

Understanding The Need of Supply Chain Management In Indian Manufacturing Industries

Sumer Singh¹, Naveen Virmani², Shelja³

¹ Associate Professor, Department of Mechanical Engineering, IIMT College of Engineering, Greater Noida,

² Associate Professor, Department of Mechanical Engineering, IIMT College of Engineering, Greater Noida,

³ Assistant Professor, Satyug Darshan Technical Campus, Faridabad

Abstract: The technology is changing at a very fast pace. It has become the necessity of each and every organization to change and update as per changing needs of customers. Today the customers want right product at right time. For this very reason, it has become necessary for the industries to change themselves and adopt latest technologies and methodologies to survive in the market. Supply chain management plays a crucial role in manufacturing as well as in service industries.

Keywords: Supply chain management, de-coupling point.

1. INTRODUCTION AND LITERATURE REVIEW

Supply chain management has gained great importance in the last few decades although it was important before also. Earlier, if we talk about 18th or 19th century, there was less competition in the market and customers were having less options to buy the things, but today there is excess competition in the market and customers can expect quality products and services at competitive prices. The ability for a firm to transfer knowledge across department, company, and global boundaries is a competitive advantage for many organizations in the 21st century marketplace (Fink and Holden 2005; Phan 2003). In particular, advances in information integration have enabled supply chains to reap significant returns to investment—some which include decreased order cycle times, increased agility to respond to customer demand, and increased firm

profitability (Gavirneni 2002; Hult *et al.* 2004; Kulp *et al.* 2004; Lee 2004; Li 2002; Liu *et al.* 2005). Managers continue to face hindrances to information integration. Some of the most mentioned hindrances are unwillingness to share information, inadequate technology and information systems, misinterpretation of feedback among chain partners, and lack of trust (Barratt 2004; Bender 2000; Janssen 2004; Kwon and Shu 2004; Lee *et al.* 1997; McCarter *et al.* forthcoming; Sterman 1989).

Ganeshan and Harrison (1995) has defined SCM as a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers. Lee & Corey (1995) stated that SCM consists of the integration activities taking place among a network of facilities that procure raw material, transform them into intermediate goods and then final products, & deliver products to customers through a distribution system. Christopher (1998) defined the supply chain as the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate customer.

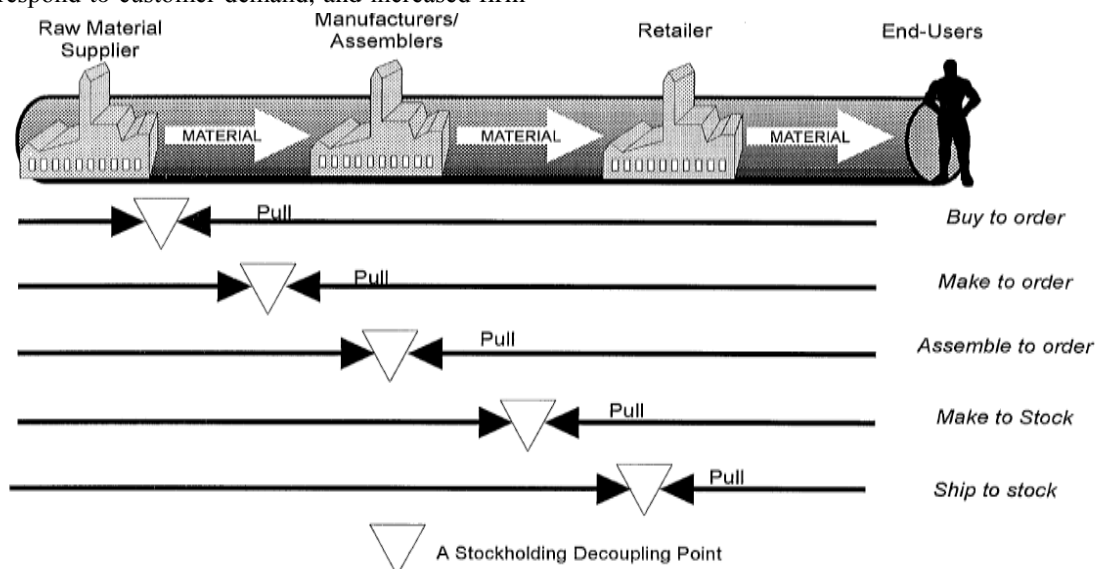


Figure 1: Position of de-coupling point

Novak & Simco(1991), "The supply chain management covers the flow of goods from supplier through manufacturer and distributor to the end-user".

2. IMPORTANCE OF SUPPLY CHAIN MANAGEMENT IN CURRENT SCENARIO

Inventory is defined as storage of raw material, semi-finished goods and finished goods. The inventories of different items like perishable items, fashionable goods are different. There are various probabilistic and deterministic models available and which tries to calculate Economic Order Quantity (EOQ). Naylor (1999), have suggested positioning of de-coupling at various locations in different manufacturing strategies like for buy to order positioning of de-coupling point is placed near raw material supplier and likewise de-coupling point is placed at different locations for other strategies also like for make to order, assemble to order, make to stock, ship to stock etc.

3. CONCLUSION

It is seen by literature reviews and in discussion with experts that supply chain management plays a important role in increasing the profitability of firm and increased market share and customer satisfaction. Supply chain management helps in complete strategic planning of procurement of raw material and transportation of raw material to the manufacturing firm at the right time and in right quantity and finally the distribution of finished products to the market or customer as and when desired. Supply chain management tries to save the capital which might be blocked in keeping the inventories. For this reason, companies are using JIT (Just in Time) concept which implies that raw materials reaches shop floor only when production is going to start.

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