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CIS 410-50 Case 2

Appex Corporation

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# Case Overview

**Problem:**

In the later 1980s and early 1990s, Appex Corporation was growing a lot faster than its management structure could efficiently sustain. Initially, Appex had utilized a informal network organizational structure, though with some employees having a multifunctional purposes with the corporation. Thought this did have some positive impacts on the corporation before expansion set in, newly hired employees had a more hierarchical structure to the corporation. Under the leadership and management of Shikhar Ghosh, who attempted to create a different organizational structure for the company, the situation changed regularly (117).

# Industry Competition Analysis

**Appex Corporation Information:**

**Industry of operation:**

Appex corporation functions in the IT field, but they focus more on developing sustainable systems for popular cell phone providers. At the time of this case, Appex was one of the few early innovators in information systems within the cellular market at the time. Having their headquarters in Massachusetts, they are able to offer solutions to providers nationwide and having the ability to potentially branch out to international markets too (122).

**Company effectiveness analysis:**

Money-wise, Appex corporation has had very strong numbers, with revenue skyrocketing form 1 million dollars in 1987, to 16.6 million dollars in 1990 (116). The market share for Appex was also very strong for a company of its size and how big its competitors were compared to the size of Appex, which was Cincinnati Bell, GTE, and McDonnel Douglas. Yet, Appex was able to outmaneuver its competitors by being more flexible holistically.

Their operations are primarily in two separate parts of the market. One part focuses on inter-carrier services, which would aim at the associations between various carriers that would give way for those companies to make money and profit from different roaming charges and information systems. This would give way for the organization to rationalize their billing and management systems in one of their area’s of coverage. Initially, they had the ability to monopolize the market through different success factors such as having a very strong customer service system, low inertia, adjusting to the rapidly changing market to meet demands, but as the company has grown, these factors have been minimized to an extent.

**Five Forces Analysis:**

**Threat of new entry:**

The threat of new entry is relatively high, given that the costs of entering the market is fairly low, because you do not need to have your own cellular infrastructure in place (118). The part that is more difficult in this industry at that time was finding a network that you could implement your software with, and with that gain market share. In a business environment like this, though it may be easy to enter the field, it may also be fairly easy to sustain a position with it.

**Bargaining power of buyers:**

Buyers in the 1980s cellular industry were likely early adopters. As the market matured, their power would increase as well. By the mid-90s, a few large players would have gained control of most of the nation, and cost would become a primary concern for them.

**Threat of substitutes:**

The threat of substitutes correlates directly to the amount of new products that are satisfying a similar purpose or service. Based on the case, there were no potential devastating substitutes currently, yet if there were to be some, the cost and functionality of them would be a primary concern.

**Bargaining power of suppliers:**

Bargaining power of suppliers is fairly strong in this industry, but it is important to note that Appex was not particularly reliable on supplying physical goods. Instead, Appex was very limited in finding talent it could find that to help staff its activities. Appex not having enough employees was a limiting factor, as they were constantly having to find new employees that they could make good use of. The case says that there was a large amount of managerial talent in the corporation, but it was not capable for overseeing a reformed Appex. Incoming talent would have significant power and leverage in hiring negotiations.

**Competition:**

Though competition was strong, it was moderately slow to respond. Yet, Appex remained consistent and upon major growth for Appex with failing to create a proper management structure, their inertia grew to where they could not beat their competitors in developing new and improved products that gave way for better and more organized firms to gain a leg up on competition which would give them a competitive advantage due to their improved functionality (133).

# Overview of Stakeholders

**Business Stakeholders:**

**Senior management:**

Senior Management has had its struggles with adjusting to new infrastructures in place, and their employment is contingent as their performance as managers. As Appex has adjusted and changed its internal structure, there were points where experienced managers who have been with the company for some time was shuffled around to different departments, and even some of them were promoted or demoted to help fit the new organizational structure.

**Employees of Appex:**

The employees of Appex are particulary susceptible to changes in the organizational structure, because with the restructuring every six months typically, and the recent buyout, there may be some employees that would experience inconsistent treatment, have to change their work environment drastically which can have an effect on productivity, and all of this occurs when the new divisional model was applied.

**Consumer Stakeholders:**

**Companies Appex serves:**

While there were not individual companies mentioned in the case, individual consumers who operate cellular networks would be served by Appex. The case did state that there were differing standards of customer service, and changes in company structure, and as a result in those specific changes, the cost would have a direct impact on them.

**Competitive Stakeholders:**

**Competitors mentioned in the company analysis:**

Larger corporations would be more likely to have a larger budget to deal with and potentially more pools of talent and that would result in more relationships being established in the workplace. In the typical day to day work environment, larger corporations would be able to outspend Appex with ease which would mean for Appex, that they would have to find a market with a better and cheaper solution, or an earlier solution all together.

# Potential Alternative Solutions

**Alternative One: Implement a modified Matrix Organizational Structure:**

**Alternative overview:**

The matrix structure was the only one that was existing in some form before Ghosh’s arrival, or that was fully executed by him. This comes to light since matrix organizations are able to quickly and efficiently create teams that supply a demand, it may be in Appex’s best interest to function as an organization that has a clear cut central command, but still operates as a matrix daily. Functions that are currently happening, such as technical support for example, would have to be managed and supported completely separate from the project focused core of things.

**Potential business impact:**

Implementing a matrix structure would relieve pressure from certain problems that stemmed from other structures such as infighting (122). Though there may be some politics remaining in the work atmosphere, we would most likely see that in professions rather than between teams of the organization. In addition to that, it would also relieve pressure about the issue of Ghosh being presented with a small number of ideas for new products that could help develop the market, by treating both enhancements and new applications as marketable products.

**Consequences for stakeholders:**

By having most of the management side excluded from the flexibility and fluidity of the matrix structure they could still put an emphasis on organizing the teams and still have conversations to compromise and toe achieve their monetary goals. Employees would be encouraged to work together by having them assigned to projects they would not normally be assigned to. Lastly, having a project-first attitude would help minimize claims and allegation of certain divisions having some sort of favoritism.

**Alternative Two: Continue making incremental changes and occasional restructuring:**

**Alternative overview:**

For this, Ghosh would have to continue restricting whenever the company would have growth that exceeded 50 percent, by taking input from employees on certain issues that have come to light. Basically, Ghosh would have to organize Appex Corporation in the moment to deal with the issues at hand and then proceed from there.

**Potential business impact:**

This option would have some of the same impacts as the do nothing option, starting out. But, instead of having the company be locked in its current position entirely, there could till be certain adjustments perhaps every six months at the current growth rate. It is important to note that reformation is not free, and quality of standards may vary between each.

**Consequences for stakeholders:**

Anxiety would set in when there was constant rearrangement or restructuring occurring for employees. Management and upper level employees would also be affected because they would have to be adaptable to the changes and if not then be replaced for that certain period where the company would conduct its day to day operations under new structures. External stakeholders would be affected unevenly because there could be the possibility of new problems arising for day to day operations.

**Alternative Three: Do nothing:**

**Alternative overview:**

The Do nothing option would involve keeping the most recent structure that was implemented by Ghosh, with a divisional structure, cross-functional teams, and bonus pay that would also incentivize teamwork.

**Potential business impact:**

The company’s growth was still rapid under this scenario and was ultimately better off than maintaining the original lack of structure, but yet again, the impact that politics has was large. While revamping everything and restructuring everything would initially seem to set the organization back on track for success, there would be no sustaining solutions that could be a reasonable approach found in this scenario (127).

**Consequences for stakeholders:**

After the buyout, employees, management, and the company were put at risk of interference from the higher levels of the new organization, being functional as a single company in a division of EDS. Also, their customers would have to continuously seek a reduction in quality and innovative ideas from Appex in the future. While not a stakeholder was mentioned above, it would be reasonable to mention that EDS would end up seeing Appex as a fiscal liability given that their actions could threaten and be detrimental to the organization as a whole.

# Selected Option & Reasoning

**Selected Option: Implement a modified matrix structure:**

This is a practical option because it would allow for teams to be focused on projects, and with their collaboration they could also share talent and that could be of great use on projects. Seizing away some of the operations that are consistent would allow them to be managed, and have the ability to provide regular service to contract companies that would be contingent on their products operating as promised.

Additionally, it would minimize the potential of infighting, as employees would be assigned to teams according to the needs of them and the various skillset that the employees would have from marketing, to development and/or engineering (122)

**Rejected Option: Do nothing:**

The Do nothing option would just delay the consequences that are unavoidable. Customers of Appex will still have to experience dull service, and the innovative side of things will still go downhill. Though there would be new owners, Appex would feel the full wrath of their mismanagement. The state that Appex is in right now is not recommended because they can not use one of their greatest strengths to their advantage which was their flexibility.

**Rejected Option: Make incremental changes and occasional restructuring:**

While this option has some potential comparing it to the current state of Appex when Ghosh took over, it would be inadequate for this to be the solution for a larger corporation. Constant changes in the workplace will create disparities in morale among employees. Constant changes that could erode cultures in the workplace could be something that shifts the balance of workplace stability. In addition to that, the case made it known that Appex is no longer serving clients like it should and to change that there it basically little to nothing being done, though the organization has a more goal-oriented structure than before.

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