

Review of Implementation of Strategic Positioning by Godrej Industries

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Abstract:

An average Indian starts the day with the use of Godrej soaps and Godrej shaving cream in the morning, picks up clothes from a Godrej Almirah, sits on Godrej furniture in the office, drinks coffee from the Godrej vending machines., eats Godrej food products, uses Godrej fax/conferencing equipment for communication, puts money in Godrej safe, plugs Good Night and goes to sleep at the end of the day. A recent estimate suggested that 400 million people across India use at least one Godrej product every day. Godrej Group today is one of the largest diversified industrial corporations in India. It stands in a strong position today, with annual sales in excess of US\$ 1.7 billion, a workforce of approximately 20,000, and a strong diversified portfolio. The saga of the success of Godrej group is a story which runs into about four generations. From the humble beginning driven by honesty, integrity and outstanding service to customers now Godrej is a huge empire, which has come all the way as being known as a lock making company for over quite 100 years ago and is an epitome for achievement. The study is the result of secondary research. The secondary research was based on the official websites of Godrej group of companies.

Keywords: Godrej Industries, Strategic Positioning, Sales, Economic Growth etc.

Introduction

The Godrej Group is one of the oldest and most diversified firms in India. From a lock making company in 1897 to a present day conglomerate – the transformation has been phenomenal. It provides us a rich insight into a company that successfully adapted to a dynamically changing environment.

The Godrej group has been existing for over 100 years. The Godrej group has been in existence for over 100 years. Privately owned by the Godrej family Turnover of Rs. 75 billion in FY 2007 and 100 manufacturing locations in India & abroad. Diversified portfolio of businesses through several companies out of which 4 are listed. Strong global presence with manufacturing/ IT operations in 13 countries. Strong focus on Corporate Governance & Corporate Social Responsibility with an emphasis on Education, Environment and Health.

The two major companies of Godrej group – Godrej & Boyce and Godrej Industries Limited, have sea change of difference in organizational culture and focus areas. While, Godrej & Boyce continues to focus on consumer, industrial and office equipment products,

Godrej Industries Limited is more dynamic and focuses on range of sectors including FMCG, retailing, food, IT, real estate, etc. It gives a lot of independence to its affiliate companies and subsidiaries in decision-making. However, the control of Godrej family exists with family members having full control or as board members in some of the companies. The company had other shares of troubles as well, for instance unsuccessful partnership with P&G.

- GIL is the listed flagship company of the Godrej Group.
- GIL has holdings in several group companies and also acts as early stage investor in emerging businesses outside the group
- GIL could be a conglomerate with interest in various areas; interests are held through their subsidiaries, joint ventures and associate companies.

Key Businesses

- Real Estate
- Confectionery
- Chemicals
- Rural Retailing
- Animal Feeds
- Foods / Beverages
- Agri Inputs
- Poultry
- Household Insecticides
- BPO
- Oil Palm Plantation
- Vegetable Oils

Objectives of the Study

- To know the Functioning of Godrej Company under various situations
- To know the strategies adopted by Godrej Company to perform better in the competitive world.

Research Methodology

The study is the result of secondary research. The secondary research was primarily based on the websites of Godrej group of companies. Apart from that we also covered general news articles, research studies and analyst reports. The case study analyzes best practices of one of oldest business houses of India understanding the factors that enabled it withstand the changes in Indian landscape from the last century. It also discusses the influence of family

control on organizations and how it changes with the changes in the general and specific environment.

Key Entities and Their Main Business

ENTITY	MAIN BUSINESSES
Godrej Industries Limited	Chemicals Vegetable Oil Processing Estate Management Finance & Investments
Godrej Properties Limited	Real Estate Development
Godrej Agrovet Limited	Animal Feed Agri Inputs Integrated poultry Oil Palm Plantation Rural Retailing Tissue Culture
Godrej Hershey Foods & Beverages Limited	Confectionery Packaged tea Packaged Vegetable Oil Soymilk, Fruit Drinks / Nectars/Juices, Tomato Puree
Godrej International Limited	International Vegetable Oil trading
Godrej Hicare Limited	Pest Management Services
Godrej Sara Lee Limited	Household insecticides
Godrej Global Solutions Limited	BPO (Healthcare, Accounting & Finance)

Strategies Adopted by Godrej Industries Ltd.

A. Chemicals Business

- GIL is recognized as a pioneer in oleo chemicals and surfactants in India
- Key raw materials used are vegetable oils, their derivatives and Alpha Olefin

- Key products in the Chemicals division are - Fatty Alcohol, Fatty Acids, Glycerin and Surfactants
- GIL's Fatty Alcohol is an alternative to petroleum based alcohols => Rising petroleum prices offer opportunity to capture market
- GIL exports to over 60 countries
- Have received recognition through various awards:
 - Lifetime Achievement Award for Chemical Exports by CHEMEXIL (2004)
 - Outstanding exporter of the year for Chemical Exports by CNBC TV 18 (2006-07)

B. Real Estate Business (Property Development & Estate Management)

- Proximity to offices and IT Parks and lack of space are driving the growth of high rise residences in urban areas
- Housing is that the largest segment of real Estate sector in India
- India's housing shortage was estimated at 19.8 million units in 2005 and expected to rise further
- The retail market place for mortgages grew by 30% within the second quarter of 2005 and expected to further grow at a CAGR of 17% from US\$16 billion within the year 2006 to US\$30 billion within the twelve month 2009

Company Highlights

- Godrej Properties Ltd. ("GPL") is a subsidiary of GIL (81.7% stake)
- Established in 1990, GPL is the fastest growing company in the group (CAGR of over 80% in turnover in the last 3 years i.e. FY05 – FY07)
- GPL has developed 3.3 million square feet of world class real estate till date
- Having started in Mumbai, GPL has spread its presence to Pune, Bangalore, Hyderabad and Kolkata
- Current land bank of 17.99 msf of saleable area (GPL's share)
- GPL has signed an MOU with certain group companies under which they shall appoint GPL as developer to develop their lands situated in various parts of India
- It aims to establish presence in 10 to 15 cities
- The company is led by Mr. A B Godrej (Chairman) and Mr. MilindKorde (Managing Director)

C. Rural Businesses (Animal Feeds, Oil Palm Plantations, Poultry, Retail)

- The trickle-down effect of the improving economy is evident in increasing rural consumption in India.
- The agricultural consumer has helped drive volume growth in key product categories like Home Care and private Care.
- Two-thirds of the middle income households with an annual income between Rs. 35,000 and Rs. 140,000 are in the rural areas
- Of the 60 million high-income households with annual incomes above Rs.140,000, one third board the countryside
- Growth is predicted to continue as rural consumers upgrade to branded products
- Growing corporate sector participation in rural India has led to:
 - Consolidation of agriculture marketing chain
 - Standardization of produce and improved quality
 - Improved infrastructure & supply chain
- Godrej group has been present within the rural sector for quite 30 years; can leverage its:
 - Network
 - Relationships
 - Brand recall

Business Strategy

- Continue to focus on the domestic market
- Conversion of farmers from other crops key to building production capacity
- Improved extension activities and farmer relationships
- Help farmers with intercropping pattern to supplement their income stream
- Advise to maximize yield of Fresh Fruit Bunches
- R&D and quality seeds to improve the yield
- Assistance to farmers – creating loyalty

Conclusion

Despite all the troubles, the second and third generation of Godrej families (fourth generation has entered the fray recently), continued to follow the vision of its founders. They diversified, ventured into new areas, and became global. However, they never allowed majority ownership to any of their foreign partner and survived when most of the other businesses closed down. It relies on building well-known brands, continues to expand in its own way and not let the majority stake to be ever diluted. The company continues to achieve operational efficiencies by continuous learning and improvement. The HR practices of the group are considered amongst best in the country. The practices have been influenced by

family control, which considers employees as the group's biggest asset. The employee friendly policies have contained attrition rates and increased loyalty. The CSR practices form a part of organizational values and are widely practiced.

The group continuous to learn from its mistakes and understands the challenges it has of making the organization more dynamic and harnessing its vast pool of assets – strong brand, a wide network of loyal suppliers and distributors, loyal employees and resources, cherishing the vision and values of the family.

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