Appex Corporation : Case 2

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Introduction to Apex

Appex Corporation is a It is another company created by a merger between Appex Inc and Lunayach Communications Consultants. This merger allowed Appex to utilize the specializations in engineering that Lunayach brought with them, while keeping the business systems and expertise that Appex offered. At one point Appex was rated the “fastest growing high-technology company” by *Business Week* (Gladstone). At this time they were closing in on 200 employees due to adding around 10 new employees every month to keep up with the demand for work.

The Problem

The problem is all around the management structure that was implemented and held onto through the beginning and into the midlife of Appex as a corporation. Their structure is a basic divisional managerial structure. Currently it is in poor shape with no real formal structure and no goal on where their structure should be heading. Because of this it opens the company up to many different problems. Mainly being customer issues that stem from a poor structure from top down. There are also financial issues due to inconsistencies from division to division. With the increase in demand for the services Appex provide they have issues staying up with them and providing what they said they can. This causes a problematic loop of not keeping up with service requests adding to the list of customer complaints.

Porter’s Five Forces

Competitive Rivalry: Competitive rivalry for Appex was in the middle. It became more competitive once Appex “peaked”, so to speak. Appex was at the forefront very quick, but it did not take too long for the competition to catch up. Once they did, the competition was much more of a problem for Appex, Because of the structural issues of Appex that its’ competitors did not have to work through, the competition was then able to better position themselves for the future.

Threat of New Entrants: The threat of new entrants in the IS and ICS field was medium. There weren’t many that had the current technology needed to compete in these fields so they would have to develop their own in order to entry. It was easy to support a new entrant right off the bat though since other cellular networks were being used, and a company did not need their own.

The one other threat of entry that could become problematic for Appex and others in the US would be international companies. They typically operate at lower costs and everything can be managed offsite. This means whatever companies utilize these international companies significantly reducing the cost and time spent on their carrier services.

Threat of Substitutes: The threat of substitutes was fairly low. There were not too many companies that seemed to have joined Appex, and none worth actually noting. But because the way to enter this field was relatively cheap, the possibility of substitutes springing up over time is there.

Bargaining Power of Suppliers: The bargaining power of Appex as the supplier was fairly high. If a company wanted to utilize the data that Appex services provide, they would have to pay what Appex said. Since Appex was ahead of the game off the bat, it allowed their company to find lots of markets to enter into because companies valued this money at the cost Appex determined.

Bargaining Power of Consumers: The bargaining power of consumers was low. Because what Appex was offered was so needed and rare since technology usage was ramping up and so was information on data. If they wanted to know when their customers were in certain areas or their network was changed they needed to pay what these few data information provides asked.

Stakeholder Analysis

Shareholders: The shareholders are the people who own a portion of the company. So the decisions made by Appex and its managers will affect their view and “ownership” of the company. If the management and organizational issues are not solved. Shareholders will suffer on a monetary level. Resolving these issues will allow the stocks to rise and dividends to possible be paid out.

Employees: The stakeholders apart of the employees are normal employees and upper management. Upper management is responsible for deploying and adhering to the organizational structure decided on. Normal employees are then affected by the structure that this organization has. Who reports to who and who can fire and hire is all dependent on the structure that is decided on. Divisions are also created out of this allowing for a more spread out structure depending on the number of divisions.

Customers: The customers entire experience is built around how well the company behaves. Without a proper business and organizational structure the business cannot run at its best. When not running at its best, the customers are not getting taken care of like they should be. If Appex has to focus all of its energy and time inward on their own company, they do not have the time to focus on what their customers need. Not solving these issues quickly and efficiently will cause problems for the customer resulting in the loss of current and potential customers.

Do Nothing Option

The first option is doing nothing and remain with the divisional business structure. This would allow the company to focus on other areas of problems. They don’t have to spend time reorganizing, which could be a cause of the issues. The structure itself could be fine but they could be spending too much time trying to reorganize time and time again while overlooking what is actually the problem. Appex could then focus on workers or specific areas that are causing problems.

Option A : Matrix Structure

In this structure employees would be grouped by their function and product. This allows the strengths of the teams they are organized into to show. For the employees this situation would be less than favorable though. Managers across the board would hold most of the power and could easily find strengths. But with that the employees would be spread across multiple teams and could possibly be reporting to multiple managers. This could become stressful and unproductive for the employees trying to please different managers. Another downside to the Matrix structure would be how unadaptive it is. If chosen and proven not to be successful they would need to go through another structural organization change. Therefore losing more money and time spent on inward changes.

Option B : Adaptive Structure

The third and final option would be to implement an adaptive managerial structure. This initially looks like an extremely beneficial option to Appex right off the bat. It would allow them to focus on their structural problems at an extremely high level. This structure requires revaluation quite often which would allow them to stress changes to better their structure. That is a two ended sword though. The structure would be at the top of the competitive class with frequent readjustments to better the structure. With that being said it is a massive cost to the company. Having devoted individuals in charge of viewing and assessing how well the managerial structure is doing is no small feat. Just because Appex was fast growing does not mean that they are large enough and have enough capital to continuously have consultants or hired employees in charge of this.

Recommendation

My recommendation is to remain with the divisional business structure. This allows a lot of freedom for Appex as a whole. They can analyze what may actually be causing problems with the business that does not have to do with the organizational structure. One of the conditions Cash wrote about was, “economies of scale in the use of internal resources are needed” (Cash). He went along to speak about another condition which lays out the task environment being correct (Cash). For some of these workers, they were not trained or knowledgeable in the correct environment to succeed. Which is exactly what they need to spend time focusing on. Obviously divisional structure is used by most companies within the US and they don’t seem to have the issues that Appex does.

Personnel and parts of each division could be the more serious problems. It would be more efficient for Appex to analyze smaller portions of the companies like this and go from there. A whole organizational structure would be costly on both monetary and timely levels. Because a typical divisional structure is known to most, bringing in consultants to help better the structure would be easier. Many are knowledgable on how these structures can and should work. As said in the article about apes, “because that’s the way it’s always been around here” (Apes). People within the organization may not see the issues associated with the structures like outsiders can.

With the other managerial structures, they are used less meaning outside sources being used to set these structures up could be harder to find and less knowledgable.

Therefore, Appex should remain with their currents structure but find ways to better that. Like Goldratt says that there is “potential for growth and improvement” in all organizations (Goldratt 3). Whether it is brining in consultants to analyze and fix the divisional issues, or what people can be moved and/or remove. Since there is a “science of organizations” (Goldratt). These are less costly solutions but should sufficiently fix the issues that seem to be going on within Appex and allow them to focus on their customers with their full attention.

Works Cited

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