

CRITICAL SUCCESS FACTORS FOR IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT IN INDIAN SMALL AND MEDIUM ENTERPRISES AND THEIR IMPACT ON PERFORMANCE

Ravinder KUMAR, Rajesh K. SINGH and Ravi SHANKAR

Globalization of 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) by organizations can give them an edge over their competitors. Small and medium enterprises in India and other developing countries face problems in SCM implementation due to lack of resources and inadequate directions. Against this backdrop, the authors identified 13 critical success factors (CSFs) for implementation of SCM in SMEs, and studied their impact on performance of Indian SMEs. Four research propositions were formed and tested in this paper.

In order to test the research propositions and for analysis of different issues related to SCM and performance, a survey instrument was developed. A survey was conducted among Indian SMEs from

different sectors such as the auto component, plastic, light engineering and electronics sectors from December 2010 to December 2012. A majority of the SMEs were located in semi-urban areas. All of them had investment in plant and machinery as per the definition of SMEs in India. A pilot survey of 40 SMEs was conducted before finalizing the questionnaire. The questionnaire was sent by post or e-mail for the final survey, but most of the SMEs for the pilot survey were contacted on a personal basis by making an appointment with the management. An annexure was given at the end of the questionnaire which contained guidelines for responses and terminology to avoid unknown bias. The questionnaire contained two sections: Section A focussed on CSFs for implementation of SCM in Indian SMEs and Section B focussed on different categories of performance measures based on the balanced score card approach, such as

customer service and satisfaction, innovation and growth, finance and internal business. In this study, executives were asked to rate the intensity of each attribute for their respective organization on a five-point Likert scale (1 – lowest, 5 – highest). About 1500 SMEs from all parts of India were contacted for the survey.

Of all CSFs, top management commitment, long-term vision for survival and growth, focus on core strengths, devoted resources for supply chain, and development of effective SCM strategy are classified as the most pertinent CSFs for the successful implementation of SCM in Indian SMEs. To measure improvement in performance, the authors considered different measures related to customer service and satisfaction, innovation and growth, finance and internal business. Results were analysed in the form of research propositions by using standard statistical tools.

INTERVIEW

INDIAN AGRICULTURAL COMMODITY DERIVATIVES MARKET: IN CONVERSATION WITH S SIVAKUMAR, DIVISIONAL CHIEF EXECUTIVE, AGRI BUSINESS DIVISION, ITC LTD.

Prabina RAJIB

India's agricultural sector has improved significantly since independence. India is now a major producer of many agricultural commodities, fruits and vegetables. In spite of its significant contributions to the Indian economy, Indian agriculture suffers from several weaknesses such as excessive dependence on monsoon, lack of adequate warehousing infrastructure and ineffective farm-to-market linkages, leading to low price realization by Indian farmers. With expanding export–import activities, the Indian agri-commodity market is increasingly getting integrated with the rest of the world. Agri-commodity prices are not only affected by domestic supply and demand, but several global factors also contribute to increased price volatility. During the last decade, six commodity derivatives exchanges have come up in India

to facilitate price discovery and to mitigate commodity price risks. These commodity exchanges offer futures contracts on metal and mining, energy, and agricultural products. Futures contracts on a wide variety of agricultural commodities are offered in these exchanges keeping in line with India's agricultural production and consumption diversity. However, Indian farmers' participation in these exchanges has been rather muted. Against this backdrop, Mr. S. Sivakumar, Divisional Chief Executive, Agri Business Division (ABD) of ITC Ltd. and the architect of ITC's e-Choupal initiative, shares his views on increasing farmers' participation in commodity derivatives trading, and also elaborates on ITC-ABD's commodity hedging strategies. ITC-ABD has been using Indian commodity exchanges to hedge price risks

of soyabean and soyaoil. In fact, ITC-ABD started hedging soyabean and soyaoil price risks at the Chicago Board of Option Trade (CBOT) and later started to hedge in Indian commodity exchanges. Mr. Sivakumar shares his views on several interesting issues such as: limited yet important role speculators play in making commodity derivatives market more liquid, the need for modifying the Agricultural Produce Market Committee (APMC) Acts to allow aggregators and corporate buyers to enter into forward or options contracts with farmers, the reasons behind ITC-ABD hedging only soyacomplex price risks though it also procures other commodities such as wheat and potato, and how hedging mitigates only the residual risks and supplements its physical operations of buying, selling and crushing soyabean.