

**Impact
Factor
3.025**

ISSN 2349-638x

Refereed And Indexed Journal

**AAYUSHI
INTERNATIONAL
INTERDISCIPLINARY
RESEARCH JOURNAL
(AIIRJ)**

UGC Approved Monthly Journal

VOL-IV

ISSUE-VIII

Aug.

2017

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A Study of Importance of SUPPLIERS in Management**Dr.B.R.Gadave**Head Dept. of Commerce and Management,
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Dist- Kolhapur. (M.S)**Abstract:-**

In today's global economy there are so many factors to consider when choosing and managing a supplier, that it can quickly become overwhelming. Thankfully, there's new technology out there that helps to automate and simplify the process, making it easy for you to make fast, informed decisions about your suppliers. And the results are impressive, companies focused on SRM lead their peers five to one in terms of value derived from their supply base. This research paper deals with the importance of suppliers in Management.

Keywords:- Economy, Supplier, Technology, Decisions, SRM, Management

Introduction:-

How well supplier performs this is the question in all fields of management. Sometimes he can cause you a real headache; making excuses and making stupid mistakes. So, besides controlling the purchasing processes, the organization is required to evaluate the performances of its suppliers in order to decide whether an improvement is needed. The organization evaluates and selects the suppliers according to their ability to supply goods. The organization determines the criteria for evaluation of supplier's ability to deliver goods to the processes. The evaluation indicates the status and quality of the supplier's performances. A re-evaluation has to be performed according to determined criteria after a period of time.

The following points must be noted:

- The organization should determine the criteria for evaluation the supplier's ability to supply the goods for various.
- The organization should determine important parameters related to the product that must be evaluated.
- Records of the suppliers' evaluation should be maintained and kept.
- The evaluation process generates for every supplier a grade or classification.
- A list of approved suppliers should be maintained.
- A re-evaluation should be performed to examine whether the supplier has improved over his last evaluation.

1.Company profile

One of the basic parameters for evaluation is screening the profile of the supplier company and the various factors to consider in screening a company profile are:

Ownership: Stability in ownership and willingness to invest in long-term view. A person needs to evaluate co-operations and joint ventures from a risk point of view. This indicates the long-term stability of the company.

Global ability : It is supplier's ability to support the Customer Organization within all the geographical areas where it's operation. The supplier's activities can contain all areas of manufacturing e.g. product engineering, industrial engineering, and production or delivery and distribution in a global context. For example, if a customer organization has factories around the globe; the supplier's ability to supply components and assemblies to all location is a major criterion to select a supplier for the customer organizations global sourcing commitments.

Dependency: The business volume given by the customer organization and the size and importance of the customer business will give an idea of how dependent the supplier is on the customer. The supplier's final customer's structure is also analyzed to see if the supplier perceives the customer organization as a serious one.

2.Management

The next parameter to consider is how the supplier company is managed and various factors to be evaluated in establishing the management credentials are:

Operations Management: The application of modern work procedures, e.g. cross functional teams, long-term business plans etc need to be seen. This indicates the robustness of the management of the operations.

Customer satisfaction: Do the supplier organization. Have effective procedures to monitor customer satisfaction? This helps in establishing a system and method of how the supplier will satisfy the needs of the customer organization.

Quality Work procedures: Does the supplier organization use any criteria for quality awards in their own quality development and deployment? Examples are Malcolm Baldrige national Quality Award etc. In evaluation these, the customer organization will come to know the importance the supplier organization places on quality.

Risk Management: Does the supplier organization have the knowledge and procedures in the field of risk management? Are they having any contingency plans, have fire protection and plans for environmental risks and administrative hazards; do they properly manage data and what are their data backup plans. These risk mitigation and risk assessment plans help the customer organization in identifying the various business continuing plans (BCP) of the supplier organization. These parameters help in establishing the readiness of a supplier organization to meet the various demands of the customers.

3)Environment: The current environmental regulation in most developed countries asks for an Environmental management System (EMS). An all round environmental focus will ensure the supplier treads a greener path and indicate the concern the supplier shows for a greener environment. One of the main indicators that the supplier is maintaining environments friendly organization is application and certification of Environmental Management System accredited to ISO 14001. Some of them have a company level Environmental assessment for their plant and also for the products and services offered by them.

4) Quality:

Quality is one of the main criteria in supplier evaluation. The quality of the product process, systems, facility and people drive the way the company works. Some of the major aspects in determining the Quality standards of an organization are.

Quality Planning and Part quality assurance: A well organized and applied procedure for quality planning including the use of quality methods like FMEA, capability testing etc ensures the quality health of the organization is maintained.

Quality performance of deliveries: The quality work will result in fault-free deliveries. Evaluation should be done partly on how set targets are met and the supplier's output related to best practices.

Reliability: Reliability is the quality performance of a vehicle (or product) in use by the end customer. Reliability is determined by warranty cost, failure frequencies, customer complaints, and service ability. The Reliability of the supplier product when used in a customer product will give a fair idea of how reliable the supplier is. For evaluation take in to consideration the supplier's existing clientele and product base and see the reliability history.

Problem solving: Formalized problem solving process with forecasting and evidence of process efficiency by a supplier ensures that he has problem solving system in place.

5.Logistics:

The application of a system for logistic management of incoming material, production control and distribution, which indicates his Delivery precision/Service level, is also the criteria for supplier evaluation. The Evaluation of the supplier's proved ability to meet requirements for on time deliveries and quantities establishes that he has robust logistics systems in place.

6.After-market support

If a supplier has design responsibility then the supplier's ability and willingness to support the customers with technical product documentation is one of the major criteria which comes in to focus for evaluation for Example take Service literature what we evaluate here is the supplier's ability to support concerning service and repair manuals etc. Co-operation and After market support is another major factor wherein the supplier's ability to give spare part provision over set time frames, keep good price stability and otherwise support the after-market work is evaluated. The length of warranty that the supplier has with the customer is also a major part in determining is after market support and presence.

7.Competence:

Competence is nothing but the level of usage of technology and skills in putting a new product, shop or workforce in to place. The major methods to effectively evaluate the competence and its areas are.

Product and industrial technology : Evaluation of supplier's total product knowledge, functional systems, Research and development and the industrial processes gives the customer organization inputs on the supplier's capability in technology. The internal competence in Product/Process development also should be considered in evaluating the Technology. This evaluation determines how quick a supplier will turnaround a new product development with the effective use of his systems and machines in manufacturing.

Industrial engineering: In evaluating supplier's standard in the areas of production means, production sites, equipment, machines, tooling and production control will ensure that supplier uses the latest technology by efficient means ensuring higher level of engineering competence.

Customer support and communication: Evaluation of supplier's ability to provide service and support and working relations, presence and speed of response will help the evaluator ensure the customer focus of the supplier.

Electronic communication: The suppliers' ability to use (send & receive) according to EDI standard and implementation is also evaluated to ensure the supplier organization is abreast with the newer information technology developments.

8.Product Development

Evaluation of a supplier in how good he is at product development and Engineering will ensure how quick he turnarounds a product the various parameters to be considered in Product development are.

Product development process and project support: Evaluation is done on the structure of product development including resources for research, product engineering, verification (testing) and validation.

Engineering experience: The supplier's documented experience within the branch, in the automotive industry, towards various customers etc is evaluated.

Product engineering technology: The application of modern technology, computer support (CAE/CAD) and developed communication lines are the parameters analyzed.

Prototypes: The ability of the supplier to provide prototypes according to desired time schedule. The Prototypes should also be of regular production standard.

Research & development: Evaluation of the resources for Research & Development in relation to total turnover. A higher spend need not be an indicator for a research focused organization.

Design changes: The application of controlled procedures including all necessary activities connected to design changes will indicate the design control process of the supplier organization.

9.Economy

Evaluating the economy of a company is a major task in itself it helps you determine how financially sound the company is and how are they utilizing the funds. It also helps you in determining the financial future of the company.

Financial Evaluation: Financial evaluation aided by annual reports and financial rating will tell the financial standing of the company.

Payment Terms: Evaluation of the supplier's payments terms tell you how good he is in rotating cash and how he operates his working capital. And it also gives a chance for establishing the Payment terms for the customer.

10.Productivity

How a firm drives his productivity will indicate the process and product control measures and improvements the suppliers have in place. The ability to drive an efficient rationalization of products as well as manufacturing and using methodology such as measuring of overall equipment efficiency, value analysis Production process improvement tools etc.

Cost targets: The cooperation of suppliers in setting up cost reduction targets and also monitors them for the targets provided by the customer organization.

Conclusion:-

Supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers.

In conclusion we could say that the SRM includes both business practices and software and is part of the information flow component of supply chain management (SCM). SRM practices create a common frame of reference to enable effective communication between an enterprise and suppliers who may use quite different business practices and terminology. As a result, SRM increases the efficiency of processes associated with acquiring goods and services, managing inventory, and processing materials.

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