Case 2

Appex

Austin Jones

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Appex Corporation and Their Mission

Appex Corporation was headquartered in Waltham, Massachusetts, and provided management information systems and intercarrier networks services to cellular telephone companies. The company was founded in May 1986 from the merger of Appex, Inc., and Lunayach Communications Consultants. LCC specialized in design and engineering of cellular radio networks for cellular companies. Appex, Inc., founded in 1984 by Brian E. Boyle, focused on management information systems for the cellular industry and credit scoring systems for financial service companies.

In 1990, *Business Week* rated Appex the fastest growing high-technology company in the United States. Revenues grew 1,600 percent between FY1987 and FY1990 and were expected to continue to grow rapidly. As of April 30, 1990, Appex employed 172 people, of whom 153 were salaried and 19 were compensated on an hourly basis. Due to its growth, the company added about 10 new people every month.

Appex's revenue came from providing service to cellular carriers that allow them to manage their customers in their "home" and "roam" territories. These products and services could be divided up into two different categories: intercarrier services (ICS) and cellular management information systems (IS). The ICS business consisted of a set of on-line services that managed the information required for carriers to provide service to cellular subscribers to and from other markets. The primary services included an on-line national verification system that was used by carriers to authorize roamer calls. ICS was a high-volume transaction processing service that contributed approximately 60 percent of total company revenues in 1990.

The IS business consisted of an integrated software system designed to manage the primary functions of a cellular carrier in its home market. CMIS (Appex Cellular Management Information Systems) was an on-line software system that included customer information, billing information, accounts receivable, credit and collection information, equipment inventory, control, and cellular network engineering analysis. IS products contributed approximately 40 percent of total company revenues in 1990.

Appex's mission is to provide a cost-effective management service in cellular services for its customers "home" and "roaming" territories in exchange for capital. The company marketed its services to cellular carriers to reach out to prospective customers. The company was project-based, and would focus its work on projects no matter how many projects came in at once.

The Problem

The atmosphere of Appex had quickly formed from entrepreneurial to very chaotic. People would arrive to work and just have to sort through whatever chaos was happening that day. There was no planning structure at all, nobody was planning schedules or meetings. It eventually came to the point where accomplishing simple tasks was too much for employees there, resulting in some to quit. Customers were unhappy as some wouldn't receive any customer service despite calling multiple times. Appex didn't have the time or resources to address all of the customer support requests. The company could simply just not handle the increase in demand. Appex was falling behind in schedule and missing installation dates. The company experienced failures in product development. Appex just simply didn't have any structure to make their company work. If Appex can get any structure in order they can work better on their

business processes as well as customer service as, "business processes, regardless of the applications supporting them, must also be reoriented to expedite customer service" (Kalakota).

Porter's Five Forces

The first force is interindustry competition. This can be seen as high, as there are other forms of competition waiting for Appex to mess up so they can get their customers. The more Appex lacks structure, the more it will lose contracts and customers.

The second force is threat of new entrants. This can be seen as low, as there is already a big market comprised of what Appex is doing, and already multiple competitors as well.

The third force is threat of substitutes. This is high because with how much competition Appex has, it could be easy for Appex to be substituted if they are unable to fix their problems and structure.

The fourth force is bargaining of suppliers. This can be seen as low, as stated by Appex who already buys their resources in triple to get the amount they need. They are more likely to keep the same suppliers due to the amount of resources purchased.

The fifth force is bargaining of customers. This can be seen as high, due to Appex's issues with addressing customer service and their problems. If Appex continues to mess up a customers order, or to mess up with any help they may need it will reduce the customers switching costs dramatically as they will see no reason to stay with a company that cannot provide them with excellent customer service and products. This can be said by Cash, "They are increasingly impatient with delivery delays and broken promises. They expect every interaction with a firm to be pleasant and productive" (Cash).

Stakeholders

The stakeholders that Appex has if they do not receive any form of structure are Appex's employees, management, customers and shareholders. Employees rely on Appex to continue to thrive and do well as a business, without their business doing well they could potentially lose out on their wages and worse their jobs. Management needs Appex to structure itself better so that they aren't entirely focused on fixing problems within the company all day. They need Appex to succeed so they can continue to make money. Appex's customers rely on Appex to give them quality products and customer service. If Appex cannot do this, customers lose out on their money and time put into Appex as a whole. And finally with shareholders, they are needing Appex to do well and structure itself better so that their shares go up in price, allowing them to be more profitable, which in return helps the organization reach the goal which is, "to make money now and in the future" (Goldratt).

Alternative Solutions

The first alternative solution that Appex could do is just simply do nothing at all. They could try and run the business the way they were already doing it, and just watch as their business falls apart. I simply don't agree in this solution, as their business was already struggling as is without any form of an organizational structure in sight. They require some form of structure to get things in order as, "Organizations exist to enable groups of people to effectively coordinate their efforts and get things done." (Cash). But without any form of structure, the organization will struggle to find any way to effectively get things done.

The second alternative solution would be to take on the Functional form. Although it was already tried by Ghosh in an attempt to make the organization run smoother, it always had him involved in everything. The workers were not keen with the idea of people being in charge in one another and only seemed to care about the specific titles they received. I would not make this recommendation, as it didn't seem to help them function at all with the way things were handling at Appex. This structure also heavily relies on the help of the general manager, "The cross-functional information processing load falls primarily on the general manager, who also mediates any conflicts that arise among the functions." (Cash). This is what had Ghosh heavily invested in everything, as he had to be apart of just about anything that happened. This overall just didn't seem to work for the company as a whole.

The third alternative solution is to use the Divisional Form. When Ghosh was using this form, he was initially happy with the results as he created two divisions strictly for the intercarrier services (ICS) and cellular management information systems (IS). Everything seemed to be going well as he wasn't as involved anymore, as he was able to focus more on planning its strategic direction. This form helped increase accountability, budgeting and planning. Employees were focused on meeting financial targets and within divisions there was a great deal of cooperation. This seemed to cause a problem with resource allocation, as that each division wanted control over all their resources. They simply just didn't want to share. Another problem was that there was little to no communication between division, as well as lack of cooperation between division. This also caused problems later on as each division seemed to act like its own company and make its own business procedures. I don't agree with this solution, as it also just seemed to cause many problems of its own that needed to be fixed.

The last alternative solution is to use the Matrix Form. I believe this could be the best choice for Appex, as it implements both functional and divisional structures. It allows the used of division managers and functional managers having equal authority and employees having to report to both of them. With Appex constantly dealing with projects the matrix form works really well as, "An engineer, for example, may be assigned both to a project and to the engineering department. Upon completion of a particular assignment, the engineer returns to the engineering department and is assigned to a new project. The engineer has a home base, but works full time on different projects." (Cash). This function works perfect for a company who's work is primarily through contracts that work on different projects. Once someone is done with their project, they report back to where they are stationed and are given a different project to focus on. This would overall be the best solution that Appex should take, as it would have the better interests of the company by combining both sides to get projects done, resource allocation better, and to just overall focus on the work at hand.