

Information given in the problem :

- Around 73% of the resources are based out of India (Mumbai, Pune, Hyderabad and Ahmedabad).
- Total employee strength includes 690 contractors out of which 60% are in India, 5% in Australia and 7% in Asia Pacific centres. These contractors are on an average 1.4 times costlier than permanent employees.
- Its main business is providing IT solutions and Annual Maintenance Services. Though they provide IT solutions in all the domains, 46% of their revenue comes from BFSI sector, 21% is from the Healthcare sector and the rest from other sectors like Retail, Public sector, Manufacturing, Travel, Entertainment etc.
- Its product-based business is providing pre-made softwares and applications for companies. The three products they offer are DevOps bundle, cybersecurity and digital marketing. 90% of revenue comes from the digital marketing product.
- It is finding it difficult to be at par with its competitors on a year-on-year margin improvement rate which is 11% v/s 26% by other comparable IT companies in India.

Solution:

Root Problem:

The company is facing difficulty in achieving a year-on-year margin improvement rate compared to its competitors.

MECE Principle:

1. Revenue

- a. IT solutions and maintenance
- b. Product-based business

2. Cost

- a. Contractors
- b. Permanent employees
- c. Other operational costs
- d. Advertisement Costs

Profitability Tree Down Structure:

Revenue:

a. IT solutions and maintenance (46% from BFSI, 21% from Healthcare)

- i. Increase revenue from Healthcare sector in US and Europe
- ii. Increase cross-selling opportunities in BFSI sector in India
- iii. Focus on the growing market of Digital marketing in India and aim to acquire the digital market in India by Following the point

b

b. Product-based business (90% from digital marketing)

- i. Diversify product offerings
- ii. Improve focus on Platforms such as Instagram, Youtube and various other social media platforms
- ii. Increase revenue from DevOps bundle and cybersecurity products

Cost:

a. Contractors (60% in India, 5% in Australia, 7% in Asia Pacific)

- i. Reduce dependence on contractors
- ii. Increase hiring of permanent employees in regions with lower contractor cost

b. Permanent employees

- i. Improve employee retention
- ii. Implement cost-saving measures in HR processes

c. Other operational costs

- i. Improve operational efficiency

ii. Implement cost-saving measures in non-employee related expenses

Recommendations:

- Acquiring smaller organizations in niche technologies can help in expanding the business and increasing the employee base, but it may not necessarily result in the improvement of margins unless the acquired company has a lower cost structure.
- The company should focus on increasing revenue from the Healthcare sector in the US and Europe, as well as expanding cross-selling opportunities in the BFSI sector in India.
- The company should diversify its product offerings and increase revenue from the DevOps bundle and cybersecurity products.
- The company should reduce its dependence on contractors and increase hiring of permanent employees in regions with lower contractor cost.
- The company should improve employee retention and implement cost-saving measures in HR processes.
- The company should improve operational efficiency and implement cost-saving measures in non-employee related expenses.