



UNIVERSITY  
OF THE PEOPLE

---

# UNIVERSITY OF THE PEOPLE

---

BUS 4403-01 BUSINESS POLICY AND STRATEGY - AY2025-T1

LEARNING JOURNAL 5

INSTRUCTOR: YOGITA NARANG



---

# COMPSIS AT A CROSSROADS: STRATEGIC EVALUATION AND PATH FORWARD

---

## **INTRODUCTION**

Compsis, a Brazilian firm established in 1989, rose to prominence by providing systems integration for Electronic Toll Collection (ETC) systems. Despite its early successes, the company faced significant challenges by 2004, particularly due to a decline in revenue from delays in government concessions and difficulties expanding internationally. As Compsis stood at a crossroads, it had to evaluate its business objectives, address existing problems, explore potential solutions, and identify growth opportunities. This essay delves into these aspects, assessing the company's goals, challenges, and options for expansion.

## **OBJECTIVES AND GOALS OF COMPSIS**

Compsis set its sights on dominating the Brazilian ETC market while gradually expanding its portfolio to encompass Intelligent Transportation Systems (ITS). The company's objectives included becoming a leader in systems integration, maintaining technological superiority, and expanding internationally. By 2003, Compsis had achieved significant success, with 39% of Brazilian toll concessionaires relying on its ETC system, SICAT, and ventures into Australia and India (Lehrich, Paredes, & Ravikumar, 2009).



## **EVALUATION OF SUCCESS**

While Compsis excelled in capturing the Brazilian market, its international endeavors were mixed. The successful collaboration in Australia demonstrated the viability of Compsis's systems integration model abroad, but its experience in India highlighted the challenges of operating in developing economies. The Indian project saw cost overruns and financial losses, revealing the difficulty of scaling the company's operations outside Brazil (Lehrich et al., 2009). Thus, while Compsis had achieved market leadership in Brazil, its international expansion efforts were less successful.

## **BUSINESS PROBLEMS FACED BY COMPSIS**

Compsis encountered several critical issues as it attempted to grow. The company's dependence on the Brazilian government's concessions created a volatile revenue stream, evident when delays in awarding toll contracts led to a revenue drop from US\$4.2 million in 2003 to US\$3.3 million in 2004 (Lehrich et al., 2009). Additionally, Compsis faced tough competition in international markets, where buyers were highly price-sensitive, yet the firm's sophisticated solutions were not always the most cost-effective option.

Another issue was Compsis's limited sales capacity. With a small team, the company struggled to effectively market its products outside Brazil. Furthermore, its reliance on a high-quality, high-price strategy limited its appeal in cost-sensitive markets like India, which resulted in financial strain during international projects (Lehrich et al., 2009).



## **SOLUTIONS TO BUSINESS PROBLEMS**

To address these challenges, Compsis had several potential solutions:

### **1. EXPAND PRODUCT PORTFOLIO**

Compsis could focus on broadening its product range within the ITS domain. By increasing investment in systems like Advanced Traffic Management (ATMS) and Vehicle Monitoring Systems (SMV), the company could reduce its reliance on SICAT and mitigate the risk associated with government delays (Lehrich et al., 2009).

***Merits:*** Diversification would provide more stable revenue streams and expand Compsis's market beyond toll systems.

***Downsides:*** This strategy would require significant capital investment in R&D and might lead to slower immediate returns as new products penetrate the market.

### **2. STRENGTHEN INTERNATIONAL PARTNERSHIPS**

Rather than operating independently, Compsis could pursue strategic partnerships with local firms in international markets. These alliances could help the company navigate unfamiliar regulatory environments and reduce operational costs (Lehrich et al., 2009).

***Merits:*** Partnerships would allow Compsis to leverage local expertise and relationships, improving its chances of winning contracts.

***Downsides:*** The company risks diluting its brand and losing some control over project execution, as seen in its Indian venture.



### 3. FOCUS ON LOW-COST SOLUTIONS

Another option would be to offer simplified, cost-effective solutions that cater to price-sensitive markets, like those in Latin America or India. This shift would allow Compsis to compete more effectively with local players (Lehrich et al., 2009).

**Merits:** By offering more affordable products, Compsis could expand its customer base and increase international sales.

**Downsides:** A move toward lower-cost solutions might compromise the company's reputation for delivering high-quality, sophisticated systems.

### BUSINESS OPPORTUNITIES FOR COMPSIS

Compsis was well-positioned to explore multiple growth opportunities. The domestic market still held potential, especially with expected future government concessions in Brazil. Additionally, Latin America offered a growing but underdeveloped market for ETC systems. Countries like Chile, Bolivia, and Peru were starting to invest in toll road infrastructure, presenting opportunities for Compsis to expand (Lehrich et al., 2009).

The U.S. market also held significant promise. With a mature and steadily growing ETC industry, entering this market would allow Compsis to target high-value projects. However, the U.S. was highly competitive, with established players like Transcore and ACS dominating the market (Lehrich et al., 2009). For Compsis, success in the U.S. would require a clear strategy, strong local partnerships, and a commitment to long-term investment.



## **RECOMMENDED EXPANSION OPTION**

Given the opportunities and challenges, the most suitable expansion strategy for Compsis is to pursue the U.S. market through strategic partnerships. Establishing alliances with existing toll system integrators or equipment manufacturers in the U.S. would allow Compsis to penetrate the market without the upfront costs of setting up its own offices. Moreover, partnering with a U.S. company could provide the local expertise and credibility necessary to compete against established players (Lehrich et al., 2009).

The rationale behind this recommendation is clear. The U.S. offers the largest ETC market, with sophisticated buyers willing to pay for high-quality systems. Compsis's experience in delivering advanced toll collection solutions aligns well with U.S. demand. Furthermore, the company's success in Australia proves that Compsis can succeed in developed markets with the right partnerships (Lehrich et al., 2009).

## **CONCLUSION**

Compsis's future hinges on its ability to address existing challenges and capitalize on new opportunities. While the company has demonstrated technical excellence and market leadership in Brazil, its international expansion has been fraught with difficulties. To continue growing, Compsis must diversify its product offerings, form strategic alliances, and enter new markets. The U.S. presents the best opportunity for expansion, and by forging strong partnerships, Compsis can establish itself as a competitive player in the global ETC market.





UNIVERSITY  
OF THE PEOPLE

**Reference:**

Lehrich, J.M., Paredes, J.P., & Ravikumar, R. (2009, December 15). Compsis at a Crossroads. MITSloan Management.

**Wordcount:** 967