CHAPTER 8: RECOMMENDATIONS ON EFFECTIVE COMPETITIVE STRATEGIES FOR INDIAN AGROCHEMICAL COMPANIES

8.1 INTRODUCTION:

“Strategy is figuring out how to drive your business. If you don’t drive your business, you will be driven out of business”. – Bertie Forbes, Founder of Forbes Magazine.

This section is based on discussions with industry leaders and top management of Indian and foreign agrochemical companies, and editors and authors of International agrochemical magazines. This also includes input from large number of seminars which the author has participated, either as speaker or chairman, at national and international level (Appendix 1).

8.1.1 Operational

1. India is facing serious competition from China on price front. In order to counter this challenge effectively, Indian agrochemical companies must continuously work for cost reduction.
2. This will involve developing alternative, efficient routes of manufacture.
3. Productivity improvement will play a key role in cost improvement.
4. The level of automation in Indian agrochemical industry is very low. Automation will improve productivity and quality and reduce manpower.
5. The maintenance standard in Indian agrochemical manufacturing companies is far from international level. TPM or Total Productive Maintenance is to be adopted by Indian companies.
6. Improvement in inventory control and supply chain management through SAP and online data entry for each transaction.
7. In order to meet challenges from other countries, company level collaboration between Indian companies, such as joint purchasing to get better price, sharing of logistics etc can go a long way to increase competitiveness.
8.1.2 Quality, Environment, Safety and Heath

1. Strict adherence to quality standards and a culture of continuos improvement will attract and retain customers.

2. In India, by quality, majority refer to product quality. The concept of “TQM” or “Total Quality Management” has not taken deep route. Implementation of TQM by which each and every person in the organization, irrespective of department, function or role strive to do highest quality job, will go a long way for customer satisfaction.

3. Adherence to environment, safety and health regulations by adopting ISO 14000 and OHSAS 18000 will motivate employees and give confidence to stake holders. This is also essential to get business from foreign customers (for export and contract manufacturing).

8.1.3 Research and Development

1. Einstein once said, “Imagination is more important than knowledge”. If Indian agrochemical companies aspire to become world leader, then we must give due importance to our imaginative ideas, creative ideas and out-of-box thinking.

2. For sustainable, long term success, investment in R&D is absolutely essential.

3. Currently, Indian agrochemical companies spend between 0.1% and 2% of their turnover for R&D (average 1%), whereas global giants use 10-15% of their turnover.

4. R&D need not be restricted to synthesis of new molecules.

5. From the Indian perspective, research on new formulations technology, bio-pesticides, process R&D will be more cost effective.

6. Collaborative work with national institutes like Institte of Pesticides Formulations Technology (Gurgaon), NCL, UICI, IICT or Indian Agricultural Research Institute (New Delhi) may lead to break through result. CSIR sponsored New Millennium Indian Technology Research Initiative (NMITLI) provides another forum for Industry – Government collaboration.
8.1.4 Contract Manufacturing

1. Most of the multinational companies are shifting their manufacturing base to Asian countries (Reference 41).

2. This provides tremendous opportunity for Indian agrochemical companies. A couple of Indian companies, such as Nagarjuna Agrichem, Rallis India, PI Industries have established their credentials in this area.

3. There is good scope in future. But Indian companies must meet the expectations of sourcing partner. This includes:
   - Cost leadership
   - Meeting quality requirement
   - Strictly maintaining delivery schedule
   - Culture of continuous improvement
   - Adherence to environment, safety and health norms
   - Complying with all rules and regulations
   - Flexibility
   - Win-win approach
   - Long term relationship
   - Mutual respect and partnership

i. Globalisation

1. To be recognized as one of the world leaders, globalization with aggressive growth strategies is must (reference 42).

2. One of the Indian agrochemical companies, United Phosphorus has shown that it is possible for an Indian company to get International recognition. This company is now world's fourth largest generic agrochemical company having footprints all over the world.

3. Global mindset, perspective, world class manufacturing, and international network for marketing and distribution will take Indian companies to a different plane.