

Case Analysis 1

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This case traces the evolution of GATI over a period of two decades since its inception. In doing so it highlights the various phases of transition it went through from a venture to a corporation. The first period of consideration could be between 1989 and 1994. This was a period in which GATI was part of Transport Corporation of India (TCI). GATI was sheltered by a few factors in its early years. It started as a division of TCI and would likely have had support of seed capital, offices and other common resources from its parent organization. The parent company was a family business of the founder Mr. Agarwal that would have helped in setting up a direction for the new venture. A sheltered new venture has the advantage of testing markets, perfecting a business idea and developing an appropriate business model.

GATI seems to have used its early sheltered period in testing its new idea at first in Tamil Nadu and subsequently in the rest of South India. It refined its business along the lines of door-to-door and later desk-to-desk cargo delivery. The use of GATI Associates as a front-end delivery mechanism was a new business model, which allowed GATI to keep its logistics cost to a minimum.

GATI faced serious competition from 1994 onwards, a period in which it became an independent entity. The concept pioneered by it was attracting other retail courier operators. Hence this period probably marked an end of the strategic window of opportunity, which GATI had created and enjoyed. GATI's business model was based on leveraging existing networks and resources rather than owning every resource. This is exemplified by the alliances it entered into with Indian Airlines and Indian Railways. These alliances gave it a nation wide reach and service different types of customers – premium, desk-to-desk, and regular transportation.

GATI had grown with business opportunities during its first decade of existence and had not quite made the transition from a growing venture to a firm with established systems and processes. Its growth was marked by risky bets and innovation in business model. Some of its bets did not quite come off like the experiment with Indian Railways. However, the founder's passion and drive to succeed saw GATI through trying times and emerge as a progressive venture.

The lack of an appropriate structure, systems and processes affected GATI's transition from a progressive venture to an established organization. This probably resulted in a reorganization of GATI during 2001 – 2003. The earlier organization did not sharply focus either on marketing or delivery, nationwide product / service monitoring was rather cumbersome, branches had

proliferated on regional basis, and planning was a top-down activity with the corporate office doing the planning.

The revised organization structure providing activity based divisions autonomy for planning and implementation, was implemented with zeal and enthusiasm. However, the organization was not ready for this change implemented at a fairly rapid pace and hence there was a period of confusion and turmoil within GATI post the reorganization.

This case highlights, among other aspects, one of the classical issues of transitioning from an entrepreneurial entity to a corporation. Some of the questions that would interest entrepreneurs and managers alike in this context would be -- How does a venture make this transition? What are some internal and external triggers, which an entrepreneur should be wary of? How does one effect a change of culture in a venture?

There maybe no ready-made solutions for the above questions, however some viewpoints could make it an interesting process of discovery. It is well known, and also found in this case, that the passion of an entrepreneur becomes critical in tiding over crucial phases of new venture creation and evolution. A new venture is unlikely to have a well-defined structure, systems and processes since it is busy identifying opportunities and customers for survival and growth. Hence in the early growth phase of a venture, planning and control is likely to be centralized, largely founder driven, and aimed at achieving the business idea of the founder.

Once a venture finds its moorings in terms of finding the right business idea and develops a workable business model, like GATI did, there would come a time when the founder has to step back and allow the venture to grow from that point in time. The process of stepping back from regular activity does not imply relinquishing control of the venture or divesting stake in the venture. It implies developing a second line of leadership, making the venture more systems oriented at least in terms of having a periodic planning and budgeting cycle, and empowering the second line of leadership to develop the business further in terms of new product / geographic additions. This would be the first stage of making a venture more professional in terms of processes and involvement in decision making of senior members of the venture.

It is not very clear from the case, however Mr. Agarwal may not have consciously attempted to make GATI professional in the sense described above during the period 1989 – 2001. Had he done so, GATI would have been more streamlined in its operations and the reorganization carried out during the period 2001 – 2003 may not have been required. The other advantage of making a venture more professional is that it sets a cultural tone for subsequent evolution. A professional organization with clear growth processes and responsibilities outlined, sets the

tone for all concerned to adapt their behavior accordingly. The fact that GATI struggled to implement its reorganization plan is an indication that this cultural tone was probably not set by its founder.

Not all ventures have growth objectives; ventures planned to sustain a lifestyle of an entrepreneur may not attempt to be professional organizations. However, any venture planning to be a sustainable corporation has to go through phases of becoming professional through involvement of more senior members in decision-making and developing a goal oriented organization.

Author's Profile

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The author is currently a faculty of Strategic Management at Indian Institute of Management Indore. The author has worked for little more than a decade in the industry and holds expertise in business development and consulting in India, Middle East, Europe and USA.