



The Dynamics of Organizing for Success: SpryLab Inc.

Richa is in some deep thought and reflection mode. Trying to revisit her journey from 2000 when she started working on web-sites from her living room to now in 2006 from her plush office, where she manages a private limited company with a turnover of Rs.90 crores. Despite her best efforts to get into value added services commanding premiums, she appears to be getting into some kind of growth trap with bulk of her projects competing on price. Further, for some time, she has been experiencing delays in decision making at the team level, and some of the decisions have been lacking quality. Instances of dysfunctional conflict have been more frequent in the last 6-8 months. Overall, she feels that SpryLab is unable to respond to the changing economic environment of business innovatively.

Ms. Richa Gonzalvis wrote software on the PC in her study-cum-living room, soon after her Master's Degree in science in 2000. She taught herself Java and C++ and learned the basics of graphic design. She had a talent for neat applets, and her websites caught the eyes of various friends, who all asked to write something for them. Pretty soon she started asking for payment! Several friends commissioned her to build their websites, and she was in business.

Richa soon had an order book, which was quite full and found her self working night and day to keep up with the demand. She asked a friend, Tim, whether he would like to help, and soon started to send him some of the less complex jobs. Tim was keen on learning more about the craft and soon became a good programmer. Several small organisations asked Richa to write their websites, and, of course, once written, they needed to be maintained. So Richa negotiated contracts for development and maintenance. Business was so good that Richa rented an office, and she and Tim formed a private limited company and named it as **SpryLab Inc.** They could manage adequate financing from a local commercial bank, whose branch website Richa had developed.

Prof. Ashok K. Sar prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The case is based on a successful operating organisation whose name is disguised.

Now Richa had to divide up the work. Tim was a bit nerdy, and rather shy, so Richa tended to meet the clients, do the analysis work and keep the accounts, whilst Tim stayed in the office and did most of the programming. Richa was on hand to solve any difficult programming problems that arose. Business boomed. More orders led to more co-worker/assistants including a Job Training Scheme trainee.

Foreseeing the day when she would not be able to give so much time to coordinating design, getting involved in program finishing, sorting out quality problems etc., Richa hired a software engineering graduate and two others who had a little experience. All blended in well together. Tim's pay and that of the others was made more orderly and the accountant recommended formal contracts of employment (notwithstanding that Richa was keen that everyone shared in the profits). Even with six people coordination presented a few headaches, but everyone chipped in and problems were solved.

SpryLab Inc. continued to grow. To support the growth in business, Richa hired more manpower like developers, software engineers and programmers, and rented a larger office space. At the end of 2002, SpryLab Inc. was a full fledged firm that specialised in developing and maintaining websites of 62 leading organizations, and it employed 148 employees. However, the websites were of a maximum of 5 levels and 100 nodes. Besides, it undertook database management related jobs for small and medium enterprises (SMEs). SpryLab Inc. continued to grow. Major changes had already taken place when a work-study consultant was engaged. He recommended changes whereby each person performed only a very limited number of tasks.

These 148 employees were basically in four groups and two levels in the hierarchy. The first level in the line hierarchy comprised of System Analysts (SA), Software Engineers (SE), Programmers (PR) and Marketing Executives (ME). Each of these groups was headed by a Coordinator. These four coordinators reported to the CEO (Richa Gonzalvis). There were fourteen project managers. Each of these project managers were individually responsible for projects assigned to them. One project was defined as an assignment to develop one website or a database management project. Normally, each project manager would work on several projects at a time. Project managers had separate budgets, depending upon the nature of the project(s), but they had to use resources from the pool of System Analysts; Software Engineers; Programmers and Marketing Executives for the projects. The project managers reported to Richa, who reported to the board. While Richa was the major shareholder, there were four more distinguished persons in the board. There was a small support group comprising of personnel in payroll, finance, pricing, maintenance, public relations and human resource management. Richa used resources from two management consulting firms for work-study, scheduling and training and development related requirement. A group of assistants worked in pool, extending their services whenever required directly to the System Analysts, Software Engineers, Programmers and Marketing Executives. Each project manager had one executive assistant directly reporting to him and Richa had two executive assistants reporting to her directly.

Projects were assigned to individual project managers by the CEO, based on the present workload, individual preference, etc. There were not so clear decision

criteria for assigning a particular project to an individual project manager. Therefore at times there were situations when there were no takers for a project, and situations when more than one project manager were keen to handle a project. Richa resolved such problems by assigning the project irrespective of the work load and personal preference of the project manager. Richa did very little publicity, mostly in the World Wide Web, but business continued to flow at a steady rate.

Each of the software professionals worked independently on a set of tasks assigned on a project by the project manager concerned. The marketing executives constantly interacted with the prospective clients, did a set of tasks associated with promotion, and served as the key interface between the firm and the client organisations. At times some marketing executives would get frustrated with the standard sets of presentation tasks they have to undertake. But they were free to plan their travel, customer interactions, and had very comfortable budget to support the marketing activities. To a large extent the various tasks were associated with written instructions and procedures, and very clear time-frame for completion of a task or set of tasks on a project. Most of the positions had clear job specifications, and very clear specifications for work flows. There was an exhaustive operating manual giving regulations pertaining to operations and support tasks. For instance, there was an elaborate procedure prescribed to develop the programming frameworks and address trouble-shooting. For the software professionals to be able to operate in the most efficient way, they had to go through an elaborate in-house training programme.

Richa personally monitored the order book and the planning and control system. She set very clear performance control measures for the project managers in terms of cost and time for completion, and ensured that the project managers in turn set action plans for the System Analysts, Software Engineers, Programmers and Marketing Executives working in their respective projects. Her executive assistants helped her in the control and monitoring aspects. SpryLab Inc. competed in the entry level of the website development industry, requiring very basic design and development. In database management area, its operation was limited to small and medium enterprises (SMEs). It was very efficient, with very timely completion of projects, and had least of de-bugging job done on any project. Richa was very particular about ensuring setting of various operating standards and schedules. She was very ruthless with personnel who didn't adhere to the set standards and schedules.

Various tasks in the entry level website design and database management for the SMEs, were standardised in terms of work-flow, time schedule and cost. Hence the tasks were characterised by very few exceptions and involved a few related tasks. On getting a project from a client organisation, a set of tasks was easily firmed up, without having much problem in searching tools or information or special competencies for undertaking the tasks.

SpryLab was primarily concerned with the client organisations requiring entry level websites and SMEs for limited database management services. The marketing executives undertook the key boundary spanning jobs. The growing demand had helped SpryLab to maintain its client base with minimum marketing effort. Rivalry

from other website developers had been nonexistent, as there had been no evidence of competing on price or on promotional stunts. Richa and her small team could easily forecast forthcoming business, based on the past trend and market information from published secondary sources and the organisation's marketing personnel. Further, it could attract trained and skilled manpower (the key resource) without much difficulty at competitive pay package.

While the clients list was quite impressive, the profitability was not that impressive. In 2003, the return on capital employed (ROCE) of SpryLab Inc. was just 24%. Richa learnt that the top developers earned 35-45% ROCE on an average. She explored her position as she was nowhere near the top players. Her ambition was limitless, and she looked seriously to make to the top group. By now she had matured to be a forward-looking entrepreneur. Her 1st re-look was at the associated tasks in a website development and maintenance project. The tasks were as follows:-

1. Drawing the wire-frame which consist of the nodes or the pages
2. Figuring out the contents and levels
3. Building the website
 - a. Design
 - i. Home page
 - ii. Sections (nodes)
 - b. Development
 - i. Database (Use of a RDBMS)
 - ii. Scripts (Use of JAVA Script, VB Script, etc.)
 - iii. Programming frameworks (use of ASP/ JSP)
4. Hostite the website
 - a. Compatibility with host Operating system
 - b. Domain name registration
5. Running and testing
 - a. Alfa level testing (by the developer)
 - b. Beta level testing (with the user)
6. Updating and maintaining

Her 1st cut analysis indicated that, her teams in SpryLab had enough command and control over all the associated tasks. The one thing which worried her was the design related tasks. Although she had some feeling that, their designs were very standard, she never gave any importance to that aspect, as her clients wanted some thing very basic. Further, she had very limited expertise and resources for the development of database related tasks. The other thing which worried her was the tasks related to updating and maintaining the websites already developed. She had no standard set of charges for maintaining and updating a particular website. At times, software professionals spent much more time than warranted. But without a schedule of jobs and associated charges, there was no way to monitor that.

Thereafter she undertook a market study to ascertain the market opportunity and associated resource requirement. The following were the salient aspects pertaining to opportunities and required resources.

1. The high-end website development market was very closely associated with the uncertainty that characterise the software industry. The general environment was complex, where a firm had to interact with many personnel in the client organisation, independent vendors, trade associations, local/ statutory authorities, etc. in the general environment as compared to that for the entry level website developers. Further, these factors and sectors in the general environment change unpredictably. The required key resource, i.e., trained personnel has been becoming scarce. Further, training the fresh graduates or existing employees would involve substantial time and money.
2. In the coming two years a large number of companies would be re-developing their websites to facilitate on-line transactions. She could very easily capture 35 clients with incremental augmentation of the existing resources. Projects of 45 more clients could be handled with two additional teams comprising of fifteen software professionals.
3. About 200 companies are looking forward to websites with around 10 levels and 200 nodes. She could comfortably handle at best 45 such projects in the coming year. As such, with her present operations being standardised for up to 5 level and 100 nodes, capturing more opportunity with incremental augmentation in resources was a distant reality. However, with the two additional teams, she could handle 60 such clients.
4. A look through the operating procedure or the technical environment of leading high end website developers indicate of medium level of knowledge complexity and medium level of scale of operations. Bulk of the tasks has to be undertaken by the software professionals. However, some of the very routine and standardised tasks could be outsourced from independent software vendors to save time and money. The design, development as well as marketing tasks were associated with very low workflow rigidity. As regards evaluation, subjective judgements have to be clubbed with measure on timeliness.

Richa was excited about the opportunity, and explored ways and means to capture the opportunity. In five days she had several rounds of meetings with her team, where they jointly assessed the current reality and co-created a vision. This was followed by formation of task forces to create business plans and action plans to achieve the vision. A summary of the Vision and Strategy is as follows:-

1. To venture into the domain of website development up to 10 levels and 200 nodes. Reach a target of 55 companies in next two years.
2. To venture into the domain of updating existing website to facilitate on-line transactions. To reach a target of 80 companies in next two years.
3. To venture into the domain of building new websites with online transactions. To reach a target of 35 companies in the next two years.
4. The target ROCE for the 2nd, 3rd and 4th year to be 26%, 28% and 30% respectively.
5. The human resource would be augmented in the following manner:-
 - a. All of the 148 system professionals would be trained in rotation in three months to acquire the required skills.

- b. 18 more trained and experienced software professionals would be hired.
- c. The services of 2 independent software vendors would be utilised for a range of routine tasks.

Now it was time for Richa to sit down with two of her Executive Assistants, to give a final shape to the new strategy. The first and foremost was to get away from developing website for any company and every company, to developing value added websites and charge a premium. Two new recruits along with two SpryLab veterans were identified to develop further on the differentiation and value added factors. Secondly, to move from highly standardised and specialised tasks to a much more enlarged tasks. Some job enlargement profiles had already been developed concurrently, during the visioning process. A team of three existing employees were assigned to freeze on the job specialisations considering the required job enlargement in association with a management consultant. The organization was planned to be re-structured with quasi-autonomous project groups, with a project leader heading a group of projects. Within each project group, there would be two to three teams. Teams would comprise of team leaders and team members from the four areas, viz., System Analysts, Software Engineers, Programmers and Marketing Executives. For all operating issues, the project groups would be self contained. The project leader would have the flexibility of grouping and re-grouping to form teams. In other words, there would be no fixed team structure, rather a very flexible team based structure. However, common services like personnel in payroll, administrative services and facilities, public relations and legal services in the support function would still be shared by all projects. Besides, a small corporate human resource (HR) department and a small corporate finance and accounts department were created in the support group, which reported directly to the CEO. Each project group would however have their own finance and HR resource as embedded support service. Richa formed an inter-project committee to evaluate each new project and assign the same to a particular project manager. The committee would comprise of one member from each operational area, one member from either the corporate finance area or corporate HR area. The committee will frame the norms and all would be bound by the decision of the committee including the CEO. Richa would only intervene, if a matter is referred to her, otherwise not.

The new teams were formed in December 2003. They spent the 1st week at a luxury resort understanding each other, the new structure and the challenges ahead of them. An organizational development consultant took them through a series of team building exercises to familiarise them with the concepts of shared goals and team dynamics. After a week long fun and learning, the SpryLab family returned to a new plush office. It had the right ambience to get to their new roles and vision. All were excited and charged with energy to perform. For Richa, stakes were very high. She had invested a lot in new infrastructure, marketing initiatives and human resources. The challenge was to build and maintain a creative tension between the current reality and vision and strive to reach the vision. All seemed to be confident to reach the vision.

Things started off very well and operations were very smooth. Richa was now relieved from most of the operating tasks, and was focused on planning and control

systems. She monitored the progress through online progress sheets, and supplemented that through informal interactions. Richa conducted bi-monthly progress evaluation meetings with the heads of the projects.

The 1st quarter results in 2004 were heartening. The marketing team delighted Richa by enrolling two very prestigious clients, where the projects involved ROCE of around 32%. And to add to the delight, one of the projects was completed in three months as against the target schedule of four and half month. The other was progressing as per the schedule.

The overall financial position is given in Annexure-I.

While the financial position seems to be encouraging, there are opportunities to be created and captured. Instances of delay in assignment of projects and disagreement over the associated issues started to rise in the committee. More and more project assignment started being referred to Richa, resulting in delay. There were some disturbing trends with a number of projects requiring longer debugging, pointing finger towards quality of decision making. The challenge for Richa is to respond to the changing environment innovatively. Can she do it?

Issues for discussion

1. How is division of labour done in SpryLab in 2002 and after 2003, from the perspective of vertical/ horizontal job specialisation/ enlargement?
2. How is work co-ordinated in SpryLab in 2002 and after 2003?
3. What are the key design parameters significant to the organisation structure and design in SpryLab?
4. How do the organisation structures in SpryLab fit to the strategy, age and size, technical system, environment and power control domain?

Annexure-1

SpryLab	Mar 2002	Mar 2003	Mar 2004	Mar 2005	Mar 2006
Rs. Crore	12 months	12 months	12 months	12 months	12 months
Income					
Operating income	26.04	36.22	47.67	68.68	90.39
Other income	0.66	0.99	1.21	1.19	2.1
	26.70	37.21	48.88	69.87	92.49
Expenditure					
Operating expenses	0.57	1.5	2	4.91	6.71
Energy (power & fuel)	0.18	0.23	0.28	0.4	0.62
Salaries & wages	11.18	16.75	23.68	31.83	42.74
Indirect taxes	0.04	0.05	0.05	0.08	0.09
Other expenses	3.65	4.7	5.36	7.78	10.71
Less: expenses capitalized	0	0	0	0	0
Non-recurring expenses	0	0.25	0.097	0.01	0
	15.62	23.48	31.467	45.01	60.87
Profits / losses					
PBDIT	11.08	13.73	17.413	24.86	31.62
Financial charges	0.01	0.3	0.39	0.34	0.35
PBDT	11.07	13.43	17.023	24.52	31.27
Depreciation	1.6	1.89	2.3	2.68	4.09
PBT	9.47	11.54	14.723	21.84	27.18
Tax provision	1.43	2.12	2.27	3.27	3.25
PAT	8.04	9.42	12.45	18.57	23.93
Capital Employed	34	39	42	52	68
ROCE %	23.64	24.15	29.65	35.71	35.19
