



# Critical success factors for implementation of supply chain management in Indian small and medium enterprises and their impact on performance

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**Abstract** Globalization of the economy, e-business, and introduction of new technologies pose new challenges to all organizations especially for small and medium enterprises (SMEs). In this scenario, successful implementation of supply chain management (SCM) can give SMEs an edge over their competitors. However, SMEs in India and other developing countries face problems in SCM implementation due to lack of resources and direction. Against this backdrop, this paper identified 13 critical success factors (CSFs) for implementation of SCM in SMEs and studied their impact on performance of Indian SMEs. Top management commitment, long-term vision, focus on core strengths, devoted resources for supply chain, and development of effective SCM strategy emerged as the most pertinent CSFs. To measure improvement in performance, the authors considered different measures related to customer service and satisfaction, innovation and growth, financial performance, and internal business. Results are analysed by testing research propositions using standard statistical tools.

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## Introduction

To effectively compete in the global market, small scale organizations should focus on improving the effectiveness of operational functions with effective supply chain management (Singh, Garg, & Deshmukh, 2010). Prior to the 1990s, Indian organizations operated in a protected environment.

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There was little competition even among domestic players. Business was driven by almost monopolistic strategies. However the deregulation of the Indian economy in the 1990s has attracted global players in every industrial sector and has unleashed a new competitive spirit in Indian organizations (Saxena & Sahay, 2000). Statistics reveal that India, the fifth largest country in terms of gross national product (GNP) and purchasing power parity (PPP) (World Bank, 1999) and a consumer base of over a billion (CMIE, 2000), constitutes one of the fastest growing markets in the world. India is also counted among the richest with regard to cheap skilled labour, scientific and technological resources and entrepreneurial talents. However, Indian small and medium enterprises (SMEs) find global competition very challenging (Singh, Garg, & Deshmukh, 2008a). To face competition in global markets, SMEs should have effective collaboration with their customers and suppliers, and should be competitive in terms of cost, quality, innovation, and delivery. Successful implementation of supply chain management (SCM) can play a significant role in meeting these challenges and SMEs should have an effective

supply chain strategy. Critical success factors (CSFs) of SCM represent a wide variety of strategies devoted to improving operational efficiency and competitiveness of SMEs. In this paper, the authors have identified 13 CSFs for SCM from literature (Table 1). The authors have further attempted to study the effects of the SCM initiatives taken by Indian SMEs on their performance. For this study, issues of performance have been considered based on the balanced score card method. The performance measures included are customer service and satisfaction, innovation and growth, financial performance, and internal business. Previous studies have not analysed the impact of CSFs on different performance measures in a holistic manner like the present study does. This paper has been organised as follows: The second section discusses the literature review and identification of CSFs. The third section discusses research objectives and methodology. The fourth section discusses the findings from the questionnaire-based survey. The fifth section discusses correlation and regression analysis for testing of research propositions. Finally, the sixth section discusses concluding remarks.

**Table 1** Assessment of critical success factors in literature.

S.No.	Critical success factors (CSFs)	References
1.	Top management commitment	Fisher (1997), Shin, Collier, and Wilson (2000), Arshinder, Kanda, and Deshmukh (2008), Singh et al. (2008c), Stanley et al. (2009), Sandberg and Abrahamsson (2010), Singh (2011), Singh (2013)
2.	Development of effective SCM strategy	Lee (2000), Cao, Zhang, To, and Ng (2008), Soroor, Tarokh, and Shemshadi (2009), Singh et al. (2010), Singh et al. (2012), Kumar, Singh, and Shankar (2014)
3.	Devoted resources for supply chain	Shin et al. (2000), Gunasekaran, Mcneil, Mcgaughey, and Ajasa (2001), Singh et al. (2010), Singh (2013)
4.	Logistics synchronization	Bowersox (1990), Simatupang, Wright, and Sridharan (2002), Thakkar, Kanda, and Deshmukh (2008), Singh et al. (2012), Kumar, Singh, and Shankar (2013), Kumar, Singh, and Shankar (2015)
5.	Use of modern technologies	Lee, Padmanabhan, and Whang (1997), Arshinder et al. (2008), Thakkar et al. (2008), Singh (2013)
6.	Information sharing with SC members	Ramdas and Spekman (2000), Ozer (2003), Stanley et al. (2009), Singh et al. (2012)
7.	Forecasting of demand on point of sale (POS)	Francesca et al. (2008), Arshinder et al. (2008), Marek and Malyszek (2008)
8.	Trust development in SC partners	Anderson and Narus (1990), Morgan and Hunt (1994), Sahay (2003), Bianchi and Saleh (2010), Singh (2013), Tejpal, Garg, and Sachdeva (2013)
9.	Developing just in time (JIT) capabilities in system	Gittel and Weiss (2004), Arshinder, Kanda, and Deshmukh (2007), Othman and Ghani (2008), Singh (2013)
10.	Development of reliable suppliers	Olorunniwo and Hartfield (2001), Petersen, Handfield, and Ragatz (2005), Othman and Ghani (2008), Singh, Garg, and Deshmukh (2008c), He, Zhao, Zhao, and He (2009), Kumar et al. (2013), Kumar et al. (2015)
11.	Higher flexibility in production system	Das (2001), Olhager and West (2002), Arshinder et al. (2007), Singh (2013)
12.	Focus on core strengths	Singh, Garg, and Deshmukh (2008b), Thakkar et al. (2008), Kumar, Singh, and Shankar (2012), Kumar et al. (2014)
13.	Long-term vision for survival and growth	Ganesan (1994), Morgan and Hunt (1994), Thakkar et al. (2008), Singh et al. (2012), Kumar et al. (2013)

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