Midterm Paper

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1)   IT architecture and organizational structure are both used to assist a company make

money now and in the future by clearly defining the company's direction and purpose. If they are

implemented correctly they can complement one another and lead to progressive growth and

prosperity. IT architecture defines the tools and the structure the organization will use to process

data to create high-quality products or services for their respective consumer (Cash).

Burlington Northern has many issues that revolve in the train delivery speed which

includes utilization of old technology by the dispatchers, sudden maintenance of train disrupts

the overall time flow, inefficient communication methods, unable to track fueling amount,

observation failure, and breakdown of the train, and delays due to lack of information about the

train (Cash). In this case, their lack of an IT architecture equipped prevents them from keeping

their schedule tight. Technology is that component of the organization which aids or facilitates

the people to perform the tasks and if BN does not have the equipment to match up the

customer's demand, then it will create a huge problem with the organization (Thakur). Another

problem that BN has is facing is the merging of the transportation sectors such as trucks and cars

which serve as a threat of substitutes for shipping cheaper items. Burlington Northern has faced

substantial market share losses in commodities to the trucking companies as these trucks provide

timely delivery with door-to-door service. BN's strategy is developed based on cost leadership as

the ARES Project was aimed to increase efficiency and reduce labor costs (Porter).

Implementing ARES can greatly reduce the problem that BN is currently experiencing

but the top management of the company have great doubt about the outcome of the system. Cash

stated, "Accountability may also be diffuse since profit and loss accounts can be calculated for

the firm as a whole" (Cash). BN uses a functional structure, in which the ARES system is a

functional division of the main system. The IT architecture was designed to work with the

current system and the ARES system was designed to help change the functionality of the structure.

Appex Corporation started as a small, informal but highly responsive and effective company. As the company grew larger, the old organization structure can no longer adapt to the increase in employment and organization size. The customer demand rises and Appex failed to respond to customer expectations with the rising complexity of business processes. "If you don't [provide] a quality product all you've got at the end is a bunch of expensive mistakes" (Goldratt). This also results in unclear job responsibilities and poor communication management as well as unfinished daily tasks.

Under Ghosh, Appex is currently implementing a divisional structure in which employees identify with their division rather than their functional specialty(Cash). It created a system of improved accountability by forming a simpler vertical organizational structure. It also led to improved budgeting and planning.

The divisional structure presented numerous advantages to Appex but at the same time, problems including resource allocation, poor communication flow across divisions, and antagonism between different departments are becoming the main issue. Because the company is divided by a specific division or product, each is operated as separate companies with different cultures and procedures. Even though the company is organized and structured, ideas, processes, data, technology, and resources are rarely shared (The Relationship between Organizational Design, Structure, and Charts). The divisional structure allowed for great interdivisional communication, it limited communication between different divisions. Costs also increased at an alarming rate with the requirements being a hard task to account for increased demands.

Both BN and Appex Corporation need to adjust their IT architecture or organizational structure to better address the main problem that the company is experiencing and at the same time implement tools and technology that will help them support the market demands. BN needed to make sure its IT architecture could handle a significant update while Appex needed to change their corporate strategies and structure for better communication flows within the different departments. The organizational structure reflects on the control mechanism as per the functionality of all departments (Godet, 2009). Once there is a lack of organizational structure, chances of conflicts arising, and misunderstanding are on the increase.

Citation for Question 1

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2)   From the explosion of Amazon to the increasing popularity of Netflix, people are opting for convenient, quick shopping experiences. When comparing Netflix to Kroger, the thing that becomes clear is that Netflix currently has more of an understanding of how people want their service. Netflix focused on differentiation strategy while Kroger focused on cost-leadership (Porter).

Kroger has grown into the nation's largest supermarket chain since it began in Cincinnati in 1883. It owns nearly 2,800 stores across 35 states and Washington, D.C (Repko). Kroger certainly does have a good business sense and a firm understanding of purchasing power and its ability to sell products at a low price, especially the membership enrollment, allowing customers to get products at an even lower price.

Netflix currently has a big advantage in real-time personalization by recommending movies to its customers based on their history and interest. In this way, Netflix can retain customers and also presented in a way simple and easy access. "The ease of use and reliability of the service are the top attributes Netflix subscribers are most satisfied with within SVOD today", stated Andrew Hare, SVP of Research, Global Media and Entertainment at Magid (Felman).

Netflix implemented a differentiation strategy that places them on top of their competitor. They have been pioneers in video compression, cross-device syncing, available on multiple platforms, downloadable and viewable offline, serving personalized messages for recommendations, and knowing when to skip credits and introductions. Netflix excelled in the entertainment industry but in recent years competing services, including Amazon Prime, Disney and Hulu have also been merging and developing as a threat.

While Kroger, on the other hand, has an online presence through their Kroger app, its competitor Walmart, seems to do a better job both in brick and mortar and online delivery. While the online market has taken the spotlight in recent years, many people enjoy going to a storefront and have the option to browse. "Their risk is that if they don't optimize their business for the incredibly digital customer-centric world we all live in they will get passed and won't be relevant," said David Bernstein, head of retail for North America at digital consultancy Publicis Sapient (Repko). Kroger is one of the largest supermarket chains in the U.S., but it's lagged behind competitors like Walmart, Amazon, and Target with e-commerce and that held them in huge disadvantages. Kroger mainly focused on selling grocery products to its customers and relied on Instacart for many of its grocery deliveries. This makes it harder to build customer loyalty and gain insights that help it personalize offers.

Since the pandemic, Kroger has been pouring hundreds of millions of dollars into digital efforts such as delivery, pickup, a third-party seller marketplace, and partnering with British online grocery delivery company Ocado (Acosta). To stay as the top competitor industry, Kroger needs to continue to provide an enhanced and personalized customer experience in their e-commerce to compete with the other huge supermarket chains. Kroger is also offering a roughly 2,700-item own-branded product lineup at certain Walgreens locations, including its recently acquired Home Chef meal kits; working with Instacart on home delivery as a bridge to further developing its capabilities, and using autonomous vehicle startup Nuro to send grocery orders to customers using a test fleet of driverless cars (Akbari).

The two corporations, Kroger and Netflix, are currently positioned fairly well in their industries. Netflix is a leader in the online, personalized marketplace, and will therefore likely have a better position in the future as they continue to increase the number of original programs

they have available and continue to be one of the top leaders in the online entertainment market. Kroger is one of the largest supermarket chains in the U.S by providing a variety of product mix and cost advantages.

When comparing Netflix and Kroger, although Netflix seems to help advantages in the entertainment industry, Kroger seems to be in a better position for the future. According to Nielsen data the streaming video market share of Netflix took around 31% in 2020, while YouTube – 21%, Hulu – 12%, Amazon – 8%, other – 28% (Katz). Netflix has taken the majority market share of subscribers currently but 15 years later, competitors are likely to pull customers away. Kroger on the other hand originally had their greatest flaw in the eCommerce in which they are conquering the challenges by collaborating and establishing relationships with Ricardo. This creates the flexibility to serve orders from dedicated centers as compared to traditional grocery chains.

Citation for Question 2

- Repko, Melissa. "Kroger Stuns with 92% e-Commerce Gain, but It Has to Prove It's Not a Coronavirus Blip." CNBC, CNBC, 18 June 2020, www.cnbc.com/2020/06/18/kroger-stuns-with-92percent-e-commerce-gain-but-it-has-to-prove-its-not-a-coronavirus-blip.html.

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  Journal of Electronic Commerce Fall 1.1 (1996): 3-23.

3)   This vision for Midwest RBU focuses on Innovation, People, Collaboration, and the

Growth of the Company. The Competencies consist of Functional and Technical Skills, Seizes

Accountability, Change Agile, and Commits to One (PowerPoint). The core competencies are

outlined well as strong examples of what should be considered to determine bonuses as well as

the expected action that the employees should take. The purpose of using a control system is to

increase the likelihood of a positive outcome for unexpected changes in technology, markets,

competition, and other areas in an organization's environment (Cash 96). When controlling, you

are essentially monitoring whether you are receiving an expected result of a process.

People control systems are valuable because management selects people with the

appropriate skills, values, and personality characteristics for a specified position (Cash 96). This

also refers to training employees to strengthen their skills or reinforce values to expand their

depth of knowledge. In terms of core competency relating to people's control, it includes some key characteristics such as Grow-self and seizes accountability.

Action control systems specify the decision and behavior that individual and organization subunits should take to achieve desirable outcomes (Cash 96). Although the core competencies listed down expected behaviors, it should also include policies that employees are expected to follow. For example, the company can implement overtime policies, tardiness policies, technology usage policy, email policy, conduct-related policy, etc. Companies can also limit the incidence of some types of obviously undesirable activity by using behavioral constraints that render the occurrence impossible (Merchant).

Result control compares individual and organizational performance with planned or expected performance and making appropriate adjustments. Midwest RBU has a performance rating that scales its employee from significantly deficient results to exceptional results ranging the score from 0-6 (PowerPoint). Under this rating scale, the performances are judged based on the magnitude of influence, competency, approach, commitment, and consistency. "Determining an appropriate performance measurement time interval is largely a function of determining how long it takes for an identifiable trend to show up and at what point can constructive action reasonably be taken" (Cash, 96). This will show how adaptable they are to the environment while being able to succeed and deliver results.

The rating system that the company is using is confusing because the 0-6 ranges seem unable to outline the weight of a specific quality. For instance, the differentiator did not set a weighted score for each value but seems to put all the traits with an equal score. This control system should elaborate more on how the scoring functions and make it more clear how each

area impacts the overall performance. The measurement of action control is rules and procedures.

This company seems to implement a "tight" control which provides a narrow specification of acceptable behavior and result (Cash 96). Accordingly to the PowerPoint, it is unclear of the important factors for consideration when defining the results of the bonus. A company should emphasize either consistency or innovation but Midwest RBU seems to hope to achieve both at the same time, which makes the management more difficult. Overall, there are controls for people, action, and result, but the system must be reorganized in a way to clearly define what the organization's goal and value are (Belyh). They should also elaborate in its grading criteria for performance by clarifying the weight to calculate a final score.

Citations for Question 3

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