CASE 2:

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Case Overview

Problem:

Appex Corporation, at least in the late eighties and early nineties. At the beginning of the case, Appex was growing faster than its management structure could feasibly support. At least initially, Appex utilized an informal network organizational structure, albeit with some amount of multifunctional employees. While this was rather effective before the company expanded, new hires expected more hierarchy and a traditional structure. The situation was changed regularly under the leadership of Shikhar Ghosh, who attempted to come up with an organizational structure to manage the company.

Industry Competition Analysis

Appex Corporation Information:

Industry of operation:

Appex corporation operates in the greater IT field, but specifically focuses on developing systems for cellular telephone providers. During the period of time this case analyzes, that specific subset of the field is rather immature, and Appex was one of the early innovators in information systems for the cellular market. Their geographic headquarters is in Massachusetts, but they offer solutions to organizations nationwide and there was mention of an intent to open to international markets as well.

Company effectiveness analysis:

Fiscally, Appex Corporation has had strong growth, with revenues increasing from 1 million dollars in 1987, to 16.6 million dollars in 1990. Their market share was also comparatively strong for a company of its size, as its competitors were much larger than Appex, composed of GTE,
Cincinnati Bell, and McDonnel Douglas, all of which are powerhouses in their respective industries, but Appex was able to outmaneuver them by being a more flexible organization in general.

They operate primarily in two separate parts of the market, focusing on inter-carrier services, which target the relationships between differing carriers that allow carrier companies to profit off of roaming charges, and general information systems, which enable an organization to streamline their billing and management systems in their own network/area of coverage. They were initially able to corner their market through critical success factors like strong customer service, and low inertia, being able to rapidly transition to meet market demands, however as the company has grown, these factors have diminished somewhat.

**Five Forces Analysis:**

**Threat of new entry:**

To some extent, the threat of new entry is rather high, as the costs of entering the market are rather low, due to not requiring your own cellular infrastructure.

The harder part in the cellular industry at the time was getting the with a network to deploy your software to, and gaining sufficient market share. In such a business climate, it may be easy to enter the field, but also very easy to struggle to maintain a position within 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:**
In a newer industry, the threat of substitutes is directly related to the amount of new products fulfilling a similar purpose. Nothing in the case noted a significant amount of substitutes available at the time. Were there such substitutes, cost and functionality would be the primary concern.

**Bargaining power of suppliers:**
The bargaining power of suppliers is fairly strong in the industry in general, but Appex was not incredibly reliant on suppliers of physical goods. Instead, Appex was limited by the talent it could find to staff its activities. The supply of employees was one of Appexes limiting factors, as they relied on being able to find employees they could make good use of. The case mentions that a large amount of managerial talent in the organization was not suitable for managing a reformed Appex. In such a case, incoming talent could have significant power in hiring negotiations.

**Competition:**
Competition was strong, but comparatively slow to respond. However, they were also more consistent, and after Appex began to grow, and failed to develop a proper management structure, their inertia increased to the point where they could not beat the competition in developing innovative products, and larger, better organized firms, like those mentioned above in the company effectiveness
analysis would have gained a competitive advantage due to being more functional in general.

**Overview of Stakeholders**

**Business Stakeholders:**

**Senior management:**
Senior management have struggled to adapt to new structures, and their employment relies directly on their performance as managers. As Appex changed its structure, experienced managers were shuffled around, or given promotions or demotions to fit the new structure.

**Employees of Appex:**
The individual employees are particularly vulnerable to organizational changes in structure. With Appex restructuring every 6 months on average, and the recent buyout, individual employees may experience vastly inconsistent treatment, and work in entirely different environments, particularly when the divisional model was implemented.

**Consumer Stakeholders:**

**Companies Appex serves:**
While none of the individual companies were mentioned in the case, Appex serves consumers who operate cellular networks. The case did mention that customers received wildly differing standards of customer service, and changes in company structure, and the resulting changes in service and cost are likely to affect them directly.
Competitive Stakeholders:

Competitors mentioned in the company analysis:
Other, larger competitors are likely to have larger operating budgets and pools of talent, as well as more established relationships. In a conventional day-to-day business environment, they will be able to outspend Appex easily, meaning that Appex must reach market with a better, cheaper, or earlier solution.

Potential Alternative Solutions

Alternative One: Implement a modified Matrix Organizational Structure:

Alternative overview:
The matrix structure was the only structure not either existing in some form before Ghosh’s arrival, or implemented by him. Because matrix organizations are able to rapidly assemble teams to meet demand, it may behoove Appex to function as an organization under a central command structure, but operating as a matrix on a day-to-day basis. Functions that are ongoing, such as technical support, would also be maintained separately from the project focused core.

Potential business impact:
Implementing a matrix structure would alleviate the issues presented by the other structures, particularly infighting. While there may be some politics remaining in the workplace, that would primarily occur between professions rather than between teams. It would also alleviate the issue of Ghosh receiving a lack of ideas for new products to develop for the market, by treating both improvements and new applications as products to be marketed.
Consequences for stakeholders:
By making most of management exempt from the fluidity of the matrix structure, they could still focus on organizing those they oversee into teams, and have to make compromises to meet fiscal goals. Employees would be forced to work together, by being assigned to projects, and forming microcells that have the ability to focus on a project with input from all aspects of the business. Additionally, a project-first attitude would minimize allegations of favoritism between divisions.

Alternative Two: Continue making incremental changes and occasional restructuring:

Alternative overview:
In this case, Ghosh would continue restructuring whenever the company grows by 50 percent, taking input from employees anonymously on the issues that have arisen. In essence, Ghosh would organize Appex company to best approach the issues at hand.

Potential business impact:
This option would be fairly similar to doing nothing, at least initially. However- rather than locking the company in place entirely, there would still be changes approximately every six months at the current growth rate. However, restructuring is not free, and standards of quality may vary wildly between each.

Consequences for stakeholders:
Constant restructuring leads to regular anxiety, particularly for the general employees. Management would also be affected, as they would have to adapt or be replaced for the period which the company operates under the new structure, as certain managers respond better to certain types of structures. External stakeholders would be irregularly
affected, as each restructuring presents a new set of problems for day-to-day operations.

Alternative Three: Do nothing:

Alternative overview:
Doing nothing would involve maintaining the last structure implemented by Ghosh, with a divisional structure, cross-functional teams, and bonus pay to encourage teamwork.

Potential business impact:
The company was still growing quickly under this scenario, and was undoubtedly better off than maintaining the original lack of structure, but politics were a large problem. In addition, while a restructure seems to set the organization back on track, no long-lasting solution that would be a tenable approach would be found in this scenario.

Consequences for stakeholders:
After the buyout, management, employees and the entire company were at risk of intervention from the higher levels of the new organization, being functionally a single company acting as a division of EDS. In addition, their customers would continue to see a reduction in quality and innovation from Appex in the future. While not a stakeholder mentioned above, it is fair to mention that EDS would end up seeing Appex as a potential fiscal liability in such a case, threatening the organization as a whole.

Selected Option & Reasoning

Selected Option: Implement a modified matrix structure:
This is an ideal option, as it allows teams focused around projects to share talent, and make use of talent on a project to project basis. Sequestering away the operations that
are persistent allow them to be typically managed, and able to provide regular service to contract companies that rely on their products operating as promised.

In addition, it minimizes the possibility of infighting, as employees will be assigned to different teams according to need, and every team will be composed of members who represent different functions necessary for successful product launch, from marketing, to operations, to development or engineering.

Rejected Option: Do nothing:
Doing absolutely nothing other than maintaining the current structure will simply delay the inevitable. Customers will still experience lackluster service, and innovation will continue to dwindle. Even with the backing of their new owners, eventually Appex will feel the strain of their mismanagement. Their current state leaves them at a disadvantage, because they are no longer able to exploit what was once their greatest strength, their flexibility.

Rejected Option: Make incremental changes and occasional restructuring:
While this option seems to have worked to some extent compared to the initial state of Appex when Ghosh took over, it is an insufficient solution for a larger organization.

Constant changes in organizational structure can be detrimental to workplace morale, and a workplace culture can become a valuable asset, since constant changes tend to erode or displace that culture, there is a risk in losing a semblance of workplace stability. In addition, the article makes it clear that Appex is no longer serving clients like it should, and making no changes does little to rectify that, even though the organization is more goal-oriented than before.