



BOSTON - LONDON - NEW YORK

## When Current Resources and New Investment Do Not Align

### CASE STUDY – TDATL1

#### Service:

Independent Verification & Validation (IVV) of people, processes, technologies and systems with focus on deployment scalability and operational capacity.

#### Client:

Late stage Venture Capital firm interested in a strategic investment targeted at controlling interest.

#### Background:

The Company had successfully built and deployed a proprietary workflow system tailored to a specific health care delivery vertical. They also supported the end product manufacturing process and accompanying operations and support responsibilities. External funding of \$14 Million to entertain desired market growth was required by the company.

#### Situation:

Semaphore's Technology Advisory Services was engaged to perform technology diligence on the target company's people, processes and technology and evaluate their capacity to deliver and scale a turnkey version of its software solution and manufacturing process. Forecasted sales and manufacturing numbers had been published by the target company and Semaphore was requested to determine if the numbers were attainable and if not, what organizational changes would be required to meet the projections. Areas that were to be assessed included the development team, IT staff, and operations personnel.

#### Scope:

Staffing: 2 person weeks (2 resources, one technology specific, one domain specific).

#### Findings:

Semaphore used its standard IVV methodology of discovery via documentation review, technology audit, personnel interviews and facility inspection.

Semaphore discovered that current development resources were highly competent and development processes were well-defined and thoroughly implemented. In addition, the manufacturing and operations process were clearly specified and implemented according to specification. Significant work had been performed to understand internal cost per workflow stage and ultimate profitability of each component developed.

However, IT and Sales were not aligned. Both the sales projections and manufacturing capacity could not be attained within the current organizational structure.

Also, although systems ran smoothly at current throughput levels, neither development, manufacturing or operations had experience in how to scale the system components. Semaphore discovered that several manual steps in the overall process would significantly hamper growth.

Lastly, senior management was not 'in tune' with the needs of IT, Manufacturing and Operations and as such, did not have knowledge of this situation prior to seeking outside funding. Semaphore also concluded that senior management was not capable of properly addressing this critical situation.

#### Results:

1. The VC was provided with a report detailing findings and issues associated with the current state of the company and internal staff capabilities.
2. Semaphore also provided its recommendations for remediation both



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short and long term. Semaphore documented necessary changes in the areas of IT, Manufacturing and Operations in order to meet Sales projections from an organizational capacity and resource perspective

3. Upon significant review by the VC and conversations with Semaphore and senior management, the decision was made that the investment would not realize the projected return due to the level of effort to re-profile the firm in order to scale the company.
4. The VC chose to not invest and redeployed its capital to a more certain opportunity.
5. The target firm has yet to receive new investment and has lost both market share and top-line in the subsequent period to this engagement.