

Case Report #2: Appex

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Mission Statement:

Appex Corporation sells two main types of services to cell phone carriers in the telecom industry: management information systems and cellular phone service through intercarrier services (Appex 44).

Generic Strategy:

Appex uses product differentiation as the basis for their generic business strategy; this means that Appex tries to find ways to make their products and service appear unique in comparison to their competitors. By emphasizing the uniqueness of the service compared to a competitor service in the market, Appex can charge a top price.

Organizational Structure:

When Shikhar Gosh took over as CEO at Appex, organizational structure changed very frequently – every six months approximately. Each attempt at a new structure varied and were unique implementations of divisional and functional structures.

Porter's 5 Forces:

1. Bargaining power of customers

Bargaining power of customers is low because the demand for Appex's services is high. Appex's customers include Cellular Communications Inc., BellSouth, and Southwestern Bell, as well as other cellular service providers who use Appex for managing their cellular networks. However, because Appex is struggling to maintain customer service as the company grows with its number of customers, which customers complained about. (Appex 46)

2. Bargaining power of suppliers

Bargaining power of suppliers is low because the market is so new, there are not yet many experts in the same types of services that Appex provides. Appex's suppliers are its employees because they provide the knowledge and maintenance of the management information systems and other software. Appex can hire many new people, however lots of training is required (Appex 56).

3. Inter-Industry competition

Competition that Appex faces are other companies who sell the same services (management information systems and inter-carrier network services to cellular telephone companies). Specifically, these companies are Cincinnati Bell, GTE, and McDonnell Douglas. Appex still brought products to market faster than a merger project between the other competition called ACT formed, and ACT ended up disbanding because Appex was more successful, even on its own.

4. Threat of new entry

According to the text, industry analysts expected growth "...over 5 million by the end of 1990, to approximately 7.5 million by the end of 1991, and to nearly 20 million by the end of 1995" (Appex 44). This information demonstrates that threat of new entrants is high for Appex due to the growth of this market.

5. Threat of substitution

Threats of substitution to Appex are low, due to the nature of products and services that Appex provides. The knowledge needed to create similar products and services is not something that can quickly be learned, and since the market is growing, other entrants may easily enter,

however they may be lacking people who know much about the cellular services industry because it is new.

Problem Statement:

Currently, Appex's problem that it needs to address is how they want resources to be structured to reflect their company strategy. Under Gosh, this changes every six months and, while that strategy can work, it requires time, money and resources to keep changing every six months. Appex is in a position of trying to scale and increase demand in the market for their services, however, they have been unsuccessful in that due to the lack of agreement on how resources should reflect company strategy. This uncertainty in management can be seen further down in the company by employees who, if they were "interested in something you just did it. Nobody had any sense of what their job description was" (Appex 45).

Stakeholders:

1. Customers

Appex has 75 customers, including BellSouth, CellularCommunications Inc., and Southwestern Bell (Appex 45). If customers are unhappy with the services Appex provides, then customers may decrease demand of supply of their services, which reduces revenue for the company.

2. Suppliers

If customer demand falls, this means that Appex employees may be at risk of being fired if the company fails to keep customers happy. However, this is not a true risk for employees right now because Appex is the market leader and there are not many people skilled in the work that they do outside of the company, so replacing them would be quite expensive and challenging.

3. Appex Executives

Management in Appex will be impacted by this decision because it will change how their once employees report to them. Appex in general has just used loosely defined roles because the company was once very small. Because of the growth of the company and need for a more concrete organizational structure, those in management roles may need some time to get accustomed to managing their fellow coworkers in a way that they never have before.

4. Electronic Data Systems (EDS)

EDS owns Appex via an acquisition (Appex 58). Because EDS owns them, Appex has to abide by systems set in place by EDS at their own level, which includes financial planning systems, resource allocation systems, and administrative procedures (Appex 58).

Solutions:

1. Do Nothing

Gosh says in text that every six months he likes to switch up the organizational structure of the company (Appex 58). By doing nothing, this would be the protocol followed in the future and nothing would change.

2. Decide on Divisional Organizational Structure

According to Cash, by implementing a divisional organizational strategy permanently, division of labor in Appex would be broad, and decision rights would be somewhat vertical, but pushed closer to where they are, so decisions would be made quicker. Also, the organization would still have a lot of routine, but be much more driven by changes in the environment, and the organizational boundaries would be more fluid, informal structure would be weaker, and data and information flows would be both horizontal and vertical. In this structure, the company is

normally organized around product lines or geographic locations with differentiation being the key to success.

3. Decide on Matrix Organizational Structure

According to Cash, if Appex were to decide on a permanent matrix organizational structure, the company would be organized around projects, and the teams that take on the projects are highly specialized. Labor would be narrow and driven by specialties, with coordination being driven by exception. Decisions would be made by those who have the expertise, boundaries are fluid, the informal structure is strong, data flows horizontal and vertical, and employees would identify more with their profession rather than the organization.

Impact on Stakeholders:

1. Do Nothing

If Appex operates under the “Do Nothing” solution, then customers will continue to have complaints about the service they receive, employees (suppliers), will continue to do whatever work they want without having defined job duties, and management will continue to try to change the company structure every six months hoping to finally find the structure that is optimal for them, ultimately spending time, money, and resources to maintain the constant changes. EDS will be unhappy if Appex continues down this path, because it means less earnings for them.

2. Decide on Divisional Organizational Structure

By implementing a divisional organizational structure, customers would be happier because there would be employees dedicated to helping solve their issues, instead of waiting around for someone at Appex to finally get back to them. Employees would be happier because there

would be a sense of consistency in management instead of being changed every six months. Management would be impacted in terms of their positions changing to be more concrete. EDS would potentially see more revenue come from Appex, as customer service improved, which would make them happy.

3. Decide on Matrix Organizational Structure

By implementing a matrix organizational structure, Appex would be more defined around projects and they would have highly specialized suppliers. This would probably be a hard sell to employees who are naturally curious about other areas of work outside any one project they work on, unless they are allowed to work on several different projects doing different work on each. Customers would be happy because they would have highly specialized employees providing them with service, however the goal of a matrix organization is not to be efficient. So, while they may get excellent service, it may not be very efficient. Management would be impacted because decisions are made by those with the expertise, which would mean they do not play as big of a role as once before. EDS would be impacted because employees may be more innovative, which could provide a new revenue stream for EDS to benefit from.

Conclusion:

Implement Solution 2 (Divisional Structure)

Appex should go back to its divisional structure that it tried previously. This strategy will establish some regularity and guidelines for employees that is currently lacking and allow them to finally adapt to one environment instead of constantly changing. This structure will allow cross training so that employees will not be confined to one area of work. Also, boundaries are more fluid because the work has to get done somehow – this would allow employees to feel

like they can contribute to multiple areas and feel content with their jobs. Customers will benefit because having specified employees to help provide customer service will improve willingness of customers to stay with Appex's services. EDS is concerned with being effective, even if the resource consumption is higher than required, which means that EDS is not resource scarce and is willing to use whatever resources are required to keep the customer happy.

Works Cited

Appex Case. *Management of Information Systems Course Pack*. 2016

Cash, et. All. *Management of Information Systems Course Pack*. 2016