

Growth Strategies : A case study of Maharashtra's Sea Food Exporters

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ABSTRACT

The Indian Sea Food industry is developing quickly: with near double-digit positive levels of growth posted consistently year-on-year since the beginning of the decade. The growth is being propelled by the decision of the Indian Government to provide a major impetus to Sea Foods Exports.

Growth is a cherished cultural value. A growing company is known better and it attracts better management. It is a source of strength. In industries subject to frequent changes in technologies and external environment, growth is necessary for survival. Globally there are several strategic choices of growth that can be followed by a firm. Experts also surmise that often firms try to implement growth strategy, which is not suitable for them. As a result firms either drop or change the strategy mid way, resulting into financial losses and confusion.

Preliminary Literature Survey has revealed a gap in the research on growth strategies pursued by companies in the Sea Food Export Sector. This study is a modest attempt to evaluate the growth strategies of major Sea Food Export Companies of Maharashtra.

This study first identifies the top Sea Food Export Companies. These companies are then evaluated for growth on basis of quantitative parameters like ROCE, CAGR, Productivity, etc. After due identification of the drivers of growth, this study attempts to investigate the emphasis laid by the above companies on these growth drivers. The conclusion of the study reveals the primary growth drivers and their relative importance.

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OUTLOOK AND POTENTIAL OF THE INDIAN SEA FOOD INDUSTRY

The Indian Sea Food industry is developing with near double-digit positive levels of growth posted consistently year-on-year since the beginning of the decade. The growth of the Indian industry across the decade is significant and second only to China with regard to rates of expansion for Asia-Pacific. According to the Sea Food Exporters Association of India, the Sea Food Export market today is worth about Rs. 10,000 crores and employs over 3 lakh citizens. Hence, the sea food export industry is a major constituent of the Indian Economy. The Indian sea food export industry by and large still remains fragmented and dominated by traditional methods with excessive labor deployment.

The Sea Food Export industry in India currently generates 5.2% of total industry value for Asia-Pacific. India's share in the world Sea Food market is around 1.74%. This percentage is an increase on the 4% figure for 2001; this growth trend is set to continue, with the Indian industry generating an anticipated 6.3% share of the Asia-Pacific industry's value by 2015. As a developing economic region, the Indian industry is developing with higher growth rates than those in Asia-Pacific countries with mature economies, such as Japan and Australia.

Given the above scenario, the Sea Food Export industry in India is expected to accelerate from its current value growth position. With an anticipated CAGR of 8.3% in the 2010-2015 period, the industry is expected to reach a value of Rs 50,000 crores by the end of 2015, an increase of 49.2% since 2005. The development of the Indian economy will create demand for more Sea Foods : this demand will provide a significant revenue boost for companies operating within this industry.

RATIONALE OF THE STUDY

This study attempts to bench mark the top Sea Food Export companies of Maharashtra. It outlines the growth strategies employed by these Maharashtra's firms in the current scenario and environment of operation.

RESEARCH METHODOLOGY AND DATA COLLECTION

This study is primarily descriptive and exploratory in nature based on secondary data and information relating to strategy from Sea Food Digest, Marine Food Research Journals and other published literature. In this research concept of relative measurement has gained prominence in evaluating growth of firms. The key issues remain the selection of criteria, parameters of evaluation and data analysis methods. These multiple criteria were identified on basis of literature survey of past research on growth strategies and other conventional research methods.

The sea food industry being a highly fragmented industry with its operations not listed, availability of reliable data is one of the major critical factors.

Data regarding the growth and performance for the past five years was collected, for these top firms. The top companies were selected on basis of their turnover rankings by Marine World

in the Year 2007. Financial data of these companies was sourced primarily from Management of these Companies. The further gaps were filled by utilising the Annual Reports for the last five years of the short listed companies publicly available or through websites.

Data regarding the business plans and strategies of the companies was derived from the recent Annual Reports for qualitative comparisons and analysis.

An attempt has been made in this research to understand the growth strategies being evolved by the top firms. Certain hypothetical propositions were examined based on the quantitative performance data of the companies. The dynamics of strategies is being captured using the concept of strategic drivers/enablers. Several important enablers were identified from literature review. Then strategies of select firms is analysed in terms of enablers to identify the differences and patterns to draw relevant conclusions and future implications.

GROWTH STRATEGIES

Growth strategies involve typical decisions around significantly increasing relative functional performance. Such strategies focus resources on seizing opportunities of profitable growth. Ambitious growth strategies aim to set company's goals and business processes that challenge conventional wisdom, identify emerging trends, and build or acquire profitable new businesses adjacent to the core business. Growth strategies are usually associated with strong managerial motivation (Troughton 1970).

According to study carried out on the IT Industry in India (Anandaram 2003) growth is driven by

- Leadership and vision
- Differentiated approach
- Marketing investment
- Alliances and partnerships
- Cultivation of local market

Another similar study (Naidu 2003) shows that large size offers a firm the flexibility in offering products and services. Acquisition of resources and skills is another path to expand capabilities.

- System integration
- Project Management Skills
- Partnerships
- Serial entrepreneurship
- Merger and Acquisitions

The innovative (also known as disruptive) strategies lay emphasis on creating sustainable competitive advantages through innovation—creating something new that is rare and inimitable. There are eight types of innovation (Moore 2004)—disruptive, application

oriented, product related, process related, experimental, market oriented, business model oriented and structural.

Proposed by Prahalad and Hamel, growth moves inside the core competency are accelerating innovation in R&D, new corporate ventures, speeding up company's metabolism by speeding operations and hiring more people. For growth many companies have also used moves beyond core successfully (Zook 2004, Zook *et al.* 2003). Zook prescribed six ways to move into adjacent space: expand along the value chain, grow new product or services, use new distribution channel, enter new geographies, address new customer segment and move into a new space with a new business built around strong capability. Some companies have dared to break compromise [Stalk *et al.* 1996] imposed by the industry and thus been able to attract consumers for growth. Strategic logic of high growth has been explored by Chan and Mauborgne 1997 by focusing on Value innovation.

The McKinsey Growth Pyramid model argues that businesses should develop their growth strategies based on:

- Operational skills
- Privileged assets
- Growth skills
- Special relationships

Research has also proved that Growth pattern should facilitate the firm's increase in output in line with the increase in demand in external environment. (Kefalas 1979). Only then the growth can be sustained. Conversely it may also be stated that a firm desiring to grow fast should also operate in regions of fast development or hubs of economic activity. Hence, the developing countries provide an avenue for faster growth. This forms the basis of adopting one of the propositions for investigation. Finally, one should also appreciate that Growth matures out but what should continue is

- tough processes of screening
- acceptance of lower growth in matured/developed economies
- looking for a new growth platform
- deeper appreciation that growth too follows a mature and die cycle

Growth is sustained through

- Value addition
- Increase in productivity via operational efficiencies and technical skills acquired
- Vertical integration
- New production techniques
- Acquisitions
- Partnerships and collaborations

Growth strategies should revolve around

- building and defending dominate market share in geographical areas
- market expansion to other geographic market segments

- Profit maximization and risk minimisation through selling of existing product in new market
- Attract new socio demographic segments
- Develop new core services – innovate new products
- Move towards concentric diversification
- Conglomerate diversification

The literature on growth strategies in the western countries is dated to the years when these countries witnessed exponential development in their economy. These countries are now growing at a slower rate and hence these strategies are therefore relevant in the contemporary times to countries like the developing nations.

Peter Gutman (1964) found that growth rates ranged up to 76.7% annually. Firms with highest growth rates were those which

- (a) Chose industries where sales increased more rapidly than the economy as a whole.
- (b) Concentrated on market segments within the industry, which grew more rapidly than the industry.
- (c) Entered the market earlier than the competing firms.
- (d) Operated in multinational markets.

Importance of a well-chosen strategy that is being well executed to deliver strong financial results in the present and in the future has been recognized. The growth of the various Companies are usually financially evaluated on basis of various models such as Sales Revenues, Compound Average Growth Rate, Return on Capital Employed, Economic Value Added, Market Value Added, Long Term Capital Invested, etc. The available data has been best utilized to investigate the various hypothetical propositions that have emerged from the Literature Review.

On basis of Literature Review carried out it can be summarized that the growth of any particular company is boosted significantly by some or all of the following enablers

- Value Innovation
- Customer Centric Approach
- Operational Efficiencies
- Human Skill Management—Flexibility and Scalability.
- Inspiring Leadership
- Technical Capabilities
- Financial Strength
- Collaborations in New Markets
- Mergers and Acquisitions in segments of low growth
- Global Operations
- Cost Leadership
- Diversification

- Operations in sectors of High Margin

A survey was taken up to assess the enablers identified on basis of Literature Review. It was found that, on an overall basis the companies accord the maximum importance to Operational Efficiencies and Customer Centric Approach. Human Skill Management, Financial Strength, Global Operations and Executing Work in Sectors of High Margin are also given importance as enablers.

ANALYSIS OF THEORETICAL PROPOSITIONS IN THE INDIAN CONTEXT

Detailed discussions with the manufactures of sea food and other knowledgeable persons indicated that of all the above parameters, the most crucial parameters (measured on a scle of 1 to 5, with 1= least important and 5= most important) are as follows:

Sl. No	Parameter	Ranking (1= Least important, 5 = very important)
E1	Value Innovation	3
E2	Customer Care Approach	4
E3	Operational Efficiencies	4
L4	Human Skill Mangement- Flexibility and Scalability	3
E5	Inspiring Leadership	5
L6	Technical Capabilities	3
E7	Financial Strengths	5
L8	Collaborations in new markets	2
E9	Mergers and Acquisitions in segments of low growth	2
L10	Global Operations	2
E11	Cost Leadership	4
F12	Diversification	3
E13	Operations in sectors of high margins	3

Source: Discussions with knowledgeable persons.

Surprisingly, Human skill, Technology superiority, collaboration in global markets, mergers and acquisitions are not considered to be a very crucial input / performance parameter for this industry.

Financial Power is considered to be one of the most important parameters followed by inspiring leadership and cost leadership.

The analysis begins with the examination of a similar set of theoretical propositions relevant in the Indian context.

P1 Top Companies are Characterized by Consistent Performance or Rankings.

M/s CastleRock , M/s Naik Sea Foods, the current top Sea Food export companies in Maharashtra have maintained their leadership over the last few years.

Table 1: Rankings of Maharashtra's Top Sea Food Companies

S. No.	Company Name	Rank 2007	Rank 2006	Rank 2005	Rank 2004	Rank 2003	Rank 2002
1.	M/s CastleRock	1	1	1	1	1	1
2.	M/s Naik Sea Foods	2	2	2	2	2	2

Source: MPEDA

P2 To Maintain the Market Leader Position or to Improve it on a Sustained Basis, it is Imperative for a Company to Register Increase in Sales Turnover Consistently.

This proposition is very easily justified by examining the Table 2 of recorded Annual Turnovers of the companies. It can be seen that all the selected companies that have improved their rankings or have maintained their position as market leader, have recorded an increase in turnover in the long term.

Table 2: Turnovers of the Selected Companies (in Crores Rupees)

Company	2007	2006	2005	2004	2003
M/s CastleRock	290	240	215	188	170
M/s Naik Sea Foods	200	184	163	149	135

Source: Company Source.

P4 In Successful Companies the Profit Growth Generally Exceeds the Sales Growth.

Table 3: Sales Growth and ROCE (% Year on Year)

Company	Parameter	2007	2006	2005	2004	2003
M/s CastleRock	Sales Growth	10.47	10.44	13.45	7.91	4.63
	ROCE	18.51	17.74	16.56	16.58	7.04
M/s Naik Sea Foods	Sales Growth	7.93	7.08	13.44	8.23	3.55
	ROCE	10.12	9.63	16.47	15.67	5.79

The ROCE of THESE companies have been significantly higher in recent times indicating the booming business and good times the Sea Food Export industry is going through. The ROCE does consistently exceed the rate of growth in sales, thereby supporting the proposition conclusively.

P5 Successful Companies Continuously Increase their Levels of Productivity.

It can be seen that the productivity of top companies has also been increasing over time. Hence, this proposition is easily justified by examining the data in Table 4. The data shows that companies still have a tremendous potential to increase their productivity, more so with the impending mechanization of the Sea Food Export activities.

Table 14: Productivity (Thousand per Employee)

<i>Company</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
M/s CastleRock	200.07	189.59	161.32	130.28	118.75
M/s Naik Sea Foods	171.17	177.78	138.44	125.36	N.A.

REVIEW AND CONCLUSIONS

The next step of the study was to proceed with the study and analysis of the strategy declarations and statements of the selected companies, as highlighted in the Annual Reports of the companies, Marine Products Publications. There was an attempt to capture the enablers identified in the Literature Review, for the selected companies, alongwith their relative emphasis respectively.

The last five years Annual Reports of the selected company were scanned for the emphasis of the listed enablers. For the companies it was found that, universally the maximum importance is given to Operational Efficiencies and Customer Centric Approach. Human Skill Management, Financial Strength, Global Operations and Executing Work in Sectors of High Margin are also given importance as enablers.

The first two is important from the point of view that the Indian companies are basically lacking in these fronts. It is therefore very necessary for them to build upon their operational efficiencies and technical capabilities to be a player at the global level. Retaining the skilled manpower and their deployment and scalability in the scenario of the current boom, makes it quite logical for them to concentrate on human skill management. The companies are currently lacking in the innovations front, building an inspiring leadership and also Mergers and Acquisitions, which rarely find a mention in the Reports. Building financial strength also does not appear to be very high in the priority.

KEY FINDINGS

This study was taken up on the highly relevant background of high prospective growth of the sea Food Export industry in India. To gear up and meet the future challenges, as well as competition from the global level companies, the Indian companies are required to grow in size and volume. Also, a preliminary literature review put forth growth as the most cherished value for companies with sustained market leadership.

To carry out the study, first Literature Review was undertaken. On basis of the same, a few theoretical propositions and growth enablers were identified. These theoretical propositions were analysed for selected top companies in the field of sea food selected on basis of their rankings and quantitative performance.

LIMITATIONS OF THE STUDY

The study carried out had the following limitations:

- Due to logistic reasons, the study had to primarily depend on secondary data.
- Data of M/s CastleRock , M/s Naik Sea Foods was very limited in nature. Similarly information regarding their strategies for the future was very limited

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