Enhancing profit growth of an Egyptian ICT company through better innovation management

Case Study submitted by

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2014

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1 Executive Summary

This case study describes the concept of measuring innovation management performance and identifying its strengths and weakness for improving business performance using the IMP³rove Approach of IMP³rove – European Innovation Management Academy (www.improve-innovation.eu) and how it changed the mindset of a software house like the company in this case study. Namely, the approach helped them to start thinking of how their daily activities translate into innovation management activities. This has been achieved by assessing their innovation management capabilities with a main focus on identifying their opportunities and levers for increasing the company's profitability.

In line with our objectives to empower the innovation and innovation management concepts in the ICT sector in Egypt, The Software Engineering Competence Center (SECC) offered the company a big chance to perform the IMP³rove Assessment to validate its innovation management performance. The main target was to assess the current situation of the company and understand what enhancements are needed in the company's innovation activities to help them increase their profit growth by higher rates than the previous years.

2   The company

Smart Integrated Solutions (SiS) is an SME founded in Egypt in 2007. The main role and focus of the company is to be a software house for a variety of SW applications and software management tools. Moreover, the idea was to be a point of sale for software applications that serve the Egyptian and Arab world markets. The recognition of the growing impact of information technology on business management stimulates SiS to introduce themselves as a premium system integrator and a leading technology solutions provider.

SiS has taken a leadership role in offering various IT Solutions to Business Organizations. The ultimate goal is to provide solutions that are unique, functional, and offer value for money.

History and background

An enthusiasm and commitment of a young team of IT experts resulted in the formation of Smart Integrated Solutions in 2007; its main objective was to provide state-of-the-art products and services in the field of Information Technology. At the start of their existence they provided solutions in the web development area, but nowadays, mobile software development, E-commerce solutions, multimedia presentation and other Internet services like domain name registration and web hosting, form the portfolio of services that SiS provides.

SiS has a state-of-the-art development center, located at a prime location in Egypt. Their development center is in "Mohandseen", which provides them with the dual benefits of cost-effectiveness and high development pace. They are also equipped with high-speed communication lines for access and connectivity with their clients across the globe. In addition, SiS has full-fledged R&D facilities to meet the client demands in the ever-changing technologies.

Product and Services

SiS provides integrated consulting, IT services; website development capabilities to bring continuity and consistency to their customers' strategic programs. SiS has a large portfolio of services in different areas including:

- Business Consulting: including Business Process Management, Change Management, and Program Management.
- IT consulting: including Architecture and Technology, Information Risk Management, Infrastructure Services, IT Process and Service Management, IT Strategy and Governance, Master Data Management, Performance Engineering Solutions, Quality Assurance, Testing and Training.
- Website Development: including website design, custom CMS website development, Search Engine Optimization, website maintenance, portal, Ecommerce Solution with latest technology web 2.0, open source development (Oscommerce, Magento, Zencart, X-cart, CS-cart, Joomla, Drupal, Word Press) and iPhone application development.
- CMS website: SIS offers Web Content management services that help organizations to distribute and manage information faster and more efficiently. Whether you are looking to communicate with your clients or potential users through your corporate website, possess an intranet knowledge bank system for employees or a multi-level extranet for your partners, their product – named ISHIR- will provide you with robust and user friendly web content management services enabling you to communicate effectively. Their customized website content management solution helps companies to enjoy uncomplicated management of their websites and other crucial online content with reduced time and effort.

- E-commerce: E-commerce web solutions enable the distribution, buying, selling, marketing, and servicing of products or services over the Internet and help to reduce costs while reaching a wider market. Many companies offer off-the-shelf ecommerce website solutions which soon wear out due to inflexibility and lack of sound integration to the core process that gives a competitive edge to your business resulting in inefficiencies and errors.
- Open Source: SIS facilitates open source integration tools for different users depending on their unique business requirement.
- Flash Website: A website forms an integral part of successful web communication and promotion by creating a unique image and identity for your business. We provide you with websites that comprises of dynamic and interactive content using the latest Flash technology
- Internet Marketing: Organic Search Engine Ranking, Pay Per Click Advertising, Directory Submissions, Link Popularity Building Campaign, Paid Advertising in terms of Banners Ads, Text Adverts etc. Solicited Email Marketing, Article submissions, Ezines, Newsletters that will carry advertising to a subscribed audience, Affiliate Program Setups, Search Engine Optimization, and PPC Campaigns.

The SiS's core market is the Egyptian entities including schools, hospitals, governmental entities like universities, agencies and ministries. They have a remarkable track record in design and implementation of IT solutions offered in different domains for more than 40 customers.

Company Strategy and Performance

Within the 6-7 years of their operations, SiS has carved a niche for itself in the IT industry and has increased its business by acquiring some major domestic and international projects. No doubt the company has been able to make a name for itself in a relatively short span of time only because of its ability and commitment to ensure customer satisfaction by rewarding quality work on time and in a right manner.

The current strategic plan addresses all operations and it is reviewed and updated on a regular basis. The plan is clearly aligned with their long term vision: "SiS has taken a leadership role in offering Total IT Solutions to Business Organizations all over the world. The ultimate goal is to provide the community with solutions that are unique, functional and give value for your money."

The annual revenue achieved is just over 500,000 EGP (€53,000) and their short-term target is to increase the profit by more than 20% annually and to increase the employment rate; they currently employ about 30 employees.

3   IMP³rove Assessment

SiS Company was considered as an ideal candidate to offer the IMP³rove services to. It was well established (about 7 years ago), achieving good results and applying an innovation strategy while at the same time needing to gain more sustainable profit and to be a leader in their technical area in the Arab world.

The initial engagement with SiS's CEO was in November 19th 2013 during the evaluation of their new product of school management systems. This evaluation was part of a big project for SMEs funded by ITIDA, and as an evaluator I was responsible for testing the final products and writing a report to continue the funding process. During our discussion, we talked about the challenges they may face in the future and the need to think of innovative ideas to be able to sustain their good position and market share.

After this useful discussion, the IMP³rove Approach and the innovation management concepts were explained and the CEO showed great interest in having more information about this approach. We agreed to meet again to continue our discussion about the IMP³rove Assessment in more detail, but the CEO suggested to have this meeting after a couple of months such that they can finalize the liabilities towards their customers and meet the deadline for some important projects.

In February 3rd, we met again to discuss the approach and how it could achieve an impact on the company's growth. Most of the IMP³rove Approach topics were covered through a presentation that shows the A.T. Kearney "House of Innovation" and its 5 dimensions of innovation management as shown in Figure 1:
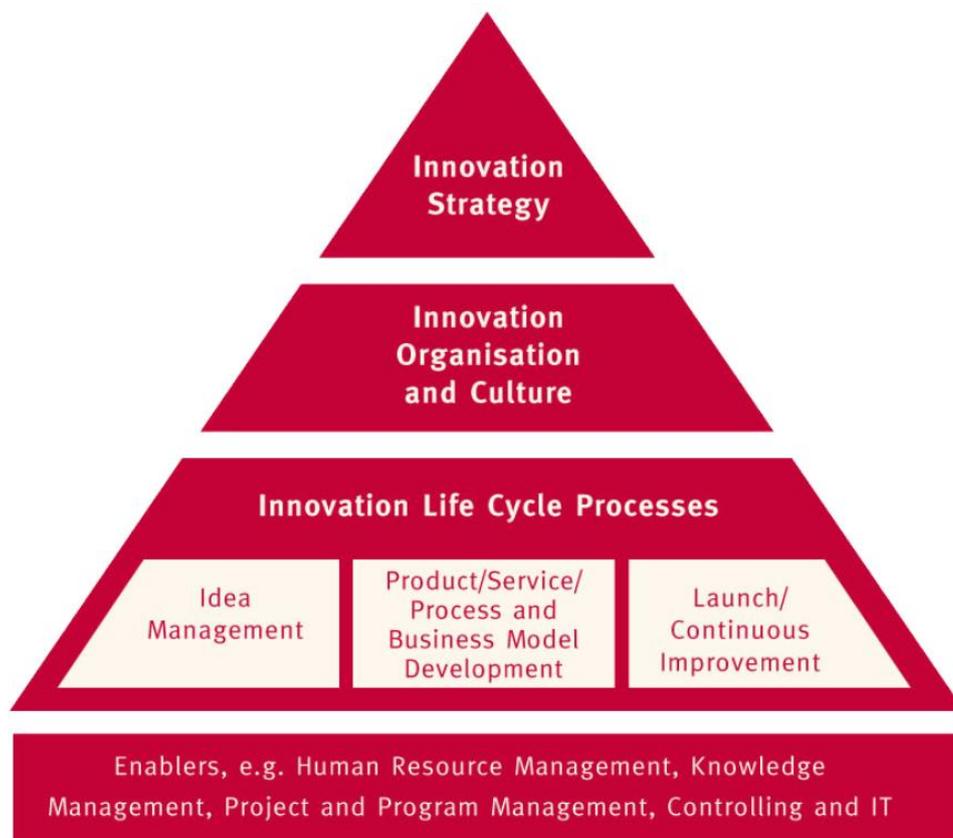

Figure 1 A.T. Kearney "House of Innovation"   Source: IMP³rove 2014

- Innovation Strategy

- Innovation Organization and Culture

- Innovation Life Cycle Processes

- Enabling Factors

- Innovation Results

During the explanation of the approach, the CEO was mainly focusing on the impact and usefulness of the approach on their target of growth and sustainability. He was also asking about the time, effort and any other commitments on his organization to apply the innovation management approach.

What prevents the company's CEO from sleeping at night?

Regardless of the good results that the company achieved and their continuous growth in the last four years, the CEO was worried about the sustainability and the high competition on the horizon. We could summarize together the pain areas they need to handle and solve:

1. Political instability

The political instability in Egypt was a big obstacle in achieving better profit in the last three years. They tried to alleviate the safety problems effects as much as they could and succeeded in having good numbers in terms of profit and employment growth. What they are worried about in the near future is the continuity of this instability; their golden product now is the school management system and due to the security situation, the schools will be closed for prolonged periods of time and the demand for this system will be highly affected. Moreover, the economic position of the country will represent a handicap for the schools' managers to pay money for such IT systems.

2. High competition in the Arab countries market

The competition in the Arab countries is very tough especially from the Indian companies who are providing such IT systems with very competitive prices.

3. Availability of skilled resources

One of the main problems they are expecting to face in the future is the lack of skilled developers; they can hardly find good candidates from the pool of CVs they got for the open positions.

The positive thing was the ease of convincing SiS CEO of the importance of having innovation management as a culture in the organization. He was very satisfied with the level of innovation and innovation capabilities of his staff, either development staff or sales and marketing staff, but on the other hand the concept of innovation management as a driver for sustainability and profit growth was missing. It was an exciting discussion that ended with determining a new appointment to conduct the assessment.

IMP³rove assessment preparation

As an IMP³rove Guide, there was some work to be done in order to facilitate the assessment workshop. Before conducting the assessment, an email with the required data was sent to the company including the financial data for the last 4 years such that they are well prepared before beginning the assessment process. In addition, The CEO was asked to categorize the most successful projects into radical and incremental innovation types.

The next step was sending an invitation to the CEO from the IMP³rove website, and then calling him by phone to explain how to login to the IMP³rove website and register his company.

IMP³rove Assessment workshop

The CEO's main objective of the assessment was clear, he aims to drive the business to achieve an increase in profit by 100% in the next 5 years, "Will the IMP³rove Approach help me to achieve this target?", the CEO said.

On February 6th, we conducted the IMP³rove Assessment workshop in about 3.5 hours with only one break as it was very difficult to reschedule another time. The only participant in the assessment was the CEO, he is also the owner of the company so he was aware of everything related to the financial side and the technical side including the nature of projects they are currently developing and the future plans.

Before answering the assessment questions, it was very effective to explain the structure and scoring system of the questionnaire and to guide the CEO on correct interpretation of some questions that were vague somehow to him. It was mainly required to clarify the questions especially those related to the innovation strategy.

One of the most difficult parts of the questionnaire were the questions with answers in the form of a scale from 1 to 7, a lot of discussions and debates were made to be able to put the most accurate answer. Sometimes, it was necessary to challenge the given answer based on my knowledge of the business domain.

While answering the final section questions about the innovation results, a continuous validation was done to make sure that the numbers are correctly and logically recorded and conformed to the financial documents provided by finance department manager.

After answering all of the questions, the data was submitted. The CEO was very interested in analyzing the IMP³rove Report results to see how it could help. Accordingly, he preferred to generate the report based on the benchmarking class of companies with the following profile:

• Industry group: ICT / Electrical / Optical;

• size class: 21- 100,

• age class: 6 - 10,

• country: All

The report was then requested and sent to me after less than half an hour. It was explained that the report require an appropriate amount of time to be read, analyzed and digested into useful findings and recommendations. Before leaving the office, we agreed to have another meeting after 3 days to demonstrate the report results, it was also recommended to invite the departments' managers and the team leaders to participate in this workshop and enrich the results discussion.

4   Results

Report Analysis

In the next couple of days after the assessment workshop, the report was analyzed to come up with the primary findings and recommendations. In February 9th, the innovation results workshop was held to demonstrate the report analysis results and to discuss with the CEO and the other stakeholders what will be done in the future to make the best benefit from the recommendations. The analysis was prepared as a PowerPoint presentation and presented in the workshop.

Benchmarking Group

As stated before, the evaluation was based on the benchmarking class of 24 companies with the following profile:

Industry group: ICT / Electrical / Optical; size class: 21- 100, age class: 6 - 10, country: All.

Overall performance

The IMP³rove Report showed that SiS has an overall score of 71% on Innovation Management performance. Below, the score is compared with the Growth Champions and the average for the benchmarking class.
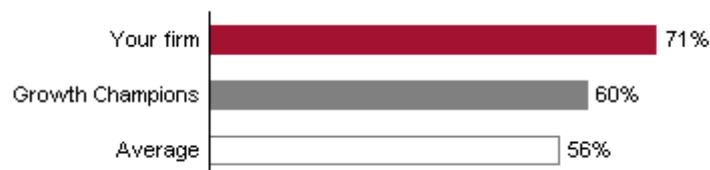
Source: IMP³rove 2014

By digging more into the report, the detailed performance of the company regarding each dimension was clearly shown as follow:
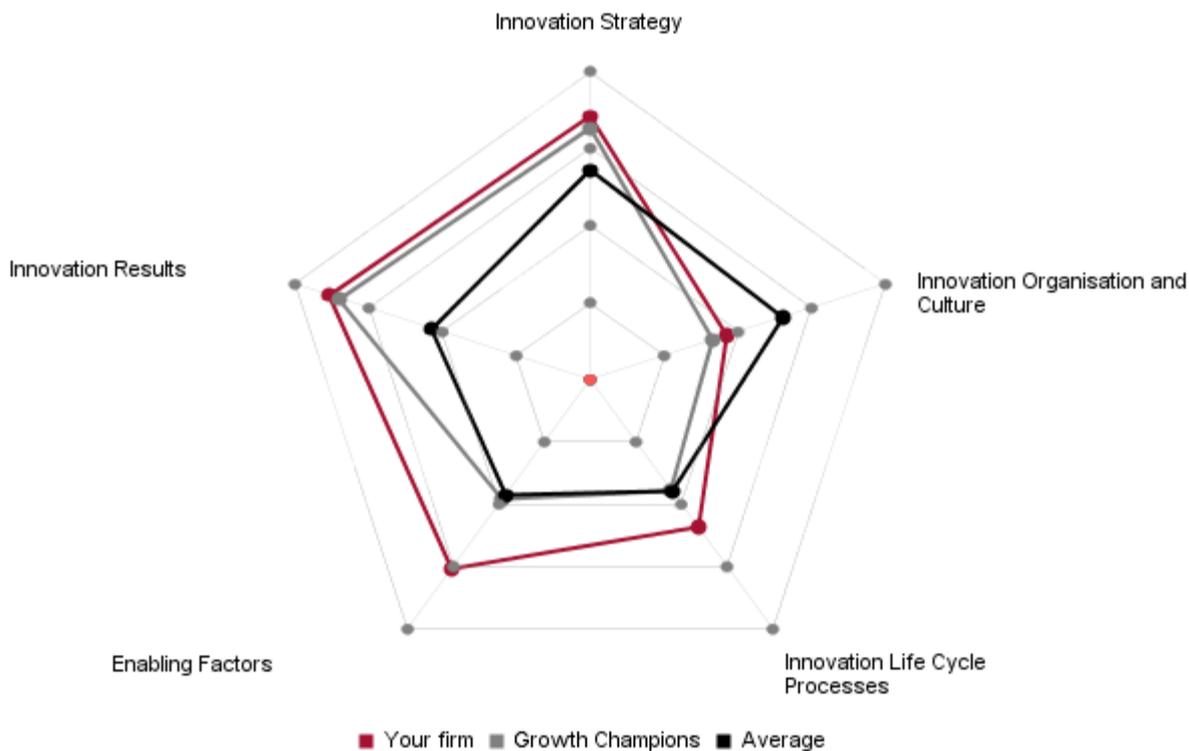
Source: IMP³rove 2014 - Innovation Management Performance Profile - Overall

Hypotheses

The overall performance of the company is outstanding; they are very close to the Growth Champions in some dimensions like innovation strategy and innovation results. From another side, they are exceeding the growth champions in the enabling factors and innovation life cycle. However, they are less than average in innovation organization and culture.

We had reached a conclusion together that the starting point should be giving more focus on the innovation organization and culture that means the gearing of organization and innovation networks towards Innovation Management, and embedding of Innovation Management in the firm's culture. It was also clear that the company will suffer a lot from tough competition from the growth champions; they need to use their driving factors as leverage to continuous growth.

Findings

- SiS achieves very good results from the innovation management; they are above average and among the Growth Champions.
- The company has a strong innovation strategy that is fully documented and distributed to the internal stakeholders.
- SiS has a clear vision that is communicated with the different management levels and also the level of employees. It can be seen everywhere on the walls of the company rooms.
- The company has very good numbers in terms of the success rate of their innovation projects either radical or incremental.
- The time-to-market and time-to-profit metrics are above average. This needs a special attention as they could achieve better results if they improve these metrics.

- The company staff has a good readiness and big capacity for innovation but they are lacking the cooperation and integration with external innovation partners.
- They have a systematic method of idea management but the number of generated ideas is not aligned with their innovation capabilities.

5   Benefits/Impact

Recommendations

The primary recommendations given to the participants throughout the meeting were to consider ways to achieve a fast and step change in profit growth as follows:

- Work on generating more ideas through a monthly meeting called "Ideas Day". In this day, brainstorming sessions and discussion on the technical and business levels will primarily help in generating a lot of ideas
    - Potential impact: having a queue of promising ideas that could be converted into real successful projects
- Define a new criterion for the selection of generated ideas to give more focus on implementing ideas that achieve the best time-to-market and time-to-profit.
- Set more ambitious profit targets for the different projects. Currently, the profit targets for the school management systems, for example, are calculated based on the worst case and high risk considerations. Adopting new techniques in market analysis and risk assessment could double the profit targets as a start.
    - Potential impact: increasing the profit objectives and encouraging people to exert more effort to achieve this ambitious objective
- Establish innovation partnerships and networks with external entities like governmental entities (Governorates, ministry of information and communication technology), universities, suppliers and research centers. This will help in generating more innovative ideas and leveraging the technical skills of the company staff.
    - Potential impact: Creating new business opportunities in new technology and business lines. Moreover, networking with different entities will open the door for products of real need.
- Think of a new business model for the company products like migration to cloud that will be of a great help in saving a lot of investments in the IT infrastructure.
    - Potential impact: The migration to cloud will also facilitate reaching new customers as you will not need to deploy the IT solutions on their premises, they can easily use your products as a software as a service (SaaS) model.
- Work on widening the customer base by targeting the Arab countries that need the IT solutions in Arabic language especially, the school management systems. This will help to alleviate the problems you are facing with the Egyptian market due to political instabilities. Targeting the Arab Gulf market could be achieved through different ways:
    - 1- Network with partners from the Arab region
    - 2- Attend technology expos like Gitex and demonstrate your products

After demonstration of the findings and recommendations, the participants showed a positive reaction and they were satisfied with the recommendations and how they are linked to the growth in profit. The analysis results convinced the participants that they could perform better, and become more efficient and profitable.

Agreeing the Action Plan

After the report analysis results workshop, The CEO agreed to continue the IMP³rove engagement. It was agreed that over the following 10 months (till the end of 2014), I will help the company to start implementing the recommendations and assessing their impact on results by performing these tasks:

- Provide the company with guidance and access to the innovation partners they can cooperate with. As a part of SECC, we have an access to almost all of the IT companies working in Egypt and we also have very good relations with the universities and research centers worldwide.
- Help the company to organize the "ideation day" event monthly and measure the number of generated ideas and how much of them are effective and could be transformed into profitable projects.
- Help the company to access the recent market studies about the Arab countries in order to open a new market for their products

We agreed upon the following time schedule:

Time frame	Action
March 2015	Build an idea management system
April 2015	Prepare for participation in Gitex IT expo in Dubai as a starting point to enter the Gulf market
May – Aug 2015	Launch a new development phase of the school management system based on cloud computing technologies. This will decrease the IT infrastructure burden and increase the reliability and profitability of the products portfolio.

Contact

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About SECC

In June 2001, the Software Engineering Competence Center (SECC) was inaugurated as part of the efforts sponsored by the Ministry of Communications and Information Technology (MCIT) to support Information Technology Industry in Egypt. In year 2005, SECC was merged into the Information Technology Industry Development Agency ITIDA. ITIDA is a governmental organization developing IT industry in Egypt. It is significantly financed by the private ICT sector with significant presence of private ICT business representatives on its Board of Directors. We work with ICT companies to improve the process and content of their product or service, by providing services that enhance their technical competence and improve their internal capabilities.

SECC started from 2013 to support the innovation management in the ICT community in Egypt. SECC could successfully train 5 of its consultants as IMP³rove Guides to offer the IMP³rove Innovation management assessment to SECC clients free of charge.