

Chapter 12

Service Quality in Supply Chain: A Case of Indian Automotive Industry

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ABSTRACT

In manufacturing industries or the supply chain, very few attempts have been made in the past to measure service quality or to test the linkages between service quality with supplier's satisfaction and loyalty. Thus, to fill the existing void in the literature, an attempt has been made to conceptualise a model proposing linkages of service quality with supplier's satisfaction and loyalty in the supply chain of automotive industry. The research design for this paper includes a combination of literature review and a survey of 220 and 170 practitioners from four and two automobile manufacturing companies located in Northern India and Western India, respectively. Structural Equation Modelling Techniques (SEM) has been used to examine the relationships among the variables and to test the goodness fit of the proposed model. Set of propositions related to model was empirically tested at supplier-manufacturer dyad and with an optimum fit of model, found that the data fits the model.

INTRODUCTION

The economic growth of a nation largely depends on three sectors, namely agriculture, manufacturing and the service sectors. In the Indian context, higher dependency and correlation has been found between the manufacturing and the service sectors. As it has been very rightly observed by Gupta and Singh (2012) that "It is very easy to calculate the loss due to poor sale but it is very difficult to calculate the loss due to poor service quality". One of the manufacturing sectors that is on the verge of a revolution and is predicted to become the global hub is the Indian automobile industry. This has happened as all the leading automobile manufacturers of the world have set manufacturing facilities to serve the local market and expand their reach globally. In order to accomplish their targets and to have better competitive advantage the Indian automobile companies have taken lead in adopting supply chain management

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practices. The reason behind this as sighted by Christopher (1992), is that supply chains compete and not the companies. Also, it has been widely accepted and observed that increase in satisfaction of each member of supply chain can be brought about by only putting aside the traditional arms length relationship and developing closer partnership type arrangements. In developing such type of relationship, service quality has been recognised as an important tool. Also the relation of service quality with improved supply chain performance has been well accepted (Chow et al., 1994; Kearney, 1994; Mentzer et al., 1999, 2001; Pery and Sohal, 1999; Stanley and Wisner, 2002). In the context of supply chain, it is also evident that service quality not only has impact on suppliers, distributors, customers and employees but it also affects the overall business and growth of the organisation.

However, despite this universal recognition of the importance of service quality in supply chains, according to Nix (2001), this area has been little researched. Therefore, this paper attempts to address the need for more empirical based research into the experience of service quality between the business to business customers (manufacturer–supplier dyad) specifically in the context of Indian automobile industry.

The Indian Manufacturing Industry

The manufacturing industry in India has grown over the years and has been mechanized in such a way to enable economic growth, increase output and face firm competition from the global players. It also holds today the key to unlock many socioeconomic challenges of the Indian sub-continent. Studies conducted on the manufacturing industry have concluded that India has a working population of 75% (Umamaheshwari, 2014). Of these, only 600 million have acquired education till middle school level. Thus, in India, the manufacturing industry, is labor centric as it offers a good option for the semi-literate/ lesser educated employment seeking multitude. The manufacturing industry's success can be seen as one of the key components of growth in Asian economies. Studies have indicated that the Productivity of the manufacturing industry in India is approximately 1/5th of the productivity in the manufacturing industry of United States of America (Umamaheshwari, 2014). However, comparatively, performance of manufacturing industry is far different from service industry. In manufacturing industries the product delivered are tangible and the level of quality expected are very much based on the perceived level of expectations of the specific customers (Umamaheshwari, 2014). Umamaheshwari (2014) argues that the pursuit of the growth and success depends on the external service performance that comes from the quality of services that are provided internally within the organization by various distinct but linked units like design, operations, procurement, HR etc.

The Fast Growing Indian Auto Component Industry

The Indian Auto component Industry is undergoing raging changes and is constantly influenced by current economic, political and social conditions prevailing in the country. With unprecedented options available to customers, the demand of the customers is only spiraling –putting pressure on Tier 1 and 2 Suppliers. Borders only on the map, the customer value can hop from one supplier to another. This is forcing units to innovate not only their products but their production process as well (Umamaheshwari, 2014). This dimension dictates a self-imposed discipline amongst functions in an Enterprise. Openness, leadership styles –without upsetting the equations of individuals and teams are considered vital in daily management (Umamaheshwari, 2014).

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