

Case 2: Appex Corporation

Case Analysis

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Company Background

Appex Corporation is a business providing cellular telephone service that managed both their “home” and “roam territory. Appex was born from the merger of two businesses in 1986, Appex Inc., and Lunayach Communications Consultants (LCC). LCC was an engineering company that focused on design of cellular radio networks. Appex Inc focused on the management of information systems for cellular systems and credit scores for financial companies. They were headquartered in Waltham, Massachusetts and in 1990, the Business Week rated Appex as one of the fastest growing technology companies in the US. Revenues grew from \$1.0 million in 1987 to over \$16.6 million in 1990. That is a \$15.6 million dollar increase in a 4-year timespan.

The Issues

The first issue that becomes relevant is that the new CEO Shikhar Ghosh accepted the position in 1988. He realized that Appex had a bunch of problems that needed to be addressed as the company changed from being entrepreneurial into a pure chaotic nightmare. These problems ranged from poor communication by the employees, there was no control and the structure were not being put into place, and the workplace politics.

When Ghosh took the position, he realized that there was no communication being done by each of the departments. “Brian [CEO] came up with ideas. Michael [Engineering Manager] converted them to reality. Denise [Sales Manager] sold the service. Mark [Finance Manager] made sure we didn’t run out of money”(Gladstone). Ghosh was put into a situation where no communication was being acted upon and the workplace did not know what to do. Tasks were missing completion dates and with no communication between other people, it caused issues.

For example, developers working on the same system did not know which one was doing what task and caused software codes to crash their systems. “We can’t run the plant just by the seat -of-the-pants”(Goldratt). Like this quote Goldratt mentioned in his book, The Goal. Appex was running their operations in a way that was inefficient and caused issues with how employees were communicating.

Appex had many failures in product development with no structure being put into place. Employees started to show up late and only tackled problems as they began to arise. This began to cause chaos within the company and focusing on the customer was starting to not become as important. One customer claimed that they called over 150 times before getting a response. Since there was not a structure being put into place about who helps who, Appex could not handle the technical request of all customers that called. People who could not stand this chaos ended up quitting.

With increased demand and control of how things were handled being out of control. This caused the employees to develop an who-cares attitude. No accountability was being put into place and it caused Ghosh to try and fix the chaos that was being put in front of him. Appex operated on a circular structure that did not focus on planning and structure. Its main focus was being responsive which caused any planning to be thrown out the window. The mentality that was developed with this structure was that the customer was seen as the enemy.

“Organizations that are designed and operated as if they were machines are now usually called bureaucracies”(Morgan). Appex in this case is not operating like a machine as the company is out of control and not operating with structure like a machine would. Ghosh would need to start out slow to fix the issues at Appex.

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Mission Statement:

To provide a service that is reliable for their customers residing in their network to reduce the cost for consumers

Generic Strategy:

The generic strategy that Appex Corporation used was the cost leadership generic strategy. "A firm which finds and exploits all sources of cost advantage and aims at becoming a lot cost producer in the industry is said to pursue a sustainable cost leadership strategy"(Tanwar).

Appex focused mainly on designing a product that processed the skills for engineering as they were a merger with LCC. Risk with cost leadership is that there is a lack of attention to the customer's needs.

Porters Five Forces:

The bargaining power of suppliers is low. Appex does not have a lot of suppliers as they do not have raw materials, so the power of the suppliers reduces. The bargaining power of customers is very strong. This is because Appex deals with a limited number of customers. This allows Appex to be able to talk to their customers effectively and give a good amount of service back to them. If one customer decides to leave, the effect can really hurt them. The threat of new entrants is low. It is because the amount of money to enter into the industry is extremely high. With Appex having little to no competition, they can maintain their revenues as long as they

keep their customers for the long term. The threat of substitutes is high. This is because that if companies were able to provide service like they are doing, they would do it. But the investment has a hefty price tag that many companies may not want to take that risk. The competitive rivalry for Appex is low because there is not competition that can come in and compete with them. With technology expanding, competition will begin to enter into the picture and compete against Appex.

Stakeholders

The first set of stakeholders in Appex Corporation is the company itself. This includes the employees that work in Engineering, Software Development, Operations, Finance, and Sales. The next stakeholders in the company are the shareholders. These are the ones that at least own one share of the Corporation in the market. The last stakeholder for Appex is the customers that are provided the services. This includes the ones who use cellular service provided by Appex themselves.

Possible Solutions

Do Nothing

Appex Corporations first option is simply doing nothing. They have gone through many organizational structures and none have been successful for the company. These structures included the circular structure, horizontal structure, hierarchy functional structures and divisional structures. Doing nothing means they are keeping a divisional structure and choosing to keep the same structure that they have been using. It has not been successful because of the lack of communication and divisions controlling what they wanted to do instead of crossing divisions to work together

The impact this would have is not changing anything to the company and running it the same way. This can cause the number of employees that are not able to handle the chaos to leave the company like other employees have done. Communication across the entire company will be nonexistent as divisions will not be able plan ahead and be dependent on each other. Appex would not operate like a machine as Gareth Morgan mentions in his Images of Organization book. There would be less innovation and ideas from the employees which can decrease market shares. Not only that, but customers would suffer because of the service being provided to them not being the best.

Implementing a functional organization structure

The next solution that Appex can do is implement a functional organization structure dividing the company based on a hierarchy. Appex tried this solution after the circular structure was a complete disaster. The issues they had were putting customer service as being not so important and their monetary goals were not being met. Like rule 2 of The Rules of Bureaucracy, it is

easier to fix the blame than the problem. To fix the problem, Appex can implement this structure but it is not an ideal one.

The impact this would have on the company is that employees working for Appex are not going to change. With customer service not being one of the most important aspects in this structure, employees are not going to provide a reliable service to customers. This can cause customers to switch to a different service and lose their loyalty to Appex. The shareholders having a stake in the company would see a decrease in market share as monetary goals are not being met.

Implement a Matrix organization structure

A third solution that Appex can do is implement the use of a matrix structure. This would allow for the employees to follow a rigid structure of reporting to multiple bosses. As communication was a big issue for the company, a matrix structure would make communication easier between employees.

The impact this solution would have on the company is an increase in collaboration for each division that is in the company. By performing cross functions with each division, efficiency would skyrocket. Monetary goals would be met and increase the shareholder value on the market as a matrix is very reactive to the market. If employees see that this structure is better suited for them, it can lead to good service being provided to the customer. The customer will keep their loyalty to Appex and remain a customer with them as long as they keep providing a good service for them.

Recommendation

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Appex Corporation should implement a matrix structure. Communication within each division and the employees would improve much better than under the previous structures being used. The use of new projects being developed would make it more efficient for teams to be formed and tackle them more quickly. A matrix structure would also increase responsiveness within the company as previous structures failed to do so. Appex can continue to use the same structures they have tried before, but it will not do them any good. Productivity and deadlines were not being met under these structures which caused employees to not handle tasks that were considered basic. Implementing a Matrix structure would change that and make Appex a company that can expand and continue to grow as a whole.

Works Cited

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