

Patrick Warren

CIS410-02

Case 2 – Appex Corporation

Due: 02/01/2018

Summary

This case studies Appex Corporation, which “provided management information systems and intercarrier network services to cellular telephone companies” (Barker), was established in 1986 due to a merger with Lunayach Communications Consultants (LCC). The main character in the case is Shikhar Ghosh who starts out as a partner for Boston Consulting Group, and eventually takes a position as the Chief Operating Officer (COO) at Appex which shortly after turned in Chief Executive Officer (CEO) in 1988, two years before Appex is acquisitioned by Electronic Data Systems (EDS), an information systems company owned by General Motors. Appex specialized in providing two separate services to cellular carriers – intercarrier services (ICS) and information systems (IS). The cellular services industry was very new at this point – beginning in 1982 – and Appex was on the smaller end of the spectrum within that industry, but still a contender. What this case aims to accomplish is to analyze the given organizational structure inside Appex and decide how best to proceed.

Problem

Since Ghosh started at Appex (and even before he started his time), the company was run on the concept that business (or formal) procedures were completely unnecessary, leaving the company’s daily dealings up to interpretation in the given moment. Workers were coming in many hours late, were encouraged to work on whatever they felt like, number of projects kept increasing, and the number of employees being hired on were increasing due to the increasing number of projects (Barker). What Ghosh had to implement, and he realized it early on, was a solid organizational structure that the company would respond well to. Gareth Morgan, author

of “Images of Organization”, describes organizations as living organisms, moving away from the mechanistic view and adopting a biological view. If the organism (organization) does not adapt and grow to its every-changing environment (competitors, the market, innovative technology, etc.) then they will not survive. Ghosh must find the correct organizational structure that will fit Appex the best given their environment that will please customers, shareholders, employees, and the balance sheets, but will also combat the threat of new entrants, competitors, and the loose structure they adopted early on.

Industry Competitive Analysis

Mission Statement

Appex’s mission is to provide management information systems and intercarrier network services to cellular telephone companies and credit scoring systems for financial service companies (Barker).

Background

The first CEO at Appex was Brian Boyle. As stated, he instituted very few business procedures. Much like a bee hive, executives would make decisions and everyone else developed and sold products. He successfully combatted the joint entity ACT, proposed by some of Appex’s competitors, by developing a solution that ACT was working on and introducing it into the market. According to Louis Fried, the classification of information technology status of Appex would be considered adapters – specifically in the case of ACT. Fast-forward to 1988 when Shikhar Ghosh, a graduate of Harvard Business School, was introduced as the newest CEO of

Appex. During his time at Appex before the acquisition, Ghosh was implementing many organizational structures, believing that a change every sixth month were necessary to the survival of the company. A circular structure was the first introduced, which “meant that there were concurrent circles expanding out from a middle circle,” (Barker). Once this structure failed due to individuals not know who had authority, a horizontal structure was introduced, and then a hierarchical, functional structure, which is what he built off. The latter introduced the division of business teams, and hierarchies were developed inside those teams. The last was a divisional structure. This saw the divisional creation of ICS, IS, Operations, Finance, and HR. Among these three divisions were one unique head of each which reported directly to Ghosh. This seemed to be the best structure that Ghosh developed so far, since he did not have to be present for the company to run. All information flowed more freely. Once Appex was bought by Electronic Data Systems (EDS), it had to iron out the organizational structure within its own company while operating as a division of EDS.

Industry Rivals

High. Appex started as a smaller company during its creation, but eventually had to deal with competitors such as GTE, Cincinnati Bell, McDonnell Douglas, and many more. While it made great strides to get where it is at, including introducing technology advances that revolutionized the industry, it would eventually become steady, allowing its competitors to thrive as well.

Threat of Substitutes

High. Customers could easily choose other leading industry organizations as their premiere business to shop given that their service is not unique to them. If the infrastructure is in place, another company could provide substitutes.

Buyer Power

High. Appex does not have many customers. To keep them around, they have to adjust sales prices based on their needs, especially since the threat of substitutes is so high.

Supplier Power

Low. No raw materials are needed for the organization to run and thus no suppliers really have a chokehold over Appex. Management information systems were their expertise, and all they needed for that were computers. Of which, could be bought from a multitude of companies at the time.

Threat of New Entrants

Low. By 1990, the market was already swimming with companies like Appex who already cornered the buyers. It would be very difficult for a company to build itself up and make a profit without having a contract with one of the major cellular carriers.

Stakeholders

Major stakeholders of Appex Corporation are as follows:

1. **Employees of Appex Corporation** – All those working for Appex, including executives.
2. **Shareholders** – Any individual or entity that owns financial stock in the company.

3. **Board of Directors** – If Appex begins to fail, shareholders will begin to sell or will see the resignation of certain or all board members.
4. **Shikhar Ghosh** – CEO of Appex. Took it upon himself to change the organizational structure in a way that would be fit the environment.
5. **Customers** – All entities that pay Appex for their services. Mostly major cellular companies.

Alternatives

Do Nothing (Stay with Divisional Structure)

Nothing changes after the acquisition by EDS. There are still two main divisions, ICS and IT, with Operations as a side division to service the first two divisions. There is the possibility that in another six months, the company could go through another organizational change if the divisional structure stopped being efficient.

Impact on Stakeholders:

1. **Employees of Appex Corporation:** Will continue to see walls built higher between the different divisions. Based off the anecdote “Apes Demonstrate Basic Facts about Humanity”, new employees would be introduced to the culture and division of this structure and be scolded for crossing those boundaries, much like the new apes introduced into the enclosure.
2. **Shareholders:** No real affect on shareholders. Will keep seeing profits rise.

3. **Board of Directors:** May start looking at other leaders to command the company if Ghosh does not make a change. Shareholders may choose to find other members.
4. **Shikhar Ghosh:** Organizational structure may revert to a chaotic state if no changes are introduced. May also see the exit of many disgruntled employees.
5. **Customers:** Notice a decline in service if infighting within Appex occurs.

Keep Divisional Structure with the Introduction of Ted Baker's Suggestion

Firstly, Ted Baker's suggestion was as follows: the two main divisions would stay intact, but the operations divisions' functions would be absorbed by the two divisions and operations would be disbanded. "It would be a centralized, shared function" (Barker). Organizational boundaries would be forced into a flexible state. Alternative may suffice for a few more months, but the organization would have to take on another structure.

Impact on Stakeholders:

1. **Employees of Appex Corporation:** Boundary walls built by the two separate divisions will be lowered for a time. Will be satisfied with change for now.
2. **Shareholders:** No real effect on shareholders. Will keep seeing profits rise.
3. **Board of Directors:** No impact. Will continue to observe.
4. **Shikhar Ghosh:** Will see a positive attitude towards change for a brief time, then would need to find a new organizational structure.
5. **Customers:** Notice a decline in service if infighting within Appex occurs.

Institute Matrix Organizational Structure

The Matrix structure has never existed within Appex and may only take minor tweaks to begin. What is great about a matrix structure is the fact that it can assemble teams on the fly to deal with larger projects, while the day-to-day operations stay as more of a functional role.

Impact on Stakeholders:

1. **Employees of Appex Corporation:** Boundary walls are broken. Teamwork amongst functional groups are key and will be forced
2. **Shareholders:** Stock may rise as a direct correlation with the new system.
3. **Board of Directors:** No impact. Will continue to observe.
4. **Shikhar Ghosh:** Will be required to observe the new structure on the organization. Key executives will report back to Ghosh with their findings.
5. **Customers:** No impact.

Recommendation

Though a risky recommendation, I would elect to implement the new matrix organizational structure into Appex. The efficiencies for time of projects and resources allocated would level off – time efficiency would go down just slightly, which shouldn't be much of an impact, but the efficiency at which resources are allocated should get better. The company will be able to respond to changes in the environment by forming small teams and patching and/or completely improving those changes. The only pitfall would be that the accountability amongst teams and individuals would diminish. There is no one to blame if teams are formed on the fly and disbanded after the project is completed.

Sources:

Management of Information Systems CIS410-02 Barker – Gray's Books

Morgan, Gareth. Images of organization. Sage Publications, 2006.

"Porter's Five Forces: Strategy Skills." Team FME, 2013, pp 1-33

Fried, Louis. Managing Information Technology in Turbulent Times. Wiley, 1995.

Apes Demonstrate Basic Facts about Humanity. Reading 1

"EDS - Our History." DXC Technology, www.dxc.technology/about_us/ds/140019-our_history.