

Improving efficiency: management of operations of agro-industries

The Proposition

Agro-processors in developing countries must improve their operations management if they are to achieve, and maintain, competitiveness in domestic and international markets. The public sector can, and should, facilitate the process.

The rationale and recommended response

Planning and controlling procurement, production, quality and distribution is a highly challenging task in agro-industry, which is typically characterized by multiple small suppliers of raw materials and the perishability, seasonality and variability of these inputs. Agro-processors can, however, achieve significant efficiencies through the introduction of the operations management techniques.

Most large agro-processors in developing countries have already adopted advanced planning and control methods. They have achieved greater efficiency in supply chain management, processing, logistics and distribution and in the management of inter-firm relationships. Such techniques have also enabled them to respond more effectively than previously to changing consumer requirements.

The same cannot be said for most small and medium-sized agro-industrial enterprises in developing countries. They have generally failed to streamline their operations. As a consequence their competitive position has, in many instances, deteriorated despite the fact that information and communications technology (ICT) is now readily available in most countries.

The public sector cannot be responsible for ensuring greater efficiency among small and medium-sized agro-processors. It can, nevertheless, play a useful, even instrumental, role through:

- Awareness building and information provision
- Specialized training, focusing on enterprise managers
- On-site training and advisory support at the company level

Such programmes should be delivered within the framework of a national competitiveness strategy, which focuses on operations management in general and on small and medium-sized enterprises in particular. Adaptations will be required to meet the special circumstances of agro-industry.

Focus of the debate

1 In what aspects of their operations do small and medium-sized enterprises in developing countries need to improve efficiency? Do the opportunities to increase efficiency differ greatly between small, medium and large enterprise. If so, what are the implications for public policy?

2 What are the main operations management tools and techniques employed in the manufacturing sector, which could be effectively applied in agro-processing to significantly improve efficiency? Are benchmarking tools relevant for the agro-industrial sector?

3 Why have small and medium-sized enterprises been slow to generate operational efficiencies? Is it a matter of inadequate awareness, poor overall management practices, budgetary constraints, or general lack of interest?

4 In the domestic market, has the lack of improved efficiency actually eroded the small and medium-sized agro-processor's competitive position? Do domestic agro-industrial markets require improved efficiency? Is this in response to increasing competition or to more stringent consumer requirements? Are there documented examples of how improved efficiency can contribute to an agro-processor's "bottom line"?

5 What represents a "good practice" public sector response to the need to improve agro-industrial efficiency? Is awareness building, training and advisory support sufficient? Should such programmes be delivered within the context of a national competitiveness strategy, or a strategy that focuses exclusively on the agro-industrial sector? What are the relevant institutional considerations? What are the experiences of other developing countries? What are the "success stories", and how can these be replicated?

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Mamadou Mansour Cama is Chairman and CEO of Senegalese Investment Company (a holding company), whose businesses range from fishing industries, leather processing, shoe manufacturing to water distribution and banking. His holding company also controls market shares in real estate business. He also holds shares in the nation's water and in the first investment and securities private bank. Mr Cama is member of the African Business Roundtable and the ACP – EU Business Forum. He is an UNIDO Goodwill Ambassador for Africa and a member of the Islamic Development Bank / ICIEC Advisory Committee to the Chairman. He holds degree in Business Administration and Economy.

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Moderator: Chakib Jenane is the Chief of the Agro-Industry Support Unit, Agro-business Development Branch of UNIDO. He is responsible for projects formulation and implementation in several developing countries in Africa and the MENA region. Before joining UNIDO, he was a Professor at the department of Agricultural Engineering, Institute of Agronomy and Veterinary Medicine (Rabat/Morocco). His responsibilities include teaching, advising and research in the field of power and machinery and the usual committee assignments associated with a university position. He has also previously been a consultant for FAO, WB and IFAD in the agro-food sector.

