

## Case Study: Analytical Technologies Limited, Trinidad

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Analytical Technologies Ltd., (ATL) is a laboratory testing and environmental services company serving the petrochemicals industry in Trinidad. Namdeo Maharaj started the company in 1996. The only privately held facility of its kind in Trinidad, ATL has now moved ahead of its competition, a government monopoly, by offering superior customer service. The firm's profitability means owners enjoy a healthy return on their original investment. ATL is poised for further success, having developed a winning model; but this is not enough for ATL. The owner launched the company, in large part, to leverage his training and skills in chemistry toward his concern for future generations; he says that his overarching goal in life is "helping mankind." After achieving an industry leadership position in Trinidad, Mr. Maharaj presses forward with investments designed to preserve natural resources for future generations, and to help the community through contributions to non-profits.

### **Business Challenge: "A Winning Model – Then What?"**

Recent environmental disasters such as the Deepwater Horizon oil spill in the Gulf, and the nuclear disaster in Japan, have raised the demand for firms like ATL. Among other services, ATL tests the effluents of oil wells and industrial processes for contamination. It then offers procedures and consulting services for cleaning up to the level of government standards. In this way ATL has profitably integrated itself into the large, global value chain of oil and gas exploration, extraction and refinement.<sup>1</sup>

At its founding, ATL was the first private industrial laboratory in Trinidad; competing directly with Trinidad's government lab, and indirectly with in-house labs of major petrochemical corporations. ATL must now also compete against other private laboratories, which have entered the market often with a lower cost model based on less technology investment and no externally certified quality management systems. ATL's competitive advantage is rooted in faster response times than the government lab, and in its staff: the industry's best chemists and lab-technicians. ATL adds to these advantages the latest in state-of-the-art equipment, and several proprietary processes and instruments not available anywhere else in Trinidad. For example, ATL is the only facility to employ radio-nuclei testing which monitors radioactivity in the water around oil wells, and benchmarks to EPA/EMA requirements. The lab has also isolated and cultured a bacterium that biodegrades contaminated soil. This technically advanced and more sustainable "in-situ" cleaning approach is in contrast with the competition that removes waste and stores it in another location. Furthermore, ATL offers its clients additional support, such as outsourced lab technicians that can work on-site and advisory services that help with quality assurance procedures. These and other services have made the firm highly useful to local industries, such as oil, that may contaminate their surroundings and are required to clean up.

Mr. Maharaj is well trained both academically and through his work experience. He holds a BS degree in Chemistry, and two Masters Degrees, including an MBA. He is currently pursuing his PhD part-time. He has worked for SUPERCHEM Products and for the Petroleum Company of Trinidad as head of the Refinery Laboratory. It was in this context that Maharaj launched his own company. For Maharaj, a big motivation for launching the new firm was to create a vehicle through which he could make long-term investments.

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<sup>1</sup> The oil and gas industry is very important to the Trinidad economy. Oil and gas account for about 40% of GDP and 80% of exports according to the World Bank.

## Alternatives

Since the start of the company Maharaj, who retains exclusive ownership of the firm, has weighed short-term gains against long-term investments. Maharaj has maintained his ownership share, in part, so he can continue to decide what time horizon to use for his investment decisions. Starting his company in 1996 he faced one big challenge: how to beat a government monopoly. Once this challenge was overcome, the future-oriented entrepreneur turned his strategy toward a long-term environmental and philanthropic impact.

*Challenge 1: Beat the incumbent.* ATL challenged a government monopoly and won. Mr. Maharaj has built a laboratory and consulting company that performs better than the government lab and than the in-house labs of big industry. He has done this through developing the highest level of customer service. For ATL, service means faster turnaround times for lab results and better results for site cleanup. Gaining a lead in customer service has required heavy investments to hire the best people and maintain the latest industry equipment. Maharaj's investments in these areas, and an innovative approach to cleanup, have brought him to the leadership position in his industry and given him a generous financial return. For most, this would be enough; but Mr. Maharaj wanted a broader impact.

*Challenge 2: Invest for tomorrow.* Beside the core vision of providing services to monitor and preserve natural resources for future generations ATL has made at least two long-term "investment" choices. The first has been to create innovative processes, which are better for the environment than those offered by other firms. The in-situ cleaning process that ATL has developed is cutting-edge. The firm has cultivated a bacterium that cleans up waste on-site, eliminating the need for off-site storage, which merely moves the contamination to another place. This innovation reflects a commitment to the environment that goes beyond the traditional industry approach. The second decision is somewhat different and represents a "riskier" strategy: ATL gives away 10% of its profits to charitable organizations. These proceeds could (many may argue *should*) be plowed back into the company, or taken as profit for the owner. However, by giving at this level, philanthropists like Mr. Maharaj, hope to create good will in the community and to have an influence beyond their industry. In this case, that influence flows through several faith-based organizations, which Maharaj feels are doing good work.

## Action Taken

Having already overcome the first challenge, ATL's ownership chose to press beyond protecting current market share and make further investments in the future, primarily through inventing environmental-friendly processes and philanthropy. To maintain its future orientation the firm would need to continue to innovate and develop capacity, and stay aggressive with its chosen investments. The following are the action steps it took.

1. Maintain industry-leading capacity and innovation. Maharaj maintains a long-term investment strategy by staying current with both lab equipment and the skills of his workers. Maharaj has made it his practice to hire staff only from the best schools and to pay higher wages than his local competition. High-quality staff allows Maharaj to provide consulting services on top of his other offerings. Additionally, technology equipment of any kind is expensive and constantly changing; lab equipment is no different. To maintain his competitive advantage Maharaj has decided this investment is crucial to success. It is this investment in particular that helps ATL stay ahead of the in-house labs. ATL occasionally wins business from in-house operations simply because of its advanced capacity.

2. Maximize charitable contributions. Maharaj wants to do more than just make money; he also wants to give something away. His first giving goal was 10% of gross profits. The total sum of annual contributions to charity has increased over the past four years from US \$25,594 in 2006 to a projected US \$63,783 in 2010.

While contributions have nearly tripled, they are not based directly on profits, as profits have risen by a much smaller percentage, illustrating Maharaj’s commitment to generous giving. Moreover Maharaj has set a goal to increase even the percentage of his giving to stretch beyond ten percent. Still, he maintains his stance and insists on making this investment. It is part of his strategy to “help mankind.”

## Results

ATL’s financial performance has been strong. Over the period covered by analysis, revenue growth was consistently double-digit and margin expansion has been continuous. Directly, ATL’s growth has come from an increasing client list and increased spending per client. Indirectly, growth has been driven by the reputation of the firm, increased regulatory requirements, and possibly higher oil prices. ATL has stayed out of debt and generally maintained a small, positive cash flow. To offer the most accessible service, the ATL lab is located in an industry hub, the Point Lisas Industrial Estate; as many industries are streamlining to their core competencies, ATL has been nearby to offer quality outsourcing. Staff stays at ATL because of the growth opportunities and work culture. Equally important as these results, however, is the success ATL has had in “helping mankind.”

ATL makes deliberate investments in the future through providing innovative environmental services, and generous contributions to faith-based organizations. Mr. Maharaj says he feels blessed with skills in chemistry and wants to make a long-term impact using those skills. According to Maharaj, the firm’s dedication to the future will help preserve its value.

The COW-F Framework provides a means of assessing the sustainable growth potential of a firm.<sup>2</sup> Sustainable growth can only be achieved if a firm can satisfy all four of its stakeholders: customers, owners, workers, and future generations. The following table offers a summary of the value represented by ATL for all stakeholder groups.

### Analytical Technologies Ltd. and the COW-F Model

Stakeholder Community	Current Value Offering
Customers	<ul style="list-style-type: none"> <li>• ATL is ISO certified meaning the highest quality service.</li> <li>• Well positioned in industry to offer exceptional outsourcing services.</li> </ul>
Owners	<ul style="list-style-type: none"> <li>• Maharajs are sole owners, and have no divestiture plans.</li> <li>• Maharaj purchased ownership share from former partner.</li> </ul>
Workers	<ul style="list-style-type: none"> <li>• Workers are paid on or above par for industry.</li> <li>• ATL helps secure financing for continued education.</li> <li>• Performance evaluations seek to place workers in best job fit within the company.</li> </ul>
Future Generations	<ul style="list-style-type: none"> <li>• Staff is engaged in student mentorship programs.</li> <li>• ATL gives to local and international charities including Samaritan Outreach Program, and other faith-based charitable programs.</li> </ul>

<sup>2</sup> The COW-F Model was developed by Michael Fairbanks. It first appeared in *The Natural Advantage of Nations*, Hargroves and Smith, 2005.