

# DLS Associates : The Way Ahead

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## Abstract

The case was structured around a decision dilemma related to growth faced by the management of DLS Associates. The case traced the origin and history of the firm and the challenges facing the firm after years of superior performance. Various options on growth were explored, such as geographic expansion, expanding services to residential domain, and diversifying to offer other services to commercial establishments. Strategic choices covering winning aspiration – where to play, how to win, required capabilities, and necessary management systems – were discussed. A structured analysis covering structure and size of the market segments, drivers of customer value, required capabilities, relative costs, and competitors' reaction was done. The data concerning this case study were gathered from interaction with the Chief Executive Officer and the Chief Operating Officer of DLS Associates. Various barriers to the necessary conditions to be true were discussed and tests were conducted for the critical barriers. The test results were expected to give meaningful insights for resolving the decision dilemma.

**Keywords :** competitors' reaction, customer value, dynamic capabilities, relative costs, industry analysis

**JEL Classification :** L1, M1, M2

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**D**LS Associates is a family-owned cleaning company that has served the Bhubaneswar area for the last 28 years. Second-generation owner Jagriti Dhal has seen the company grow into a leading office cleaning company in the region because of great service. She builds deep relationships with clients, hires friendly and reliable staff, and ensures that every client has the service structure that suits his or her individual needs. She has a stable of loyal clients willing to pay a premium over the lowest price competitors. The strategy has been working well, but Jagriti is worried that growth is slow. She wonders how to retain what is great about DLS Associates while finding a new way to grow.

## Current Strategy

DLS Associates aspires to be the leading office cleaning company in Bhubaneswar and to have the highest client loyalty and level of repeat business in the industry.

Its customers comprise of small and medium enterprises (SMEs) spanning across sectors, regional offices of leading large enterprises, ITES development centres, and Central as well as State government undertakings/establishments. It offers its services directly to the clients and uses no intermediaries. It delivers cleaning/housekeeping services through service contracts for regular office cleaning (daily or weekly) plus à la carte specialty deep-cleaning offers. It operates in the Bhubaneswar Municipal Corporation (BMC) area in India.

The cleaning/housekeeping business in the BMC area is fragmented with more than 12 operators. Unlike the

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other players, DLS Associates differentiates its services through service excellence; deep relationships – knowing the decision maker better than its competitors can; customization – tailoring its offerings to client needs ; and familiarity – deploying friendly and knowledgeable staff each time. It has been able to charge a premium in the range of 12 – 25% during the last 5 years.

Some of the key competencies that have enabled DLS Associates to achieve success include retention and recruiting (building adaptable, service-oriented teams), sales and customer service, and quality control and accountability.

To be able to execute the service deliveries meeting the desired standards, it has put in place a set of structure, systems, and process concerning logistics and fleet management, compensation and rewards systems, and customer relationship management.

## **Problem, Choice, and Possibilities**

The growth in revenue has been flat for the last two and half years. There is pressure on cost owing to the rise in inflation and concurrent rise in the input cost, and rise in work force cost owing to revision in the minimum wages by the government. As a result, the return on equity has come down from an average of 22.57% until 2 years back to 12.22% for the year ending March 31, 2018. Considering the challenges of slow growth and rising cost, DLS Associates is exploring to expand geographically, diversify customer base, and/or offer new services. Expanding geographically would mean grow in another major city base and another region using the franchise model. Diversifying customer base would mean extending into cleaning high-end homes and residential cleaning, condominiums, and apartments. Offering new services would mean offering office repairing and maintenance services – electrical, plumbing, furniture, and fixtures – office supplies/consumables, and moving services.

Faced with a challenge of poor performance, strategists explore possibilities to improve growth and productivity (Grant, 1991 ; Olson, Slater, & Hult, 2005 ; Sar, 2018). The DLS Associates team then culled the possibilities down to three that it felt were most promising :

**(i) Geographic Growth :** Grow beyond Bhubaneswar into five major industrial and tourism townships, using a franchise model.

**(ii) Extend to Residential :** Expand into residential cleaning by adding housing societies to customer base, using a B2B model.

**(iii) Office Service Company :** Add more services to offerings (e.g., moving and basic maintenance, repairs of electrical equipment, plumbing, and furniture and fixtures) and products (e.g., basic office supplies such as water, coffee, and paper towels).

With understanding of the possibilities, strategists frame choices around the identified possibilities (Lafley & Martin, 2013; Sar, 2017). The cascade of choices would cover winning aspirations – where to play, how to win, what capabilities are required, and the required management systems.

The following section covers possibility wise cascade of choices.

### **Strategic Possibility #1 : Geographic Growth – Franchising Model Across the Defined Region**

✎ **Winning Aspiration :** To be the leading cleaning company in the defined region and to have the highest client loyalty and level of repeat business in the industry.

✎ **Where to Play :** Customers : small and medium enterprises (SMEs) ; Channel : franchise model ; Product:

service contracts for regular office cleaning (daily or weekly) plus à la carte specialty deep-cleaning offers; Geography : major industrial and tourist townships in the defined area.

✚ **How to Win** : Differentiation : Clear brand positioning as the leading cleaning experts, excellent customer service, standardized set of service offerings, deep relationships with office managers, and friendly and familiar staff each time.

✚ **Capabilities** : Marketing and communications, franchise development and oversight (training, recruiting, and contracting), quality control and accountability, and sales and business development.

✚ **Management Systems** : Logistics and fleet management, net promoter score, training programs, and customer relationship management (CRM).

### **Strategic Possibility #2 : Extend to Residential – Expanding into Cleaning for Residential Buildings**

✚ **Winning Aspiration** : To be the leading cleaning company in Bhubaneswar for residential and office buildings and to have the highest customer satisfaction, client loyalty, and level of repeat business in our industry.

✚ **Where to Play** : Customers : SMEs, property management firms, and housing societies ; Channel : B2B and direct ; Product : service contracts for regular office and residential cleaning (daily or weekly) plus à la carte specialty deep-cleaning offers ; and Geography: Bhubaneswar area.

✚ **How to Win** : Scale and Efficiency : Become supplier of choice to property managers and housing societies with a suite of residential and office buildings, efficient servicing of large buildings (scale, speed, and cost savings), and partnering with property managers, with enough scale to deliver across their portfolios (broadest offering vs. competitors).

✚ **Capabilities** : Sales and business development, sophisticated account management, quality control and accountability, cost management, and supply chain expertise.

✚ **Management Systems** : Logistics and fleet management, large-client CRM, account management, 24/7 support system, and procurement systems.

### **Strategic Possibility #3 : Office Service Company - Offering More Services to Small-and Medium-Sized Businesses, Including Maintenance and Office-Product Delivery**

✚ **Winning Aspiration** : To be the one-stop shop for service needs of offices. To have the highest customer satisfaction, client loyalty, and level of repeat business in the industry.

✚ **Where to Play** : Customers : SMEs ; Channel : direct ; Product : service contracts for regular office cleaning, basic maintenance, small repairs, and regularly ordered office products (e.g., paper towels, large-format water, and coffee) ; Geography : Bhubaneswar area.

✚ **How to Win** : Simplicity and ease for customers (seamless, comprehensive support for all office maintenance), “We worry about it for you”– simplified caretaking of the customers' office space, customized routines and regimens to suit each client, and trusted brand with specific staff expertise.

✚ **Capabilities** : Project and process management, comprehensive maintenance routines, efficient, timely service, collaborating with specialized suppliers, and sales and business development.

↳ **Management Systems** : Logistics and fleet management, 24/7 support system, procurement and partner management, training and development, and evaluation.

## Reverse Engineering

For a possibility to be part of the new strategic orientation, several conditions need to be true (Barney, 2018 ; Leavy, 2013 ; Porter, 2017). The team then analyzed what conditions would have to be true for each strategy to work. This process is called reverse engineering. It is not about evidence yet. That comes in the testing phase. It is not about *what is true* either, but rather about *what would have to be true* for the team to be confident in choosing this particular possibility as the new strategy. The DLS Associates team looked at conditions in seven categories relating to the industry, customer value, relative position, and competitors.

Once they listed all the conditions, they reviewed them and for each one asked – If this were not true, and everything else were true, would we still move ahead with this strategy ? If they answered “yes,” they considered the condition “nice to have” rather than essential and crossed it out.

The following section covers the conditions they identified in each category for each of the strategic possibilities and for their current strategy.

### (1) Reverse Engineering the Geographic Growth Possibility – It Would Have to be True That...

↳ **Industry Segments** : There is a large and stable or growing number of urban SMEs in the defined region who care about high-quality cleaning and choose cleaning services based on brand and reputation (and not just low price). A large potential number of franchisees in neighboring industrial/tourist areas would be attracted to this opportunity. Demographics indicate that franchisees would be able to recruit and train employees in their local markets.

↳ **Industry Structure** : Small local players, who will not impede our brand development, populate expansion markets. Regulations that cause barriers to entry (e.g., unionization) are not excessive in target areas. Few substitutes (e.g., property owners who provide cleaning services under lease agreements) are available.

↳ **Customer Value – Franchisees** : Value having a brand with a reputation across the defined region, value being a part of a franchised network of companies over time, value the ability to offer a standardized product, and value developing deep relationships with office managers within their defined geographic boundaries.

↳ **Customer Value – SME Customers** : Value cleaning services from a branded, bonded company ; value a standardized set of service offerings for office cleaning ; and value friendly and familiar staff for their cleaning services.

↳ **Relative Position** : Ability to build a recognizable brand among office managers in the defined region. Capability to recruit, train, and manage franchisees to our standards. Capability to maintain quality of service and brand reputation with franchisees through legal and financial mechanisms. Ability to build standardized best practices for cleaning that are applicable to the majority of SME offices. Capability to leverage MIS as a feedback tool for franchisees and direct customers. Capability to maintain our reputation and roster of clients during and after the franchise development period.

↳ **Relative Position – Costs** : We can operate the franchising model at a level that is affordable to the franchisee, and franchising revenues will exceed the cost of building the franchise system.

↳ **Competition** : Independent cleaning companies will not replicate this approach to expansion in the same ways and geographic areas. Competitors in our current market will not reduce service fees below current levels. Competitors in franchisee markets will not reduce service fees to an unreasonable level. Franchisers (across industries) will not offer financial arrangements for franchisees that greatly exceed our value proposition to franchisees.

## **(2) Reverse Engineering the Extend to Residential Possibility – It Would Have to be True That...**

↳ **Industry Segments** : There is a large and stable or growing number of property management entities and housing societies. These entities manage multiple office and residential buildings in Bhubaneswar area. These entities require regular cleaning services and are willing to choose a large, single supplier and are willing to engage in contracts across a number of properties driven by factors other than price.

↳ **Industry Structure** : Existing residential building service providers are small and fragmented. Existing service providers in residential properties do not serve as adequate substitutes for cleaning services. Property management entities will not coordinate to exert excessive buyer power. Reputational excellence and strong customer relationships create barriers to new entrants.

↳ **Customer Value – Property Managers** : Value collaborating with one cleaning service company across multiple office and residential properties, value consistency and certainty in cleaning services, and value coordination of services through a centralized support system.

↳ **Office Workers and Residents** : Value regular and standardized cleaning services, and value cleaning services from a recognizable and reputable company.

↳ **Relative Position – Capabilities** : We can build standardized cleaning best practices for residential areas. We can develop relationships with property managers to build brand reputation. We can build and maintain systems for 24/7 support to maintain cleaning standards across clients. We can hire, train, and retain service-oriented staff who can work in both residential and office environments. Across multiple sites, we can manage the logistics for mobilizing people and resources, and assess and reward quality of cleaning and service.

↳ **Relative Position – Costs** : Achieve cost advantage through scale in materials and supplies. Travel costs and time between sites are manageable. Additional equipment requirements do not undermine our cost structure.

↳ **Competition – Reaction** : Independent office-cleaning entities will not replicate this approach to service in the same way in the Bhubaneswar area, and will not expand into residential cleaning services.

## **(3) Reverse Engineering the Office Service Company Possibility – It Would Have to be True That...**

↳ **Industry Segments** : There is a large and stable or growing number of SMEs, and regional setups of large enterprises in the Bhubaneswar area that require a comprehensive solution for their cleaning services, office maintenance and repair, and office product supply needs. These entities are willing to pay for holistic office service and product management, and are willing to switch from their current office maintenance and office product suppliers.

↳ **Industry Structure** : Relationships with office managers serve as a barrier to new entrants in cleaning or repair services. Building managers (or property owners) do not have adequate substitutes for cleaning, maintenance, and

repairs. The structure of the combined cleaning, maintenance, and repair industry is structurally more attractive than any one of the industries alone.

⇒ **Customer Value – Office Managers :** Value the simplicity and convenience of a single point of contact for all office-cleaning services, maintenance, repair, and supplies. Value collaborating with a cleaning services company for their office maintenance and supply needs. Value routines and regimens for cleaning and maintenance of offices.

⇒ **Customer Value – Office Workers :** Value an uninterrupted work experience.

⇒ **Relative Position – Capabilities :** We can define basic and complex maintenance and repairs, and build contracts accordingly. We can build attractive comprehensive service packages. We can build partnerships with specialized suppliers for office products and repairs. We can recruit, train, and retain staff who can both clean and perform basic maintenance and repairs. We can build a system for dispatching staff to manage a diverse set of resources. We can build deep relationships with office managers to increase sales in all three areas of service and sales.

⇒ **Relative Position – Costs :** We can source supplies and office products at competitive costs and deliver at comparable prices. We can create cost advantage through scale in materials and supplies. We can manage inventory costs to avoid decreasing our return on investment.

⇒ **Competition – Reaction :** Independent cleaning companies will not replicate this approach in the same way in the Bhubaneswar area. Players in product sales or repairing and maintenance will not attempt to broaden into cleaning services.

#### **(4) Reverse Engineering the Current Strategy – It Would Have to be True That...**

⇒ **Industry Segments :** There is a large and stable or growing number of SMEs and regional setups of large enterprises that require cleaning services in Bhubaneswar area. These entities prefer branded service providers and do not decide solely by the lowest price.

⇒ **Industry – Structure :** Strong reputation confers advantages to large incumbents, creating some barriers to entry. Few substitutes (e.g., property owners who provide cleaning services under lease agreements) are available to SMEs and regional setups of large enterprises.

⇒ **Customer Value – Decision Makers :** Value the contribution of regular cleaning services to the operation of their office. Value deep relationships with sales and service staff. Value specialized cleaning services. Value responsive customer service and issue management for cleaning services (and will pay for these additional services).

⇒ **Customer Value – Office Staff :** Value familiarity with a regular cleaning staff. Value and reinforce the choice of a cleaning service made by a decision maker.

⇒ **Relative Position – Capabilities :** We can recruit and train flexible customer service-oriented staffs. We can maintain a low staff turnover rate. We can manage client-by-client customizations as requested. We can assess and improve the quality of cleaning.



✚ **Relative Position – Costs** : Labor costs will continue to be less than 50% of operating costs. Travel costs and time between client sites remain manageable. Growth in fuel prices remain in line with inflation.

✚ **Competitors' Reaction** : Independent cleaning companies will not replicate this approach to service in the same way in the same geographic region. They will not hire intact teams from us.

## **Identify Barriers**

Out of all the conditions that must be true for a possibility to be a part of the new strategic orientation, some conditions can be worrisome (Lafley, Martin, Rivkin, & Siggelkow, 2012 ; Mainrai, 2017). After the DLS Associates team captured all the conditions that would have to be true for each possibility to work, they asked themselves – which of these conditions do we worry about the most and are not true ? In other words, what are the greatest barriers to this strategy being successful ? The team voted on which they thought were most worrisome and identified four that topped the list.

### **(1) Barriers for Strategic Possibility #1 : Geographic Growth**

(i) We can maintain quality of service and brand reputation with franchisees through legal and financial mechanisms.

(ii) There is a sufficient number of franchisees in neighboring urban areas willing to engage with DLS Associates.

(iii) Competitors in our current market will not reduce service fees below current levels.

(iv) We can build standardized best practices for cleaning that are applicable to the majority of SME offices.

### **(2) Barriers for Strategic Possibility #2 : Extend to Residential Possibility**

(i) We can develop relationships with property managers to build brand reputation.

(ii) Achieve cost advantage through scale in materials and supplies, and capacity utilization of equipment.

(ii) Property managers and resident value cleaning services from a recognizable and reputable company.

(iv) Independent office-cleaning companies will not replicate this approach to service in the same way in the Bhubaneswar area.

### **(3) Barriers for Strategic Possibility #3 : Office Service Company Possibility**

(i) Office managers will value collaborating with a cleaning services company for their office maintenance and supply needs.

(ii) We can build deep relationships with office managers to increase sales in all three areas of service and sales.

(iii) We can create cost advantage through scale in materials and supplies.

(iv) Players in office product sales or office repair and maintenance will not attempt to broaden into office-cleaning services.

### **(4) Barriers to Current Strategy**

(i) There is a large and stable or growing number of SMEs and regional setups of large enterprises who require cleaning services in BMC area.

- (ii) Decision makers value responsive customer service and issue management for cleaning services (and will pay for these additional services).
- (iii) Labor costs will continue to be less than 50% of operating costs.
- (iv) Independent cleaning companies will not hire whole intact teams from us.

## **(5) Design Tests of Barriers**

Having identified the most worrisome barriers, there is a need to test these barriers (Bashir & Verma, 2017; Lafley & Martin, 2013). After highlighting the four most worrisome barriers to their possible strategies, the DLS Associates team moved on to designing tests of those barriers, starting with the most worrisome barrier – the one the team felt was least likely to hold up. The tests would not provide absolute assurance that this strategy was perfect, but they would improve the odds of the team choosing a successful strategy. They designed three types of tests : guerrilla-style, small-scale, and definitive test.

- ↳ *Guerrilla-style tests* are the simplest and the lowest cost tests. These take the shortest amount of time. They indicate if investment in more expensive tests is needed. In some cases, they may produce enough confidence to move ahead without further testing.
- ↳ *Small-scale tests* often require new data, low to moderate investment, and more time. They can provide reasonable levels of confidence in a strategic choice, but may also indicate the need for more definitive tests.
- ↳ *Definitive tests* often include pilot and large-scale in-market tests, which require the highest level of investment, and provide the highest level of confidence.

## **(6) Barrier Tests for the Geographic Growth Possibility**

- ↳ **The Basic Issue** : Maintaining quality of service and brand reputation with franchisees through legal and financial mechanisms.
- ↳ **Guerrilla-Style Tests** : The team interviewed two franchisee owners and found that consistency in quality and brand by using legal and financial mechanisms is possible.
- ↳ **Small - Scale Tests** : Experts from legal and accounting field suggested that standard operating procedures could be created and executed through work–service contracts with clear objectives and measures to maintain consistency in quality and brand. Accordingly, financial incentives can be useful for meeting and exceeding the set standards.
- ↳ **Definitive Test (Through a Pilot Franchisee)** : The pilot franchise is associated with high coordination costs and reputation risk than anticipated. Rather than acquiring new clients, DLS Associates lost two of the cleaning team's clients and had to establish regular, paid coordination and mentoring sessions with the team lead.

## **(7) Barrier Tests for the Extension to Residential Possibility**

- ↳ **The Basic Issue** : The capability to develop relationships with property managers/office bearers of housing societies to build brand reputation. Results from the guerrilla-style test, done through interaction with property managers of upcoming large-scale housing projects, indicated that there was a large potential for professional housekeeping services. Based on the result, two experts were consulted to assess the potential of charging a premium price for high-end properties. The experts suggested tailoring the housekeeping services separately for



different segments of properties to realize price premiums. Encouraged by the two tests, DLS ran two pilot projects, where they could charge a premium of 30 – 32%.

### **(8) Barrier Tests for the Office Service Company Possibility**

↳ **The Basic Issue and Concern :** Attitude of office managers to value partnering with a cleaning services company for their office maintenance and supply needs. Initial test through interaction with six client organizations revealed a large gap between perception and expectation on service quality, thereby signaling opportunity to over value added services. Further, two experts mentioned that DLS needed to be mindful of possible rise in cost in the process of offering value added services. Encouraged by the results of the tests, DLS created a pilot business unit to launch office maintenance and office supplies solutions to two clients. After six months, it was heartening to find that DLS Associates was able to enter into 3 years service contracts, with annual price escalation clause based on rise in inflation and minimum wages.

### **(9) Barrier Tests for the Current Strategy**

The relevance of the current strategy hinged on presence of large and stable or growing number of SMEs and regional setups of large enterprises who require cleaning services in BMC area. An assessment was done considering the growth of medium and large enterprises in the trading area, development of commercial space by the government as well as private builders, and investment projections by banks and other financial institutions. Results from the assessment indicated that major growth is likely to come from education, financial, hospitality, information technology, and organized retailing. The range of growth was projected between 18% and 32% in the coming 5 years.

On one Monday morning, Jagriti called four of her experienced staff members along with a family senior, who has been her mentor, to take a call of the plan for DLS Associates. She presented some of the findings from the analysis and tests to the team to kick start a brain storming session. There were divergent views from members. However, she made it clear that they needed to come up with a decision on which strategy will work for them, if not in this meeting, in another meeting within the same week.

## **Questions for Discussion**

- (1)** Should DSL Associates remain focused on the current strategy ?
- (2)** Should it expand its operations horizontally to other cities to win ?
- (3)** Can they win by extending their customer base to serve residential clients ?
- (4)** Should they expand their offerings to include new services and products ?

## **Conclusion**

Faced with a decision dilemma, particularly concerning choice of strategy in a situation characterized by falling growth rate and rising costs, strategists look for comprehensive solutions. Although there are frameworks and approaches like industry analysis and positioning, resource-based approach, and dynamic capability-based approach, the framework discussed in this case study gives a comprehensive, step-by-step approach for strategy formulation and execution. With opportunity to engage functionaries from multiple entities, this approach helps to build consensus and enable informed decision-making.

## Managerial Implications

With shortening of product life cycles, many businesses land up with slow growth and decline stages in the product life cycle. The challenges before the business managers in such businesses are to look for opportunities to overcome barriers to growth and improve productivity. Similarly, businesses, which are currently growing, could face decline in productivity. The two central themes, such as, where to play and how to win, discussed in the case study would help managers to continuously assess the dynamics of the product/service/solution arena, with a view to make right choices to grow and improve productivity. The supporting themes, such as winning aspiration, capabilities, competitor dynamics, and management systems, would enable managers to cascade the right choices to win in the market place through sustained growth and productivity.

## Teaching Notes

**(1) Case Synopsis :** DLS Associates is a cleaning company with operations within the Bhubaneswar Municipal Corporation (BMC) area. It offers housekeeping services to small and medium enterprises spanning across sectors, regional offices of leading large enterprises, ITES development centres, and Central as well as State government establishments. After more than 20 years of successful operations with healthy returns on equity, it has been facing decline to the extent of more than 10% in financial year ending March 31, 2018. Increase in costs and decline on business growth were assessed to be the cause of decline in the return on equity. The challenge before the CEO is to explore possibilities to reverse the decline in return on equity. After looking at several possibilities, it identified three possibilities, besides revamping the existing strategy oriented toward housekeeping offerings. The three possibilities are : (a) grow beyond Bhubaneswar into five major industrial and tourism townships, using a franchise model; (b) expand into residential cleaning by adding housing societies to customer base, using a B2B model; and (c) add more services to offerings (e.g., moving and basic maintenance, repairing of electrical equipment, plumbing, and furniture and fixtures) and office consumables.

To be able to make the right choice for winning in the market place, each possibility was examined using a structured approach. The first step was to describe each possibility with respect to the winning aspiration ; this includes where to play, how to win, what capabilities are required, and what management systems are necessary. The second step was to identify the conditions, which must be true for each possibility, such as (a) size of industry segment and attractiveness thereof, (b) customer value, (c) relative cost and capability position, and (d) competitors' reaction. A few conditions are unlikely to be true. The next step was to identify a few such conditions. The following step was to test these conditions in three levels, such as (a) Guerrilla-style test, examining similar businesses ; (b) Small-scale test, engaging experts to assess the condition; and (c) Definitive test, running pilot projects to gain real-time experience about a condition.

DLS Associates team generated sufficient data in the aforementioned steps. The decision dilemma before the CEO is to evaluate data generated from the analysis and take a decision on future strategy.

**(2) Instructors' Notes :** This case study is aimed at illustrating a strategy formulation and execution process in a six-step approach as follows :

- **Step 1 :** Frame a choice by converting your issue (challenge or opportunity) into at least two mutually exclusive options that might resolve it.
- **Step 2 :** Generate Possibilities: Broaden your list of options to ensure an inclusive range of possibilities.
- **Step 3 :** Specify Conditions: For each possibility, describe what must be true for it to be strategically sound.

⇒ **Step 4 : Identify Barriers:** Determine which conditions are least likely to hold true.

⇒ **Step 5 : Design and Conduct Tests:** For each key barrier condition, devise a test you deem valid and sufficient to generate commitment and start with the tests for the barrier conditions in which you have the least confidence.

⇒ **Step 6 : Make Your Choice:** Review your key conditions in light of your test results in order to reach a decision.

**(3) Approach to address the discussion questions is as follows :**

**(i) Should DLS Associates remain focused on the current strategy ?**

DLS Associates has a very clear articulation of the winning aspiration : Where to play and how to win. The key barrier or condition, which came with question marks, was growth in the trading area. Unless there is growth, it will be difficult to offer quality services by maintaining cost proximity with competitors to improve the returns on investment. Other necessary conditions like capabilities, management systems, competitors' reactions and, ability to provide differentiated offerings are likely to be true. Examination of policy data from government, trade research, and publications indicated that there is a likely growth of commercial space use in the BMC area by about 12–15% per year in the coming 3 years. Further, two leading developers were consulted to have an objective assessment of the growth potential in the commercial space in the BMC area. The developers indicated a much higher rate of growth owing to the expansion plans in the retail, hospitality, education, telecom, and financial sectors. They projected a growth of over 20% in the next 3 years. The test results clearly indicated respectable growth of business in the trading area. Hence, maintaining and strengthening the current strategy is a valid possibility for reviving the return on equity.

**(ii) Should it expand operations horizontally to other cities to win ?**

Expansion of housekeeping operations to other cities would require development of the franchise model of business. Out of several conditions that need to be true for this possibility, the condition that was less likely to be true was the ability to maintain quality of service and brand reputation with franchisees through legal and financial mechanisms. An underlying assumption is that legal and financial mechanisms are the best tools available for franchise-based organizations to maintain consistency in quality and brand. After observing similar franchises with success and in consultation with legal and financial professionals, it ran a pilot franchisee for six months. After six months, the results were negative. Coordination costs and brand risk were considerably higher than anticipated. Rather than acquiring new clients, DLS Associates lost two of the cleaning team's clients and had to establish regular, paid coordination and mentoring sessions with the team lead. Hence, geographic expansion is not a viable possibility to revive the return on equity.

**(iii) Can it win by extending its customer base to serve residential clients ?**

To be able to offer housekeeping services to residential clients profitably, there is a need to build brand reputation through developing relationships with property managers/office bearers of housing societies. The business of cleaning services has been fragmented, low value, and low price affair. Major part of the services were the lookout of individual apartment owners/occupiers. Other conditions such as those concerning segment size and structure, product development, differentiated offering, and required management systems are likely to be true. Initial assessment on service quality revealed a significant gap signaling to a sizable potential for professional housekeeping solutions for the residential segments. Further assessment with the help of five experts revealed opportunities to offer premium services to certain segments. DLS Associates set up a pilot team with an existing,

high-performing cleaning crew to test their ability to network with large residential apartment societies with a view to offer housekeeping solutions for the apartment owners/occupiers. The team took up apartments in large upscale housing societies to demonstrate cleaning and broad housekeeping solutions. The team also demonstrated housekeeping solutions with the demonstration flats at several new projects. The increased level of awareness was proven with more and more calls for demonstration. The increase in positive attitude toward the cleaning solutions was proven with registration for the service by 80% of upscale housing societies, with 30 – 50% of occupiers participating in the enrolment facilitated by the housing societies. Hence, expansion to residential sector can be a viable possibility to revive the return on equity.

#### **(iv) Should it expand its offerings to include new services and products ?**

Based on a loyal customer base in the trading area, the possibility of expanding into office products and services was considered as a possibility to revive return on equity. Out of several conditions, which need to be true for this possibility, it must be true that office managers value partnering with a cleaning services company for their office maintenance and supply needs. Being reasonably convinced to overcome the barrier based on interaction with a couple of office managers and professionals, DLS Associates created a pilot business unit to launch the office maintenance (covering electrical equipment, plumbing, furniture, and fixtures repairs) and office supplies to two clients : (a) one with service quality gap of 1 and (b) the other with service quality gap of 9. After six months, it was heartening to find that DLS Associates was able enter into 3 years service contracts (with annual price escalation based on rise in inflation and minimum wages). Hence, expanding to office products and services is a viable possibility to revive the return on equity.

#### **(4) Suggestions for Further Reading**

Lafley, A.G., & Martin, R. L. (2013). *Playing to win: How strategy really works*. Harvard Business Review Press.

### **Author's Contribution**

Ashok Kumar Sar contributed to the design and implementation of the research, to the analysis of the results, and the writing of the case.

### **Conflict of Interest**

The author certifies that he has no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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### **Disclaimer**

The author prepared this case for the sole purpose of aiding classroom discussion. The case is based on a leading cleaning business in Bhubaneswar, India. Names and contact information have been disguised to maintain confidentiality. The case is not intended to serve as endorsement, source of data, or illustration of effective or ineffective management.

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