

Appex Corporation Case

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Appex Corporation is an American based that provides services to American Cell-Phone Companies allowing them to manage their customers in the various territories that they may use their phones in. They began as a basic startup with a small amount of people and slowly began to make a name for themselves with the speed in which they would make decisions and provide a solution. Sometimes even implementing solutions into the market before their competitors were able to provide the parameters of what the solution needed. However, as the cell-phone industry grew so did Appex Corporation. Originally, they operated with a very informal structure in which there were few boundaries in which employees had to operate under. While this helped them to make a name for themselves in the industry, as they grew in numbers and expanded their scope they ran into problems with the lack of structure they had as a corporation. Because of these issues with the corporation and the way it operates they have brought in a new COO of the company named Shikhar Ghosh. Ghosh has been trying to determine a successful organizational hierarchy that Appex Corporation can operate under. Currently, Ghosh is focused on finding a structure that is rigid enough to allow them to continue development of their products while also being fluid enough to ensure they do not lose their identity and cooperation between divisions.

One of the main considerations the company has would be outside forces that may impact or be impacted by this decision. The easiest way to categorize these would be through Porter's Five Forces: suppliers, customers, new entrants, substitutes, and intra-industry competition. (Team FME, 6) Because the decision that they are trying to make is not based upon a product being developed but rather a way to restructure their organization most of the

five forces mentioned will be forces that affect their decision and not necessarily forces that are affected by their decision.

Appex Corporation is a technology company. They provide a service to other companies that allows them to monitor their customers and provide them with the cell service they are paying for. Because they are mainly focused on providing a service and not building new products like a production line would do their main supplier would be that of electricity so companies like LG&E. The cost of electricity does not have a necessary impact on the way the corporation functions other than the basic understanding that as the corporation grows they will have to provide more of their service and thus require more electricity. The customers of the company would have to be the other companies that they are providing the service for. Companies such as Bellsouth (in the modern day known as AT&T), and Southwestern Bell and any other cell phone based company are examples of companies they work with. Their major benefit from a restructuring would be an improvement in service to them and therefore to their customers who are trying to reach people through their cellular networks.

As for new entrants into the business they face the same issues as mentioned in the Five Forces, they usually come across some form of an entry barrier. However, because the industry is still fairly new at the time in which Appex Corporations is trying to restructure there would not be much of an entry barrier to keep a new company coming into their industry. At this point though there was not much mention of a new entrant into the industry. Concerning substitutes there is much more of a threat though. While Appex Corporation is assisting companies such as Bellsouth to create a new market there is still the threat of the original market that they are developing from in the form of landlines. Companies that provide these phone services through

landlines are some of the top competition in the communications industry even though they are not offering the same product.

As for competition in this industry there are three companies named in the report: GTE, Cincinnati Bell, and McDonnell Douglas. While these companies are competitors inside the industry that Appex Corporation is operating in the only mention of them is at a time when Appex Corporation proved that they were more efficient than the other companies. When a specific service need was observed in the industry the three competitors put together a group designed to fix that need and while they were busy planning out what needed to be done Appex had already implemented it into the marketplace. That being said that does not mean that Appex is far and away better than its competitors. In the Five Forces it is mentioned that a company must learn to innovate their systems in order to stay a strong competitor in the industry. (Team FME, 11) We learn that when Ghosh comes into the company they are spending more time than not simply putting out fires because of their current business model. Appex Corporation may be successful at the moment but they are not on a track to survive with their current business layout.

There are five main stakeholders in this corporation that will be effected by this decision. The first and most obvious stakeholder is Mr. Ghosh, he was hired on at Appex Corporation as the Chief Operating Officer with the understanding that one day he will take over as the Chief Executive Officer. It is because of this that he has been trying to find a suitable solution to the companies problems so that he can prove himself to the Board of Directors at Appex Corporation and ensure he gets the title of CEO. The Board of Directors themselves are another main stakeholder in the Appex Corporations decision. Being the ones who make the

final decisions they want to be sure that they find someone who can implement a structure that will stand the test of time for this company and its rapid expansion.

The third group of stakeholders is an obvious one for every company but one who is not necessarily involved in the decision, its employees. The employees are the ones that will be affected the most by this situation. The decision will affect the way their jobs are ran on a day to day basis and will also affect the level of communication they can have with supervisors or people from other divisions. While this is not necessarily a bad thing it is something that Appex Corporation is determined to get right so that the employees are not faced with so much integration with other divisions that their work becomes chaotic and undefined but they cannot be restricted too much or they will not be able to develop products to the full potential that Appex Corporation was originally able to. The next group of stakeholders would be the clients/customers themselves. They were originally given an excellent product and service but since the industry has expanded and the problems have started to arise within Appex Corporation they have been subject to more and more issues due to the poor organizational structure as well as poor customer service (some customers claim to have had to call over 100 times before being connected to support). The customers/clients are the top beneficiaries to a new organization structure within Appex Corporation.

The final group of stakeholders in the company is one that is often overlooked because they are actually not involved with the company at all. They are Appex Corporations competition within the industry and the many substitutes they face as one of the five forces. Goldratt tells us in the book "The Goal" that the main goal of an organization is simply to survive in its environment.(Goldratt) In the case of Appex Corporation the cellular-

communications industry is growing at a rapid pace (far beyond their initial predictions) and a company cannot survive if it cannot adapt to its changing environment. The original structure of basically no structure may have helped to give Appex Corporation a foothold in their industry but without proper adaptation and the adoption of a better organizational structure they will not survive much longer.

As for the decision the company needs to make, there are four different decisions that can be made. The first is the most obvious decision and the one with the least impact on the company, they do nothing. The second is that they adopt the role of a functional organization with a strong hierarchy and narrow focus. The second is the adoption of the role of a divisional organization which has a broader focus and a weaker hierarchy. The third is the adoption of the role of a matrix organization which has processes that focus on projects.

If Appex Corporation decides to do nothing they face no transition issues between employees who are disgruntled or confused at losing positions of power or at who or what they are working for. However, Ghosh and the Board of Directors will be disappointed in that the company was not able to adapt to the growing market and will continue in this trend of a downward spiral. The customers will continue to complain and unless they are offered some form of compensation (such as drastically reduced service fees) they will likely move to more effective providers for their services. The competitors will be the more effective providers and may then gain new business and thus drive Appex Corporations share of the industry down.

If Appex Corporation decides to adopt the role of a functional organization they will need to completely rework the way their company originally was. A functional organization

focuses more on routine with rigid boundaries set for the employees to follow. If someone in operations sees that another in marketing is having an issue with a product it is not their problem. Because of this employees would be less involved with each other's work and would therefore not be as close as they originally were. Ghosh and the Board of Directors would see an improvement in the completion of tasks (much like they saw when implemented in the books) but would have more issues with the way the divisions interacted with each other since they are structured to care only for their own division. The customers would see an increase in reliability as far as delivery was concerned but would not see many advancements in the technology or products offered unless it was something that the market brought about. The competition would be less likely to gain a greater hold on the market but would not be necessarily threatened by any success Appex Corporation may have because of a lack of ability to innovate within the company.

If they were to choose a divisional organizational model they would be faced with different problems but have others fixed. Divisional based organizational models have a less centralized form of IT and chain of command. The division of labor is similar to how they originally operated with and is much broader with several employees having different jobs. The employees of the organization would be further stressed out by this switch in labor but would also be able to communicate with each other within their divisions better. Ghosh and the Board of Directors would be displeased in the lack of a chain of command. Due to an increase in communications the customers may at first see an improvement in the quality of service they were receiving but, like what happened in the case, eventually the divisions would start to form their own systems and communicate with each other less and less. Leaving the company no

better off from when it started. The competitors would see no major change in the output of the company and therefore would not be as affected by a change to a divisional structure.

The final option that Appex Corporations has is to adopt a matrix organizational structure. As Morgan discusses in his book "Images of Organization" a matrix organization if done correctly will command a required flexibility but level of commitment from its staff. (Morgan) While employees jobs may not be as broad as originally intended they would be able to communicate and work with other divisions through formed groups and therefore be able to innovate. If done correctly, employees would be able to continue working within their divisions in very clear positions but also be able to communicate with other divisions on projects and new technology. There would be a set form of hierarchy so Ghosh and the Board of Directors would be happy with the way information was dispersed throughout the company. Customers would be able to see an increase in the reliability of their service and customer service as well as steady product improvements. While the increase in productivity would have a negative effect on Appex Corporations competition in the industry.

After considering each organizational structure and taking into consideration what had already been attempted I believe the best option for Appex Corporation would be to adopt a matrix based organizational structure. A matrix base organizational structure is best used for project driven companies according to Morgan. (Morgan) Because of the project driven design that Appex Corporation gained their foothold in the industry with it is important that they keep that same philosophy throughout their company. If they were to do nothing they would not in any way fix the issues they were having with their customers and with the chaotic nature of the job and therefore would surely continue to struggle in the industry. While if they adopted the

functional structure for the organization they would be faced with the task of having to deal with individuals making decisions on what the products should be instead of the communication between groups that got them new technology in the first place. While if they were to adopt a divisional structure, they would not have to worry about such a centralized chain of command but instead would have to deal with an decrease in communication between the divisions themselves. In a matrix organization, they can have the hierarchical structure that they need to ensure that projects were completed on time but also have the communication between employees that would ensure that it wasn't always just a slight improvement to old technology but instead could be new technology they could integrate into the industry environment. As Morgan states in "Images of Organization" the a matrix organization can use groups to combine several different divisions into one to focus on a projects development. However, the biggest issue with this would be if the employees of the division were influenced by their supervisors or divisions. (Morgan) However, if the company focuses on the teams project more than the divisions loyalties and they stay on top of conflicts that may arise between employees a matrix style organizational structure could be just what the company needs to ensure their long term survival.

Sources:

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