Case Study: Turn around a business unit and sustain its growth

BUSINESS INTELLECTS

The Task

In couple of client challenges, both for professional services organizations who had sick business units, thanks to some bad prior management and poor sales efforts, there was a final charter to either make them profitable within a year or two, or close down the group.   A tough task but since this was not due to lack of available opportunities and partly due to lack of focus from the senior management, it was a great challenge to turn them around. What bothered the management were low profit margins, low resource utilization rates and an inverted pyramid.

The Path

It was important that results start flowing in positively from the first quarter itself and a turnaround is seen on paper, and we wanted to keep things simple and track only a handful of relevant metrics. We presented our plan showing a gradual but realistic growth over the next 6 quarters to senior management and told them that they can do the eventuality if nothing happens after 3-4 quarters. We had prepared a list of existing projects and wanted to see which ones to renew or not go after based on financials and long term outlook from the customers consciously.

To increase the resource utilization rates, it was decided not to hire any more people till we get to an 80% figure for two consecutive semesters and with this in force, we had to sell what talents we had properly. We combined their skills in a format that sales engineers knew what we had available, and we targeted projects that fell either in or close to what we had available – there were vigorous targets and every customer had a call with both the engineering head and the sale engineer presenting. We decided that we go after projects only if it gave > 15% margin for every engineer we placed in projects. We also went after other business units within the company and presented our capabilities and asked them to pitch our business unit as well along with them to get some projects that were beyond their capabilities and which needed the talent back-up we had available.

From the engineer's perspective, we informed them to be flexible enough and try harder in meeting the customer requirements, although it may be slightly beyond their present skills – we needed 'new skills for the new charter' ahead. Also we gave them three different opportunities during the first quarter to get hold of a project after presenting their skills directly to the customers – if they are not able to click after three attempts, we had to terminate their employment – we somehow felt that their skill sets were not the right ones for the present needs and hence this thought process.

From the sales perspective, we had them focus on what we have and what we can offer rather than selling everything under the universe – we targeted customers that we felt would need our skill sets. We also got the upper management to have a part of the performance bonus tied to projects from other business units for both our sales guys and other BU's sales guys. Instead of tracking Total Contract Value, we started tracking Total Revenue Realized as the metric for sales commission which meant that sales does not walk away after winning a project but is with the engineering team throughout the project. We even had the sales engineer salary structure revised to be more commission oriented.

The Outcome

After the first quarter, our utilization rates increased and our profits were coming close to target. After the second quarter, we broke even and our utilization was getting higher and our engineers were working on both the other BU projects as well as new ones. We wrapped up some sick projects and started targeting new projects for those engineers. Visibility within the organization was getting better due to constant reviews and at the same time, the good news started to infect the company and suddenly we were asked to do a lot more.

It was comforting to say that for the year, after four quarters, our business unit was tracking 9% profits and > 78% utilization rates constantly and our next year was very rosy – we had the best utilization rates among all business units and a project margin close to 20%.We managed to increase our headcount as well by about 50% over an 18 month period. The customers started to believe in us and in one situation, they started down-sizing their own site in California and started getting even those delivered out of our organization. The team eventually became so engrossed and motivated that they themselves started going after projects with the customers they were in and started getting in some additional work for the organization. We started fitting a decent pyramid as well in terms of engineers and their experiences and salaries.

Few Hiccups

- A few engineers were not getting any projects and we had to let them go within 2 weeks' notice. Unfortunate but this had to be done.
- We lost a few customers because we felt that long term they do not add to our bottom line and their pricing were not fitting our resurgence strategy and had to make a tough call to let them go.
- The situation became so tight after 5-6 months that we had only freshers on bench and we could not give any innovative demos that would have brought us more good projects.