Helix Inc.: International Growing Pains

Helix, Inc. is a privately-held CAD (computer-aided design) software development company based in Ann Arbor, Michigan. Founded in 2009 by a group of mechanical and software engineers, all graduates of the University of Michigan, Helix has developed a top-notch CAD platform. In fact, demand for the product has exploded in the past few months, with more and more interest from engineering, construction, and manufacturing companies in Europe and Asia.

Helix opened small sales and marketing offices in Cambridge, MA and San Jose, CA in 2011, while centralizing the product development and technical support functions in Ann Arbor. The company developed a reputation for product excellence and ease-of-use, as well as responsive technical support.

The total North American staff count is currently 255, many of them highly-trained engineers. The company recently purchased a new office building on the outskirts of Ann Arbor to accommodate the growth and is hiring new staff at a rapid clip. Recruitment has been so rapid, in fact, that the orientation process is chaotic. The mantra in HR is that new hires should be self-starters and take the initiative to learn the ropes.

In response to market opportunities, Helix acquired a smaller European competitor, Noveaum, in late 2012 in order to leverage that company's distribution and technical support capabilities in the European market. Noveaum – now Helix Europe – is located in Stuttgart, Germany, with satellite sales offices in London, Lyon, Bergamo, and Prague. About 40% of the 105 staff members in these locations speak English as a second language.

Following the acquisition, all product development functions were consolidated in Ann Arbor, while a matrix management approach was adopted for sales, marketing, and technical support functions. These functional teams report up to the VPs of marketing & sales and technical support in Ann Arbor, as well as the North American, European, and Asian general managers.

As its European acquisition suggests, Helix's leadership team is pursuing a localization strategy, expanding through the acquisition of smaller regional competitors that have a strong local market presence.

In November 2014, after considering entry into the Chinese market for several years, the company acquired a small firm in Hong Kong. Helen Richards, the general manager of the Hong Kong office, manages a team of 27 employees, 75% of whom speak only Mandarin Chinese. Because of a spike in sales in the region, Richards is setting up satellite offices in Bangkok, Singapore, and Kuala Lumpur.

A blueprint for expansion in India, Brazil, and Turkey is also under development.

Currently, Helix has about 1550 business-to-business customers, including businesses ranging in size from small architectural firms to large multinationals. 220 accounts represent 72% of total license revenue. 820 customers are headquartered in North America, 230 in Europe, 215 in Asia, with the rest scattered across the Middle East and Latin America. A growing proportion of these customers (approximately 12%, up from only 5% in 2013) are multinational businesses.

In addition to selling its CAD platform directly to business clients, Helix works with 21 major software implementation consulting firms in both identifying potential customers and collaborating on project implementations.

The CEO and co-founder of Helix, Jane Elliott, has scheduled a meeting with her management team to discuss some recent disturbing developments.

Yes, the 2015 Q2 revenue numbers have been on target. Helix, however, has failed to land several large global accounts in the past six weeks. In fact, Elliott just finished having a phone conversation with one of these potential clients, who commented that the Helix sales and technical support team, comprising members from both Europe and North America, did not seem to be "on the same page." Moreover, several existing clients have called to complain about unresponsive and disjointed technical support. The latest report on software license renewals suggests that future revenue streams may be sluggish.

Elliott also has a rather strained relationship with Kurt Friedrich, the general manager of Helix Europe, and Friedrich's management team in Stuttgart. The acquisition process had been a difficult one, despite the fact that the acquired company was permitted to retain its own distinctive – and very German – corporate culture.

The Europeans view their Ann Arbor counterparts as somewhat reckless, patronizing, and overly familiar. Friedrich and his colleagues prefer a more formal approach, with numerous meetings and extensive documentation of each step in the sales and marketing process.

The organizational norms at Helix Europe include:

- Structured hierarchy, with numerous 'sign-offs' required before messages can be communicated
- Narrowly defined roles and responsibilities, so that staff are reluctant to do anything outside of their job descriptions
- Enormous weight accorded to education and expertise – messages from the European staff tend to be technical and dense

The Stuttgart management team believes that their success in the European marketplace is based on 'the way we do business' and that headquarters is trying to impose a more centralized approach to sales and technical support. These tensions play out in many of the phone and e-mail interchanges between the two groups – the time zone difference is simply another irritant.

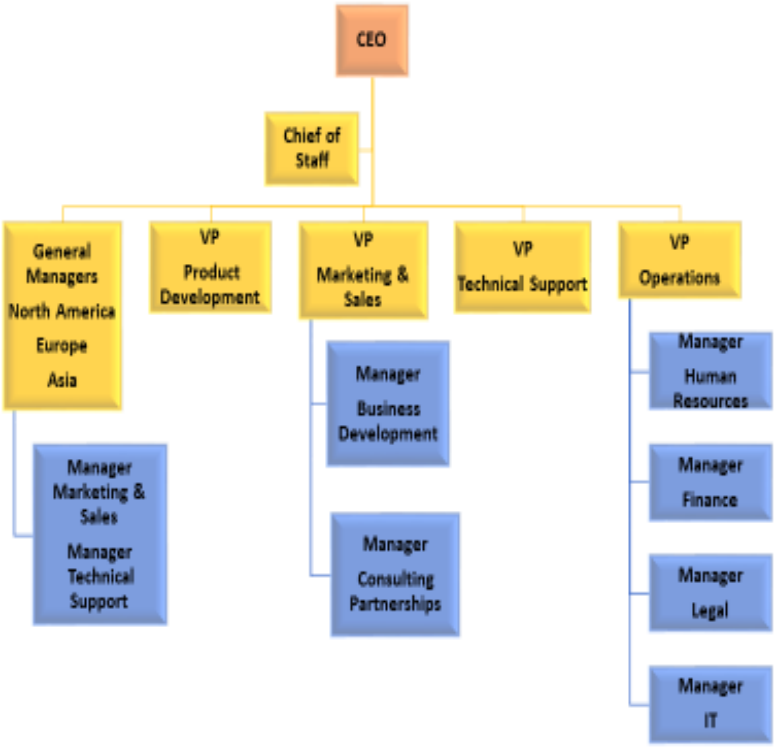
Elliott wonders if the acquisition should have been handled differently – perhaps it would have been better to start from scratch… but Helix, she believes, had to move quickly to establish a presence in these promising markets – they would have time to fix the 'plumbing' later.

For their part, many staffers in Ann Arbor find interaction with the Europeans exasperating. E-mails sent by European staffers tend to be "absurdly" long and detailed; Every step in the sales and support process seems to require a sign-off. Employees at headquarters, in contrast, have a low regard for procedural formality. Decisions are made quickly by employees at all levels and all functions. It almost seems that rank has no privileges!

Although Friedrich participates in monthly management meetings in Ann Arbor and occasion videoconferences, there is little face-to-face interaction among employees in the company's offices. Cost is one factor that deters inter-office travel; another is the common refrain that there just is no time for that sort of thing. The European employees have noticed that Elliott herself has made only two visits to Europe in the past 7 months.

The company's employee portal, MyHelix is another sore point for the European staff. The portal, which is designed to distribute company news and training updates in English, reflects the informal headquarters atmosphere: blue and gold color scheme (University of Michigan colors!), employee blogs, and a lengthy calendar of social events and personal news. In reviewing the latest portal traffic report, Elliott notes that usage by European employees has been negligible. Portal maintenance and licensing costs alone run $700,000 a year – where is the return on investment, she wonders?

As Elliott prepares for her next meeting, she receives an urgent call from Lu Li, her VP for Operations, who reports some alarming process errors stemming from miscommunication between the Ann Arbor and Hong Kong offices.

See organizational chart below.

Helix Organizational Chart