

Business Case Analysis



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Executive Summary:

Merger & Acquisitions have become one of the popular strategies for companies to expand business and meet other business goals. The popularity of mergers & acquisitions seems to have increased in the past 3 decades with large international companies like Tesco and others resorting to this strategy to expand business. The current study is based on a company named “Namaste Solar” which was founded by an engineer named Jones and his two other partners in 2004 to provide products and services based on solar energy. The company operates on a highly participative leadership style with all decisions being taken together after reaching a consensus. A unique feature of the business model of “Namaste Solar” is that the employees are allowed to buy shares from day one of employment and thus the company is a fully employee owned business. The company has grown significantly since its inception with its revenues having grown by 2250% expect for the 1st year of operation. Currently, “Namaste Solar” is the largest company in the solar energy industry of Colorado. However, the company is recently stuck with a strategic dilemma related to the selling of the business to other private companies. The solar energy market is growing by leaps and bounds in Colorado and this requires “Namaste Solar” to grow in the same fashion however this requires additional investments to expand current operations. The company does not have the required funds for this purpose and inability to grow at par with the industry can threaten the existence of the company. Two private companies are interested in buying the firm but the members of “Namaste Solar” have identified three possible solution to the problem namely Path A – to sell whole business, Path B – to partly sell the business and Path C – to continue with current ownership and organizational structure. However, the members are not able to finalize a particular decision. The current study focuses on examining these options and identify the most appropriate solution for the company.

The current study is divided into five chapters. The first chapter presents a background of the case along with aims, objectives and questions to be answered by the study. The second chapter focuses on critical evaluation of the business case whereas the third chapter is concerned with the tools and concepts to be used to examine the current situation. On the other hand, the fourth chapter involves application of the tools and theories mentioned in chapter three to examine the current situation of “Namaste Solar” and the fifth chapter presents the chosen solution along with recommendations for the company.

The main problem for “Namaste Solar” is maintaining a proper balance between the funding needs and strategic requirements of the company. While funds are required for business expansion but the members of the company are not fully willing to give away with the initial organization structure, culture and values. Selling stakes means dilution of ownership whereas continuing with existing ownership structure & business practice leads to inability to utilize market opportunities.

Qualitative investigation has been followed in the current study along with deductive approach and exploratory design. Three main tools used to examine the current situation are SWOT analysis, Porter’s five forces model and VRIN analysis. The application of these tools revealed that strong brand image, huge customer base, organizational culture, logo and rich experience of the company in the sector are the main strengths or source of competitive advantage. However, failure to grow in accordance with the industry can threaten the sustainability of “Namaste Solar”.

It is observed that Path B is most suitable for the company as it helps in bringing fresh capital along with retaining a good portion of ownership. It is further advisable for “Namaste Solar” to sell 50% of the stakes to two different firms instead of selling to one single firm and this is termed as Path D.

The current study does not involve any financial analysis and thus the study can be further broadened by including financial analysis and primary data analysis.

Chapter One:

This is the foremost chapter of the current study and is concerned with the presentation of the background of the case on which the study is conducted. The researcher seeks to lay the foundation of the study in this chapter by explaining the background of the concerned business case. The chapter is pivotal to the entire study as it also presents the problem statement to be addressed by the study. Furthermore, the study mentions the aims, objectives and questions in respect of the study.

1.1 Case Study background:

The business case is based on a company named “Namaste Solar” which was founded by Jones and two more business partners in November, 2004. However, the company was incorporated in February 2005. The formation of the company can be mainly attributed to the passing of Renewable Electricity Standards (RES) in Colorado. This RES mainly required electric utilities backed by investors to buy at least 10% of the total electricity supply by the year 2015 from renewable sources like geothermal, wind, solar, biomass and similar others. However, the mentioned figure is proposed to increase to 20% by the year 2020. Two major conditions laid down by the RES were that at least 4% of the energy needs to be generated from solar based electricity whereas at least 50% of this energy has to be generated onsite by potential customers.

The three business partners of “Namaste Solar” were Jones, Wes Kennedy and Ray Tuomey. Jones was a civil engineer by profession and had vast work experience in the energy sectors in countries like US, Egypt and Nepal whereas Wes Kennedy was an expert in solar installations. On the other hand, Ray Tuomey had strong personal contacts and networking with various organizations in Boulder along with other vital local contacts. It was decided among the partners that Jones would be responsible for business planning, Wes Kennedy would head technical design and solar installation functions whereas Tuomey would lead the marketing activities.

The three partners had also decided the type of organization and organizational culture for “Namaste Solar”. The partners wanted to have a company in which ownership, risk and rewards would be shared mutually. The focus was on building a business in which decision making process is decentralized and that the company would operate on highest form of employee engagement. It was decided that all decisions would be taken only after discussing with all the

organizational members. A particular decision would be adopted only if consensus is achieved for the same. In addition, the partners of “Namaste Solar” were looking for long-term association with the employees as this supports the chosen business model for the company. Thus, it was further decided that an employee of “Namaste Solar” can buy equity share from day one of the employment however the full conversion would take place only after the completion of five years. In other words, employees can buy and enjoy the benefits of equity share holding like dividends and others from day one but the employee needs to sell the share at current market price to the company if the employee leaves “Namaste Solar” before completion of five years of employment with the organization.

Recruitment was a major challenge for the company as the energy sector was growing rapidly however providing training to an unexperienced candidate was both costly and time-consuming as well. Thus, the partners focused on recruiting employees working in other energy based companies as this would save the time, cost and resources needed to train such employees. It is impressive to note that the total number of employees of “Namaste Solar” grew to 55 only during the first four years of its journey. The employee retention rate was considerably high as well with only 3 employees leaving the organization including a partner, Wes Kennedy.

Recently Jones has received a large number of offers from private equity companies and others who are interested in buying “Namaste Solar”. On discussion, the team of “Namaste Solar” has arrived at 3 major options as mentioned below but are not able to finalize any one of them till now:

Path A: To sell the entire stake of “Namaste Solar”

Path B: To make partly sale of stakes of “Namaste Solar” and retain the remaining stakes

Path C: To continue with existing holdings and not to sell any stake

Jones want to arrive at a decision which is beneficial to all.

1.2 Problem statement:

Inability to decide on the course of action to be taken in respect of selling the ownership of “Namaste Solar” to external parties is the principle problem identified by the current study.

1.3 Aims & objectives of the study:

The current study is aimed at determining the most appropriate decision among three paths chosen by the organizational members of “Namaste Solar” or any other suitable alternative that best suits the given situation.

The main objectives of the current study are mentioned below:

- To critically evaluate the current business situation of “Namaste Solar”
- To determine the benefits and limitations associated with the three paths identified by the members of “Namaste Solar”
- To develop suitable recommendations that could help “Namaste Solar” in overcoming current challenges and meet its pre-determined business objectives

1.4 Research questions:

- What are the major positive and negative aspects of the business environment in which “Namaste Solar” operates?
- How far are the identified courses of actions relevant and beneficial to “Namaste Solar” considering current market conditions and its organizational mission?
- How should “Namaste Solar” act to the current business environmental conditions and the received proposals regarding selling of the firm to ensure long-term sustainability and consistent growth?

1.5 Structure of the study:

Proper structuring of a study is essential to ensure that the study follows a defined path to achieve the pre-determined outcomes. The current study has been clearly segregated into five chapters which are explained below:

Chapter 1:

This chapter introduces the audience with the case study on which the analyses are to be conducted. Background of the business case is briefed in this chapter followed by the problem

statement to be addressed by the study. The chapter also mentions the aims, objectives and questions for the current study.

Chapter 2:

This chapter is concerned with conducting a detailed and in-depth discussion on the given case study. In other words, this chapter is focused on providing a detailed description of the given case study for better understanding of the same.

Chapter 3:

This chapter is pivotal in arriving at valid outcomes as the chapter deals with relevant literature review and tools to analyze the given case.

Chapter 4:

This is the fourth chapter of the study which is concerned with applying relevant tools and models to analyze the given situation. The author seeks to identify a set of specific criteria for testing the appropriateness of each given alternative.

Chapter 5:

The last chapter of the study is focused on developing suitable recommendations that can be adopted by “Namaste Solar” to overcome existing issues and achieve desired outcomes.

Chapter Two:

Description of the case:

“Namaste Solar” had become the largest solar energy company in Colorado by 2008. The revenue and market share of the company grew considerably on a consistent basis. The revenue of the company grew by 2250% which was huge. However, Jones has started getting offers from venture capital companies, investment bankers and private equity firms who were interested in buying “Namaste Solar”. Jones had found 2 among all the proposals to be most promising. The main problem is that the energy sector has been growing rapidly and to keep a pace with such growth the company needs funds to invest in business expansion however adequate funds are unavailable. In addition, inability to grow in tune with the industrial growth can be a threat to the sustainability of “Namaste Solar”. On the other hand, the potential buyers were ready to pay five times the internal value of the firm. The organizational members upon several discussions had come up with 3 potential decisions which were named as Path A, Path B and Path C. Path A was to sell the entire stake of “Namaste Solar” whereas Path B involves selling partial stake of the company and retaining a portion of the stake by the current employees. On the other hand, Path C is to continue with current ownership structure and recommit to the original vision of the company which was 100% employee ownership. Jones wants to come up to a decision that benefits “Namaste Solar” and all the members as well.

In the view of Cadogan (2009), business issues can be classified into financial, non-financial and mixed ones based on the nature and impact. Here, it is important to note that the indecision problem faced by the members of “Namaste Solar” is a mixed one because the two parties keen on buying the company are willing to pay a price that is five times higher than the internal valuation of the company. Thus, there seems to be zero doubt regarding the financial impact of selling the firm as financial gains are quite clear. However, the problem of indecision has occurred mainly from strategic perspectives. The owners of “Namaste Solar” have set a specific organizational vision, mission and culture since beginning which is highly democratic in nature. It encourages employee participation. All decisions are taken by involving all the organizational members of “Namaste Solar”. Thus, participative leadership style is followed in the organization. However, the other companies willing to buy “Namaste Solar” might have different organizational culture and leadership styles. For example, the potential buying companies might

prefer autocratic leadership style and this can dissolve the organizational mission & culture maintained by “Namaste Solar”. On the other hand, dilution of ownership is yet another major concern that needs to be considered. In fact, this is one of the major concerns among the employees of “Namaste Solar”. Selling stakes simply means giving away ownership and control to external parties. This can badly affect the monitoring and controlling process. As mentioned by Grundy (2003), merger or acquisitions have strong impact on the resource sharing of the concerned firms.

However, “Namaste Solar” is currently not capable of capitalizing the opportunities in the solar energy market. The industry is growing at a rapid pace and this requires the firms operating in the industry to grow in the similar pace as well. However, growing means increasing existing production capacities to meet the demands of more number of customers. Increasing of production facilities require substantial investment which is current not possible for “Namaste Solar”. On the other hand, operating at the current level in a highly growing energy industry can fetch threats to the sustainability of the company. Thus, the need for additional funds cannot be ignored as well even while recognizing the negative impacts of mergers or acquisitions. Thus, the organizational members of “Namaste Solar” are in a dilemma about selling the stakes of the company as it is quite difficult to raise funds without selling at least a portion of the stake. Hence, meeting financial and strategic needs has become the main challenge for “Namaste Solar”.

The members have not yet been able to come at a consensus regarding the ultimate decision to be taken in this regard. However, the members of “Namaste Solar” have identified the above mentioned three strategic options. There is considerable differences in views of the members as well. Some of the members think that selling the entire stake to an external firm can help in bring fresh capital and resources to the business and this would further help in optimum utilization of available market opportunities. On the other hand, employees supporting ‘Path B’ are of the logic that selling a part of the ownership instead of the whole can help in bring the required funds into the business and also retain considerable control over the affairs of the business. However, a good number of employees are of strong opinion that selling entire stake to an external firm is highly contrasting to the initial organizational values, mission and culture of “Namaste Solar”.

Therefore, the situation demands application of specific tools and literature review to determine the most suitable strategic decisions for “Namaste Solar” with proper justifications. Thus, the author seeks to analyze the current situation through the application of strategic analysis models and identify the most appropriate solution for “Namaste Solar”. In addition to this, the researcher is also focused on identifying any other alternatives that might seem superior to all the 3 existing ideas.



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Chapter Three:

This chapter is concerned with the various research tools, techniques, strategies and methodologies adopted for the current study.

3.1 Type of Investigation:

Studies conducted by researchers can fall in any one of the three categories namely Qualitative investigation, Quantitative investigation and Mixed Investigation. Studies based on numerical analyses are termed as quantitative investigations whereas qualitative analysis are focused on non-numeric aspects. However, researchers often resort to mixed investigation type which recognizes both quantitative and qualitative aspects related to the research topic.

In current scenario, **Qualitative investigation** style is followed as the study seeks to determine the most appropriate business strategy for the given situation rather than conducting statistical or financial analyses.

3.2 Investigation approach:

Research approaches are of two basic types which are Inductive approach and Deductive approach. Inductive approach refers to the research strategy that is concerned with arriving at new idea or theories based on investigation of existing principles, practices and views. On the contrary, testing validity of existing opinions and practices against the research problem is the main focus of deductive approach.

In current scenario, **Deductive approach** has been chosen for the study as the main aim of the current study is to determine the most suitable strategy for “Namaste Solar” rather than on developing any new concept or theory. This justifies the selection of deductive approach for the current study.

3.3 Investigation design:

Research design are classified as exploratory design, explanatory design and descriptive design. Exploratory design helps in identifying and evaluating new phenomenon related to a given topic, situation, problem or theory whereas scholars use explanatory design to establish and explain the

way in which causes and impacts are related. Descriptive design is focused on providing detailed description of the investigation and findings.

Exploratory design has been selected for the current study as this would help in looking at the 3 paths from more than one perspectives. This would further help in determining the most suitable options among the three.

3.4 Data type:

All facts and figures that are unprocessed and organized in nature are termed as data whereas the same is referred to as information when processed. In this context, Hiebing and Cooper (2003) stated that data are of two types which are primary data and secondary data. Primary data are collected from the selected respondents and thus originality is the main benefit of using primary data. On the contrary, secondary data reveal historic information as these represent the result of analyses conducted on primary data. The chances of errors are more in secondary data whereas chances of personal biasness is greater in case of primary data.

In present context, **Secondary data** has been chosen for the study for strategic decision making of “Namaste Solar”. This helps in conducting qualitative analyses on the given situation.

In addition, data can also be classified into quantitative and qualitative data. As the names suggest, quantitative data are numeric whereas qualitative data are subjective & non-numeric. Objectivity is the main benefit of quantitative data but qualitative data facilitates in-depth analysis.

The current study is mainly based on **Qualitative data** in the form of existing literatures and secondary from the given case study.

3.5 Data analysis plan:

Data analysis refers to the process of applying different tools and models to analyze a given set of data. First of all, the researcher presents the gathered data in a narrative format as the nature of the data is qualitative. In addition, Kent and Omar (2003) mentioned that narrative format is easy to understand. As regard to data analyses, the researcher mainly uses the following techniques or tools to analyze the data:

SWOT:

SWOT is a well-known analysis model that examines the internal and external business environment within which a company functions. SWOT analysis is useful in identifying the current strengths, weaknesses, opportunities and threats of a company. These outputs are crucial for strategic decision making.

Porter's five forces model:

Porter's five forces model analyzes the external market by recognizing the five major elements of the external market. These forces are mentioned below:

- Intensity of market rivalry
- Bargaining power of suppliers
- Bargaining power of customers
- Threat of new entrants
- Threat from substitute products

VRIN analysis:

In the view of Wilson and Gilligan (2005), organizational resources can be broadly classified into tangible and intangible resources. Examples of tangible resources are equipment, machineries, hardware, building, workforce, financial resources and others whereas intangible resources can include patents, trademarks, brand image, organizational culture, intellectual capital, technical knowledge, experience and similar others.

VRIN analysis is a part of the Resource Based View (RBV) approach that holds that resources that are valuable, rare, costly to imitate and difficult to substitute are the source of sustainable competitive advantage for a company over the market rivals. Thus, VRIN analysis is used to test

the capacity of each organizational resource to create competitive edge over the competitors. Resources fulfilling all the four criteria are considered to be competitive in nature.



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Chapter Four:

This chapter is concerned with the critical assessment of the current situation faced by “Namaste Solar” with reference to relevant theories, concepts and models. The purpose of this chapter is to analyze the current situation that could help in developing proper strategies for the company.

4.1 SWOT analysis:

SWOT analysis has been conducted on “Namaste Solar” as below:

Strengths:

Strengths are internal aspects of an organization that allows it create competitive edge over the market rivals and meet pre-determined organizational goals. In present context, competent and loyal workforce seems to be the greatest strength of “Namaste Solar” that has enabled the company to grow rapidly on a consistent basis over the years. It has been able to achieve substantial growth in revenues through delivering quality products and excellent customer care service. Here, employees do not work as employees rather they work as business partners due to the associated ownership. As mentioned by Wood (2004), employee loyalty and team work are the two of the most crucial sources of competitive edge in modern business environment. In addition, the management of “Namaste Solar” has years of rich experience in the solar energy industry. Furthermore, the company has strong contacts and networking with all local authorities and customers. On the other hand, strong brand image is yet another key strength of the company.

Weaknesses:

Inadequate financial resources for business expansion seems to be the principle weakness of “Namaste Solar”. Lack of sufficient funds can prevent the company from capitalizing the opportunities existing in the solar energy market in the form of high growth potential. This can eventually lead to reduction in the market share, customer base and profitability of the company in comparison to its competitors. Inability to invest to expand business can further become a threat to the existence of the company. On the other hand, frequent changing of the main business partners is another weakness of “Namaste Solar” as this brings instability in

management and control system of an organization. In addition, exiting of top level managers repeatedly can have a negative impact on the morale and motivation of the internal employees. This also has an impact on the strategic management of the company.

Opportunities:

Undoubtedly, the fast growth being evidenced by the solar energy industry is the biggest opportunity for “Namaste Solar”. It requires the company to develop strategies and deploy resources to utilize this opportunity. This can result in huge increase in the revenues and profitability of the organization thereby improving its financial strength. On the other hand, the two main offers received from external parties who are interested in buying the firm can be considered as another major opportunity for the company from strategic point of view. If “Namaste Solar” can develop appropriate strategies then it can utilize these two proposals to overcome its financial limitations and grow with the industry.

Threats:

The solar energy industry is growing at a fast rate. The minimum buying level of RES is also expected to increase from existing 10% to 20% by 2020. As mentioned by Wood (2004), failure of a firm to grow at the rate at which the concerned sector is growing can itself become a threat to its own existence. The problem becomes more severe with the increasing number of rivals in the market. In current scenario, the other solar energy companies are looking for investments from private companies and financial institutions to benefit from the industrial growth. On the contrary, “Namaste Solar” does not have adequate funds to expand its current scale of operations and it also cannot resort to external funding due to its own organizational policies. These factors can threaten the long-term sustainability of the company.

4.2 Porter’s five forces analysis:

Porter’s five forces analysis is a tool used for strategic analysis. The tool was developed by Michael Porter and it focuses on external environmental forces. The model assumes that there are five major market forces that affects the decision making, functioning and performance of a firm.

Porter's five forces model has been applied on "Namaste Solar" as below:

Intensity of market competition:

Intensity of market competition indicates the degree of market competition. Higher the number of firms in a market greater is the intensity of market competition and vice-versa. In addition, increase in the number of firms also reduces the share of profitability for the existing firms. The case study indicates that the current level of competition in the solar energy sector is medium for "Namaste Solar". The industry is mainly occupied by a number of already established solar energy supplier companies. However, there does not seem to be any price based competition among the firms. Thus, the intensity of market competition can be considered as medium.

Bargaining power of customers:

The bargaining power of the customers seem to be low in the solar energy sector. This can be justified by the rising demand for solar energy. Increase in demand for products and services among customers reduces the bargaining power of customers and vice-versa (Cadogan, 2009). The case study indicates huge increase of customer demand in the solar energy sector of the nation so this helps in keeping the customer bargaining at low and this is beneficial for "Namaste Solar".

Bargaining power of suppliers:

The supply of solar energy products and services depends largely on the suppliers. In other words, companies like "Namaste Solar" are highly dependent on the suppliers to deliver the required products and services to the customers. Therefore, the bargaining power of suppliers can be considered as high for "Namaste Solar". This can get reflected in the prices charges by the suppliers and the terms of payment offered by them.

Threat from new entrants:

The threat from new entrants refers to the chances of a new firm to enter into a particular market. The ease with which a firm can enter into a market determines the threat from new entrants. In

current scenario, the threat from new entrants can be considered as medium. This is mainly because of two main reasons. On one hand, it is a well-known fact that a market with potential for high growth & profitability would attract new firms to it and thus the solar energy sector can attract new firms in the industry. On the other hand, entering into the solar energy sector requires huge capital investment and legal complexities which can act as a barrier to new entrants. Thus, the two contradictory factors make threat from new entrants' medium for "Namaste Solar".

Threat from substitute products:

The threat from substitute products for "Namaste Solar" can be considered as high. This is mainly because of the other forms of renewable energy like biomass and others. In addition, similar products and services are offered by multiple companies in the industry.

4.3 VRIN Analysis:

Tangible resources:

Financial resources:

Financial resources include cash, easily convertible securities & assets, reserves & surplus and similar other financial assets held by a firm.

Physical resources:

Physical resources mainly include plant & machinery and other equipment.

Intangible resources:

Brand Image:

Brand image refers to the reputation enjoyed by "Namaste Solar" and the consumers' perception about the brand.

Logo:

Logo is the symbolic presentation of the company.

Workforce:

This include the employees working for the company also includes dedication, loyalty and competence of the employees.

Technical expertise& experience:

Knowledge on technical matters like solar installations & others and years of experience working in this industry comes under this category.

Organizational culture:

Organizational culture include policies, procedures, beliefs, customs and practices of the company. Team work, employee engagement, consent basis decision making and sharing of ownership, risk & rewards are the key aspects of organizational culture of“Namaste Solar”.

Contacts and Networking:

Contacts and networking are the links held by the top management of the company.

Criteria	Resources
Valuable	Financial resources, physical resources, brand image, logo, workforce, technical expertise & experience, organizational culture, contacts & networking
Rare	Brand image, logo, workforce, technical expertise & experience, organizational culture, contacts & networking
Costly to imitate	Brand image, logo, workforce, technical expertise & experience, organizational culture, contacts & networking
Non-substitutable	Brand image, logo, workforce, technical expertise & experience, organizational culture, contacts & networking

VRINresources of “Namaste Solar”:

- Brand image

- Logo
- Workforce
- Technical expertise & experience
- Organizational culture
- Contacts & networking

Chapter Five:

This chapter focuses on the development and evaluation of alternative solutions followed by selection of the best alternative and recommendations for “Namaste Solar”.

5.1 Criteria development:

The following criteria has been set to select the best possible solution for “Namaste Solar” based on the situational analyses of chapter four:

- Retention of majority employee ownership
- Retention of managerial control
- Retention of intangible resources like existing organizational culture, personal contacts & networking, logo, experience & technical knowledge and brand image
- Retention of existing workforce
- Availability of funds for business expansion to capital market opportunities

5.2 Evaluation of available solutions:

Path A: Selling of whole stakes of “Namaste Solar”:

Selling of whole stakes to an external firm can help in meeting the funding requirements of the company which is essential for business expansion. However, retention of managerial ownership & control, maintaining of intangible resources and retention of current workforce would not be possible under this path.

Path B: Selling of partial stakes of “Namaste Solar”:

Retaining a part of the ownership stakes while selling the rest is yet another option for the company. Through this path, the company can retain its brand image and other sources of competitive advantage. In addition, the strategy can help in bringing fresh investments into the business which can help in increasing production capacities of the company.

Path C: No selling of stakes of “Namaste Solar”:

This path can help in retaining the intangible resources of the company like brand image, intellectual capital, logo, networking, organizational culture and also existing workforce. In addition, following this path would also ensure zero dilution in managerial ownership & control of the company. However, this path is incapable of bringing any fresh capital into the business which is highly required for business expansion to capture the market opportunities. This path is based on strong ideologies.

5.3 Selection of best solution:

The table constructed below indicates the most efficient and appropriate of the 3 paths chosen by the members of “Namaste Solar”:

SL	Criteria	Path A	Path B	Path C
1	Retention of majority employee ownership	Not met	Met	Met
2	Retention of managerial control	Not met	Met	Met
3	Retention of intangible resources like existing organizational culture, personal contacts & networking, logo, experience & technical knowledge and brand image	Not met	Met	Met
4	Retention of existing workforce	Not met	Met	Met
5	Availability of funds for business expansion to capital market opportunities	Met	Met	Not met

The above table indicates that Path B is most appropriate for “Namaste Solar” as it can help in striking a proper balance between the financial needs and strategic needs of the company. The company can expand its current production capacity to a considerable extent through this path as partly selling of stakes would bring in additional capital. On the other hand, this path would also help in retaining a good portion of the ownership and managerial control thereby preventing complete giving away of control to a third party. Furthermore, “Namaste Solar” can also get benefitted from the new diversity formed as a result of the entry of new owners into the business. Complete giving away of the whole ownership can bring an end to the vision, mission and existence of the company whereas sticking fully to existing practices without selling any part of ownership is not desirable at all as it would mean to forego the emerging growth opportunities in the market.

Hence, Path B is advisable for “Namaste Solar”.

5.4 Development of Path D -an alternative solution:

In addition to the solution identified above there can be an alternative solution to the current issues faced by “Namaste Solar”.

Let this option be named as **Path D**. This option involves selling 25% of the total stakes of “Namaste Solar” to the two parties each thereby making a total sell of 50% stake. The other 50% of the stake to be retained by the existing owners of the company. This Path can be viewed as a diversified form of Path B. The principle benefit of following this path is that the ownership strength of the external parties would be lower than if 50% of the stakes are sold to one single party. However, a specific term needs to be incorporated in the legal agreement that the two parties would not be able to sell the stakes to each or to any one single party in future. Path D can thus help in raising the required funds and at the same time can also help in keeping a tight control over the business affairs of the firm.

5.5 Recommendations:

The following recommendations have been developed for “Namaste Solar” to ensure that the company gets the maximum possible benefits from the new strategy:

- Conducting proper valuation of the business

- Selling 50% of the stakes to two different parties equally
- Regular training and discussion with the employees
- Investment of surplus cash to earn interest from there
- Focus on aggressive advertising to achieve higher sales revenues and profitability
- Proper delegation of authority and responsibility
- Development of Standard Operating Procedure (SOP)

5.6 Action plan:

“Namaste Solar” can follow the following stage-wise action plan in respect of the new strategy:

1. Valuation of business
2. Market research
3. Risk analysis
4. Finalization of the chosen Path
5. Prioritization of activities
6. Briefing team members of the challenges and benefits associated with the strategic decision
7. Price negotiation with the concerned parties
8. Completion of legal formalities and procedures
9. Development of SOP
10. Deciding on the party responsible to manage the business
11. Delegation of authority and responsibility
12. Setting up of new business goals
13. Determination of action plans to meet those goals
14. Monitoring and Control

5.7 Limitations of the study:

Sole dependence on secondary data analysis seems to be the principle limitation of the current case study analysis. Primary data have been excluded from the study however inclusion of primary data could have helped in getting more valuable information from the directors and employees of “Namaste Solar”. This could have helped in developing more sound business strategy. On the other hand, the current study does not involve any financial analysis which is of great importance in case of mergers and acquisitions. Financial analysis could have helped in indicating the potential profitability and liquidity associated with each of the 3 options.

5.8 Scope for further research:

The current study holds ample scopes for further research in the area. The scope of the current study can be broadened by including financial analysis related to the merger. Proper analysis need to be conducted on the financial statements of “Namaste Solar” and the other two firms acquiring stake in the company through the application of ratio analysis. Comparative analysis can help in identifying the financial strengths and weaknesses of the three companies. Special attention needs to be given on the profitability, liquidity and efficiency position of the companies. On the other hand, in-depth analysis could be conducted by including primary data analysis. For example, the views of the employees of “Namaste Solar” can be captured through survey questionnaire method whereas the opinions of the managers can be gathered through direct interview techniques. Analyses of these data can help in arriving at a more sound business decision.

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EssayCorp 5 years ★★★★★