

Role of Supply Chain Management in Indian Manufacturing SMEs

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Abstract

Purpose – The purpose of this paper is to show the importance of practicing supply chain management in small and medium scale enterprises (SMEs) and to outline the key decision making factors that drives the SMEs in adopting their strategies for doing the same.

Design/methodology/approach – The work was designed as a case study for which both qualitative and quantitative data were collected during the field visits, interviews. Review of literature was done to arrive at the research question.

Findings – The research outcomes are three fold. Firstly, paper summarizes the reported literature regarding the various issues associated with practicing of supply chain management in SMEs. Second, the paper explains what does it really mean by practicing SCM and lastly, paper outlines the key insights and findings gained through research and is being compared and discussed with the literature reported insights.

Practical limitations/implications – Supply chain management (SCM) practices and the associated strategy adoption factors have been done only for manufacturing SMEs and more study is needed associating service sector as well.

Originality/value – This paper has explored broadly towards supply chain issues and practices in Indian manufacturing SMEs from the insights gathered out of real time qualitative and quantitative data collected through various methods that can help them in adopting strategies.

Keywords—Supply chain management, small and medium scale enterprises, supply chain practices, manufacturing sector.

I. INTRODUCTION

“Small and medium scale enterprises (SME) sector has emerged as one of the highly vibrant and dynamic sectors of the Indian economy over the last five decades and they not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural areas”. The sector consisting of 36 million units, with more than 6000 products contributes about 8% to GDP besides 45% to the

manufacturing output and 40% to the exports from the country. They mainly form the integral part of the large enterprises as their main business is being dependent on them. SMEs also face a lot of problems wherein supply chain inefficiencies plays a major role. SMEs need to adopt innovative approaches in their operations. “Supply chain management is a set of approaches practiced to effectively integrate suppliers, manufacturers, logistics and customers for improving the long-term performance of the individual companies and the supply chain as a whole”. Supply chain is being evolved in every industry and it can be said to be practiced only when some elements of the supply chain are being strategized and operated accordingly by the particular industry or company depending on the nature of the products they manufacture. The particular research identifies the supply chain difficulties that SMEs face and is being compared with the on field insights gathered out of the real time scenarios in order to spot out the contradictions.

II. LITERATURE REVIEW

A. Small and medium scale enterprises:

While discussing about the role of supply chain in SMEs, we first address the differences between SMEs and large enterprises. “Are management theories and other aspects related to large enterprises readily applicable to SMEs?” [1] Says that: the differences between the large enterprises and SMEs are being examined in terms of key management practices, key characteristics of their supply chain relationship position and strategic focus and transition paths’. ‘Indian SMEs give more attention to supplier development, total productive maintenance, and organizational culture: says [2].

B. Supply chain management:

“The field of supply chain management is reaching new heights. SCM is being considered as effective strategy for integrating suppliers and customers with the objective of improving responsiveness and flexibility of manufacturing organizations” says [3]. “Supply chain management is the management of material and information flow both in and between facilities, such as vendors, manufacturing and

assembly plants and distribution centers” says [4]. “SCM is considered as the coordination of distributed decision making of organizations or participants on material flow, information flow, human flow and cash flow in supply chain from systems perspective” says [5]. As per [6], “collaborative decision making in SCM helps to reduce information asymmetry, reduces inventory costs, improves the customer service and improves the efficiency of the replenishment processes”.

C. Supply chain practices:

[7] defines “SCM practices as, supply chain practices in SMEs is a set of business activities including purchase from spot/open market, manufacturing or processing of subcomponents/subassembly within the plant and delivery to large organizations using hired transportation to enhance value of end product and in-turn to ensure long-term relationships in terms of regular purchase orders”.

[8] have identified the “best supply chain practices as establishing a governing council, aligning and staffing the supply chain organization, utilizing technology and procure to pay, setting the strategic sourcing strategy, establishing the key supplier alliances, managing total cost of ownership, establishing processes and controls, managing compliance and risk, optimizing company owned inventory and establishing green initiatives and social responsibility”.

III. RESEARCH OBJECTIVE

The objectives of this research paper would be as follows:

- To clearly define what one mean by practicing supply chain
- To define the role of SCM in SMEs and identify the prevailing problems in practicing SCM
- Assessment of the real time problems identified from the data collected and measure the gap between the stated and real time problems

IV. METHODOLOGY

For this research primarily, the qualitative data was collected by reviewing a variety of high class research papers. The qualitative data collected consisted of details regarding the current supply chain practices done by small and medium scale enterprises, proper definition of practicing supply chain management, the persisting problems faced by SMEs while practicing SCM, their major pain points while considering their limited capabilities and many more. In order to analyze the data, further filed study was done by visiting the SMEs for collecting the real time data by means of formal interactions, in depth interviews to know about the various pain points they suffer and regarding practicing of supply chain, various strategies employed by them for choosing to practice or not practice supply chain in their business, business specific

characteristics, issues related to various business functions, perception and vision of CEO/GM and what all are the factors that influence in them in doing so.

This was done in order to have a detailed comparison between the data collected from the literature review and the real time data collected in order to identify contradictions between what is being said and what is being happening if there is any.

Around 12 SMEs were visited and the qualitative data have been collected, consolidated and generalized based upon the commonality of the rigorous problems and paint points for the manufacturing SMEs.

V. DATA ANALYSIS

Data has been analyzed in various stages using different approaches. Namely qualitative data has been collected to meet the research objectives which does include defining the real meaning of practicing SCM, the major identified problems of implementing SCM in SMEs from the extensive study of research papers and also data regarding the major pain points, strategy adoption and other issues faced by SMEs in this regard.

The obtained qualitative data have been analyzed for different purposes in different ways. First of all the data have been used as evidences to define clearly the meaning of practicing SCM. Next the data obtained from the both the literature and the field visit has been analyzed and validated by comparing both extensively in order to find out contradictions if any and to draw insights out of it, so that it can be used purposefully by the manufacturing SMEs in strategizing their SCM practices and which would also help in building up a conceptual model by generalizing the insights for future studies.

VI. FINDINGS

The facts revealed through the analysis of the visited organizations has helped to identify the potential areas of improvement of Indian manufacturing SMEs. Some of the findings from all the visited SMEs can generalized as follows:

- Most of the manufacturing SMEs visited manufacture products that become a small integral part of a particular consumer good or even if they do produce complete products they act as job workers for big brands and not for their individual product category.
- Most of the decision making process is being done by the CEO/MD who owns the business and are mainly the technocrats who will concentrate only on the technical side and not from the business operations perspective while strategizing and decision making.
- Most of these SMEs lack standardization of the business processes, demand-forecast mismatch, lack of knowledge in supply chain, concentrating more on multiple suppliers based on cost rather than having integrated suppliers by maintain long term relationships and on pre-defined vision and mission.
- Many of the SMEs that produce tax exempted products, do have the capacity to implement and

practice technological and other relevant changes needed in their supply chain and are also willing to invest the additional profit they get out of the benefits but are not aware of the benefits that they gain out of practicing supply chain.

- Most of them lack a structured departmental setups within the organizations and most of the operations are being controlled by only one person or by the direct intervention of the owner/CEO.
- Most of the SMEs whose major part of the production are consumed by a particular large enterprise by becoming a part of their supply chain, tend not to expand as they want to remain in the comfort zone and thus do not practice supply chain as they don't have a customer base for their product except from the one they have.

VII. CONCLUSION

Conceptually, this research is important for two reasons. First, it clearly defines what one mean by practicing supply chain management and secondly it discusses the stated pain points and difficulties faced by SMEs in implementing SCM and compare it with the real time problems identified from the field visit made in manufacturing SMEs and identify the contradictions if any and generalize the problems and suitable suggestions pertaining to that particular problems. Some of the generalized conclusion drawn are:

- “Indian manufacturing SMEs are more cash oriented, short-term, instils better communications and incentives for exploiting internal knowledge”.
- “SCM can be adopted and implemented if SMEs can receive more positive benefits and equity while

operating within the power dominance of few supply chain players”.

- “SMEs lack in technology based planning in absence of adequate organizational, financial and human resource support. This hinders them from searching new processes, new materials, new vendors, new shop floor designs, new channel to deliver products, etc.”
- “SMEs can consider SCM as a strategic weapon which can improve their performance and help to sustain in the competitive market. Practicing SCM helps SMEs in strategizing their business and identify and nurture their core competency”.

VIII. REFERENCES

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