Case Analysis

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This case highlights the important issue of growth challenges in established firms. The case specifically discusses Tech Mahindra’s mobile-based service called Saral Rozgar. In November 2012, Saral Rozgar was launched as an innovative mobile value-added service for connecting entry-level blue-collar job seekers in India with prospective employers via web-based mobile phone applications. This service was introduced under Tech Mahindra’s growth factories initiative for launching technological disruptions.

The case can be a useful tool for understanding and analyzing the fundamental questions of growth: (a) why should a business grow? and (b) how can established firms grow? This case analysis draws insights from the literature on growth strategy and corporate entrepreneurship to analyze the growth dilemma of Saral Rozgar at Tech Mahindra.

THE CASE CONTEXT AND DATA
Growing Mobile and Internet Penetration in India

The case content and data highlight that India was one of the fastest growing mobile markets globally with a total mobile subscribers’ base of 933 million in March 2015. A majority of urban Indians owned mobile phones. Even though the rural subscriber base was lower than the urban subscriber base, it was growing steadily. Demographics presented in the case also reveal that the age group of 25 to 35 years was the largest user group in India. Further, mobile and Internet penetration was growing at an increasingly faster rate in India. There were total 190 million Internet users in June 2013 with 91 million using mobile Internet. In December 2014, the total number of Internet users were 302 million which included 173 million mobile Internet users. Within a year, by December 2015, the total number grew to 402 million with 306 million mobile Internet users.
The telecom infrastructure was also improving, and leading telecom operators were making investments to improve connectivity, bandwidth, and data services in urban as well as rural India. The case reports that the total number of 3G subscribers in India would grow from 42 million in 2013 to 284 million in 2017. This trend implied that traditional mobile services such as voice calls and SMS were gradually being replaced by the data-driven mobile value-added services. As a result, the use of mobile-based services such as email, chat, social networking, gaming, service applications, banking applications, and others had increased. The case portrays mobile phones as a game changer in the field of communication with a great social and economic impact. Mobile devices are user-friendly and are available in low-cost variants. As a result, they are more likely to be adopted by the low-income consumers and rural communities.

Many companies offer value-added services for rural and low-income consumers using Internet on mobile devices. The case exhibits list companies offering mobile value-added services in India and illustrates the fast growth of this market. Examples of mobile-enabled services include mobile applications for agriculture/farmer solutions, microfinance, e-governance, banking, health care, education, and other services.

UNORGANIZED BLUE-COLLABRED JOB MARKET IN INDIA

In India, 93 per cent of the workforce was engaged in the unorganized or informal sector and nearly 30 per cent of this workforce was engaged as casual labourers seeking jobs on a daily basis. The literacy levels in this workforce were low, with less than 30 per cent having secondary school education or higher. Further, only one-tenth of the unorganized sector working population had undergone any form of formal vocational training. The organized sector workforce was barely 6–8 per cent (case data and NSSO survey, 2004–2005).

The majority of existing online job portals in India such as Naukri.com, Monster, Shine, or TimesJobs were targeted primarily for white-collar job services that were of graduate level and above demographic. There were hardly any organized solutions for the blue-collar job market. The organized blue-collar job market in India was at a nascent stage and offered tremendous growth potential. The case highlights problems of the blue-collar employment market in India and positions Saral Rozgar as a potential technological solution.

The major reason for paucity of online job portals for the blue-collar workforce was low literacy levels of the workers and their inability to access computers. In addition, there were infrastructure problems such as poor Internet connectivity and shortage of electricity in smaller towns and rural areas. As a result, majority of the blue-collar job seekers were not able to create online resumes for themselves. They resorted to traditional sources for seeking employment such as peer group referencing, paying middlemen or job agents, or migrating to urban areas or larger cities in search of jobs. Saral Rozgar was designed to address this blue-collar employment problem via a user-friendly mobile interface. It also provided an innovative service of creating a voice resume, which was an introduction of the job seeker through interactive voice response (IVR).

THE GROWTH DILEMMA

Why Should a Business Grow?

A response to this question is found in the strategy literature that suggests that growth enables a firm to create more value. This is only feasible when a firm evaluates its vision and mission to understand what kind of value the firm plans to create, and does the firm have the resources and capabilities to create that value. In simple words, ‘who you are as an organization’ can help drive strategic growth decisions. In this process, the firm builds its competitive position and evaluates potential growth opportunities to create value.

Growth Strategies: How Can a Firm Grow?

A firm can achieve growth through (a) scaling, (b) market entry, (c) mergers and acquisitions, or (d) innovation. The most common growth strategy is to scale a firm’s business activity in its existing market. Growth can also be achieved through market entry in established or new markets that the firm is not currently operating in. A firm can achieve growth inorganically through mergers and acquisitions. Finally, a firm can grow organically through innovation.
Further, the growth decision comes with some alternatives. For instance, there are some firms that follow a slow growth strategy. Then there are some firms that follow a rapid growth strategy, for example, technology start-up firms such as Facebook or Uber. It is important to understand that exponential growth is not always an imperative (Harris & Lenox, 2013). For instance, many lifestyle businesses target only a niche market segment and many small businesses operate only in a particular geography. These firms also create value for their stakeholders without any plans for rapid growth. Therefore, some firms might be satisfied to operate at a smaller scope with slower growth. On the other hand, there would be firms that plan for exponentially rapid growth and scale.

**Risks Associated with Growth**

Like other strategic choices, a firm’s decision to grow does not always yield positive results. A growth strategy also entails risks. For example, a firm in pursuit of growth can overstretch its resources or overextend activities or overproduce products. This could be disastrous when there is not enough market demand. It is also likely that a firm might try to grow too fast beyond its resources and capabilities. For example, an organization expands its service offerings too fast but does not have the capability and resources to staff that growth. As a result, the firm is likely to lose its unique proposition and will not be able to sustain the growth.

On the other hand, there is a risk that a firm can grow too slow in an extremely dynamic business environment (such as e-commerce and high-technology firms) and lose its valuable position or dominant design or industry standard advantage. In another case, a firm might face market saturation and grow by offering an innovative new product. This can possibly cannibalize sale of its existing product line.

All these scenarios emphasize the moot point that growth comes with risks. Therefore, managers need to plan for growth strategically and seek solutions aligned with the firm’s vision and mission. Some of the key growth questions that need to be answered are: (a) why should the firm grow? (b) how much should the firm grow? (c) is the firm ready for growth? (d) what is the best strategy for the firm to grow? and (e) what growth-related risks will the firm face and can those risks be managed?

**TECH MAHINDRA’S GROWTH STRATEGY**

The case primarily focuses on Tech Mahindra’s growth strategy through innovation using the example of Saral Rozgar. However, the case also reports briefly Tech Mahindra’s growth through inorganic means.

**Growth Through Mergers and Acquisitions**

Tech Mahindra’s core capabilities were in IT service solutions such as systems integration, application hosting, outsourcing services, service delivery platforms, content aggregation, content hosting, and delivery. The company diversified and entered the mobile value-added services market in 2006 via a joint venture, called CanvasM Technologies. This joint venture was between Motorola and Tech Mahindra. In 2010, Tech Mahindra bought Motorola’s total stake in the joint venture, and CanvasM Technologies became a 100 per cent subsidiary of Tech Mahindra. In June 2009, Mahindra group’s IT arm acquired Satyam computers, and subsequently, it was merged with Tech Mahindra in July 2013. The board also decided to amalgamate entities like CanvasM with Tech Mahindra. Over the years, CanvasM, the mobility arm of Tech Mahindra, became a key player in the mobile value-added services market (refer Case Exhibit 1).

**Growth Through Innovation: Growth Factories Initiative and Saral Rozgar**

Established firms like Tech Mahindra face two major innovation challenges (Burgelman, Christensen, & Wheelwright, 2009; Burgelman & Sayles, 1986). In the short to medium term, established firms face the challenges of managing incremental and architectural innovations. In the longer term, they face challenges of managing disruptive innovations that create new growth businesses.

To address the longer-term innovation challenge Tech Mahindra started a growth factories initiative to incubate and launch innovative technological disruptions across product categories. Saral Rozgar was one such project under the mobile value-added service category. It was designed to target the niche market
segment of blue-collar job market seekers and employers in India.

The innovation challenge in the case involves exploiting the growth opportunities in marginally related areas of its business such as IT services and mobile value-added services. Disruptive growth-related projects could only be successful if they are supported and guided by top management. The case protagonist, Jagdish Mitra, spearheaded the strategic ‘growth factories initiative’ at Tech Mahindra. He plays a critical role in determining the success of entrepreneurial projects like Saral Rozgar.

The growth factories initiative at Tech Mahindra and Saral Rozgar are examples of corporate entrepreneurship. Established firms need to manage corporate entrepreneurship activities to succeed in launching disruptive innovations for new growth businesses. Corporate entrepreneurship can be defined as ‘the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization’ (Sharma & Chrisman, 1999, p. 18).

A first step in managing entrepreneurial initiatives like Saral Rozgar is to recognize that projects under the growth factories initiative at Tech Mahindra need to be treated like different ventures as they would have different needs. The next step would be to develop an analytical framework that can be used to assess the entrepreneurial project and possible organizational design alternatives to effectively structure the relationship between the entrepreneurial project (Saral Rozgar in this case) and the organization (Tech Mahindra).

Burgelman (1984) posits an analytical framework that uses two dimensions for analyzing internal entrepreneurial projects or proposals. The first dimension is the expected strategic importance of the entrepreneurial project and the second dimension is the degree to which the entrepreneurial project is related to the core capabilities of the organization (operational relatedness). This framework can be a very useful tool to understand the organizational design alternative for Saral Rozgar. This will further help in formulating the growth strategy for Saral Rozgar.

Managers must approach the growth dilemma from a strategic perspective and ask whether the potential growth opportunity will allow their firm to create more value? Will the potential growth opportunity allow their firm to build a more competitive position or a new position? The strategic growth decision is a proactive decision and not a reactive response to external pressures. More importantly, the strategic growth decision is purposeful and consistent with the firm’s vision and mission.

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