## CIS 410 Documents

Case 6: Webvan

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# 1. Problem

Could Webvan deliver on its huge promise and potential now that expectations had catapulted? How would traditional grocers – and perhaps other online competitors – react to Webvan’s emergence in the market, and specifically their IPO? What additional, if any, delivery markets and products could Webvan pursue in the long term?

# 2. Competitive Analysis

## 2.1 Mission Statement

To differentiate us within the online grocery market by creating a more efficient way to assemble customer orders, store them while in transit, and deliver them to homes within a 30-minute window.

# 3. Generic Strategy

Differentiation

# 4. Organizational Structure

Connor Metal is operating under a divisional structure.

**Division of Labor:** Somewhat broad

**Decision Rights:** Very horizontal

**Coordination Mechanisms:** Driven by routine and exception

**Boundaries:** More flexible

**Informal Structures:** Relatively weak

**Data/Information Flows:** Horizontal

# 5. Internet Business Model Analysis

## 5.1 Profit Site (5 Forces)

### 5.1.1 Threat of New Entrants

While the capital requirements are extremely high, the threat is actually also extremely high because of the likelihood that brick-and-mortar grocery chains will enter the market. These chains – ones such as Kroger and Safeway – “already had an existing logistics and distribution model in place, which in most cases would require modest investments compared to the investments Webvan was taking on” (Afuah, 269). Also, because of their gigantic financial capabilities, these incumbents would have the resources to offer additional benefits to their services that existing companies such as Webvan couldn’t afford.

### 5.1.2 Threat of Substitute Products

In this case, the substitute for purchasing groceries online is purchasing them in person. While many industries translate well to an online form of business, shopping for groceries – specifically perishables – in person has very deep roots in most adults’ tacit knowledge (Afuah, 45), such as their ability to determine the quality of their bananas by the color and texture of the physical item (Barker). This makes the threat of substitutes very high, which is indicated by the fact that bricks-and-mortar grocery businesses dwarf that of online groceries.

### 5.1.3 Bargaining Power of Suppliers

There is no mention of Webvan intending on using a unionized labor force, so that specific supplier threat is likely diminished. There is probably significant work to be done with the companies who supply the physical grocery goods to be stored and sold by Webvan, as well as companies who supply goods for other aspects of the company’s operations, such as UPS or other trucking companies. These businesses likely have a significant amount of bargaining power over how their goods are sold or used in operations, and thus create a somewhat high threat to Webvan.

### 5.1.4 Bargaining Power of Buyers

This threat is extremely high. Not only is the online grocery industry highly competitive and differentiated, but the brick-and-mortar groceries also offer significant advantages to buyers that can’t easily be matched by companies like Webvan. This gives a huge amount of bargaining power to the customers, both in quality as well as price demands, which in of itself is a monumental threat.

### 5.1.5 Inter-Industry Competition

Even without considering brick-and-mortar companies since they have yet to enter the online space for the most part, Webvan’s industry is still highly competitive. The research notes, “although the online grocery industry was relatively new, a number of companies competed with Webvan in trying to capitalize on its vast potential” (Afuah, 266). The industry consisted of several competitors that differentiated on multiple different fronts, and the threat of brick-and-mortar shops entering the space has only heightened the sense of competition in the industry.

### 5.2 Customer Value

Although Webvan has not exactly initiated or established its business yet, its plans are to differentiate on the basis of location (localized distribution centers, such as their mega-center in Oakland), service (half of their strategy is based on ways of providing differentiated customer service), and product mix (plans to provide over 50,000 products from which to choose).

### 5.3 Scope

Since Webvan is selling physical goods that need to be shipped to customers’ homes, the scope of their business is much more limited than a business with an entirely digital product. However, their presence online allows them to spread their scope farther than a traditional grocery store could – Webvan could service an entire metropolitan city through one distribution center instead of multiple brick-and-mortar stores, for instance.

### 5.4 Pricing

Webvan has an unfortunate pricing structure because their initial fixed costs are monumental (frankly, they’re probably higher than a “traditional” digital product would normally be, which is typically high [Afuah, 58]), yet their variable costs will be marginally lower than brick-and-mortar stores at best. This presence of normal variable costs will thin their profit margins, which is already a symptom that most of Webvan’s competitors are facing. Their upfront costs will only add to the equation further, decreasing the likelihood of Webvan having a positive pricing structure anytime in the near future.

### 5.5 Revenue Sources

There are several sources of revenue available to Webvan in addition to the sales of groceries and delivery fees, such as selling data to third-party database firms and receiving online advertising fees. Webvan has ruled these options out for various reasons though, which limits the revenue streams only to those directly resulting from grocery sales.

### 5.6 Connected Activities

Borders has built his reputation on being able to engineer systems that are very highly connected, and has carried that expertise over to Webvan’s operations. Nearly all of the company’s activities are connected to each other, yet Webvan designed the system to be connected as efficiently as possible.

###  5.7 Building Capacities

Webvan has received significant amounts of funding during their early stages, which has provided them with all of the tangible and human resources needed to get their company off the ground. Also, because of Borders’ high knowledge in inventory management, the competency aspect is certainly existent for Webvan as well.

### 5.8 Sustainability

### 5.8.1 Imitability

The business model of moderating grocery shopping online and shipping those groceries to the customer’s door is highly imitable, as is indicated by the fact that so many companies are already competing in such a young industry. This is due mostly to the fact that the Internet-based model is difficult to copyright, yet easy to replicate.

### 5.8.2 Complementary Assets

In this case, the complementary assets are things such as the distribution centers, shipping carriers, product bases, and service levels – all of which are very tightly held and immensely important to the operation of the company.

### 5.8.3 Generic Model

In theory, the above combination should result in a team-up strategy, where Webvan collaborates with those who own the complementary assets which are most critical to their operations. Afuah also states that companies that find themselves with this combination should “build [their important complementary assets] before incumbent competitors have had time to imitate their technologies or build similar complementary assets” (Afuah, 81). This seems to be the strategy that Webvan is adopting in small portions for the time being, with their partnerships with highly-regarded Bay Area suppliers and such.

### 5.9 Cost Structures

As was mentioned in the section on pricing, Webvan’s cost structures are much more negative than companies with digital products. They have fixed costs that are already in the billions of dollars from building the system and distribution centers, as well as a moderate amount of variable costs to be expected from supporting the labor required to package and ship the mass amounts of groceries.

# 6. Stakeholders

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| **Stakeholder** | **Stake** |
| Louis Borders | Borders is a highly successful businessman who is reaping the rewards of his inventory management innovations at Borders Books, which he founded prior to venturing into the online grocery market. He very strongly believes in the viability of Webvan and its industry, and has invested significant amounts of time, knowledge, and money in advancing his efforts. He is looking for ways to capitalize on what he sees as an industry ripe for capitalization. |
| Shareholders | Webvan just recently completed its highly anticipated IPO, and their initial shareholders seem to be quite bullish on Webvan’s chances to succeed in the market. As with all shareholders, they are solely concerned with the company’s financial success, and will accept any solution that doesn’t result in Webvan appearing to be failing. |
| Competitors | While competitors in most instances are merely secondary stakeholders, they actually hold a very important stake in Webvan because the industry is essentially set up to best support companies with either team-up or run strategies. This can mean a variety of things that may or may not involve competitors actually teaming up, but it certainly means that Webvan’s competitors must be aware of their innovations or success in order to avoid being outrun.  |

# 7. Potential Solutions

### Do Nothing

While there are several different ways that Webvan could scale its business up or down, there is always the option to do neither and simply stay put. The defense of this solution would likely be that Webvan clearly has potential, with a large market cap, market projections reaching as high as $10 billion, and a successful IPO. All of this could be indicating that the company is so promising because of what they’re planning to do now, and as the old saying goes, “if it ain’t broke, don’t fix it.”

However, given that Webvan is in a highly competitive industry, and that its sustainability lends itself to team-up strategies, it likely isn’t wise for Webvan to sit on its behind. Even if it does team up with a distributor or another provider of complimentary assets, it will still need to continue innovating in order to stay competitive, as well as continue differentiating to avoid the high imitability of its business. Simply doing nothing isn’t much of an option in this case.

### Invest in Additional Innovation Ideas

No matter how one approaches the case at hand, you can’t deny the fact that Webvan isn’t currently operating at full efficiency or peak performance. Given the sustainability of Webvan’s market, there are two major ways that they can “catch up” to their competitors in the online and even bricks-and-mortar market: legitimately commit to a run strategy or a team-up strategy.

Borders could decide that Webvan won’t benefit from creating alliances with one of its complementary assets companies, and that it must start innovating on its own and continuously finding new ways to stay ahead of its competition. This is the essence of what a run strategy might look like, and it does have its benefits. For one, it begins to solve the problem of imitability that the industry faces, because as Webvan continues to radically innovate, it will naturally separate itself technologically from the rest of the market. This obviously makes them much less reliant on partnerships and solely on their own two feet. The obvious holdup to this strategy is that the complementary assets are too closely held and important by companies other than Webvan for them to reasonably expect to be able to run faster than their competitors. As much as it might be ideal to operate in a world where Webvan can support itself independently, it would be much more difficult in practice than is feasible.

### Team Up With a Complementary Company

The other strategy that is possible for Webvan is to pursue a team-up strategy. This strategy is quite straightforward – Webvan would decide to partner with a major distributor, supplier (i.e., grocery group), or some other company that would provide one or more of Webvan’s complementary assets. This would allow them to focus their financial efforts on important areas such as marketing, branding, and other things. This is clearly superior to the previous two solutions because it utilizes the sustainability of Webvan’s business without sacrificing the ability of the company to still innovate. If the market can support Webvan, this is clearly the strategy to choose.

### Find a Way to Exit the Market

The final solution isn’t going to be one that Borders likes, especially with the IPO having *just* been completed. However, there is the strong possibility that the business of mediating grocery shopping online is not nearly as promising as it may seem, and it would be incredibly foolish for Borders to just dismiss this solution because it’s not desirable. Webvan’s own financial predictions show that they’ll be losing money (in the hundreds of millions of dollars) for a few years, which isn’t good when they’ve already amassed operating expenses that total over $12 billion. Further, these projections are based on an extremely optimistic outlook that takes 12% margins into account; numbers that are more realistic based on the market’s normal margins would probably have even higher losses.

At the end of the day, the question ultimately facing Borders probably isn’t which strategy to use moving forward, but whether or not he should move forward into this market at all.

## 7.1 Impact on Stakeholders

### Do Nothing

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| **Stakeholder** | **Impact on Stake** |
| Louis Borders | Borders understands that his business is one that must be innovated and capitalized on, and it’s apparent by the fact that he’s worried about the company’s future even after a successful IPO. It’s doubtful that he would support simply doing nothing, and allowing his competitors to gain the advantage in a market that he’s worked desperately to successfully enter. |
| Shareholders | In the long run, most shareholders probably wouldn’t see this strategy as indicative of Webvan’s financial promise, and would start abandoning the stock. |
| Competitors | Obviously, this is probably an ideal solution for Webvan’s competitors, as it allows them to imitate the things that Webvan has done well up to this point and innovate past that point. |

### Invest in Additional Innovation Ideas

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| **Stakeholder** | **Impact on Stake** |
| Louis Borders | Honestly, this is pretty much the strategy that Borders has already leaned towards during most of Webvan’s short life, so clearly it is a solution that he supports. |
| Shareholders | So long as the company continued to show financial gains and more promise on the horizon, the shareholders would be positively impacted by this solution. |
| Competitors | If Webvan is successful at outrunning their competitors, this would obviously be undesirable for them. However, in a market where the complementary assets are so important and closely held, they would likely see this as an opportunity to capitalize on Webvan’s growing financial risk and operational independence. |

### Team Up With a Complementary Company

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| **Stakeholder** | **Impact on Stake** |
| Louis Borders | While it may seem like Borders is averse to strategies that don’t involve his company succeeding on its own merits, he has indicated that he sees options such as buying regional grocery chains as a viable potential solution to his company’s growing need to not be completely independent. |
| Shareholders | So long as the company continued to show financial gains and more promise on the horizon, the shareholders would be positively impacted by this solution. |
| Competitors | This would likely be the least desirable outcome for Webvan’s competitors, since this aligns Webvan the closest to its sustainability. Some competitors may see it as an opportunity to align with Webvan on their own. |

### Find a Way to Exit the Market

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| **Stakeholder** | **Impact on Stake** |
| Louis Borders | Likely the most repulsive solution on the list, it’s hard to imagine a scenario where Borders can swallow the pill of searching for exit strategies on the heels of an IPO. |
| Shareholders | If Webvan sought out a way to get bought out, the shareholders might actually be pleased, as this is usually one of the most lucrative points of a company’s career. |
| Competitors | While this solution may seem the most desirable on the surface, it actually would probably be as equally undesirable as the previous strategy since it indicates that the market isn’t nearly promising for an independent business to survive. |

# 8. Proposed Solution

On the surface, teaming up might seem like the best solution for Webvan. As was mentioned in that solution’s section, the market does have a significant amount of promise, and Webvan has certainly put itself in a position to capitalize on whatever the market has to offer. They have positioned themselves to gain the lion’s share of the market soon, which Afuah states is vital to companies supporting knowledge-based products (Afuah, 59). Another thing that Afuah states is important for companies pursuing a team-up strategy is that “the firm builds in switching costs for its clients and customers,” such as a large customer/client base that is difficult for other companies to easily replicate (Afuah, 81). This goes back to finding ways to make Webvan’s business model less imitable.

Unfortunately for Webvan though, a team-up strategy won’t work anymore, and they have all but doomed themselves. There are two reasons that a team-up strategy won’t work for Webvan anymore, the first being that the market can’t support Webvan (or any other online grocery business) regardless of its strategy. This should be pretty blatantly obvious after reading the Internet-Enabled Business Model analysis, as almost every one of its facets points to an industry that isn’t anywhere close to feasible. They face environmental threats from almost all angles, their pricing and cost structures are a wreck, they shut down half of their potential revenue sources somewhat arbitrarily, and their sustainability in general is difficult because for companies with their combination, the holder of the complementary assets (not Webvan) is the one that makes the money (Afuah, 79). To make matters worse for Webvan specifically, they have invested over *$12 billion* in getting the company set up, but the most optimistic projections show their entire market at about $10 billion in the next three years. Even if Webvan were able to capture up to 80% of the market by then, they would still be ridiculously in the red from how high their initial upfront costs were.

The second reason that a team-up strategy won’t work anymore is that the strategies that Webvan has utilized up until this point have already shut them out from ever properly benefiting from a team-up strategy. Afuah states that when it comes to companies that find them in Cell II with a team-up strategy, “the key thing is timing. If the firm is going to team up, it must do so while it still has something to bring to the table—while potential partners have not yet imitated the technology” (Afuah, 81). This clearly is not the case with Webvan, as they are essentially one of the companies that is imitating someone else’s (probably Peapod in this case) technology. To make matters worse, there are signs that some of the big chains overseas are already a step ahead of Webvan. The report states, “Safeway UK gave away free PalmPilots with a dedicated shopping application to its best customers. Tesco, the self-announced ‘biggest Internet grocer,’ with an estimated 240,000 customers, was selling a bar-code scanner that allowed customers to scan products while cruising the aisles” (Afuah, 269). Not only is Webvan not ahead of their competitors, they might actually be behind some of the potential entrants.

At the end of the day, Webvan needs to find a way out. Whether that means that they offer their technology to a bigger chain like Kroger, or simply start scaling down like Peapod, they can’t afford to continue marching forward into a market that is bound to crash and burn.

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Case 2: Appex Corporation

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# 1. Problem

How should Appex Corporation work out its divisional structure and structural changes, both as its own organization and now as a division of a larger organization? What organizational structure would best fit Appex – a company in a technical market that is rapidly expanding and changing?

# 2. Competitive Analysis

## 2.1 Mission Statement

To provide premium management information systems and intercarrier network services to cellular telephone companies by being responsive and effective in our product strategies.

## 2.2 Porter’s Five Forces Analysis

### 2.2.1 Threat of New Entrants

The threat is extremely high, and Appex has essentially no control over new entrants into the space. There’s no indication that Appex or any of its competitors have established any kind of patents or other regulations on entering into the space, which means that there are essentially no barriers to entry. Also, with how rapidly the industry is expected to grow – “from 92,000 subscribers at the end of 1984…to nearly 20 million by the end of 1995” (Cash, 28) – the market clearly will be capable of supporting new entrants.

### 2.2.2 Threat of Substitute Products

With the concept of cellular telephones still being relatively new, the cost of switching to one of its alternatives, such as landline telephones or even mail, is

### 2.2.3 Bargaining Power of Suppliers

Appex has two products that have different suppliers. The inter-carrier services operations (ICS) is a system that authorizes roamers and settles charges between the carriers, and is supplied resources by the Mobile Telephone Switching Office (MTSO), regular telephone networks, and essentially anyone else that provides the roaming system that Appex capitalizes on. In this product segment, the threat of suppliers is low, since the infrastructure that is supplied to Appex is regulated.

The other product that Appex owns is its Cellular Management Information Systems (IS), which is a service that provides customer, billing, and account information, among other things. As with other companies that provide a service, the suppliers of the inputs (those who provide the data to be processed) are the same as the buyers who receive the outputs (the end users). In this case, it would be the carriers that hold contracts that cover various service agreements. The threat of suppliers for this product is higher, mostly because of the risk that the carriers have other alternatives in Appex’s competitors, and could potentially break the contracts that currently keep Appex’s services relatively secure.

### 2.2.4 Bargaining Power of Buyers

The threat is high, and is increasing as the cellular telephone market expands and matures. There are already several competitors in the space, such as GTE, Cincinnati Bell, and McDonnell Douglas, and there aren’t really any switching costs currently associated with the existing competitors. With the industry only continuing to grow, more competition will continue to spring up, which means the amount of available viable alternatives will increase. The only relative safety net that Appex can rely on is their service contracts, which are generally multiyear agreements, although they could still be terminated within reason.

### 2.2.5 Inter-Industry Competition

As has been indicated in the other factors, the threat of competition within the cellular telephone industry is incredibly high. With the market expanding so rapidly, the only avenue of control is being able to beat their competitors to the market. This is indicated by Boyle’s ability to out-pace its competitors while they were attempting to create ACT, which would have put Appex into a joint entity with their competitors. (Cash, 39).

# 3. Generic Strategy

Differentiation

# 4. Organizational Structure

Appex currently is operating under a divisional structure, although it has undergone several organizational structure changes over the past few years.

### Before Ghosh (Informal/Unstructured)

**Division of Labor:** Broad but shallow

**Decision Rights:** Essentially vertical, although there was only one set of bosses

**Coordination Mechanisms:** Very driven by exception

**Boundaries:** Extremely flexible

**Informal Structures:** Relatively weak

**Data/Information Flows:** Likely horizontal

### Functional Structure

**Division of Labor:** Narrow and shallow

**Decision Rights:** Extremely vertical

**Coordination Mechanisms:** Still mostly driven by exception, although efforts were made to routinize tasks

**Boundaries:** Much more rigid

**Informal Structures:** Grew much stronger

**Data/Information Flows:** Much more vertical; issues were arising about data being unable to flow horizontally anymore

### Divisional Structure

**Division of Labor:** A bit broader, but still shallow

**Decision Rights:** Less vertical

**Coordination Mechanisms:** Still driven by exception

**Boundaries:** More flexible

**Informal Structures:** Still strong

**Data/Information Flows:** Didn’t necessarily flow vertically or horizontally anymore, just inter-divisionally

# 5. Stakeholders

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| **Stakeholder** | **Stake** |
| Shareholders | The shareholders – either those who held shares previously in Appex or those who hold shares in EDS – need the company to succeed financially in order to get a return on their investment. They likely understand that Appex needs to be innovative, and would support initiatives that help towards that end. |
| Shikhar Ghosh and Brian Boyle | Appex’s two key executives need the company to make money in order to survive. They would benefit the most from any initiative that increases their financial capabilities while successfully allowing their operations to get more effective. |
| General Employees and Managers | The employees of Appex need to be able to keep their jobs, although they would also prefer a moderate degree of complexity in their jobs, whether through breadth or depth in work. |
| Customers (BellSouth, Cellular Communications, etc.) | Appex’s various cellular phone companies that purchase their products need Appex to be able to fulfill their contracts and to continue using their products. There are alternatives and competitors in the space though, so they would be willing to switch if Appex continues to provide poor service. |

# 6. Potential Solutions

### Do Nothing, and Remain in a Divisional Structure

Appex could decide to continue operating under the divisional structure that was implemented by Ghosh in late 1990, since it did seem to be working relatively well at the time. A key advantage to this solution is that it was having the most positive effect on the company out of any of the other structures that Ghosh had attempted. It had improved accountability, planning, and budgeting, while also increasing cooperation between employees and reducing the complexity of Ghosh’s role. Another advantage is that it is closer to a structure that is ideal for companies in turbulent environments, according to Gareth Morgan. He states that, “organizations operating in uncertain and turbulent environments need to achieve a [relatively high] degree of internal differentiation.” (Morgan, 48).

There are also a few disadvantages to this strategy. First, the structure has proven to fail at correcting some of the issues that existed with the functional structure, such as the resource allocation issues (inequitable allocation to the various departments, and an unwillingness to share resources). The communication across the divisions was also very low, and was even resulting in very few new product ideas.

### Revert Back to a Functional Structure

The first legitimate structure that Ghosh attempted to implement was a traditional hierarchical structure, and he could attempt to revert back in an effort to regain the control that came with it. One of the chief advantages of choosing this solution is that it does allow the most control over the employees and inputs into the company system, which is typically desirable for managers and board directors to feel that they are in control of where their money is being used. A functional structure also seemed to be the most natural fit for its employees, both existing and new.

This solution does have the second-most disadvantages though. For one, it introduced a high level of politics within the company, and a reimplementation would only reinforce that. Several teams were driven apart by the system, and it kept them from working with each other. Another significant disadvantage is that it significantly reduced the breadth of work that its employees conducted, without ever introducing any new depth. Morgan found that studies corroborated this disadvantage in relation to employees needing job enrichment, showing that “individuals and groups…operate most effectively only when their (motivational) needs are satisfied.” (Morgan, 35).

### Revert Back to an Informal or Innovative Structure

In an attempt to return to its original, innovative form, Appex could choose to move back to its more innovative and abnormal organizational structures, such as a circular structure, horizontal structure, or even the more informal structure that existed before Ghosh arrived. This may seem a bit ridiculous to be proposing a return to the lack of organization that got them into the mess in the first place as a solution, however it is important to note some of the positive aspects that such a system had on the company. For instance, the company was very responsive in its startup stage, and got things done quickly and cheaply. In fact, Appex’s initial growth was likely due in large part to the fact that its organizational structure was so informal. When Ghosh originally attempted some innovative structures, it was clear that they were meant to try to capitalize on the above advantages by introducing a level of structure without being formal.

As was mentioned, though, there was a reason that Ghosh was brought in to guide Appex away from this structure. For one, the structure clearly only worked for the company during its startup phase, when the employee count was low, and a system of employees handling projects and executives making the decisions was a feasible method of running things. However, as soon as the company began experiencing growth and maturity, the atmosphere quickly turned chaotic, with projects not being completed and customers not being treated well. On top of that, the amount of control that the executives had was essentially at zero. Not only did the innovative structures inherit all of these problems, but they also added confusion on top of it all.

### Implement a True Organic Matrix Structure

Most of the organizational structures implemented by Ghosh have been some mix of functional and divisional, but none have actually been a true implementation of a proper, organic matrix structure. Ghosh could attempt to integrate these policies and ideals within the company in order to attempt to harness its flexibility without losing the ability to control some of the accountability aspects.

The key to successfully implementing this solution is to make sure that the structure is team driven, with functional specialisms providing support. As Morgan notes, “[sometimes] the functional divisions retain most of the control, so the teams are set within a bureaucratic structure from which it is often difficult to break free,” resulting in a failure to innovate – a problem that was noted to exist in the current divisional structure. (Morgan, 51). Morgan’s research also essentially predicts the politics that can arise out of a poor implementation, saying that when “project teams are superimposed on a strong bureaucratic structure…team members are often seen as representatives of functional departments and held accountable for [the outcome].” (Morgan, 53).

What are the results of a successful implementation of this strategy? Morgan notes research that shows that “highly successful companies that strive to keep on the edge of change invariably pursue strategies of constant innovation and product breakthrough backed by flexible, organic structures.” (Morgan, 54). He also notes that this type of structure “provide[s] a means of breaking down the barriers between specialisms and allowing members from different functional backgrounds to fuse their skills and abilities in an attack on common problems.” (Morgan, 51).

## 6.1 Impact on Stakeholders

### Do Nothing, and Remain in a Divisional Structure

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| **Stakeholder** | **Impact on Stake** |
| Shareholders | Appex’s shareholders are mostly unaffected by this solution, since things will continue to remain the same. |
| Ghosh and Boyle | The executives would likely have to continue making constant organizational changes. This also doesn’t show any sign of alleviating some of the problems with finances and productivity, although it does decrease their level of involvement in operations. |
| Employees | Appex’s employees and managers would mostly continue to operate as usual, and would value the fact that their roles were broader than they were under the functional structure. |
| Customers | The customers that Appex is servicing are essentially only impacted by the result of the decision. |

### Revert Back to a Functional Structure

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| **Stakeholder** | **Impact on Stake** |
| Shareholders | The shareholders would probably support the traditional structure initially, but would become frustrated by the lack of innovation and agility that is provided. |
| Ghosh and Boyle | The two executives would likely lose a lot of favor with the shareholders and high-level managers because of their reverting to such a problematic structure. |
| Employees | Appex’s employees would be very frustrated by the lack of breadth or depth in their job tasks, and resort to further politics and decreased communication. |
| Customers | The companies that purchase Appex’s products would likely move on to other competitors, due to failure in service. |

### Revert Back to an Informal or Innovative Structure

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| **Stakeholder** | **Impact on Stake** |
| Shareholders | Appex’s shareholders would probably be very nervous about a mature company essentially pretending to be a startup, and would dump stock in the company. |
| Ghosh and Boyle | They would lose all control previously achieved with the other strategies. Their job responsibilities would also become enormous again. |
| Employees | Although the employees might appreciate the return to a large breadth in job responsibilities, they clearly were not satisfied with the fact that there was no structure or job definition. |
| Customers | They would likely move on to other competitors due to failure in service. |

### Implement a True Organic Matrix Structure

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| **Stakeholder** | **Impact on Stake** |
| Shareholders | The shareholders would profit from the increase in responsiveness and effectiveness within the company. |
| Ghosh and Boyle | If implemented correctly, the key executives would benefit from the return or continuity of control over various functions and accountability. Their job responsibilities would also stay at a normal level, and they wouldn’t have to stress if the environment forced the company to adapt again. |
| Employees | They would appreciate the return to breadth in job responsibilities, while still maintaining some sense of duties. |
| Customers | Appex’s customers would be very excited about Appex’s new flexibility and responsiveness to their problems. |

# 7. Proposed Solution

It should be obvious that the most optimal solution for Appex is to implement a truly organic matrix structure. Most of Appex’s problems are revolving around the fact that most of the past or existing structures have been built around the thinking that Appex’s environment isn’t going to change. Obviously, this is not the case, since the company and the market are expanding rapidly. In general, it is also not the case with IT companies at all, since technology by convention is constantly changing. They have also completely ignored the other aspects of Appex’s original structure, such as its ability to evolve and produce rapidly and excel ahead of its competitors. However, simply having no structure (or an informal one) is obviously not the answer either. Most of the problems had revolved around there not being any sort of accountability or specific responsibility assigned to anyone.

Therefore, it would seem that the most optimal structure would involve being able to respond to their customers and their environment quickly, while still having control and accountability through functional systems. This strategy is the only potential solution that offers all of these benefits, and is the clear choice for Appex. As long as they make sure to move the company away from its bureaucratic tendencies, they should be far more successful in their endeavors.

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