

Appex Corporation Case Analysis

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Introduction

Appex corporation was founded in May 1986 by the merger of former Apexx Incorporation and Lunayach Communications Consultants (LLC). LLC was mainly focused on the design and engineering of cellular radio networks for cellular companies, and Appex Inc. had their focus on management information systems for the cellular industry (Cash 37). The merger between these two companies brought engineering expertise from LLC and information systems expertise from Appex Inc. together to form Appex Lunayach Systems Corporation, which the company rebranded as Appex Corporation.

Appex Corporation started out as a relatively small company, but experienced rapid growth as the cellular telephone industry increasingly popular in the mid to late 1980's. By the end of 1984, the cellular telephone industry sat at around 92,000 subscribers, and ended up at around 3.5 million subscribers heading into the 1990's. (Cash 37).

The infrastructure of Appex at the beginning of their business was disorganized and informal. Employees at Appex had no sense of what their job description was and worked wherever they deemed it was fit. Because of this, when the company experienced rapid growth, the number of projects increased, and the workload became overwhelming. It became apparent that the company lacked organizational structure, and hired Shikhar Ghost, an experienced consultant at BCG, to help form a structure. He first implemented the circular structure, which did not work out as it created a lack of authority and planning. He then tried implementing a functional structure, and later a divisional structure, which both resulted in further problems. Ghosh then realized that structural changes needed to happen every six months, taking suggestions into consideration.

Mission

The mission of Appex Corporation is to provide management information systems and intercarrier network services to cellular telephone companies (Cash 37). Appex Corporation's goal is to find the best fit organization structure for their company to maximize efficiency and effectiveness, while minimizing overall costs of their current system.

Porter's Five Forces Analysis

Threat of New Entrants: High

The threat for new entrants into the cellular industry is very high, as Appex Corporation was created in the time that cellular telephones became more popular. Seeing as the overall amount of cellular telephone subscribers more than tripled from 1984 to 1990, many businesses could see this as an opportunity to enter the industry of providing services for cellular companies (Cash 38).

Threat of Substitute: High

The threat of substitutes for the services that Appex Corporation provides to their customers is very high, as the products and services that they are providing are not unique to the industry. Many other companies that enter the cellular industry will offer relatively similar services, with prices of product and overall costs being the potential competitive advantage.

Bargaining Power of Suppliers: Low

The bargaining power of suppliers for Appex Corporation is low because they rely on a very little amount of raw material or "supplies" to maintain their business.

Bargaining Power of Customers: High

The bargaining power of customers is high because there are a limited number of cellular companies buying from them.

Competitive Rivalry: High

The competitive rivalry for Appex Corporation is high because there are few cellular providers that are buying their services, so they must be competitive with rival companies if they want to win over more cellular provider companies. Because of the cellular industries low level of product differentiation, the competitive rivalry is high (Porter 13).

Stakeholders

Appex Corporation Company:

The company is a potential risk of losing customers by constantly changing their organizational structure. If with more change comes more problems, the company can lose potential customers.

Shikhar Ghosh:

Shikhar Ghosh determines which direction the company goes in by determining the organizational structure that they follow. Ghosh plays a major role in the success of the company.

Appex Corporation Employees:

As organizational change continues to happen in Appex Corporation, many employees are forced into change, whether it be where they are working, who they are working with, and what they are working on.

Appex Corporation Customers:

The customers of Appex Corporation are cellular telephone providers such as BellSouth, Cellular Communications Inc., and Southwestern Bell. These companies signed contracts that are multimarket, multiproduct, multiyear service agreements (Cash 39).

Appex Corporation Shareholders:

Appex Corporation shareholders play a major factor in the future of Appex Corporation, as they support the company's finances.

Alternatives

Do Nothing/Implement a Divisional Structure:

With this alternative, the company can choose to keep their current divisional structure. The company will keep the ICS, IS, and operations divisions, and each division head will report to Ghosh (Cash 50). In this structure, the company improves accountability, budgeting, and planning, but problems from the previous functional structure remain, including resource allocation. Another problem with this alternative is that there is little to no communication between the divisions, which eventually leads to few product development ideas (Cash 50). With the division structure, the divisions created end up splitting into subdivisions, causing misinformation between divisions.

Implement a Functional/Hierarchical Structure:

In this alternative, the company can choose to revert to the functional, or hierarchical, structure. In this structure, the functions within the company are organized into teams. This structure requires coordination and communication between the functional teams, and if this requirement is not met, this structure tends to be weak. The employees of Appex experienced a lack of willingness to achieve the firmwide goal with this structure, which can have an impact

on sales. Ghosh stated that with this alternative, he is much more involved in operations within the company, which may lead to less time focused on improving Appex Corporation's overall structure.

Implement a Matrix Structure

In this alternative, the company can choose to implement a matrix structure. The matrix structure is like the division structure in that there are still divisions, but also uses tools of a functional structure. In a matrix structure, there is a balance of power between the functional managers and the division managers, while the employees of each division report to both (Cash 31). The employees in a matrix structure often have dual assignments, and report to their respective managers when the project is complete. This can be a pose a potential problem for the company if the two managers have a hard time balancing out responsibilities within the company.

Effect of Alternatives on Stakeholders

Do Nothing/Implement a Divisional Structure:

If Appex Corporation were to do nothing, and keep the current divisional structure, the company may end up suffering from the lack of communication between divisions. Shikhar Gosh will continue to work with the divisional structure where it is split into the ICS, IS, and operations. The Appex Corporation employees may fail to communicate with the other divisions, which will in turn Ghosh will receive few new product development ideas. Employees may also be hired/fired depending on how well they adapt to this change in structure. The effect that the division structure can have on customers is that they are likely to receive less quality product, as divisions are not communicating enough to improve product development.

Implement a Functional/Hierarchical Structure:

If Appex Corporation were to implement a functional/hierarchical structure, the company will be split into teams or functions. These functions will likely be split into subfunctions, adding more layers onto the hierarchical structure. Shikhar Ghosh will implement the structure by

splitting teams into functional groups and will be responsible for finding problems that have arisen within the company. The employees of Appex Corporation will be split into function groups based on their experiences, and will work in teams, following the hierarchical structure. Employees may also be hired/fired depending on how well they adapt to this change in structure. The customers of Appex Corporation will likely be negatively impacted if the company fails to meet firmwide goals with this structure. The company may also lose customers if they do not adapt to the functional system.

Implement a Matrix Structure

If Appex Corporation were to implement a Matrix structure, the company will still be divided into divisions, but will have function and project divisions, in which employees will report to the function and project managers equally. Shikhar Ghosh will help implement the structure by maintaining the current divisions, while implementing functional and division managers that the employees report to. Employees will now report to functional and division managers and will have to adapt to the new system. Employees may also be hired/fired depending on how well they adapt to this change in structure. The customers of Appex Corporation will likely be negatively impacted if the company fails to meet firmwide goals with this structure. The company may also lose customers if they do not adapt to the matrix system.

Best Alternative

The best alternative that Appex can choose is to do nothing and maintain the divisional structure that they are familiar with. Out of all the structures that Appex Corporation has tried, the divisional structure seems to be the one that is the most effective. This model has proven to improve accountability, budgeting, and planning for the company (Cash 50). The major downfall with their current divisional structure is that there is little communication flow across the three divisions, which can be solved by hiring employees to facilitate communication and information exchange between the divisions. If this were to occur, new brand ideas may form, which is what Ghosh was aiming for with the divisional structure. The matrix structure is not optimal for

Appex Corporation as the employees have been known to have issues with the balance of power between managers, and will be tasked with dual assignments, which they may not be comfortable with. The matrix structure is not optimal as it poses too many risks with its implementation. The alternative of implementing a functional/hierarchical structure is not optimal in this scenario as this leads to the issue of power authority within the company. Under the functional structure, it was concluded that task completion relied heavily on personalities, instead of the best possible way for a task to be complete. This could lead to delayed task completion, which could delay more business processes.

Work Cited

Barker. *Management of Information Systems*. Burlington Northern Case. 2019.

Porter, Michael. *Porter's Five Forces*. 2013.