

CII's scheme helps small units cut inventory costs

'1000 VSME Programme' creates the template for a robust supply chain

OUR BUREAU

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The Confederation of Indian Industry's (CII) plan to create a template for a robust supply chain for India's small and medium enterprises (SMEs) and help them reduce inventory and costs appears to be bearing results through the '1000 VSME Programme'.

The programme has recorded an improvement in productivity by twice on average for Tier-1 manufacturers (which supply parts to original equipment manufacturers or OEMs) and 2.2 times for Tier-2 suppliers.

Reduction in inventory for participating companies is estimated at 85 per cent for Tier-2 outfits and between 58 and 62

per cent for Tier-1 players.

The number of participants, mostly from the automotive industry, has increased by 26 times — from 28 in 2010 to 752 as of September 2015. The target of 1,000 participating companies is likely to be achieved by next March, said the programme coordinators.

"It's a programme to create win-win relationships between players located along the supply chain. The main reason for sectoral inefficiency is a lack of trust and this programme helps improve that channel by helping reduce inventory and costs," said CS Patel, the programme's chief mentor.

Typically, the one year-long programme is divided into



monthly modules where only Tier-1 senior personnel participate. Theories learnt are implemented in its own model line after which Tier-2 suppliers are invited to learn from the changes achieved in the production process while engineers are also sent to demonstrate the process changes.

"Most training programmes are just a short-term exercise.

But in this case we keep working with new Tier-2 players every year. A community has been created for the programme where one player can learn the four or five different tools from the other to sustain the system," added Patel.

As of September, 32 such communities comprising 204 plants have been established.

"Within a short period, the

steps should evolve some tangible business results such as cost reduction. We found that in terms of delays in deliveries between Tier-1 and OEMs and Tier-1s and Tier-2s, the reduction was between 97 and 100 per cent," said Takeyuki Furuhashi, Director and Principal Management Consultant, Central Japan Industries Association (ChuSanRen).

Tier-2 suppliers form the largest number of participants, 614 at last count, with roughly one-third being suppliers to automotive parts giant Anand Group which ran the programme's pilot project. Tier-3 suppliers also began participating since 2014 and 54 players are currently being trained.

India's SMEs employ close to 40 per cent of the workforce and contribute 17 per cent to the GDP.