

SIGMA SOLVENTS

TECHNOLOGY-DRIVEN PRODUCT DEVELOPMENT STRATEGY

Hemnath Rao Hanumankar

Professor & Director

Centre for Poverty Studies & Rural Development
Administrative Staff College of India
Bella Vista, Khairatabad, Hyderabad-500 082, India
Tel: (Off) +91-40-66534248 / Mob: 9440418564 • Fax: +91-40-23312954
E-mail: hemnath@asci.org.in



Abstract

With the onset of economic reforms since July, 1991, there has been a groundswell of concern over the ability of Indian Industry, particularly Small and Medium Enterprises (SMEs), to cope with the new liberalised competitive environment. Apprehensions have often been voiced about the very survival of the SME sector. While this mood of gloom and doom pervades the SMEs in the country, this case study illustrates the phenomenal growth achieved by an SME through a technology driven product innovation strategy linked to both corporate and business level strategies.

Background

Promoted in 1980 by a family of first generation entrepreneurs who steadfastly believed in aiming high, reaching deep, Sigma Solvents Private Limited, Mumbai, has not looked back in the two decades of its existence. Beginning with a very modest turnover of a couple of hundred thousand rupees as a small scale unit in the first year of its existence at the Dombivli Industrial Estate of the Maharashtra Industrial Development Corporation near Mumbai, Sigma Solvents remained a single product company till 1991, making Chloral, a vital intermediate chemical used in the manufacture of pesticides, drugs and perfumes etc.

Even as the opening up of the Indian economy with the onset of reforms initiated by the Government of India in mid-1991, caused panic among Indian businesses, both large and small, the management of Sigma Solvents saw new opportunities for growth in the post-liberalised economic environment. The entrepreneurial commitment to **innovation** as the strategic base for exploiting the opportunities has helped the firm to close its books in March, 1999 with an annual turnover of Rs. 69 million. Given this track-record, their determination to touch the 100 million mark in the first year of the new millennium does not seem too ambitious at all.

Growth strategies at Sigma

As Sigma found it difficult to grow with traditional markets for Chloral, it began looking for new markets such as dyes and pigments industry, adhesives and surfactants, epoxy resins etc. and in the process realised that a lot of scope existed to offer new products for these new markets. As the research & development efforts were stepped up by recruiting world class expertise to the organisation, plans to diversify into short chain Amines used widely in the new markets identified above, evolved as a logical strategic initiative, that can be seen as an orthodox manifestation of Ansoff's growth vectors of market development, product development and diversification.

While specific short chain amine products were being evaluated as part of the organisation's growth strategy, at the business level, a consensus to serve the high end of the new markets emerged out of the confidence gained earlier in supplying Chloral to reputed multinational manufacturers of pesticides and drugs. The management in consultation with the R&D team concluded that Sigma would compete in the market for short chain amines on the basis of superior quality and cater only to market segments that are highly sensitive to quality, without at the same time losing out on price competitiveness. This focus on quality and service to high-end customers for both Chloral and Amines is now opening up new opportunities for Sigma to export its products overseas.

Current product portfolio

Sigma's diversification in to manufacture of Amines since 1991 has been so successful that seven different products have been launched in the last eight years, true to the commitment by the management to develop and release one new product every year. The Amine products currently manufactured and marketed include, 3- Ethoxy Propyl Amine; 3- Isopropoxy Propyl Amine; Beta Phenyl Ethyl Amine; Methylamino Propyl Amine; Dimethylamino Propyl Amine; Dimethyl Dipropylene Triamine; and 3- Methoxy Propyl Amine. These are in addition to Chloral, the earliest of Sigma's products.

Interestingly, as Sigma's research based short chain Amine products hit the markets, the sales of Chloral has also been steadily going up with increased penetration in old and new markets. In the year ended March, 1999, out of the annual turnover of Rs. 69 million, Chloral accounted for 39 million with Amines contributing the rest of Rs. 30 million. This observation is interesting in the sense that while a firm's new products may piggyback on the success of existing products, the success achieved by newer products would also help strengthen the market position of the old products.

Sigma's mission and values

Though there is no hype about a formal statement of mission for Sigma, the management and the compact team of 60 employees seem to share a common philosophy captured in their corporate slogan, **Aiming high, Reaching deep**. The slogan is a belief in the destiny of the organisation despite lacking the clarity of a well defined strategic mission, which is not uncommon of SMEs.

These values that are again held very informally but dearly by Sigma, are **Innovation and Quality**. There are no wall plates and desk plaques screaming out the corporate values, but they are practised with a passion that is evident in what has been achieved in the last decade. Concern for quality extends beyond product quality as the firm is making all arrangements to install state of the art pollution control equipment and eventually shift the works to the Arkose Industrial Estate in the neighbouring Raigadh district. As for commitment to innovation, what better way to demonstrate than to seek to add one new product to the portfolio every year. □

SME Finance Initiative

Small & medium enterprises (SMEs) play an important role in the economies of most countries in the Asia-Pacific region not only because of their sheer number but also the variety of their activities. The Association of Development Financing Institutions in Asia & the Pacific (ADFIAP), the Association of Development Finance Institutions in Malaysia (ADFIM) and the International Trade Centre (ITC) have come together to embark on an undertaking called SME Finance Initiative (SME/FI), pooling their respective experiences, expertise and resources in the continued promotion of SME development through the provision of finance and other support services to this economic sector.

For more information, contact:

SME Finance Initiative

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

2nd Floor, Skyland Plaza, Senator Gil Puyat Avenue, Makati City, 1200 Philippines

Tel: (+63-2) 816-1672; 843-0932; 843-5892 • Fax: (+63-2) 817-6498 • Web: <http://www.smefi.com>