their strategy altogether. Since their failure at accomplishing the practical organisational strategy in February of 1989, this would require a extreme amount of work to implement. This would influence the personnel because their segregation would change to teamwork, meaning they would most likely be operating with different coworkers completely on various tasks than before. The customers would likely see a contradistinction as well because the old, divisional, issues would transition into new, practical, issues that may influence them perfectly or badly.

Option #3: Use a Matrix Organisational Structure– The matrix organisational structure is the only strategy that Appex has not exhausted yet. The cycloidal, practical, parallel, and divisional have all had their issues prior to the merger with EDS. The matrix structure differs from the others in the sense that it is almost a mix of practical and divisional organisational strategies. Labor is divided by inputs and outputs, settlement rights are distributed evenly between members, and it employs on anomalies rather than procedure, which all condition the personnel and encourage coordination. Coordination was one of the issues the divisional strategy had previous to the merger. If the matrix structure could mitigate those manifestations, it could reward the personnel as well as Appex. The customer could be at an advantage as well from horizontal and vertical matrix data flows since it allows their information to outspread across the whole organisation, ensuring any problems will be resolved. If an issue were to materialize, the data flow has the capability to expeditiously reach the correct person, which also satisfies the cellular phone users.

Option #4: Change Organisational Strategy Periodically to Fit the Influences of the Environment and Needs of the Organisation–By changing the strategy of Appex every six months, give or take, it allows the detachment of EDS to convert to various environment alterations and continue to proceed with the company. Being dexterous benefits the entire organisation because Appex will always be looking for the best strategy for top performance. The personnel will benefit because reconstructing and changing the strategy will allow Appex to stay popular and always improving, giving them objectives and goals to achieve while presuming job security if the division is doing well. Ultimately the consumers and cellular phone users will be advantageousness because if the company is doing well, they will be extending high quality service to the carriers, which outstretches to the users.

**Normative Recommended Course of Action**

“The negative impact organizations have on their employees or their environments, or that multinationals have on patterns of inequality and world, economic development, is not necessarily an intended one. It is usually a consequence of rational actions through which a group of individuals seek to advance a particular set of aims, such as increase profitability or corporate that growth… The overwhelming strength of the domination metaphor is that it drives her attention to this double edge nature of rationality, illustrating that it always reflects a partial point of you. Actions that are rational for increasing profitability may have a damaging effect on a booth hell.… What is rational from One organizational standpoint may be catastrophic from another.… Many organizations are literally divided societies that perpetuate class welfare in the workplace.” (Morgan 329)

My normative recommendation to Ghosh and Appex would be to keep the ongoing divisional strategy and embrace Ted Baker’s plan. I would endorse this plan unambiguously because this is the strategy have previously had success with in the past. They still have had some issues with maneuvering a divisional strategy, but I trust that by diffusing the Operations Division, some of these problems will be resolved. One of the main issues that Appex and Ghosh are handle using the current strategy is scarceness of communication between divisions. This is making it seem like the divisions are beginning to act like their own little businesses and this is creating higher barriers that are making communicating information more difficult. Baker’s proposition suggests dividing up the operation divisions and positioning the two halves within two other divisions. In the future, this might motivate the members of the operations team in each division to converse more and consequently be more productive. For Appex, this makes more sense since they particularize in a service, or output.

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