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The Feasibility of SUNGO to Enter the Indian Valve Market (Mumbai)

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PREFACE

In relation to the accomplishment of the IBMS program (International Business and Management Studies) at RBS (Rotterdam Business School), the research program for SUNGO VALVE GROUP (SUNGO) has been conducted and the thesis has been reported in the period from April 2013 until February 2014. During the whole period I would like to thank Mr. Louis Uljee and Mr. Van Moppes, for helping me to finish this thesis. According to the feedback from my first and second readers, I provide recommendations for SUNGO in a feasible way.



Executive Summary

The valve industry has been experiencing a healthy recovery from the economic crisis, and there is a continuing robust growth in Chinese and Indian market. SUNGO has valve business in more than 30 countries, with the increasing demand of valves in the global market, the management team of SUNGO plans to expand their business in a new market--India. The objective of this thesis is to analyze the feasibility of SUNGO to enter the Indian valve market and find out a particular area for expansion.

To identify the main objective, there are four interrelated research themes will be looked at: Organization internal analysis, Indian current market analysis, marketing analysis and financial analysis. Thus, the research themes can be formulated with 4 research questions:

- *What are the internal elements supporting SUNGO to enter the Indian valve market?*
- *How attractive is the valve industry in India where SUNGO wants to enter?*
- *What are the future marketing strategies when SUNGO enters the Indian valve market?*
- *How to generate the profits in the expansion plan?*

Based on the research findings, several recommendations will be provided for SUNGO to enter the Indian valve market in a feasible way.

Organization internal analysis: Most employees who work in marketing department, they are lacking sufficient English skills to handle the English documents and contact with foreigners. Therefore, SUNGO needs to arrange training courses for their employees in order to improve their communication skills; SUNGO does not use their official website to promote themselves to their customers. When customers search the website, they will find limited information, spelling mistakes and the poor design, therefore, SUNGO really needs to rebuild their official website.

Indian current market analysis: Nowadays, the Indian government pays more attention on water shortage issue, they plan to invest money to build plants in Mumbai. In this way, the demand of the valves will be continue to increase. Therefore, SUNGO can focus on the water treatment area in Mumbai in the early entry stage.

Marketing analysis: The Indian market is a new target for SUNGO, it is better to use joint venture as an entry mode. The local partner already has certain existing customers and they understand the Indian regulations. During the cooperation, they can learn strengths from each other, deal with any problems together and also share the project risk.

Financial analysis: There is no direct exchange service between Yuan and Rupee. In this case, there is a comparison US dollar and Euro, the result shows that the INR/CNY exchange rate is lower by using Euro as intermediary; in this expansion plan, SUNGO will borrow capital from Chinese bank because of the lower interest rate.

In conclusion, by analyzing the four interrelated research themes, SUNGO has ability to enter the Indian valve market to get profit and market share, and this will be a feasible plan for SUNGO in the coming decades.

Personal motivation

After four years of studying international business management at the Rotterdam Business School, I learned how to become a real businesswoman. At school, we are not only learning marketing, but also finance, logistics, economic, business law etc. In the end of the study, we need to finish a BBA thesis, to put the theories into practice. I am interested in marketing and finance, therefore, I choose "a feasible" topic (The Feasibility of SUNGO to Enter the Indian Valve Market). During this period, I ran a practical in the company of SUNGO, I understand that the real work is not that easy as what I study at school, but what I learned at school gives me the knowledge to handle any future work. For writing this thesis, I needed to review lots of the knowledge that I studied in the past 4 years. I think it is a summary for my future career after my bachelor graduation.

Thesis Background

This thesis is written to help SUNGO to find if it is feasible to enter the Indian valve market. As we know with the development of the world economy, there is an increasing demand of valve in the global market. SUNGO is an international valve company, they want to continue to innovate products, improve management and gain market share. The Indian valve industry is the second fastest growing market in Asia, only after China, so SUNGO wants to know if they can enter the new market--India. SUNGO has lots of experience with international business, but each country has its own characteristics. In this thesis report is going to do research about the Indian valve industry and find out the opportunities, threats and competition issues in a potential area.

CHAPTER 1 INTRODUCTION

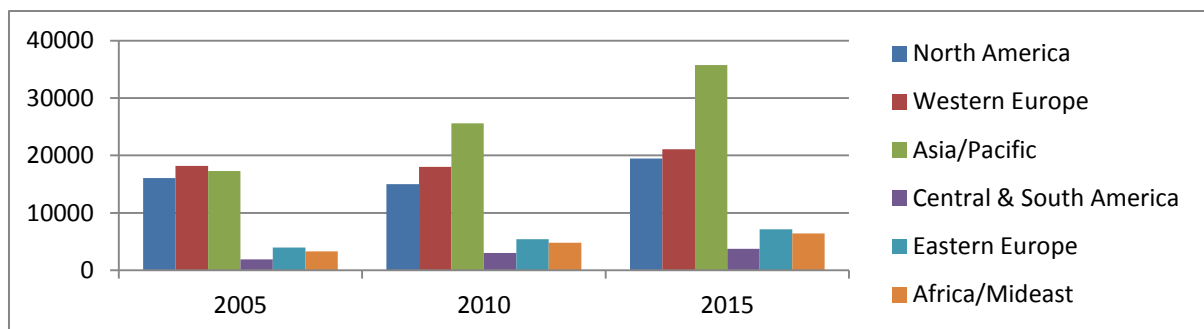
1.1 Introduction

In this thesis we research the feasibility of SUNGO enter the Indian valve market. In this chapter, firstly, there is a general background of the growing valve industry in the global market. Secondly, a short introduction about SUNGO and the management issue. Thirdly, the thesis objective and main research question will be came out. Fourthly, four interrelated research themes will be figured out based on the thesis objective. Finally, the structure of the report will be described briefly.

1.2 Global Valve Market

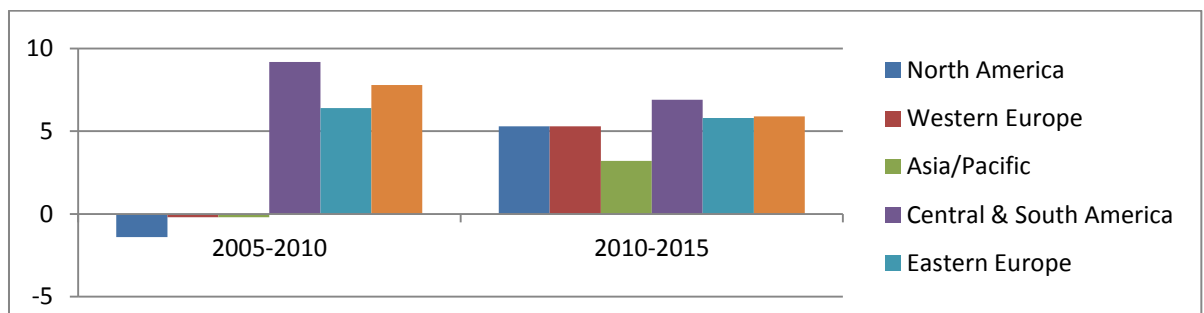
The valve industry has been experiencing a healthy recovery from the economic crisis. According to the World Industrial Valves, a new study from The Freedonia Group, Inc., global demand of industrial valves is forecast to grow 5.4 percent per year through 2015 to 93.5 billion dollars, and the study shows that there is a continuing robust growth in Asia, U.S. and the Western European market. The largest valve market is in Asia. (Flow Control, 2011)

Figure 1. World Industrial Valve Demand 2005-2015 (million dollars)



Source¹: Global Demand for Industrial Valves to Approach \$94 Bil. In 2015

Figure 2. World Industrial Valve Demand Annual Growth (%) 2005-2015



Source²: Global Demand for Industrial Valves to Approach \$94 Bil. In 2015

¹⁻² Global Demand for Industrial Valves to Approach \$94 Bil. in 2015

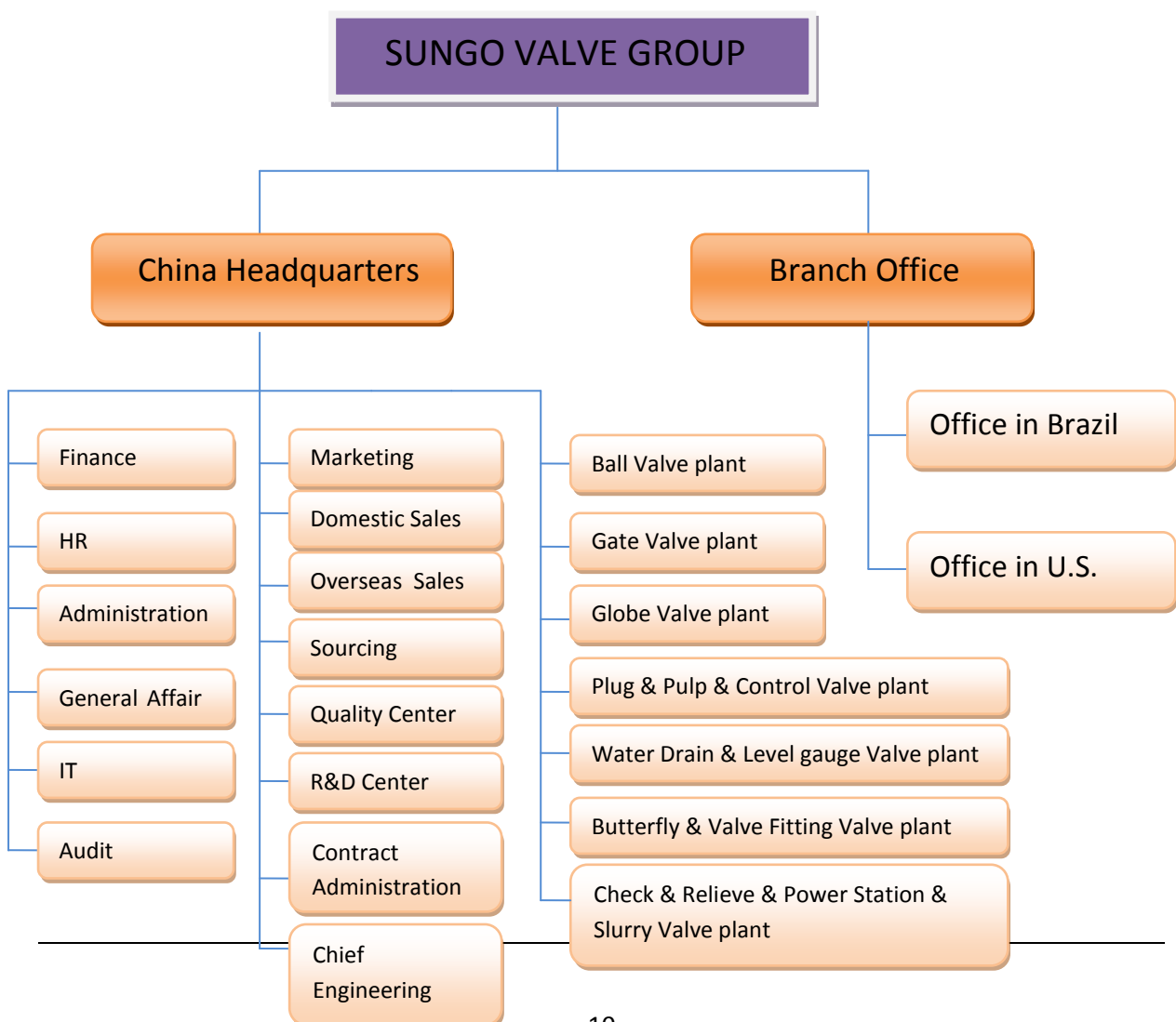
<http://www.flowcontrolnetwork.com/articles/global-demand-for-industrial-valves-to-approach-94-bil-in-2015>

1.3 Company Profile

SUNGO is one of the leading manufacturers of industrial valve in Asia. They were established in 1980. They specialize in industrial valves production, research and development, sales and service. The products include gate valves, globe valves, plug valves, ball valves, cryogenic valves, bellows seal valves, butterfly valves, control valves and so on. They have a wide range of industrial valves for the demanding services of oil, gas, refinery, chemical, marine, water treatment, power and pipeline industries. In China, they have two production bases and one vital R&D center. Now they sell their products to more than 70 sale points in China. In the global market, they have built up a long term cooperation relationship with partners and customers. (SUNGO VALVE GROUP, n.d.)

Organizational Structure

As an international company, SUNGO has an impeccable organizational structure. The headquarters of SUNGO is located in Wenzhou, China, the other two offices are established in U.S. and Brazil. Nowadays, 680 employees and more than 70 senior technical engineering staff are working in the company. As the structure shows below, SUNGO is divided into 14 departments and hires related professionals work in these areas. (SUNGO VALVE GROUP, n.d.)



Nowadays, SUNGO is one of the leading manufacturers of industrial valves in Asia, they have businesses in more than 30 countries, such as U.S. Germany, Italy, Russia, Iran, Japan, Canada, Brazil etc. The purpose of SUNGO is to continue to innovate products, improve management and gain market share. With the increasing demand of valves in the global market, the management team of SUNGO plans to expand their business into a new market.

China and India will be the most potential countries in Asian region. SUNGO already established a headquarters in China, they want to know whether India will be the next new market in the following decades. Therefore, my thesis assignment focuses on a study whether SUNGO can enter the Indian market. A target area will be defined in the Indian market, in this project, Mumbai is the most potential area for valve development.

1.4 Management Issue

With the development of the world economy, the valves industry is growing quite fast. In order to get more market share, SUNGO would like to enter a new market--India. Not only to just meet the market demand, but also to work towards their company objective which is SUNGO has already gotten success with their expansion plans in a lot of countries. However, they cannot use their other current expansion in India because every country has its own characteristics, so the company supervisor of SUNGO hopes that I can do research about the Indian valve industry and find out the opportunities, threats and competition issues in a potential area.

1.5 Thesis Objective

The management objective of my thesis is to analyze the feasibility of SUNGO to enter the Indian valve market and find out a particular area for expansion. Based on research findings, to find out if it will be feasible for SUNGO to enter the Indian market.

1.6 Main Research Objective & Main Research Question

The main research objective is to analyze the SUNGO internal environment and the current nature of the valve industry in the Indian market, to identify an implementation plan for expansion.

The main research question is: What does the valve industry in India look like and how to enter the Indian valve market?

1.7 Ishikawa Diagram

To identify the main objective, the following four interrelated research themes will be looked at:

- **Organization Internal Analysis**

To identify the current company performance to ensure they have the ability to enter a new market.

What are the company capabilities and competitive advantages of SUNGO?

- **Indian Current Market Analysis**

To estimate macro-environmental analysis in the Indian market, to determine if there are any opportunities to enter the Indian valve market.

In order to get a clear picture of the Indian valve market, there are several essential elements that need to be considered, such as, PESTLE analysis, size of the valve industry and market demand & supply. In addition, porter's 5 forces will be used to analyze the influential and powerful parties in current valve industry in India.

- **Marketing**

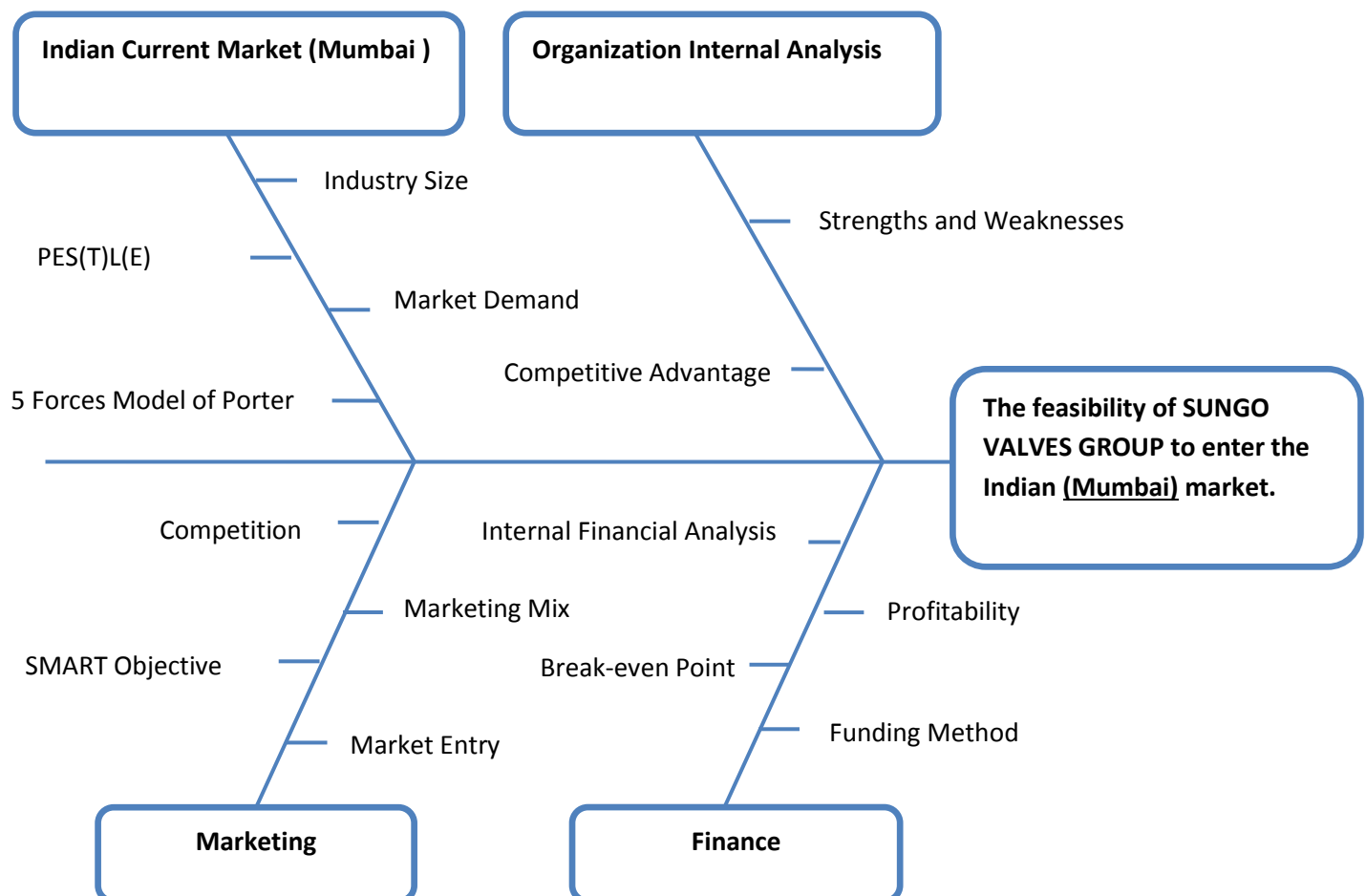
To analyze the entry mode with marketing strategies.

Competitor evaluation is to get more insight into the development of competitors, it is necessary to identify the main competitors, their objectives and strategies; when a company considers to enter a new market, it is essential to figure out an entry mode, which is the suitable option according to market and organization analysis, and using marketing mix to focus on finding the place and the sale of products.

- **Finance**

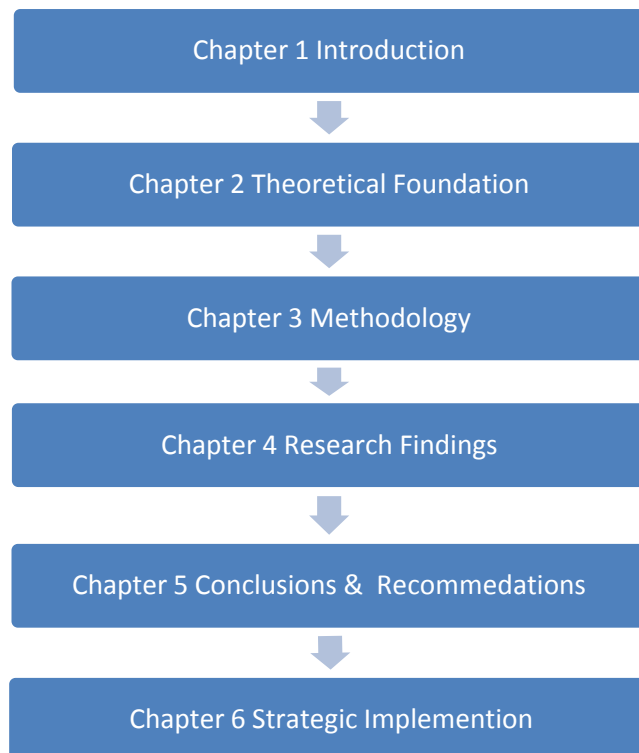
To analyze and ensure if the entry concept will be financially feasible.

Internal financial situation should be analyzed to ensure if it will be feasible for SUNGO to expand a new market. Break-even point will be considered as a vital part before management agrees with the expansion plan, in how many years SUNGO can cover the expenses of the Indian expansion, when it turns into profit and what will be the cash flow in the near future.



1.8 Structure of the Report

In the first chapter, there is a general background of the growing valve industry in the global market, and a short introduction about SUNGO VALVE GROUP, as well as thesis objective and main research question; In chapter 2, an explanation is given of the choice of literature and how it generates research ideas; In chapter 3, an in-depth description of research methodology comes out for each research question, related with the research strategies and data collection methods; In chapter 4, the research findings will be analyzed; chapter 5, conclusions and recommendations, conclusions will be created from the previous research questions and research findings based on Ishikawa diagram, recommendations will be derived from research questions and conclusions; in the last chapter, providing feasible and achievable measures for the implementation plan and profit benefits.



1.9 Summary

In this chapter, there is a short introduction about the global valve market and SUNGO Company. With the increasing demand of valves in the global market, the management of SUNGO plans to enter into a new valve market, that is India. In order to have a detailed analysis of the Indian valve market, the Ishikawa Diagram is created based on the main objective with four interrelated research themes. In chapter 2, literature is studied to analyze the internal and external environment on the topic.

CHAPTER 2 THEORETICAL FOUNDATION

2.1 Introduction

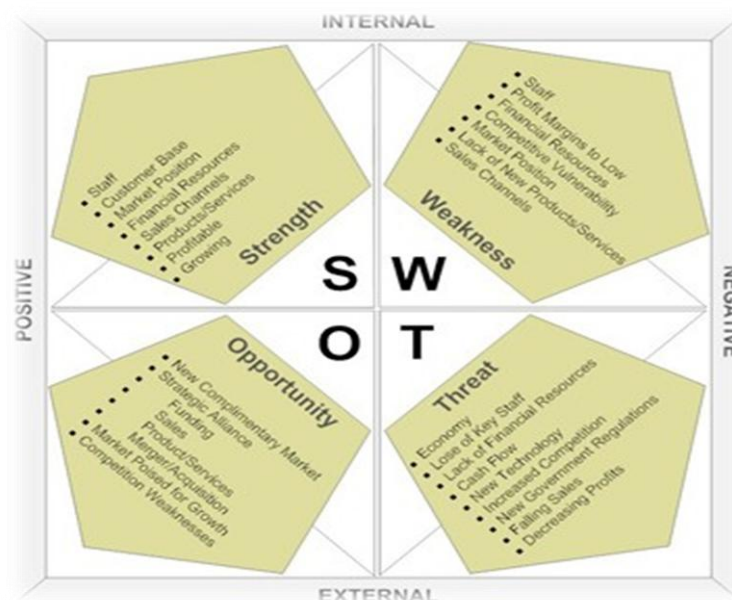
The literature review is a crucial part of the research process. Based on Saunders's idea that literature sources should be studied to help and develop a good understanding of a research topic. In this report, the sources support the internal environment, external environment, marketing and finance. Sources will be based on primary and secondary literature in order to get a valuable review of how to organize my research.

2.2 Internal Environment

The first question is analyzing the internal environment---What are the internal elements supporting SUNGO to enter the Indian valve market? In this part, it is necessary to have detailed information about the internal environment of SUNGO, and the SWOT analysis will be described.

❖ SWOT Analysis

The SWOT analysis was developed in the 1960s and credit for the creation is given to Albert Humphrey. The SWOT analysis is a strategic analysis that figures out an overview of the internal and external environment. The environment factors that are usually known as internal includes strengths and weaknesses, and the external factors can be classified as opportunities and threats of a firm. Strengths and weaknesses of a firm are mainly focused on its internal environment compared with its competitors. Opportunities and threats focus on the analysis of the external environment and the possible impact on the firm. (Strategic Management, 2010)



Source³: SWOT analysis

³ SWOT analysis, <http://project-management.com/why-you-should-do-a-swot-analysis-for-project-management/>

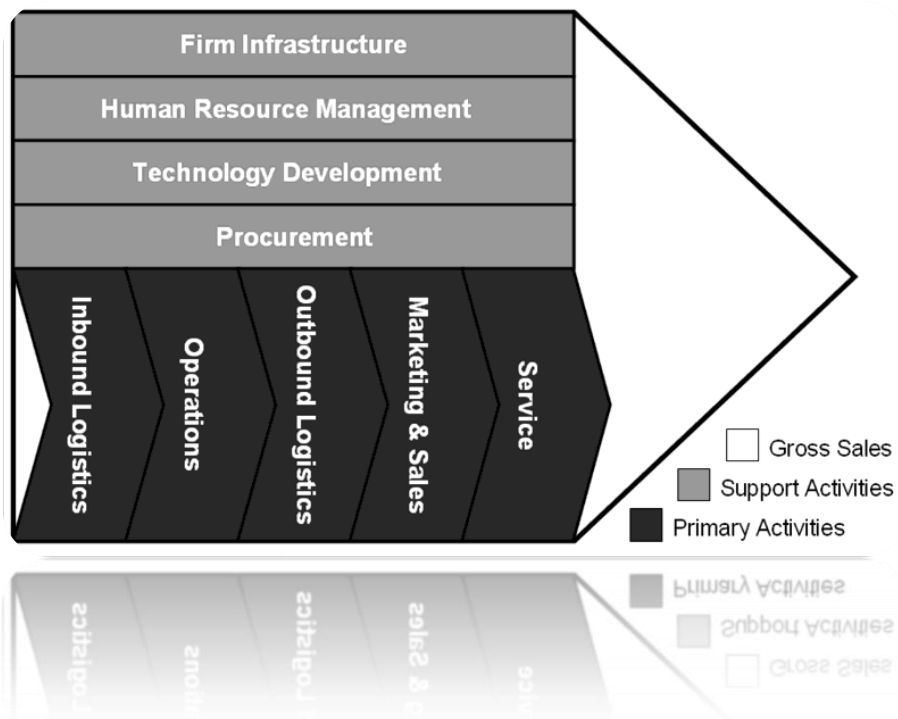
In this project, the SWOT can help SUNGO to define a clear picture about the internal strengths, weakness and the external opportunities, threats. Therefore, we can understand whether SUNGO has ability to expand to the Indian valve market. The SWOT will be identified below:

Strengths: it analyzes the strengths of SUNGO in line with the products or kinds of services, cost advantages from proprietary know-how, the reputation among customers, the unique selling proposition etc. Weakness: it describes the current weakness of SUNGO, it brings an overview with the external standpoint to find out the internal areas lack. Examples of such weakness include: a weak brand name, high cost structure, lack of access of key distribution channels or lack of patent protection etc. Opportunities: the opportunity is what SUNGO gains, masters and derives benefit from, to some extent, it identifies with competitive advantages, and this will be the strong point to apply on the products or services of SUNGO. For example, each of the following may be considered opportunities, arrival of new technologies, removal of international trade barriers, an unfulfilled customer need, loosening of regulations etc. Threats: the potential threat the competitors pose for the products or services of SUNGO, it analyzes the barrier to enter a new market and how to effectively tackle the potential competition.

In the marketing area, we can find so many theories to analyze the internal environment of one company, for example resource-based strategy, to identify the valuable and rare resources and competitive capabilities to deliver value to customers in ways which rivals find hardly to match. However, in this case, the resource-based strategy is not suitable for SUNGO, it is only analyzing the strength part, but when SUNGO wants to enter Indian market, it should have a detailed information of the whole company. In this case, SWOT analysis is the proper option. There are a lot of advantage of the SWOT analysis. Anyone who understands the operation of a business can perform the SWOT analysis; during the analysis, there is a better understanding of the business, address the weaknesses, deter threats and capitalize on opportunities. However, the SWOT analysis also has disadvantages, it is only one stage of business planning process, for some complex issue, it still needs to conduct more in-depth research and analysis to make final decisions. For example, there is a prominent location for promoting products, but the lease is expensive , so some factors could be a strength or a weakness or both, cannot easy have a result through the SWOT analysis.

❖ Value Chain

Michael Porter invented the value chain model in 1985. The purpose of using the value chain is to analyze the business activities and find out the linkage between them. Value chain analysis describes the activities within and around an organization, and related them to an analysis of the competitive strength of the organization. Understanding the linkage of the activities well can help the consultant group make better decisions on company's expansion. Porter distinguishes between primary activities and support activities. Primary activities are directly concerned with the creation or delivery of a product or service. Each of the primary activities is linked to support activities which help to develop the effectiveness. (Nielsen, 2010)



Source⁴: Value Chain model, Michael E. Porter

The advantage is that the value chain is a very flexible strategy tool for looking at the business, the competitors and the respective place in the industry's value system, and also by using value chain model that can have a deeper understanding of the strengths and weaknesses of an organization. However, the scale and scope of the value chain is quite big, it takes a lot of time to analyze the whole value chain to understand the key differences and identify the strategy drivers for company themselves and their competitors.

2.3 External Environment

In order to have a clear picture and understanding of the external environment, SUNGO determines to test the Indian valve industry. The 2nd question is about the Indian valve market --- how attractive is the valve industry in India where SUNGO wants to enter? In this part, the macro vision will be analyzed with some finding results published in Journals, the theory of the PESTLE analysis, and to come out the competition forces based on the Porter forces model.

- ❖ A new study from The Freedonia Group, Inc. said that global demand for industrial valve is forecast to increase 5.4 percent per year through 2015 to 93.5 billion US dollar, according to *World Industrial Valves*. (Flow Control, 2011) The data shows that the valve market will continue to grow in the following years. Because of this, the demand of valve will go up. SUNGO expects business opportunities will expand.

⁴ Nielsen, K. (2010). *Advanced research IBMRS208R2*. Rotterdam University of applied science, Research method. Rotterdam: Unpublished paper presented at 'HES during first meeting for applied research methods'.

- ❖ India is the fourth largest energy consumer in the world after the United States, China, and Russia. In the *International Energy Outlook 2011*, EIA projects India and China account for the larger share of Asian energy demand growth through 2035. (EIA, 2013) As we know, the wide range of industrial valves are provided for the energy industry, such as oil, gas, coal, water etc. Based on the information, the demand of valves in India will continue to increase.
- ❖ The Indian valve industry must gear up to meet future demand, expected from the substantial investment proposed in the power generation, petrochemicals, gas and fertilizer plants in the 12th Five Year Plan (2012-17), Engineers India Director (Technical) P. Mahajan said at the Valves Conference 2012. (Business Line, 2011) The Engineers India Director also pointed out the increasing demand of the valve industry in India.

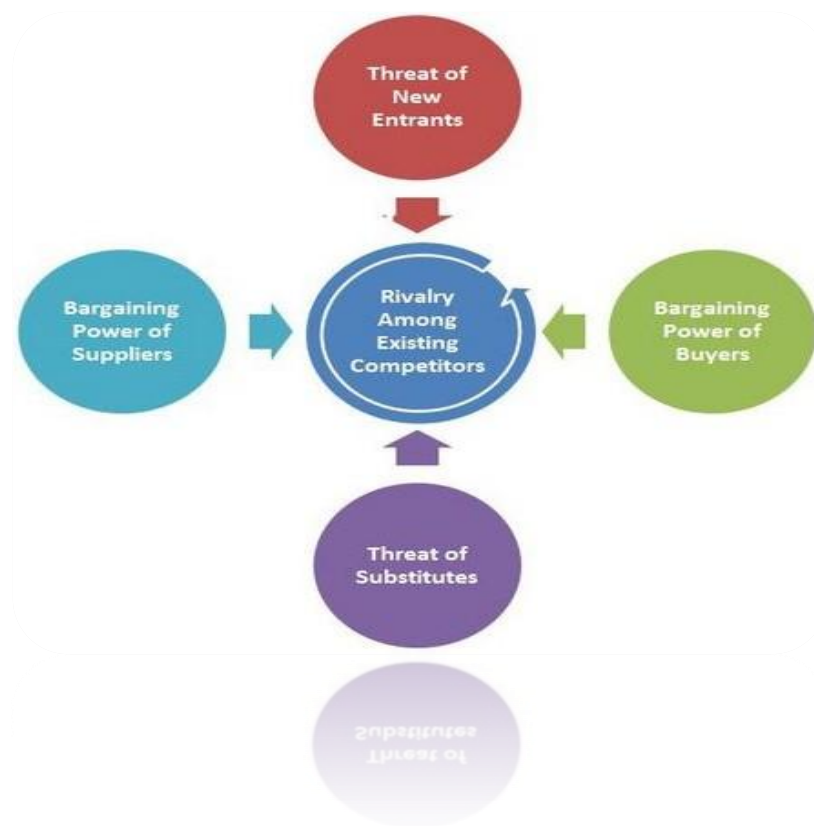
❖ **PESTLE Analysis**

PESTLE analysis is a deeper approach to analyze the marketing environment. It stands for P(Political), E(Economic), S(Social), T(Technological), L(Legal) and E(Environmental) features of a market. It can be rightly called a bird's eye view in a macroeconomic perspective. (PESTLE ANALYSIS, n.d.) In this case, the target country is India. Political accounts for all the impact that come from the Indian local government, such as business cycles, tax reforms, fiscal policies and trade tariffs; Economic analyses the performance owing to the global trends, such as GDP, inflation rate, interest rate, demand and supply trend; Social identifies the Indian cultural trends, demographical determinants, age and income distributions etc. Technological describes the technological trends of the Indian business environment, such as the innovation rate, modern infrastructure and distribution system; Legal is one of the most influential factors, because the laws and policies will directly or indirectly have an impact on business. These laws can be social laws, regulatory laws, and certain standards; Environmental includes all elements that influence or are determined by the surrounding environment.

To analyze the external environment, we may need to understand the cross-cultural communication-Hofstede's cultural dimensions theory. It describes the effects of a society's culture on the values of its members, and how these values related to behaviors. The theory has been widely used in several fields, such as cross-cultural psychology, international management, and cross-culture communication. To realize a country by analyzing power distance index(PDI), Individualism vs. collectivism, uncertainty avoidance index(UAI), masculinity vs. femininity, long-term orientation vs. short term orientation and indulgence vs. restraint. However, based on the SUNGO expansion plan, PESTLE analysis is more suitable. At the beginning of the expansion, it is important to have a general idea about Indian policy, economy, society, technology, regulations and environment. Therefore, the external analysis will start from PESTLE analysis, it is a tool that simple and easy to understand and use, it helps to understand the business environment in a clear way, and the tool encourages the development of strategic thinking, and also reduces the effect of future business threats. However, the PESTLE analysis is an over-simplify tool, it will miss some important data. By using this tool, it could be time and money saving. The business environment is changing all the time, by using this tool is difficult for the projects to anticipate developments.

❖ 5 Forces Model of Porter

According to Michael E. Porter of Harvard University, a leading theorist of competitive strategy, there are 5 forces influencing competition in an industry. (Keegan, Global Marketing Management, 2002)



Source⁵: Porter 5 forces, Michael E. Porter

Threat of new entrants: As new entrants enter an industry, they bring new capacity, marketing position and also new approach to meet customers' needs. In this case, the new entrants should be analyzed, what are their abilities, how they threat and influence of the India valve market. If the new entrants can easily enter the market, then it may bring a negative influence for the existing sellers.

Threat of substitute products: The second force which influences the competition industry is the threat of substitute products. When buyers consider the products with a high price, they may switch to the substitute. The availability of substitute products places a limitation on the prices that market leaders can charge in an industry. In this case, the product of SUNGO is valves. It should be studies if there are any products that can easily replace valves.

Bargaining power of suppliers: When the suppliers who have enough leverage throughout the industry, they determine the price on the supply side. In other words, they can raise prices high enough to significantly influence the profitability of the industry. In this case, it should analyze the raw material suppliers in the Chinese market, and how they provide materials to the market and also SUNGO.

⁵ Porter 5 forces , Michael E. Porter

<http://tanbots.wikispaces.com/Porter+%E2%80%98Five+Forces+For+Private+Health+Care+Industry>

Bargaining power of buyers: As industrial customers, people always want to obtain products or services at a comparatively low price. The best interests of purchasers are served if they can drive down the profitability in the supply industry. For example, when buyers decide to buy a large amount of products from SUNGO, they may have more power to ask for a lower price of the products; If the product of SUNGO is undifferentiated or popular, buyers can easily bargain the price because many suppliers can meet the needs of buyers; the products or services of the suppliers represent an important portion of the buying firms cost, or the buyer is willing to buy the backward vertical integration.

Rivalry among competition: Rivalry among firms refers to all the actions taken by firms in the industry to improve their position and gain more advantage over each other. For example, once an industry becomes more mature, firms focus on getting more market share, and how it can be gained at the expense of others; industries characterized by high fixed cost, always keep production at full capacity to cover for the high fixed cost; Firms with high strategies takes in achieving success in an industry are generally destabilizing because there is no firm that is willing to accept an unreasonable low profit.

Benchmarking is one of the theories which used to ascertain how well a company to against the competition. Following in this way to find out the areas that can learn from competition and the ideas in the market but outside the company, then the areas and ideas would be worth bringing into and getting a competitive advantage. However, compare with Porter Five Forces Model, it is not comprehensive analysis in a high competition market. Porter Five Forces Model analyzes the market by realizing the new entrants, substitute products, buyers, suppliers and competitions. It takes a role to help management to evaluate and assess their current business market and it gives a basic foundation for the further research and plans a future strategy for an organization. However, the Porter Five Forces Model only offer a snapshot of the business environment, the most applicable for analysis is based on simple market structures, and it is very difficult to define an industry.

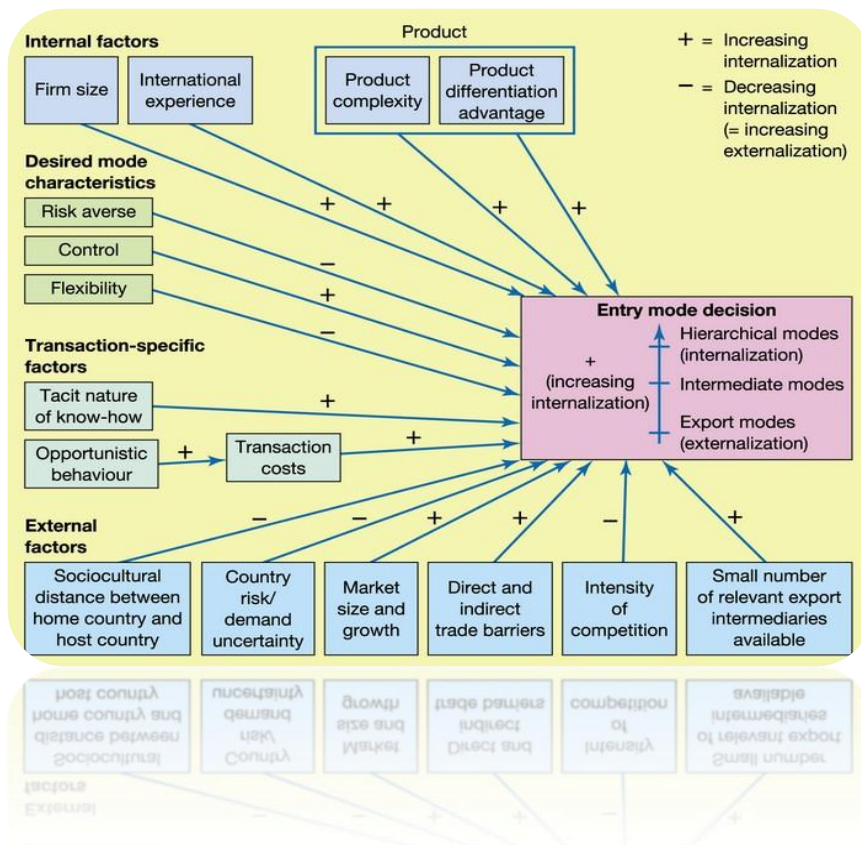
2.4 Marketing

To find a way for SUNGO to enter the Indian valve market is also a question should be analyzed --- what are the future marketing strategies when SUNGO enters the valve market in India? During this part, it is essential to find a suitable entry mode and some related marketing strategies for SUNGO. By using the following three theories and articles to have a clear identification for the expansion plan.

❖ Entry Mode

An international market entry mode is an institutional arrangement necessary for the entry of a company's products, technology, and human and financial capital into a foreign country. Different entry modes represent with varying levels of control, commitment, involvement and risk. (Gerald Albaum, 2011) Market entry modes can be classified into three types: export mode, intermediate entry mode and hierarchical mode.

Entry Mode Decision



Source⁶: factors affecting the foreign market entry mode decision

Export mode is divided into two groups: indirect exporting the sales is like a domestic sale, with this entry mode, organizations do not devote more resources in the international expanding period, this is a way to test the market before they start with their exporting plan; direct export mode is that the manufacturers sell directly to buyers who are located and marketed in a foreign market area. (Hollensen, Global Marketing, 2007) This is a way which has less risk, but the relative profits also lower than other two.

Intermediate entry mode is a vehicle for transferring knowledge and skills through creating export opportunities, it includes a variety of arrangements, such as licensing, contract manufacturing, joint ventures and technical know-how or coproduction arrangement.

Hierarchical mode is that the firm has a complete control in the foreign market, with this mode the highest profit will be gained compared to other two, but at the same time, the risk they take is also the highest one. It includes with 5 groups, domestic-based sales representatives, foreign sales and production subsidiary, transaction organization, acquisition and Greenfield investment.

The factors influence the choice of entry mode, which are internal factors, external factors, desired mode characteristics and transaction-specific behavior. Internal and external factors will be analyzed and identified in the research findings, which are related with competitive advantages, SWOT analysis and the value industry etc. the desired mode characteristics include marketing control, flexibility and risk averse. The transaction-specific factors will be related with trait nature of know-

⁶ factors affecting the foreign market entry mode decision, Svend Hollensen Global Marketing(pp.298)

how, opportunities behavior and transaction cost. Based on the research findings of strengths and weaknesses of SUNGO internal environment and the Indian valve market analysis in the follow chapter, the entry mode will be determined.

❖ Porter Generic Strategy Model

Porter developed a framework called Generic business strategies based on two resources of competitive advantages: low cost and differentiation. Generic strategy is to achieve the competitive advantage demand by offering the unique value and the market scope. (Keegan, Global Marketing Management, 2002) To have a clear identification of competitive advantage is essential for SUNGO, they will get an understandable marketing position of their own company and further development.

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)
(Market Segment) narrow	(low cost) strategy Focus	(differentiation) strategy Focus

Source⁷: Porter's Generic Strategies Model

It shows that a combination of two resources with the scope of the target market served yields 4 generic strategies: cost leadership, production differentiation, focused differentiation and cost focus.

➤ Broad market strategies

Cost-leadership advantage

The cost leadership strategy has become increasingly popular in recent years. A firm that bases its competitive strategy on the overall cost leadership, it must construct the most efficient facilities and obtain the largest share of markets so that its cost per unit is the lowest in the industry. However, if the buyer always ask for a small amount of units, then it is hardly to execute this strategy.

⁷ Porter's Generic Strategies Model,
<http://www.bordbiavantage.ie/marketingbusiness/marketing/competitivestrategy/pages/developingacompetitivestrategy.aspx>

Differentiation

When a firm's product deliver unique value because of an actual uniqueness in a broad market. The development of a product or service that offers unique attributes that are valued by customers and they perceive to be better than or different from the products or services from the competition. Unique products or services often command a premium price. Although differentiation strategy used for a small and certain area, the customers are a limited target group and the competitors are still there.

➤ Narrow target strategies

Focus strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. In narrow market focus, firms are applying the focus strategy have lower volumes and less bargaining power with the supplier. Firms use this strategy, they also face a limited buyers.

Perceptual mapping is a market positioning map, it is also used to determine a marketing positioning strategy for a company. Users can position the existing products or services in the market, and then to decide the place of the products or service. Compare with the Generic business strategy, the market positioning map is focused on price and quality. In this case, the products of SUNGO is valves, the quality of the valves are controlled, the valves are belonging in narrow target scope, from the Porter Generic business strategy will be more accurate.

❖ Marketing Mix

In 1960, Jerome McCarthy presented the marketing mix (4Ps) to the world. It is a framework that helps to structure the approach to each market, the mix is a bundle of controllable variables that are offered to customers. These variables include the product or service, the place, the price and the promotion. There are some ingredients that a marketing manager must mix together when optimizing a limited amount of resources. (Russell, 2002)

Product: It is the tangible object or an intangible service that is getting marketed through the program. The product is the most important element to get a successful business. Different products have different design, the design which leads to the product attributes is the most influential factor, and package is also as a vital part. As a customer, they may consider about several factors, such as function, quality, features, brand name, safety, warranties. The successful product should be designed to catch customers' eyes and meet their needs. In this case, the tangible product is the different types of valves which SUNGO produces to the domestic and the international market, the intangible service is existing in the whole business process. SUNGO meets the customers' satisfaction from products introduction to finished goods delivery.

Price: Price will be secured on how much money the seller intend to make from a product, how much they can sell and what market share will get in relation to competitors. To select a right pricing strategy will generate significant profit. The pricing strategies are including 4 elements, which are economy pricing, penetration pricing, price skimming and premium pricing. In this case, SUNGO

needs to set a proper price for the product based on the operation cost for each product and it is also crucial to compare the price with the competitors.

Place: Place is the location of where the product or service is available for purchase. Getting the right product to the right place at the right time is essential, this is the key to get success in business. The selection of distribution method should be carefully made.

Promotion: Promotion allows marketing managers to communicate the product value through media, such as television, radio, social media, it creates an awareness of a new product or promote for existing products. The main objective of promotion is to make customers' awareness of the features, uses and benefit of products. Promotion activities help a firm to get more potential customers and gain more market share. As a valve company, SUNGO should continue to promote their products to the public based on innovation and high technology improvement.

By using marketing mix strategy, firms only can have a general idea with a project. In each case, they may have different product selection, different price setting, different location, and different promotion activity. Although marketing mix can help firm or management team has a marketing plan, this strategy maybe changes in every product, service or even a certain period. When firms decide to use marketing mix, they should also pay an attention with their competitors, the profit from this strategy is easy influenced by competitors.

Ansoff's matrix is also a marketing strategy that involve making the most of the existing markets and products, introducing new products or entering new target markets. There are four strategies which are market penetration, product development, market development and diversification. However, compared with the marketing mix, there is no detailed analysis about place, price and promotion, therefore, marketing mix should be used in this research.

- ❖ In 21st century, the biggest winners will be those businesses that the cooperation of international partners, emphasizing flexible access to products, talents, and expertise, not ownership. (Bauwen, 2010)
- ❖ Realising the add value is only a step in the partner cooperation, because strategic fit needs to be complemented with a cultural fit. In order for to get a beneficial partnership, investments on both sides have to be made and mutually benefits realised. (Spence, 2008)
- ❖ Nowadays, more and more firms engage in a variety of different inter-organizational collaborations, and they are to create commercially successful with their new innovation products. Firms have a heterogeneous network of collaborative partners, and each of them within the framework with their own innovation strategies.

2.5 Finance

Finance supporting is the most essential element when a company runs their business, a healthy finance status will make the company more stable in the market. In this part, it is necessary to consider about --- how to generate the profits in the expansion plan?

There are some ratios that will be checked based on financial report of SUNGO, which are focused on profitability ratios, efficiency ratios, liquidity ratios. The reason why to calculate the ratio is to check the financial status of SUNGO in Chinese valve market. There are also other calculations can analyze SUNGO's financial situation, such as present value, future value, internal rate of return etc. However, in this case, to analyze the ratio is more proper to test the company status in the valve market. During this part, there will be a clear picture about the current financial situation of SUNGO and how the financial ability support their new expansion plan.

❖ Profitability Measures

The profitability ratios give an impression of the ability of a firm to generate profit. In this case, the profitability ratio of SUNGO will be tested between their competitors. The higher the ratio means the company is performing in a better way. The ratios are not so high, but to get an accurate impression of the performance, due to the current economic circumstance. (Brealey/Nyers/Macus, 2009(Sixth Edition))

➤ Return on equity

The return on equity shows how much return the company yielded compared to the equity.

The following is the Return on equity calculation formula:

Return on equity = Net profit / Shareholder's equity

➤ Return on assets

Return on assets measure the income available to debt and equity investors per dollar of the firm's total assets.

The following is the Return on assets calculation formula:

Return on assets= (net income + interest)/total assets

❖ Efficiency Measures

The efficiency ratios give an impression of how well a firm is using its assets and liabilities internally. In this case, the efficiency ratios of SUNGO will be tested between their competitors. The higher ratio of inventory turnover, asset turnover and receivable turnover mean more efficient. The lower ratio of average collection period means better performance. (Brealey/Myers/Marcus, Fundamentals of Corporate Finance, 2009)

➤ Asset turnover

Assets turnover shows how many sales are generated by each dollar of the total assets, and it measures how hard the firm's assets are working.

The following is the assets turnover calculation formula:

Assets turnover=sales/total assets at the start of year

➤ Inventory turnover

Inventory turnover that makes efficient firms do not tie up more capital than they need in raw materials and finished goods.

The following is the inventory turnover cost calculation formula:

Inventory turnover=cost of goods sold/inventory at the start of year

➤ Average collection period

Average collection period measures that the efficiency of the credit operation is by calculating the average length of time for customers to pay their bills.

The following is the average collection period calculation formula:

Average collection period=receivables at the start of year/average daily sale

❖ **Liquidity Measures**

Liquidity ratios are used to determine the ability of a firm to pay off its short term debts and obligations. In this case, the Liquidity ratios of SUNGO will be tested between their competitors. A higher value means a higher safety margin. (Brealey/Myers/Marcus, Fundamentals of Corporate Finance, 2009)

➤ Current ratio

Current ratio is the ratio of current assets to current liabilities.

The following is the total debt ratio calculation formula:

Current ratio=current assets/current liabilities

➤ Quick ratio

An indicator of a company's short-term liquidity. The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. The higher the quick ratio, the better the position of the company.

The following is the quick ratio calculation formula:

Quick ratio= (cash + marketable securities +receivables)/current liabilities

❖ Break-Even Analysis

Analysis of the level of sales at which the project breaks even. The accounting break-even point is the level of sales at which profits are zero or equivalently, at which total revenues equal total costs.

Break-even level of revenues = fixed costs including depreciation / additional profit from each additional dollar of sales. (Brealey/Myers/Marcus, Fundamentals of corporate Finance, 2009)

2.6 Summary

In this chapter, literature is focused on 4 factors -- internal environment, external environment, marketing and finance. In the internal environment analysis, the SWOT defines some important elements to test the strengths and weakness of SUNGO; in the external environment analysis, PESTLE will help SUNGO to have a clear picture about India in a macroeconomic perspective. Forces Model of Porter describes 5 forces which are influence the competition in the Indian valve market, and helps management of SUNGO to evaluate and assess a new business market; in the marketing side, analyze with several entry modes to figure out the most suitable one for SUNGO to enter the Indian market. Using marketing mix to identify the product, price, place and promotion; in the finance analysis, to calculate the profitability measure, efficiency measure, liquidity measure to check whether SUNGO has a healthy financial status. In this chapter, all the primary and secondary literatures will provide ideas to analyze and come out the research findings. In Chapter 3, there is an introduction about the methodology of the report , all the research questions and data collection methods will be analyzed in the following chapter.

CHAPTER 3 METHODOLOGY

3.1 Introduction

In this chapter, there is more detailed analysis for each research question, the unit of analysis and unit of observation will be identified in each question. In order to get a comparative complete answer to each question, there are also some sub-questions below. In addition, the data collection method and the related motivation for all the research questions will be found out in the table below. During the execution of research, there are some research project risks existing and how to overcome it will also be a question.

3.2 Unit of Analysis & Unit of Observation

1. What are the internal elements supporting SUNGO enters the Indian valve market?

Unit of analysis: The elements support SUNGO to enter the Indian valve market

Unit of observation: The management team and employees of SUNGO

2. How attractive is the valve industry in India where SUNGO wants to enter?

Unit of analysis: Valve demand in the Indian market

Unit of observation: Indian valve market, energy industry and environmental protection measures

3. What are the future marketing strategies when SUNGO enters the Indian valve market?

Unit of analysis: Suitable marketing strategies

Unit of observation: The possible competitors in the Indian market, the management team of SUNGO

4. How to generate the profits in the expansion plan?

Unit of analysis: Investment profit

Unit of observation: The management team of SUNGO

3.3 Data Collection Method

In this thesis assignment, the quantitative research and qualitative research are both applied. The quantitative research is used as a synonym for any data collection technique. In contrast, qualitative research is used for non-numerical data. However, in the real research design, it is always necessary to use research design by combining with quantitative and qualitative elements.

- **Case study**

Semi-structured and in-depth interviewing

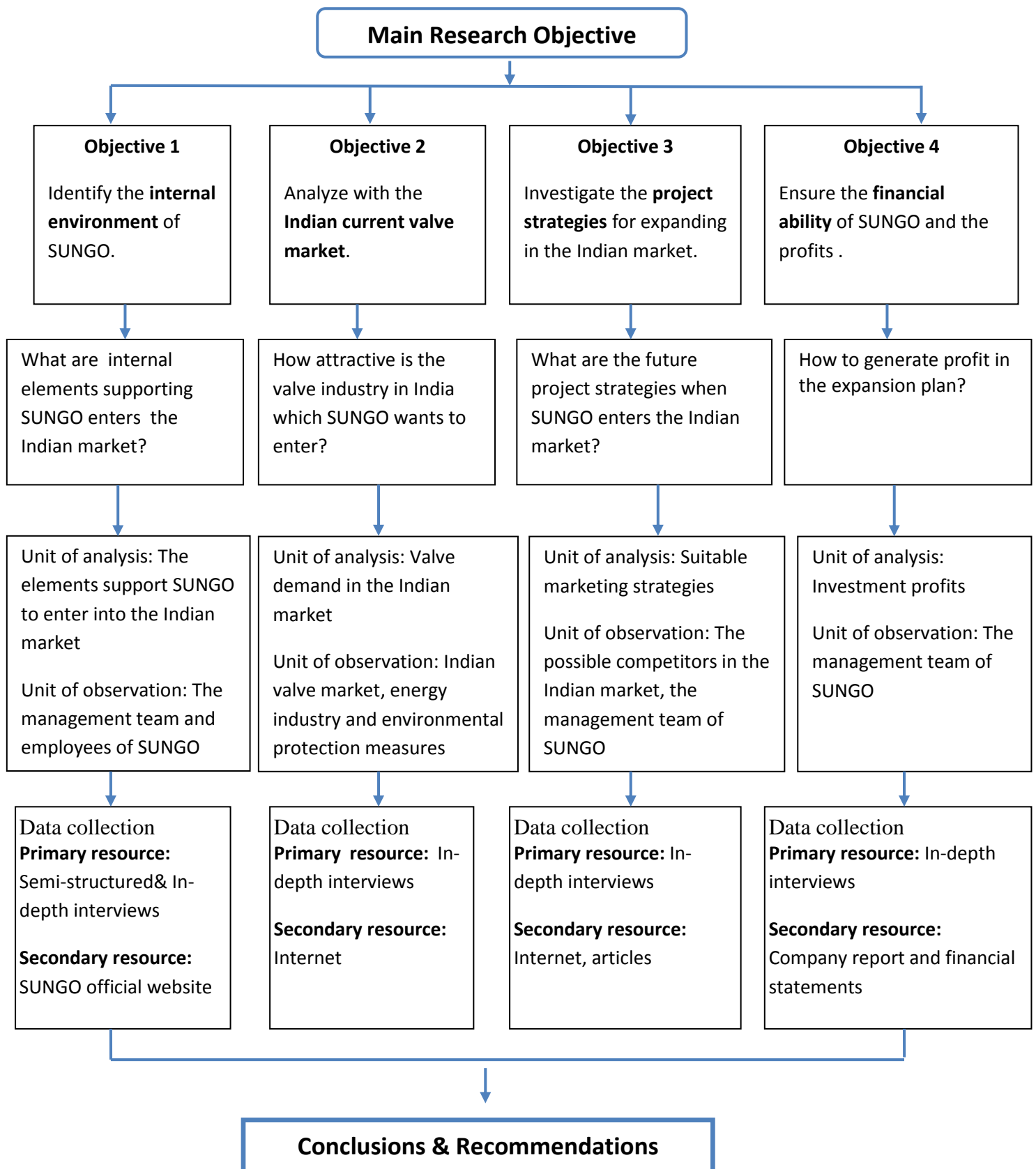
The face-to-face interviews (focus individuals) will be arranged with managers who work in SUNGO. A face-to-face interview provides managers with an opportunity reflect on events without having to write anything down, it will increase more feedback and information during the communications. Based on the organizational structure, there are 14 departments in SUNGO, but the interviewees will come from the most important parts, which are finance, human resource, marketing, domestic sales, overseas sales, quality center and chief engineering. In this project, the interview people will be the managers of those 7 departments. The interview will be included with 7 questions (Appendix 1), there are four common questions, and other three will depend on the department focus. The goal of the interview is to find out the competitive advantages and the SWOT of SUNGO, and to get complete ideas from the managers from different working areas.

The one-to-many interviews (focus group) will be arranged with the employees. There are a large amount employees working in SUNGO, it is impossible to interview all of them, the plan is to invite 3 people from each department. In order to get more information about the organization, employees are vital to the interview, because they are the company resource who operate with business activities. They may consider the problem or the innovation in different ways compared managers. The advantage of the group interview is to discuss in a group, it will create more beneficial images and find out the potential problems.

- **Other sources used**

In this case, the financial statements and company reports of SUNGO will be used. To analyze the financial situation of SUNGO, and to check if there is feasibility for SUNGO to enter the Indian market. In addition, some secondary data will come from articles, books and internet.

3.4 Relevance Tree



3.5 Research Questions & Motivation of Method

Research Question	Data Collection Method	Motivation of Method
Organization Internal Analysis: What are internal elements supporting SUNGO enters the Indian valve market?	Primary resource: Semi-structured& In-depth interviews Secondary resource: SUNGO official website	To identify current performance of SUNGO, to get a clear picture for future expansion plan in the Indian valve market.
- What are the strengths and weaknesses of SUNGO by analyzing the internal environment?	Primary resource: Semi-structured& In-depth interviews Secondary resource: Internet	To understand the internal environment of SUNGO enable them to primary enter into the valve Indian market.
- What are the competitive advantages of SUNGO?	Primary resource: Semi-structured& In-depth interviews Secondary resource: Internet	To figure out the competitive advantages of SUNGO.
Indian Current Market: How attractive is the valves industry in India where SUNGO wants to enter?	Primary resource: In-depth interviews Secondary resource: Internet	To estimate macro-environment to ensure the opportunities.
- What does the macro-environment look like in the Indian valve market?(PESTLE analysis)	Secondary resource: Internet, articles	To get a full understanding of the Indian current economic situation and the future development.
- What is the size of the valve industry, in relation of market supply and demand?	Secondary resource: Internet	To know the market size and estimate the future profitability.
- How do the competition forces influence competition in the valves market?	Primary resource: In-depth interviews Secondary resource: Internet	To identify several forces that influence the Indian competition environment.
Marketing: What are the future project strategies when SUNGO enters the Indian valve market?	Primary resource: In-depth interviews Secondary resource: Internet, articles	To find out the proper method and strategies before SUNGO decides to enter the Indian valve market.
- What is the marketing mix used by SUNGO, and how it will be	Primary resource: In-depth interviews	To have a clear action when SUNGO enters into the Indian

applied in the Indian valve market?	Secondary resource: Internet	valve market.
- Who are the main competitors of SUNGO in India?	Secondary resource: Internet	To compare with competitors, identify their objectives and strategies.
- Which entry mode SUNGO will use when they decide to enter the Indian valve market?	Primary resource: In-depth interviews and observations Secondary resource: Internet	To enter with a suitable mode and strategies based on the market analysis.
Finance: How to generate profits in the expansion plan?	Primary resource: In-depth interviews Secondary resource: Company report and financial statements	To understand the financial situation of SUNGO and ensure the profitable of expanding.
- What is the internal financial situation of SUNGO?	Primary resource: In-depth interviews Secondary resource: Company report and financial statements	To understand current financial situation of SUNGO.
- What is the funding method of SUNGO when they invest in the Indian market?	Secondary resource: Internet	To ensure the efficiency of financial expansion
- What is the break-even point and how to get future profit?	Primary resource: In-depth interviews Secondary resource: Internet	To ensure the expansion is profitable.

3.5 Summary

In this chapter, there is a more detailed analysis with the research question, some sub-questions are figured out based on each main research question. In this project, case study is the main data collection method which is used to interview the company employees and management team. In order to get an complete idea to deal with the management issue, the financial statements and company reports of SUNGO will be analyzed. In addition, some secondary data will come from articles, books and internet which is about the external valve market.

CHAPTER 4 RESEARCH FINDINGS

4.1 Introduction

Based on the research methods came out from the previous chapter, the research findings will be found out in this chapter. There are four research questions and their related sub questions will be answered in the following paragraph, which are about internal environment--SUNGO company, external environment--the Indian valve market, marketing-- marketing strategy, and finance--Internal financial situation & external investment.

4.2 What are internal elements supporting SUNGO enters the Indian valve market?

SUNGO manufactures valves is more than 30 years. During this period, they kept innovating and improving their technologies and products. They are not only satisfied with the existing customers, but also looking for new customers and potential markets. In this part, an internal analysis of SUNGO will be done. The information will be internally researched by analyzing the current state of SUNGO. Most of the information is presented by the help of the official website and internal interviews.

4.2.1 What are the strengths and weaknesses of SUNGO by analyzing internal environment?

Product and Process

The 1st strength is the products of SUNGO. The products include 11 categories, gate valves, butterfly valves, global valves, ball valves, check valves, pulp valves, relieve valves, water drain valves, level gauge valves, power station, slurry valves, and control valves with more than 140 types and 7 standard criteria. In each category, there are several types of valves to meet the different demands of customers.

Region

The 2nd strength is the region. Currently, SUNGO is mainly operating on the domestic and some foreign markets. They kept expanding their business, especially in the international market within the past 10 years. As the pictures show that SUNGO sells their products in more than 20 cities in China, and they also enter over 30 countries in the global market. In addition, they use different strategies and entry mode in each foreign market in order to get more profit. With the growth of valve demands in the international market, SUNGO plans to enter a new market--India.



Value Chain

Primary activities

Inbound logistics: Inbound logistics activities account for a significant part in the primary activities. The main raw materials are used for valve production including stainless steel, alloy steel, duplex stainless steel & super duplex stainless steel & hastelloy, inconel. SUNGO purchases these raw materials from several appointed suppliers who have already built a long term cooperation relationship. SUNGO always takes a large amount of raw materials at once, because they have more power to have a low price. The 3rd strength is that SUNGO has their own channel to get enough raw materials with a comparative lower price.

Operation: Based on the international and domestic industrial standards and customer requirements, SUNGO sets up high internal quality assurance standards and full quality management. Additionally, they establish a world-class testing center that enables them to independently complete all tests by themselves. SUNGO combines modern management concepts and management models, and they employ an advanced manufacturing resource management system, ERP and CAM, in order to manage factories and control entire manufacturing process to improve production efficiency. SUNGO takes pride in their strong manufacturing capacity, and the factories are equipped with various automated production equipment. It includes their own developed CNC lathes, milling machinery, crane, welding equipment, valves assembly line, AOD refining furnace, automatically pre-dry furnace, intelligent heat treatment furnace, 15 ton/hour organic resin cured sodium silica molding production line etc.

Outbound logistics: SUNGO prepares two warehouses in each factory, they think it is better for time management. In every factory, they have two places for storage, one for raw materials and another for finished goods. When the products are finished, it is quite beneficial to consider how to deliver the valves to users. There are two options for valve transportation, namely by road or via water. Both of them have their own advantages and disadvantages. To consider about the operation cost and safety, by water is a convenient option. However, it is hard to transfer the goods to the end users, only to the harbor. If SUNGO chooses to send the goods by road, the users do not need to bring the goods from the harbor to their own warehouse, but it spends a lot of money for transferring a large amount of valves. Based on the international experience of SUNGO, they would like to find a reliable shipping company to deliver the valves, and discuss with them to find out the most economical method no matter by water, by road or a mix of water and road. The 5th strength is that SUNGO has arranged their inventory and logistics in a logical way. As an international company, SUNGO uses different transport method to deliver the products to the buyer.

Marketing & sales: SUNGO tries to satisfy the demand of each customer, they also offer a reasonable price of goods in each transaction. SUNGO has built up a long term relationship with their existing customers, and they continue to attract potential customers in the domestic and international market, therefore they expect more profit and market share in the valve market within a few years. The 6th strength of SUNGO is they use cost-leadership advantage during each transaction. However, there is a weakness concerning the official website of SUNGO, they have businesses in the global market, but the website of SUNGO only has two options for the languages, Chinese and English. The design of the website is also not professional, the information is not up to date, and there are some

mistakes with English spelling. They did not use their website to properly display themselves for either their current or potential customers.

Service: The 7th strength is the excellent and professional service that SUNGO has promised and provided. Customers can receive complete sets of services of projects in time. SUNGO tries to offer all services which can create more values for customers. Customers can also get professional after-sales services from technically professional personnel including quality follow-up of sold products, site unpacking & inspection, installation guide, debugging and technical training. However, the after sale service is also an issue, there are some products selling in foreign countries. When customers want to repair or ask for technicians, SUNGO needs to consider and deal with several problems, such as applying for a visa, or arrange a translator.

These primary activities are supported by:

Firm infrastructure: The company management team consists of the chief executive officer, the deputy CEO/ chief financial officer, the deputy CEO/transaction & analysis, the senior vice president, communication & human resources, fourteen divisional managers and a company lawyer. The corporate management meeting is held by SUNGO once a week, the CEO is mainly in charge of the overall performance of the company and ensure board members are informed of the latest information. The 8th strength is that SUNGO pays attention to information flow, the management of SUNGO believes that information is time and opportunity. Therefore, each department has one short meeting per day before they leave office, they will get together to summarize their daily work and also arrange recent work for the near future.

Table 1. Corporate management Member

Corporate management members⁸	Responsibility
Deputy Chief Executive/CEO	Accounting, finance, legal service, HR and IT matters
Transaction& Analysis	International transaction, central analysis resource
Divisional managers	Head up operation in each department
HR and Corporate Communications manager	Corporate communication and the overall functions with the HR department
Business Development Manager	Development of commercial properties
General Counsel	A legal advisor

Human resource management: The 9th strength is SUNGO offers a comfortable working environment, they want to achieve more loyalty between employees and management. However, as

⁸ SUNGO VALVE GROUP

the research shows that the people who are working in SUNGO consist mostly of Chinese people. They lack in communicating with foreigners and have less experience in global businesses. At SUNGO, only the managers can speak good English. The human resource department has responsible to recruit people and identify works/position for each employee. They continue to look for high skilled workers to enter into SUNGO. As an international company, the managers should have English communication skill, otherwise, this is not enough for their business in the global market.

Technology development: The 10th strength of SUNGO is to continue to develop their technology with high quality and technological equipments. In this way, SUNGO can produce goods by using less time and capital input. Besides that, SUNGO is keen on developing new technology in terms of chosen raw materials in order to reduce the negative impact on environment. However, under the highly competition environment, SUNGO currently is going to improve their technology, some parts of operations are still done in a traditional way.

Resource & System

Resources can be divided by tangible and intangible resources. Tangible resources can be quantified, it can be divided into physical resources, organizational structure and technological protection. The intangible resources include human resources, innovation resources and reputation.

Tangible resource

Physical resources: SUNGO is a valve company, the main physical resources are valves. As the information is mentioned in the previous part, SUNGO creates various categories of valves to meet different demands of users. SUNGO has their own manufactories, warehouses and high technological equipments. This makes their business activities and operations more complete.

Organizational structure: Organizational structure is other strength of SUNGO. The head office of SUNGO is located in Wenzhou, China. Looking at the domestic market, there are several sale points in Chinese market, where each local office has a regional manager who is responsible for the general control. They all serve the central functions and collaborate with the head office. In addition, SUNGO has branch offices in Brazil and United states. SUNGO hires local workers and also send experts from China. SUNGO has their own operation control system in order to reduce the risk of global business communication and processes. However, there are still some problems. For example, there are not many Chinese people willing to live there. If people go abroad, they may take a long time to adjust to the new living environment and they may have to live alone without family.

Technological protection (patents, trademarks, and copyright): SUNGO possesses a number of patents, trade of all the products in order to prevent the copycat in the domestic or global market. The trademark shows below:



Source⁹: The SUNGO VALVE GROUP

Intangible resources

Human resource (experience, training, management): SUNGO is not the best working place, but they try to provide a better environment for their employees, they offer some training courses for managers and also for people who have positive working attitudes. In this way, SUNGO attracts a amount of people work in their company. What is more, the corporate culture allows employees more space to act independently. Therefore, the 11th strength is SUNGO creates a good environment for employees to live, work and study.

Resource for innovation: The 12th strength of SUNGO is they apply Market Reader (Innovation Strategy) Based on their own company situation, they use the market reader strategy in the domestic or international market, because it is closely monitoring both customers and competitors, the organization should be maintain a more cautious approach. (Barry jaruzelski, 2011)The goal of SUNGO is to know more information of customers and competitors whether they can get more profit and market share in the valve market.

Reputation: The 13th strength is SUNGO builds up a close relationship with the public. Internally, they offer their employees a comfortable working environment and a promising future. Management of SUNGO creates the company image by ensuring the high quality of products. On the outside of the company, they take some measures to help vulnerable groups, such as support local education, offer certain percentage profit for nursing home etc.

⁹ THE SUNGO VALVE GROUP <http://www.sungovalve.com/en/>

4.2.2 What are the competitive advantages of SUNGO?

SUNGO is one of the largest and world-renowned valve manufacturer in China, they are specialized in the industrial valves production, research and development, sales and service. After decades of effort, SUNGO creates its own, unique valve value for the demand market.

As a large valve industrial manufacturer, SUNGO implements their global strategy with several popular valves, the products include gate valves, globe valves, plug valves, ball valves, check valves, butterfly valves, control valves etc. They are not only having the various products, but also they apply a competitive advantage of focus strategy by offering their customers a large amount of products at a comparative low price. In addition, they innovate themselves by continuing expanding in the domestic and global market.

SUNGO understands to do the business in a successful way is not only by offering high quality products for their customers. With the development of the whole society, service takes a significant role in doing business. Compared to the local competitors, SUNGO delivers the quality of services as same as the strict level of the quality of their products.

Compared to other valve manufacturers in China, SUNGO continues to create company image and reputation in the public environment. From 1980 to 2013, SUNGO did research series to environmental-friendly valves to make a valuable contribution to global energy saving and sustainability. They keep going on with the project every year with different activities, such as support local education, offer certain percentage profit for nursing home etc. The most influential competitive advantage is innovative spirit and company culture--core culture-pioneering. SUNGO keeps improving the quality of products and services through continuous product innovation and management improvement. They increase the quality of the products based on the high technological performance, knowledge improvement and customers' feedback; As the SUNGO organizational chart shows in chapter 1, SUNGO divides all tasks into detail. They have built up an excellent organizational system to execute work which includes 14 departments with around 700 employees. It increases the efficiency because of detailed tasks identification; management of SUNGO thinks that employees are a significant resource for a company, therefore, SUNGO offers an outstanding and comfortable working environment for their employees. Although each department works independent of each other, SUNGO creates some common ground for their employees, such as lounge bar, sport club or employee travel, they want to offer more chances for employee communications; SUNGO also sets up an impeccable training system to increase the working efficiency of employees. Managers and their subordinates need to join together in the training courses and test themselves in the end. In this way, they try to enhance the skills of the employees and also create value for the company itself; SUNGO develops their own culture through integrating employee value, enterprise value and social responsibilities. It wins the common recognition from society and employees. They also form a positive cohesion and motivation which helps them accomplishing achievements today and in the future.

4.3 How attractive is the valve industry in India where SUNGO wants to export?

In this part the external environment will be analyzed. In this case, SUNGO plans to enter the Indian valve market. Therefore, it is necessary to have a picture about the opportunities and the threats in India, as well as the demands of the Indian valve market.

4.3.1 What does the macro-environment look like in India market? [PES(T)L(E) analysis]

Political

Democracy is well rooted in the Indian political system. India is a federal state with varied political cultures and ideologies across the country that reflects the extreme diversity within India socio-economic environment. (Economics, 2011)

Corruption scandals have nearly paralyzed the legislative process. India has been pounded by scandals erupting one after the other through 2011; the 2G Telecom licenses sales, Commonwealth Games, the 'Cash for Votes' and the most recently the Karnataka mining affair. (Timelines of history, 2010)

Despite India's foreign investment policy that allows 100% foreign ownership in most sectors, India has failed to reach its full potential as an FDI destination. The Government attempts to increase FDI inflows have been slowed by several interferences including pervasive corruption, uncertain regulation, and a critical infrastructure deficit.

India has a developed a three level federal tax structure. The Union Government, the State Governments and the Urban & Rural Local Bodies. The power to impose taxes and duties are distributed within the three levels of Government, in accordance with the Indian Constitution.

Table 2. Corporate tax rates in India

For a Company	Where Taxable Income Exceeds INR 10 Million	Other Cases
Domestic Company	33.22 (%)	30.9 (%)
	30% plus surcharge of 7.5% plus education cess of 3%	30% plus education cess of 3%
Foreign Company	42.23 (%)	41.2 (%)
	40% plus surcharge of 2.5 and education cess of 3%	40% plus education cess of 3%

Source¹⁰: Corporate tax rate, HSBC

¹⁰ HSBC, 2010. Doing business in India. <http://www.hsbc.com/>

Economic

Based on information from Ministry of Statistics and Programme Implementation, the economy of Indian is estimated to grow at 5% in 2012 to 2013 compared with the growth rate in 2011 to 2012. The sectors which registered a growth rate of over 5 percent are the construction, trade, hotel, transport and communication, financing, insurance, real estate and business services and community, social and personal services. However, there are some sectors that grows slowly, such as forestry, fishing, manufacturing, agriculture, electricity, gas & water supply. (Ministry of External Affairs, Government of India Investment & Technology Promotion Division, 2013)

Scheduled commercial Bank: Bank credit shows increase of 9.5%, the year-on-year growth variation revealed an increase of 16.1% as compared to 16.5% during the same period in the previous year.

Export: Export is growing 4.23% in Dollar term in 2013 compared with the data during in the same time of 2012; Cumulative value of export for the period April-February 2012-2013 registered as a negative growth of 4.03% in Dollar term over the same period last year.

Import: Import is growing 2.65% in Dollar terms over the level of imports in February 2012. Cumulative value of imports for the period April-February, 2012-2013 represented as a growth of 0.25% in Dollar terms over the same time previous year. (Ministry of External Affairs, Government of India Investment & Technology Promotion Division, 2013)

India's Foreign Exchange Reserves: India's foreign exchange reserves comprise foreign currency assets, gold, particular drawing right and reserve tranche position in the international Monetary Fund. During the year 2011-2012, foreign exchange reserves stood at 294.39 US dollar, ad from 2012 to March, 2013, and the reserves were recorded at 290.57 billion US dollar. (Ministry of External Affairs, India In Business-Investment, 2013)

Table 3. India Economic Indicators

Economic Indicators	2010	2011	2012
GDP(current internation)	\$1.71 trillion	\$1.88 trillion	1.84 trillion
GDP(Real growth rate)	10.1 (%)	7.5 (%)	7.6 (%)
Inflation Rate(Consumer prices)	12 (%)	7 (%)	7.6 (%)
Current account balance	-\$51.72 billion	-\$62.96 billion	-
Exports	\$225.6 billion	\$298.2 billion	-
Imports	\$375.7 billion	\$451 billion	-
Debt (external)	\$251.9 billion	\$267.1 billion	-
Exchange rates(INR per US dollar)	45.725	44.64	62.03

Source¹¹: The World Bank, India

¹¹ The World Bank, India <http://data.worldbank.org/topic>

Social

Population: India takes more than 15% of the world population, the population is over 1.2 billion people. Now more than half current of its population is below the age of 25 and over 65% is below the age of 35. With the growth of population in India, it is predicted that by the end of 2030, the total population will be over 1.53 billion. (Population of India, 2012)

Income distribution: India has an increasing income inequality, and the society income inequality has doubled in India over the past two decades. The organization for Economic Cooperation and Development shows 10% of wage earners make 12 times more than the bottom 10% compared to 6 times 20 years ago. A great portion of people who live in India are victims of rising monetary deficits, most of them have crossed the poverty line. (BBC NEWS India, 2011)

Caste system: India has a hierarchical caste system in the society. Within Indian culture, whether in the north or the south, Hindu or Muslim, urban or village, virtually all things, people, and groups of people are ranked according to various essential qualities.

Religions and beliefs: Hinduism is the dominant religion in India (83%), so the most customs and beliefs are based on a Hindu perspective. Taboos are attached to all religions in India-- for Hindus, one must be aware of the sacredness of the cow and the avoidance of cowhide products, and for Muslims, there is a taboos regarding pork and pigskin products.

Family strength: Indians take proper strength from their families, which are much larger and extended than in Western nations. The Indian family size is large, and often members of the family will work together to support the family business or occupation.

Attitudes towards foreigners: Indian people are friendly, polite, and truly interested in foreigners. Foreigners will probably be surprised and touched by acts of hospitality that cross religious boundaries. (Trust, n.d.)

Legal

The corporate income tax effective rate for domestic companies is 35% while the profits of branches in India of foreign companies are taxed at 45%. Companies incorporated in India even with 100% foreign ownership, are considered domestic companies under Indian law. However, the New Export-Import Policy of 1992 provides substantial tax incentives for investments in export. Major exporters are allowed to operate bank accounts abroad to facilitate trade. Companies in the Indian market as well as international markets may deduct export earnings from their tax liabilities. Exporters and other foreign exchange earners have been permitted to retain 25% of their foreign exchange earnings in foreign currency. (Outsource 2 India, 2012)

Foreign Direct Investment: Foreign direct investment up to 100% is permitted in almost all industry sectors in India under current rules. There remain only a handful of industry sectors in which no FDI or limited FDI is permitted – these tend to be “sensitive” sectors, either for security reasons. In addition, the government has been simplifying procedural aspects such as the approval process in respect of FDI. (Singh, 2010)

Agreement: India has entered into a Double Tax Avoidance Agreement with many countries including Malaysia. The agreement allocates the taxing jurisdiction between the home country and residence country. Wherever such jurisdiction is given to both countries, the agreement prescribes a maximum rate of tax in the source country which is lower than the rate of tax under the domestic laws of that country. The double taxation in such cases is avoided by the residence country agreeing to give credit for tax paid in the source country. Thus, the GST is expected to be India’s magnet to draw foreign investment. In its final shape, it offers a seamless, transparent tax structure that leaves no room for discretion with the state or central government to change rates. (Singh, 2010)

Labor Welfare: Labor is a subject controlled by both India central and state governments, both two parts have established laws related about labor issues. India society provides core labor standards of welfare of workers to protect themselves by using right and interests. India related sectors address various issues with the labor laws, such as child labor, working conditions, resolution of industrial disputes, labor compensation, insurance etc. (Embassy of India, n.d.)

Environmental Regulation: In India, the operations should be approved based on assessing environmental and social impacts, and most of the projects are mandatory by the authorities. The government pays an attention with the current and historic environment liabilities no matter local or foreign investment. Environmental Minister, Mr. Jairam Ramesh, said that the environmental compliance is given greater importance now than it has received been in the past; and he also advocates the principles for further sustainability, such as Green accounting. (EHS Journal, 2011)

In this thesis report, the expansion plan of SUNGO is not impacted by environmental analysis; Technological analysis is also not mentioned in this part, the reason is no related technological information about the valve development in the Indian market.

4.3.2 What are the cultural differences and business behaviors influenced the expansion plan?

As the manager of SUNGO said that they have a lot of experience in the global market, although they do not have business with Indian people, they have confidence to build up a good relationship with them. Before they plan to enter a new market, they do a lot research about the culture and business behavior of local people, it will be easier to get close with the customers or partners.

In order to get more information about the culture of India, the Geert Hofstede will be analyzed below.

Figure 7. Geert Hofstede of India & China



Source¹²: The Hofstede Centre

Power Distance: This dimension deals with the fact that all individuals in societies are not equal – what is the attitude of the culture towards to the inequalities. As the result figured out, India and China have a very high scores on this dimension, are 71 and 74. It indicates that Indian people and Chinese people have an appreciative attitude for hierarchy and a top-down structure in society and organizations. The same characteristic of Indian and Chinese, they dependent on the boss or the power holder for direction, acceptance of un-equal rights between the power-privileged. In the organizations, managers count on the obedience of their team members, and employees expect to be directed clearly as to their functions and what is expected of them. Communication is top down and directive in its style and often feedback which is negative is never offered up the ladder. (HOFSTEDInsight, 2013)

Individualism: This dimension is the degree of interdependence a society maintains among its members. In Individualist societies, people are always look after themselves first. In Collectivist

¹² <http://geert-hofstede.com/china.html>, <http://geert-hofstede.com/india.html>.

societies, people belong to a group to in exchange for loyalty. Although individualism shows an intermediate score in India, India is a society with clear collectivistic traits. They always consider a larger social framework rather than individuals. Therefore, the actions of the individual are influenced by the opinion of one's family, extended family, neighbors, work group and other such wider social networks that one has some affiliation toward. For example, hiring and promotion decisions are often made based on relationships which are the key to everything in a Collectivist society. At a score of 16 China is a highly collectivist culture where people act in the interests of the group rather than themselves. In-group considerations affect hiring and promotions with closer in-groups (such as family) are getting preferential treatment.

Masculinity: A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field. India scores 57 on this dimension and is thus considered a masculine society, and India is actually very masculine in terms of visual display of success and power. They are focused on success and achievements, validated by material gains. Work is the center of one's life and visible symbols of success in the work place are very important. At 68 China is a masculine society –success oriented and driven. The need to ensure success can be exemplified by the fact that many Chinese will sacrifice family and leisure priorities to work. The migrated farmer workers will leave their families behind in faraway places in order to obtain better work and pay in the cities. Another example is that Chinese students care very much about their exam scores and ranking as this is the main criteria to achieve success or not.

Uncertainty avoidance: The dimension has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways. India scores 31 on this dimension and thus has a medium low preference for avoiding uncertainty. In India, there is acceptance of imperfection; nothing has to be perfect nor has to go exactly as planned. At 21 China has a low score on uncertainty avoidance. Truth may be relative though in the immediate social circles there is concern for Truth with a capital T and rules (but not necessarily laws) abound. The Chinese are comfortable with ambiguity; the Chinese language is full of ambiguous meanings that can be difficult for Western people to follow. Chinese are adaptable and entrepreneurial.

Pragmatism: Indian has an intermediate score (52), but as we know that India has a long-term, pragmatic culture. In India the concept of "karma" dominates religious and philosophical thought. In India there is an acceptance that there are many truths and often depends on the seeker. Societies that have a high score on Pragmatism, typically forgive a lack of punctuality, a changing game-plan based on changing reality and a general comfort with discovering the fated path as one goes along rather than playing to an exact plan. In this dimension China scores 100, Chinese is following a very pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time, and people have a strong propensity to save and invest, thriftiness, and perseverance in achieving results.

Indulgence: This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. India receives a low score of 26 in this dimension, As same as India, China also has a low score with 24, it means that it is a culture of restraint. People with

this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong.

Compared with the cultural background of India and China, there is no much different between those two countries. As the research finding shows that the power distance, masculinity, uncertainty avoidance, pragmatism and indulgence are almost in the same level.

When SUNGO enter Indian valve market, they still need to have more information about Indian business behavior. India can be seen in the various norms and standards followed by Indian people. Indians have many cultural procedures, which is incorporated in their business culture. It is crucial to have some knowledge of the Indian business culture and ethics before visiting India. Having an understanding of Indian business culture will make sure having a close relationship with the business associates. The Namaste forms are used while greeting and saying goodbye. This gesture is similar to the action of kneeling in some countries and is performed by pressing the palms of both hands together. The folded hands are placed below the chin and go with a bow, while greeting any individual use his or her title. (Chakra, 2010)Time is not an important issue in India, Indians expect to put human relationships as a priority when they communicate or they are doing business with others. Indians may take a long time to build up a strong relationship with someone new, therefore lots of time will be invested pays off. (Indian Business Ethics and Culture., sd)

4.3.3 What is the size of valve industry, related with market supply and demand?

The Indian Valve Industry

The Indian valve industry was the second fastest growing market in the Asia region from 2000 to 2012, only behind China. The demand of industrial valves in India accounted for 1.4 billion US dollars in 2010. Experts said that valves industry in India is estimated at Rs 10,000 cores, which is expected to increase 7% to 8% per annual after a flat growth in 2011. Arvind Goel, CII Chairman said that the valves exports may grow at 15% every year because India improves their competitive advantages compared with the manufacturers in United States, Europe and Japan. However, Indian manufacturers need to come over the supply-demand gap by using high end technical valves to cater the growing domestic market. In order to meet the future demand expected from power generation, petrochemicals, gas and fertiliser plants, the Engineers India Director Technical P Mahajan announced the 12th Five Year Plan (2012-2017) at the Valves Conference 2012, and Mahajan also figured out if Indian valve industry wants to have a complete development globally, they need to have a complete portfolio which include pressure and temperature application valves. (Business Line, 2011)

Gains have been in large part due to the economic reforms that have been made, resulting in robust increases in fixed investment expenditures and an expansion of the country's manufacturing sector. In India, crude oil and refinery industries represent significant markets for industrial valves. Given the wide array of applications, the Indian valve market necessitates the use of a large variety of valve types, including automatic control, quarter turn, pressure reducing, safety/relief, and steel gate and globe valves. Another factor that will boost valve demand in India is the country's growing energy requirements, which will promote domestic energy generating capacity of all forms. India is one of the largest producers of coal, and coal-fired power plants consume four times as many valves as a combined cycle power plant. India is also expected to emphasize more nuclear power, which also uses a lot of valves.

With a significant concern and stringent environmental regulations expected to be enforced in the coming years. For example, nowadays India central and state governments are caring about the optimum utilization of power through various energy-conservation measures. By using automation in pump, valve and compressor markets have enabled easy health monitoring. Remote monitoring and diagnostics play a vital role in ensuring a smooth start up, continuous running, and safety of the plant and environment. (Engineering Review, 2012)

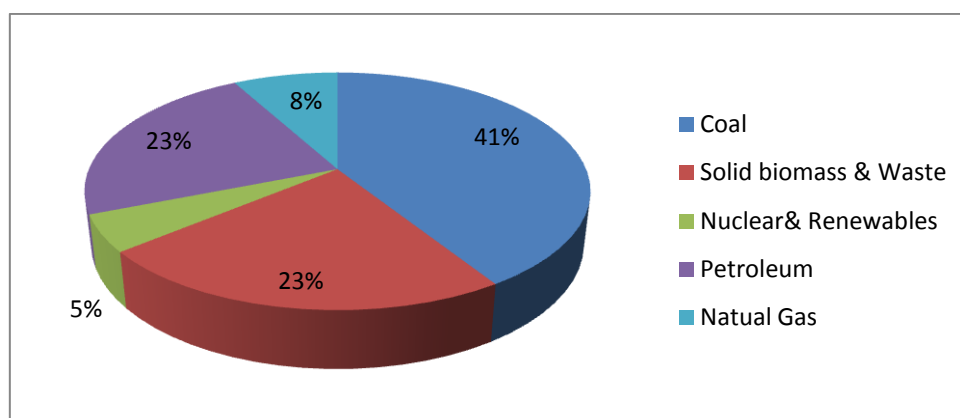
However, the Indian valve industry output consists largely of lower-end, commodity-type items. Higher-end valves constitute the majority of the country's imports, the major suppliers consist of China, Germany and the United States. India also exports, with the United States being the biggest export market.

Based on the information above that the demands of valves in energy industry and infrastructure industry are continue growing. The oil, natural gas, coal are the main energies in the India, with the increasing of the production and storage with these energies, the demands of valves are going up. The environment issue also becomes a problem in India, such as the serious problem with clear water shortage and sewage problem, government plans to build up plants to deal with. In this way, the demands of the valves in the water treatment area will be raising.

Energy Industry

In 2011, India was the fourth largest energy consumer in the world after the United States, China, and Russia. In the *International Energy Outlook 2011*, EIA projects India and China to account for the biggest share of Asian energy demand growth through 2035. (EIA, 2013) With the increasing of the production, consumption and storage of the energies, the demand of the valves will increase.

Figure 1. Total Energy Consumption in India, 2011



Source¹³: U.S. Energy Information Administration, International Energy Statistics

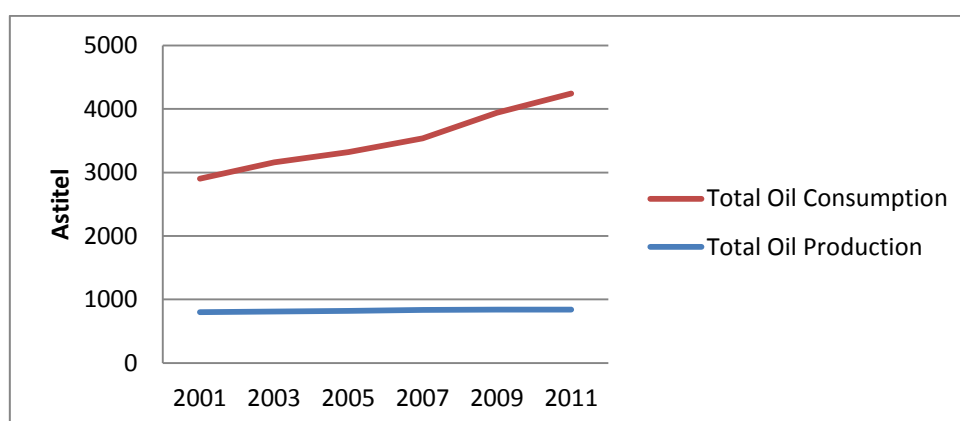
Oil

India was the fourth largest consumer of oil and petroleum products after the United States, China, and Japan in 2011, and also India was the fourth largest importer of oil and petroleum products in the world.

According to the report of the *Oil & Gas Journals*, at the end of 2012, India had 5.5 billion barrels of proved oil reserves, more than half reserves are from onshore resources, and another are offshore reserves. In order to become a net exporter of petroleum products, India government eliminated customs duties on crude imports, lowering the cost of fuel supply for refiners. In its 11th Five-Year Plan (2007-2012), India's Government set the goal of making India a global refined product exporting hub. At the end of 2012, India had a refining capacity of 4.3 million bbl/d, according to the *Oil & Gas Journal*, making it the third largest refiner in Asia after China and Japan. (EIA, 2013)

¹³ Total Energy Consumption in India, 2011 <http://www.eia.gov/countries/cab.cfm?fips=IN>

Figure 2. India Oil Consumption and Production, 2001-2011 (thousand barrels per day)

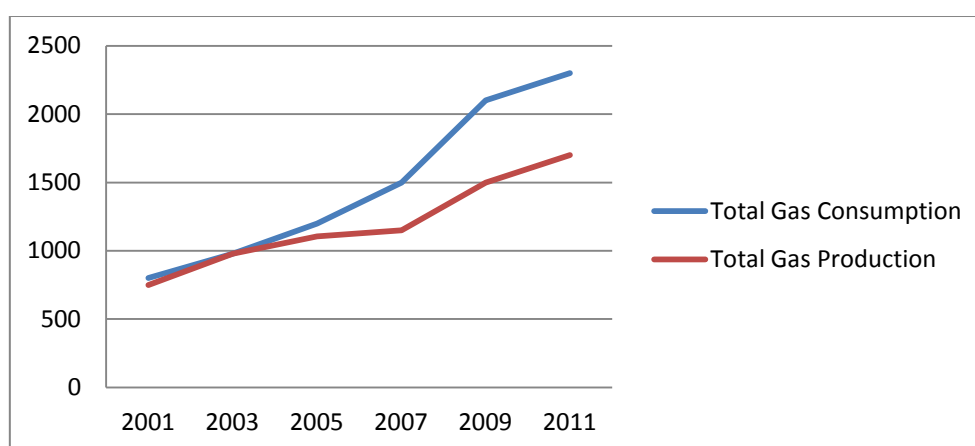


Source¹⁴: U.S. Energy Information Administration, International Energy Statistic

Natural gas

Natural gas serves as a substitute for coal for electricity generation in India. Gas consumption grew at an annual rate of 10 percent from 2001 to 2011. The Indian Oil Ministry projects show that the trend will be continue, the gas demand in India will increase with more than doubling in the next five years. According to the data shows in *Oil & Gas Journal*, India had 43.8 Tcf of proved natural gas reserves at the end of 2012. About 30 percent of these are onshore reserves, while 70 percent are offshore reserves. (EIA, 2013)

Figure 3. India Natural Gas Consumption and Production, 2001-2011 (billion cubic feet)



Source¹⁵: U.S. Energy Information Administration, International Energy Statistics

Coal

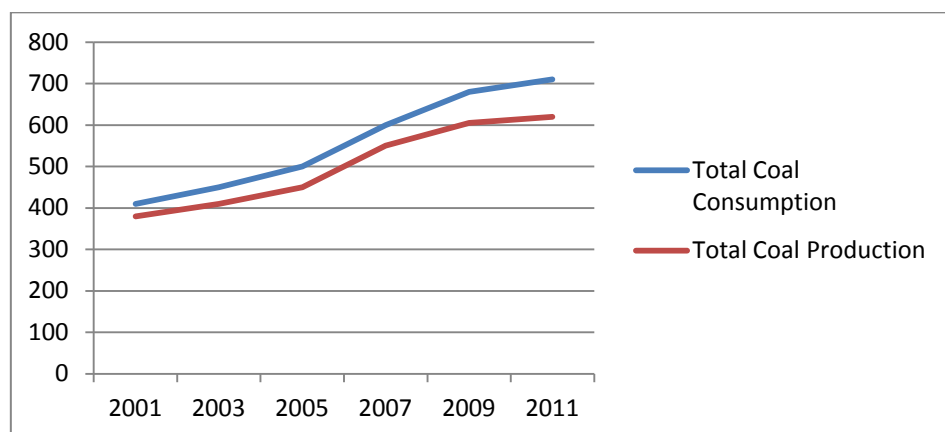
Coal is the primary source of energy in India, and India has accounted the 5th largest coal reserves in the world. In the recent years, India also faces a growing gap between demand and supply, the demand has

¹⁴ India Oil Consumption and Production, <http://www.eia.gov/countries/cab.cfm?fips=IN>

¹⁵ India Natural Gas Consumption and Production, <http://www.eia.gov/countries/cab.cfm?fips=IN>

grown by more than 7 percent per year over the last decade. India was the third largest producer of coal in 2011. Coal production has more than doubled between 1990 and 2011. According to the data shown by the Ministry of Coal, almost all of the country's coal mines are opencast (less than 1,000 feet deep), which is cheaper and less dangerous for workers but causes more environmental impact. India lacks sufficient technology to engage in underground mining. In this way, government will pay much more attention to operate and store the coal. Under this situation, the demand of valves will increase. (EIA, 2013)

Figure 4. India Coal Consumption and Production, 2001-2011 (million short tons)



Source¹⁶: U.S. Energy Information Administration, International Energy Statistics

Water treatment

Managing Director Rajiv Mittal described in one interview, he said that India is leading sector growth due to contracts from municipalities struggling with clean water shortages and an inundation of sewage. Researchers found a problem in India, half of India cities were without water, 4/5 had water for less than 5 hours per day and 70% households across the states had no lavatory. This research result is focused on 1,405 cities in 12 India's biggest states, and discovered just over 700 had a water supply or waste management systems. In the wealthiest states Maharashtra and financial capital Mumbai, only two of 249 towns had an uninterrupted water supply while most had no drainage system. Moreover, according to U.S. Census Bureau data shows that the population of India is already over 1.2 billion, it is growing about 1.3 percent annually. It is set to overtake China as the most populous nation by 2025, according to United Nations forecasts.

Nowadays, India government pays more attention to water shortage issue. They are going to embark on decades of investment in sewage. The demand of the clean water in 2030 may exceed supply by 50 percent while pollution is making what's available unfit for human consumption, industrial or agricultural use, according to McKinsey & Co. Forecasts and a government report. (Nelson, 2011)

The absence of clean running water and efficient sewerage systems are a key factor in the spread of poverty-related waterborne diseases. What is more, the increasing air pollution was caused by dirty water. The biggest cities Mumbai, does not even have a wastewater collection system, and not a drop of sewage is getting treated, it was releasing pathogens and waste into coastal waters. The

¹⁶ India Coal Consumption and Production, <http://www.eia.gov/countries/cab.cfm?fips=IN>

India government, they have to start right from the basics, and they think that will take a couple decades. In Mumbai, the nation's financial hub, itself will require \$1 billion of investment to build eight planned sewage plants, he said. (Pearson, 2012)

In the whole world, especially in some developing countries, with the growing of all industries development, the pollution becomes an issue. The living environment is quite important for the whole society, people cannot ignore.

4.3.4 How do the competition forces influence competition in the valves market?

When SUNGO enters the Indian valve market, it is essential to analyze the competition forces. How the new entrants, the substitute products, the suppliers, the buyers and the competitors influence the competition force in the Indian valve market will be identified in the following paragraphs.

Threat of new entrants

When new entrants enter an industry, they may take a certain market share by using their own capacity, but how they influence the industry will depend on the degree of the industry maturity. The valve industry is quite mature and competitive, therefore the valve industry do not that easy to enter; the design of many valves may be easy to copy, but to produce the valves must be consider about the tolerances, heat treatment procedures, surface finishing methods, some design elements are not public knowledge etc. The threats of new entrants is company economic scale. As a large valve company, they may provide a large amount of products with a comparative lower price, they may have enough capital for new products innovation; incumbent valve manufacturers are well know with engineers in oil, gas, coal industries, purchased company decision markers and contractors. They already spent a lot of time and funding to raise the awareness of company image. As the internal analysis mentioned that SUNGO is an international company, they have an impeccable system no matter for the management, technological control, production line, testing center or selling channel, they already established their own position in the valve market. Therefore, there is a limited threat impact for SUNGO.

Threat of substitute products

The threat of substitute product also influences for the competition force. Buyers may consider to have a similar functional product with a lower price. In other words, the availability of the substitute product places a limitation on the prices market that leaders can charge in an industry. In this case, the products of SUNGO is the valves which are not that easy to be replaced by a substitute product.

Bargaining power of suppliers

The suppliers are who provide raw materials for SUNGO to produce valves. The bargaining power of supplier is not that strong, because all raw materials which necessary used for valve production are not unique, there is no differentiation between suppliers. In China, there is a sizeable market to find suppliers and buy the related raw materials. In addition, SUNGO already built up a long term cooperation relationship with several material suppliers in the domestic market, therefore, they have raw materials with a cheap price steadily. Under this situation, SUNGO has less threats of the bargaining power of suppliers.

Bargaining power of buyers

As industrial customers, people always want to obtain the products with a comparative lower price. They can play manufacturers against each other, reducing the profitability of the industry. When buyers decide to buy a large amount of products from SUNGO, they may have more power to ask for

a lower price of the products. If SUNGO cannot agree, they may consider other suppliers. Looking at the valve market, many valves sell through a tendering process where valve manufacturers tend to lower the prices in an attempt to win the bid. Although the valve market may not that easy to enter, there are still so many suppliers with high technology and a comparative lower price in the market. In the way, the bargaining power of buyers will be an issue.

Rivalry among competition

Rivalry among firms refers to all the action taken by firms in the industry to improve their position and gain more advantages over each other. Although SUNGO is a mature company in the market, looking around other competitors no matter in the Chinese or Indian market, they are also having much power and capacity on their business areas. Considering about the capital investment, product operation, products promotion, price setting, technological improvement, employee training etc, all these elements can be the key to success of the competitors. In this way, if SUNGO cannot develop themselves to meet the demands of the market and customers satisfaction continually, SUNGO may lag behind their competitors.

4.35 The Confrontation Matrix

Confrontation Matrix is a tool which is used to deeper analyze of the SWOT. After to identify the strengths, the weaknesses, the opportunities and the threat, confrontation matrix will analyze each 2 different combination to identify the most important strategies.

According to the research findings in the internal and external environment, the SWOT will be identify briefly below.

	Strengths		Weaknesses
S 1	Various products with high quality	W 1	Employees are lacking communication skill with foreigners, cannot handle English documents
S 2	Have business more than 30 countries (international experience)	W 2	Employees do not like to work in foreign countries
S 3	A large amount raw materials with low price	W 3	After-sale service does not handle well in foreign countries
S 4	Combine modern management concepts and management models; employ an advanced manufacturing resource management system	W 4	No professional official website
S 5	Arrange inventory and logistics in a logical way	W 5	No business experience in Indian market
S 6	Cost-leadership strategy		
S 7	Excellent service		
S 8	An impeccable organizational system		
S 9	Comfortable environment for work and study		
S 10	Continue innovation high quality products		
S 11	Create company images and reputations (good relationship with the public)		
	Opportunities		Threats
O 1	Lacking high technological products in the Indian market	T 1	Corruption scandals
O 2	Indian people are friendly and truly interested in doing business with foreigners	T 2	Similar advantage-cheap raw material and low labor cost
O 3	There is no much difference between Indian culture and Chinese culture	T 3	Local competitors
O 4	Indian valve industry is the second fast growing market in the Asia	T 4	Barging power of buyers
O 5	An increasing in fixed investment expenditures and an expansion of the country's manufacturing sector	T 5	New entrants
O 6	A large valve demand in the growing energy requirements	T 6	No existing customers in Indian market
O 7	Indian government pays more attention on water treatment	T 7	The valve price of the competitors do not show in public

Based on the summary of the SWOT analysis, the strengths and weaknesses are given in the Balance Score Card (Appendix 3) that are best applicable to the threats and opportunities.

Derived from the Balance Score Card the following strengths and weakness in the top 5:

1. Strength: Various products with high quality
2. Strength: Combine modern management concepts and management models; employ an advanced manufacturing resource management system
3. Strength: Continue innovation high quality products
4. Weakness: No professional official website
5. Weakness: Employees are lacking communication skill with foreigners, cannot handle English documents

The Confrontation Matrix

On the top the opportunities and threats, the right side is the strengths and the weaknesses. By combining each two factors to figure out the strategies for the Indian expansion plan.

<h1>The Confrontation Matrix</h1>	External opportunities O1--Lacking high technological products in the Indian market O2--Indian people are friendly and truly interested in doing business with foreigners O3--There is no much difference between Indian culture and Chinese culture O4--Indian valve industry is the second fast growing market in the Asia O5--An increasing in fixed investment expenditures and an expansion of the country's manufacturing sector O6--A large valve demand in the growing energy requirements O7--Indian government pays more attention on water treatment	External threats T1--Corruption scandals T2--Similar advantage-cheap raw material and low labor cost T3--Local competitors T4--Barging power of buyers T5--New entrants T6--No existing customers in Indian market T7--The valve price of the competitors do not show in public
Internal strengths S1--Various products with high quality S2--International experience S3--A large amount raw materials with low price S4--Modern management concepts and management models. Employ an advanced manufacturing resource management system S5--Arrange inventory and logistics in a logical way S6--Cost-leadership strategy S7--Excellent service S8--An impeccable organizational system S9--Comfortable environment for work and study S10--Continue innovation high quality products S11--Create company images and reputations	Strategies to get opportunities through the strengths 1. Build up a long term relationship with the Indian customers or partners.[S2, O2] 2. Low production cost. [S3, O4, O5, O6, O7] 3. Offer high technological products to meet the demand in the Indian valve market.[S10, O1] 4. Logical Logistics.[S5, O4] 5. Attract more potential customers in the Indian market.[S6, S7, O4, O5, O6, O7]	Strategies to prevent threats through the strengths 1. Competitive advantage to create more customers against local competitors.[S6, S7, T3] 2. Low production cost and transportation cost to decrease the total cost in the expansion process. [S3, S5, S6, S7, T2] 3. Positioning in a high level of product delivery to decrease the threats from new entrants.[S10, T5] 4. Build up a global image to get an attention from the Indian customers. [S11, T6]
Internal weaknesses W1--Employees are lacking communication skill with foreigners, cannot handle English documents W2--Employees do not like to work in foreign countries W3--After-sale service does not handle well in foreign countries W4--No professional official website W5--No business experience in Indian market	Strategies to use opportunities to minimize weaknesses. 1. Hire Indian local workers. [W2, O2, O3] 2. Similar cultural background. [W5, O2, O3]	Strategies to minimize weaknesses and threats. 1. Communication skills. [W1, T6] 2. Arrange certain company for visa application and language translation. [W3, T2] 3. Build up a professional website. [W4, T3, T6] 4. To build up company image in the Indian valve market. [W5, T6]

4.4 What are the future project strategies when SUNGO to enter the Indian valve market?

As the research finding describes in the previous part, the demand of valves is growing in the Indian market, which is widely used for in certain areas, such as the infrastructure sector, energy industry etc. Actually, the demand of oil, coal, natural gas take a large amount percentage in the valve industry, and lots of manufactories work and innovate new products try to get more share and profit in these areas. However, the environment problem is becoming an issue. As the research finding shows that clear water shortages and inundation of sewage have already brought health issues for Indian people, and considering the growth of the population in India, it will bring more and more negative impacts in people's lives, so the government pays more attention on how the industry deals with the pollution and also tries to decrease the negative influence of pollution. The nation's financial hub is determined to invest 1 billion US dollar to build eight sewage plants in Mumbai. By taking measures to deal with the environment pollution, the demands of valves for water treatment will be increased in the recent years. Therefore, Mumbai will be the first station to start working for water treatment. This is the reason why SUNGO considers to enter Mumbai at the first stage.

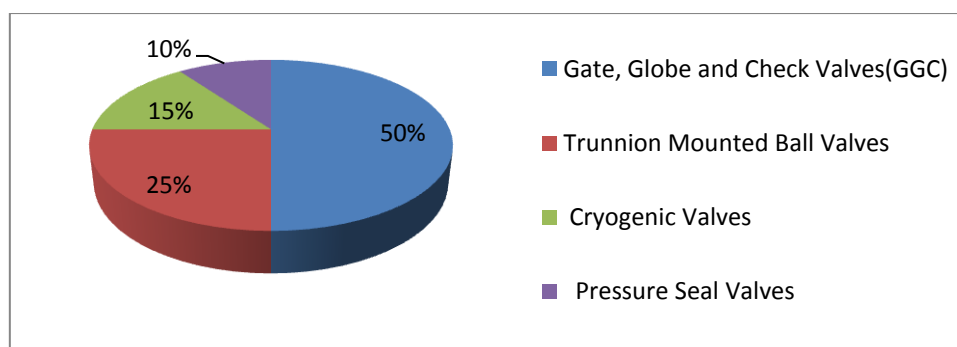
4.4.1 Who are the main competitors of SUNGO in India?

In order to get a clear picture of the Indian valve market, to analyze the competition issue is an essential part for expansion plan of SUNGO. In this part, it is necessary to do a research about the valve suppliers in Mumbai. In the following paragraph, the suppliers who may be the competitors of SUNGO in Mumbai will be analyzed. In this case, there are 3 main competitors below.

- **Oswaiindustries Limited(OIL)**

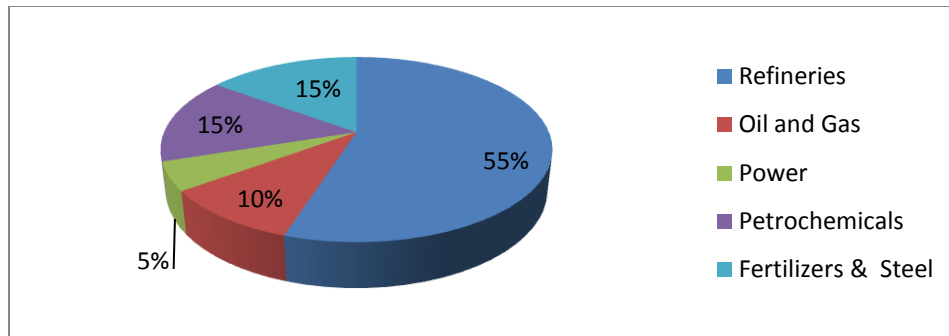
OIL is a leading manufacturer of gate, globe, check & ball, cryogenic & pressures seal valves for over 30 years in India. The vision of OIL is to provide world class engineering solution by using the best technology and skilled people, and their mission is to be a leading integrated manufacturer of valves, with a global presence. Now OIL has their own manufacturing facility with more than 100,000 square meters, and they provide products for oil & gas, petrochemicals, refineries, power, steel, chemical & fertilizers, water treatment, offshore, nuclear sectors which are mainly focused on the Indian and global market. (SWAL, n.d.) Figure 5 shows that the manufacturing valves of OIL and the percentage, Figure 6 shows that SWAL is focused on several sectors in domestic and international market.

Figure 5. SWAL manufacturing of valves



Source¹⁷: Segments, SWAL

Figure 6. SWAL domestic and international clientele in the following industries



Source¹⁸: Industries, SWAL

Quality policy: OIL tries to meet customer satisfaction by improving the quality of products and services. They supply the quality products meet the national and international standards during the production period. They continue developing the technology & QMS and monitoring the system periodically to ensure its effectiveness, and also set up several courses for employees training.

Manufacturing: OIL uses sophisticated CAD/CAM tools, designs valves with state-of-art machinery and equipments, sets up an experienced technical try to achieve the production efficiency unrivaled across in India. On another hand, they constant improve and upgrade their performance based on the feedback from their customers and the research findings from the valve market.

Research & Development: OIL develops the products based on professional knowledge and the technology development. They are continuing improve the products with the required infrastructure to arrive at an optimum design to meet the needs of the customers. They consider the suitability of materials, FEA of the design, suitability to long term service conditions, hydraulic and pneumatic behavior of the final products. The R & D wing at the end is equipped with all the In-house testing facilities like fire safe test rig, cyclic testing ring, cryogenic testing rig, fugitive emission testing rig.

After-sale service: OIL offers all services to create customers more value. Excellent and professional after-sales service is what OIL wants to give for the customers. Customers can receive complete sets of services for the projects based on their needs, such as technical documents, drawings, product manuals, production schedules, production/inspection control plan, etc. In additional, customers can get professional services from technically professional personnel including quality follow-up of sold products, site unpacking & inspection, installation guide, debugging and technical training.

Clients: As the information found in OIL official website, they already have lots of clients in domestic and international market, and they build up a long term cooperation with their clients, it makes a stable income and profits for OIL.

¹⁷ SWAL manufacturing of valves, <http://www.oswalvalves.com/new/segments.html>

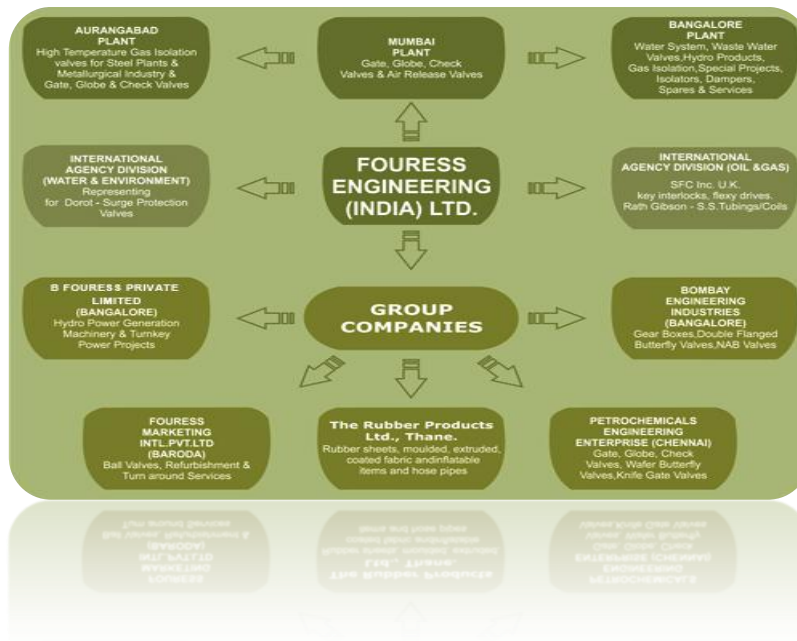
¹⁸ SWAL domestic and international clientele in the following industries, <http://www.oswalvalves.com/new/segments.html>

- **FOURESS ENERGINEERING INDIA LTD**

FOURESS ENERGINEERING INDIA LTD started in 1962 as a trading company and the first manufacturing unit was started in 1967. Today they represent a significant strength in fluid isolation & control, power generation & propulsion systems together with mechanical, electrical, pneumatic and hydraulic devices of actuation and motion transmission applicable to fluid power machinery in Indian market. As an international company, they support the solid technological upgradation and a vast experience of over 40 years to take on future market challenges. (Fouress Group, n.d.)

The vision of the founder is "In tune with the times - thinking globally" to become a global player with the right technology and focus; to create products in the flow related application applications manufactured in India and expand all over the world on the strength of their quality, competitiveness and customer satisfaction.

The whole company structure is below, as the information shows that the sector in Mumbai is just one part of the FOURESS ENERGINEERING INDIA LTD. In this case, it is more focused on the competitors who located in Mumbai, therefore, the plant which is set up in Mumbai will be the first target to be analyzed.



Source¹⁹: Group Overview, Fouress Group

The manufacturing valves of FOURESS include: butterfly valve, control valve, high performance valve, fire safe and pyrogenic valve, large knife gas valve, steel plant valve, gate, globe and check valve. In each manufacturing, they have their own different focus. The standard and specialty types in Mumbai plant manufacture are gate, globe and check valves in carbon steel, alloy steel, stainless steel. Manual and electrically operated valves are designed and manufactured in accordance with the standards of API, ANSI, and BS. They also manufacture tamper proof air release valves for water supply and infrastructure projects requirement.

¹⁹ <http://www.fouressengg.com/index.php?page=groverview>

Quality policy: ISO 9001 accredited quality management system with dedicated teams in each plant who are equipped with state-of-the-art facilities, and also the materials used in each product is guaranteed with the international standards. Fouress Group has a clear work division on field service, spares support, refurbishment, reconstruction and reclamation to make sure working efficiency.

Manufacturing: In each plant, they invite skilled engineers work in electro-mechanical systems, drives, controls, communication protocol software and interfacing equipment with the rest of the plant by offering services. Fouress Group is building on their experience to reduce replacement costs of new acquisition, specialized capabilities are developed by offering refurbishment, renovation and reclamation of the range of products of any origin, adding contemporary design inputs for life extension services and enhanced performance through the unit at Vadodara (FMIPL).

Research & Development: At the core of Fouress Group is assimilating and adapting technology. Fouress Group has put in place, a sound engineering base. With the 40 years experience, they develop and bring custom engineered products in fluid isolation control, regulation, propulsion, power generation and lately, noise and heat regulation in fluid paths. By using flow model testing and simulation techniques for products development and proof design, and also using of hydraulic research laboratory for life cycle testing, finite element analysis, modeling techniques etc. In addition, specialized software and modeling for seismic analysis of equipment for nuclear power stations, rotary air locks for material handling industry, fire safety qualification for helicopter's fuel rig valves for the Indian Navy, are some of the landmark achievements of Fouress R&D.

- **Alfa Laval**

Alfa Laval has established in 1883, the company is known for innovation and new ways of thinking, they continuous and consistent investments designed to build, strengthen and develop the company to become a global market leader, they help customers in nearly 100 countries so far. They are not only providing customers with valves, but also heat exchangers, separators, pumps. Alfa Laval currently holds more than 1900 patents, and invests approximately 2.5 percent of its sales in research and development launching between 35 and 40 new products every year. The company has more than 16 000 employees, the majority of whom are located in Sweden, Denmark, India, China, the United States and France. The vision of Alfa Laval is to create better everyday conditions for people, and the mission is to optimize the performance of customers' processes time and time again. They are committed on saving energy and protecting the environment. Their products are focus on treating water, reducing carbon emissions and minimizing water and energy consumption, as well as heating, cooling, separating and transporting food. These areas represent the core of Alfa Laval's expertise. (Alfa Laval, n.d.)

The manufacturing valves involved in Alfa Laval: aseptic valve, automation, butterfly valve, check valve, diaphragm valve, miscellaneous valve, mix proof valve, regulating valve, seat valve (Alfa Laval, n.d.); company caters to domestic and international clientele across the world in the following industries: oil platforms, power plants, ships, mechanical engineering, mining, wastewater treatment, comfort climate and refrigeration applications.

Quality policy: At these state-of-the-art facilities, Alfa Laval provides services to prolong equipment service life and keep the processes up and running. Some service challenges are best handled with

hands-on engineering support from the qualified service engineers, including supervision and troubleshooting, upgrading and retrofits, regasketing and repairs, hands-on staff training, service recommendations.

Manufacturing: The products of Alfa Laval are distributed between 32 leading manufacturing units, spread over 4 continents. Production is centralized and based on manufacturing technology, product group and size, not on the product application of the end customers. Alfa Laval helps customers upgrade the processes by enhancing the most recent technological advances and enhancements. By upgrading and keeping pace to change the process demands, such as those for more capacity, less energy consumption and high product quality.

Research & Development: The key research & development of Alfa Laval is new innovative products—the key to profitable growth. To manufacture new products and solutions to meet customers' needs is decisive in maintaining and strengthening of Alfa Laval's competitiveness. They focus on developing new products to meet indications of new market needs and to innovation as part of developing existing products to be manufactured in new materials and with higher capacities, it can also apply to changes in the actual production process. To identify the market needs, the rapid and efficient transformation of knowledge into innovative products to generate an advantage over the competition. In instance, Alfa Laval enhances equipment performance, upgrading lifts process performance in real tangible ways – from increased capacity and lower utility bills to higher efficiency and longer service intervals.

After-sale service: In order to ensure the spare parts and service are available close to customers, Alfa Laval develops their global service network with 75 service centers worldwide. What is more, Alfa Laval has their stable platform for service operations, it is a large and growing installed product base. Each local organization has its own product expertise, field service, repairs and maintenance as well as its own sales organization. In addition, Alfa Laval has a global and regional distribution organization to ensure the availability of critical spare parts. Alfa Laval has a range of products that customers are offered as part of a performance agreement or as an individual service offering. These may include: review and consultation, repairs and maintenance, replacements and leasing products, products upgrading and modernization and also product monitoring.

4.4.2 What is the marketing mix of SUNGO will be applied in the Indian valve market?

These variables include the product, the place, the price and the promotion in the marketing mix. There are some ingredients that a marketing manager must mix together when optimizing a limited amount of resources. In this case, SUNGO wants to enter the Indian valve market, therefore they need to determine which area they want to expand in the first entry stage, which kinds of products they plan to sell to the Indian customers, how much they consider about to sell and how they promote their products to get interests from the Indian customers.

Place

In this case, India is the new market where SUNGO wants to expand their business into. Based on the research findings, India is a large potential market in the valve industry. There is a large demand of valves in oil, natural gas, coal and water sectors. In this recent years, the water shortage issue is becoming very serious in India, more and more sewage plants will be planned to build. Now Mumbai is the first Indian city that the government pays an attention to, later on many developers will join in this project, the demand of valves for water treatment will continue to increase, and therefore SUNGO will enter Mumbai in the first expansion stage.

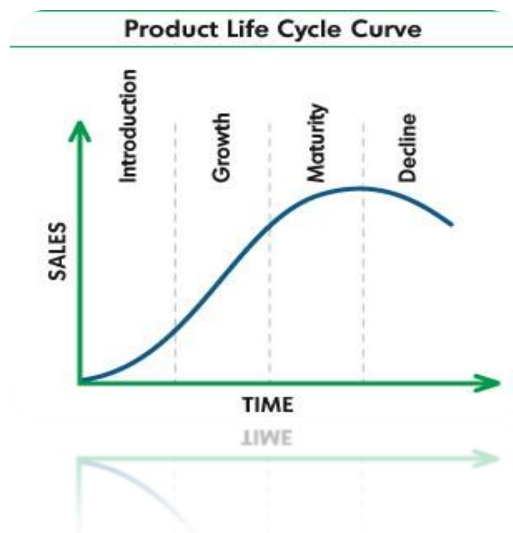
Product

In this project, SUNGO will provide customers in Mumbai with complete solutions for the water cycle period. The water treatment industry is always seeking a better method to maximize the water resource sharing in order to ensure the sufficient water supply. The major application will be focused on water transportation, water treatment, water cycle and use and sewage treatment. The main products used in these areas include ball valve, butterfly valve, cast gate/globe/check valve.

Price

The price setting strategy should be considered about the internal operation cost and also external influenced elements. It is not only the cost of production, administration, control etc, but also the market structure, the relationship between demand and supply, customers' behaviors etc. All the essential factors should be considered before setting prices for products.

Considering about the product life cycle, the valves in the Indian market is in the growth stage. There are large amounts demands existing in the valve industry in the current stage, but at the same time lots of competitors try to enter the valve market looking to gain more market share, the result will be the demand of the valve decreases and the price of the valve goes down, and later on to go to the following stage. The competitors' price setting and the product demands of the valve market are the key elements to influence the price of the valve.



Source²⁰: Product Life Cycle Curve

Based on the research findings related with the internal and external analysis, SUNGO has manufacture in China where they have a large amount of raw materials and comparative lower labor costs. As an international company, SUNGO provides high technological products and high quality services for their customers. They are all the competitive advantages of SUNGO to expand no matter in the domestic or Indian market. However, based on the external analysis that the Indian valves suppliers have similar competitive advantages with SUNGO, therefore, competitors also can offer their products to customers with a low price. Under this situation, to set up a proper price is quite important for the Indian expansion plan of SUNGO, but a problem is that the Indian valve suppliers do not publish the price of their products on the official website. SUNGO cannot set up the price based on the price information from their competitors.

Promotion

Promotions is essentially the alarm that sounds to let customers know a company and why they should care. As far as, the promotion activities are larger quantity demands with a low price. From the service, the larger quantity is demanded, the more complete range of after-sale service is offered. A 'push' sales promotion strategy involves 'pushing' distributors and retailers to sell the products and services to the consumer by offering various kinds of promotions and personal selling efforts. (Small business bible, n.d.) SUNGO as a new entrant to enter the Indian market, the management team of SUNGO plans to provide high quality products with cheap price and offer the additional service to their customers, for instance, free package, large quantity with the promotional price.

²⁰ Product life cycle curve, <http://www.researchplan.com/blog/>

4.4.3 Which entry mode SUNGO will use when they decide to enter the Indian valve market?

There are three entry modes, hierarchical mode (Internalization), Intermediate mode and export mode (externalization). The entry mode is determined by internal factors, desired mode characteristics, transaction-specific factors and external factors.

Based on the research findings in the internal factors, SUNGO is one of leading manufacturers of the industrial valve in Asia, their business focuses on industrial valves production, research and development, sales and service. SUNGO has offices in China, United States and Brazil, and there are more than 700 employees work in SUNGO with an impeccable organizational system; There are various product categories in SUNGO, include gate valves, butterfly valves, globe valves, ball valves, valve fitting, check valves, pulp valves, relief valves, control valves with more than 140 types and 7 standard criteria; SUNGO has two production bases and one vital R&D center in China; In the marketing and sales side, they have built up a long term cooperation relationship with global partners and local purchasers for more than 30 years. Therefore, they have more power and experience with an expansion plan.

Looking at the external factors, the Indian valve industry is only just behind China, it was the second fastest growing market in the Asia region from 2000 to 2012. With the growth in the infrastructure sector, the demand of the valves and actuators are continuing to increase in the following decades in India; the Indian government is getting more attention on the energy conservation measures, they advocate to use automation in pump, valve and compressor for easy health monitoring; With the economic reforms that have been made in India, it results to robust increases in fixed investment expenditures and an expansion of the manufacturing sector, a remarkable increasing shows in the energy industry, the research finding presents that the demand oil, natural gas, coals are growing. In this way, the valve demand will go up in the following years. Because of the environment issue, Indian people are lacking of clear water, the Indian government determined to build up plants, by taking this measure, the demand of valves will increase.

Analyze with desired mode characteristics and transaction-specific factors, SUNGO needs to endure some project risks. Although SUNGO already expand their business over 30 countries and they have a lot of practices in the global market, they have no experience in the Indian valve market. The distance and human resource division are the main problem in the expansion plan, it leads some risks between communication and project management. Considering about the profit, if SUNGO wants to enter the Indian valve market by hierarchical modes, it will cost a lot, which is including renting cost, operation cost and so on. If there are no customers interested in the products, it will be a loss of income.

Intermediate modes will be an option, it is a vehicle to transfer knowledge and skills through and create export opportunities, it includes a variety of arrangements, such as licensing, contract manufacturing, joint ventures and technical know-how or coproduction arrangement. According to the research findings of strengths and weaknesses of SUNGO internal environment and the Indian market analysis in the previous parts, SUNGO should consider the entry mode with joint venture. Although SUNGO has lots of international activities in the past few decades, there is no experience in the Indian market. If SUNGO can find and cooperate with an Indian local company, it will get extra value for their expansion plan. Joint venture offers beneficial profit through access to greater

resources, such as markets, capacity, human resource, technology/intellectual property, financial situation.

By using joint venture, SUNGO can facilitate increased access to customers in a frequent way, because Indian local partners who are located in the domestic market, already sold products and provided services to their existing customers. A joint venture offers a selling channel for SUNGO to enter the Indian valve industry at the early stage; It increases the capacity in terms of production. During the cooperation, economies of scale and scope of two parties are growing at the same period; human resource, by communicating between staff from both two sides enables SUNGO to more ideas specialized employees. People can work together for learning skills, overcome the weakness and also transfer innovative management practices across the firm. With a joint venture, both parties have common goals for getting more market share, they also share the technology and intellectual property in order to enable increased research and development of new innovative products; financial cooperation in a joint venture is one the greater advantages for both parties; firms pool their financial resources, and therefore, they are able to use larger funds to facilitate the production and operation of the project. In other words, it increases profit margin and revenue potential. It is necessary to mitigate several potential source of risks during the joint venture, such as different objectives, imbalanced resource, cultural clashes, poor communication, therefore, both of them need to use an open approach and trust each other to try to make things work more efficient.

4.5 How to generate profits in the expansion planning?

In this part, there are some elements should be considered. In the internal side, it is necessary to check three kinds of measures-- profitability measure, efficiency measure and leverage measure. In the external side, the currency, project investment, funding method should be analyzed to ensure the feasibility of SUNGO to enter into the Indian valve market.

4.5.1 What is the internal financial situation of SUNGO?

The financial analysis will give a clear view of SUNGO's financial health and its financial position within the industry. SUNGO is a Chinese company, therefore all amounts are in RMB and are based in SUNGO's financial report of 2012.

There is a big valve market in Chinese market, SUNGO also has lots of competitors in the domestic market. In this case, it is necessary to check whether SUNGO has a healthy financial situation. In Chinese valve market, it is hardly to find an industry average data to test the position of SUNGO in the market, therefore, to test the financial situation with two main competitors to instead, China Valves Technology, Inc.²¹ (CVVT) and China Automation Group Limited²²(CAGL). All the financial data are from the annual report from CVVT and CAGL.

Debt/Equity ratio

According to Balance sheet of SUNGO in 2012 (Appendix 4), the company has total liabilities of ¥144,558,256.74 million, and owner's equity of ¥115,485,717.73 million.

Debt/Equity ratio=¥144,558,256.74/¥115,485,717.73=1.25.

Debt/Equity ratio is used by management or investor to have a oversight that how much of the assets the company owns is financed through debt. For the calculation, we can affirm that the majority of the assets SUNGO owns are financed through debt rather than equity.

Debt/Equity(Debt to Equity Ratio) = Total Debt / Total Equity

Company	Total Debt (¥ million)	Total Equity (¥ million)	Debt/Equity
SUNGO	144.558	115.486	1.25
CVVT	49.9	188.607	0.265
CAGL	2,601.269	2,075.354	1.25

In an ideal situation, the debt to equity ratio of a company should equal or less than 1, it means the company has high ability to cover their liabilities. However, in reality, most companies have this

²¹ <http://www.cvalve.com/Annual.html>

²² http://www.cag.com.hk/html/ir_report.php

number higher than 1. It based on two mean reasons: one is the central bank have set a relative low lend interest rate so that to help company to get over the recession period. Another reason is the company is automatically seeking profit maximize, they will loan or borrow as much as they can that to produce and sell more.

In our chosen company SUNGO, the debt to equity ratio is 1.25, higher than ideal number 1. However, it is still considered in a good situation. Likewise, company CAGL is also in the same situation. Company CVVT has the lowest ratio, but it far to the ideal number 1, it show the company did not use its assets and equity efficiently, CVVT should borrow more to maximize its profit.

Return on equity

Return on equity reveals how much profit a company earned in comparison to the total amount of its shareholder's equity.

$$ROE = \text{Net income} / \text{Shareholder's equity}$$

Company	Net income (¥ million)	Shareholder's Equity (¥ million)	ROE (in %)
SUNGO	44.538	115.486	38.57
CVVT	43.198	188.607	22.9
CAGL	128.412	2,075.354	6.19

The higher ROE shows the company earns more profit for their shareholders, but there is no accurate range for estimate the ROE of certain company or industry. There are too much and complexly internal and external elements which will effects the ROE. In different country and industry, the number is totally different. A feasible way to use this number is to compare with competitors. Which one get the highest ROE, it will considered as most profitable. The table below indicates that SUNGO has the highest ROE within three candidates, so it is considered as the most profitable company.

Debt ratio

The debt ratio gives a clear view of how much of the capital is debt. The debt to equity ratio shows how much debt covers its equity. Debt ratios show how much capital is externally funded.

$$\text{Debt ratio} = \text{Total debt} / \text{Total assets}$$

Company	Total Debt (¥ million)	Total Assets (¥ million)	Debt Ratio(in %)
SUNGO	144.558	260.044	55.59
CVVT	49.9	238.508	20.92

CAGL	2,601.269	4,676.623	55.62
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Due to the formula $\text{Asset} = \text{Liability} + \text{Owner's Equity}$, and the ideal situation of debt to equity ratio is equal or close to 1. We can say that the ideal debt ratio should be equal or close 0.5

Compare the debt ratio within the three companies, SUNGO and CAGL is relatively close to 0.5 , so those two companies will rank in better situation.

Financial ratio

Profitability

The profitability ratios give an impression of SUNGO's ability to generate profit. The higher the ratio the better a company is performing. The ratios are not so high, but to get an accurate impression of the performance, due to the current economic circumstance.

Profit margin = Net income / Sales

Company	Net Income (¥ million)	Sales (¥ million)	Profit Margin(in %)
SUNGO	44.538	175.577	25.4
CVVT	43.198	183.696	23.5
CAGL	128.412	2,210.754	5.8

Operating margin = Operation income / Sales

Company	Operating income (¥ million)	Sales (¥ million)	Operating Margin (in %)
SUNGO	43.829	175.577	25
CVVT	54.156	183.696	29.5
CAGL	162.753	2,210.754	7.4

Efficiency

The efficiency ratios give an impression of how well SUNGO is using its assets and liabilities internally. The higher the ratio, more efficient it is.

Inventory turnover=Cost of goods sale/Average inventory²³

Company	Cost of Good Sales (¥ million)	Average Inventory (¥ million)	Inventory Turnover
SUNGO	104.72	20.24	5.17
CVVT	103.277	16.251	6.35
CAGL	1,345.589	857.216	1.57

Accounts receivables turnover=Revenue/ Accounts receivables

Company	Revenue (¥ million)	Accounts Receivable (¥ million)	Accounts Receivable Turnover
SUNGO	175.577	95.048	1.85
CVVT	183.696	84.347	2.18
CAGL	2,210.754	1,699.96	1.3

Accounts Payable turnover=COGS/Accounts Payable

Company	Cost of Goods Sales (¥ million)	Accounts Payable (¥ million)	Accounts Payable Turnover (years)
SUNGO	104.72	1.436	72.9
CVVT	103.277	21.913	4.71
CAGL	1,345.589	480.493	2.8

²³ Average inventory=(inventory of year beginning +inventory of year ending)/2

Total Assets Turnover=Revenue/Total Assets

Company	Revenue (¥ million)	Total Assets (¥ million)	Total Assets Turnover
SUNGO	175.577	260.044	0.675
CVVT	183.696	238.508	0.77
CAGL	2,210.754	4,676.623	0.47

Liquidity

Liquidity ratios are used to determine the ability of SUNGO to pay off its short term debts and obligations. A higher value means a higher safety margin.

Current Ratio = (Current Assets) / Current Liabilities

Company	Current Assets (¥ million)	Current Liabilities (¥ million)	Current Ratio
SUNGO	175.945	117.558	1.5
CVVT	136.1	49.9	2.73
CAGL	3,424.335	1,298.132	2.64

Quick Ratio = (Current Assets-Inventories) / (Current Liabilities)

Company	Current Assets (¥ million)	Inventory (¥ million)	Current Liabilities (¥ million)	Quick Ratio
SUNGO	175.945	20.24	117.558	1.32
CVVT	136.1	16.251	49.9	2.4
CAGL	3,424.335	857.216	1,298.132	1.98

There is no data directly to show industry average data, therefore, to select two competitors to instead of the industry average data. Compare with the selection competitors in Chinese market, SUNGO is comparative healthy company in Chinese valve market.

1. SUNGO has more profit earned compare with the total amount of the shareholder's equity.

2. A low debt ratio is better for a company, it means high borrowing capacity and financial flexibility. SUNGO has a comparative high debt ratio, it means that many loans have been taken.
3. The profit margin is indicated how much income a company obtains by each dollar of revenue it has. The higher PM a company has, means it has higher ability to transfer their sales into profit, it has higher profitability. Compare with the competitors, SUNGO is the highest one.
4. Operation margin is relative similar as profit margin, it shows the positive relation between operating income and sales. The higher OM a company has, it has higher profitability than competitors. SUNGO is not the highest one, but still in a high level.
5. Inventory turnover is a supplement to the current asset turnover, by calculation and analysis of the IT, investors can determine the inventory turnover rate of corporate assets in certain period. The higher IT a company has, the higher liquidity it has. In the Chinese industry, SUNGO takes in a comparative high level.
6. The account payable turnover means how fast a company can pay off for their suppliers. In this case, SUNGO can pay for suppliers in a short period time.
7. Total asset turnover is an important indicator to evaluate a company's quality and efficiency of operating of all its assets. Turnover rate is higher, indicating that the faster the total asset turnover, reflecting the stronger sales. SUNGO is 0.675, only a little bit lag behind CVVT which is 0.77.
8. The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. Acceptable current ratio vary from industry to industry and the general range is between 1.5 to 3 for a healthy businesses. If the ratio is lower than 1, then they have no ability to pay liability in a short-term obligations. SUNGO in this case is lower than other two competitors, it means SUNGO has weak ability to pay the debts in a short period, but the ratio still higher than 1.
9. The quick ratio means what is the ability of a company to pay off the short-term obligations, so the higher result means have more ability to pay off. Compare with the competitors, the same situation with the current ratio, the ability of handle debt is weaker than other two competitors.

In summary, SUNGO has strong ability to get profit and handle inventory in Chinese valve market, but at the same time, SUNGO has weak ability to deal with company debts. However, SUNGO has a healthy financial situation in general and a comparative high financial position in Chinese valve market,

4.52 What is the break-even point and how to get future profit?

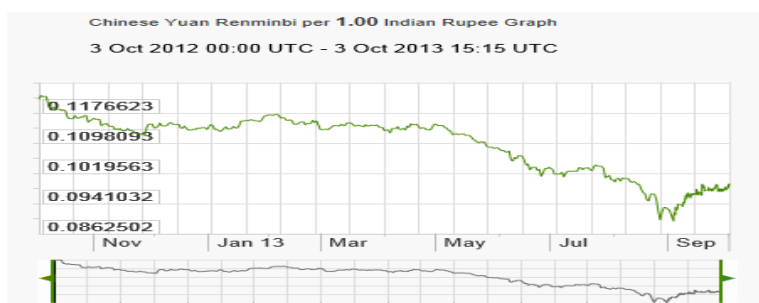
Currency

This project is a transnational economic activity, and two countries involved are using different currencies (Chinese Yuan and Indian Rupee), in order to avoid extra cost during the payment process due to exchange rate differences, setting a unified settlement currency is essentially.

- *Indian Rupee (INR) / Chinese Yuan (CNY)*

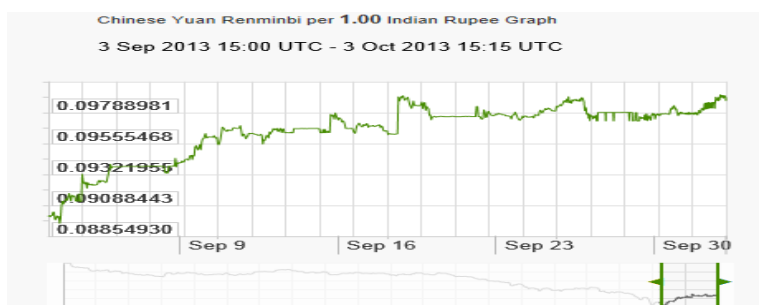
According to the two INR/CNY exchange rate graphs below, the INR exchange rate of CNY in one-year period shows a downward trend, with decline rate of 18.42%²⁴. The trend within a month shows the exchange rate has gone up, but still lower than a year earlier numerical. Additionally, there is a crucial point that banks do not provide direct exchange service between CNY and INR, customers need to enter through a third party currency conversion, such as US dollars, Euros.

INR/CNY exchange rate graph in 1 year



(X-rates, 2013)

INR/CNY exchange rate graph in 1 month



(X-rates, 2013)

²⁴ 2 Oct 2012-0.12125599
2 Oct 2013-0.09891883
Decrease rate-(End of year-Begin of year)/Begin of year=18.42%

- *US dollar as Intermediary currency*

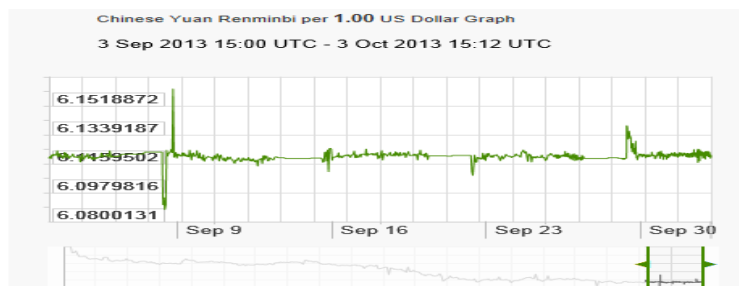
Consists of the following four figures show that the U.S. dollar against the CNY exchange rate is in a downward trend over the past year, with a decrease rate of 3.19%²⁵. Within a month, the U.S. dollar against the CNY exchange rate remained stable. In the past year, the U.S. dollar against the INR exchange rates increased significantly, rose to 20.6%²⁶, but in the past month has dropped slightly.

USD/CNY exchange rate graph in 1 year



(X-rates, 2013)

USD/CNY exchange rate graph in 1 month



(X-rates, 2013)

USD/INR exchange rate graph in 1 year



(X-rates, 2013)

²⁵ 2 Oct 2012-6.3235
2 Oct 2013-6.1219077
Decrease rate-(End of year-Begin of year)/Begin of year=3.19%

²⁶ 2 Oct 2012-52.150002
2 Oct 2013-61.891527
Increase rate-(End of year-Begin of year)/Begin of year=20.6%

USD/INR exchange rate graph in 1 month



(X-rates, 2013)

- Euro as Intermediary currency

Consists of the following four figures show that the Euro against the CNY exchange rate is in an upward trend over the past year, with an increase rate of 1.41%²⁷. Within a month, the exchange rate rose steadily. In the past year, the Euro against the INR exchange rates increased significantly, rose to 24.77%²⁸, but in the past month rate fell to a smaller degree.

Euro/CNY exchange rate graph in 1 year



(X-rates, 2013)

Euro/CNY exchange rate graph in 1 month



(X-rates, 2013)

²⁷ 2 Oct 2012-8.1698702

2 Oct 2013-8.285203

Increase rate-(End of year-Begin of year)/Begin of year=1.41%

²⁸ 2 Oct 2012-64.377045

2 Oct 2013-84.067068

Increase rate-(End of year-Begin of year)/Begin of year=24.77%

Euro/INR exchange rate graph in 1 year



(X-rates, 2013)

Euro/INR exchange rate graph in 1 month



(X-rates, 2013)

- USD vs. Euro

If the USD is chosen as intermediary currency, the exchange rate 2 Oct 2013 is considered as reference,

$$\text{INR/CNY exchange rate} = (\text{USD/CNY}) / (\text{USD/INR}) = 6.1219077 / 61.891527 = 0.0989135$$

If the Euro is chosen as intermediary currency, the exchange rate 2 Oct 2013 is considered as reference,

$$\text{INR/CNY exchange rate} = (\text{Euro/CNY}) / (\text{Euro/INR}) = 8.285203 / 84.067068 = 0.0985565$$

Investment

The amount of investment can also be considered as cost to run a project: includes production costs, operating costs, labor costs, land costs, etc. In this case, the cost of expansion plan of SUNGO involved: production cost, operating cost, administration cost and financial cost.

According to the 2012 Asian EXPORT REPORT of SUNGO(Appendix 2), the useful data found below.

2012 Yearly Export Sales ²⁹	\$4,543,602.77 + €554,024
2012 Sales In Asian Region (South Korea, Qatar, Hong Kong, Singapore, Iran, Indonesia and Jordan)	\$3,026,114.901 + €554,024
2012 Production Cost In Total	¥ 27,298,346
2012 Production Cost In Asian Region	¥15,967,010

Total Yearly sales (domestic + foreign) ³⁰	¥ 175,576,951.90
---	------------------

As the data shows above, there are three kinds of currencies in the financial report, it depends on what kinds of currency SUNGO accepts or spends in 2011-2012. In order to have a clear understanding with all the figures, they are all exchanging to euro.

- In basis of the Euro/USD exchange rate in 31 Dec 2012 is 1.3187
- In basis of the Euro/CNY exchange rate in 31 Dec 2012 is 8.2176 (X-rates, 2013)

The total yearly export sales 2011-2012=\$4,543,602.77 / 1.3187 + €554,024 = €3,999,540.622

The sales from Asian customers=\$3,026,114.901 / 1.318 7 + €554,024 = €2,848,795.291

The total yearly sales (domestic + foreign) =¥ 175,576,951.9 / 8.2176 = €21,365,964.75

The cost of production in total =¥ 27,298,346 / €8.2176 = €3,321,936.575

The cost of production in Asian region=¥ 15,967,010 / 8.2176 = €1,943,025.944

The sale from Asian customer to the total yearly sales (domestic + foreign) = €2,848,795.291 / €21,365,964.75 = 13.33%

²⁹ All the export sales in South Africa, Estonia, Austria, Australian, Brazil, Poland, Burkina Faso, Germany, Costa Rica, Korea, Netherlands, Qatar, American, Peru, Ukraine, Spain, Hong Kong, Singapore, Iran, Italy, Indonesia, Britain, Jordan, Chile.

³⁰ Total yearly sale is ¥ 175,576,951.9, In €21,365,964.75
Figure from "INCOME STATEMENT OF SUNGO 2012"

Assume the new investment in India will make 15% sale increase in Asian market,

The sales in India=€2,848,795.291 * 15% = €427,319.295 = €427,319

The cost of production for India=€1,943,025.944 * 15% = €291,453.8916 = €291,454

The sales in India/ Total yearly sales=€427,319.295 / €21,365,964.7 = 2%

According to the INCOME STATEMENT of SUNGO in 2012 (Appendix 3), the total operating cost, total administration cost, total financial cost were found. In basis of the Euro/CNY exchange rate in 31 Dec 2012 is 8.2176, the costs will be transfer from Chinese Yuan to Euro in the following table.

Data - income statement	Chinese Yuan (¥)	Euro (€)
Total operating cost	12,202,336.99	1,484,902.768
Total administration cost	14,017,240.98	1,705,758.492
Total financial cost	785,335.14	95,567.458

The sales of India is only 2% of total sale of SUNGO, then the operating cost, administration cost and financial cost show below:

Operating cost in India=€1,484,902.768 * 2% = €29,698.06 = €29,698

Administration cost in India=€1,705,758.492 * 2%=€34,115.17 = €34,115

Financial cost in India=€95,567.458 * 2%=€1,911.35 = €1,911

The total cost for Indian expansion project=production cost + operating cost + administration cost + financial cost=€291,454 + €29,698 + €34,115 + €1,911 = €357,178

That means in order to operate this project in India, SUNGO needs to invest €357,178 in the beginning.

4.53 What is the funding method of SUNGO invests in the Indian market?

Based on the interview with the financial manager in SUNGO, she figures out that considering about all the funding method, they would like to use bank loan based on previous business experience and also SUNGO thinks that the bank loan is a time-honored and reliable method. A bank loan to a business bases on the value of the business and its perceived ability to service the loan by making payments on time and in full. The advantage of bank loan is that bank do not take any ownership position in businesses, bank personnel do not get in any aspect of running a business. When the organization has paid off the loan, there is no more obligation with the bank lender. One question the financial manager needs to have a consideration is that if SUNGO wants to expand in the Indian market, they need to borrow money from Chinese bank or Indian bank.

The expected sale in India is €427,319, and the expected total cost is €357,178, so the expected EBIT=€427,319 - €357,178 = €70,141

$$€357,178 / €70,141 = 5.1 \text{ year}$$

That means SUNGO needs almost 5.1 year loan (around 5 years and 2 months) to cover all the cost in the expansion project.

In this case, two options of loan source found, one is loan from Chinese bank, another is loan from Indian bank, following list the lending rate in both countries.

Loan from Chinese Bank

The table below shows the 5+ years loan in Chinese Bank is unified 6.55%, and as the calculation that the total cost for Indian expansion project is €358,000

$$[€357,178 * 6.55\% = €23,395]$$

Therefore if SUNGO borrows money from Chinese Bank, then they should pay €23,395 in total for the interest.

Loan	Interest rate (%)
Six months	5.6
1 year	6
1 year - 3 years	6.15
3 year - 5 years	6.4
5 years or above	6.55

(Yinhang123.net, 2013)

Loan from Indian Bank

The table below shows the lending rate in Indian bank.

1 Lac=100,000 Rup

The exchange rate of Euro/INR=84.067

€357,178=30,095,986 INR=301 Lacs

Bank Name	ROI	Processing Fee	Loan Amount
HDFC Bank	17% - 22%	2% - 2.5%	75k - 15 Lacs
ING Vysya Bank	15.25% - 19.25%	2% - 2.5%	2 Lacs - 20 Lacs
Bajaj Finserv	19% - 20%	2%	1 Lacs - 45 Lacs
ICICI Bank	15% - 19%	2% - 2.5%	2 Lacs - 25 Lacs
Fullerton India	21% - 28%	2% - 3%	2 Lacs - 20 Lacs

(Deal 4 Loans, 2013)

Looking at the lending rate in the Indian bank above, the lending rate in Indian bank is much higher than Chinese bank. For instance, ICICI bank provide the lowest lending rate in the list --15%, and with 2% processing fee, that means if we get loan from ICICI bank , SUNGO has to pay €60,720³¹.

³¹ €357,178*(15%+2%)=60,720

4.54 What is the Income Statement & Cash Flow of the expansion plan?

Before the income statement and cash flow are made, some figures need be mentioned:

- In this case, the valves enter into the Indian market, so tax considered by SUNGO is only VAT. The VAT for valve is 17% in China (Deloitte, 2013), but according to the <Notice of Value Added Tax and Consumption Tax for Export Goods, 2013> (State Administration of Taxation, 2013), the valve which is for exporting will not be imposed. Thus, the VAT for this case is 0%.
- When SUNGO plans to borrow money from Chinese bank, then the interest which SUNGO should pay to bank = $€357,178 \times 6.55\% = €23,395$. SUNGO needs to use 6 years to repay the bank loan, therefore the pay back for interest each year = $€23,395 / 6 = €3,889.2$

Income statement for assumption Year 1 ³² (€)	
Sales	427,319
Cost of production	291,454
Gross Profit	135,865
Operating costs	29,698
Administration cost	34,115
Financial cost	1,911
EBIT	70,141
Interest except loan	0
Profit before Tax	70,141
Tax rate	0%
Tax	0
Net income	70,141
Loan Interest rate	0.0655
Pay back of loan	3,916.5
Profit after loan	66,224.5

Income Statement after 6 Years (€)	
Sales	2,563,914
Cost of production	1,748,724
Gross Profit	815,190
Operating costs	178,188
Administration cost	204,690
Financial cost	11,466
EBIT	420,846
Interest except loan	0
Profit before Tax	420,846
Tax rate	0%
Tax	0
Net income	420,846
Loan Interest rate	0.0655

³² Year 1 means the first year to expand in the Indian valve market.

Pay back of loan	381,499
Profit after loan	39,347

Cash Flow for India Investment (Euro)						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Opening bank balance	357,178	424,224.5	490,449.0	556,673.5	622,858.0	689,122.5
Receipts						
Revenue	427,319	427,319	427,319	427,319	427,319	427,319
Receipts Subtotal	427,319	427,319	427,319	427,319	427,319	427,319
Payments						
Cost of Production	291,454	291,454	291,454	291,454	291,454	291,454
Operating cost	29,689	29,689	29,689	29,689	29,689	29,689
Administration cost	34,115	34,115	34,115	34,115	34,115	34,115
Financial cost	1.911	1.911	1.911	1.911	1.911	1.911
Tax	0	0	0	0	0	0
Loan Payment	3,916.50	3,916.50	3,916.50	3,916.50	3,916.50	3,916.50
Payments subtotal	361,094.5	361,094.5	361,094.5	361,094.5	361,094.5	719,094.5
Net cash In/Out	66,224.5	66,224.5	66,224.5	66,224.5	66,224.5	-291,775.5
Closing Bank Balance	424,224.5	490,449.0	556,673.5	622,898.0	689,122.5	397,347.0

Net present value:

$$NPV = NCF_1 + NCF_2 + NCF_3 + NCF_4 + NCF_5 + NCF_6 = (357,178/6) + (357,178/6) * (1+0.0655) + (357,178/6) * (1+0.0655)^2 + (357,178/6) * (1+0.0655)^3 + (357,178/6) * (1+0.0655)^4 + (357,178/6) * (1+0.0655)^5 + (357,178/6) * (1+0.0655)^6 = 422,002$$

Payback period:

Payback period=Loan/Average net profit per year=€357,178/ €70,141=5.1 Year (around 5 years and 2 months)

Profitability index :

Profitability index=Investment net profit/Loan= (€397,347 - €357,178) / €357,178=11%

4.6 Summary

In this chapter, all the research questions have been answered. In the first question, the internal management, operation are discussed, all the activities are analyzed by using value chain, and there is a short discussion about the competitive advantages of SUNGO. In the second question, there is a picture about India and the demands of the Indian valve market. Based on the research findings that there is an increasing valve demand in Indian market, and the research findings show that Mumbai is the potential city in Indian valve market and the most potential area will be the water treatment. In the third question, there is an analysis about two possible competitors in Indian valve market. In order to have more power to enter into the Indian market, some advices offer with the marketing strategy and enter mode. In the fourth part, the financial statements of SUNGO are checked, the result described that SUNGO has ability to expand and investment forecast with a proper funding method. In the next chapter, the conclusion will be created by all the research findings and recommendations will be derived from the conclusion and research findings.

CHAPTER 5 Conclusions & Recommendations

5.1 Introduction

In the previous chapters, all research questions have been answered properly. Based on the research findings that came out in the previous chapter, there are several conclusions and recommendations figured out and explained in this chapter. There are four conclusions and recommendations related with internal environment, external environment, marketing and finance. According to the research, we get lots of information about the SUNGO current internal operation, the Indian valve market, how they enter India, how much they need to invest and the profit in this plan. In the later recommendations, some advice will be provided for SUNGO to execute this expansion plan. In this way, SUNGO can improve their business no matter what the internal environment management or external expansion is.

5.2 What are the internal elements support SUNGO to enter the Indian valve market?

5.2.1 Conclusion

SUNGO is one of the largest and world-renowned valve manufacturers in China, they are specialized in the industrial valve production, research and development, sales and service. With the development of technology, they continue to improve and innovate themselves to a high level and try to meet more demand of existing and potential customers in the domestic and international market.

SUNGO goes on creating new products, they already provided 11 categories with more than 140 types of valves. Not only the various products, but also they have impeccable and technological manufactories, they apply a competitive advantage of focus strategy by offering their customers a large amount of products with a comparative lower price. In order to get more profit, SUNGO keeps a competitive position in the local market with 70 sale points. What is more, they operate valves business into the international market step by step, now they have business in more than 30 countries.

SUNGO follows with the international and domestic industrial standards as well as customer requirements. SUNGO enables to test the valves in their own testing center; during the manufacturing period, employees operate with various automated production equipments to produce high quality products and meet all valve-related qualification with the world-class end-user's approval; at management level, SUNGO combines modern management concepts and management models to improve production efficiency; as SUNGO has a technology department, they are researching and developing the technology in order to decrease time spending and capital input in manufacturing process;

There is an impeccable system with the firm infrastructure in SUNGO, they divide all the tasks and responsibilities into detail, and there is a good communication and cooperation through the whole company, they have daily meetings in each department and also a weekly meeting with the

management team; SUNGO offers a comfortable working environment for all employees, and also provides training courses for their employees;

SUNGO builds up a long term relationship with their customers, they offer a proper price for the products in every transaction and also keep improving themselves to satisfy each customer; SUNGO wants to offer a complete set of services for each project, they provide customers with not only products, but also added value; SUNGO has built up a close relationship with the outside environment, they do a lot of socially useful activities each year.

However, based on the research findings from the company interviews, there are some problems existing in SUNGO.

As the research result shows, only the managers are good at English, other staff are lacking communicating skill with foreigners. As an exporting company, this is not enough for their business.

The employees of SUNGO do not like working outside of China, they are worried about that they cannot adapt to the life in foreign countries. SUNGO has two sub offices in Brazil and South America, there is a quite limited amount of Chinese people work there.

After-sale service is not a problem in China, but with the growth of SUNGO businesses, it is becoming an issue in foreign market, SUNGO sells products in other countries. When foreign customers ask technicians to repair the products, then there are some problems need to be considered, such as applying a visa, arrange related people to translate the language.

The other weakness is the official website of SUNGO. The website of SUNGO only has two options for language, Chinese and English. Although English is a popular language all over the world, when people find their own language in the website, they will get a clear information and feel respect. Looking at the design of the website, it is not that professional, customers cannot find the latest information in the website, and there are some spelling mistakes. In sum, SUNGO does not use their website to promote themselves.

Under the high competition environment of the valve market, SUNGO still stands in a middle level position, some parts of operation and technology apply in a traditional way. The management of SUNGO thinks that if they change the traditional operation and management methods in a short time, then they need to invest a large amount of capital into the big project, and on other hand, if the new operation method and equipment are replaced the traditional way in a short time, current experienced operators may cannot catch up with, then SUNGO need to invite a lot of new workers.

5.2.2 Recommendation

Based on the conclusion, there are a lot of elements supporting SUNGO for the new expansion plan, such as marketing position, various products, human resources, technology etc. However, some obstacles are existing in SUNGO.

First, SUNGO needs to invite more professional workers and offer more English training courses for employees, because SUNGO is an international company, they have to deal with some English

documents and also communicate with foreign purchasers, therefore, it is essential to study and be good at English.

Secondly, if SUNGO wants to expand their business in the Indian market, they meet a problem about staff movement. As the research findings show that employees of SUNGO do not like to move to foreign countries, so SUNGO needs to encourage and provide higher wages for Chinese staff who work abroad or ask Indian local people work for this project.

Thirdly, a good after-sale service is what SUNGO promises to customers. They manage it very well in the Chinese market, but it is not so much in foreign markets, the problem may be to find people for language translation or visa application, so it is necessary to contact with related people or company who can support these parts in a long-term period. The fourth one is the official website of SUNGO, the website gives the first impression for new or potential customers, but the website of SUNGO does not update on time, and there are some mistakes with the English spelling, so SUNGO needs to spend time to update and correct some mistakes in the official website. Other problem is SUNGO only offers two languages in the website, as an international company, SUNGO should consider to have more chosen languages for customers from different countries.

The final one is technology, if SUNGO changes to use new equipment and hire skilled people at the same time, they may need to invest a lot of money. Therefore, the advice is step by step. First, to training the existing employees with high technology operation, and then bring in some technological equipment.

5.3 How attractive is the valve industry in India where SUNGO wants to enter?

5.3.1 Conclusion

The Indian valve industry was the second fastest growing market in Asia from 2000 to 2012, only after China. Experts say that the valve industry is estimated at Rs 10,000 cores in India in 2012, and the industry is expected to increase 7% to 8% per annually after a flat growth in 2011.

With the growth in the infrastructure sector in India, the demand of valves continue to increase in the following decades; India central and state governments are caring about various energy-conservation measures based on a serious concern and stringent environmental regulations, therefore the growth of valve demand expected to be enforced in the coming years; According to the economic reforms of India, there is an increasing in energy industry and an expansion of the country's manufacturing sector.

In 2011, India was the fourth largest energy consumer in the world after the United States, China, and Russia. In the *International Energy Outlook 2011*, EIA projects India and China to account for the biggest share of Asian energy demand growth through 2035. (EIA, 2013)

- India was the fourth largest importer of oil and petroleum products in the world, and also was the fourth largest consumer of oil and petroleum products after the United States, China, and Japan in 2011.
- Gas consumption grew at an annual rate of 10 percent from 2001 to 2011, and The Indian Oil Ministry projects show that the trend will be continue, the gas demand in India will increase with more than doubling in the next five years.
- Coal is the primary source of energy in India, but there is an environmental impact because of lacking technology. Nowadays, the Indian government pays more attention to operation and coal storage.

Nowadays, the government pays more attention to water shortage and it is negative impacts. According to U.S. Census Bureau data, the population of India is 1.2 billion and it will continue to increase. The demand on clean water by 2030 may exceed supply by 50 percent while pollution makes what's available unfit for human consumption, industrial or agricultural use, reported by McKinsey & Co. Forecasts and a government report.

Based on the research findings, India is a potential valve market. They have a large valve demand in energy industry, country's manufacturing sectors and water treatment. However, as a new entrant, this is a large market for SUNGO. As the information shows that government decided to invest 1 billion US dollar to build eight planned sewage plants in Mumbai in 2012. The demand of valves used for water treatment will be rising based on the population issue. Under this situation that the demand of the valves will robust increase. This is the main reason why SUNGO determines to enter Mumbai in the early stage.

Analyzing the competition, the threat of new entrants, the threat of substitute products and the bargaining power of suppliers do not influence SUNGO too much. SUNGO is an international company, they have an impeccable management system, technological control, mature production line etc. Valves are specific products, therefore it is not easy to find a substitute product to replace;

the power of suppliers is not that strong, because there is a massive market in China. SUNGO can easily find suppliers and buy the related raw materials. SUNGO keeps a long term cooperation with their suppliers and also purchase with a comparative low price;

Bargaining power of buyers will be an issue, if buyers want to purchase a large amount of valves from SUNGO, then they have certain power to ask for a competitive lower price, otherwise they may change to other suppliers;

With the development of technology and continued capital input, rivalry among competition will be a threat for SUNGO. Considering the competitive environment in the valve market, some competitors have much power and capacity with their business. If SUNGO has no competitive advantages, customers do not consider to purchase.

Relative importance of the different forces, by using positive result " + " to show the element which will influence SUNGO in competitive environment, by using negative result " - " for the element that has limited influence for SUNGO.

Porter's Five Forces	+/- (positive/negative of SUNGO)
Threat of New Entrants	-
Power of Suppliers	-
Power of Buyers	+
Availability of Substitutes	-
Competitive Rivalry	+

5.3.2 Recommendation

Based on the research findings, the demand of valves in the Indian market is continuing to grow in certain sectors. There is a large valve market in India in the coming decades. However, In the expansion project, SUNGO will focus on the water treatment sector in the early entry stage. There is a strong competitive environment in the Indian valve market, because the Indian partners they also have low cost labor and materials. However, to some extent valve technology in China is comparative higher than it in Indian market. Therefore, SUNGO needs to find the way to describe the competitive advantages of the products of themselves, to search the price set by the competitors and how they push their products to meet customers and the whole global market. SUNGO should produce valves by adding extra values. Not only the product itself, but also the related service. By doing business in this way to attract and satisfy customers in the process of cooperation.

5.4 What are the future project strategies when SUNGO to enter the Indian valve market?

5.4.1 Conclusion

The environmental problem becomes an issue all over the world. India also has environmental issues with water, as the research finding shows that there are only 700 water supply or waste management systems in India. Water shortage and inundation of sewage take an unfavorable impact for people's health. What is worse, the population in India continues to increase. Under this situation, the Indian government has determined to deal with this problem, Mumbai is planned first to build sewage plants, then expanded on this project to other cities in India. This is the reason why SUNGO is to enter into Mumbai first, and focus on promote valve products in the water treatment area.

In this expansion plan, SUNGO will provide customers in Mumbai with a complete solutions for the water cycle period. The main application of SUNGO include: water transportation, water treatment, water cycle and sewage treatment, and the main products SUNGO expands to the Indian market involve: ball valve, butterfly valve, cast gate/globe/check valve.

As the research findings about the competitors in Mumbai show that they already had a strong marketing position in the Indian and global market. In this project, there are 3 main competitors, Oswai industries Limited, FOURESS and Alfa Laval. The common features of their business below are:

- competitors have a long history with their valve business, they already build up a reputation and company image in the Indian market and global market.
- competitors have their own manufacturing facilities, and they provide various products in kinds of sectors.
- competitors continue innovating themselves to meet a high level technology, experienced and skilled people.
- competitors are all paying an attention with each process of their business, such as manufacturing, quality control, research development, after-sale service and so on.

When analyzing with competition environment in Mumbai, it is difficult to gain a marketing share, at least in a short period. Considering about the risks and profit, it is better to cooperate with an Indian local partner. Joint venture is a way to access to the Indian valve market in a frequent way, the local partner already has certain existing customers, they understand Indian regulations, they have a clearer picture than SUNGO. In this way, SUNGO has a partner to share the risks and profit. During the cooperation, they can learn the strength from each other and also deal with the problem together. Joint venture offers some advantages for companies who run business in the global market. During the cooperation, they shift, share, reduce exposure to certain financial, technological, and market risk. However, in doing so, companies may meet some other different risks, the risks are may IP leakage, misalignments on strategy, partner failure to fund future capital investments or reputational damage from the partner's behavior out of the joint venture.

5.4.2 Recommendation

SUNGO needs to promote their products in the Indian valve market, to show their strengths in the Indian market and get together with their potential partners to attract more cooperation opportunities. Related to this goal, SUNGO has to update their official website, to publish their competitive advantages and performance on time. In order to attract more Indian customers, SUNGO needs to add a new language to their website--Hindi, it will make the relationship more closely.

If SUNGO finds an Indian partner to create a joint venture, it needs to consider several issues in the process. During a joint venture, it is not easy to combine the strengths from two companies. They should realize and understand each other, cultures, management, operations, leadership styles, working environment, business activities etc. On other hand, if there is no clear task division, it will bring a large damage to both parties. Therefore, it is better to restructure the cooperation-organizational structure, to list the jobs or tasks for employees from both parties, to make a cooperation strategy for a long term business. Otherwise, SUNGO and their Indian partner may get less profit, lose customers' loyalty, lose reputation, all of them will be hurt companies' future development with different extent. Moreover, the reason why companies work together for one or more projects is the final goal to improve their business to get more profit, and therefore they should discuss the profit share in advance.

To minimize the chances of failure or negative performance of a joint venture, risk management techniques must be introduced, a comprehensive method for managing risk needs to be considered carefully in pre-contracting and contracting stages. Before cooperating SUNGO needs to really understand the partner, what is the final goal, how SUNGO operates with their business, how to maximize the profits for the joint venture.

5.5 How to generate profits in the expansion plan?

5.5.1 Conclusion & Recommendation

Based on the internal financial analysis, and comparing SUNGO to their competitors. In the general, SUNGO is more profitable than the industry average. Considering about the debt, SUNGO has more debt compared with the industry average, but just a little bit after their competitors. As SUNGO balance sheet in 2012 shows that they prefer to pay their material suppliers than bank loan.

In order to get more profit during the expansion plan, there are some elements should be considered, such as the currency(Yuan and Rupee), expected sale and total cost for this project, funding method, payback period, net present value and profitability index.

First, there are two countries involved (China and India), they use different currencies in each, Yuan and Rupee. However, banks do not offer direct exchange service between Yuan and Rupee, so SUNGO needs to consider about the third party currency conversion. In this case, there is a comparison US dollar and Euro, the result shows that the INR/CNY exchange rate is lower by using Euro as intermediary. The lower exchange rate means SUNGO will pay less CNY to cover the cost in India. Therefore, Euro will be choosing as intermediary currency.

Secondly, SUNGO does not sell their products into the Indian valve market to meet the end users directly. In this case, SUNGO would like to cooperate with an Indian partner, therefore, they have no data about the quantity of the products they will sell in the Indian market, the quantity of the products should be discussed with the potential partner. Under this situation, the expected sales and the total project cost will be calculated by using the percentage of the total sale and cost in Asian region. To assume the new investment in India will be 15% sale increase in Asian market in 2012, the result of the sales in the Indian market is €427,319 and the total cost is €357,178.

Thirdly, funding method is a element should have a consideration, the financial manager said in a interview, the company of SUNGO, they prefer to use bank loan to collect money. The advantage is when SUNGO borrows money from the bank, the bank does not have any ownership with their businesses. After they pay off the loan, there is no more relationship or obligation with the bank. The total cost is around €358,000,so SUNGO needs to borrow the amount of money from bank and spend 5 years and 2 months to cover the cost of this project. Compared with the interest rate of the bank in both China and India, the Chinese bank can offer a lower interest rate to SUNGO. In the research finding part, the income statement and cash flow statement. The data show that the net present value of the project is €422,002, the profitability index is 11%.

5.6 Summary

Related with the research questions, some recommendations came out in this chapter, to provide some suggestion to SUNGO Company for future improvement. There are three elements need to be considered as the most important ones, Firstly, SUNGO needs to arrange some training course for employees skills improvement, increases the efficiency of after sale service and redesign the official website; Secondly, SUNGO needs pay an attention on partner selection and cooperation method; Thirdly, SUNGO needs to keep a long lasting profitable relationship. The next chapter is implementation, a detail implementation will be analyzed.

CHAPTER 6 Implementation

6.1 Introduction

Based on the conclusions and recommendations in chapter 5, SUNGO has the capacity to enter the Indian valve market in the coming decades. SUNGO has a healthy internal environment, but there are still two problems need to pay more attention, one is employee training, and other is the official website. To analyze with the external environment, the demands of valves are growing in the Indian market. However, there are lots of strong competitors existing in the Indian market. In this case, considering about the entry mode of SUNGO. the optional mode is joint venture because of capital input and Indian expansion experience. In this chapter, there is an implementation suggestion for SUNGO about the internal improvement and partner chosen.

6.2 Internal Improvement

6.2.1 Employee training

Based on the research findings that most of the employees in SUNGO are not good at English, they cannot help managers to deal with some English documents and communicate with foreigners. As an international company in the global market, it is necessary to have ability to speak with English. Although it is not a mandatory for employees in SUNGO, such as the employees who work for production, but the employees who work in the office must be good at English.

English is becoming a more and more popular language all over the world. In order to meet an increasing demand of English learning, lots of English teaching institutions are established in recent years in China. There are three famous English training institutions in Wenzhou, which are Web International English, EF Educational English and Spuiker English.

Compare with other two English institutions, Web International English is the best choice. The slogan of the Web International English is "Better English Better Life". Web International offers their students with an advanced study method and real vivid native English-speaking environment. They provide different courses to meet different people's demands, and all the classes taught by foreign teachers. They also combined the advanced multimedia education technology and organize the English salon, as well as a variety of extracurricular activities, original English firms. (Web International English)

The top 500 global enterprises also select Web International English as a professional language training supplier, such as FedEx, Bayer, Honeywell, Lenovo, HUAWEI, L'OREAL and so on. Although it is a well-known English training institution, the training fee is not higher than others. The average cost per lesson is around 60RMB for individual. If there is a group, the training fee even lower. Therefore, SUNGO can send employees to go to Web international English institutions.

In order to ensure the employees' learning quality, human resource manager needs to arrange people for monitoring this activity. He needs to communicate with the Web International English to follow the study progress of each people. English is not an easy language to learn, SUNGO can give employees reward to motivate them to study.

6.2.2 Official website

The official website of SUNGO is not professional compared with some other international companies. The design of the whole structure should be changed and also the information need to update on time. First, SUNGO needs to discuss what they want to describe and show to the public; secondly, one people need to collect all the related information together, and communicate with a translation company to create more languages in the office website; thirdly, SUNGO need to hire an expert from a software company to redesign the website; fourthly, SUNGO needs to arrange a technician to update the information on time.

6.3 Partnership Strategy

6.3.1 The partner profile

The selection of a partner is one of the most critical processes in the formation of alliances. Finding the most suitable partner has been recognized as a precondition for alliance success (Twardy, 2008). In this case, SUNGO needs to research an Indian partner, the following criteria will be discussed and suggested:

- Culture of the company
- Added value for customer
- Strategic vision of the partners
- Decision making process

Culture of the company

In this case, the company SUNGO, their culture is a key role in the success of itself. The company has a friendly environment, and also they offer training courses for employees improvement. Group cooperation is another fundamental in the success of the company, there is a close relationship with each department. In addition, the company encourages their employees to perform better with bonus. Consequently, a possible partner for SUNGO should possess some of the following cultural characteristics: friendly environment, better management, spirit of the group and attachment to the company.

Added value for customer

The mission of SUNGO can be summarized as to satisfy their customers. They produce various valves and also provide solution plan for their customers with the best service. This is a strategy that allows SUNGO to better satisfy their customers and gain more market share. A possible partner should have as a part of their mission also “the satisfaction of the customers”. It is essential that the possible partner is customer oriented and it differentiated by its competitors by adding value for customers.

Strategic Vision of the partner

The best partner should be orientated through Innovation. As the increased valve demand and competition issue in the global market. The partner should be considered as an expert in the market and should create value for customers and shareholders. It is crucial that the partner is truly present in the territory by being always in contact with their customers. Concerning the business practices,

they should have common business operation and also future objective. The partner should respect the human rights and be against child labor, and they need to have responsibility for the environment and outside public. Last but not least, the partner must be straightforward. In this way, it is possible to not complicate things unnecessarily.

Decision Making Process

For SUNGO is hugely beneficial to be present in the territory. In this way, it is possible to better understand the need of the customers, and it is possible to act fast. Time is money, so a characteristic that a possible partner should possess is: having a Decentralized Decision Making Process.

6.3.2 Partner

Culture of the partner

Larsen & Toubro limited is a technology, engineering, construction and manufacturing company, they are the one of the largest private companies in India. The company has more than 7 decades history, they follow customer-focused approach, and also they have established a reputation for strong customer support based on widely marketing and distribution. They have a global market in over 30 countries so far, and they build up manufacturing facilities in India, the Middle East, South East Asia, China and Australia. In addition, they also continue the quest for world-class quality in order to sustain the leadership in all the main lines of their business.

L&T Valves Limited (Formerly Audco India Limited) is a wholly owned subsidiary of Larsen & Toubro. They have build up for 50 years, and they focus on excellence and world-leading innovation. L&T Valves Limited works for some areas such as petrochemicals, chemicals, fertilizers, oil & gas, power, water treatment, the company provides engineered flow-control solutions for key sectors of the economy. They control their progress must be achieved in harmony with the environment. A commitment of L&T Valves Limited is to community welfare, and environmental protection are an integral part of corporate vision.

Added value for customer

Quality policy: L&T Valves is committed to total customer satisfaction and the products meet customer specifications. In the whole production process, each stage of manufacture is controlled by a meticulously implemented Quality Assurance Program. The quality management system has been audited approved by major customers from all over the world, and has been certified to comply with ISO 9001:2008 and API Spec. Q1. The raw materials are ensured by a stringent vendor qualification system, they use NDT methods to test the quality of the samples.

Manufacturing: L&T Valves is a leading provider of flow-control solutions to the power sector. For five decades, they been delivering value to the major players in thermal and nuclear power leveraging a world-class product portfolio, unmatched marketing and support network and advanced project management capabilities. The valves are designed using state-of-the-art 3D design,

simulation and analysis software. Finite Element Analysis (FEA) and Computational Fluid Dynamics (CFD) are used to fine-tune product performance. Prototype models are tested - both in-house and at advanced flow-control research establishments - to ensure that the valves deliver consistent high performance.

R&D: At L&T Valves, technology and innovation coalesce to create flow-control solutions that exceed global benchmarks. The world over, L&T Valves is a preferred supplier for cryogenic, low-emission, large-size and high-pressure valves, as well as valves in exotic metallurgy.

Technology and innovation are a part of the corporate DNA, and each product that bears the L&T brand comes with a promise of trouble-free performance.

- Capability backed by commitment – that is the L&T Valves promise
- Cranes with 40 ton capacity

Strategic Vision

The technology capabilities of L&T is focused on a strategic mix of in-house strengths and the expertise of their joint venture partners. The engineering centers are located in Mumbai, Vadodara and Delhi, there they carry out process design and simulation, analysis of computational fluid dynamics, mechanical design, failure analysis and trouble shooting.

L&T invests in the growth of communities around its campuses through various social initiatives. They work for education, harness the untapped energy of the nation's youth through skill development initiatives and nurture mother & child health care programmes.

L&T recognizes the issue of the climate change, they are aimed at reduction in carbon intensity, utilization of clean and renewable energy sources and engineering of green buildings. L&T is going to contribute to preserving the environment as the ways of construction, solar power, metro rail, wastewater treatment, hydrocarbon, power, heavy engineering, electrical & automation.

Principle

- Businesses should conduct and govern themselves with ethics, transparency and accountability.
- Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- Businesses should promote well-being of employees.
- Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- Businesses should respect and promote human rights.
- Businesses should respect, protect and make efforts to restore the environment.
- Responsible public advocacy
- Support inclusive growth
- Engage with and provide value to customers

Decision Making Process

According to organization structure researched from the annual report, L&T is a large company, they have 21 members in the board of directors, each position control some certain business areas. Because of the complex organization structure, the leader from each department or certain area they have much power for their job and making decision. L&T thinks and believe the abilities from their employees.

6.3.3 Cooperation

SUNGO decides to promote valves for water treatment area in the Indian market. Based on the research findings, to cooperate with an Indian partner can increase the profits and decrease of risks. In this case, L&T will be an optional choice to cooperate with.

L&T Valves innovate a lot of products focus on the oil, natural gas, coal sectors, and they also provide valves for water treatment. As the annual report shows that they invest certain amount money with this project. Based on the research that L&T Valves provide solution for wastewater re-use, wastewater re-cycling and also desalination. With the water shortage and sewage problem, people understand the urgent need for building quality water infrastructure and tapping clean source of energy. L&T Valves thinks that there is a valve grow sustainably they plans to continue to execute large water management project.

key Activities: Compare with the technological equipment and the skills of technicians in the water treatment area, SUNGO has more advantages no matter with the experience, innovation capacity or technological equipment. In this cooperation, the valve production will be set up in China because SUNGO have manufacture and test center with comparative advanced equipments. After SUNGO produces the valves, they will deliver the goods to the Indian market. During the whole project, the main task of the L&V Valve is to promote the valves to meet the Indian market. They work together for producing and promoting valves in water treatment area.

Key Resource: In physical part, the technological equipment and raw materials are well prepared by SUNGO; in financial part, SUNGO and L&T Valves have responsibility to prepare the capital for the whole production process, and collect money for promotion activities.

Share reward: Since SUNGO is going to have a joint venture with L&T Valves, they will have to share the rewards (profit). The reason why SUNGO has a joint venture and why they will cooperate with L&T Valves is because they would want to enter the Indian market and make use of the knowledge and experience of the L&T Valves.

The joint venture will be a win-win situation. SUNGO plans to have 51%-55% of the share and L&T Valves will get the rest, the management of SUNGO wants to get more decision power in this cooperation. Another reason why SUNGO would like to have a joint venture with L&T Valves is because when they cooperate with L&T Valves they can make use of the current customers and current image that L&T Valves has. In a joint venture, they need to share responsibilities. As the

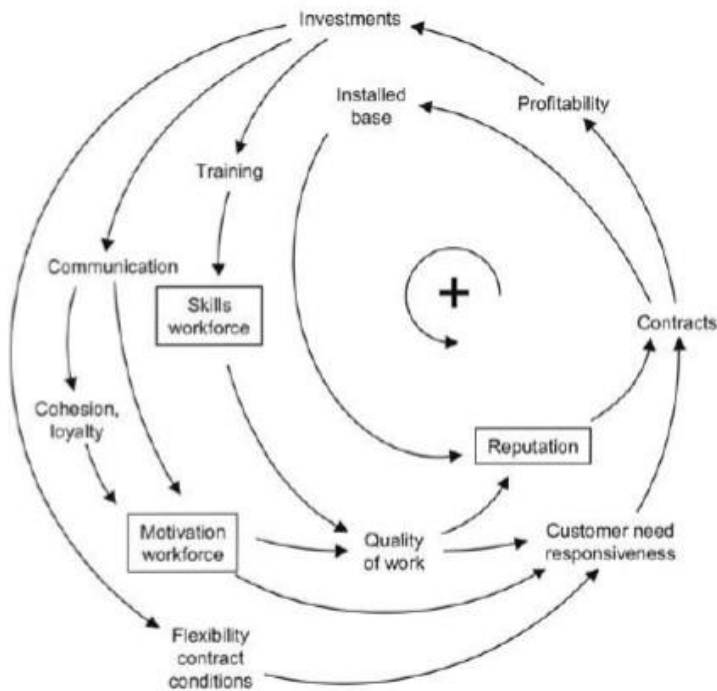
information mentioned before, SUNGO will produce the goods and L&T Valves will sell the goods in the Indian market.

During the joint venture, two companies share the reward, risk, technology and also conform to government regulations. The benefit of joint venture for SUNGO is to create company image in the Indian market more smoothly and decrease the risks of the expansion plan.

6.4 A long lasting profitable relationship

In this expansion project, SUNGO plans to produce valves, and then sell them in the Indian market. As SUNGO does not have any business activities in the Indian market so far, they need to promote and demonstrate the quality of their products in a short term. Meaning the strategy should focus on making a partnership or preferably a joint venture with an existing and well-known company in India. In this case, the partner of SUNGO is L&T Valves.

However, SUNGO cannot entirely rely on this for their success. There is a potential competition from other established companies in the industry, and from time to time new entrants make the investment. Therefore, the distinctive competencies of SUNGO are extremely valuable, this is what diversifies SUNGO from competitors and will make them rise above their competition. One of main distinctive competencies from their company is resource (material resource and labor resource). This competence is what they real focus on, keeping put the resources into the business. Also, there are several other distinctive competencies which SUNGO needs to develop in order to become successful when they are going to enter the foreign markets. Competencies such as, extensive relationships, given the experience in foreign markets, they have to build industry relationships with operating partners, advisors, agents, lenders and investors.



The picture above shows the relationship between the different aspects of a company, in order to create a successful partnership is not only with L&T Valves, but also some potential customers in the Indian market at later stage. As shown above it represents a series of key issues, which generates a loop and keep repeating itself in creating a well-known business in a new market.

All business starts with the investment; first, the company needs to have money to make money. From that point, on training, communication and being flexible are weighty issues for SUNGO to take into consideration. These will become the main elements in implementing a successful business abroad.

If having well-trained staff members, they will know how to deal with the urgent situation that may occur. Having well-trained personal can only be positive for SUNGO, well-trained staff leads to better quality of work done, and also have a positive effect on the company's reputation and lead to more customers. As a result, a better reputation which creates an infinite loop.

The communication part is also something which is extremely vital. When SUNGO communicates well with employees as they do now their loyalty for the company will grow, this will have a positive effect on the motivation workforce, this again has a relation with the quality of work the employees deliver. The better motivation the better quality of work, it will leads to more contracts and more profitability. Coming up to the point where the company has to invest again in order to grow.

Creating flexible contract condition for clients will create a positive effect on the customers' needs and responsiveness. This causes for the infinite loop for creating a successful business.

6.5 Summary

In this chapter, relevant implementation advises had been provided for SUNGO. By executing the suggestions SUNGO will become more stronger in their domestic market and also help them to own more competitive advantages in the expansion process. In this project, to have an Indian partner will be easy for SUNGO to enter the Indian valve market in a short period with more profit. However, the limited time and personal experiences of the report, still some parts should be improved in the future.

Chapter 7: Self -Reflection

7.1 Introduction

The last chapter is the self-reflection. It actually consists of generic competencies and professional competencies. Self-evaluation, lessons learned throughout the thesis improvement points and the bachelor of business administration.

7.2 Reflection on the competencies (generic + professional)

7.2.1 Generic Competencies

INTER-PERSONAL COMPETENCIES
Leadership: As the thesis is individual work ,so the skill is not relevant to my research subject.
Cooperation: I have been cooperating with the sales manager to arrange the list of the interviewees and discuss the internal strengths & weakness and external opportunities with a large amount of employees in SUNGO.
Business communication: Business communication skills are required for the research, lots of the internal research findings are came out by interviews. During the whole thesis period, I am keeping in touch with the sales manager.

TASK-ORIENTED COMPETENCIES
Business research methods: In order to get an complete idea to deal with the management issue, employees interview, the financial statements and company reports of SUNGO will be analyzed. In addition, some secondary data will come from articles, books and internet which is about the external valve market.
Planning and Organizing: In order to get reliable data from internal and external, it is necessary to have an arrangement to monitor and evaluate the performance.

INTRA-PERSONAL COMPETENCIES
Learning and self-development: During this research, I improve the communication skill during the interviews and meet with the sales manager of SUNGO; More confidence and independence to execute projects or researches.
Ethics and corporate responsibility: It should be ethical and responsible to do this research, make sure each of the data is reliable and useful in your research.

7.2.2 Professional Competencies

Professional Competencies	Level 1	Level 2	Level 3	Applicability to research subject	Coaching needed
I International business Competencies					
International Business Awareness			x	High	
In this project, the research is related with an Chinese Company enter the Indian market, it have a clear picture about the different cultures and it enhance the ability to understand and intercultural environment.					
Intercultural Competence			x	Medium	
In this project, there is a better understanding of intercultural competence.					
II General Management Competencies					
International Strategic Vision Development			x	High	Yes
During the project work and the placement learned in the last few years, the conceptual and visionary skills have been enhanced, and contribute to development and evaluation of the internationalization strategy in this thesis report.					
Business Processes & Change Management			x	High	Yes
In this project, should do research and analyze relevant international business problems in order to have more impeccable expansion plan for SUNGO.					
Entrepreneurial Management		x		High	
In this project, should evaluate business opportunities to optimize the profit of SUNGO expansion plan.					
III Functional key-areas competencies					
International Marketing and Sales Management			x	High	
This research is fully matched the international marketing and sales management to help SUNGO to perform India-analysis on macroeconomic and industry in order to assess frequently in foreign market. During the research, to find entry modes and marketing strategies to SUNGO in the early entry stage.					

International Supply Chain Management	n.a	n.a.	n.a	n.a.	n.a.
International supply chain management skills are not fully relevant in this project.					
International Finance & Accounting			x	High	
To be able to control the cost and profit within this expansion plan, the finance and accounting skills are required.					
International Human Resource Management (HRM)		x		Low	
This research needs to formulate the responsibilities and tasks for the proper running of a HR Department.					

7.2 lessons learned throughout the processes

During this seven months, I learned how to make a marketing plan, and how to implement it in the real life. Although I have been done a lot of report in the class, most of them are fictional case, this is the first case I meet in my life and handle it by myself. I think it already put the theory into practice.

I worked 2 months in SUNGO, although there is no real position for me, I learned a lot from the sales manager, he told me how to consider things in all sides, and also ask me to join in some other projects, he tried to make me more independence and confidence. During this 2 months, SUNGO Company let me know there is no good or bad idea, just speak out .

with the help of my thesis supervisor, I learned how to write a report, how to think staff in a logical way. After I understood the management issue of SUNGO, I considered that SUNGO will enter the Indian valve market, but I ignored that India is a large country, SUNGO cannot really expand the whole India. If my thesis supervisor did not remind me, then the report cannot help SUNGO to execute their expansion plan. As we know, the Fishbone is the core of the research, my supervisor also spend time to teach me how to make a useful Fishbone, it makes my research more efficiency.

7.3 Improvement points

During this report, I used the theory which I learned in the class, put the theory into practice. It seems that not only what I learned, it seems what I can practice by what I learned; During the communication, I would like to show up my opinion, not only just listen.

7.4 Summary

This is a self reflection, also a summary about what I learned and what I improved with this thesis . During this seven months, I understand what is the weakness of myself and how I deal with those weaknesses. This is not only a thesis report, it is a test to check what I learned at school and what I still need to learn in the future.

Appendix

Appendix 1

Interviewees list and Interview Questions

Finance Manager

1. How do you feel about SUNGO progress to date?
2. What is the most difficult challenge you think in SUNGO?
3. What do you think about the cooperation of the departments of SUNGO?
4. As a manager, what can you and your department devote for overseas sales?
5. What do you think about the financial situation of SUNGO?
6. How many percentage profit SUNGO gets in the domestic and overseas market in previous years?
7. If SUNGO runs business in India, how much forecast capital can SUNGO support for?

Human Resource Manager

1. How do you feel about SUNGO progress to date?
2. What is the most difficult challenge you think in SUNGO?
3. What do you think about the cooperation of the departments of SUNGO?
4. As a manager, what can you and your department devote for overseas sales?
5. What is the operation method in human resource department? (Work by individual or group)
6. What do you think about the human resource allocation?
7. If there is a plan for expanding business in India, how many people are available for the operation, or do you think to hire workers in the local market?

Marketing Manager

1. How do you feel about SUNGO progress to date?
2. What is the most difficult challenge you think in SUNGO?
3. What do you think about the cooperation of the departments of SUNGO?
4. As a manager, what can you and your department devote for overseas sales?
5. What is the most weakness existing in your department?
6. How about the operation of current projects?
7. How do you think it is a good time to find and expand in a new market?

Domestic sales Manager

1. How do you feel about SUNGO progress to date?
2. What is the most difficult challenge you think in SUNGO?
3. What do you think about the cooperation of the departments of SUNGO?
4. As a manager, what can you and your department devote for overseas sales?
5. What are the advantages of SUNGO in the domestic market?
6. Who is the most competitive manufacturer in the domestic market?
7. What is the action SUNGO takes to keep and improve the competitive advantages in SUNGO?

Overseas Sales Manager

1. How do you feel about SUNGO progress to date?
2. What is the most difficult challenge you think in SUNGO?
3. What do you think about the cooperation of the departments of SUNGO?
4. As a manager, what can you and your department devote for overseas sales?
5. What is the experience learned and summarized in overseas sales?
6. What are the troubles always facing in the overseas sales?
7. Which part you expect to develop if the management of SUNGO invests certain capital to deal with?

Quality Center Manager

1. How do you feel about SUNGO progress to date?
2. What is the most difficult challenge you think in SUNGO?
3. What do you think about the cooperation of the departments of SUNGO?
4. As a manager, what can you and your department devote for overseas sales?
5. What do you think the weakness in your department?
6. Which is the most urgent problem so far?
7. How to manage and decrease the fault detection?

Chief Engineering Manager

1. How do you feel about SUNGO progress to date?
2. What is the most difficult challenge you think in SUNGO?
3. What do you think about the cooperation of the departments of SUNGO?
4. As a manager, what can you and your department devote for overseas sales?
5. How to improve the quality of products in the engineering process?
6. What is the measure taken so far to increase efficiency?
7. What kinds of risks in the operation period?

Appendix 3

Balanced Source Card

Starting with opportunity 1 as O1, then move across the matrix from left to right. Continue looking at the different internal options (strengths and weaknesses) and assign a score of 3 to 0, 3 is the best one.

Balanced score card	Opportunity								Threat							Total points	Ranking
Strengths																	
		O1	O2	O3	O4	O5	O6	O7	T1	T2	T3	T4	T5	T6	T7		
	S1	3	2	2	2	3	3	3	0	1	3	2	2	3	1	30	1
	S2	0	2	1	1	0	0	0	0	0	0	0	0	0	0	4	15
	S3	0	0	0	1	1	1	1	0	1	2	1	2	2	2	14	9
	S4	3	2	0	3	3	3	3	0	2	3	2	3	0	1	28	2
	S5	0	0	0	2	1	1	1	0	1	1	1	1	0	0	9	14
	S6	2	0	0	2	2	2	2	0	1	1	1	1	0	1	15	8
	S7	0	1	2	1	1	1	1	0	1	2	2	1	0	0	13	10
	S8	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	16
	S9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17
	S10	3	0	0	3	3	3	3	0	2	2	2	1	1	1	24	3
	S11	0	2	2	0	0	0	0	0	0	2	2	2	0	0	12	11
Weaknesses	W1	0	3	0	2	2	2	2	0	0	2	2	2	1	0	18	5
	W2	0	0	0	2	1	1	1	0	0	1	1	1	1	1	10	13
	W3	1	0	0	2	2	2	2	0	0	2	2	1	1	0	16	7
	W4	0	3	0	3	3	3	3	0	0	3	0	1	2	2	23	4
	W5	0	2	0	1	1	1	1	0	0	2	1	0	1	1	11	12

Appendix 4

SUNGO export in Asian region in 2012

2012上正阀门集团有限公司亚洲地区销售记录表 -2012 EXPORT REPORT of SUNGO

国家	订单号	数量 (台)	成本 (人民币)	金额 (美元)
韩国 South Korea	SPF1031	54	¥124210	\$23.038,990
韩国 South Korea	SPS10014	403	¥91530	\$16.877,64
韩国 South Korea	SPF1104	150	¥135000	\$25.030,50
韩国 South Korea	SPS1106	10	¥1120000	\$207.752,00
韩国 South Korea	SPS1117	22	¥33415	\$6.198,00
韩国 South Korea	SPS1117-B	22	¥11000	\$2.062,00
韩国 South Korea	SPS1120	2	¥13440	\$2.498,00
韩国 South Korea	SPF1126	11	¥67800	\$12.565,00
韩国 South Korea	SPS1121	32	¥530900	\$98.336,00
韩国 South Korea	SPS1202	5	¥43500	\$8.061,00
韩国 South Korea	SPS1211	2	¥5400	\$1.000,00
韩国 South Korea	SPS1202	5	¥43500	\$8.061,00
韩国 South Korea	SPF1251	4	¥6110	\$1.102,50
韩国 South Korea	SPS1212-A	61	¥150140	\$28.836,00
伊朗 Iran	SPS1010	7	¥62200	\$11.539,500
伊朗 Iran	SPF1017	1320	¥1240500	\$621.005,270
伊朗 Iran	SPF1101	12	¥49000	\$9.092,00
伊朗 Iran	SPF1109&1114	332	¥540000	\$100.201,20
伊朗 Iran	SPF1109&SPF1114	2246	¥617245	\$114.524,30
伊朗 Iran	SPS1101	197	¥4319370	EUR 554.024,00
卡塔尔 Qatar	SPF1102-2	46	¥86400	\$15.803,10
卡塔尔 Qatar	SPF1102-1	14	¥45630	\$8.300,00
香港 Hong Kong	BJ111014KTA302	6	¥857470	\$176.795,00
新加坡 Singapore	SPS1116	1	¥4650	\$884,00
印度尼西亚 Indonesia	SPS1115	15	¥3590	\$695,00
约旦 Jordan	SQK110304	40	¥417060	\$77.215,00
约旦 Jordan	SPKM1102	265	¥2302000	\$662.443,00
约旦 Jordan	SQK110304-1	20	¥69800	\$12.955,00
约旦 Jordan	SPK20120307	9	¥241000	\$44.700,00
约旦 Jordan	SK120426	19058	¥2570500	\$728.543,90

Appendix 5

SUNGO income statement in 2012

SUNGO Income Statement in 2012

1. Total Yearly Sales	¥ 175,576,951.90
Total Costs of Sales	¥ 104,720,026.89
Total taxes and addition cost	¥ 821,428.07
2. Gross Sales Profits	¥ 70,035,496.94
Total financial cost	¥ 785,335.14
Total operating cost	¥ 12,202,336.99
Total administration cost	¥ 14,017,240.98
3. Operating Profit	¥ 43,030,583.83
Investment Revenue	¥ 28,109.59
Subsidy	¥ 1,104,994.38
Non-operating Income	¥ 91,577.60
Non-operating expense	¥ 53,103.78
Income before tax	¥44,202,161.62
Income tax	¥ 4,463,399.91
Net Profit	¥ 39,738,761.71

Appendix 6

SUNGO balance sheet in 2012

SUNGO Company Balance Sheet Dec 31, 2012

Assets (¥)		Liabilities (¥)	
Current Assets		Current Liabilities	
Cash	11,113,875.33	Short-term Borrowing	93,000,000.00
Account Receivable	95,047,742.45	Bills Payable	9,652,399.20
Others Receivable	42,946,091.59	Account Payable	1,436,489.81
Inventory	24,522,183.77	Advance Received from Customers	-3,045,750.99
Unamortized Expenditures	2,315,488.53	Tax Payable	809,582.52
Total	175,945,381.67	Other Payments	266,354.98
		Other Account Payable	15,439,181.22
Long-term Investment		Total	117,558,256.74
Stock investment	26,753,000.00		
Total	26,753,000.00	Long-term Liabilities	
		Long-term Borrowing	27,000,000.00
Fixed Assets		Total	27,000,000.00
Book Value	60,608,513.70		
Less: Depreciation	25,109,559.13	Total Liabilities	144,558,256.74
Net Value	35,498,954.57		
Project in Working	6,756,299.33	Stockholders' Equity	
Total	42,255,253.90	Paid-in capital	100,000,000.00
		Additional Paid-in capital	2,333,956.68
Intangible Assets		Earned Surplus	3,791,480.15
Goodwill	15,090,338.90	Undistributed profits	9,360,280.90
Total	15,090,338.90	Total Stockholders' Equity	115,485,717.73
Total Assets	260,043,974.47	Total liabilities and Stockholders' Equity	260,043,974.47

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