

Chapter 9

Supply Chain Management: Large vs. Small and Medium Enterprises (SMEs)

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ABSTRACT

Majority of research conducted in Supply Chain Management worldwide relates to areas of supply chain like, definitions, its frameworks and strategies, supply chain design, achievement of competitive advantage through its successful implementation etc. But, vast part of this research is limited to only large scale enterprises and very limited research is done in supply chain related to SMEs sector. Also, the strategies and frameworks of SCM that are developed for these large enterprises are found to be not suitable and implementable in small scale enterprises. This lack of research with special focus on SCM is more pertinent to Indian SMEs and its much more less in small enterprises belonging to manufacturing sector. It is found that most of the strategies of SCM applicable and implementable in large enterprises are either difficult to implement or SMEs do not view those strategies seriously due to lack of understanding, implementation feasibility and awareness. Thus, there are many differences in the way the SCM is viewed and understood in SMEs when compared to that of large enterprises. This paper focuses on these differences of SCM with reference to challenges and difficulties in implementations when compared with large enterprises with the help of literature review. It is found that there exists a huge gap in understanding, appreciating and utilizing the practices of SCM in SME sector. The research is limited only to the secondary data available in published national / international journals. It is identified that SCM can be a potential tool for competitive advantage, cost minimization and optimal decision-making, risk-sharing in SMEs also. The paper identified the gaps, challenges and opportunities for SMEs in the implementation of SCM.

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INTRODUCTION

Small and Medium Enterprises

As there is no standard way of defining an SME, it is defined in different manner by different authors and authorities. The important ones among them are definitions based on geographical location, size of the enterprise in terms of no. of employees, no. of products manufactured, supplier or OEM (Original Equipment Manufacturer), structure, volume of sales, worth of assets, type of ownership, adoption of technology etc. (Rahman, 2001). In India, the Industries Development and Regulation Act, 1951 (IDR), defined the small scale enterprises, but no formal definition for medium scale enterprises. The MSMED (Micro, Small and Medium Enterprises Development Act, 2006) defined medium enterprise as an enterprise which has investment more than Rs. 50 million but not exceeding Rs. 100 million in plant and machinery.

Supply Chain Management

Supply Chain Management (SCM) is defined by several authors in different ways. About 173 unique definitions of SCM are available in the literature. An encompassing definition of SCM was provided (James R. Stock and Stefanie L. Boyer, 2009) through a review of these 173 definitions in a systematic manner by analyzing the terms involved in each of these definitions. SCM is management of upstream and downstream relationships with suppliers and customers to deliver superior customer value at lesser cost to the chain as a whole (Martin Christopher, 1992)

SCM constitutes a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, and retailers, so that merchandize is produced and distributed in the right quantities, to the right locations, and at the right times, in order to minimize system-wide costs while satisfying service level requirements (Simchi-Levi et al., 2000).

Research Methodology

For the purpose of the study, a thorough literature review was done using the published articles in various national / international journals related to the study. The paper is organized into three phases. The first phase identifies the gaps, difficulties, challenges and obstacles in the implementation of supply chain practices in SMEs compared to the large enterprises. The second phase highlights the role and contribution of SME sector to the overall economic growth of any country. The third phase summarizes the gaps and recommends strategies for successful implementation of SCM.

SCM IN LARGE VS. SMES: GAPS AND CHALLENGES

Many studies were carried out related to supply chain management worldwide. Majority of these studies were focused on definitions, frameworks, supply chain strategies and design, achievement of competitive advantage through effective management of SCM etc. A thorough observation of literature reveals that majority of researchers have focused on supply chain management issues related to large enterprises. The literature review also indicates that predominantly the scope of the research was restricted to large

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