Xander Eisert

CIS 410

Appex Corporation

Case 2

Mission and Generic Strategy:

The body currently known as Appex Corporation is the result of a merger between Appex Inc. and Lunayach Communications Consultants. The newly combined corporation deals in Appex's initial specialty, to engineer information systems for telecom companies and credit score systems for financial institutions, as well as Lunayach's specialty, which was to engineer cellular networks for wireless telecom companies. The merger sought to accomplish both parent companies' goals with a generic strategy of differentiation-focus (Appex).

Differentiation strategy, according to Tanwar, "involves the creation of a product or service that is perceived throughout its industry as unique." Focus strategy concentrates on a few target markets, with the intent to sell to a specific group of persons (for instance, selling tractors to farmers instead of selling them luxury cars). In Appex's case, they sold cell service to carriers to allow for a customer management system in their call-roaming and home territories, which would be used to manage billing between the two regions. They also provided a similar billing service/system to corporations who requested that a professional IT organization manage their system. Because they were offered to such a narrow group, the services provided by Appex Corporation fit into a differentiation focus strategy.

The Problem:

Appex had an issue where employees lost focus on their tasks due to a lack of structure within the organization of the company. Labor was divided unevenly and without focus while employees had little to no say in the scope of the projects they worked on, where executives would make these decisions. As the cell phone industry expanded, Appex's internal structure was no longer feasible, and money was draining quickly. This is when Shikhar Ghosh stepped in as the CEO of Appex to try and mitigate things. Ghosh implemented a company-wide reorganization strategy that took nearly three years and consisted of half a dozen complete restructures. Eventually, Appex Corporation was absorbed by a company called Electronic Data Systems, and now the question is how Appex should structure themselves now that they are a division of this new parent company.

<u>Porter's Forces:</u>

Competitive rivalry is high in this case. There are established companies who can provide similar if not identical services to the same clients that Appex works for, especially with the sporadic and unstructured business model internally composed before Ghosh's takeover. This compounds on the issue and competition grows stronger because of it. GTW, McDonnel Douglas, Cincinnati Bell, and several others could pick up the slack where Appex fell behind.

The threat of new entrants is low. As previously stated, several well-established companies could become consultants and contractors for cell providers. All of the big names have already worked with AT&T and similar companies, so it would be difficult for a new entrant to both make the initial investment as well as make relationships with companies who already depended on other contractors.

The threat of substitutes is low. Appex is a contractor company, so if cellular communication companies are contractually bound to work with Appex for a certain time period, they could face repercussions for breaking said contract.

Bargaining power of customers is low. As previously mentioned, Appex works on a contract model, and these contracts had a twelve month period at minimum. As stated before, contracts come with early termination fees, which dissuades the bargaining power of the consumer.

Bargaining power of suppliers is low. Raw materials are not really required for a consultancy company to do their job, as computers do most of the work as it is. These computer systems could be bought from any number of supplier.

Stakeholders in Appex:

The persons affected by Appex's decision on their structure are the usual suspects: employees, shareholders, the board, customers, and executives. Employees face layoffs or promotions, shareholders have their funds in jeopardy in terms of stock prices, directors face forced resignation by the shareholders, customers face raised or lowered costs and quality of the end product, and the executives face praise or criticism based on how well the decision turns out.

What to Do and Why to Do It:

The three main options here are to change to a matrix structure, revert to the prior functional organizational structure, or to do nothing and keep the divisional structure.

Changing to a matric structure would result in a big shakeup within the company, as even during Ghosh's six restructures of the company, a matrix structure was never implemented. A matrix structure involves employees branching off into individual projects, and once these projects are completed, employees return to a preestablished functional area. Teams can be assembled quickly, and larger projects can be tackled more easily. However, because Appex has not implemented this structure before, we can assume a lengthy startup time, which could have a severe impact on all stakeholders, beginning with customers and ending in layoffs, low stock price, and potential bankruptcy. Matrix structures are inherently difficult to implement and to maintain over a long period of time (Cash).

A return to functional structure involves a division of work by business function. Different departments such as marketing, sales, finance, implementation, etc. would be separated and would report centrally. Supervisors would be able to point different divisions in the right direction and coordinate with the final project manager. This could have an immediate impact on employees, resulting in layoffs, as well as a potential issue with customers not being happy with the speed or style at which this structure operates. If customers are not happy, the division will not make money, and then every stakeholder is in jeopardy. The functional structure itself "encourages collaboration, efficiency, and quality within the function, but makes coordination and cooperation with other departments more difficult" (Cash). This wouldn't work well in a differentiation-focus company like Appex.

The final option is to do nothing at all, and this tends to be my favorite option. Maintaining a divisional structure will allow for the employees to keep a consistent business model and wont force them to implement changes that could slow down or otherwise negatively affect the customers. Supervisors can report directly to project managers and to the CEO, and the decisions on projects would remain a collaborative effort where each division has a say in the final product. Investors and the board would be happy in this case too, as Appex has the highest chance of making regular money like they have in the past, and no organizational restructuring costs would be incurred.