

Conjoin Plans To Invest As Much As \$200m In Restoring Lustre To Lacklustre Ventures

By Tom Foremski - July 23, 2009



Richard Garnick is from Boston but he likes to pepper his language with Hindi phrases that describe his aggressive mantra for transforming poor performing businesses. He's Chairman and CEO of [Conjoin Group](#), a newly formed company that plans to invest as much as \$200 million over the coming year in transforming five to ten mid-sized companies. And the Hindi phrases are because of his background as the top North American executive for the giant Indian IT outsourcing firm Wipro Technologies, and from time spent establishing offshore operations in India.

"There are a lot of solid businesses that were funded in the 2001 to 2006 period but never managed to reach 'escape velocity' and scale up. Now, their owners are tired of their stagnant performance but have been unable to change the business. That's where we come in." Mr. Garnick will take an ownership interest and spend as much as \$20 million restructuring the company.

He's looking for businesses with solid recurring annual revenues in the \$50 million plus range. His team will come in and analyze every aspect of the business and implement changes to reflect best business practices. Anything that can be digitized, and that is part of a repeatable business process, is outsourced to India.

Why can't businesses do this themselves?

"Many have leadership that doesn't know or understand what can be done in terms of outsourcing. And there are many political obstacles towards change within companies. We bring in our own leadership, we align ourselves with the goals of the owners, and we implement best practices that can reduce operational costs by at least 50 per cent, and as much as 75 per cent." Also, mid-sized businesses don't have the capital to bring in a McKinsey team to do the analysis, which can run to \$10m or more. Conjoin has its own practice, staffed with ex-McKinsey people, to perform this work at less than half the cost.

Here are some further notes from our conversation:

- Avotus is a good example of Conjoin's turnaround process.

Avotus provides telecom expense management systems with about \$30 million in annual revenues but was unable to make a profit. Conjoin outsourced much of the company's back-end operations to India, it retrained some of the staff, and it tripled the number of people selling the service. It was able to improve EBITDA by \$10 million in just three quarters.

- **Most Silicon Valley startups are too small for Conjoin** but there are a lot of private equity and VC firms here that have investments in larger companies elsewhere.

- **Conjoin has not raised a fund.** Mr. Garnick is using his own money, and the company has a partnership agreement with Canadian VC firm Jefferson Partners. It is open to additional partnerships.

- **Mr. Garnick plans to serve as chairman, and CEO of each of Conjoin's investments.** This doesn't seem a very scalable strategy but Mr. Garnick is very confident in his abilities to manage large numbers of people. He says he scaled Wipro from 5,000 to 75,000 people in three years and he managed more than 45 VPs.

- **Doing right by people is important.** Generous severance and retraining packages are key. Although restructuring can cut as much as 50 per cent of a company's North American workforce, the process also

saves jobs. Companies are made more competitive and able to grow by 15 per cent per year or more, and that creates jobs.

- **Mr. Garnick's secretary is based in India.** And so is his receptionist. Visitors to his US office are greeted by a plasma screen connected to a camera pointed at a receptionist in Conjoin's Mumbai office.
- **Conjoin has about 350 staff**, about 325 are based in India.

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