Technological Innovation Management & Entrepreneurship

B.E., V Semester, Electronics & Communication Engineering

[As per Choice Based Credit System (CBCS) scheme]

[Subject code: 18ES51]

MODULE - 4a

Family Business

FAMILY BUSINESS

Introduction

A business that is owned or run by members of a single family is called family business

OR

A family business is a commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or marriage or adoption, who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals.

OR

Family business is the oldest and most common model of economic organization. The vast majority of businesses throughout the world from corner shops to multinational publicly listed organizations with hundreds of thousands of employees can be considered family businesses.

Therefore we can define a family business in various ways. However, in general, a family-business is one that satisfies any one of the following criteria:

- There is management or ownership control by direct descendants of the founders.
- A number of generations of the same family are involved in management or ownership,
- Two or more extended family members influence the business through the exercise of relationship ties, management roles, and ownership rights, which the owner intends to pass to a family heir.
- A high percentage of share capital is owned by a family member, either jointly or individually and family members are employed in the highest decision–making posts.
- There is an expression of intent to maintain family involvement in the future.

Some of the world's largest family-run businesses are Walmart (United States), Samsung Group (Korea) and Tata Group (India).

8 Successful Indian Family Businesses Running Over A Century

1) Tata group

Name of the founder: Jamsetji Tata

Headquarter: Mumbai

Year of establishment: 1868

2) TVS Groups

Name of the Founder: T V Sundaram Iyengar

Headquarter: Madurai

Year of establishment: 1911

3) Aditya Birla Group

Name of the founder: Seth Shiv Narayan Birla

Headquarter: Mumbai

Year of establishment:1857

4) Khoday Group:

Name of the Founder: Khoday Eshwara

Headquarter: Banglore

Year of establishment: 1906

5) Kirloskar Group:

Name of the Founder: Laxmanrao Kirloskar

Headquarter: Pune

Year of establishment: 1911

6) Murugappa :

Name of the Founder: A M Murugappa Chettiar

Headquarter: Chennai

Year of establishment: 1900

7) Godrej :

Name of the Founders: Ardeshir Godrej and Pirojsha Burjorji Godrej

Headquarter: Mumbai

Year of establishment: 1897

8) Shapoorji Pallonji

Name of the Founder: Pallonji Mistry

Headquarter: Mumbai

Year of establishment: 1865

ROLE AND IMPORTANCE OF THE FAMILY BUSINESS

Family-owned businesses are the backbone of the economy as they create wealth, provide jobs, are locally rooted and connected to communities. They seem to be around for long period of time.Families are vital and supportive environments for entrepreneurial behaviour.

Some of the world's largest family-owned firms are

Wal-Mart Stores, Inc.

Ford Motor Company,

Samsung,

The Fait Group,

L'Oreal,

IKEA, the Tata Group,

Havells, and

McCain Foods.

It has been observed that family support and the presence of self-employed parents are irnportant influences in venture initiation and business ownership.

Families rule the world of business. About a third of all Fortune 500 companies are family businesses.

Family businesses account for over half of the United states GDP and about 78 percent of all new job creation there.

In India, around 95 per cent of the registered firms are family businesses.

While over 90 per cent of the registered firms in Pakistan arc estimated to be family businesses.

Family business groups like the Tata , Birla, and Codrej Groups have dominated the private sector in India ever since the British regime. As a result, many affiliated firms have been established under these groups, headed by a family member.

Family businesses from every trade imaginable have been found for centuries, from shoe makers and confectioners to fanners. Some of the world's oldest firms are family owned,

The world's oldest documented continuing family business is Hoshi Ryokan, a Japanese hotel set up in 717 AD, spanning 46 generations of family ownership. Some of the world's largest businesses, such as Wal-Mart Stores, Inc., arc also family owned.

Family businesses range in size from small to large businesses in terms of employees and turn over and can be placed in two different categories. The first category comprises businesses having only family members as its stakeholders, such as Birlas, Kirloskars, Wadias, etc.

The second category comprises businesses in which the family has a majority stake and controls the company, such as Wal-Mart Stores, Nestle, Ferrari, Fiat, Ford, Hyundai, Nike, the Virgin Group, the Reliance Group, Wipro, and Havells. Belonging to a single family culture and having a strong set of values.

Family businesses have certain inherent strengths, such as the ability to withstand economic shocks, make quick decisions, maintain good business relations, and ensure leaders with time-proven leadership qualities. Often, long-term strategic thinking resulting in cautious business decisions enables family businesses to become sustainable.

In an ever-changing business world with constant technological advancements, new business approaches, new managerial practices, and emerging market trends, family businesses generally remain flexible, adaptable, and innovative.

In India, family-owned businesses have played and will continue to play a central role in the growth and development of the country. Indian business firms such as Havells India, the Aditya Birla Corporation, and Tata Sons are making achievement abroad and expanding their businesses globally.

Individual associations and relationships can complicate the management and negatively affect the objectives of the family business. The issue of succession can cause immense strain within a family business. It is not surprising that, on an average, only three out of ten family businesses survive to the second generation and only one to the third generation. As more and more family businesses are handed down from one generation to the next, more and more family legacies are lost due to lack of planned transitions.

Most commercial enterprises are born as family-owned and family-managed businesses. Many remain this way, while a smaller number need access to public equity capital and in the process can no longer remain in the ownership of the family. Still others could remain family-owned but professionally managed, either due to the family's lack of interest or practical necessity.

Unfortunately, there is no clear distinction in India between a business that is owned and managed by the family and a business that isn't so. For the sake of simplicity, let us assume that a firm where members of one or more particular families exert significant influence over the firm's strategy and its destiny is family-owned and firms where family members—unless professionally qualified do not hold executive positions are professionally managed.

Family businesses have certain advantages over other businesses. Some of these are listed below:

- The family culture is a source of great pride for family and non-family employees alike.
- There is a long-term orientation in business objectives as the continuity of the firm is of great concern to the family.

- A family firm functions in a less bureaucratic manner and is not impersonal in dealing employees and customers.
- A family firm shows greater willingness to weather bad times by ploughing back profits.
- It is structured to impart training to the members of the family from a young age.

CONTRIBUTIONS OF FAMILY BUSINESSES IN INDIA

India has a rich and glorious history of family-owned enterprises. Some influential families, such as the Tatas, Birlas, and Godrej, have run their businesses for over a hundred years and influenced the economic and political situation of the country.

Over time, family businesses have done more than simply pay taxes and employ people. During the last one hundred years or so, Indian family businesses have made significant contributions in several areas.

Their first contribution was to the Indian freedom movement. In the early years, firms were created specifically to pursue goals such as import substitution and economic freedom from the colonists.

The Godrej enterprise was started by Ardeshir Godrej in 1897 with a vision to promote India's economic freedom.

Their second contribution was to keep the spirit of enterprise alive even through the 40 years of quasi-socialism, when the government imposed heavy taxation and repeatedly tried to smoothen the "concentration" of economic power.

Their third contribution of Indian family businesses has been their philanthropic (generous) efforts, or giving back to the community.

To the average Indian, the names of many large Indian business groups are synonymous (identical) with philanthropic efforts in education, environment, health, culture, and heritage conservation. Numerous small and medium family enterprises have also actively supported foundations engaged in charitable work.

STAGES OF DEVELOPMENT OF A FAMILY BUSINESS

While strategic, operational, and financial transformation is a given for any corporation that hopes to survive the trauma of competing in the post-liberalization marketplace, India's business houses have started rewriting the role of the family in business. The typical family business goes through four stages in its development,

1. Entrepreneurial: In this phase, someone in the family starts a business after having identified a business opportunity. At this stage, the business is customer-centric. The entrepreneurial vision develops and a mission is set for the organization.

2. Functionally specialized: This is the growth phase for the family business**.** In this phase, the organization is divided into various functions and priority is given to growth and increasing the scale of operation. The organization becomes more flexible during this phase and the use of control measures is limited.

3. Process-driven: In the process-driven phase, a family business is system-oriented and processes are set. The greatest attention is given to core competencies and to competing with other businesses in achieving customer satisfaction.

4. **Market-driven:** During this phase, the family business matures and is completely driven by market forces. The business enters various markets and crosses geographical boundaries by strategic alliances.

CHARACTERISTICS OF A FAMILY-OWNED BUSINESS IN INDIA

Characteristics of family - owned businesses in India are:

- **Importance of family relationship**: Family relationship is the most important factor in determining the position a person holds in the business.
- **Composition of the board of directors:** Family members, including those who are neither contributing nor involved in the business, are on the board of directors.
- **Loyalty:** Members of the extended family and relatives have a very strong sense of loyalty to the family and this, by default, translates into loyalty to the business.
- **Dedication of family members:** As the family's fortunes are usually tied to that of the family business, the owning family shows great dedication and single-mindedness in ensuring the continued survival and success of the business.
- **Male-dominated:** Sons and male members are more likely to hold higher positions and succeed as the CEO of the company. The role of women is often that of a facilitator and a mother figure to family members and employees.
- **Dominance of certain trading communities**: Some communities have been very successful in business and are synonymous (identical) with family-owned businesses in India.

VARIOUS TYPES OF FAMILY BUSINESSES

Family businesses can be of the following types:

- **Family-owned business:** It is a for-profit enterprise owned by members of a single extended family.
- **A family-owned and managed business**: It is a for-profit enterprise owned by members of a single extended family. The business also has the active participation of at least one family member in the top management of the company. This enables family members to set policies and objectives and implement them.
- **A family-owned and led business**: It is a for-profit enterprise owned by members of a single extended family. The business has the active participation

of at least one Family member in the top management as well as on the board of directors of the company. This enables family members to set the company's direction, culture, and strategies.

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MODULE – 4b

Idea Generation & Feasibility Analysis

Idea Generation

The feasibility study begins with the formulation of business idea, which you can obtain through market research, family, friends, suggestion boxes or brainstorming. At this phase, you can downsize the number of ideas and retain the most realistic one.

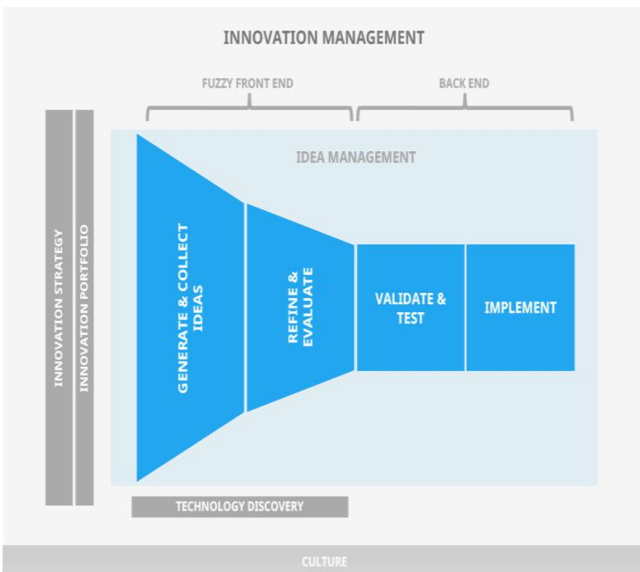
Depending on your business culture, you can discard the extra ones or preserve them for future references when you need to. You have to conceptualize and visualize your business's final product, a process that entails analyzing the product's target market, size, quality, color and weight.

Establishing yourself as a successful entrepreneur depends upon choosing a good idea. That idea must not only be good for the market, but good for the project and good for the entrepreneurs. It should also be manageable by you without much dependence on others. Importantly, the idea should give satisfaction results to you.

Ideas are the key to innovation. Without them, there isn't much to execute and because execution is the key to learning, new ideas are necessary for making any kind of improvement. It is obvious that ideas alone won't make innovation happen, as you need to be able to build a systematic process for managing those ideas. The point of ideation isn't just about generating a lot of them but about paying attention to the quality of those as well.

Idea generation is described as the process of creating, developing and communicating abstract, concrete or visual ideas.

The front end part of the idea management funnel focuses on coming up with possible solutions to be perceived or actual problems and opportunities ,the fig below shows the idea management



idea management funnel

As mentioned, ideas are the first step towards making improvement. Making progress as individual **human beings** depends on new ideas. From the perspective of an individual, new ideas can help you to move forward if you feel stuck with a task or are unable to solve a certain problem.

Maybe you need new ideas so that you can fully explore a new opportunity

The ability to create and develop new ideas allows you to:

- **Stay relevant**
- **Make positive change happen**

“Creative thinking inspires ideas. Ideas inspire change” – Barbara Januszkiewicz

Regardless of your goals or the types of ideas you're looking for, the purpose of new ideas is to **improve the way you operate**.

So, although innovation isn’t about ideas alone, they are an important part of the equation as there wouldn’t be one without the other.

Brainstorming not only takes more time and leads to less ideas, but also worse ideas .

There are several other reasons why brainstorming may not be the best way to come up with ideas. Scheduling, organizing and documenting the session in a usable format will all take up even more time.

Favorite **tips, tools and techniques** that can be used to generate new ideas more systematically.

- ✓ Idea Challenge
- ✓ SCAMPER Technique
- ✓ Opposite Thinking
- ✓ Brainstorm Cards
- ✓ Analogy Thinking

Idea Challenge

Is a focused form of innovation where you raise a problem or opportunity with the hopes of coming up with creative solutions.

The point of idea challenge is to participate in ideation and generate ideas around a pre-defined theme for a limited period of time.

It allows you to form a specific question and direct that question at a specific audience to receive new ideas and unique insights.

The SCAMPER technique

Is a method used for problem-solving and creative thinking. It's a holistic way of applying critical thinking to modify ideas, concepts or processes that already exist.

The purpose of the SCAMPER is to make adjustments to some parts of the existing idea or process to reach the best solution.

Opposite/reverse thinking

Is a technique that can help **you question long-held assumptions** related to your business. It's a useful tool to consider if you feel your team is stuck with the conventional mindset and coming up with those "out-of-the-box ideas" seems to be difficult.

Often, finding the best solutions aren't found through a linear thought process. Although our brains are wired that way, opposite thinking can help us question the rule

With this type of thinking, you consider the exact opposite of what's normal. You can even think backwards to find unconventional solutions.

Brainstorm Cards

Brainstorm cards are a useful tool created by the Board of Innovation **for coming up with dozens of new**

ideas related to whatever challenge or problem you are currently working with.

Brainstorm cards help you consider external factors such as: societal trends, new technologies, and regulation in the context of your business.

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Analogy thinking

Is a technique for using information from one source to solve a problem in another context. Often one solution to a problem or opportunity can be used to solve another problem.

Analogy thinking can, for example, be used for analyzing a successful business, identifying what makes it great, and then applying those same principles for your business. This is an effortless method for coming up with **new ideas that are pre-validated.**

The purpose of generating new ideas is about improving what already exists as well as coming up with something new.

Coming up with completely new ideas can help you approach your problem or opportunity from a new perspective. It enables you to expand the range of ideas beyond your current way of thinking which eventually leads to more ideas.

Creativity and innovation

Creativity is thinking new things, the ability to develop new ideas and to discover new ways of looking at problems and opportunities.

Innovation is doing new things, the ability to apply creative solutions to those problems and opportunities in order to enhance people's lives or to enrich society.

Creativity and innovation are two related but separate notions, and each is required for workplace success

Innovation is the process of turning a new concept into commercial success or widespread use. Invention is the creation of a new idea or concept. **Creativity** is the act of turning new and imaginative ideas into reality.

Creativity

Creativity is the act of turning new and imaginative ideas into reality. Creativity is characterized by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions. Creativity involves two processes: thinking, then producing.

If you have ideas but don't act on them, you are imaginative but not creative.

"Creativity is a combinatorial force: it's our ability to tap into our 'inner' pool of resources – knowledge, insight, information, inspiration and all the fragments occupy our minds – that we've accumulated over the years just by being present and alive and awake to the world and to combine them in extraordinary new ways." — Maria Popova, Brainpickings

"Creativity is the process of bringing something new into being. Creativity requires passion and commitment. It brings to our awareness what was previously hidden and points to new life. The experience is one of heightened consciousness: delight." – Rollo May, *The Courage to Create*

This possible in business, I believe so, but you have to be willing to take risks and progress through discomfort to get to the finish line.

"A product is creative when it is (a) novel and (b) appropriate. A novel product is original not predictable. The bigger the concept and the more the product stimulate further work and ideas, the more the product is creative."

Innovation

Is the implementation of a new or significantly improved product, service or process that creates value for business, government or society.

Some people say creativity has nothing to do with innovation— that innovation is a discipline, implying that creativity is not. Well, I disagree. Creativity is also a discipline and a crucial part of the innovation equation. There *is* no innovation without creativity. The key metric in both creativity and innovation is value creation.

Innovation is important because it's the only way that you can differentiate your products and services from those of your competitors. For customers and clients to choose your business, your offer needs to be distinctive and valuable, and the only way to achieve this is through innovation.

The main difference between creativity and innovation is the focus. Creativity is about unleashing the potential of the mind to conceive new ideas. ... Innovation is about introducing change into relatively stable systems. It's also concerned with the work required to make an idea viable.

"Creativity" and "innovation" are two words that are constantly thrown around in brainstorming sessions, corporate meetings and company mission statements.

Business opportunity

In general sense, the term opportunity implies a good chance or a favourable situation to do something offered by circumstances. In the same vein, business opportunity means a good or favourable change available to run a specific business in a given environment at a given point of time.

Business opportunity may be defined as a set of favorable circumstances in which an entrepreneur can exploit a new business idea that has the potential to generate profits. Business opportunities have the following four fundamental features:

- They create or add significant value to the customer.
- They solve a significant problem by removing pain points or meeting a significant want or need fOr which someone is willing to pay a premium.
- They have a robust market, margin, and money making characteristics that will allow the entrepreneur to estimate and communicate sustainable value to potential stakeholders.
- They are a good fit with the founder(s) and management teams at the time and marketplace along with an attractive risk—reward balance.

Good Business opportunity

An idea is a thought or a concept that comes into existence in the mind as product of mental activity. A business idea is an idea that can be used for commercial purposes. There can be many sources of business ideas, including the following':

- A resolved problem faced by an actual or potential entrepreneur.
- An unmet customer need discovered by an actual or potential entrepreneurat a place of employment.
- Changes in the business environment.

Not all business ideas are found to be good business opportunities. This simple five-step framework helps screen ideas and find out whether a business idea truly represents a good business opportunity. An opportunity is characterized by the following:

- Urgency of the market need:
  The business idea should envision a product or service that satisfies a market need or a need of the customer. The market need has to be carefully assessed by consulting industry experts as well as potential customer. It is important to focus on the "need" of the customer rather than on the attributes of the offering and to evaluate the urgency of that need in order to gain the assurance that there are customers ready to purchase that product/ service once it hits the market. The greater the market need, the greater the opportunity for profitable business.

- Adequate market size:
  A business usually targets a particular market segment after assessing their demographic, geographical, and lifestyle factors. In order to make the business viable, a large number of potential customers should exist. There is a need to find out the potential market size for the product or service.

- Sound business model:
  In simple terms, a business model is a broad range of descriptions of various aspects of business, such as purpose, strategies, infrastructure, organizational structures, marketing programmes, and operational processes and policies. In other words, a business model clearly gives the outline or the rationale of how the potential entrepreneur intends to satisfy a customer need and create value. A business model that presents a plan to generate profits within three to five years is considered to be relatively good.

- Potential brand value:
  The product/service being offered must bc differentiated from those being offered by competitors to maintain a competitive advantage in the market. It is necessary to assess the potential brand value of the product or service envisioned in order to ensure a fair chance of survival against competition by existing as well as future products.

- An able management team:
  The ability and passion of team members to use a business opportunity is important to success. The team should have contacts among suppliers, competitors, and customers. The number and quality of contacts up and down the value chain is an important determinant of eventual business success. On the whole, the business should be big enough to make it worthwhile and the team should be looking forward to being involved with it for long time.

Generation Business Ideas

A business opportunity is a set of favorable circumstances that creates a need for a new product or service. A business idea becomes a good business opportunity when it has the following four essential qualities':

- ✓ Attractiveness.
- ✓ Timeliness.
- ✓ Durability.
- ✓ The quality of being anchored in a product or service that creates or adds value for its buyer or end user

Having business ideas is central to the task of identifying business opportunities.

Ways to generate business ideas are:

- ❖ **Brainstorming**
  Brainstorming is a technique used to quickly generate a large number of ideas and solutions to problems. The brainstorming session is conducted to generate ideas that might represent business opportunities. Brainstorming works well individually as well as with a varied group of people. A group brainstorming session requires a facilitator, white board, and space to accommodate the participating people. Brainstorming works well with 8-12 people and should be performed in a relaxed environment. Participants are encouraged to share every idea that enters their mind with the assurance that there is no right or wrong answer. The brainstorming session usually starts with the facilitator broadly stating the problem and setting the time limit (such as, say, 30 minutes) for the session. The facilitator clearly sets down the rules. discouraging criticism of any kind and encouraging a freewheeling approach, the voicing of as many ideas as possible, and a collective and constructive effort towards the improvement of ideas. Once the session starts, participants can informally present their ideas for possible solutions. The facilitator writes each idea down for everyone to see. Once time is up, the best ideas are selected, based on a few criteria decided upon in advance (such as, say. cost-effectectiveness). The selection must be made on the basis of a consensus

from everyone in the group. Next, it score (say, zero to ten points) is given to each idea depending on how well it meets the criteria. The idea with the highest score may be used to solve the problem. However, it is advisable for the facilitator to keep a record of the best ideas in case the chosen best idea does not work. The facilitator should make the session fun for everybody, with no one dominating or inhibiting the discussion

with no one dominating or inhibiting the discussion.

- **<u>Survey Method</u>**

  The survey method is used to collect information by direct observation of a phenomenon or systematic gathering of data from a set of people. The survey method involves gathering information from a representative sample population, that is, a fraction of the whole population under study that presents an accurate proportional **representation of** that population. Surveys generate new products, services. and business ideas because they ask specific questions and get **specific answers.**

- **<u>Reverse Brainstorming</u>**

  This is a method that is similar to brain storming, with the exception that **criticism is allowed. It is,** therefore, also called "negative brainstorming." In this technique, the focus is on the negative aspects of every idea that has been generated through brainstorming. Also called the "sifting" process, this process most often involves the identification of everything that is wrong with an idea, followed by a discussion of ways to overcome these problems.

- **<u>The Gordon Method</u>**-

  This is a creative technique to develop new ideas. This method is similar to brainstorming. Collective discussion addresses every aspect of the planned product in an uninhibited solution-oriented way.

<u>Creation of Opportunities</u>

Entrepreneurial opportunities varies because of certain external changes, such as

- Technological change,
- Regulatory and political change,
- Social and demographic change, and
- Economic change.

<u>Technological Changes:</u>

Technological changes lead to entrepreneurial opportunities because they make it possible for people to do things in new and more productive ways. Technological changes can take the form of five forms of business opportunity—new products and services, new methods of production, new markets, new ways of organizing, and new raw material.

Political and Regulatory Changes:

Political and regulatory changes lead to business opportunity by paving the way for new, more productive use of resources or a redistribution of wealth from one person to another. Statutory and regulatory requirements create opportunities for entrepreneurs to Start firms that help other firms and the community to comply with the requirements.

Social and Demographic Changes :

Social and demographic changes, such as changes in family and work Patterns, the ageing of the population, increasing diversity at the workplace, increasing focus on health and fitness, the increase in the number of cell phone and Internet users, and new forms of entertainment, lead to the creation of business opportunities because they alter people's preferences or demand for products and services, and consequently make it possible to generate new ideas to meet new demands.

Economic Changes:

Economic forces affect business opportunities by determining who has money to spend.An increase in the number of women in the workforce over the last few decades and their related increase in disposable income is largely responsible for the number of boutique clothing stores targeting professional women that have opened in the past few years.

Identification of Business Opportunity

Several studies have shown that previous experience in an industry helps entrepreneurs to recognize business opportunities. In addition, the extent and depth of an individual's social network also affects the identification of opportunity. People who build a substantial network of social and professional contacts will be exposed to more opportunities and ideas than people with sparse networks. Studies have demonstrated that the identification of a business opportunity may

also be a cognitive process or an innate skill. Some people believe that entrepreneurs have an intuition or a ¯sixth sense, that allows them to see opportunities that others miss. Creativity is the process of generating a novel or useful idea. Opportunity recognition may be, at least in part, a creative process as well.

It is important for entrepreneurs to grab a business opportunity before the market becomes saturated with competitors and the window of opportunity is closed to them. There are three general approaches entrepreneurs use to identify an opportunity. They are:

I. observing trends:

Entrepreneurs can identify business opportunities by carefidli observing trends. The most important trends to follow are economic, social, technological, and political trends.

2. Solving a problem:

Another approach to identifying business opportunities is to recognize and solve a pressing problem that customers are facing today. From an entrepreneur's point of view, every problem is a disguised opportunity.

3. Finding gaps in the marketplace:

A third approach to identifying business opportunities is to find a gap between what is needed by the customer and what is actually provided to the customer. Finding such gaps can help entrepreneurs develop new products and improve existing ones.

Business Opportunities in India

Being the seventh-largest country in the world by area and the second largest by population. India has a growing market and is a land of opportunities. The opportunities for importing, exporting, trading, investing, and franchising are immense. A potential entrepreneur needs to take into account the economy, the consumer, and business trends. One should also understand that what may be a

good business opportunity for one entrepreneur may not be a good opportunity for another. It is essential for entrepreneurs to pick opportunities that they are passionate about.

There are several factors that create favourable business opportunities in India:

- India is a well-established democratic country with free and fair judicial system.
- The country also has a well-established banking system consisting of public and private banks and other financial institutions.
- The country has a huge middle-class with enhanced purchasing power. Coupled with high growth economy, this creates the potential for huge growth in manufacturing, services, and the retail sector.
- India has vibrant trade links with the South Asian Association for Regional Cooperation (SAARC) nations such as Sri Lanka, Pakistan, Nepal, Bhutan, Bangladesh, and the Maldives.

- India has a competitive advantage in the global market with the availability of a huge pool of cheaper labour and knowledgeable workers to enhance industrial productivity.
- Economic reforms and policy changes have created an investment- friendly environment.
- The capital markets in India are one of the fastest-growing markets in the world, attracting huge foreign investments. A lot of international companies have started outsourcing and setting up international operations in the country.
- The country is self-sufficient in agriculture and rich in natural resources.
- India is it part of the BRICS group of nations comprising Brazil, Russia, China, and South Africa.
- India has developed vibrant trade links with these nations.

Market entry strategy in India

A market entry strategy is the planned method of delivering goods or services to a new target market

India is the second-most populous market in the world, but also among the most complex to enter as a company without any previous experience in the region.

5tips for better Indian market entry strategy

1. Find the right partner

India is the world's seventh largest economy in terms of GDP, and has a population of 1.3 billion people. It is a complex market for the best Indian companies, and even more so for companies from abroad. Businesses with a pre-determined mindset and less exposure to international markets might find the commerce culture in India too intimidating.

Identifying the right partner goes a long way in successfully navigating the complexities of the local business environment for a new entrant into the Indian market. A local partner can provide much-needed assistance in understanding the Indian market. This partner can give you valuable market insights on competition, regulation and other important issues. They can also introduce you to the network with the reach to target prospective clients without much investment on the groun

2. Localize your products to meet consumer needs and preferences

India is a vast and diverse country encompassing many different identities, languages, cultures and religions. It is important to avoid making generalizations or assumptions, as local practices and consumer behavior may vary substantially from region to region.

Since India has such a pluralistic, multilingual society, more often than not, a one solution fits all approach doesn't work. Even a global bigwig like McDonald's had to localize its product offerings based on the fact that half of Indians are vegetarian. They also have to leave their most popular item, beef burgers, off the shelf given the religious sensibilities of the Indian population.

3. Remember the high level of price sensitivity

It is extremely important for a new entrant into the Indian market to get its price strategy right, particularly if it's targeted towards the low and middle income populations. Even with a growing economy and a growing middle class, there's no denying the fact that India is still a low middle income economy, with a per capita income of around $2,000 and a huge population still living below the poverty line. Since the government cannot afford to provide for education and healthcare coverage, the majority of the population has to pay for these necessities from their own income. With little disposable income left after covering basic amenities, there's not much money left in the hands of a significant portion of the population. This makes the market price sensitive as many people need to spend judiciously.

4. Enter the Indian market for long-term growth, not to make a quick buck

India is certainly not a place for businesses to make quick gains – you need to be invested for the long haul. Although it's a huge market with a population of 1.3 billion people, including 400 million middle class consumers, it has its share of challenges when it comes to market entry.

Because India is such a huge and attractive opportunity, there is no dearth of competition. More often than not, you have companies looking for market share and compromising on potential short-term profitability in order to establish themselves more firmly there. Given the complexity of the market, it takes time for the companies to understand the environment and develop the right strategy.

5. Prepare to navigate a much different legal and regulatory landscape

The Indian judicial system follows "common law", and the constitution has provided for a single integrated system of courts to administer both union and state laws. Due attention should be paid, including seeking professional advice, before entering into a formal agreement. Court judgments are often delayed because of the huge backlog of cases, so any agreement should provide the scope for alternate dispute resolution mechanisms.

Feasibility Analysis or Project Analysis

Feasibility (possibility) analysis is used to determine the viability of an idea, such as ensuring a project is legally and technically feasible as well as economically justifiable. It tells us whether a project is worth the investment

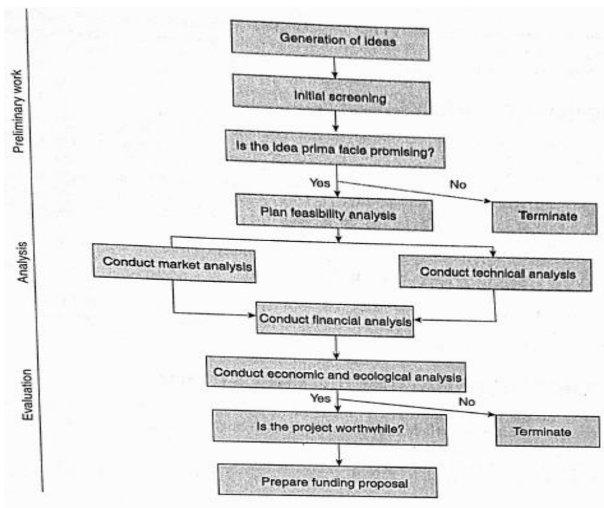
It ultimately tests the viability of an idea, a project, or a new business.

A feasibility study may become the basis for the business plan, which outlines the action steps necessary to take a proposal from ideation to realization. A feasibility study allows a business to address where and how it will operate, its competition, possible hurdles, and the funding needed to begin. The business plan then provides a framework that sets out a map for following through and executing on the entrepreneurial vision.

A well-designed study should offer a historical background of the business or project, such as a description of the product or service, accounting statements, details of operations and management, marketing research and policies, financial data, legal requirements, and tax obligations. Generally, such studies lead technical development and project implementation

This is also known as project feasibility study. Once a project proposal is identified and if the project seems worthwhile, detailed analysis of the marketing, technical, economical, and ecological aspects are under taken.

Based on the information developed in the analysis, the stream of costs and benefits associated with the project can be defined. The important aspect of project analysis is market analysis, technical analysis, financial analysis, economical analysis, and ecological analysis. A schematic diagram of the project feasibility study is shown in figure.



Project Feasibility study Schematic Diagram

Types of Feasibility Analysis:

This feasibility can be ascertained on following parameters:

1) Marketing feasibility
2) Financial Feasibility
3) Political feasibility
4) Economic Feasibility
5) Social Feasibility

6) Legal feasibility
7) Technical Feasibility
8) Managerial feasibility
9) Location and other feasibility

1)Marketing feasibility

This mainly deals with determining the potential market and the market share for the proposed project. Market analysis is concerned with forecasting the demand for the product/service under consideration. It requires finding a variety of information on consumption trends, cost structures,

structures of the competition, the elasticity of demand, consumer behaviour, and exports and imports.

In simple words it determines whether a product or service can sustain in a specific market or not as well as whether it is capable of generating financial surplus for the firm or not.

Most market feasibility studies include:-

- Description of the industry
- Current Market Analysis
- Competition or presence of competing products.
- Anticipated future market potential.
- Potential buyers and sources of revenues.
- Sales projections.

Market feasibility tests can be carried out not only on products but on ideas, campaigns, processes and entire businesses too.

2)Financial Feasibility

This mainly deals with determining the risk and return for the proposed project. Financial analysis seeks to ascertain whether the proposed project will be financially viable. It requires finding a variety of inhumation on the cost of the project and the means of finance; the cost of capital, the projected liability; cash flows of the project, the break-even point, the level of risk, the investment outlay and worthiness, and projected financial position.

In order to ascertain financial viability, financial projections are made and on the basis of such projections which need to be objective and realistic, the followings broad parameters are evaluated for determining the feasibility of the project-

a. Return on Investment

b. Payback period of the outlay

c. Internal rate of return

d. Profitability index.

In case of a new project, financial viability can be judged on the following parameters:

a. Total estimated cost of the project

b. Financing of the project in terms of its capital structure, debt to equity ratio and promoter's share of total cost

c. Existing investment by the promoter in any other business

d. Projected cash flow and profitability

The financial viability of a project should provide the following information:

a. Full details of the assets to be financed and how liquid those assets are

b. Rate of conversion to cash-liquidity

c. Project's funding potential and repayment terms

d. Sensitivity in the repayments capability to the following factors

e. Mild slowing of sales

f. Acute reduction/slowing of sales

g. Small increase in cost

h. Large increase in cost

i. Adverse economic conditions.

If, on the above mentioned parameters, the project is found suitable, then only further feasibility tests are carried out.

3)Political feasibility

Political feasibility is a measure of how well a solution to a policy problem, will be accepted by a set of decision makers and the general public. For a policy to be enacted and implemented, it must be politically acceptable, or feasible.

Political feasibility analysis is used to predict the probable outcome of a proposed solution to a policy problem through examining the performer, events and environment involved in all stages of the policy-

making process. It is a frequently used component of a policy analysis and can serve as an evaluative criterion in choosing between policy alternatives.

Feasible policies must be politically acceptable or at least not unacceptable. Political unacceptability is a combination of two conditions too much opposition or too little support. One common mistake is widespread in practice that feasibility becomes a dominant criterion of preferable alternative. Feasibility is "the state or degree of being easily or conveniently done

Political feasibility is a measure of how well a solution to a policy problem, will be accepted by a set of decision makers and the general public. For a policy to be enacted and implemented, it must be politically acceptable, or feasible.

Alternatively, a politically feasible alternative is one that has the greatest probability of "receiving sufficient political push and support to be implemented" given any specific constraints.

When policy analysis generates policy alternatives, the political risks and costs associated with each can be important criteria for deciding between alternatives. A good policy alternative requires a certain amount of political feasibility, or implementation of the policy will be impossible. It is important to keep in mind, however, that feasibility alone does not make a policy "good." Examining all criteria is necessary for the implementation of socially responsible policy.

Politics are difficult to predict but it has been said that "no decision is ever made in complex systems without political feasibility having played some role.

4) Economic Feasibility

This is also called social-cost benefit analysis and is mainly concerned with judging a project from the social point of view. The focus is on the social costs and benefits of the proposed project. It deals with determining benefits and costs in terms of shadow prices and other social impacts. Economic analysis requires finding a variety of information on economic costs and benefits measured in terms of the efficiency (shadow) prices, employment to be generated by the project, impact of the project on the distribution of income in society; and the impact of the project on the level of savings and investment in society.

The purpose of an economic feasibility study (EFS) is to demonstrate the net benefit of a proposed project for accepting or disbursing electronic funds/benefits, taking into consideration the benefits and costs to the agency, other state agencies, and the general public as a whole.

In sync with the phrase “Parity between haves and have not’s”, a social cost-benefit analysis (SCBA) of the project should be carried out. This ensures that the organization is contributing to the GDP of the economy and is also discharging its social obligations, by providing employment opportunities and bringing in improvement in quality of life.

The purpose of business in a capitalist society is to turn a profit, or to earn positive income. While some ideas seem excellent when they are first presented, they are not always economically feasible. That is, that they are not always profitable or even possible within a company’s budget. Since companies often determine their budget’s several months in advance, it is necessary to know how much of the budget needs to be set aside for future projects.

Economic feasibility helps companies determine what that amount is before a project is ultimately approved. This allows companies to carefully manage their money to insure the most profitable projects are undertaken. Economic feasibility also helps companies determine whether or not revisions to a project that at first seems unfeasible will make it feasible.

5) Social Feasibility:

Social feasibility is a detailed study on how one interacts with others within a system or an organization. Social impact analysis is an exercise aimed at identifying and analyzing such impacts in order to understand the scale and reach of the project's social impacts.

At a minimum, all projects demand a review of project data at the Appraisal Phase, so as to identify if material social impacts exist. Social impact analysis greatly reduces the overall risks of the project, as it helps to reduce resistance, strengthens general support, and allows for a more comprehensive understanding of the costs and benefits of the project.

However, social impact analysis can be expensive and time consuming, so the full analysis process cannot be justified for all projects. At a minimum, all projects demand a review of project data at the Appraisal Phase, so as to identify if material social impacts exist. If they do, a full social impact analysis should be conducted.

6)Legal Feasibility:

It should first be determined whether the proposed project conflicts with legal requirements, and if the proposed venture is acceptable in accordance to the laws of the land. The project team has to make a thorough analysis of the legal issues surrounding the project, across several dimensions.

A detailed legal due diligence should be done to ensure that all foreseeable legal requirements, which have not or will not be dealt with, in other appraisal exercises, are met for the development of the project.

The main objectives of the legal feasibility analysis are as follows:

a. To ensure that the project is legally doable;

b. To facilitate risk management, indicating the risks and obstacles that need to be addressed within the technical analyses, the financial model and/or the Value for Money analysis; and

c. To avoid, to the extent possible, major problems in the project's development and implementation, specifying the requirements that need to be considered at subsequent stages of the PPP process, [public private partnership

7) Technical Feasibility

This principally deals with determining the technical viability for successful commissioning of the proposed project and for ascertaining whether sensible choices have been made with respect to location, size, process, etc. Technical analysis requires finding a variety of information on the availability of raw material and various other inputs, the type of technology to be adopted, choosing a suitable layout for the site, building and plant, and choosing the appropriate plant, machinery, and process.

This assessment is based on an outline design of system requirements, to determine whether the company has the technical expertise to handle completion of the project. When writing a feasibility report, the following should be taken to consideration.
The technical feasibility assessment is focused on gaining an understanding of the present technical resources of the organization and their applicability to the expected needs of the proposed system. It is an evaluation of the hardware and software and how it meets the need of the proposed system.
An in depth and critical study of following parameters is done:
a. Plant location
b. Layout
c. Plant & machinery and equipment
d. Manufacturing process
e. Infrastructure
f. Technology
g. Efficient waste disposal.

The technical feasibility assessment is focused on gaining an understanding of the present technical resources of the organization and their applicability to the expected needs of the proposed system. It is an evaluation of the hardware and software and how it meets the need of the proposed system.

8) Managerial feasibility

Managerial feasibility analysis is a form of project analysis that look at every aspect of a proposal to determine its likelihood of success before commencing. These types of studies take an objective look at the strengths and weaknesses of the proposed project to see how viable the idea is in terms of generating profit and meeting objectives.

Managerial Feasibility analysis objectively and rationally uncover the strengths and weaknesses of an existing business or proposed venture, opportunities and threats which are presented by the environment, the resources required to carry through, and ultimately the prospects for success. In its simplest terms, the two criteria to judge feasibility are cost required and value to be attained. Managerial feasibility study is an analysis of the viability of an idea. The Managerial feasibility study focuses on helping answer the essential question of "should we proceed with the proposed project idea?"

9) Location and other feasibility

Location feasibility

There is a saying that the three most important considerations in business are location, location, location. If you're starting a new business that operates primarily offline, location is critical.

Your business location analysis should take into account demographics, psychographics, census and other data, location analysis is to maximize chances of success in business.

The location of a retail outlet is the most influencing factor for the success of the business. Therefore selecting a location for a retail store or an outlet is a challenging process. The purpose of this study is to define a method and develop a system to analyze the feasibility of a selected location for a retail store.

Consumer surveys were conducted in selected areas to get information about consumers' shopping patterns and selections. From the web service, identify transport modes, locations of competing stores and shopping areas.

The retail industry is a fast growing and a highly revenue generating industry. The location of a retail outlet is the most influencing factor for the success of the business. Therefore selecting a location for a retail store or an outlet is a challenging process. The purpose of this study is to define a method and develop a system to analyze the feasibility of a selected location for a retail store.

Many hospitality and restaurant businesses fail due to inappropriate location or market entries.

Location feasibility and market studies are an essential part of the building or growing a business.

Other Feasibilities-

Schedule Feasibility:

A project will fail if it takes too long to be completed before it is useful. Typically this means estimating how long the system will take to develop, and if it can be completed in a given time period using some methods like payback period. Schedule feasibility is a measure of how reasonable the project timetable is.
Some projects are initiated with specific deadlines. It is necessary to determine whether the deadlines are mandatory or desirable. To do proper scheduling, the versatile techniques like PERT & CPM are adopted.

Resource Feasibility:

This involves questions such as how much time is available to build the new system, when it can be built, whether it interferes with normal business operations, type and amount of resources required, dependencies, and developmental procedures with company revenue prospects.

There are resources necessary to complete any project. All the important resources like human resource, artificial resources, financial resource etc. are taken care of by indulging in complete research on feasibility of the resources needed to complete the project.

Operational Feasibility:

Operational feasibility is the measure of how well a proposed system solves the problems, and takes advantage of the opportunities identified during scope definition and how it satisfies the requirements identified in the requirements analysis phase of system development.

The operational feasibility assessment focuses on the degree to which the proposed development projects fits in with the existing business environment and objectives with regard to development schedule, delivery date, corporate culture and existing business processes.

To ensure success, desired operational outcomes must be imparted during design and development. These include such design-dependent parameters as reliability, maintainability, supportability, usability, producibility, disposability, sustainability, affordability and others. These parameters are required to be considered at the early stages of design if desired operational behaviours are to be realised.

Commercial Feasibility:

Commercial Feasibility is ascertained by finding out the following:

a. Current and Potential competition

b. Profit margin

c. Size of the market.

d. Degree of demand for the product

e. Future growth of market

Environmental Feasibility:

The environmental feasibility study considers both human and environmental health factors. The EF is a comparative process that looks at all potential solutions, and then evaluates them against specific criteria to ultimately find the best choice. It is a fact that external environment exerts considerable influence on the organizations. In fact the climatic conditions in a particular area/region have a significant impact on the existence of an enterprise. Therefore, it is necessary to ascertain the environment viability as well.

The parameters considered are:

a. Overall protection of public and environmental health

b. Effective reduction of hazardous waste toxicity, mobility and volume.

c. Long-term and short-term effectiveness of environmental policies of the company

d. Potential consequences of the remedial measures taken for protecting environment

Ecological Feasibility

This mainly deals with determining the quantum of damage likely to be caused by the proposed project to the environment, and the cost of restoration measures required to be undertaken to ensure that the damage to the environment is within acceptable limits.

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