Project-1

Problem statement:

An Indian IT Service and product company has an employee base of 5000+ resources all over the globe. 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 centers. These contractors are on an average 1.4 times costlier than permanent employees. Its customers are across 35 countries mainly in the US (32%), Middle-east (27%), and Europe (20%). Its main business is providing IT solutions and Annual Maintenance Services. Though they provide IT solutions in all domains, 46% of their revenue comes from the 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 provides pre-made software and applications for companies. The three products they offer are the DevOps bundle, cybersecurity, and digital marketing. 90% of revenue comes from the digital marketing product. It enjoys a good margin from BFSI (42%) and Retail (39%) sectors and also from business in the US (48%) and Europe (44%) region. The margin is very low in business in India (9%) and other Asia Pacific countries (14%). 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. To address this, it is thinking of acquiring smaller organizations which specialize in niche technologies and have a larger customer base which will help them in increasing its employee base and expand the business with cross-sell opportunities. Will the acquisition help in the improvement of margins? If yes, then why? If not, then what alternate strategy should the company follow?

Instruction Set

- Identify the root problem and use the MECE (mutually exclusive, comprehensively exhaustive) principle(issue tree), discussed already in the module videos, to break down the problem.
- Using the profitability tree down structure, divide it into two parts ‘Revenue’ and ‘Cost’.Further branching can be done according to your logic but do keep in mind that those parameters shouldn’t overlap. Eg. Revenue and profit are overlapping parameters. For revenue, 60% of it comes from IT solutions and maintenance, and the rest comes from its products.
- The company is looking forward to investing in India, the US and Europe. See the potential growth for different sectors in these geographical locations.
- In the US and Europe, the healthcare sector seems promising, and the same for India with the BFSI sector. Explore other options and see what could be done differently.
- Finally, provide recommendations for where the company should invest and what kind of acquisitions it should make.