

University of Louisville

Appex Case Analysis

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Mission Statement

Appex Corporation provides services to cellular companies concerning the management of information systems and intercarrier network services.

Stakeholders

The stakeholders of Appex Corporation consist of customers, employees, owners, and Shikhar Ghosh.

Customers - Few years after Appex Corporation was established they had around 75 cellular communication customers. Appex provides a service to notable cellular carriers such as BellSouth, Cellular Communication, Inc., and Southwestern Bell. Appex contracts included multiplex markets, products and services agreements reaching up to \$2 million dollars.

Employees - The employees that are a part of the daily Appex Corporation's effectiveness. These are the sales staff, engineers, software developers, HR (Human Resources) personnel, etc.

Owners/ Investors – This group belongs to the investment group that owns Appex and external Appex investors that spend their personal earnings in exchange for potential compensation.

Shikhar Ghosh - COO/CEO of Appex hired by the board of directors. He is responsible for the overall performance and management of the company. He was appointed by the board of directors and is the person in charge of the overall day-to-day management of a company.

Generic Strategy

Appex Corporation operations show tendencies of cost leadership. Appex was known for providing services at a reasonably cheap and quick pace. Appex was able to compete with established firms even though they did not possess an abundance of resources like other firms. Appex created competition through the fast-paced resolution seeking and delivering ahead other competitors. This was through the innovative technical solutions attributed by the first CEO Brian Boyle and the company's ability to present the products to the market quicker had competition. (Cash & Fried) Appex competitors were always chasing. Appex was able to grow

rapidly with the new market. The project-based tasks run by Brain Boyle eventually become overwhelming and unmanageable within themselves.

History

Appex Corporation was established in 1986 by the combination of Appex, Inc., and Lunayach Communications Consultants (LCC). Appex, Inc., was founded by Brain E. Boyle in 1984 with the focus of management information systems to cellular companies and creating networks for financial companies. Lunayach Communications Consultants was founded by Dr. Rajendra Singh and his wife in 1983. (Singh) focused on designing and engineering cellular radio networks for cellular communication companies. The Appex Corporation proceeded with the name Appex Lunayach System Corporation (ALS) when first established but changed their name to Appex Corporation in May 1989, which is what it is known as today. Appex Corporation quickly became the fastest growing high technology in the United States label by *Business Week*. At this time, the company had 172 people employed while continuing to hire 10 new members each month. (Cash & Fried)

The Problem

Appex Corporation were faced with several challenges as they operated as an entrepreneurial, technology-driven, and loosely structured. The company's expenses were at a rapid pace and investors brought on Ghosh to turn things around. The company was spending cash too fast along with not tracing expenses. Ghosh's early observations were that members did whatever they pleased. Everything was very lenient, and employees worked on their own time and with a "do it later" attitude with customers. Appex operation pre-Ghosh did not have much structure as everyone took part in developing and selling products through close interaction with each other, focus and commitment. Ghosh was determined to bring more control, but he struggled as the structure of the organization experienced a cluster of changes. Early they

struggled with some problems like before he was there with a lack of structure but even more chaotic with complaints from customers, failure to analyze new products and delay of service. Employees who could not handle the chaos started quitting. Appex was even more unproductive than before, and Ghosh was set to try out acquired innovative organizational structures. (Cash & Fried)

Industry Competitive Analysis

Competitive Rivalry

Appex Corporation's competitors included GTE, Cincinnati Bell, McDonnell Douglas. These competitors at a point truly struggled to deliver like Appex Corporation was able to. Appex did not own as many resources as its competitors. Competitors created a request of proposal within themselves which contained all the resources, expertise and capital required but they still struggled for some time.

Threat of New Entrants

The threat of a new entry is low. Few new competitors were willing to join the market that would not promise good profit and some market share. Barriers are created at the cost to enter the market as it requires expertise and resources that are not easy to obtain. There is a lack of proprietary knowledge and asset specificity for a normal new entry. (Tanwar)

Threats of Substitutes

The threat of substitutes is moderately low. Although there are a few customers in the market. Customers are willing to do business solely so the firm can deliver service to issues they have. Switching costs are increased through long-term contracts and agreements. Substitute products were initially not as cheap and convenient as the products Appex was.

Bargaining Power of Suppliers

Suppliers' power was above average. Suppliers possessed power because of the few substitutes available. Switching costs are imposed through long-term contracts and agreements. Appex could raise prices because they were able to deliver a lot faster than the competition. They could cooperate formally and informally as they showed it through calls and the interaction/ environment they were situated in. (Tanwar)

Bargaining Power of Customers

Customer power is low as they are willing to accept solutions from firms that can deliver products quickest. There are few suppliers that do the service they are looking for so their negotiating power cannot increase much.

Options

For the problems of Appex Corporation there are a few options that can be taken. One being to do nothing, others being using the circular structure, hierarchical structure, functional structure, divisional structure or go with Ghosh's structure philosophy method.

Circular structure

This structure was designed to have concurrent circles expanding from the inside to outward containing the executives in the center. The goal of the circular being to create a nonhierarchical organization that allows for a smooth flow of information through the whole organization. This structure caused confusion as members could not identify how they fit in the organization. It was difficult to figure out the power structure and authorize decision makers.

Functional/Hierarchical structure

This structure created members into a team. Ghosh wanted to minimize the sense of hierarchy which brought politics and disagreement within members with different titles. With the initial creation of 5 teams there was the creation of sub functions within teams. This caused the

original organization chart to grow more vertically and horizontally. Eventually the teams became more restricted with the initial group they were supposed to function within.

Divisional structure

This consists of the 2 broad divisions within Appex Corporation which were intercarrier services and cellular management information systems. A third division for operation was also introduced. There was 1 head of each division that oversaw the entirety of their division. The head of divisions and a few others were to report to Ghosh when necessary. Although this offered accountability, budgeting and planning resource allocation became an issue. Teams did not want to share resources such as database managers. The data flow across was low causing teams to be more divided and to operate as their own individual company. (Goldratt)

Ghosh's Structure Philosophy

This structure was to create a system that would change as the organization needed it to. This was a continually changing structure that changed on suggestions from members. Ghosh received confidential suggestions on the type of change he should introduce. The structure was changed to match the people and match the organization's best fit at that time. This created confusion and uncertainty throughout each change.

Recommendation

My recommendation for Appex Corporation is to adopt the divisional structure. This structured improved areas the organization was initially struggling to get situated. With a divisional structure they enjoyed accountability, budgeting, and planning. The division experienced great cooperation. Ghosh did not have to be involved in the day-to-day operations that kept him previously occupied. Head of divisions reported to him when a division needed to address concerns. Ghosh could focus on more general decision making. Ghosh would have meetings with heads of divisions as needed. Someone will be assigned as the resource allocator/

manager who can have meetings with head of division and Ghosh when necessary. Ghosh needs to address to the head of divisions that subdivisions are prohibited. This recommendation will offer Apex Corporation the greatest success.

Work Cited

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