THE DECISION DILEMMA[1]

PART A

In July 2010, Secure Bank was looking for a software service provider who can develop, test and maintain their new integrated banking software. Secure Bank was a profitable Indian bank that had, during the past decade, made successful forays into the international market. High degree of competitiveness in the international market implied that they needed to complete implementation of the state of the art software as soon as possible. Even though Secure Bank had a reasonably competent information technology (IT) department, they felt it was better to have a third party vendor handle the development, implementation and maintenance of the new software. The development and implementation of the software was not considered a technologically complex task because Secure Bank had been using similar software for over a decade and their internal team had completed the entire design of the new software after thoroughly understanding the user requirements. Speed and efficiency was the need of the hour and a specialized vendor was deemed to be more suited to deliver as compared to Secure Bank's internal IT department.

Secure Bank wanted a small or medium size service provider, so that their order added significantly to the revenue of the service provider. This, they hoped, would make the service provider give them the due importance and attention. At the same time, they wanted to ensure that the service provider was competent enough to provide good quality software at low price. After an initial round of evaluation, Secure Bank shortlisted two vendors – Vega Information Systems and Zeta Software Technologies. Both these organizations were similar in size and had achieved SEI-CMM Level 5 Certification. They had benefitted from the outsourcing boom of the last decade and were keen to grow their business. Secure Bank noticed that Vega, more often than not, won against Zeta in competitive scenarios and even though financial numbers were not publicly available, several sources confirmed that Vega was more profitable than Zeta. Vega was known to manage its operation with minimum bench strength and had one of the best 'rookie ratio' in the industry.

VEGA AND ZETA – A STUDY OF CONTRASTS

The founder and CEO of Vega, Jay Swaminathan proudly proclaimed that among the mid-sized software service providers, they were the leaders and ahead of their competitors in profitability. This was largely because of Vega's high quality processes that were stringently followed. "Developing industrial scale software is an engineering job that needs to be done following the principles of assembly line. Gone are the days of heroic programmers", he often said. Vega had well documented organization charts and job descriptions. Employees were clearly explained the rules of the organization and every employee had well articulated responsibilities and narrowly defined jobs that leveraged their particular competencies. Jay and the senior leadership team believed that the secret to success and profitable growth lay in specialization – a philosophy that permeated their human resources policies such as recruitment, training and career growth. Vega's employees were in general happy to be part of a profitable organization, were proud about their achievements though some of them wished that they had more discretion in their jobs and some opportunity to experiment or try out new things.

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[1] This case has been developed by S Mukherji, Professor of Organization Behaviour at the Indian Institute of Management Bangalore, India for the purpose of classroom discussion. The author acknowledges that the idea of this case arose from "The Paradoxical Twins: Acme and Omega Electronics," in J F Veiga & J N Yanouzas, *The Dynamics of Organizational Theory* (St. Paul, MN:West, 1984), 132-138

Zeta's CEO, Deep Roy, did not have much belief in organograms. Even though his organization had departments and specializations, he believed that too much specialization leads to creation of silos which prevents collaboration. He believed that employees should be familiar with all activities throughout the organization so that there is cooperation across functions and departments. He did not feel much need for documentation either because he wanted to retain an entrepreneurial culture within the organization where people should talk to one another and resolve issues rather than write memos and worry about rules and regulations. "I have complete trust in my employees", he often said "they know what to do and what not to do. The more freedom they have to try their own thing, the more they will innovate. And most importantly, they will enjoy doing the work". The head of the Testing team noted that Deep spent most of his time talking to employees, understanding their needs and listening to their suggestions. He, like most of his colleagues, appreciated Deep's genuine concern for employee satisfaction and his efforts to make every employee feel part of the organization. However, the lack of structure and specialization confused some of the employees, especially those who joined new. "There is too much of team work where the individual gets lost. It is confusing to see people from other departments make comments on your code and expecting you to tell them about your work. People are very nice here, but not sure whether being nice is good for business", said one of the employees in her exit interview.

THE PROTOTYPE

In August, Vega and Zeta submitted their proposals to Secure Bank. While both of the proposals were judged to be technically adequate, Vega's time and material rate was lower than that of Zeta. Subsequently, Secure Bank decided to offer both of them prototypes exercise to understand their capabilities, specifically with respect to banking software. The design document was given to both the organizations and they were asked to develop and fully test the "customer relationship management (CRM)" module of the software. Secure Bank intentionally kept the deadline tight to judge whether Vega and Zeta can deliver good quality software under pressure. Vega and Zeta were instructed to ship the fully tested module at the end of six weeks.

As soon as Vega received the design document, Jay sent emails to all senior leaders announcing the team members who will be responsible for developing, testing and doing quality assurance (QA) of the software. He had created a three tiered team structure with the project manager directly reporting to him and the heads of development, testing and QA reporting to the project manager. Following Vega's tried and tested process guidelines, the task was divided into several logical modules and each of such modules were allocated to individual members who were given clear instructions about their reporting hierarchy and the rules that needed to be followed to meet the time deadline. All project members were instructed to work for additional hours on week days as well as on weekends and have their holidays cancelled with the assurance of compensatory holidays and performance linked bonus after the project deadline. Jay personally wrote to all the team members, a standard practice that he always followed, explaining how critical this project was for Vega and how he expected every employee to give their best, as they have always been doing as Vegans.

During the next few weeks, Jay kept a tight vigil on the progress, which seemed to be on course. He was also in constant touch with the senior management of Secure Bank, informing them about their progress. In the process, he got to know well Mr. K P Mehta, the Head of Secure Bank's IT department, who was responsible for vendor selection and management of the outsourced deal. At the end of two weeks, as Vega's development team was ready with the first set of sub-modules so that they could be sent for testing, Jay received a call from Mehta that Zeta had found a fundamental shortcoming in the design document. Secure Bank had forgotten to take into consideration the fact that increasingly its customers will be interacting with the bank through their mobile phones rather than through computers. This necessitated that the CRM module should be designed in a manner that is easily accessible through all kinds of mobile devices. Even though reviewing the design was not within the scope of this exercise, the Zeta team had already submitted a modified design to Secure Bank and assured that they will ship the redesigned CRM module within the same deadline. Mehta felt that if Vega developed the CRM module without incorporating the new design, it might go against them and advised Jay to incorporate the changes.

Jay was completely taken aback by this development. He realized that they had no other option but to abandon the old design and start almost afresh. This would imply compressing the schedule by almost 50%, something that was nearly impossible given that their original deadline was itself quite stringent. However, he was not a person to give up. He immediately called the project leader and the module leads, explained to them the situation and worked with them for the next several hours assessing how they are going to compress the development time and what were the additional resources that needed to be brought to the project to meet the deadline. For the next three weeks, Vega as an organization seemed to be under fire. With long hours of work, employees often got stressed and most of Vega's tried and tested processes were lost under the deluge of contingencies. Tempers were frayed and Jay oscillated from being very angry to being despondent when he realized that they were badly falling short of the schedule. In the final week, Jay decided that in order to meet the deadline of six weeks, the testing process will be severely curtailed. While most of the unit testing was done, there was hardly much of integration and system testing. Though this was totally unacceptable according to the process framework, it was thought to be an "acceptable risk" rather than being disqualified for late shipment. "This is just a prototype, not production software and fixing bugs is an ongoing process. Meeting the deadline is most important at this stage", he reasoned with his QA team, who were not very happy about shipping the software without adequate testing. However in Vega, one did not question the boss when he took a decision.

In contrast, not only did the project team at Zeta have smooth sailing developing the CRM module, they quite enjoyed the journey. Their most joyous moment was to find the design shortcoming, which was serendipitous because the idea of banking software being developed for the mobile environment came from Anil Sinha, an engineer who did not even belong to the development team. As was customary in Zeta's open culture, some members of the development team were having lunch with Anil discussing the project that they received from Secure Bank and Anil suggested that the team could make the project interesting by incorporating this feature into the design! The rest, they were sure, would become part of company folklore about how the best of ideas typically come from discussions in the cafeteria.

In late August, when Zeta received the design document, Deep had called a town –hall meeting of the entire organization where he explained the strategic importance of the assignment and asked employees to volunteer for the project, keeping in mind that the work might involve long hours during the next six weeks. The employees had an open discussion about the merits and attractiveness of the work. Many of them noticed that since there was no element of design, the work seemed uninteresting. Deep acknowledged that the project would have been more enjoyable if they were expected to do the design and he hoped that if they won the contract, the actual work might give them more latitude to innovate. However, he reminded them that Zetans have found ways to be creative in most mundane of activities and more often than not, such creativity has been appreciated by their customers.

As soon as Anil gave them the idea of changing the design, the project team worked overnight to create the new design document. They were not surprised to find Anil joining hands with them, not to mention about Deep who came to know through grapevine that the design team “was up to something”! When the design document was ready, Deep sent Anil and a few team members to meet Mehta to seek his approval. Mehta’s initial reaction to this new proposal was quite cold – first because he was expecting to hear about this new development from Deep, second because he felt defensive about their own design, which, according to Zeta, had shortcomings and finally, because he felt that the changes would result in delay. However, once Mehta heard them speak, he realized the superiority of the new design and readily approved it. The Zeta team assured him that they would be able to deliver within the agreed time frame and they also were happy to share the new design with Vega. “We love a fair fight. What’s the fun in competing if you know you are sure to win?” said one of the team members as they shook hands with a very impressed Mehta.

Zeta did not face much challenge during the next five weeks in developing the module, testing it adequately and getting the go-ahead from their QA team. They received a few non-conformances in documentation - always their Achilles Heel and Deep, while congratulating the team for their good work, reminded them to do better on process conformances, as and when they got the actual order.

Question before the class

1. Assume that you know everything that went inside Vega and Zeta (as per the case facts), if you were Mr. Mehta, to whom will you give the ***final order*** for developing the integrated banking software for Secure Bank? Analyze the pros and cons of giving the order to Vega and to Zeta and provide reasons why you would choose one over the other. What are the assumptions that you are making?

2. What organization factors do you think contributed to the performance of Vega and Zeta, in the past and during the prototype? What lessons can one draw between organization structure and performance from this case?