

Playing catalyst when you're stuck with the nitty gritty

K.Yatish Rajawat
MUMBAI

THE biggest challenge an entrepreneur faces is how to scale up his business. Most entrepreneurs do not realise that they are the bottlenecks in the growth path of their own companies. As the business grows, entrepreneurs need to learn to delegate and build processes and systems if they want to create an organisation.

Anyone who has done a start-up knows that it takes blood and sweat to build it. Processes and systems reduce the dependence on the founders for decision making, to a founder this means losing control.

To achieve any kind of scale in an organisation, the most important component needed is people. Organisations are not built on founders' efforts only, they are created when people decide to work and push in the same direction. And to push in the same direction, one needs systems.

Raja Shekhar Reddy, an IIT and IIM alumnus, worked for almost 12 years in a large organisation building such systems. He realised, that this is a problem across companies, especially in small and medium-sized companies.

To him, the problem was also a business opportunity. Therefore, he decided to leave his cushy job and start Innovsource.

Anecdotal evidence suggests that biggest growth does not take place in large conglomerates but in small and medium-sized companies. It is common for these mid-market companies to show 100% plus growth year on year. Most



RAJA SHEKHAR REDDY, FOUNDER, INNOVSOURCE

of them are even looking at exponential growth.

Growth brings its own complications. As the number of employees in an organisation grows, the founders devote less time with each one of them. Employees, who had worked directly with founders, get disenchanted and feel that their importance is going down in the organisation as the interaction drops. Moreover, at times even the growth slows down as employees need to wait for decisions to be taken by founders.

Reddy says, "We have seen that after a company reaches a critical size of 100 employees, the lack of systems and processes start affecting its growth. Simple things like appraisal systems, travel policy, salary structure and even employee con-

tracts can slow down a company."

"For instance, we worked with a 50 employees company in Delhi, with revenues of Rs 12 crore. When we started the assignment, all their employees were consultants and there was no standard employee contract. We are in fact working as an external HR department for this firm, now."

Innovsource has four different lines of business — HR solutions, training, recruitment and staffing. Innovsource will have revenues of Rs 13 crore in the current fiscal ending March 2007 and is targeting Rs 30 crore for the next fiscal.

Innovsource's business model and service lines may not be unique. But the company is thinking laterally about how to expand its core strength in staffing to new verticals and even new services.

At present, the firm derives bulk of its revenues in staffing from the telecom sector. It is expanding into new verticals like banking, retail and con-

struction and real estate.

There is a lot of competition in the staffing space from both Indian and global companies. Almost every global staffing major from Vedior to Randstad has large operations in the country. Then, there are mid-sized Indian firms which are also active. Even in the HR consulting space, there are global majors like Mercer, Hewitt and several small sized firms offering services.

Raja Shekhar Reddy feels the firm can extend its staffing operations into other products like facility management and even security services.

"Security services and facility management services are nothing but large staffing operations. We think we can expand into these areas without diluting our core focus," he says.

Facility management and security services are people intensive businesses and can be considered akin to staffing. But they are low margin businesses with a completely different set of variables. A business like facility management has low margins and has to be combined with other services to be sustainable.

Moreover, both these businesses are at the lower end of the spectrum and may dilute Innovsource brand in the HR consulting space. Raja Shekhar Reddy says he is aware of these challenges but feels there can be opportunities.

Innovsource is looking at acquisitions and organic way of growing its business over the next three years. Mid market companies need companies like Innovsource as they plan their growth.

(If you are an entrepreneur with a successful business model, write to us at starship@timesgroup.com and may be Starship Enterprise will become your cruise ship to success)

starship
ENTERPRISE