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SYNOPSIS

INVENTORY TRENDS IN EMERGING MARKET SUPPLY CHAINS: EVIDENCE FROM THE INDIAN AUTOMOTIVE INDUSTRY

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Since a significant portion of world manufacturing is shifting towards emerging markets, there is a growing need to identify the drivers of production and operational efficiencies in these markets. In the current paper, we study the factors contributing to efficient inventory management in the Indian automotive Industry. We use a sample of 58 firms, consisting of automakers and auto component suppliers that we observe for a 14-year period following economic reforms in India. We first carry out a “tierization” exercise to identify various tiers within auto supply chains to identify

automakers, tier-1 suppliers and tier-2 suppliers. We then use fixed effects regression models to document trends in inventory holding over time and how this varies across inventory types and across tiers in the supply chain. Our results show that inventory holdings have declined differentially across tiers and across different types of inventories. We find tier-1 suppliers to be the best performers, who managed to reduce all components of their inventories at significant levels. Our insights from expert interviews indicate that while the TQM and lean efforts contributed to the

better performance of tier-1 suppliers, lack of diffusion of best practices caused the less than expected reductions in tier-2 suppliers. This is the first time an empirical study documents the trends in various components of inventory and across the supply chain, in the context of an emerging market like India. We believe our results are generalizable to other emerging markets and the best practices we identified in this study can be transferred to other manufacturing industries in India and elsewhere.

INVESTIGATING INDIA’S COMPETITIVE EDGE IN THE IT-ITES SECTOR

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India’s unprecedented success in a technology-intensive sector like IT-ITeS has attracted global attention. This attention led to development of models to trace out the factors contributing to the success. The models/frameworks attempted to club the factors under certain broad categories to frame a more generalized structure, capable of explaining the dynamics emerging from the interaction of the factors that ultimately resulted in competitive advantage of countries in software and allied sectors. The paper highlights the relative supremacy of Porter’s diamond model in ascertaining the technological

prominence of the Indian IT-ITeS sector by carrying out a “complex” application of the model that is “instrumental” in its attitude. To this end, the study adopted a longitudinal perspective so as to chart the progression of the industry from its humble beginnings in the 1970s to emerge as the top outsourcing destination in present times in accordance with the dynamic element of the construct. The dynamism that we attempted to incorporate in our study necessitated a unique classification of the factors, instrumental in imparting the competitive edge under the realms of the diamond. This unique classification not only

enabled us to unravel the attributes of the innovation-driven stage and thereby assert the existence of a fully functioning diamond, but also to ascertain the supremacy of the construct itself. In a nutshell, the study reconstructs Porter’s model in the context of the Indian IT-ITeS sector in a more systematic pattern based on a longer time horizon encapsulating newer sets of information. This may help managers and policy makers to have a better understanding of the industry dynamics. The study posits that the sector is likely to retain its technological prominence in the foreseeable future.