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CIS 410-50

Spring 2023

## Midterm Exam Question 1: Appex Corporation and Compaq Computer Corporation

### **Question:**

Discuss the relationship between IT architecture, organizational structure and the problem issues at the Appex and Compaq. In what ways were the problem issues affected by this interaction? Given the culture of each company, how are their IT architectures respectively strategically positioned?

### **Analysis:**

Contingency Management in an organization is a trickle-down effect where everything is affected by the thing that comes before it. Therefore, the business environment dictates the company's strategy, the company's strategy dictates the company's organizational structure, which dictates their information technology (IT) architecture, which dictates their jobs, which affects the employees (Barker, 07-1-2018, 0:25). The organizational structure is the way a company deploys assets in an environment in order to achieve its goals (Barker, 07-17-2018, 3:50). Thus, this dictates the IT architecture which is anything that touches data and/or produces information for users such as workstations, laptops, servers, printers, phones, etc. (Barker, 09-04-2018, 4:12). The company's organizational structure can be functional, divisional, or matrix. If functional then its IT architecture is centralized, divisional then its IT architecture is decentralized, and if the organizational structure is matrix, then its IT architecture is distributed (Barker, 09-04-2018, 1:10).

The business issue at Appex Corporation had to do with what organizational structure should they adopt to fit their business needs. From the chosen organizational structure, they could then setup their IT architecture to help them achieve their goals. Unfortunately, after Shikhar Ghosh accepted the position as the Chief Operations Officer (COO) at Appex Corporation, over a 30-month timeframe he lead the company through six changes in organizational structure. With each change, a review of the company's IT architecture was required and had to be adjusted to fit the needs and goals of the corporation and its new structure. These adjustments take time to implement as well as examining the results and benefits of the change. But the number of changes in such a short timeframe did not really allow enough time for a full and fair implementation and review of the changes. These changes were not just abrupt decisions but were scheduled decisions that Ghosh planned to continue. He believed that Appex's organizational structure needed to be altered regularly with the hop of changing it every six months.

The organizational culture is the frame of reference shared by everyone in the organization and is expressed by what is valued or not within the organization (Barker, 08-23-2018, 2:20). With the constant changing of the organizational structure as well as the IT architecture it is very difficult to the employees of the organization to get a grasp of the culture being promoted. Due to the changing structure, there is not enough time for the management to continually reinforce the culture they are trying to develop. Therefore, the culture could be considered ever changing with Ghosh in charge. Ghosh acknowledged that employees were dealing with anxiety and confused from the constant changes even stating that, "whatever you're sure of will change" (Barker, 2023, p. 131).

The final organizational structure reported in the case study was a divisional structure where each division has resources that replicates every other division. Divisional organizational structures have IT architecture that is decentralized. This means that each division has its own systems and IT architecture which are specialized to what they are producing (Barker, 07-19-2018, 11:45). Coming from a functional

organizational structure where the IT architecture is centralized required making changes to the now decentralized IT architecture. This was a change that seemed to catch Ghosh off guard, and he did not like the fact that he had to hire people for duplicate positions, each position duplicated for each division.

Another issue that arose from the shift from functional(centralized) to divisional (decentralized) was that each division took on its own identity, making decisions for themselves including that each division wanted to use a certain technical platform even though the company as a whole could not support more than one. Appex could not allow the division too much autonomy and had to force them to act within the company framework.

Compaq had a functional organizational structure, except for a short time where they tried a divisional structure. They switched back to functional to avoid the overlap and conflict created by the divisional structure. They were divided into North American and International and below that they divided into cost centers. The international division was split according to country subsidiaries.

The culture of Compaq was a trusting and positive one. They took the stance that people are inherently honest and would make every effort to do the right thing. They focused their hiring on finding these types of people that could be trusted and would fit in well with the company.

Compaq also avoided the notion of doing things because “it has always been done this way.” They believed this type of attitude would slow down progress and cause the business to get bogged down with procedures. Instead they promoted a culture that focused on “does it make sense today?”

Teamwork, inclusion, and consensus building epitomized Compaq. This was part of the trust the had in their employees to be able to work in this way. Open communication and sharing information were key elements to their success no matter how uncertain or vague an idea seemed to be or what information was requested. These were not common in large organizations.

Challenges to the company culture mainly revolved around the international divisions. The country cultures and norms of the individual countries where the country-based subsidiaries were located would sometimes clash with the greater culture the company was trying to institute. There can be different cultures within an organization and these different cultures can conflict. As Morgan states in Images of Organizations, the political clashing of differing cultures can lead to creativity but on the downside can also be destructive and dysfunctional (Morgan, 1997, p. 137).

One such conflict arose from the Finance department at Compaq. In the nature of finance, they try to implement controls on the organization. Operations did not like this and would try to work around controls. At Compaq they wanted the finance department to act in a support role rather than a moderator and thus division managers were responsible for the financial performance rather than the finance department.

Each manager would look at different financial numbers to gauge their process and success. This worked Compaq's culture trusted the managers to make the right decisions and were not so much caught up in goals and forecasts or budgets but rather innovation and trying to do what made sense. Goals were not too aggressive and were attainable giving the teams the feeling of success with their projects. Failures were based on whether the teams did what was right rather than the financial loss of the project. Therefore a \$20 million loss might not be seen as a loss.

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