

The Smart Manager

Apr-May 05 VOL 4 ISSUE 3

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in the name of the father

by Mita Dixit

e-Maze is a typical family firm with a caring, practical, yet authoritative father and a loving, ambitious, modern son. Their objectives are the same but the beliefs and outlooks of each are so different that this results in conflict, leading to a tense relationship, lack of trust and disillusionment about the business' future.

On a sultry Friday afternoon, Sunil Shivaraman was deep in thought, mulling over a new tender that had just been floated. He was keen to capture the business for his trading firm, Shivaraman Enterprises. His thoughts were interrupted by his secretary Marie.

The relationship manager of the local bank had come to meet him. Half an hour later, the meeting over, Shivaraman was in a quandary. The bank had provided a working capital loan for e-Maze Pvt Ltd, and the relationship manager was anxious about the repayment schedule. Never in his thirty years of business had Sunil found himself in a position where he was unable to meet commitments on time.

e-Maze Pvt Ltd was his son's company which had not taken off as planned and the cash flow situation was poor. Over the last six months, Mr Shivaraman had tried several cost cutting measures and had also focused on getting more orders. He had even neglected his own trading business. As an

affectionate father, he felt he had to hold his son's hands and pull e-Maze out of the negative spiral it was plunging into.

It all started three years ago when Rakesh, Mr Shivaraman's only son, completed his computer engineering studies in the US. Rakesh wanted to settle down in America but his parents wanted him to return to India. They offered Rakesh a choice: he could join the family firm or he could start his own business, maybe in an IT enabled services area, which would allow him to remain in touch with the US market.

Reluctantly agreeing to his parents pleading, Rakesh came back to India. After considerable brainstorming and evaluating various options, father and son

decided to launch a new company engaged in digitizing data and images through a high end scanning and documenting process. Thus e-Maze Pvt Ltd - Dependable Speedy Solutions - was born, under the aegis of Shivaraman Enterprises.

As a prudent businessman, Mr Shivaraman became the proprietor of the new venture so as to leverage his equity and arrange finance from the bank but the business would be managed by Rakesh. Rakesh drew up a grandiose vision: e-Maze Pvt Ltd was defined as "Total Solution Provider in enterprise information management and workflow solutions". The company's services involved scanning, data feeding, cataloging and storing various types of documents, images, and drawings in a digital format.

It was a growth business. Large public sectors companies, multinationals, banks and even a few government departments had started using this technology to store their huge volume of paper data in a digitized format. At the same time, several players had already carved out their own niches in this space and the established players not only had



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to ROOT out the DECISION makers in large CORPORATES was a DAUNTING TASK

software savvy but also had warehouses to store clients' paper documents with safety precautions. e-Maze was not only a new entrant but also a small player, offering only digitization services and not storage facilities.

Teething troubles started when Rakesh approached corporate houses and government departments to get an entry and introduce e-Maze's services. To root out the appropriate authorities and decision makers in large corporates was a daunting task. From about a hundred potential companies contacted by Rakesh, 35 showed interest. A strike rate of 35% was excellent by any standards. However the queries of these potential customers led Rakesh to believe that his business was totally technology oriented and he would have to provide high end software to the clients. His company would have to develop a strong technical base to succeed. He needed a sophisticated software package to digitize and store documents which meant more investment.

Visualizing a significant business opportunity, Mr Shivaraman ordered new software costing about Rs3mn. An investment of about Rs20mn had already been made in the office, infrastructure and human resource. A staff of fifteen, including five sales executives were deployed under Rakesh's direction and business development activity commenced.

Mr Shivaraman had estimated two years as the gestation period for this venture. At the end of two years, to his dismay, he realized that the business has not attained the break even point. The situation was serious. He voiced his concern to Rakesh.

Rakesh too was worried about the situation but he felt that their business model was new for Indian companies. The process of generating business was quite lengthy and only after a satisfactory result of the trial run did the client think about placing an order. So the initial phase of business development was going to be much longer than what he and his father had

estimated. Three years would be a reasonable gestation period for this venture, Rakesh told his father. Profitability in the business was extremely high so they could afford to wait for some more time.

Software trial runs were being conducted in three public sector companies, and Rakesh was confident of positive results. Once he had orders from these companies, his entry in other companies would be easy and then the business would grow by leaps and bound. As far as the bank was concerned, he requested his father to talk to them about a revised payment schedule and installment amount. Ensuring patience and building a strong technology base were going to be the major ingredients of their success, pointed out Rakesh.

Mr Shivaraman was not convinced. The business was a proprietorship, and thus he had had to furnish personal guarantees to the bank. Borrowings from the bank had crossed Rs20mn. He felt pressured to start repaying the loan but could not effectively communicate his worries to his son. Instead Mr Shivaraman ended by telling his son that Rakesh did not understand the

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by OFFERING labor ORIENTED services, e-Maze would lose its IMAGE of being a total SOLUTION PROVIDER

gravity of the situation, and that he was too young to run the business. Mr Shivaraman recounted to Rakesh how the family trading business, which he had started thirty years ago had given him a 30% return on investment in the first year itself. If Rakesh's business model was correct then by now it should have been successful. There had to be something wrong with the business model itself.

After several heated discussions with Rakesh, Mr Shivaraman decided to take matters into his own hands. He was sure his involvement would help Rakesh make the right decisions. He took charge of the sales and finance operations and advised Rakesh to concentrate on strengthening the technical operations.

Mr Shivaraman's first act was to evaluate the performance of all the employees and retrench non performers. Three sales executives and one software developer left the company subsequent to this detailed probe. His second act was to streamline the sales function.

In the past, Mr Shivaraman had experienced that sales officers perform best under pressure, and was convinced that this should be the approach at e-Maze also. Each sales officer was now given clear targets on the number of sales calls they had to make and the quantum of business generation. They also had to report to him twice a day.

Within two months of taking charge, Mr Shivaraman sensed that there was a good demand for data entry operations from a large company which wanted to outsource this activity. This was a labor oriented, price sensitive, low margin service but Mr Shivaraman felt that e-Maze should offer this service to the client. Once e-Maze had clinched the data entry contract, it would be easy to sell high end scanning and digitizing services to the same customers.

When he explained this new strategy to Rakesh, Rakesh got upset and angry. He was a qualified computer engineer and his vision was to manage a high tech, sophisticated business. By

offering labor oriented services, e-Maze would lose its image of being a 'total solution provider'. It would become like any of the hundreds of ordinary low price contractors which had mushroomed across India, instead of being a differentiated, technically savvy service provider. Further, once customers accepted e-Maze as a contractor, they would never respect and consider e-Maze as an IT enabled services company.

Rakesh felt that his father was getting unreasonably impatient and was evaluating e-Maze from his trader's perspective. Rakesh tried to convince his father that this business was knowledge based, totally different from his trading business. The finance and profit norms were quite different in the service business. If his father could not appreciate the e-Maze concept then he should stop interfering in the business.

Flashpoint came when Rakesh openly disagreed with Mr Shivaraman's new strategy and requested him not to get involved in e-Maze operations. As far as the bank loan was concerned, Rakesh said he would talk to the bank and ask them for more time to repay the loan.

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the SALES TEAM now started OFFERING low cost, LABOR ORIENTED data entry CONTRACTS

For Mr Shivaraman, this incident was traumatic. His son had always accepted his guidance and advice, until now. This situation was unimaginable where his own son was asking him to remain aloof from a business he had funded. Did his thirty years of experience have no weightage in front of Rakesh's qualifications? How could he listen to his immature son who was not even earning enough livelihood? As a father he had the best intentions for his son at heart.

Mr Shivaraman's presence prevailed. The e-Maze team was informed about the new strategy. The sales team now started offering low cost, labor oriented data entry contracts. This strategy seemed to be working as e-Maze got three orders in the first month. However, soon Mr Shivaraman realized that the orders were helping the cash flow but margins had shrunk. In some cases, just to get an entry, e-Maze had had to offer data entry services on a cost basis. Also manpower planning was becom-

ing a problem. The computer operators for data entry were affordable only if they were on daily wages and their work commitment was very low. This was resulting in deadline delays. Mr Shivaraman's calculation of getting an entry for high end services was not working out as his employees were too involved in data entry work and had no time to follow up for scanning, digitizing services.

Rakesh was upset by all this but became even more upset when his best sales officer resigned. While discussing the reasons for her departure, the sales officer spoke about how the office culture had changed in the last two months. She was frequently getting different sets of instructions from Mr Shivaraman and Rakesh. She was trained for technocommercial selling but the business focus had changed. Instead of convincing clients about their software and services she was haggling on the rate contracts. This was not the career she had in mind when she

joined e-Maze. She expressed her discontent to both Rakesh and Mr Shivaraman.

Rakesh felt that the situation was grave. His business development work for "providing total solutions" had seemingly ground to a stop. e-Maze's trial runs in the three public sector companies were successful but they wanted him to match the lower quotes offered by his competitors before they placed their orders with him. Rakesh needed to rework the costing, and began looking at a tie-up with a cheaper software provider to bring down costs. Internally, Rakesh was grappling with a different type of problem. He had obtained some trial orders but had no trained sales staff to handle the work. Recruiting a new sales officer was not possible looking at the mounting expenses. Once again after two and a half years he would have to do business development work himself.

As for Rakesh's father, Mr Shivaraman was fed up with the constant arguments with his son. He worried that Rakesh was losing interest and faith in the business. And there were too many unanswered questions. Was his strategy of changing

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business direction wrong or was e-Maze simply stuffed with incompetent people? Was his son's strategy correct or his gut feel and 30 years of experience? How long could they survive? Should they survive at all? Too many questions and dilemmas cluttered Mr Shivaraman's mind.

Rakesh was fighting his own internal battles. His anger and frustrations were visible whenever he interacted with his father. His dream of becoming a successful IT entrepreneur was shattering around his feet. His father had changed the entire course of e-Maze and it lost its attractiveness for Rakesh. Rakesh's wife, a budding fashion designer had started a small fashion boutique six months ago and was doing well. What was stopping him from succeeding?

The decision to return to India haunted Rakesh. It now seemed faulty. He loved his parents but had he not succumbed to their pressure, he would have been working in a good IT company in the US without a feeling of failure. At the very least, he should not have allowed his father to take decisions in e-Maze. It was his company and with patience

and effort would have certainly given results. But now what was the correct course of action?

He could still try and take up a job in the US. Or maybe he should give the company one more chance. He could redesign the business model and restructure the operations. Perhaps substitute his father by a professional CEO. Like a squirrel in a hole, doubts and options thrashed about in Rakesh's mind.

your question

How can e-Maze and the Shivaramans climb out of this maze? ■



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smart evaluation

Each of these criteria holds equal weight of 10 points each:

- understanding of the issue
- logic of the solution
- completeness of solution
- viability of the solution
- presentation

panel of judges

- nitin nohria
- n r narayana murthy
- omkar goswami
- s ramadorai
- gita piramal

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