# **Team Claudius – Leadership**

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**Case Understanding:**

Based out of Bangalore in the state of Karnataka, SELCO India provides electricity and other energy services to rural areas. To bring affordable solar lighting and power to India's rural poor, Mr. Harish Hande, a well-known social entrepreneur, co-founded SELCO India with Neville Williams in 1995. The firm set out to debunk three common misconceptions.

1. Poor people cannot afford sustainable technologies
2. Poor people cannot maintain sustainable technologies
3. Social ventures cannot be run as commercial entities

The company expanded methodically during its initial years as it accumulated funds and experience. SELCO India built a franchised dealer network in the early 2000s to expand its business, which damaged its finances and diverted it from its initial aim to aid the underprivileged. Before long, solar panel prices rose sharply and demand fell. In 2008, Mr. Hande restructured the company with the support of the International Financing Corporation (IFC), the commercial finance arm of the World Bank. While SELCO India continued to operate for profit, Mr. Hande was able to attract investors who shared the company's values. Along with creating cutting-edge, practical products, SELCO India also offers a microfinance solution, which has helped the company thrive. As the initial investment in solar panels and batteries was hugely expensive for low-income groups, Mr. Hande and the SELCO India team worked hard to forge strong partnerships with banks and microfinance organisations so that they could offer innovative and effective financing options to their customers.

SELCO India has hired our consulting firm to recommend strategies for growing the company's operations in three key areas: Product Line Expansion, Sales Network Expansion and Energy Service Centres Expansion.

**BCS Solution Summary:**

India has tremendous scope of generating solar energy. The reason being India is a tropical country and it receives solar radiation almost throughout the year. States like Andhra Pradesh, Bihar, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, and West Bengal have great potential for tapping solar energy due to their location. Since, our target audience live in rural areas, there is much scope for solar energy being promoted in these areas.

Solar also provides the ability to generate power on a distributed basis and enables rapid capacity addition with short lead times. Off-grid decentralized and low-temperature applications will be advantageous from a rural electrification perspective and meeting other energy needs for power and heating and cooling in both rural and urban areas. SELCO India's marketing strategy should achieve two overarching goals: first correctly identifying its target market, and second planning its marketing efforts so that they successfully place the company in the minds of its target consumers. For expansion plans SELCO India can collaborate with many groups that are interested in collaborating with SELCO in order to improve the quality of life for the poor, and they have been drawn to the company's extensive network of rural service centres that contact directly with rural customers. By the end of the first year, we anticipate a five-fold increase in client reach and a ten-fold increase in net income thanks to our strategy. IT infrastructure will help with the automation and IoT to be used for the assembly at our production unit. This will help minimize the labour cost.

**Solution:**

**SWOT Analysis of SELCO India**

**Strengths**

SELCO India’s strengths include that it has capabilities and resources to leverage and build a sustainable competitive advantage in the marketplace. Its strengths come from positive aspects of five key resources & capabilities - financial resources, human resources, past experiences and successes, activities & processes, and physical resources such as land, building.

- **Intellectual Property Rights** – SELCO India can thwart the challenges of competitors with its wide array of patents and copyrights through innovation and buying those rights from the creators.

- **First Mover Advantage** – SELCO India has the first mover advantage in a number of segments. It has experimented in various areas.

- **Superior product and services quality** can help SELCO India to further increase its market share as its current customer base are extremely loyal to it. There are enough evidences that with such a high quality of products and services, SELCO India can compete with other global players in international market.

- **Diverse Product Portfolio**– The products and brand portfolio of SELCO India enables it to target various segments in the domestic market at the same time. This has enabled it to build diverse revenue source and profit mix.

- **Robust Domestic Market** - The domestic market in which SELCO India is operating is both a source of strength and roadblock to the growth and innovation of the company. Though SELCO India may easily grow the domestic market with limited innovation, it will require further investment into research and development to enter international market.

- **Successful Go To Market Track Record** – The company has a highly successful track record of both launching new products in the domestic market but also catering to the various market based on the insights from local consumers. It has tested various concepts in different markets and come up with successful global business solutions.

**Weaknesses**

- **Organization Culture** – It seems that organizational culture of SELCO India is dominated by turf wars within various divisions, leading to managers keeping information close to their chests. This can lead to serious road blocks in future growth.

- **Low Return on Investment** – Even though SELCO India is having a stable balance sheet, one metrics that needs reflection is “Return on Invested Capital”.

- **Inventory Management** – SELCO India has a huge scope of improvement in inventory management.

- **Lack of critical talent** – SELCO India needs upgradation of critical talent especially in the field of technology & digital transformation. It has to restructure processes in light of developments in the field of Artificial Intelligence (AI) and machine learning.

- SELCO India’s business model can be easily replicated even though it possesses a number of patents and copyrights. The intellectual property rights are very difficult to implement in the industry the company operates in.

- **Implementation of Technology in Processes** – Even though SELCO India has integrated technology in the backend processes it has still not able to harness the power of technology in the front end processes.

**Opportunities**

Opportunities are the macro environment factors and developments that SELCO India can leverage either to consolidate existing market position or use them for further expansion.

- **Growing Market Size and Evolving Preferences of Consumers** – Over the last decade and half the market size has grown at brisk pace. The influx of new customers has also led to evolution of consumer preferences and tastes. This gives SELCO India two big challenges – to maintain loyal customers and to cater to the new customers. The company has tried to diversify first using different brands and then by adding various features based on customer preferences.

- **E-Commerce and social media Oriented Business Models** – An E-commerce business model can help SELCO India to tie up with local suppliers and logistics provider in the international market. The growth of social media platforms can facilitate the company to reduce the cost of entering the new market and reaching to customers at a significantly lower marketing budget.

- **Reducing Cost of Market Entry and Marketing into International Markets** –social media platforms have considerably reduced the risks of market entry and marketing in international market.

- **Increase in Consumer Disposable Income** – The company can use the increasing disposable income to build a new business model where customers start paying progressively for using its products.

- **Increasing Standardization –** The company can leverage this trend to reduce the number of offerings in the market and focus the marketing efforts on only the most successful products.

- **Access to International Talent in Global Market** – One of the challenges SELCO India faces currently is the limited access to high level talent market because of limited budget. By expanding into international market, it can tap into international talent market.

**Threats**

- **Increasing costs component due to environmental regulations** – The company has to deal with these costs as governments are trying to levy higher environmental taxes to promote cleaner options. It may result into higher logistics costs and higher packaging costs.

- **Threats of New Entrants because of Reducing Costs and Increasing Efficiencies** – As SELCO India can leverage low cost of reaching customers using social media and e-commerce, so can the competitors – both local and international competitors.

- **Government Regulations and Bureaucracy** – The company needs to keep a close eye on the fast-changing government regulations under the growing pressure from protest groups and non-government organization especially regarding to environmental and labor safety aspects.

- **Squeezing Middle Class in Developed and Developing World –** The growing inequality is one of the biggest threat to not only globalization but also to capitalism.

**- International Geo-Political Factors** – SELCO India should closely focus on the geo-political factors and events. Developments such as Brexit, Russian sanctions, foreign exchange crisis & inflation in Venezuela, lower oil prices etc are impacting international business environment.

- **Credit Binge post 2008 Recession** –SELCO India should focus on reducing its dependence on debt to expand.

**Finance-**

*\*\* A detailed financial budget is provided in the Financial & Operations Report \*\**

**IT-**

Automation and IoT will be used for the assembly at our production unit which will help minimize the labour cost. We will also develop a software to handle all the financial transactions. To that end, the IT department will offer technical assistance and creative solutions that add value to the company and boost operational efficiency.

*\*\* A detailed IT plan is provided in the IT Report \*\**

**Marketing-**

SELCO India's marketing strategy should achieve two overarching goals: first correctly identifying its target market, and second planning its marketing efforts so that they successfully place the company in the minds of its target consumers. Companies must discover new markets, tailor existing products to those markets, and expand into new markets all while catering to their current clientele. For expansion plans SELCO India has to focus on product line expansion, sales network expansion and energy service centre expansion, all which can be achieved by collaboration activities. Many groups are interested in collaborating with SELCO in order to improve the quality of life for the poor, and they have been drawn to the company's extensive network of rural service centres that contact directly with rural customers. By the end of the first year, we anticipate a five-fold increase in client reach and a ten-fold increase in net income thanks to our strategy.

*\*\* A detailed marketing plan is provided in the Marketing Report \*\**

**HR-**

Human resources (HR) plays a critical role in a company's success because it is responsible for hiring skilled as well as unskilled workers for managing employees' relationships in order to foster a positive and productive workplace. HR team will also ensure a easy onboarding process for all the employees and help them with health & safety. Compensation and benefits will be designed to include all the monetary and non-monetary benefits that will be given to all the employees.

*\*\* A detailed HR plan is provided in the HR Report \*\**