

OEM UPDATE

For Efficient Manufacturing

How OEMs benefit from the digital thread

An overview on how OEMs are getting benefited by today's emerging IT platforms such as IoT, IIoT and Industry 4.0

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How E&CE manufacturers can make the most of MSMEs



Experts from the industry speak on how E&CE manufacturers can optimally, to the maximum utilise MSMEs

E&CE OEMs usually outsource their input for their final product. Traditionally they have made their best from outsourcing to dedicated and quality supply chain of MSMEs, who are dedicated professionals in delivering, right quality in right measure at right time. OEMs and MSMEs are two sides of same coin and conventionally latter is considered as partners in the growth.

There is an increasing appetite among larger OEMs to drive innovation through collaboration with smaller businesses. 'Open innovation' encourages organisations to look outside to develop new products, services and revenues, innovatively and often at lower cost. It provides good opportunities for the more specialised small and medium firms with the result that they can share risk and reward with their corporate partner, who benefit as they need to sustain a minimum level of growth to satisfy shareholders, which becomes more difficult the bigger they become. This is partly because operating at scale leads to risk aversion, but also inflexibility and homogeneity that inhibit innovation. So innovation comes increasingly from outside

i.e. from customers, suppliers and non-competing partners.

OEMs have capital and access to markets and customers, whilst MSMEs are often more agile and innovative and can provide niche products or services. By bringing these elements together, OEM and MSMEs are well placed to work together through commercial relationships and collaboration through efficient supply chain.

"A MSME's strength in a supply chain is often its ability to provide a specialist product or service. This positions MSMEs as problem solvers and as small but significant players in terms of their value to the prime client," says M Sankaranarayanan, President, RSB Transmissions (I) Ltd.

Sankaranarayanan also adds that a key advantage of being small or medium in the commercial relationships is a great access to markets. Supply chains create a way in for small businesses and use the opportunity to build capacity and reputation in a sector besides significant improvements in productivity, quality and performance. Large business has

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the advantage of experiential mentoring to MSMEs and creates a great feel of working with giants. The insistence on high quality standards improves quality in supply chain and leverage in partnering.

Partnering with MSMEs has taken giant leaps with many OEMs setting up Vendor Park for dedicated supply chain. Also for bigger OEMs, working with smaller innovative businesses can create a buzz around their brand, as well as providing creative and entrepreneurial opportunities for staff.

Jasmeet Singh, Head – Corporate Communications, JCB India Ltd feels, "The overall essence of 'Make in India' program is actually towards the MSME sector only because that is going to be the key drivers for 'Make in India' as well. As far as the contribution of the MSMEs goes and the opportunities which the MSMEs get are exceedingly important because the MSME sector itself is a job creator as they form the backbone of the supply chain so any company which is looking at manufacturing in India will have to have an Indian supply base just like JCB."

JCB has got almost 385 different suppliers

and they contribute to the supply chain of the company. Many of them have grown along with the company and have been with JCB for over more than 35 years and many of them since day one and now the second generation is also coming to the picture.

The MSME sector or the supply chain which India presents is extremely healthy and that is exactly the reason why the Prime Minister inviting the rest of the world to come and start manufacturing in India.

The supply chain got two sides – one end there are dealers, the other end suppliers and in the middle there is JCB. So we are talking about manufacturing supply chain of which is basically the MSME sector and that is where we have got our suppliers. So when we say JCB manufacturers, it is not that we manufacture each and every component ourselves, we buy those components from the companies who are small and medium scale company and they would ultimately manufacture JCB designs, JCB quality standards. We have got some very stringent supplier standard, infact when we induct the supplier in India, that supplier is validated to supply to any JCB factory across the world. So that is the background with which

JCB operates MSME developmental year," explains Singh.

Singh feels that there are various opportunities in India in the construction and earth moving industry which is employed to grow to a 5 million USD by 2020 as per the feedback received in EXCON 2015.

As markets grow and opportunities increase local manufacturing will become innovative. So therefore, these companies who have now set up shop in India will require some sought of a supply chain and that is where the opportunities lie for MSMEs in the industry. There is an increased focus on qualities, all manufacturers reputed would not like to compromise on quality. Customers today too are equally demanding of what they want in a product. These MSMEs and these companies who are now associated with large scale to up their game and that is where investment in technology comes into picture.

The large scale companies are supported by thousands of small and medium scale companies which support the supply chain, which is where their importance becomes very critical. ■