

Chapter 12

Is Lean Supply an Option for SMEs in the Automotive Industry: An Irish Case Study

Paul Davis

Dublin City University Business School, Ireland

John Geraghty

Dublin City University, Ireland

Tony Lambert

Akzo Nobel Coatings, Ireland

ABSTRACT

It is widely claimed that the lean supply concept has enabled both buyers and suppliers to engage in collaborative relationships based on mutual dependencies and shared risk and reward. The concept has ultimately allowed both parties to engage in the collective identification and elimination of waste across the broad range of activities that determine the purchasing and supply process. The study ascertains the many internal and external challenges that MSMEs face when trying to achieve equitable amounts of value from the lean supply concept with larger, more powerful suppliers. Internal issues—such as limited purchasing spends, restrictions in the availability of resources, and an inherent fear and distrust of long-term commitment—limit the potential for small firms to embrace the concept. External factors such as power and dependency and a reduced ability to influence the larger players in the market also contribute to the difficulties for MSMEs.

DOI: 10.4018/978-1-4666-5039-8.ch012

BACKGROUND

This chapter is designed around the topic of lean supply and small firm procurement. The aims and objectives of this chapter are to illustrate from a study carried out in 2010 that focused on procurement activities of (MSME's) operating in the Irish automotive industry and that identified the potential for them to engage in a lean supply programme based on a series of pre-defined principles that are core to the concept. The Chapter aims to be representative of all sectors or categories within the industry and to ensure that any conclusions or inferences made cover all aspects associated with the Irish automotive industry in its entirety. It will serve as a useful case study for other organisations developing lean supply management systems.

Traditionally the role of purchasing was seen from a transaction-orientated perspective in its continuous focus on achieving the best possible prices whilst engaging in leveraged based strategies. In recent years the purchasing role has seen a transformation from a stand alone function focussed on short term transactions to meet the needs of other organisational functions to a value driven, cross functional and cross organisational business unit directly aligned to the strategies of the organisation. Both academics and practitioners are in agreement that procurement is now viewed as a key contributor of bottom line profitability and of significant strategic importance in its creation of value and sustainable competitive advantage. The ultimate success of the function lies in its ability to adapt a variety of strategies and operational processes such as the lean supply concept that will protect the organisation from outside influences that threaten the sustainability of the business.

Lean supply is a purchasing and supply concept derived from lean manufacturing which originated in the Japanese automotive industry and is primarily concerned with supply chain partners engaging in collaborative relationships based on shared risk and mutual destiny in order

to collectively remove waste from all purchasing and supply processes. The concept is based on the premise that organisations do not operate in isolation and very often form part of elaborate supply networks was the success of the network is ultimately dependent on the integration of the parties involved.

The potential risks and benefits of a lean supply chain are broadly discussed within the purchasing and supply literature were it is commonly perceived by many academics such as Lamming that a lean supply chain with strong collaborative inter-firm relationships can offer an organisation substantial competitive advantage over its rivals. Nellore et al, (2001) sees the move towards embracing the lean supply concept as a commitment by purchasing and supply personnel to move the function up the value chain ensuring that there is a continued focus on a sustainable contribution to the success of their businesses.

A fundamental question arises as to whether micro, small and medium sized enterprises (MSME's) have the same potential in adopting the lean supply concept. It appears that many procurement initiatives from a small business perspective are largely neglected in the purchasing and supply literature. This provides the author with the opportunity to investigate the purchasing practices of small businesses in a particular industry sector and whether there is potential for the implementation of the leans supply concept.

The importance of the micro, small and medium sized enterprise (MSME) sector in terms of its contribution to the Irish economy can be viewed through figures supplied by the Irish Central Statistics Office (CSO) which states that small companies employ 1.18 million employees which constitutes 55.9% of all employment in Ireland with medium sized organisations responsible for 291,700 employees making up a further 13.9% of total employment. Combined, this constitutes a total of 83.5% of all private sector employment in Ireland.

25 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/is-lean-supply-an-option-for-smes-in-the-automotive-industry/101412

Related Content

Process Excellence and Industry 4.0

Felipe Martinez (2021). *Research Anthology on Cross-Industry Challenges of Industry 4.0* (pp. 53-75).

www.irma-international.org/chapter/process-excellence-and-industry-40/276811

How Product Lifecycle Management (PLM) Creates Value: An Evidence-Based Look at the Aerospace and Defence Industry

Hadi Tolga Göksidanand Erhan Solakolu (2025). *International Journal of Applied Industrial Engineering* (pp. 1-18).

www.irma-international.org/article/how-product-lifecycle-management-plm-creates-value/368255

The Self-Regulatory Focus as a Determinant of Perceived Richness of a Communication Medium

Vicenc Fernandez, Xavier Armengoland Pep Simo (2012). *International Journal of Applied Industrial Engineering* (pp. 1-9).

www.irma-international.org/article/self-regulatory-focus-determinant-perceived/62984

An Analysis for the Use of Simulation Modeling in Reducing Patient Waiting Time in Emergency Departments (EDs) in Hospitals

Shailesh Narayanrao Khekale, Ramesh D. Askhedkarand Rajesh H. Parikh (2020). *International Journal of Applied Industrial Engineering* (pp. 52-64).

www.irma-international.org/article/an-analysis-for-the-use-of-simulation-modeling-in-reducing-patient-waiting-time-in-emergency-departments-eds-in-hospitals/263795

Heuristic Approaches for Non-Convex Problems: Application to the Design of Structured Controllers and Spiral Inductors

Rosario Toscanoand Ioan Alexandru Ivan (2014). *International Journal of Applied Industrial Engineering* (pp. 74-98).

www.irma-international.org/article/heuristic-approaches-for-non-convex-problems/105487