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Appex Case

Appex is a company that aims to provide cellular telephone service providers with innovative services that assist in maximizing profit of a then booming industry. The

general strategy is differentiation, they are not so much focused on how cheap they are, they care more about beating the competition to the next big thing in the cellular industry. When Appex was formed, it was a small team of highly dedicated individuals who worked hard to build up the company, they cared more about innovation than formal structure, which eventually became the biggest problem the organization faced. Ghosh was brought in to try and reign in the organization with some structure, but had difficulty finding a strategy that worked for the kind of environment the company exists in. For Appex, the best organizational solution is the Network solution, it allows for the greatest time efficiency, responsiveness, adaptability and is best suited for organizations in volatile environments that depend on an innovative strategy to stay alive. While this strategy will have problem of its own, it best matches the strategic needs of Appex. I will begin by explaining the forces around the organization, moving on to stakeholders, the alternatives, and finally a quick analysis of how each alternative affects each stakeholder, finally looking at the risk of such an undertaking as restructuring for a company such as Appex.

Customers do not have all that much bargaining power with Appex. Looking at the case, Appex had an abysmal customer service record. It was not so much that Appex employees were not friendly or helpful, it had much more to do with the issue of reaching someone to get assistance in the first place. If much bargaining power existed, customers would have had to have gotten better support, even in the early days. A large factor to low customer bargaining power in this case was a lack of any real competition for Appex in their markets. The rates they charged for the service were cheap, and the products offered were unlike anything else on the market. With little to worry about in terms of substitutes and intra industry competition, Appex

employees had little reason to worry about losing customers, at least until some real competition showed up. Suppliers in this case seemed mostly to be the employees of Appex. The employees were the source of fresh and innovative ideas, it is what drove the original success of Appex, and something the executives continued to rely on as stated in the case by Ghosh. There is some power there, but it can be balanced with structure and the creative process can still flourish, so really the only thing management needs to worry about is creating a workplace that encourages fresh ideas. Finally, we look at the threat of new entrants, which is quite high. Anyone could do what Boyle did if they have the next big product. If the idea is good enough, it would be a matter of convincing the right investors to provide seed money for a project, then getting some developers and engineers together to actually make the idea a reality, and finally a few people to sell the product. While there are a few things that have to go right, there is not a large infrastructure cost or huge buy in to the industry. You need a few investors and a good idea, at least in the 80's. It does not appear to be something Appex was all too worried about in the case, but it is a force that needs to be dealt with before Appex finds itself buried by more strategic competition.

In this case, there are 5 stakeholders. The first one we care about are the shareholders, they are the people who buy stock in the company and own a piece of it. Next we have customers, we need to consider them because we want their money. Next we have executives and managers. Two separate groups with similar functions, but they can be affected by the organizational structure in drastically different ways. I will also be considering Ghosh on his own as the primary responsibility of the success of Appex in terms of structure rests with him as the shareholders intended for him to bring order to a chaotic organization. Finally, we

consider the remaining employees of Apex, and how these changes might appeal to them, or make them find employment elsewhere.

For this case, there are four options (or alternatives) Apex can reasonably pursue. The first and most obvious option is to do nothing. With this Apex will maintain its Divisional structure. If this option is selected, hopefully Ghosh or his replacement will be able to work out a way to minimize the impact of the inherent issues the divisional structure will have. Next we will consider the Network approach, it characterized by the formation and disbanding of teams on an as-needed basis. This contrast with the next option to consider, a Matrix structure, in that the Matrix structure is characterized by teams that exist as needed in order to complete a project or disband after a solution to a certain problem has been found. Both deal with temporary teams, but the Network teams exist as long as they are relevant, once relevancy has diminished, the teams are disbanded and the members are reassigned back to their departments to wait for the next project. The final option is to retry the Functional structure, but that won't work for several reasons.

If Apex does nothing, meaning they do not change course and work to continue to refine the Divisional approach, they will need to continue to purchase double of every resource, this eats into their ability to compete on a low cost, and is actually destroying a barrier of entry for another company. That is not to say that the current strategy is cost leadership, but if the need ever arises to compete on that field, Apex will have cut down a potential advantage. Management will also have to find a means to get divisions to cooperate, and create some means of cross-pollinating ideas. Ghosh even said that when the divisions came up, new ideas came few and far between. Looking at figure 2-8 (1) of the Cash textbook, the nature of a divisional organization is not what an organization looking to use an innovative

strategy would need. Resource efficiency is poor, time efficiency isn't horrible, neither are responsiveness or adaptability, but there are better options. Jason Gillikin (2) wrote an article highlighting some of this when a divisional structure is implemented. Microsoft wrote a social connector for Outlook 2010, but couldn't integrate their own products into it until months after the connector would interface with MySpace and LinkedIn, and a lot of it had to do with divisional competition within a single corporation. Appex isn't big enough to survive that kind of infighting, especially when bundles could earn a lot of extra business from current customers.

With this option, Executives continue to have a blurry view of the organizational health, divisions (really employees) will feud and compete for resources, customers will not have the best products offered to them, which makes them unhappy.

Shareholders will not see as much profitability since the organization has to buy two of everything and spend some focus on making divisions cooperate. Ghosh's job gets a lot harder, he may even get replaced. Management is happy though, there are plenty of managerial positions in this structure.

A Network structure appears to be the best fit for Appex, by looking at the environment, we can see that it is ever changing. The products Appex puts out today will be obsolete before long, the environment demands constant change and innovation. A highly adaptable approach is necessary to the survival of companies in such an environment. Gareth Morgan in his *Images of Organization* (3) uses an abstract organism as a metaphor for how a business should operate. By treating an organization as an organism, basically a Network or even to a lesser extent Matrix structure, the organization is understood as an open system, and are seen as an ongoing process rather than a collection of parts. Divisional structures divide an organization into parts, some even compete with each other as we see in the Appex

case. For some organizations, this model is just fine, it generates competition, and competition can be a good thing. AMD, a company known for manufacturing CPU's for computing devices even has a list of benefits from competition on their website. From the perspective of businesses, "competition in the market enables vendors and manufacturers to deliver a greater variety of competitive products to their customers around the world – and often results in lower prices and higher performance. When competition allows market forces to prevail, leading technology companies can offer the best products to a broader array of customers and consumers." (4)

Competition keeps a company from becoming stagnant, it can even keep a company innovative, but not when the competition is an internal struggle for resources. The difference between parent companies like GM that own somewhat competing brands like Chevy and GMC, Cadillacs and Buicks is that these competing child companies are meant to stand on their own. With Appex, you often see services bundled across divisional lines. If there are two divisions, and a company tries to bundle across these divisions which compete for all internal resources, the divisions have no incentive to work together. You don't see GM offering discounts on Chevy's when you buy a GMC. Appex is simply a company that exists in an environment where collaborative efforts are more fruitful than self-competition. If the Network approach is chosen, the middle management functions shrink, important decisions about product direction are made at a lower level by employees, which adds some risk but also creates an incentive for creativity and innovation among the teams that work on the products and services of Appex.

Executives will have a clearer picture of the organization, as there will be few places for people to play with the numbers. Customers will enjoy more integrated products

and services generated by Appex, and should continue to enjoy previous benefits of bringing some structure to the previously unstructured organization. If innovation is allowed to thrive, Appex will experience even further growth which makes shareholders happy, and by extension the executives happy. Ghosh gets to keep his job, though the focus will now change to fostering growth in a network structure. Employees may experience less job security as some tasks may be outsourced for temporary needs, but if unnecessary fulltime positions can be cut, the company saves and can focus on continued growth, eventually creating more jobs. Finally, middle management could experience serious cuts, but in a network organization, so much management is unnecessary. They could also be moved into positions as team leaders for projects that come up, sort of a neutral party in focusing projects so groups stay on target. In a Network structure, teams are assembled as needed, clusters of competency are developed, and the issues of dual reporting, bureaucracy and double spending are not inherent.

Matrix structures are fantastic for complex environments with many demands and an inherent need for responsiveness. As we discussed in class, a hospital is an excellent example. A patient walks in the door with an issue, a team is put together to assess the patient, find the problem, develop a plan to solve the problem, and execute the plan. Looking at Appex, the company is in a complex environment, and there are many demands. You have groups of specialized people meant for performing in some specialization. However, by looking at the mission of Appex, it is determined that they align more closely to what Fried describes in Chapter 3 of *Managing Information Technology in Turbulent Times* (5) as an inventor. They create the products and put them on the market, they push the boundaries of technology and apply what they have developed to products and services to sell. They have a

history of interpreting market needs, and beating any potential competitors to the punch. The approach required for such an organization requires a proactive attitude, rather than reactive. A Matrix structure allows for good responsiveness, but only as a reactive measure, and not to the extent of a Network structure. With this approach, Appex would have better success than with a divisional or functional structure, but would not reap the full benefits offered by the network structure. With this approach, employees would need to find balance between two channels of reporting, executives would have a better view of the organization as the employees who belong in their department would be a part of each other team in the firm, Shareholders wouldn't be so happy if the organization fell into a reactive rather than creative pattern, Ghosh would have shareholders breathing down his neck for more innovation and continued growth, and customer, while possibly experiencing better customer service, might look elsewhere for companies that can crank out fresh ideas and products. It's not the best, but certainly not the worst.

Finally, we will look at the Functional structure once more. It is definitely not ideal. According to an article Ashim Gupta wrote on Practical Management (6), two of the three biggest weaknesses in a functional organization are accountability and responsiveness. These are critical for Appex, accountability on the status of project or the quality of service to customers were major issues once the company grew, enough that the CEO was removed, and responsiveness was what the company was built on. A lot of the early success of Appex was purely due to its ability to see needs in the market and fill them before anyone else. It has also already been tried, intelligently, and failed.

The move to a network structure would be a risky one, not many companies at the time were able to do something like this. It is still not necessarily a tried and true

structure, and it definitely isn't for everyone. Appex however, is the right kind of company for this. They are not risk averse, they take chances, they try new things, it's how they stay current and continue to push new and innovative products. Appex is also moving towards a need for a more responsive structure in which to operate. Divisional will do for now, but it will become quickly flooded with a need for managers who manage managers who manage more managers. A majority of their employees are going to work in management if they continue to try and solve the structural problem with divisions. A functional structure isn't going to work, and Appex needs to stay away from becoming a reactive company. The network structure allows for the most responsive, time efficient, and adaptable organization of all the other considered options. It focuses on building strong alliances with competitors, customers, and others outside the organization, which gives Appex an advantage by creating motivation for customers and even (eventual) competitors to keep Appex in the game.

Works Cited

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