

## **THE EAGER BEAVER PROBLEM: HOW DO COMPANIES HANDLE OVERCOMMITMENT?**

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*The software development team at TechServ Inc<sup>5</sup>. is in major trouble. Marketing and sales has again overcommitted them to a project, which has been aggressively underbid and oversold in order to beat the competition. Now the software team that develops the software is committed to build the software and get it done on a truncated timeframe, which may be unrealistic. What can we learn from this scenario so we can avoid this situation in the future?*

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### **INTRODUCTION**

“You did what?” screamed Ajay Srinivasan, the Senior Systems Manager for TechServ Inc., over his cell phone while walking to his office from the parking lot. It was 8 a.m., and already a sweltering 110 degrees in New Delhi. He was already sweating profusely, and the news from marketing wasn’t making him any cooler. “How could you promise them a product which is still in development? We need at least eight months to finish it, and then we will have about 4 – 6 months for testing and bug fixing even if everything goes according to plan. In the best-case scenario, we are not going to be ready for about another 14 months, worst case 2 years. Harsha, I suggest you go back and tell the client that it cannot be done. We cannot do this project in the time that you have promised it.”

Harsha Gupta was on the other end of the call. He had been named the Vice President of Sales and Marketing South East Asia for TechServ Inc. nine months ago, and he needed this deal to go smoothly. Harsha is used to being successful. He had completed his Bachelor’s degree in Economics in the prestigious St. Stephens College, Delhi University and then his MBA at IIM Ahmedabad, India’s premier MBA institution. His first job after graduate school was with Hindustan Lever (a subsidiary of Unilever), and he was one of their star marketing managers

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<sup>5</sup> The case is based on actual situations encountered by one of the authors who has experience in IT project management. The names of the companies and actors have been changed.

in the fast-moving consumer goods (FMCG) section. Six years later, he was hired away by Wipro-Acer Inc a fast-growing IT company in India to sell computers to the growing middle class in India. From Harsha's point of view, it did not matter whether he had to market and sell shampoos and soaps or computer hardware. Marketing was marketing according to him. He spent four years growing the PC desktop business for the company and was very successful in building the market and the brand for the company in India.

Harsha received a phone call from his boss Jai Sanyal. Jai, the CEO of TechServ Inc., a multi-billion-dollar software firm based in New York, was a serial entrepreneur. An engineer by training, he founded TechServ Inc. in the 1970s when IBM left India, and it was one of India's original start-up companies that started filling the void left by IBM. TechServ Inc. had morphed into a big multinational technology firm with offices in India, the United States, the United Kingdom, Brazil, Germany, Singapore, and many other locations across the world. While predominantly focused on selling IT hardware solutions, they branched into software and had become successful in managing software projects. Their strategic vision was to move up the value chain and sell software products.

Jai wanted Harsha to head up sales and marketing for the Southeast Asian division of his software company. Jai's offer included a relatively low base salary compared to his previous jobs, but the financial incentives for bringing the firm new business were very generous. Initially, Harsha was hesitant about the offer. His area of expertise was in marketing products, and he had never worked anywhere outside India. In addition, he had never dealt with software projects that required account management and building long term relationships. After some reflection and the realization that a better offer was not coming, Harsha decided to accept the offer. If he could sell soaps, shampoos, and computer hardware, then he could sell computer software.

Nine months into his new role at TechServ, Inc., and Harsha started to have his doubts. Malaysia was a completely different environment than India. He did not have his contacts and networks already in place. Furthermore, software projects and services were very different than selling products. He expected that the large sales incentive package would more than supplement his salary. However, he had yet to make a significant deal, and was under a lot of pressure from the top to deliver results.

Harsha's luck changed when he landed the TechPadu deal. It had taken Harsha a month to get someone from TechPadu to return his calls and another month for them to read his proposal. Negotiations with TechPadu's executive team were prolonged and tenuous. TechPadu's executives were negotiating from a position

of strength, and they knew it. It was the type of deal that could transform TechServ, Inc. into a global player. If TechPadu decided to adopt TechServ, Inc.'s software, it could pave the way for its software to become the industry standard in all of southeast Asia. TechServ, Inc. needed the deal, and Harsha had to promise the moon to get it.

Still on the call with Ajay about the deal, Harsha sighed, "Ajay, we have been trying to break into the market in Malaysia for the last year, and we have had no success. This is a fifty-million-dollar project. We need this to break into the market. Once this project is done, we will have multiple projects from this company and others. This is critical."

"The operative word is successful completion of the project, not just getting the project. You have promised TechPadu a product that is still under development," said Ajay. "Where are we going to conjure up the product Harsha?"

"Well, I did tell them we are working out some of the kinks, and we should have it ready in 6 - 8 months," replied Harsha. The building's internal temperature is 55 degrees, which was optimal for the computers and servers.

After coming in from 110 degrees outside, the sudden drop in temperature gave Ajay a blinding headache. "Six to eight months? It is not going to happen," replies Ajay. "Cancel the project or re-negotiate. Give me 14 months, and I will have a great product for you. I cannot do anything in 6 to 8 months."

"I had a feeling you would say that, Ajay. I have scheduled a teleconference for both of us with headquarters in Delhi tomorrow at 8:30 am. Let us see what Alok Mitra has to say" Alok Mitra was the Director of the software division of TechServ Inc., and he was keen on expanding the portion of software revenue for the company. He had been one of the founding members of the company with Jai Sanyal. Last year, Alok decided that TechServ Inc. should move from a project-based business model to creating and implementing software products. He decided that TechServ Inc. was going to develop an Enterprise Resource Planning software product called 3C-Enterprise. This product was a huge gamble for TechServ Inc. as they were trying to move up the value chain from a project fee-based service to a product-based service.

The key person during this transition was Ajay Srinivasan who has just been hired specifically to head the team developing 3C-Enterprise. Ajay had had a great deal of experience in product development in other companies, and he was eager to join TechServ Inc. and could create a completely new product from scratch. Ajay was born in India and did his bachelor's in engineering in Computer Science at IIT Chennai in India and his master's in computer science at Massachusetts Institute of

Technology, Boston. He had extensive experience working with Microsoft and Cisco Systems on computer networks and was handpicked by Alok to head the development team of TechServ Inc.

Alok believes that people respond to incentives, and his company had the following incentive structure. Employees are given monthly targets and are expected to meet them. Exceeding a target in a previous month, however, could not compensate for missing a target in the current month. Employees were given two reviews in a year. At the half yearly review, if an employee had not met their targets, they were warned about it, and at the end of the year, if they still had not met their targets, they were fired. On the other hand, if they met or exceeded their targets, their bonus could be as much as their annual pay. A lot of top performers doubled their annual pay under this system. This incentive structure had created a high-pressure environment, which had people working late hours. It was normal to see people working on weekends and holidays.

Ajay walked into his office with a splitting headache, cursing under his breath. He started his computer and opens a virtual conference window with his team. All of them were there. “Guys, I have some good and bad news,” he said. “First, the good news: we have a fifty-million-dollar contract from TechPadu for the 3C-Enterprise software suite.” He heard cheers from his team.

“Now for the bad news, we have to deliver and implement it in six to eight months.” There was complete silence. Ajay continued “Can it be done?”

There was a long pause. Tina Reddy, his senior programmer, replied, “We can try to do it, but eight months would just be enough for the alpha phase. We won’t even have it ready for beta testing, and all the bugs will still be there. Will that be all right?”

Ajay replied, “No, of course that is not all right. We can’t implement a product with a whole bunch of bugs. How about if we all work on Saturdays and Sundays?”

Tina responded, “Sir, most of us are already working twelve hours a day, and some of us work on the weekends. I am not sure how much more time we have.”

Ajay countered, “But what if all of us work on Saturdays and Sundays, and put in extra time?”

Manish Patel, another programmer, responded “It will be difficult, but I think we should be able to do it. There will be some bugs, but we can constantly update their package as we fix it.”

Ajay said, “So then maybe if we negotiate for ten months to a year, we can do it?”

Manish replied, “Yes I think we can,” and everyone else except Tina said yes.

Ajay spoke to Tina, “Listen, I am going to fight to have the contract re-negotiated, but I need to know the bottom line. Do you agree with Manish’s assessment?”

Tina replied, “It is going to be very hard, but if nothing goes wrong, we should be able to have a working product by one year. There will be bugs, and we will spend another two to three months working 100 hours a week to fix all of them. If the client expects us to have a bug free product in a year, then it is not possible, but if they are willing to work with some bugs, we should be able to do it.”

Ajay said, “All right, so we have consensus in the team, we will be able to deliver this product in a year?” This time everyone agreed. “I am going to have a teleconference with Alok Mitra and Harsha Gupta in half an hour, and I would like Tina and Manish to be available in case I have to patch you in to answer some questions about the product.”

Ajay’s headache had receded, as he nervously waited for his meeting with Alok and Harsha. It was a video conference over Skype. Alok, looking very affable and cheerful, came onto the screen. “This is a great coup for us Ajay. We have broken into the Malaysian market. That was a great job Harsha.”

Ajay frowned and replied, “It is a great opportunity, but I think there are some unrealistic expectations. We cannot possibly get this done in eight months. When you hired me, I gave you an estimate of two to three years. We are jumping the gun here. We must go back to TechPadu and ask for more time. I think if we rush it through, we should be able to give them a good product in 18 months.”

Harsha jumped in, “Alok the only reason they chose us over SAP, IBM, or other bigger firms is that we promised a fast turnaround time.”

Ajay snapped irritably, “SAP and IBM have existing products which are already working. How can you go about promising a faster turnaround time than them when we don’t even have a product?”

Alok interrupted, “Now, now Ajay we are all under pressure. Harsha is just trying to get us into the market, and you guys have already had one year of work. You told me that you would get this done in two years’ time. One year is over, so we should have a product ready in another year. This is a \$50 million dollar contract.

If it goes through, we crack open the market in Southeast Asia. TechPadu is big in Malaysia, Singapore, Indonesia, and Australia. They have firms they consult with, and if they like 3C-Enterprise, they will use it in all those firms. So, this is not just a onetime fifty-million-dollar project. It could be a continuing long-term partnership between them and us. It will be in the billions of dollars in the long run.

Now, I can definitely talk to the CEO of TechPadu and ask them to extend it for twelve months. But if I go to him, I am putting my personal credibility on the line, and I want guarantees that we can get it done in twelve months. Tell you what, if we get this thing done successfully, I will double your annual bonus. All of you will get a bonus equal to twice your annual pay. Now, I know you can do this. I just need you guys to be positive and commit to it.”

Ajay returned, “Alok give us fourteen months, and we should have it ready.”

Harsha shook his head, but Alok stated, “Done, I am going to fly to Kuala Lumpur to meet with the CEO of TechPadu. I will offer to absorb the costs by \$10 million and give them a personal guarantee that it will be done in fourteen months. Now, I want both Ajay and Harsha there when I meet the CEO. They are going to ask us about the product Ajay. I want you to tell them it is ready, but we need the time to study their processes and customize the product for their company.”

Ajay looked alarmed. “Alok that’s not what we agreed on. Customizing our product for their company will take time. I don’t have the manpower to create the product and then customize it for them.”

Alok responded “How many people do you need? You have 20 programmers. We can double it, and you can get it done in 7 months.”

Ajay returned, “That is not how it works, we have to train the programmers to our product, and that will take anywhere from 3 – 6 months. Then, we cannot do all the activities in parallel. Some of them have to be done before others can start. If we have to customize the product, it will take us another six months or so in the best-case scenario.”

Harsha jumped in, “Didn’t you tell me that you were using the best industry practices for our product, so if TechPadu’s business practices are different, we will tell them to change their practices to fit our product as our business practices are based on best practices worldwide.”

Ajay sighed and responded, "Worldwide standards may not apply to Malaysia, and furthermore, there are legal issues to take into account. Any implementation of the product in a different country would require some customization, which could take anywhere from six months to a year."

Alok replied, "Come on Ajay, I hired you because I thought you were a go-getter. But you keep coming up with problems and not solutions. You asked for more time, and I am giving you more time. Fourteen months and we will deliver the product to TechPadu. You can manage their requirements and keep it to the minimum. I want you in Kuala Lumpur. You are going to give them a demo of the product, but don't tell them it is a prototype. Let them think that it is a working product and that we need fourteen months to customize it for them."

Ajay buckled under pressure and agreed. The video conference ended. Ajay calls his team into the conference room. "So, I have good news and bad news."

Tina narrowed her eyebrows and said, "I would like to hear the bad news first."

Ajay smiled and responded, "Well let me give you the good news first, we got fourteen months to finish the project, and Alok has promised to double our bonuses if we complete this project successfully."

Everyone but Tina smiled. Tina said, "Well what is the bad news then?"

Ajay sighed, "We can't tell the client we don't have a product already. I need to show them a demo of the product, and we have to say that the fourteen months is for product customization."

Tina said quite angrily "That is impossible. We don't have a working version of our product that does not crash, and we need the fourteen months to finish all the features. If we do it right the first time, we will have it done in fourteen months. How are we going to include their customization?"

Manish stated, "So long as you show them the demo and don't let them handle it, we can avoid the crashes. They won't know that most of the product is not working. We will have to keep the changes and customizations to the minimum when we gather requirements, and we will have to work 14 – 15-hour days seven days a week to make this happen."

Ajay said, "Pretty much, I will try and keep the customizations to the minimum, so it is not too burdensome. For the next year or so, please forget about any holidays or vacations. If you are not sleeping, you are going to be working. If we get this

done, it will be a big break for us and probably a partnership with TechPadu, which could come to billions of dollars for the company.”

“I don’t see why we should break our backs so that Alok can reap the billions. We get our bonuses in rupees, which sounds like a lot, but it is basically just twenty thousand dollars,” muttered Tina.

Ajay looked at her and said, “Tell you what, you get this thing done, and I will move you and anyone in this team to projects in places you like. Tina, you wanted to go to London because your husband is there for a long-term project for TESCO. I am pretty sure I can arrange for your transfer to London after this project is completed, maybe even in the same project as your husband. So, are we all agreed? We need to get this done in fourteen months.” The entire team agreed.

Ajay flies to Kuala Lumpur to meet Harsha and Alok. They made a successful presentation to the CEO of TechPadu, with Ajay successfully navigating the demo so that there were no crashes. The CEO of TechPadu seemed quite happy and signed a \$50 million contract, with promises of a partnership after the successful implementation of the product. Alok flew back to New York, and Ajay met Harsha for a drink at the Petronas Towers. “So, are we going to get this thing done?” Harsha asked.

“You screwed us over Harsha.” Ajay said. “This is going to be touch and go.” Harsha replies, “I don’t have a choice, Ajay. You know how the incentives work here, and if I don’t meet my targets, I am fired. With this, I have met my target, now I have to look for the next sale.”

Ajay replied, “Don’t you see that if we mess this project up, it does not matter if you had the sale. Successful completion of the project should be your focus, not just a sale.”

Harsha shook his head. “That is your problem. I am being judged on my performance, which has to do with making the sale. Once I am done, I am out of the picture. This is your baby. Now it’s your turn. If you feel so strongly about it, why did you not tell Alok it can’t be done? You should have stood your ground.”

Ajay replied, “I tried telling him how difficult it was going to be, that it was dangerous, and that I needed more time. If he still insists, we do it, then all we can do is try.” Harsha shook his head. “Ajay, you should know better. He wasn’t listening to any of that. Every time you said that you would try, he was hearing we can do this. Now you have made a commitment, and he is going to hold you and your team to it. There is no trying with Alok; you either do it or you don’t.”

Ajay sighed and said, “Well I’ve got to get back to Chennai, it’s going to be hell for the next fourteen months.”

Ajay and his team worked around the clock for the next fourteen months. A typical work week was 100 hours and some weeks it was 120 – 130 hours. No one took a break. Ajay tried his best to keep the customization requirements from TechPadu to a minimum, but there are some. The 3C-Enterprise team is quite proud of their work ethic and their ability to deliver, but the task put before them was very difficult.

Eight months later, Alok Mitra made a trip Chennai to visit the TechServ Inc. development center. He met with Ajay, and he walked into the development center at 1 a.m. He saw Ajay, Tina, Manish, and the entire team there working. He walked up to them and says, “You guys couldn’t sleep either? I am jet lagged, what’s your excuse?”

Tina said, “We haven’t been home for a couple of days now; we are really working hard to get this done.” The rest of the team chimes in to show Alok how hard they have been working.

Alok let them talk for ten minutes or so and then smiled and says, “Well guys, in business, hard work is appreciated, but it is results that are rewarded. So, get this project done well and successfully, and all of you will go far in the company.”

The team continued to work hard, and at the end of fourteen months, they had most of the work done. The product was completed and tested. There were no bugs in the main product, but there were about 200 or so bugs in all the customizations that TechPadu wanted. Ajay, under pressure from Alok, went ahead with the implementation at Kuala Lumpur. He sent Tina to handle the implementation, as she was the most experienced programmer. The team back in New Delhi continued to work round the clock to fix the bugs, but as the bugs were being fixed, new ones surfaced.

Tina did an excellent job in keeping the TechPadu employees happy with her explanations on why there seem to be some crashes and showed them workarounds. She also prioritized the bugs back to the team in New Delhi, so that they could be fixed overnight. The patches were uploaded overnight, and TechPadu was still unaware that the team in New Delhi was still fixing bugs. Two more months passed, and the stress of doing this job tells on Tina. She has not seen her husband, who was in London, for sixteen months now. She has not had a day off, and she talked to Ajay about a transfer to a different project. Ajay asked her to wait for a

few more months, saying that they were nearly there, but Tina had enough. She already had an offer from another company with higher pay, and the only reason she was staying on here was because of the promised relocation to London. The new company was already processing her visa for a project in London. She quit.

Ajay could not spare anyone from the current development team, and Harsha pulled someone working in Malaysia for TechServ Inc. on another project to liaison with TechPadu. Satish had been in Kuala Lumpur for three years and fifteen years of experience in the software industry. He had been working with TechServ Inc. since its incorporation. He, however, was not aware of the background of the situation of this project.

Harsha Gupta was focused on getting new projects and was not interested in projects that were already underway, and Ajay was under pressure to get this project done. Satish met with the TechPadu employees, and when asked why there are still these minor problems after implementation, he told them that TechServ Inc. had finished the product but was still bug fixing on the customization requested by TechPadu. There were about 80 more bugs to go.

When asked why it was taking TechServ Inc. sixteen months to get the modifications ready, he replied that after looking at the internal documents that it took them fourteen months to finish the product, and the last two months were spent on creating and finishing the customizations. He assured them that all of it would be done in a month or so.

The news reached the CEO of TechPadu, who after talking to Satish, talked to his lawyer and threatened a lawsuit against TechServ Inc. Alok Mitra, alarmed by this development, sends Harish Chandra over to Kuala Lumpur to talk to the CEO of TechPadu.

Harish had an undergraduate degree in Computer Science and an MBA from the top schools in India and had lot of experience in turning around troubled projects. He flew over to Kuala Lumpur to meet with the CEO of TechPadu and the team in TechPadu. He then flew back to meet with Harsha Gupta, Ajay Srinivasan, and the development team in New Delhi to analyze the situation and make his recommendations. After two weeks of meeting everyone individually and in groups, he submitted his recommendation to Alok Mitra.