ALMA
ALMATY MANAGEMENT
UNIVERSITY

СБОРНИК БИЗНЕС-КЕЙСОВ

Выпуск 1

Алматы Менеджмент Университет
Высшая Школа Бизнеса

СБОРНИК БИЗНЕС-КЕЙСОВ

Выпуск 1

Алматы, 2015

УДК 005
ББК 65.290-2
С23

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СОДЕРЖАНИЕ

LIKE A DUCK TO WATER

A. Lipovka

Success Group Ltd. rendering services as 1C Company's franchisee was bought out by its key managers in November of 2014. The new owners– Alexandr Kuznetsov and Alexandr Izokh – had reconsidered the strategic goals of Success with the purpose of its competitiveness improvement. The set targets required changes to the current business practices. At the beginning of 2015 the new directors faced a series of challenges in the field of human resource management.

In 2003 a group of programmers developed the project solution and software architecture on the basis of the program product 1C: Enterprise 8. Owing to the success of this software engineering, it held much favor of users and companies. The next step was to open an enterprise and obtaining the status of 1C franchisee to deal with other configurations. So, the "Success Group" Ltd. was launched in Almaty in 2003. The programmers joined for realization of their creative potential to change people's minds on 1C low quality caused by poor services rendered in this field in Kazakshtan. The company's goal was to oppose their high-quality service to negligence of existing franchisee competitors to raise consumers' trust in 1C: Enterprise. With this purpose Success introduced a clear professional technology of implementing project automation: consulting → requirements specification → embedding → implementation → training → support.

Since 2005 Success started implementation of full-fledged 1C projects and active participation in partner programs. Under economic crisis conditions of 2008-2010 Success followed the strategy of cost containment and customer retention. The professionals were given bonuses for intensive work improving the quality of rendered services. The high quality services allowed retaining regular customers. For 10 years of work the Success joined the 7 largest providers of 1C services in Almaty region. During this time piece they gained the experience of serving above 900 large and medium companies. Since 2008 the company actively had been involved in automation of enterprise budgetary management on 1C: Consolidation platform. Their consultants demonstrated a profound expertise in arrangement of budgetary management and financial analysis.

In 2014 two key managers of Success - Alexandr Izokh and Alexandr Kuznetsov - supervising all the projects bought out the enterprise. Alexandr Kuznetsov obtained BA in finance, MSc and MBA in management from a local business school. He had work experience as a budgeting specialist in a large confectionary plant, planning department head at garment factory, and project manager at the enterprise rendering well-boring services. Mr. Izokh – the second co-owner – graduated from one of the Russian technical universities with major in electronic computing, he was a rare specialist equally competent in two spheres: information technologies and programming. Mr. Izokh was previously employed by the large national telecommunication company as a chief programmer. The owners' education and background allowed embracing the primary company's activities and dividing management into information technologies and programming, and budgeting and financial an»alysis. Thereby their positions in Success had been defined in compliance with their competencies: Kuznetsov as director on methodology and Izokh – director on programming.

The Success's mission was defined as "providing relevant and functioning technologies for successful development of our customers' businesses". The company's goal is not just introducing the system of automation but providing an effective tool to help customers to complete their strategic tasks. As a logotype a dolphin had been chosen to support the company's idea on assisting enterprises in development of their businesses by providing high-class services in 1C: Enterprise. The emphasis was made on the major characteristics of a dolphin – rescue and safety - and the well-known Russian

proverb "like a fish to water" with its English equivalent "like a duck to water".

The Success rendered a range of complementary services: complex automation of enterprise management and accounting system, provision of software products, engineering, installation and application of software, software maintenance, IT-outsourcing, training of software operations, and consulting. The software with which the company operated was: 1C: Consolidation, 1C Financier, Customer Relationship Management, documents circulation, 1C: Sale, 1C: Pharmacy, mobile application along with engineering of own configurations. The strong sides of the company were managerial accounting, financial accounting, budgeting, and documents circulation, the weak sides - field solutions.

The Success had 110 competitors – 1C franchisee companies in Almaty city. The direct competitors were Exsolcom, Universal Business Consulting, 1C-Sapa, Consulting Business Center Eurasia. Nevertheless, the Success cooperated with its competitors, even sometimes they resent each other prospective customers, if they knew that they had been unable to render quality service in this field.

The Success differentiated itself from its competitors by the following distinctive futures:

• Providing complex services: from company's examination and requirements specification development to introduction and training users for application of the program software.

• The special approach to implementing project solutions, thanks to which work results become more predictable, operations more controllable, and employees more efficient.

• Fully meeting client needs: development and proposal of the optimum solution of client tasks.

The Success business strategy since its launch was growth. They grew slow but annually. In 2005 there were 5 staff members, at the beginning of 2015, 25 employees worked in the company. The personnel policy was focused on growth of personnel with low and medium qualification. The core of programmers was insufficient, that lead to their total overload and performance of additional functions by them. In 2014 when the new owners commenced their independent way of managing, and economy started its recession, they decided to continue the strategy of stable slow growth with 10% annual profit increase within the 3 next years.

The technical support services had been optimized, and the clients loyalty towards the company grew. The amended customer relationship management was introduced by new rules that became more regulated and businesslike (commercial): official relationship changed the familiarity cultivated by the previous owners. Previously Success rendered services to some customers in a friendly way, free of charge. This rule had been altered by the new price list included prices for all services even consultation to clients. As a result Success lost some customers but kept the most loyal, stable, and profitable.

The next step became reorientation to longer projects (from 6 months and more) that can bring more profit such as participation in tenders. The launch of the new direction – mobile application – revealed new perspectives for Success. This mobile application was designed for application development on the basis of the mobile operating systems iOS and Android. A new sales manager and a qualified professional in iOS development had been employed with the company. Besides one enthusiastic programmer had been assigned to this project and provided with training in this field.

At the beginning of 2015 top-management set one more strategic goal - to hold the seventh place in 1C Company's rating in 2017. All of 1C franchisee were subject to this rating based on the number of certified specialists, quantity of published implemented projects, and the presence of the ISO 9001:2008 certificate. The mentioned criteria determined the place of the franchisee on the 1C Company list. The prospective customers appealed to this rating to find the 1C provider, the first companies in the list were more compatible. In 2013 Success occupied the eighth place, at the end of

2014 - the twelfth place as a consequence of the certified 1C specialist's quit and decrease of the published projects number. The publication of an implemented project had taken a lot of time due to the close examination of the published information by the 1C Company. In its turn, ISO certification required big financial investment, employment of a staff specialist in this field, a greater number of personnel.

The Success employees were divided into 5 structural divisions: administrative, sales, programming, project and development, and technical support (Appendix 2). The Administrative department included 3 employees: an accountant, an office-manager, and a driver. 4 consultant-developers and 4 interns worked in the Project and development department. The Sales department embraced 4 sales managers. The director on programming supervised work of 2 departments. 5 programmers of the 1st, 2nd, and 3rd categories worked in the Programming Department. The Department of technical support involved 3 technical consultants of 4th and 5th categories.

The company classified 5 categories of programmers to motivate the employees to work better as the compensation of 1st category programmers was significantly higher than of 5th category specialists:

- 1st category programmers - the most qualified professionals who demonstrate solutions of high difficulty, knowledge of programming languages, knowledge of complicated server operations, skills of configurations development.
- 2nd category programmers – specialists with advanced skills, abilities in developing program configurations, knowledge of programming languages, and preparation of complicated reports.
- 3rd category programmers good at developing reports, perform additional work with prepared configurations.
- 4th category programmers perform additional work with prepared configuration and provide consultation services to clients.
- 5th category programmers give consultations to clients.

The key personnel was divided into 3 categories: salespeople, programmers, and consultants-developers. The primary source of candidates recruiting was the HeadHunter portal, Success' website and, additionally, for some projects the company appealed to profile universities for obtaining high potential interns. The recruiting process started when the company needed to fill in the new opened vacancy. The selection process was represented by a series of face-to-face unstructured interviews. Director on methodology was in charge of recruiting advertisements preparation and selection of salespeople, consultants-developers, and administrative staff, director on programming dealt with potential programmers. On average, they organized selection in three steps: an initial interview focused on theoretical knowledge, personal qualities, and situational questions. The secondary interview concentrated on work experience, specific professional skills and abilities. The third step - brief testing - was designed basing on the vacant position requirements.

Personnel compensation was represented by the bonus system: the bonus constituted 50% of additional payment to the basic salary. The size of the bonus could be negatively changed, if the company's discipline was violated, for example, tardiness, untimely project submission, etc. Nevertheless, there were no clear written deduction rules, and such kind of decisions were made solely by top-managers. Success regularly reimbursed tuition fees for 1C specialists certification. Upon obtaining the 1C certificate these employees often left the company, and Success initiated a new recruiting and selection campaign. For the last three years 5 employees quitted the company annually.

As the new strategy was defined by the Success, they started reconsidering their human resource management practices. Mr. Izokh supposed effective to employ already certified 1C programmers and consultants-developers, while Mr. Kuznetsov deemed the best way was to train and

develop young employees with comprehensive skills. Two owners after a long discussion decided to work in two ways as a pilot project: to hire already certified professionals and prepare young but potential generation for certification. They wondered whether this pilot project would be effective. Additionally, they had to address several HRM issues critical for the company's competitiveness improvement.

Questions:
1. Should they recruit a new candidate to publish the implemented projects or assign this as additional tasks to the current employees?
2. How could they design the motivation program to retain the 1C certified specialists?
3. Should they continue applying of the existing categories of programmers?
4. Would recruiting of specialists in field solutions help to attain the set goals?

A carousel of these questions was going round in the new directors' minds. They had to make important decisions after a difficult and detail discussion to bring Success to further level of development.

Appendix 1

Logotype of "Success Group" Ltd.

Organizational chart of "Success Group" Ltd.

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                          ┌──────────────────┐
                          │   2 Directors    │
                          │    (Owners)      │
                          └──────────────────┘
                 ┌────────────────┴────────────────────┐
        ┌──────────────────┐               ┌──────────────────┐
        │   Director on     │               │   Drector on      │
        │   Methodology     │               │   Programming     │
        └──────────────────┘               └──────────────────┘
    ┌────────┼─────────────┐            ┌──────────┴──────────┐
┌─────────┐ ┌──────────┐ ┌─────────┐ ┌──────────┐ ┌──────────┐
│Administ-│ │ Project &│ │  Sales  │ │Programming│ │Technical │
│rative   │ │Development│ │Department│ │Department │ │ Support  │
│Department│ │Department │ │          │ │           │ │Department │
└─────────┘ └──────────┘ └─────────┘ └──────────┘ └──────────┘
  ┌────┴────┐      │          │            │            │
┌────────┐┌───────┐┌──────────┐┌────────┐┌────────────┐┌────────────┐
│Account-││Office ││Consultants││ Sales  ││Programmers ││Programmers │
│ant     ││Manager││-Developers││Managers││of 1st, 2nd ││of 4th and  │
└────────┘└───────┘└──────────┘└────────┘│and 3rd     ││5th         │
              │         │               │categories   ││categories  │
          ┌───────┐ ┌──────┐            └────────────┘└────────────┘
          │Driver │ │Interns│
          └───────┘ └──────┘
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