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Strategic Supply Chain-A Key to Enhance Organizational Efficiency for Small Scale Manufacturing Units

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Abstract

The supply chain requires all departments to work together as a cross functional team. The flow of materials and products need the involvement of all parties in the supply chain. The current article gives strategies to the small scale manufacturing units to improve their business in terms of cost reduction and improved profitability. The given strategies are outcome of survey of units situated in Ahmednagar MIDC.

Traditionally, the practice within the organization is different departments to work in isolation, under their own department's own standard. However, the supply chain requires all departments to work together as a cross functional team. The principle of supply chain is the synchronization and coordination of the activities related to the flow of materials and products both within the organization and outside the organization. The flow of materials and products need the involvement of all parties in the supply chain. The synchronization of activities is not only internally within the organization, the supply chain approach also recognizes that many of the business activities in an organization must be performed based on cooperation with inside as well as outside parties.

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Supply chain can be defined as the synchronization of processes from purchasing to the delivery to the consumers such that the consumers satisfaction is achieved. According to supply chain the consumers are king and must be served as good as possible. The supply chain principle is to win the end users to the product. The parties in the supply chain must work hard in coordination with each other to increase the service level and provide low price for the product.

Today managers are busy in making customers happy and loyal by giving discounts and credits leading to decline of growth and profitability. In such situations managers require strategic planning about supply chain which will give tangible results in terms of growth in revenue and efficient use of assets. To help managers decide how to proceed, here are some of the supply chain initiatives generated by study of success stories of various small scale manufacturing units of Ahmednagar MIDC

1. **Forecasting** being the precondition for planning any activity in the business, 39% units under study is not using demand forecasting for planning purpose. These units may be planning informally but a formal structured planning need to be developed by these small scale manufacturing units. Majority of the small scale manufacturing units are using a method of market research for demand

forecasting, researcher would like to suggest small scale manufacturing units should also use other scientific demand forecasting methods. By applying other scientific methods of demand forecasting procurement can be more effective as to the existing status of the small scale manufacturing units.

2. **Material resource planning** is the essence of inventory control. Material resource planning though it is practiced by small scale manufacturing units understudy researcher feels that the majority of these units need to improve their material resource planning for effective, efficient and improved productivity.

3. **Outsourcing** has become a part of business today but the importance is yet not clear to the small scale manufacturing units under study. Therefore researcher would like to suggest that small scale manufacturing units should start outsourcing activities other than core business activities to the maximum extent. Researcher knows that implementation of outsourcing business activities may or may not be possible to great extent but wherever it is possible small scale manufacturing units should redefine the activities and outsource it.

4. Capital of small scale manufacturing units is blocked in inventory, to control the **inventory** economic ordering method in purchasing should be adopted by these units. Small scale manufacturing units should develop the alternative sources of supply. Researcher recommends that these units should attend trade shows/fairs as well as must use modern internet techniques for searching new suppliers.

5. Though the transportation is non-value adding process still it is very essential to increase form utility. Use of **3PL** is strongly recommended for small scale manufacturing units to gain the expertise experience of these service providers in the field of logistics. The same concept of outsourcing logistics activities must be applied to warehousing also.

Moreover "Working together Works" is the slogan of success. In today's vibrant economy small scale manufacturing units cannot afford to compete in isolation or in localized market since the arena for competition has expanded. Small scale manufacturing units can come together and form work group for developing SCM practices which will lead to sustainable economic growth and business improvement. Use of scientific **material handling** is the road to success and this mantra should be accepted by small scale manufacturing units. These units differ in their business activities and accordingly they need to concentrate on internal material handling systems whereby cost reduction can be achieved. **Material handling equipment** should be properly selected to reduce the cost of material handling, in addition to that researcher would like to recommend for improving material handling efficiency all possible efforts should be under taken by small scale manufacturing units. 23% of the manufacturing units under study are not having proper locations of finished goods stores. It is suggested that these units should relocate finished

goods stores by which material handling cost can be reduced.

6. 64% units understudy shows poor management of inventory which means these units should implement selective inventory control techniques like ABC, VED, SDE, HML etc. for improved productivity and efficiency of the respective units.

7. Planning, re-planning and control of production activities should be adopted on daily basis and new innovative production processes with automation must replace the older methods of production to increase the productivity and decrease the length of supply chain. Charts showing minute to minute development of product must be displaced on the shop floor at respective places to make aware the concerned personnel about the progress and improvement needed in the product.

8. Automation is not possible without adopting information technology measures. Researcher recommends the training to the less educated employees about use of technology and up gradation in working style of these workers. Researcher do understand the expenses involved in these changes to be made but also knows that if sophistication is not adopted it will deter small scale manufacturing units in coming days and will left them nowhere. Researcher recommends that information technology should not be used only for material accounting purposes but also be used for demand management, manufacturing execution

11. of survival for the better customer relation management.

system, computer aided process planning, process control and optimization, engineering data management, maintenance data management, warehouse management, transportation scheduling, sales and distribution, ERP/MRP II, drawings/CAD for organizational growth and sustainability.

9. Small scale manufacturing units purchase and distribute their finished good majorly in Maharashtra thus full load utilization of transport must be adopted wherever possible while returning which will fetch them maximum utilization of available facility and cost reduction as well. It is also recommended that these small scale manufacturing units should utilize transport facility in common and cost thus incurred must be divided among them as per unit load cost.

10. Though the small scale manufacturing units are in constant contact with their supplier as well as customers it is recommended that a formal way of collecting the information should be adopted and analysis should be carried to implement the outcome which will improve the relation between them and mutual goals of businesses can also be achieved. It is also recommended to these small scale manufacturing units that price of product must be analysed at regular intervals because price is the deciding factor for gaining customers loyalty with other factors. Small scale manufacturing units should share the data and information without the fear

12. "United We Stand", knowing this fact researcher recommends a

13. development of network design within the same product category units to improve the overall performances of these units.

14. If small scale manufacturing units has to serve the customer with product variety and quicker service at lower prices, these units should strive to increase their sales and should gain the advantages of mass production.

15. The Small scale manufacturing units have not recognised the value of SCM as a tool for business excellence and a roadmap for growth in a competitive marketplace, therefore there is a need to work on following grounds

a. Seek external advice and help from recognized experts.

b. Formulate the Associations (informal or formal groups).

c. Develop the network for collaboration on SCM practices.

d. Conducts a benchmarking of performance management in supply chains.

e. Should be in constant contact with Chambers of commerce or industry associations to bridge the gap of small scale manufacturing and SCM practices.

16. Researcher strongly recommends that the large scale manufacturing units should actively promote the awareness of SCM through sponsored training and development programs. Right sets of people and skills should be developed which will provide the technical expertise and management know-how necessary to conduct good SCM practices to achieve operational excellence. Over and above large scale manufacturing units should financially support to streamline the respective areas small scale manufacturing units with regard to SCM implementation. like MCCIA must set clear policies in helping small scale manufacturing units to move with the SCM wave by facilitating the creation of logistics facilities for the survival, sustenance, growth.

17. Researcher strongly recommends that the human resources and financial constraints in small scale manufacturing units are to be analyzed and a benchmark has to make in this regard which will help to decide the strategies for stronger synergistic supply chain network for these small scale manufacturing units.

18. Researcher feels the need of Government support is necessary in establishing the basic SCM infrastructure required for the efficient movement and distribution of goods and services were especially poignant. However, it was recognized during research that the infrastructure development must go in tandem with skills and incentives. Governments and relevant public and Industrial agencies

Companies those who want to achieve excellence in supply chain management tend to approach implementation of the guiding suggestions with three precepts in mind:

1. The complexity of the supply chain can make it difficult to envision the whole, from end to end. But successful supply chain managers realize the need to invest time and effort up front in developing this total perspective and using it to inform a blueprint for change that maps linkages among

initiatives and a well-thought-out implementation sequence. This blueprint also must coordinate the change initiatives with ongoing day-to-day operations and must cross company boundaries. The blueprint requires rigorous assessment of the entire supply chain—from supplier relationships to internal operations to the marketplace, including customers, competitors, and the industry as a whole. Current practices must be ruthlessly weighed against best practices to determine the size of the gap to close.

2. As this list of tasks may suggest, significant enhancement of supply chain management is a massive undertaking with profound financial impact on both the balance sheet and the income statement. Because this effort will not pay off overnight, management must carefully balance its long-term promise against more immediate business needs. Advance planning is again key to success. Before designing specific initiatives, successful companies typically develop a plan that specifies funding, leadership, and expected financial results. This plan helps to forestall conflicts over priorities and keeps management focused and committed to realizing the benefits.

3. Most corporate change programs do a much better job of designing new operating processes and technology tools than of fostering appropriate attitudes and behaviors in the people who are essential to making the change program work. People resist change, especially in companies with a history of "change-of the-month" programs. People in any organization have trouble coping with the uncertainty of change, especially the real possibility that their skills will not fit the new environment. Implementing the suggestions of supply chain management will mean significant change for most companies. The best prescription for ensuring success and minimizing resistance is extensive, visible participation and communication by senior executives. This means championing the cause and removing the managerial obstacles that typically present the greatest barriers to success, while linking change with overall business strategy.

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