



PHARMA OPERATION STRATEGY – A COMPETITIVE BUSINESS STRATEGY FOR SME PHARMA INDUSTRY

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ABSTRACT:

Small scale pharmaceutical units is preferring low cost manufacturing skills since beginning, providing complex synthesis formulation, many variants of single product and fill the market with generic formulations with highly price competitiveness than western part of world. It happens because of strong back up by whole value chain and indigenous technology with reverse engineering process, it helps to achieve scale economics and capture experience curve effect with least importance given to quality of pharmaceutical products.

KEYWORDS : *Small scale pharmaceutical , low cost manufacturing skills , achieve scale economics.*

INTRODUCTION:

Pharmaceutical products from SME pharma companies, were well accepted at market place and majority supplied to institution. In post 2005 with the advent of technological advancement like c-GMP/GLP/ISO/ICH & WHO-GMP, changes the whole scenario of value chain for small scale pharmaceutical units in country. Now small scale pharmaceutical units ensuring quality specification of RM/PM through proper vendor management system to convert in high quality finished product, using indigenous but upgraded manufacturing technology with immense improvement in production process as per c-GMP norms.

Small scale pharmaceutical units are now choosing special pharma zone (SPZ) in various part of country where RM/PM, energy, fuels and access to adequate supply of skilled, workers are available or low cost plant location where small scale pharmaceutical units get exemption from excise and tax, as a part of long term operational strategy. The

current scenario in the pharmaceutical manufacturing sector is undergoing is continually changing, especially small scale pharmaceutical units are upgrading in tremendous speed as compared to last decade. On one hand global pressure on small scale pharmaceutical units to upgrade the manufacturing facilities-involving cost to be competitive, simultaneously on other hand pressure on product pricing on account of competition which impacting the bottom line of pharmaceutical manufacturing.

OPERATIONAL THRUST:

For small scale pharmaceutical units or industry as wholeworking on three options (1) to look for better pricing (2) look for reducing the input cost by improving manufacturing process (3) evaluate and trim operational cost across value chain. Small scale pharmaceutical units like their large counterpart choosing increasing sales by optimizing unit value of production.

In post 2005 regime small scale pharmaceutical units are getting opportunity to export its products from non regulated market to regulated, high competitive market where quality matters. This all makes possible because of appropriate Material Requirement Planning (MRP) system along with QA/QC departments that assured world class quality of drugs with more efficacies been produce and earn more profit, revenue to maintain sustainability.As Indian small scale pharmaceutical units are utilizing the advantage of infrastructure like roads,railroads, IT, communication channels, economic mode of transport system to deliver the pharmaceutical products.

VALUE CHAIN ANALYSIS:

Small scale pharmaceutical units/industry as whole managing value chain, so that still they are producing low cost generic formulation with quality and catering in reference market in highly competitive price as a part of operation strategy. Following are the schematic of Small Scale PharmaceuticalUnits/Industry value chain.

Indian pharmaceutical industry value chain especially for small scale pharmaceutical units, is mainly depend up on the production, operation management and processes, as they are majorly deals in bulk manufacturing of required products and maintaining the low possible cost across the processes starts from –

- * Identification of proper vendor(s) from whom, small scale pharmaceutical units can get RM/PM in bulk on substantial credit terms.
- * Procurement of require RM/PM for production with specifications.
- * Pass procured RM/PM through QA/QC departments for specification checks.
- * Rejects non specified or substandard RM/PM, send it back to supplier(s), forward pass quality check RM/PM for quarantine, before actually using for production.
- * By applying actual process technology convert RM/PM in to finished product(s), considering all cost effective measures.
- * Testing and re testing finished product(s) as per specification given QA/QC, to ruled out any ambiguity in production process, reject or reprocess, if any ambiguity occurs.

* Warehoused product(s), as per specification, dispatch, transfer or billed for destination or intermediaries' approved.

* Make availability of product(s) for end users.

GOING COMPETITIVE:

Now from recent past small scale pharmaceutical units devised and using toll manufacturing, bottom finishing, in licensing, niche playing and contract manufacturing (CRAMs). The competitiveness of Small Scale Pharmaceutical generic producers is based on cost efficient production process with economic labor force augmented by indigenous globally accepted technology. As per the respondent poll and with the help of present study, this is mainly focused on Technology, Location and Production planning and Inventory control system of small scale pharmaceutical units, which implicates that, still small scale pharmaceutical units are working on market to stock i.e. Mass production schedules.

Small scale pharmaceutical units are having necessary and appropriate technology to convert RM/PM in to finished product. In the response 67 % of respondents were confirm (ref. to fig. no. 7.5.1) that small scale pharmaceutical units are having appropriate technology as per the norms of schM/GLP/GMP, which enable them to maximize output and produce quality pharmaceutical products as a part of Pharma regulatory systems as these norms are compatible to WHO-GMP which helps small scale pharmaceutical units to access international markets for their products.

It is found that and with the help of cumulative responses (74%), It is found that and with the help of cumulative responses (74%, refer to figure no. 7.5.2) that location of small scale pharmaceutical units is good which facilitate the smooth production cycles. It is also concluded, that location from where small scale pharmaceutical units are operating is having better access to quality RM/PM, Technical as well as unskilled work force, Stable electric supply with pure water/gas along with economic mode of transportation. Present study also reveal that with the location advantage, that Production planning and Inventory control system (PPIS) is also expedite (ref. to fig. no. 7.5.3), in terms of proper indenting, inventory management system, by virtue of which small scale pharmaceutical units enable to maintain a profitable Input/ Output ratio, were confirmed by 76% of respondents. Hence it concludes and confirms that cost structure of small scale pharmaceutical units mainly dependent on Manufacturing process as well as cost and management of RM/PM (53%).

CONCLUSION:

In this field Indian pharmaceutical industry is on the top among the world's best countries. At one-fifth of India's share in the global market for generic drugs is considerably higher than its share in the overall pharmaceutical market. As Indian pharmaceutical companies especially small scale pharmaceutical units have gained know-how and upgraded themselves to compete with strong inventory management as well as

location advantage in the manufacturing, hence also focus on third party or loan licensing manufacturing for big domestic as well as international pharmaceutical companies as a part of operation strategy in overall business strategy.

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Fig. 7.5.1

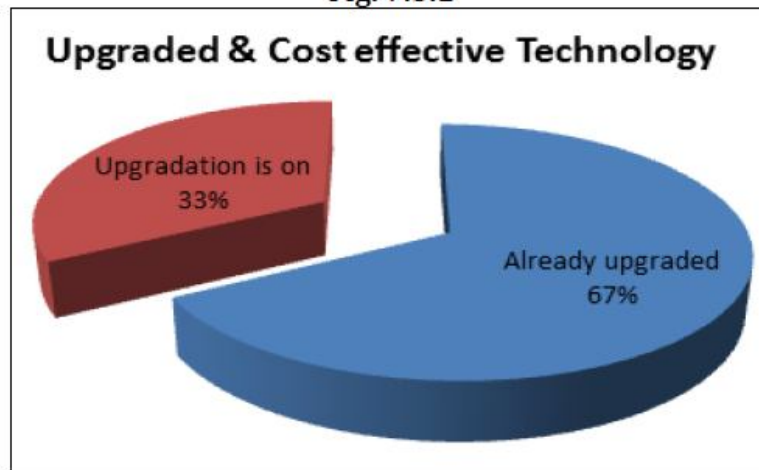


Fig. 7.5.2

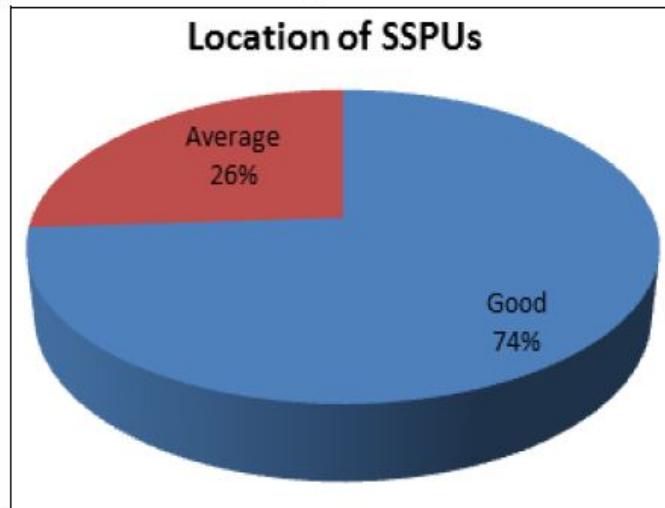


Fig. 7.5.3

