Assignment on Innovation

Case Analysis of Fourth Partner Energy, India

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# Introduction

Sustainability is a major area of concern in all the countries from across the world. A large number of companies have based their business idea upon this need area and thus developed business ventures on the same lines (Schaltegger & Wagner, 2011). The intention of this assignment is to critically evaluate a business venture with an innovative idea. The chosen company is Fourth Partner Energy (4PEL) from India which has been supporting companies and individual residential people to resort to rooftop solar power. The assignment undertakes an analysis of the country of origin that is India and the business itself. Further, it examines the significance of this business for human development as a whole followed by evaluating its financial viability. Further, an analysis of future viability and hindrances to which this project might be subjected to if taken up in other developing countries is outlined. Finally, an approach for promoting the idea developmental agencies in putting forward.

# Country Analysis- India

Since India gained its independence in the year 1947, the nation has been making policies to support economic development (Muralidharan, 2014). However, considering that the larger mass of the nation resided within the middle and lower income groups, the nation has been striving to achieve the state of overall development (World Meters, 2017). As necessity is the mother of invention, the nation has been supported by a series of indigenous entrepreneurs who have undertaken innovative ventures to provide solutions to mankind’s daily problems. The median age of people in India is 26.9 years with a majority of the population within the working age group (World Meters, 2017; Majumdar & Riley, 2016). The total population of India currently is approximately 1.3 billion people (World Meters, 2017). Out of this population, only 33% approximately is categorised as urban population thereby depicting the presence of larger population within a rural category (World Meters, 2017).

The political structure of India is based on democratic set-up. The recent political system that is led under the guidance of current Prime Minister Mr Narender Modi is working aggressively towards holistic economic and sustainable development of the nation. India’s union government is supporting transformational changes within the economy and boosting national companies. For ensuring this development the government has floated a series of developmental policies like Make in India, National Education Policy 2016, Digital India, plans for Smart-city, adoption of Goods and Services Tax and demonetization to name a few (Deepalakshmi, 2017; (Panagariya, 2015).

One such policy is related to the installation of solar power (approximately 100 gigawatts) and wind power (around 60,000 gigawatts) by the year 2022 in differing regions of India (Kalavalapalli, 2015). The overall investment in such ventures by the government would be 200 billion USD which gives ample scope for companies within the industry to participate (Kalavalapalli, 2015).

# Innovation Case Profile – 4PEL

The business that is Fourth Partner Energy (4PEL) started its operations in the year 2010 with its headquarters in Hyderabad, India (Fourth Partner Energy, 2017). The most significant people behind the creation of this business idea and co-founding the business are Vivek Subramanian, Saif Dhorajiwala and Vikas Saluguti (Fourth Partner Energy, 2017). The primary business venture indulges in the provision of financial assistance and other building support to differing customers for setting up solar projects on their rooftop. The customers are segregated into three heads namely, commercial, industrial and housing.

The most important objective of this company is to promote sustainable change by harnessing obtainable renewable resources (Fourth Partner Energy, 2017). The company aims at provision of higher quality services to its customers at reasonable prices thus making it possible for them to resort to such sustainable approaches. The market for this innovative business venture is very wide as it can be adopted by individual residences as well as commercial organisations including industries.

Financial support to 4PEL is availed by an array of investors hailing from India and as well as international developmental agencies. One of the initial investors in 4PEL was Chennai Angles. In recent times, the venture has also been funded by Infuse Ventures (Udgirkar, 2016). Development agencies like United Nations Environment Program (UNEP) and Asian Development Bank have been funding 4PEL’s activities through their program Seed Capital Assistance Facility (SCAF) (Udgirkar, 2016).

The primary stakeholders of 4PEL are its customers, the employees, the financiers, vendors, team working for it and the government. The company has been successful since its inception as it has undertaken more than 300 projects only in the southern areas of India and is expanding its base across the country (Jai, 2014). Further, it has certain successful clients like ICICI bank, Svasara Resort-Tadoba sanctuary and educational institutions along with small clients (Kalavalapalli, 2015). The company has also been awarded the rank of one of the principal companies within the group named Renewable Energy Services Company (RESCO). The concept of solar projects is yet a novel concept in India and thus 4PEL has very limited competitors as listed below:

* LM Wind Power Technologies (India) Private Limited
* Arraytech Technologies Private Limited
* Shree Ram Equitech Private Limited
* Relyon Solar Private Limited
* Panama Wind Energy Godawari Private Limited
* Access Solar Limited

(TOFLER, 2017)

# Analysis

## Importance of human development concerns and Financial Sustainability

The primary area of concern that is dealt by this business venture is conservation of non-renewable energy and usage of renewable energy to enrich human lives in the most cost-effective manner. The business idea caters to differing areas with regards to poverty, health and infrastructure. As the cost of per unit of power using solar energy is very low ranging between Rs. 4-7 which makes it very cost effective for people even in the rural areas to opt for the same (Sinha, 2015). The cost incurred in storing the power energy generated from this system is also declining. Overall the cost is further expected to decline thus making it a viable option for the human race to opt for. Being the business idea based upon renewable energy it has low or negligible negative impact on the environment thus making it an environmentally friendly venture (Hosenuzzaman, et al., 2015).

The financial sustainability of this business project is also very high. It is mainly due to the progressive approach adopted by Indian government towards development of the nation based on terms of sustainability. With raising awareness of people towards environment along with higher business returns from such strategic approaches choice of solar power is becoming more widespread. Even large organisations like Tata group and the Adani group are transforming themselves to become solar power users (Upadhyay, 2015). Also given the fact that in many areas in India still there is no electricity available in many areas especially the rural ones (Kaygusuz, 2011; Urpelainen, 2014). It is owing to infrastructural issues and the inability of the government to set up mechanisms for the same, such approaches would have higher acceptability making it a profitable venture altogether. Such business idea would thereby assist in resolving infrastructural issues prevailing in India by ensuring easy availability of power to people who lack an access to the same.

## Future Viability and Issues

In developing countries like India, an array of factors is promoting such business on sustainability. This support is mainly presented by the government of India through a series of policies as seen in earlier sections. Considering the case of other nations such innovations have higher success ratios. All the developing nations have a significant proportion of people belonging to lower-income and middle-income groups (Atkinson & Brandolini, 2014). Such ventures would help the nation to use renewable energies and thus lower their expenses on consumption of basic amenities (Solangi et al., 2011). The South Asian region which is mainly considered to be a developing region comprises of 37% of the global population which is unable to avail electricity facilities (Palit, 2013). This presents a huge scope for companies to expand their business in this sphere. Even in developing countries like Brazil, such projects are promoted through public–private partnerships thus indicating rapid adoption of such eco-friendly approaches across the world (Hochstetler & Kostka, 2015).

Irrespective of such progressive approaches being present the companies planning to take up such an innovation would be subjected to a number of challenges. These challenges would range from financial issues to political ones and from lower awareness levels to technical ones. The awareness with regards to benefits of this innovation is very low in certain nations which prohibits people from resorting to the same (Hosenuzzaman, et al., 2015). Though policies have been designed to enhance awareness amongst people it requires time which makes it less financially rewarding for companies planning to take up a future in this sector. This thus de-motivates them and thus they switch to other profitable options. Developing nations are subjected to infrastructural issues which make procurement of raw materials and other supplies like cadmium, silicon and tellurium very costly (Timilsina et al., 2012). The initial investments required for taking up such projects is very high requires financing. The financing companies are challenged with aspects of credit-worthiness making it further difficult to be implemented in developing nations. This, in turn, makes the project financially non-viable to pursue. Lack of government support and incentives is another factor that acts as a hindrance in indulging in such projects (Timilsina et al., 2012). As the concept is relatively new there is a lack of expert employee who can provide support and maintenance services which raise trust issues in consumer minds and thus is not adopted.

Innovation and sustainability are strongly related. To conserve and support our natural environment such innovations are critically important. However, along with such innovations, it is equally important to have the mindset and appropriate policy approach to imbibe them.

# Pitching Idea to Development Agencies

Considering the benefits derived from these kinds of innovation such ideas should definitely be promoted to the developmental agencies. These ideas do not only provide for the conservation of non-renewable energy but also preserves the environment. It helps in lowering the energy consumption costs incurred by people and organisations in the long run thus making it cost effective also for them irrespective of higher initial investments. The developmental agencies provide support to start-up companies planning to take up business for the holistic community development through differing policies. For example, in Armenia United National Development Program funds business ideas through Start-up Business Programs (OECD et al., 2015).

In order to promote such a business idea to developmental agencies, it is important to promote through the deployment of a systematic approach. In this approach, it is firstly important to conduct a detailed research for determining the viability of the business idea in future and its role in supporting sustainability. Once identified the business model can be communicated to differing developmental agencies by approaching them through contacts available on their websites (Kaburi et al., 2017). These websites demand business idea be suggested and then the filter promising ideas from the pool. The ideas which they considered to be ideal for the human race are selected and funded. The idea can further be elaborated through a series of meetings with developmental agencies. Another approach is to get started with the work and undertake certain successful projects which can be showcased as examples of the developmental agencies (OECD et al., 2015).

As this idea is deemed to be successful in India as identified in the case of 4PEL it can thus be funded. The overall process of converting a business idea into a company is depicted in the figure below:



Figure 1 Developmental Agencies- Creating Business

Source: (Greg et al., 2010)

The idea once approved by developmental agencies are provided with benefits like financial assistance, technical assistance, tax exemptions, subsidies, marketing facilities and others to name a few. However, for ensuring that these developmental agencies continue to provide assistance of differing types it is essential to maintain strong governance within the organisation and thus ensure the organisational objectives are duly met with an aim of serving the larger community (Greg et al., 2010).

# Conclusion

Innovation is the key to success which this business venture clearly outlines (Cooper & Kleinschmidt, 2011). The business idea by 4PEL has a strong future viability and can resolve numerous problems in India related to human race. This model can also be adopted in other developing and developed nations thus supporting upliftment of the overall human race and global prosperity.

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