

Firm Conjoins Consulting, Outsourcing And VC Funds

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If Richard Garnick's new concept works, some startups that would fall victim to the recession might be rescued. His new company, ConJoin Group, is a hybrid that combines offshore outsourcing, venture capital funding and management consulting.

"We're going after companies that were funded with easy money from 2000 to 2007, but haven't yet reached a critical scale," Garnick said.

And they might never reach a critical scale without some help. Garnick is targeting B-grade and C-grade startups in North America, which are getting less funding as VCs try to salvage their A-level investments.

Garnick knows outsourcing to India. He's the former head of North America for Indian outsourcer Wipro WIT, and he held a similar role at Keane, a Boston-based tech services firm. Garnick will use his outsourcing expertise to "leverage underperforming assets by implementing best practices," as he puts it. And he'll also use ConJoin's own capital and VC-backed funds to transform client companies.

Garnick teamed with David Folk, a managing general partner at the Toronto-based venture capital firm Jefferson Partners, to launch the ConJoin Group LLC last month. The Boston-based company already has 225 employees in Mumbai, India, where Garnick says the cost of operations are one-third U.S. costs. Garnick expects ConJoin to employ 5,000 workers in India within three years.

Jefferson Partners provided \$9.5 million in initial capital. Folk says he was impressed by Garnick's drive and knack for improving business discipline.

"Rich is not just about managing cost, he's about business transformation," Folk said. "That's what intrigued me." ConJoin plans to restructure five to 10 startups per year, investing \$10 million or more per company. ConJoin will take a direct financial stake in each client firm, while also managing it. The idea is to get startup managers to think more like investors than high-priced consultants. "We're trying to sit on the same side of the desk as the investor," Garnick said.

ConJoin's model is distinct from most outsourcing or consulting firms. That's because ConJoin makes a direct ownership investment in each client firm, says Jim Antes, a partner with Venture Advisors of Burlington, Mass. Venture Advisors provides financial management services to startups. It has no stake or role with ConJoin.

"ConJoin has an interesting niche by serving middle-market companies that have no obvious path for growth to reach a critical size and scale," Antes said. "There are a lot of companies around that have built up a nice business, but they can't get beyond a certain level." Garnick's background in offshore outsourcing will help ConJoin, Antes says. But ConJoin's biggest strength is its alignment with the VC investor, he says.

Funding Squeeze Hitting Some

"What's unique about ConJoin is the whole aspect of taking an equity stake in the company vs. being a consulting vendor who just gets paid to strip out costs," Antes said.

ConJoin's hybrid model aims at entrepreneurs who are being squeezed as funding evaporates before their business is ready to stand on its own.

This year, venture capital funds have raised just half the amount of money they raised last year, says the National Venture Capital Association.

"We think the timing creates an opportunity for us," Garnick said. By moving many operations offshore, he plans to cut the startups' expenses and plug those savings into sales and marketing. Garnick specialized in containing costs during his years at Wipro and Keane. Any business process that can be automated -- from writing software to managing sales -- could be shipped to India, he says.

"We need to find these lower-cost opportunities so we can invest more in creating demand through marketing and sales," Garnick said. ConJoin aims to increase sales by lining up resellers for its North American clients in India and China. Garnick and Folk developed the ConJoin model through a test case with a company called Avotus, which makes systems to help telecom clients manage expenses. With funding from Jefferson Partners, Garnick took over as Avotus chairman and CEO in 2007.

He set out to cut costs and revamp the business by moving most work offshore. Garnick is still the CEO of Avotus while now also running ConJoin.

"Avotus had been losing money for a long time, but we broke even within six months," Garnick said. "Now we've had five straight quarters of profits."

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