Purchase and Supply Chain

Case Analysis – Tata Motors

# Introduction

Supply chain management (SCM) is one of the most critical aspect of an organisation that has considerable influence on its efficiency (Ray, 2010). SCM not only has abilities to support companies for improvising their financial abilities but also gain competitive advantages in areas that are non-financial in nature but are related to consumer gratification and preservation. It is with the help of effective supply chains that companies are in a position to deliver value to their target customers which results in organisational profitability as well as development of goodwill within the market place (Manuj & Mentzer, 2008). For companies operating at a global scale the supply chains are intricate and complicated and thus a study of the same is interesting.

This assignment has been taken up in order to critically evaluate the supply chain management and purchasing management undertaken by a large-scale company. The company chosen for this assignment in Tata Motors which is a company of Indian origin and a part of Tata Group but has global presence. It is more present in more than 175 countries (Tata Motors, 2017). The company operates the automobile sector dealing in both commercial and passenger vehicles like cars, value vehicle, bus, truck and defence vehicle. Tata Motors came to existence during the pre-independence era that is in 1945. Today it is USD 42 billion USD company with an employee base of 60,000 people (Tata Motors, 2017). The organisational culture is developed on the concept of sustainability and societal benefits. Tata Motors is dedicated towards innovation for which it has research and development centres in countries like India, the UK, Italy and Korea (Tata Motors, 2017).

The supply chain of Tata Motors is being analysed covering two major aspects that are buyer-supplier relationships and supply chain risks. This is done in order to determine the loopholes in the same and issues to which the company is exposed to. Based on the issues identified recommendations are proposed at the end of the study.

# Literature Review

## Buyer-Supplier Relationship

The relationship between buyer and supplier in the service industry was explicated by Paiva et al. (2008). They stated that trust is imperative for the relationship between buyer and supplier. This is because of the fact that purchaser stereotypically procures a service before experiencing it. However, once the first experience takes place, belief and faithfulness can be established through the association between the parts. On the other hand, the give-and-take of personal info is somewhat common in exports. In this way, the indispensable belief may lead to a greater level of obligation amid buyer and supplier.

In the subsequent year, Serrão & Dalcola, (2009) pointed out the influence of relationship between buyer and seller on manufacturing flexibility. They advocated that buyer-supplier associations can impact outside magnitudes of engineering litheness and business performance. They also avowed that sharing of information, supplier development, combined merchandise development and faith/assurance are the four aspects of buyer-supplier relationship. And these aspects have a bearing on the three outside magnitudes of manufacturing flexibility namely novel merchandise, capacity and mix.

A few year later, Meryem (2011) studied the consequence of transactional and social governance systems on resourcefulness provoked by the buyer supplier association. Apart from this, they also threw light on the history of buyer seller relationship stating that the association between the purchaser and the seller was of little duration with official transactional arbitrations in western markets during the period 1960-1970. However, the trend of collaboration between them was observed after 1990. And this paradigm change generated many modifications in organizations.

## Supply chain risk

Supply chains raise a specific risk to businesses over and above handling risk from inner delivery. Handling risks in supply chains embraces dealing with the risks of dealers going out of trade in downturns, or having trouble in receiving the right supplies or workforce in the course of financial bangs (CIPS, 2009). In the second excellence, consequences and monetary factors can all be under anxiety and necessitate ordering. Moreover, risk cannot be handled without being gauged (CIPS, 2009).

Neiger et al. (2009) talked about new sources of risk which existed due to intricate systemic character of the supply chains. They also identified the necessity to lessen the amplified level of supply chain susceptibility in the field of supply chain administration. Moreover, in this study they also proposed an innovative value-focused course manufacturing approach for procedure-based supply chain threat detection with an intent to improve amplify worth to supply chain associates and to the entire supply chain.

A report by PWC, (2009) pointed out that supply chain risk involved in the pharmaceutical companies. It was observed that supply chain distractions are most probable in ambiguous financial period. The report stated that as the ripple effect of dwindling universal economy extend through the supply chains of pharmacy companies, the potential of gushing commercial let-downs endangers to disturb merchandise development and distribution. In addition to this, an industry may devastate by the failure of the supply chain. The supply chain risk also incurs direct and indirect cost. However, the assessment of supply chain risk pays off in shortened injuries to capitals and status by empowering businesses to deal with prospective supply chain disorders proactively.

# Analysing Buyer Supplier Relationships in Tata Motors

The suppliers form an essential part of the supply chain of Tata Motors and thus management of relationships with then is very important. Within the automobile industry in India the supplier-buyer relationship has three major aspects. They are selection of suppliers, supplier development and assessment of performances of suppliers (Kumar & Rahman, 2016). The same has been discussed for Tata in this section.

**Supplier Selection**: When it comes to selection of Suppliers the company has very stringent policies. To be an authorised supplier to Tata Motors the vendors need to abide by Code of Conduct as specified by the company. They also need to resort to strict quality policies for being selected as a vendor for Tata Motors. The company has its own World Class Supplier Quality (WCSQ) that has been designed and developed by Supplier Quality Management Systems (SQMS) of Tata Motors in order to support the company in its process of supplier selection (Kharkar & Kadam, 2016).

**Development of Suppliers**: Tata Motors launched the Horizonext strategy which is a customer-concentrated approach for providing segmented products and services to delight them and gain competitive advantages (Tata Sons Ltd., 2013). In order to achieve this strategic mission, Tata Motors has provided expansive support and undertaken large scale developmental programs for its suppliers ranging from training and development to certifications of their relationships (Kharkar & Kadam, 2016; Mohile, 2015). The WCSQ also provides for varied approaches that is embarked upon by the company to develop its suppliers for continual procurement of quality materials and have sustained relationships (Kharkar & Kadam, 2016).

**Performance Assessment**: Tata Motors has a policy of zero-tolerance towards suppliers who indulge in quality malfunctioning or fail to supply materials of specified quality to the company (Mohile, 2015). In such circumstances, the company holds the authority to revoke its contract and relationship with such vendors. In order to ensure quality parameters are meet the performance of suppliers is assessed through pre-audits and audits conducted by teams chosen by Tata Motors (Kharkar & Kadam, 2016).

For supporting effective relationships with its suppliers, Tata Motors has also design integration programs for example ‘One Part One Vendor’ mechanism (Bhattacharya et al., 2014). Through this approach the company to a larger extent has minimised number of suppliers serving the company by integrating them. These suppliers are integrated with producers of related materials and thus has formulated unique supplier base for differing vehicle models.

## Findings

* The buyer-supplier relationship as designed by Tata Motors is very effectively managed through deployment of an array of strategic approaches that focus on quality control.

# Analysing Supply Chain Risks of Tata Motors

Tata Motors has been meticulous in developing their supply chains but irrespective of dedicated efforts these chains are subjected to risks that might arise due to internal or external factors.

The external environmental factors to a larger extent have a strong implication on working of Tata Motors. This is clear from the case of Singur wherein the supply chain as planned by Tata Motors for its innovative product line that is Nano was subjected to labour as well as legal issues (Akhtar, 2013; Viswanadham, 2009). Though the setting up of a plant in Singur, West Bengal was a well-crafted plant the company was left at the utter mercy of political parties who fought legal battles and ruled the company out of the state. Tata by time it lost the case to West Bengal’s opposition party in the year 2009 had already invested large amounts valuing approximately 1800 INR in setting up the factory in Singur (Akhtar, 2013). Singur was chosen considering the abilities of the location to support supply chain related linkages both forward and backward (Viswanadham, 2009). But the decision proved to be a complete disappointment as the company had to pull to pieces the entire set up and shift to Gujarat.

In another instance, it was observed that the supply chain of Tata Motors is exposed to external factors. The supply chain is exposed to risks like natural calamities and hazards as was experienced by Tata Motors in the year 2011 after the earthquakes and tsunami occurrences in Japan (Press Trust of India , 2011). The Jaguar Land Rover (JLR) subsidiary of Tata Motors present in the United Kingdom (UK) was exposed to disturbances within the supply chain which resulted in postponement within supply chains both at the end of procurements and deliveries thereby making it unproductive for the company as a whole.

Irrespective of being a large-scale organisation having a presence for more than 60 years Tata Motors is still struggling with cost issues to which the supply chain is exposed to. Tata Motors has 7 production units established in India (Ramanathan, 2015). The supply chain is based upon a supplier network of more than 1,000 vendors (Ramanathan, 2015). A management of this scale of suppliers is very challenging. Failure of supply chain even in the minutest area may bring the entire production system of Tata Motors to a standstill resulting in huge organisational losses. This also create issues related to logistics of Tata Motors. Further inefficiencies in the supply chain might result in higher costs of packaging and transportation (Ramanathan, 2015).

## Findings

* Singur Case is a clear example of how Tata failed to consider the supply chain risks related to societal pressures which might have negative bearing on organisational working.
* With increasing competitive pressures, such increase in costs might serve as competitive disadvantages and thus push Tata Motors down from the leadership ladder. This raises strong risks for Tata Motors which needs to continually take measures to ensure that logistics issues are resolved in a proactive manner.
* The supply chain of Tata Motors is volatile and is exposed to not only risks arising within the nation but also those occurring across the globe.

# Recommendations and Conclusion

Based on the above analysis of Tata Motors the following recommendations are put forward to overcome issues faced with regards to its supply chain. Firstly, it is important for the company to pursue appropriate planning and identify all potential risks that might have a negative implication on its working. The company should consider all rules and regulations and forecast happenings like natural calamities. Tata Motors should have contingency plans for dealing with such issues in future so that minimum aftermaths are faced at a financial level and there are no bottlenecks in its supply chain.

Further it is recommended that it should continue with the strategic approaches adopted for managing buyer-supplier relationships thereby to continue to procure quality materials from them. Also it is advised that Tata Motors should continue to integrate its supply chain with modern technologies so that maximum benefits are derived ad practical decisions are taken in a proactive manner. It should focus on sustained development and growth so that it can continue to lead within the industry not only in India but also in global arena.

# Self- Reflection

From this study, I got a stronger understanding of supply chain and its related aspects as I was able to develop a link between theories and their practical application. While developing this study I realised that I am not very good at presenting the reports to justify my flow of information. Thus, developing a proper assignment format was and communicating my thoughts were a major challenge for me. Though I was able to procure all the information about the topic concerned through deliberate study of varied secondary sources. The layout guidance provided to us during the course work was of great help as it guided me to determine the pattern of the study and thus channelize my thoughts in the right direction.

For successfully completing this study I spent hours in college library and over the internet for exploring quality information. Thus, I resorted to an exploratory research technique using the case study method. The completion of this project within scheduled time was another challenge that I needed to meet. For ensuring timely completion I on availing the coursework first developed a time schedule for task completion. This helped me to not only manage time but also overcome stress that might have occurred in case I failed to meet delivery deadlines.

Overall it was a great learning experience for me.