

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

INTERNATIONAL PARTNER SELECTION

Indian Technical Textile Market



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A Project carried out for Ludvig Svensson, under the supervision of:
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Abstract

Due to a combination of a vast agricultural industry and a tremendously growing technical textile industry, Ludvig Svensson identified India as target market for possible expansion through domestic production and supply. However, Svensson needed additional information about the industry structure and key players. Therefore, this project focused on a detailed analysis of the technical textile market and its players by following the international partner selection process. Thereby, five key players were identified as potential partners, as well as the need for additional research to determine alternative entry modes, as the market does not currently seem to be receptive for Svensson products.

Key words: Internationalization, partner selection, technical textiles, India.

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1. Introduction

Calof and Beamish (1995) identified internationalization as a means for firms to achieve growth through product or market diversification. However, internationalization is often an intricate process and requires a firm to go through several stages.

The firms need to determine the target market, where internal and external forces should be taken into account (Calof & Beamish, 1995). Additionally, the firm needs to determine the entry mode. Furthermore, the company has to determine its preferred international partner through an intricate process. The international partner selection process can be seen as a funnel, where potential partners are included or excluded based on increasingly more demanding screen-in criterion. The first phase, namely the strategic group analysis, creates a baseline for potential partners, through the creation of a group of companies with common attributes. Consequently, the strategic fit sets certain criterion which reduce the strategic group to a group of companies with a high probability of synergy with the internationalizing firm. Lastly, the organizational fit determines, through due diligence, which firms are organizationally/ culturally similar and could therefore be the right firm to partner with. (Gomes et al, 2011)

The aim of this project is to find a potential production partner for Ludvig Svensson by applying the international partner selection process. Therefore the main objectives are determining the applicable strategic group, run this group through a strategic fit analysis, after which the organizational and corporate cultural fit will have to be determined. From these results, the companies with the highest potential will be recommended.

Ludvig Svensson is a family owned and operated company, founded in 1887. The company supplies the horticultural market and interior textile market with textile solutions for climate and environmental control. With factories in Sweden and China, it is able to supply their products on a global scale. (Ludvig Svensson, 2015)

This project is executed for the Dutch branch of Ludvig Svensson. The Dutch branch is highly dependent on the horticultural market, as it makes up for 75% of the current business, respectively. Due to the stagnation of the horticultural markets the company supplies, company growth is limited. In order to counter the stagnating growth, the managing director is looking to enter developing horticultural markets through firm internationalization (Oostenbrink, 2015).



Developing horticultural markets however, typically require more basic and cheaper products than developed horticultural markets. Thus, the current product portfolio does not suit the developing markets. In order to compete, Ludvig Svensson has to cheaper or simplified versions of the current high-tech product portfolio. The managing director has identified India as a target market due to the following reasons. Firstly, India has an extensive technical textile market, which is quickly developing due to governmental subsidies and promotional activities, whilst also being the second largest vegetable producer in the world (Trivedi, 2006). As a result, it is likely that India cannot only produce the new products, but also consume them. Secondly, due to past experiences in India, the managing director already has some insight into the market. Thirdly, the Indian central government has agreed to the development of ten horticultural Centers of Excellence, promoting horticultural production and trade between the Netherlands and India. Although these have not been established, it does show potential for the near future. (Government of the Netherlands, 2013).

2. Literature review

Once firms make the decision to enter a new international market, the appropriate method of doing so has to be determined. Historically, the two most favorable modes of entry are the Greenfield Investment strategy or the Cross-Border M&A (Wang, 2009). Other, less capital-intensive options, would be entering via joint venture or strategic alliance. However, as Ludvig Svensson has already determined the entry mode, this report will focus on the international partner selection process. For a brief market selection justification, please see appendix 1.

2.1 International partner selection

International partner selection is a complicated process, consisting of the following steps: strategic group analysis, strategic fit and organizational fit (Gomes et al, 2011). The process functions as a funnel where, based on increasingly detailed criteria, potential partners are included or excluded based on their scores.

The strategic group analysis can be defined as analyzing the structure of a certain industry, particularly if groups of firms exist with similar strategic positions (Budayan, 2008). This is typically done using so called ‘screening’, initially using very general criteria and slowly moving towards more specific criteria. The so-called screen-in criteria are used to determine which targets would be suitable, where screen-out



criteria help to determine which potential targets are unsuitable. Screen-in criteria can range from the creation of competitive advantage through the partnership, to cost reduction or synergy in production processes and technology. The aim is to determine which potential partners could fit best with the strategic plan of the firm. However, further research has shown other factors play a significant role in the success of the partnership. Firstly, status similarities between partners, such as size and similar business models increase the rate of success.

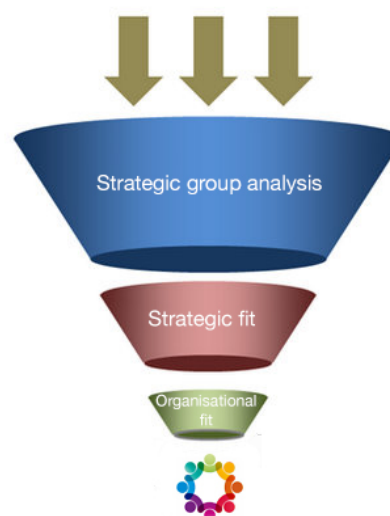


Figure 1 – International partner selection funnel

Secondly, according to Bleeke and Erst (1993) the firm benefits from screening for a firm of similar strength, as the success rate of a partnership between a strong and a weak firm is significantly lower. Thirdly, strategic alliances tend to be more successful when both firms are equally financially invested in the partnership (Gomes et al, 2011). These results conform to the research of Shelton (1988) who stated that as the size of the acquired firm became larger, so did the value created after the acquisition. (Gomes et al, 2011)

Strategic fit can be defined as the degree of strategic synergy between the partnering firms. The companies' strategies and capabilities should complement each other through improved market position or entry, products, customer base, capital and/or technical matters. Equally important is the focus on putting mechanisms into place, which will ensure effective organizational alignment with external forces, high-interrelated effectiveness and strong inter-partner agreements. Thus, it is crucial that the organizational abilities and strategic goals align with external forces, whilst the competitive advantages of one firm perfectly align with the operational abilities of the other (Luo, 1999).

The consequent step in the process is the organizational fit. The organizational fit can be defined as the synergy between the firms' administrative procedures, cultural aspects, staff and control systems, which have a direct effect on the effectiveness and efficiency of the collaboration. By including the organizational fit into the analysis, one



can determine the ease of integration between the different parties. An effective method to evaluate the organizational fit is through due diligence (appendix 2), which will determine the organizational fit anywhere from human resources, to intellectual property and quality assurance (Gomes et al, 2011; Luo, 1999).

It is important to emphasize at this point that the cultural aspect in the organizational fit is often actually a major determinant of success when it comes to international partner selection and market entry. According to the research of Johnson and Tellis (2008), the degree of market entry success is significantly higher when the cultures of the foreign company and host company are similar. India and the Netherlands however, possess very disparate cultures according to Hofstede (2015) (also see additional appendix 1). These underlying cultural differences in turn have an effect on the organizational/ management dimensions of Weber (1966) such as risk management, the horizontal relationships in a company, the contact in the hierarchy vertically, the freedom of autonomous decision making, the attitude towards innovation and activity and the attitude towards rewards and performances. And although changing company cultures is a very hard and tiresome process, by not ignoring the differences and accepting them, the probability for success significantly increases (Gomes et al, 2011). Finally, according to research of Weber (1966) when cultures between firms are highly dissimilar, top management cooperation is low during an acquisition, negative attitudes towards a merger high, commitment low, while levels of stress are high. This again exhibits the importance of being aware of the cultural fit. (Gomes et al, 2011)

Thus, the literature provides us with a framework that can be applied to the project. With criteria pre-determined by the company, a list of around 100 companies will be narrowed down by applying strategic fit, organizational fit and cultural fit; ultimately presenting us with the top candidates for an international partnership.

3. Methodology

Every step of the international partner selection process required different research and data collection methods, which ultimately determined the research method to be of pragmatic nature.

Primary data is collected via semi-structured interviews with firm and a governmental organization in India. The specifics and the interviews are exhibited in additional appendixes 3 and 7. The interviews were arranged by continues



communication with the companies over a period of two months. Secondary data to find potential company and market information was collected by visiting hundreds of websites and via research papers of the Indian textile commission.

The quantitative research of the report consists of the ‘scoring’ of the companies for the strategic fit. Five quantifiable criteria in the scoring model calculated a percentage wise ‘fit’ based on weighted scores (please see additional excel appendix 5 or excel file). The list of potential companies, determined in the strategic fit, were at that point contacted to schedule meetings in India as a form of primary research. Over a period of two weeks, twelve in-depth interviews were conducted to confirm or dispute if there was an organization fit between them and Ludvig Svensson. By following the structure of the model and using secondary and primary data collection, as well as quantitative and qualitative research the data could be triangulated and the partners with highest potential be recommended with highest possible certainty.

4. Results of the international partner selection analysis

4.1 Strategic group analysis

The initial phase of the analysis was purely exploratory, where focus was put on mapping out the entire technical textile industry. Technical textiles can be defined as textiles used for non-aesthetic purposes, where the functionality to the product is most important (Subramaniam, Poongodi, & Sindhuja, 2008).

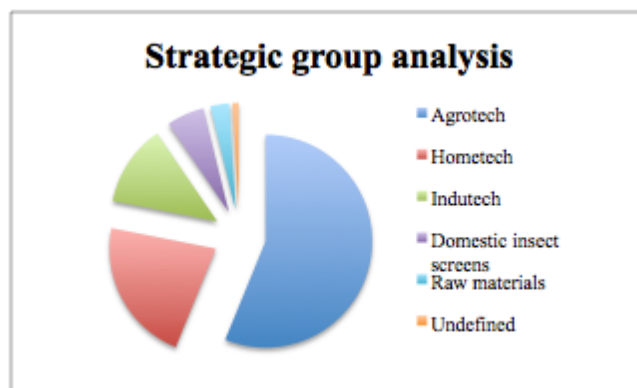


Figure 2 – Strategic group analysis

In this phase, the main goal was to identify the different subsections of the industry and to determine which could be beneficial to Ludvig Svensson. Due to the recently developed interest of the government for the technical textile industry, many government supported organizations were established in order to encourage the growth of the industry and increase the supply of information about the industry. Additionally, the government has created policies and incentives for the technical textile industry to further encourage growth in the sector (Office of the Textile Commissioner, Government of India, 2015). These developments helped the strategic group analysis significantly, by identifying the twelve main subsection of the technical textile industry,



namely: agrotech, meditech, mobiltech, packtech, sporttech, buildtech, clothtech, hometech, protech, geotech, oekotech and indutech (ICRA Management Consulting Services Limited , 2009). Based on the screen-in criterion of being similar products, agrotech, hometech and indutech are most significant to Ludvig Svensson. Additionally, domestic insect screens and raw materials were added as interesting products based on the same screen-in criterion. The strategic group analysis is visualized in figure 2.

Half way through the strategic group analysis it exhibited that quite a developed agro-technical textile market was present in India, after which emphasis was put on documenting as many reasonably developed agro-tech companies, here the screen-in criterion was similar products with agro-technical applications. This resulted in a list of 46 potential partners, which were subjected to five screen-in criteria to judge the preliminary strategic fit.

4.2. Strategic fit criteria

The strategic fit criteria were determined in cooperation with the general manager and senior advisor at Ludvig Svensson and are the following.

4.2.1. Estimated position in the market

Firstly, the estimated position in the market is a key criterion because brand image and strong market positioning are crucial strengths of Ludvig Svensson (for Svensson's SWOT please see additional appendix 2). Ludvig Svensson is known for its high-quality products and although the potential Indian partner will produce lower quality products, these products still serve the high-end side of the developing horticultural markets. Please note that the preliminary strategic fit analysis rates the estimated position in the market, as information is limited. However, at the organizational fit phase the estimated position in the market will be confirmed or refuted and, if need be, adapted accordingly (please see additional excel appendix 6). The score ranges and weights are specified in appendix 3.

4.2.2. Proximity to first or second largest port

Secondly, the proximity to the largest port of India, namely Mumbai or the second largest port, namely Chennai is taken into account for logistical purposes. During the strategic group analysis several area's proved to be the main technical textile area's, namely: Mumbai and North to Ahmedabad and Chennai, Bangalore, Indore and Delhi. The score ranges and weights are specified in appendix 3.



4.2.3. Estimated production capabilities

Thirdly, the estimated production capabilities are taken into account as it gives an indication of the firm size and ability to produce additional volume if a partnership is established. Please note that the preliminary strategic fit analysis rates the estimated production capabilities, as information is limited. However, at the organizational fit phase the estimated production capabilities will be confirmed or refuted and, if need be, adapted accordingly (please see additional excel appendix 6). The score ranges and weights are specified in appendix 3.

4.2.4. Existing export channel

Fourthly, existence of a current export channel would be beneficial as exporting is ultimately the goal for Ludvig Svensson. However, the criterion is considered to be of least importance, as Ludvig Svensson is very much familiar with setting up export channels. The score ranges and weights are specified in appendix 3.

4.2.5. Production method – knitted/ woven/ non-woven

Lastly, the production method is another key determinant for Ludvig Svensson. Ludvig Svensson uses the knitting method for strength, flexibility and the ability let light through, which ensures quality. Knitting and weaving are completely different production methods, using different machines. It is therefore key that the potential supplier uses the knitting technique, as this is what Ludvig Svensson will use while producing in India. Non-woven is again a different technique, which is not specifically used in the production of climate-screens. However, it is a product the General Manager would potentially be interested in. The score ranges and weights are specified in appendix 3.

Rank	Potential partner	Overall score
1	Garware Bwall Ltd	95%
2	Rishi Packers	95%
3	Tuflex	90%
4	Duramet	90%
5	CTM Technical Textiles Ltd.	90%
6	KT Exports	85%
7	Priya Fil Group	82%
8	Unimin	80%
9	Malmoe Exim Ltd	78%
10	Arvind mills Ltd	75%
11	Satva Agri Shade Net	75%
12	Fiberweb India Ltd.	72%
13	Agrocare India	72%
14	Plenty Plastics Pvt Ltd	72%
15	B & V Agro	70%
16	SRF	70%
17	BALAJI TRADING CORPORATION	70%
18	KK Non-woven	70%
19	Pachisia Plastics Pvt. Ltd.	67%
20	Flora Agrotech Pvt. Ltd.	65%
21	Reach Netting Solutions Pvt. Ltd.	63%
22	Ultra Agrotech	62%
23	Neo Corp International Ltd	60%
24	Agro Nets	57%
25	Fortune Agro Nets	57%
26	Kwality Nets Mfg Co	55%
27	Betala Canvas Company	48%
28	Shri Ambica Polymer Ptd. Ltd.	37%
29	Amba Agro Tech	37%
30	Venus Agro Shade Net	35%
31	R R POLYNET PVT. LTD.	32%
32	Eco friendly	25%
33	Jay Ambe Agro Shade Net	25%
34	Vison Polynets	25%
35	Econet	25%
36	Threads Technology	25%
37	Planet Plastics	23%
38	Patidar Fabrication Pvt. Ltd.	23%
39	Gayatri Plastic Corporation	22%
40	KISAN AGRO NET INDUSTRIES	17%
41	BR Agri Factors	17%
42	MAHALAXMI AGRO NET	15%
43	Oswal Hortitech	15%
44	Chilka Fishnets (P) Ltd	8%
45	Sravva Textiles Limited	8%
46	Jindal Fabric	0%

Figure 3 – Strategic fit



In the following chapter we will analyze which companies will be considered as the potential partners based on the screen-in criteria previously discussed.

4.3 Strategic fit

Figure 3 exhibits the score per potential partners based on the criteria described in the previous chapter. Please note that in a situation where companies have the same score, the final ranking is determined by additional factors, namely: available information about certain firms being a market leader, quality certifications and the general image portrayed by the company on the websites.

Rank	Potential partner	Overall score
1	Garware Bwall Ltd	95%
2	Rishi Packers	95%
3	Tuflex	90%
4	Duranet	90%
5	CTM Technical Textiles Ltd.	90%
6	KT Exports	85%
7	Priya Fil Group	82%
8	Unimin	80%
9	Malmoe Exim Ltd	78%
10	Arvind mills Ltd	75%
11	Satva Agri Shade Net	75%
12	Fiberweb India Ltd.	72%
13	Agrocare India	72%
14	Plenty Plastics Pvt Ltd	72%
15	B & V Agro	70%
16	SRF	70%
17	BALAJI TRADING CORPORATION	70%
18	KK Non-woven	70%
19	Pachisia Plastics Pvt. Ltd.	67%

Figure 4 – Potential partners

Companies that scored 67% or higher will be moving into the next phase of organizational and cultural fit. Although the companies that are ranked 20 to 22 are very close of moving of to the next phase, there are certain issues that exclude them, namely: scoring too low on one of the primary criteria, in combination with only small production capability, foreseen logistical issues due to the large distance from the ports or a lack an established export channel (please see the additional excel appendix 3 to 5 or excel file for full scoring of the strategic fit criteria).

Categories	#
Knitting - middle/high end	11
Non-woven - high-end	5
Unknown production method - perfect scores	3

Figure 5 – Strategic groups

Thus, nineteen companies will be considered as potential international partners after applying the five strategic fit screen-in criterion. The list is exhibited in figure 4 and after analyzing the results; one can identify 3 general categories (see figure 5). Further information can be found in the additional appendix 4.

4.3.1. General findings strategic fit analysis

When analyzing the overall strategic fit selection, multiple conclusions can be drawn that help give insight into potential international partners. Figures 6 to 9 visualize the results.

Firstly, it is estimated that the great majority of the companies serve the high-end spectrum of the market, while the remaining 26% serves the middle end of the market. As determined earlier, the fact that the companies serve similar market segments as Ludvig Svensson increases the chance of a successful partnership.



Additionally, by partnering with a respected firm in the industry, Ludvig Svensson upholds its image for quality, whilst gaining access to the targeted customers base.

Secondly, the 300 to 600 kilometers category holds most companies. Additionally, all companies are within 600 kilometers, except for one. The relative proximity to the ports ensures a reduced risk for logistical issues when it comes to the import or export of materials or products. The exact locations of the firms are exhibited in additional appendix 5.

Thirdly, from the preliminary estimation the data shows 68% of the companies have large production capabilities, while 32% has medium production capabilities. Thus, all companies with small estimated production capabilities have been excluded from the potential partners. These results are favorable, as large and medium production capabilities exhibit that the firms are reasonably developed, while having the potential to be able to expand production in case of a partnership with Ludvig Svensson.

Fourthly, all companies currently export their products. This is favorable as this ensures the companies are able to export the products produced for Ludvig Svensson if necessary. Additionally, it guarantees a larger customers base and reduced risk through market diversification.

Lastly, over half the companies produce using the knitting method. These companies are therefore more liable to create the similar products as Ludvig Svensson. As mentioned before, the non-woven products are also interesting for Ludvig Svensson as

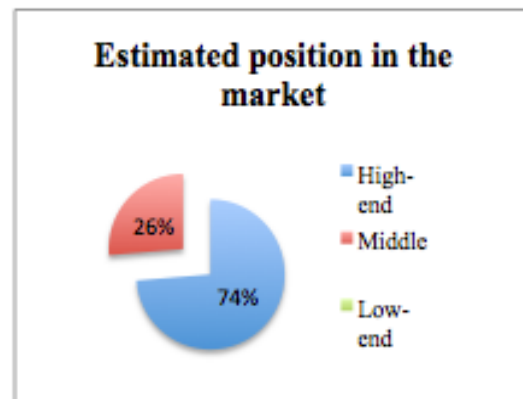


Figure 6 – Estimated position in the market

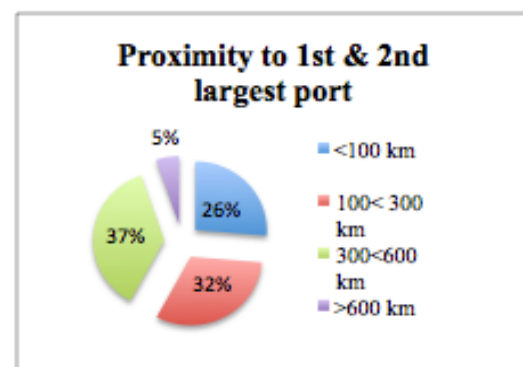


Figure 7 – Proximity to port

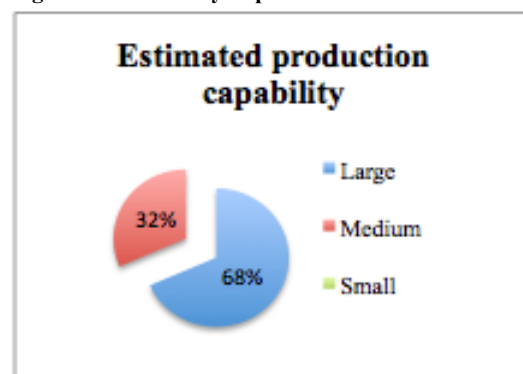


Figure 8 – Estimated production capability

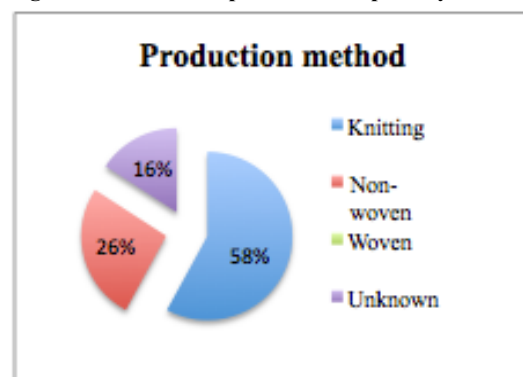


Figure 9 – Production method



this method produces other products, which Ludvig Svensson could potentially also be interested in. Furthermore, the companies with unknown production methods show sufficient potential to be taken into the account for the due diligence. Finally, the companies that solely use woven production techniques have all been excluded following the strategic fit phase.

The nineteen potential international partners will be contacted at this point. In the next chapter we will discuss the results of the meetings and due diligence to determine the best potential partner.

5. Organizational & cultural fit

From the nineteen companies that were contacted, twelve agreed to a meeting over a period of two weeks in India. The ten most prominent companies will be included in the organizational and cultural fit. In order to determine the organizational and cultural fit, a due diligence list was prepared (please see appendix 2). It was designed to explore company culture and size, production methods and capability, operational aspects, quality assurance mechanisms, the distribution network and customer base. Additionally, throughout the interviews it became apparent the company's mindset and focus on innovation became one of the main determinants of the corporate cultural fit. Next, the companies will be described briefly, the findings summarized in a table for comparison and the companies evaluated. Please find the detailed company descriptions and interviews transcriptions in additional appendix 6 and 7.

5.1. KT Exports

KT exports is a private limited company established in 1995, the main office is located in Mumbai, whilst the manufacturing plant is located close to Mumbai. The company serves the entire market, from high-end to low-end. However, no specific focus is put on innovation or trying to further develop the domestic horticultural or technical textile market. The company produces and distributes woven and non-woven products and the company's largest segments are the spun bonded products. With a yearly production capacity of 10.000 metric tons of non-wovens and 6000 metric tons of woven products, the company can be considered a large manufacturer, respectively. Finally, the company currently has a customer base of around 290 customers, of which 90 are international.



Evaluation

Although the company would be interested in partnering up with Ludvig Svensson, it sees a great challenge in producing Svensson's products at a marketable price. Additionally, the non-woven samples provided by the company seemed of inferior quality of anything Ludvig Svensson could market. Moreover, a clear focus on innovation and the will to develop the market was clearly lacking while discussing the culture of the company.

5.2. Rishi TechTex

Rishi TechTex is a public limited company that has been operating in India for more than 20 years. The main factory is located 180 kilometers north of Mumbai near Daman. The company supplies the entire market and customizes the grams per square and color of the nets to the requirements of the customers (both tape/mono, tape/tape and mono/mono). The company emphasized the Indian does not evolve around the technical specifications of the nets, but purely on price and appearance. It produces knitted and woven products. The main segments are HDPE and PP woven sack, paper laminated bags and shade nets (knitted). The company is currently able to produce 1800 MT per annum for the knitted division and 4800 MT per annum for the woven sacks. Domestic business makes up 60% of the business and international 40%, however these numbers always change.

Evaluation

Rishi TechTex is one of the leading shade net providers in India and seemed the most trustworthy and forthcoming during the interview. However, the company does lack a focus on innovation and development of the market and instead is comfortable with solely supplying the shade nets as they are today, as the company even receives their orders months in advance. Nevertheless, all other aspects of the company seem to fit with what Svensson is looking for; it has the right quality assurance processes in place, a strong domestic and international distribution network, the right production methods and strong brand name within the Indian market.

5.3. Garware Wall Ropes

Garware is a public limited company listed on the Indian Stock Exchange. The corporate office is located in Pune, together with its production facilities. The company clearly positions itself as a solution provider, strives for continuous improvements both in their (LEAN) manufacturing (using outside consultants) and product solutions.



Moreover, the company is able to totally customize their products and supplied both the high-end and low-end of the market. Garware produces knitted and woven products for a wide range of applications. 55 to 60% is fishnets and agricultural products is the largest growing segment. The company produces 28.000 to 30.000 metric tons per year, making it a very large player. The company currently exports 50% of its products to over 75 countries directly to customers and supplies 50% domestically via a dealership network.

Evaluation

Firstly, Garware has a similar mindset as Ludvig Svensson and is fully committed to striving for continuous improvements, innovation and the development of the local agro-tech market. Secondly, the company is of appropriate size and has a strong focus on the agricultural market, which is also their strongest growing segment. Thirdly, the company has great understanding of the knitting production method and has the capacity for possible expansion. Fourthly, the Garware has a strong network of customers and dealership, both domestically and internationally. Fifthly, it has also indicated it is open for communication with Svensson and sees several opportunities, namely: being a distributor for Svensson products or setting up a production facility as a joint venture. Finally, the company sees great potential in the reflective nets of Svensson (25-35% shade factor, 80 GSM).

5.4. SafeFlex

SafeFlex was founded in 2006 close to Indore and started out as a FIBC producer and diversified into shade nets and other agricultural products in 2012 and currently has three production facilities. The company is strongly focused on innovation, developing the market and creating value for his customers. The company supplies the high-end as well as the low end of the market and has a dedicated sales force of 70 people. SafeFlex produces knitted and woven products and is able to supply non-woven products through third parties. 70 % of its business is dedicated to FIBS's, however the agricultural segment is the fastest growing segment. The company produces 2400 metric tons of shades net per year and has a total production capacity of around 10.000 metric tons. The distribution of agricultural products is done via the contractors (installers) of the shade houses and SafeFlex currently has over 500 customers in this segment (100% domestic)



Evaluation

Firstly, the mindset of the company is more developed than most other companies, where focus is put on the development of the market and products. Secondly, the company size is appropriate and the agricultural segment exhibits strong growth. Thirdly, the production facility is one of the most advanced seen in India (Including Karl Mayer knitting machines) with quite large capacity with quality control and certification in place and plans to expand, which shows potential. Fourthly, a domestic distribution network is in place, however the company lacks international scope. Lastly, the company is open for communications with Ludvig Svensson.

5.5. Arvind Mills (advanced material division)

Arvind is a public limited \$1.5 billion dollar company located in Ahmedabad, together with its production facilities. The advanced material division is the youngest department (6-7 years old). The company solely serves the high and middle end of the market. This division produces personal protection products and industrial fabrics, including insect nets and some knitted products. The company produces around 350.000 meters of industrial fabrics per month. Additionally, it is currently planning to invest in a warp knitting facility. Currently, of everything the company produces, 70% is exported through partners to more than 40 countries.

Evaluation

Firstly, Arvind Mills in general is an enormous corporation and its vision is to be the leader in every business it is in on a large scale, through partnering with the best firm to acquire the technology that is needed. Therefore, focus on innovation is very strong. Secondly, the company can produce a wide variety of products using various production methods, which shows potential to be able to produce and market Svensson products. Thirdly, Arvind has a strong domestic and international distribution networks and customer base. Fourthly, the business has a very large production capability and the ability to make additional investment due to its sheer size, however as the new knitting facility will only be very small part of Arvind's business, focus and commitment might be lacking. However, the company is very open to communications with Svensson and already defined three potential scenarios how to work together.

5.6. CTM Technical Textiles

CTM technical textiles is a relatively small public limited firm, established in 1997 and is structured in two different sectors, namely: agro-technical textiles and geo-



technical textiles. Although the company claims to have a strong position in these markets, the products are often used in a commercial setting instead of agricultural purposes. And although the company indicated it supplies both the high-end and low-end of the market, from the samples, factory, business model and third party references, the company seems to be positioned in the middle- or low- end of the market. The CTM group produces both knitted and woven products of which the shade nets are the biggest segment. The annual production capability for these products is around 1800 metric tons. The customer base of CTM is 100% domestic, however the company plans to start exporting after a production capability expansion in 2016.

Evaluation

The company lacks a focus on innovation and development of the market. Additionally, how the company presents itself both on their website and during the interview seems far from reality, which exhibits a lack of honesty and integrity. Moreover, the facility itself was very basic, the production capability very limited and products are actually mostly produced for commercial purposes, such as weddings etc. Finally, the company also lacks formal domestic distribution network as well as international clientele.

5.7. KK-Nonwoven

KK-Nonwovens is a family owned private limited company focused mostly on non-wovens, established in 1990 located in Delhi. The company supplies both the high-end and low end of the market. The company produces a wide variety of non-wovens, namely chemically, spun, thermo and needle and stitched bonded (equal segments). The total production capacity of the non-wovens is 500 metric tons. Most of the products are supplied to the domestic market and some to the South American market, Nepal and some other countries, via customer house agents.

Evaluation

The company is a relatively small player and lacks a strong focus on the agricultural sector, as only one product (PP spun-bonded non-wovens) is used as crop cover. Additionally, neither the material nor the quality of the product would make it interesting to Svensson. However, the company would be interested in communications with Svensson and indicated that Delhi would be an interesting area for the usage of Svensson product in vegetable production as organic farming is booming as the social-economic status of citizens is considered highest in India.



5.8. Priya Fil

Priya Fil was established in 1972, starting as an insect net manufacturer. The company puts a lot of emphasis on the value their products provide to their customers and prides itself for being a technically strong company. The company currently produces knitted, woven and non-woven products. Currently, the main segments are packaging bags and monofilament products. The company produces 3.5 million square meters of PP woven sacks per month and 2 million square meters of monofilament per month. Priya Fil currently has around 200 customers of which 95% is domestic. The international clientele (5% of turnover) is supplied via direct exports whereas domestic customers are primarily reached via 34-40 dealerships and some of the shelf sales.

Evaluation

Priya Fil's focus on value creation and the technical soundness of their products, instead of only on price (common in the Indian technical textile market) sets the company apart. However, the current focus of the company is centered around packaging products and monofilaments, instead of protected agricultural production. Nevertheless, the company has produced knitted shade nets in the recent past and is therefore aware of the desired production method and shade net market. The domestic distribution network needed is in place, although an international distribution network is lacking.

5.9. Tuflex

Tuflex started as a licensee for Netlon in 1985 and gradually diversified and changed the company name to Tuflex, is now part of the Murugappa group (7 billion turnover) and is a public limited company. The main factory is located about 400 kilometer North of Mumbai is Vadodara. The company seems to put a lot of emphasis on the education of the end-users by being in direct contact with them (including translating the use of their nets into increased yields), continuous improvements and innovation (including reflective nets). Tuflex produces both knitted and woven products and is able to source non-wovens. The main market segment of the company is normally extruded nets, however at the moment knitted products and extruded nets are 50/50 in turnover generation. The current production capacity is almost 1500 metric tons per annum for shade nets (expanding with 4 machines in March 2016) and 2100 metric tons per annum for extruded nets. Currently, around 90% of their customers are domestic and 10% international. The company directly exports or uses third-party



dealerships. Domestically, the company distributes its product via their own and third-party dealers and has offices in every state (400 dealers and 7000 sub-dealers).

Evaluation

Tuflex has the right progressive mindset that the Indian market needs, in both their products and business model. Additionally, as the company is part of a bigger group (although managed independently) it can be financially supported if the highly instable Indian market retracts. Moreover, if the company is actually the main supplier of the governmental orders, this relationship could be very beneficial in a future partnership. Finally, the right production methods are in place and a strong domestic distribution network is established and a growing international network.

5.10. Malmo Exim

Malmo Exim is a private limited company founded in 1987 and is a manufacturer, exporter and supplier of a variety of fabrics, supplying both the high-end and low-end of the market. The company specified that the Indian market does not evolve around the quality of the shade nets and believes the company itself cannot change the mindset of the farmers, but that that is the responsibility of the government. The company produces viscose scarves/ stoles, knitted nets, auto nets and agro shade nets made out of all sorts of fiber like cotton, yarn but has no core market. The current production capability for shade nets is currently 240 metric tons per year. Most of the products are sold in the domestic market (about 90%) and the rest is directly exported to customers. Domestically, the company has agents in every state.

Evaluation

Although Malmo Exim was mentioned as a large player in the baseline survey of the ministry of textiles (Office of Textile Commissioner, 2014), Malmo Exim actually seems like a small player with a lack of focus on the agro-technical textile market and the development of it. Additionally, the company did not seem to focus much on the quality of their products or on the needs of their customers. Finally, although the company understands the knitting production method, the production capability is very limited.



Company	Organizational size			Market segments			Mindset			Products			Production cap.			Machinery			Quality assurance				Customer base		Distribution network			
	Large	Average	Small	High	Middle	Low	Innovation	Market Dev.	Continuous Improv.	Knitted	Non-Woven	Woven	Large	Medium	Small	European	Indian	Other	ISO	R&D	Lab	Reg. Checks	Domestic (%)	International (%)	Highly dev.	Developed	Developing	Undeveloped
1. KT exports																							70%	30%				
2. Rishi TechTex																							40%	60%				
3. Garware																							50%	50%				
4. SafeFlex																							100%	0%				
5. Arvind																							60%	30%				
6. CTM																							100%	0%				
7. KK-Nonw.																							99%	1%				
8. Priya Fil																							95%	5%				
9. Tuflex																							90%	10%				
10. Malmo																							90%	10%				

Figure 10 – Organizational & corporate culture fit summary table

6. Recommendations

Based on the secondary data acquired at the strategic fit phase, in combination with the primary data acquired during the interviews in India I recommend Ludvig Svensson to continue communications with the following firms to further determine the fit between the companies.

6.1. Tuflex

Tuflex has the right combination of a progressive mindset, a strong brand name and positioning in the market, as well as a well-established domestic and international distribution network, appropriate current production capabilities, focus on quality and ties to the government. These factors not only exhibit possible organizational synergies between Svensson and Tuflex, but would also allow Svensson to gain access into India making use of Tuflex' strong position and network. Therefore, both organizational and corporate cultural fit show great potential.

6.2. Garware Wall Ropes

Garware's similarity in mindset and its strong focus on the development of the agro-tech market, whilst also being their fastest growing segment, in itself makes Garware a strong candidate. However, this is also supported by its size, production



capability and exceptionally strong domestic and international distribution network. Additionally, as Garware and Svensson have already met before, building on the current relationship could be hugely beneficial. Therefore, both organizational and corporate cultural fit show great potential.

6.3 SafeFlex

Based on SafeFlex's mindset of market development, product development and improvement of the production process and focus on quality in combination with their modern production facility (for Indian standards) I recommend Svensson to continue communications with SafeFlex. However, the location of the SafeFlex is not ideal and the company lacks international scope. However, being such a young company and having the plan to expand, the international scope will be set up in the near future. Therefore, corporate cultural fit has great potential whereas the organizational fit still has to be slightly developed to be ideal.

6.4. Rishi TechTex

Rishi TechTex is well known in India and is one of the market leaders with a strong domestic and international distribution network. Therefore the Rishi TechTex brand in combination with their market positioning could be beneficial to Svensson. However, the company lacks focus on market development and innovation and seems to be completely content with solely supplying the basic shade nets without thinking of taking the next step. Therefore, there is great potential for organizational fit, whereas corporate cultural fit might be lacking. I therefore recommend further communications to determine this.

6.5. Arvind Mills (Advanced Material Division)

Arvind Mills is an impressive group of which the Advanced Material Division is the youngest in the group. As such, the division is rapidly trying to develop, in which Svensson could play an important role. Although the impressive distribution channels, investment capabilities and somewhat similar mindset are attractive, Svensson should be cautious because of Arvind's sheer size. Thus, the organizational fit is off whereas the corporate cultural fit is quite similar. However, I do recommend further communications with Arvind in order to determine future possibilities.



As the non-woven products of KT Exports or KK-Nonwovens have proven to be of inferior quality than would be interesting to Svensson I do not recommend to consider these firms as potential partners or as a source of non-woven products. Furthermore, I do not recommend CTM Technical Textiles, Priya Fil or Malmo Exim as potential partners as the companies strongly focus on different markets, than the knitted nets or agro-tech market, among other factors mentioned in the previous chapter.

Finally, from the information acquired from the interviews regarding the technical textile and horticultural market developments, I recommend continuing in-depth market analysis before considering entering the market or establishing a partnership. Although the markets are developing, they do not seem to be receptive to the Svensson products in the near future. Thus, alternative market entry modes have to be considered, such as establishing a Centre of Excellence in cooperation with a local firm to educate the local market on Svensson's products, instead of directly starting manufacturing on the short term.

7. Appendix

Appendix 1 – Market selection justification

India was selected as a target market by the General Manager of Ludvig Svensson as previously mentioned, however it is key to provide market data to be able to support the decision. For this project two domestic markets are crucial to analyze, namely: the technical textile and agricultural/ horticultural market. The Indian technical textile market in recent years has exhibited continuous growth, with the annual compounded growth rate of 11% per year between 2002 and 2012 for the overall industry and 8% specifically for the Agro-tech subsection of the industry (appendix 1.2). Additionally, the overall market is expected to grow another 20% by 2017 (Office of Textile Commissioner, 2014; ICRA Management Consulting Services Limited, 2009). In terms of Indian horticultural production, global factors come into play. And although India is the second largest producer of vegetables globally, export is limited because of food and nutrition security issues and the lack of post-harvest infrastructure (Singh & Mathur, 2008). This subsequently creates a significant opportunity for the horticulture industry, as it not only increases food and nutrition security, but it also increases crop yield, therefore increasing the competitiveness of India on the global market (Singh & Mathur, 2008; Umali-Deininger & Sur, 2006). Lastly, with higher



domestic income, changing lifestyles and increased urbanization, demand for products produced using horticultural methods is expected to grow even further (Mittal, 2007). Thus the trends identified in the market analysis support the decision to select India as a target market.

Appendix 1.2 – Agro-technical textiles

Technical textile can be defined as material that is specifically designed to withstand concrete and demanding properties, such as UV radiation (Leitat technology center, 2012). The industry is commonly subdivided in twelve sections, of which the Agrotech section includes products specifically designed for the agricultural and horticultural market. These products are designed to control the crop environment or method of production and are therefore the most interesting sub-section for Ludvig Svensson (Office of Textile Commissioner India, 2015).

Appendix 2 - Due diligence checklist

Point	Check	
	Company culture	
1.	How is the organization structure in terms of ownership?	0
2.	What is the market position of the company?	0
3.	Did the company have any foreign training?	0
4.	How many employees does the company have?	0
	Production	
5.	Which production method does the company use?	0
6.	What is the company's current production capability?	0
7.	What machinery does the company use?	0
	Operations	
8.	What is the largest market segment of the company?	0
9.	Does the company currently export and how?	0
10.	Does the company have fixed relationships with suppliers?	0
11.	Do key suppliers respond in an appropriate time frame?	0
12.	What level of quality control does the company apply?	0
13.	Does the company have a quality accreditation?	0
14.	What is the average lead-time of the company?	0
	Distribution	
15.	How is the distribution arranged?	0
	Customers	
16.	How big is the company's customer base?	0
17.	Does the company apply after sales service?	0
	Market information	
18.	Technical textile market development	0
19.	Horticultural market development	0



Appendix 3 – Score justification

Estimated position in the market

The score ranges from high-end (1), middle-end (0.5) and low-end (0) and is determined by: the machinery used (domestic or foreign), proven percipience of foreign training (or a lack of), specific literature confirming the firm is a market leader and the general image the firm portrays on the websites. Finally, the criterion weighs in at 30% because Ludvig Svensson requires a partner that supplies the high-end of the market.

Proximity to first or second largest port

The score ranges from within 100km (1), to 100<300km (0.66), to 300<600km (0.33) and outside of 600km (0). The criterion weighs in at 15%, making it a secondary criterion, as it is less critical at the estimated market position and production method.

Estimated production capabilities

The score ranges from large (1) to medium (0.5) to small (0). The scores are determined by available information on current production lines, metric tons produced per year and/ or general information from the websites. The criterion weighs in at 15%, making it a secondary criterion, as it is less critical at the estimated market position and production method.

Existing export channel

The score ranges from yes (1) to no (0) and are determined from information from the websites. The criterion weighs in a 10% as a tertiary criterion, as Ludvig Svensson has significant experience with setting up export channels.

Production method – knitted/ woven/ non-woven

The score ranges from knitting (1), to non-woven (0.5) and woven (0) and is determined by information from the websites. The criterion weighs in at 30%, as it is a crucial element to the selection of a potential partner.

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