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Appex Case Analysis

Executive Summary

Appex Corporation provided management information systems and intercarrier network services to telephone companies. Shikhar Ghosh was hired as head of the company as many investors believed money was being spent aimlessly with the previous CEO. Ghosh implemented multiple structures to create a system of order and accountability as before, the company lacked in product development, planning, finances, and began to fall behind schedule. Ultimately, Ghosh chose a divisional structure as it improved accountability, budgeting, planning, and cooperation, but with that came some challenges.

Overview

Appex Corporation went through multiple changes to keep them afloat and in touch with their customers as they provided services for cellular carriers in “home” and “roam” territories. Their structure under CEO, Brian Boyle, was very informal and fluid, yet the employees were very focused and hardworking. The market began growing quickly, so it caused Appex to grow as well which then led to the workload to seem overwhelming.

Shikhar Ghosh was then hired and, upon entering, noticed that the atmosphere was chaotic and unorganized. Employees were nonchalant in their work, and as demand and the volume of customers grew, they became overwhelmed and quit. Ghosh noticed the main issue of the company’s structure was the looseness, decided it was not going to suffice for this level of demand, and acknowledged that long-term and immediate issues needed to be resolved. He tried several structures, and while he eventually

settled on one that worked for the company, he made the executive decision to change the way the organization operated every six months.

Ghosh tried a few different structures for the rapidly growing company which include circular, horizontal, hierarchical, and a divisional structure. These all have their benefits, but also have their downsides of which is the reason why Ghosh was never completely satisfied.

Analysis

First, we will begin by analyzing the circular structure which originated from Japanese companies. The circular structure consisted of an innermost circle that contained senior executives, another surrounding circle that included managers of functions and the employees, and the outermost layer which included Appex's customers. The goal behind this was to allow information to flow freely and continuously.

However, this is not the case as employees were not able to relate to this structure due to not knowing who to talk to to get tasks done or know who had authority. Additionally, it did not achieve any questions or achieve anything and was geared toward responsiveness instead of planning. As mentioned in the 'Apes Demonstrate Basic Facts about Humanity' reading, "Because that's the way it's always been around here." Employees were unfamiliar to change and reacted poorly as, "People hate change, and with good reason" (Adams 188). Change adds new information to the universe that we do not know, which is an uncomfortable feeling. However, change does not have to be negative.

The reason this structure most likely failed in this company is because they needed structure. While this did create some form of structure with who was higher in authority, employees most likely did not feel a true change within the organization. As mentioned earlier, one can assume that communication was off which then leads to projects and tasks being incomplete. This is a good structure to begin with, especially with a new COO, however, was not bound to be effective or long-term.

Next is horizontal, which is simply a vertical organization chart turned on its side. The vertical organization chart is a top-down diagram displaying the order of authority. Like the circular structure, it

laid out who was on the top and who was on the bottom of the company. As mentioned in the case, employees were not enthusiastic about this as there was still no control. One can assume that communication, again, was an issue which caused their system to be unorganized. Ghosh needed structure with this company, especially since employees were showing poor responses to the structures he had been trying. To do so, he decided to establish a hierarchical structure.

In hierarchical structure, the functions were organized as teams – a sales/ marketing team, software development and services team, engineering and technology team, an operations team, and a finance, human resource, and administrative team. As mentioned in Gareth Morgan's *Images of Organization*, "The hierarchical organization of jobs builds on the idea that control must be exercised over the different parts of the organization (to ensure that they are doing what they are designed to do), rather than being built into the parts themselves" (Morgan 30). This structure helped the company move in the right direction as it gave them control by ensuring that everyone knows their role and what they are supposed to be doing and allowed the company to focus on completing tasks.

With that, there were some obstacles that came with this structure. For example, Ghosh was unsure of how many teams to create which then led to people caring more about the titles they were given instead of what their role was. Eventually, subfunctions within teams were built creating polarization and inhibited a working relationship. "Standards were set by individuals rather than company policy" (Appex 43). This can be expected as individuals are finally finding their place in the company, however, are letting their personalities get in the way. The head of each team was always the "best" which led to a lack of respect by team members. Ghosh also struggled to find people who had enough experience to lead each team based on their prior positions and leadership roles.

Eventually, product teams were created where each team was responsible for making their product the highest priority. This led to more resource allocation problems as there was no system to set priorities about how resources should be divided. With more trial and error, customer focus diminished with this structure. This structure, while effective at first, made employees focus on the wrong objectives. Instead

of being determined to make the customer's experience positive, they began to worry more about their title, reputation, and adapt a "who cares" attitude. Ghosh's intentions were good with this structure, but overall, created more division than cohesion.

Finally, is divisional structure which is the one that worked the best for the company. There were two broad divisions created (ICS and IS), as well as an operations division. Each has one head, all of whom reported to Ghosh. As mentioned earlier, this improved accountability, budgeting, planning and cooperation. Although this helped the company create a foundation to grow upon, it did create several problems. There was the issue of resource allocation – the distribution of resources to specified purposes. With that, divisions wanted control over their resources even though they were to be shared among all of them. Ghosh wanted to spur product development by setting a company theme of quality and centralization. These divisions began to act like small companies and eventually made it difficult for senior executives to gain an accurate sense of status of the company.

Through all of these, Ghosh decided that keeping the same structure was not going to work in the long run. A Rule of Bureaucracy that one can say he stood by throughout this process states, "Anything that can be changed will be, until time runs out (8)". His open-mindedness and willingness to make changes, no matter the consequences or challenges, shows his resilience and determination to bring the company up to speed with the market.

Each of these structures, I feel, were a good transition from one to another. Beginning with a circular structure and ending with a divisional structure allowed Appex to slowly become the functioning company that they ultimately became. Each structure certainly had its pros and cons, but without the leadership of Ghosh, they probably would have never stayed afloat with the competitiveness of the market. Of all these structures, I would have to say the one that I favored the most is the divisional structure for several reasons, but mainly for its combination of organization and freedom.

Solution I Chose

While the divisional structure was not set in stone, it allowed Appex to achieve goals and complete tasks that they had been working on for years. It gave them a sense of structure through the different teams where the head of the team had to report to Ghosh before taking the next step. It also gave them a sense of freedom as they were able to create ideas, discuss, and make decisions and conclusions within their teams. I feel as though the divisional structure was a combination of all the prior structures as they still had a sense of order and authority, as well as the freedom they had been used to. If this structure is working for them, I disagree that Ghosh should change it after six months. An additional solution I would recommend is using a project-based structure. This engages in projects that are customized from client to client. A project leader is appointed and then carried out by a team. While very similar to the divisional structure, each department can mix and match teams as necessary instead of segregating them. However, as mentioned earlier, change is good within good reason. Trial and error are good to an extent, but I think in an industry that is growing rapidly, change should be implemented in moderation.

Solutions I Did Not Choose

I did not choose the circular, horizontal, or hierarchical structure for a couple of reasons. One being they had no control or structure and seemed to not sit well with the employees. These did not seem to make large changes in the work environment, and rather created more tension and division. With that being said, every company is different and has their own mission and values. Most companies today use the hierarchical structure, such as Apple (Meyer), as it has a clearly defined career path and levels of control (Hierarchical Structure). But again, this will not be the case for all companies.

Conclusion

In closing, each company will have an organizational structure that works best for them. In my opinion, the divisional structure worked the best for Appex due to its control and sense of authority, while giving employees and Ghosh some freedom. These structures may not be for every company, or even a

combination of two or more may work better for a certain organization. I think every CEO or COO should be as open-minded and willing to take risks as Ghosh was, especially when a company is struggling to find a structure that works best for them. All in all, Ghosh was the right fit for this position, and while there were some errors in his decisions, he learned from his mistakes and helped the company become a factor in the competition again.

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