Supplier Development Success Factors In Indian Manufacturing Practices
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Abstract
The purpose of this paper is to find out current supplier development practices employed by different organizations. The paper mainly focuses on supplier development, supplier development activities, programs, critical elements and beneficial moves by the buyer. Importance of relationship development and factors responsible for it along with current gaps in this field is discussed in brief.

INTRODUCTION:
Growing competition forces firms to reduce their cost with improved quality and service. However, traditional approaches have been limited to eliminating wastage within an enterprise. Another way has now opened up through supplier development. Cooperation with suppliers can make buyer more efficient and thus enable goods to be purchased at lower prices and also makes buyer to look for his core competency to remain more competitive. A growing body of literature suggests that a company will perform well if it collaborates with suppliers in new product development (NPD) and Supplier Development Programme [1].

The term “Supplier Development” was first used by Leenders (1966) to describe efforts by manufacturers (Buyer) to increase the number of viable suppliers and improve supplier's performance. More specifically, supplier development has been defined as “any effort by an industrial buying firm to improve the performance or capabilities of its suppliers” [2].

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Much of the supplier development literature focuses on the automotive industry either in the US, Europe, Japan or elsewhere and is performed primarily on large firms. This is especially true in the automotive manufacturing industry in view of the fact that in the automotive industry up to 75% of the cost of a vehicle comes from parts sourced from outside suppliers [3]. Hence auto firms cannot be competitive in the world market unless they deal with suppliers who share similar objectives and have the same level of performance. So to help suppliers to make them more competitive and efficient will automatically help buyers to become more competitive and efficient. Supplier development refers to an organization's efforts to create and maintain a network of competent suppliers. From a narrow perspective it can be defined as identifying new sources of supply where no adequate ones exist. However supplier development also involves a long-term cooperative effort between a buying firm and its suppliers to upgrade the suppliers' technical, quality, delivery, and cost capabilities and to foster ongoing improvements [4]. Simchi et al. (2000) in their book of designing and managing the supply chain-concepts strategies and case studies categorized levels of supplier integration as none, white box, gray box, and black box as per increasing involvement [5].

Due to increase in competition inventory reduction and staff downsizing many buying firms are sticking only to their core competencies which in turn provide solution as outsourcing a large part of the buying firms' activities. This results in additional responsibilities of various kinds such as managing inventory for customers, earlier participation in product development, producing near-perfect quality, delivering smaller lot sizes to narrowing delivery windows, providing steady price reductions and more on the shoulders of suppliers. Due to such additional responsibilities suppliers are now considered an extension of the buying firm's organization. Such a changing role of supplier is probably the reason why Laugen et al. (2005) identify supplier strategy as one of the emerging best practices of buying firm [6].

II. Literature Review

By understanding literature it has classified on the basis of supplier development process, supplier development programmes, supplier development activities, important factors identified for supplier development, beneficial move from buyer to remain competitive with starting what is supplier development.

2.1 What is Supplier Development?

Literature of supplier development activity is based on three widely used definitions. The first definition by Watts and Hahn (1993) refers to supplier development as “A long-term cooperative effort between a buying firm and its suppliers to upgrade the supplier's technical, quality, delivery and cost capabilities and to foster ongoing improvements”. This definition deals with long term commitment and relation between supplier and buyer and as per increase in relation and commitment. Improvement from supplier side will make supplier more efficient and capable and will give additional competitive advantage to buyer to become more competitive. This definition did not strongly mention that supplier development strategies need to be supported by both buyer and their suppliers. This dual relation was effectively described later by Krause and Ellram (1997) to extend the scope and purpose of supplier development. Second definition is often referred in the academic literature as “Any effort of a buying firm with its suppliers to increase the performance and/or capabilities of the supplier and meet the buying firm’s supply needs”. Here Krause and Ellram recognize that supplier development is intended to help the supplier to enhance its performance and/or capabilities for the sake of buying company. But here they did not mention about the time period i.e. it should be long term or short term or goal oriented. As per first definition supplier development is a long term strategy that is based on cooperation between the buying company and this is missing in second definition. A third definition defines supplier development as “Any activity a buyer undertakes to improve a supplier’s performance and/or capabilities to meet the buyer’s short-term or long-term supply needs” [8]. Based on the three definitions provided and available literature we can say that supplier development is “A long-term cooperative strategy initiated by a buying organization to enhance a supplier’s performance and/or capabilities so that a supplier is able to meet the buying organization's supply needs in more effective and reliable way which will give additional competitive advantage to buyer to become more competitive in market”. There are some problems faced by buyer from suppliers like current suppliers is not providing product that was demanded by buyer, suppliers are either not performing up to expectations or requirements, quality provided by supplier is not making buyer competitive, buyer is facing problem due to non availability of capable suppliers in market. For such problems there are mainly 3 solutions as follows.
دریافت فوری

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