The need for vendor development programmes to increase the efficiency of the automotive industry in Pakistan

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Abstract

Although there is always a need for further development in business models and industrial organisations via gradual improvements in their operations including production activities, warehouse management and supply chain management, it is quite obvious that from the present rise in inflation, a gap between the employees and the employers has been observed in the automotive sector due to a lack of vocational training or vendor development programmes causing uncertain attributes. The study aimed to highlight the significance of vendor development programmes in the automotive sector along with hindering factors and uncover the impediments that do not allow the encouragement of vendor development programmes in the said industry in Pakistan. The methodology for this research is qualitative, which will take the best measures by collecting the data from the vendors, especially from the operations department as this department is having deep insight and core knowledge about the organisation. The study concluded that financial constraint is the major factor that limits vendor development programmes in the automotive industry of Pakistan.

Keywords: Automotive industry, training programmes, vendor, vendor development programmes;

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1. Introduction

Among all the industries that are pushing themselves toward meeting the technological needs of their customers, the automotive industry holds no difference. Ever since the inception of the automotive industry, there have been countless sets of innovations that have led the modern demand and supply chains. Even though the recent rise in inflation and recent gaps between employers and employees, the automotive industry is seen to have a lesser impact owing to the nature of disruptive measures, moving towards sustainability (Dutta et al., 2022). The two main stakeholders in the automotive industry can be categorised under the wide category of an OEM that assembles and manufactures the vehicle inside of its facility while the vendors industry in this sector provides the necessary parts needed for overall functioning within the vehicle mechanism.

Vendor selection and evaluation have become crucial factors in the automobile industry's current highly competitive environment (Abbasi et al., 2015). Procurement costs account for a significant portion of the total cost of the completed automobile. Consequently, OEMs and Tier-1 businesses must negotiate the best and most consistent deals with their suppliers. Therefore, vendors play a significant role in accomplishing the goals of supply chain management in the automotive industry (Imam et al., 2015). Looking back at the automotive industry's history, people with vast experience and knowledge regarding growth and development and applying up-to-date techniques have succeeded. However, being volatile, the OEM-vendor coordination needs to grow in a continuum so that the industry can witness an overall shift towards advancement and upgraded research.

Among many success factors, innovation is regarded as one of the top factors that bring substantial success. As for achieving product excellence, innovation is crucial (Khan & Nicholson, 2015); similarly, marketing the product utilising innovative methods holds equal importance. It can be achieved through training programmes that impart vendors’ innovative communication methods and influential industrialists (Ahmad, 2012). With the help of training programmes and the latest skills, they can motivate industrialists and significantly impact their buying behaviours. Examining the history of the automotive industry, it can be seen that those industries that have opted for innovative methods and modern techniques have achieved great success (Sawar & Ishauqe, 2016). Although the vendor development programmes had been running previously in Pakistan because of the initial manufacturing phases in the industry, the rising process and demotivation of the local economy have led the industry to diminish this activity over time. Or even if the market leaders are practicing these exercises, the outdated models did not empower the local community of labourers to the extent that they should be.

For example, Audi and BMW, in various automotive industries, have gained success based on their expertise and experience. With technological advancement, awareness among people has also enhanced, resulting in great competition. Therefore, to compete in the current scenario, it has become essential to organise vocational training programmes to flourish the vendor industry to lead to fruitful advantages. Examining the automotive industry of Pakistan is still in its struggling phase. Some many milestones and flaws are moving in parallel to take the industry further so that it can contribute positively to the economy of Pakistan, for which the industrialists are heavily dependent on government policies. It also contributes considerably to the economy of Pakistan. Also, this industry depends on the manufacturing and performance of labour in the automotive industry. Training programmes will help these labourers enhance their performance and skills, which ultimately flourishes trade after eliminating barriers (Rasheed et al., 2017).

There are several reasons which hinder the growth of the automotive industry in Pakistan. One such issue incorporates a lack of adequate training programmes for vendors that equip them with the latest trends in the automotive industry. As global automotive practices continued to adopt new technologies, the availability of cheap labour contributed as a way for many conventional assemblers to
move away from the adoption of innovation (Alsabahi et al., 2021; Köchling & Wehner, 2020). Innovation is one of the critical factors that lead to growth and development; therefore, the automotive sector of Pakistan needs to look into those factors that impede development programmes. The research helps to realise the importance of vendor development programmes. It highlights the common factors that hinder the establishment of training programmes. The automotive industry of Pakistan is thriving with each passing day; hence, it has become mandatory to focus on training programmes.

Emphasising skill development programmes for low-wage workers in the automotive industry of Pakistan would be an understatement. While the industry itself suffers and witnesses an abrupt rise in prices with a lack of updated facilities, such programmes contribute as a long-term investment for the industry toward growth. This is also impactful to create a social programme for such low-wage labourers who can move towards financial sustainability by undergoing such developing exercises (Chen et al., 2023).

Training vendors will enhance their skills and reduce the communication gap between vendors and industrialists, thus increasing the selling power of the automotive industry in general. These training programmes will eliminate all the impediments in their way and will ensure the substantial success of the automotive industry (Ahmed & Omar, 2019). As a result, the automotive industry of Pakistan will prosper in the international markets. And there might come a day when a Pakistani vehicle manufacturer could be a global supplier just like Pakistan has been embedding international distribution. This can also help labourers from such prone backgrounds gain exposure to global automotive practices, bringing back those skill sets to Pakistan once they complete the vendor development programmes.

Likewise, educating vendors through developmental programmes will enhance their knowledge about the latest methods and designs, which, in turn, positively influence their industry (Arinaitwe, 2021). This does not limit to only technical skills but the fact that it will greatly be helping the assemblers and manufacturers have better resources to solve problems with precision and expertise. Hence, by providing motivation, appropriate incentives and required knowledge, the automotive industry can impart new and up-to-date designs, which will lead them to a competitive advantage not only within the region but from the global perspective as well.

1.1. Purpose of study

This research examines the factors that hinder vendors from attending vocational training programmes in Pakistan. The result is due to the financial impediments present in the automotive industry. However, several platforms can be initiated with the help of the government of Pakistan, which will effectively transform the automotive industry of Pakistan (Qadir, 2016). Therefore, this research looks for the factors in which vendors do not get adequate training. It is done with the help of interviews taken by the leading vendors. This will help better understand their viewpoint, needs and requirements, resulting in a more significant communication gap between vendors and industrialists, thus negatively affecting the automotive industry (Imran & Khan, 2015).

Additionally, the research looks into the role of vocational training on the vendors' behaviour, selling abilities and overall lives. Lastly, with technological advancement, more and more industries have been developed, along with several new products. Likewise, the role of vocational training through export and production is scrutinised (Dweiri et al., 2016). A great communication gap has been built between vendors and industrialists due to a lack of proper communication. After acquiring a degree from a highly renowned institute and gaining excellent grades, these labourers cannot communicate appropriately with the industrialist. It is because they are not given any practical knowledge regarding the field. As a result, a considerable gap is built between the vendor and the industrialist.
This gap continues to grow, negatively affecting Pakistan's automotive industry. Special attention is required by the government and other linked authorities to minimise this gap so that the automotive industry of Pakistan can prosper and stand among the leading automotive industries of the world. On that account, the current thesis provides an in-depth study regarding the automotive industry and issues that hinder its growth. It details all the obstacles faced by the vendors due to the lack of adequate training programmes with the help of real-time data. It explores and scrutinises the need for vocational training and the issues that arise due to its absence. Lastly, the research highlights the importance of technological development, which helps to initiate the best vocational programmes for the vendors' training that will help to grow the automotive industry at full pace.

1.2. Literature review

Pakistan is home to many automotive assemblers and vendors (Sawar & Ishauqe, 2016). From rubber parts to sheet metal components, Pakistani vendors have been on the front to provide the best quality to the OEMs to meet the consumer demand of the OEMs. However, with that being said, the industry has also gone through extensive cycles of upgradation and growth that have helped in flourishing the state to its current situation.

Pakistan was opened to globalisation shortly after it had begun, and it quickly became a popular market, particularly for the production of automobiles and car parts (Sawar & Ishauqe, 2016). For new markets, a variety of new vendors are available. To address this complex problem of technology transfer, joint ventures and collaborations that required significant resources were formed. As an alternative, this led to a huge range of new vendor development for the manufacturing of vehicle parts. MNCs set up certain criteria for vendor analysis, such as evaluation, selection and ranking, which are the process of finding the right vendors who can give the buyer the right quality products and/or services at the right price, in the right quantities and at the right time. This is crucial in meeting the fluctuating currency rates and a drop in the local economy as well. Nevertheless, based on the rising availability of vendors and tight competition, it is necessary to make the overall industry technologically competent.

Supplier development is described as ‘a long-term cooperative effort between a buying firm and its suppliers to update the supplier's technical, quality, delivery, and cost capabilities and to stimulate continual improvements’ by Watts and Hahn (1993). Quality, pricing and on-time delivery were thought to be the three most significant factors in the automobile business, according to Dweiri et al. (2016). The consistency of project managers' control over project integration, scope, schedule, cost, quality, resources, communications, risks and procurement has been highlighted by certain scholars. The others will typically suffer if the manager is unsuccessful in managing one of these areas.

It is widely acknowledged that choosing a vendor has evolved into a strategic choice that affects the company's long-term success. An increasing body of research points to the benefits of supplier collaboration in new product development and supplier development programmes for a company's performance. Cormican and Cunningham (2007) evaluated suppliers based on factors like quality, total cost and on-time delivery while working on performance evaluation in a sizable international firm. According to Qadir (2016), supplier development initiatives aid in the expansion of a supplier's capabilities, frequently with the help of a customer.

According to Sanders et al. (2011) investment by buyers in inter-organisational information technology, information sharing between buyers and suppliers and feedback on buyers' performance are all important drivers of open communication between buyers and suppliers. Supplier development is a formal process carried out to improve the performance and capabilities of suppliers. Supplier development is when a client (buyer) and suppliers build such a tight and long-term connection that they both operate together as partners. The idea is that collaboration is preferable to conflict. The parties to a contract must cooperate and come out ahead if the ultimate client is to be best served.
Because both sides have a vested interest in the other’s success, supplier development is effective. With the introduction of upgraded vendor development programmes with participation by the government, the overall efficiency of the automotive industry increases. This also relies on the visionary management offered by OEMs who look it up as an opportunity for people to grow and become highly skilled on technical and non-technical grounds. This can be easily seen in one of the examples where many a time the reverse supply chain systems lack communication and on-time inspection that might bear any unfavourable circumstance. However, with robust vendor development exercises, the labourers can expedite to take prompt decisions with less to no failure.

The increase in product quality is perhaps the most significant goal of supplier development programmes, and as a result, many supplier development techniques were quality-related, according to Watts and Hahn (1993). This also refers that despite the ISO certifications of the OEM, it is equally necessary for local vendors to be upgraded and skilled to match the quality standards and ensure a synergised way to provide customer satisfaction at the end. The following are some supplier development practices: the value of quality in supplier selection, the usefulness of data-based supplier rating systems, reliance on a small number of reliable suppliers, provision of adequate education to suppliers, provision of technical assistance to suppliers, participation of the buyer in the product development process of the supplier, an extension of long-term contracts to suppliers and provision of clear specifications to suppliers.

Pender (1993) encourages the growth of suppliers to identify and cultivate those who meet the highest levels of quality. This supplier development approach is firmly grounded in a defined quality policy with the shared goal of exceeding customers' expectations on the part of both the buyer and the supplier. Both the customer and the supplier can profit from a focus on supplier development and the Kaizen process, which offers major advantages to the buyer.

What steps must a business take to put a supplier development programme into place? An even more thorough model for a supplier development programme was offered by Hahn et al. (1990). ‘The main goal of the purchasing function is to find competent supply sources that will deliver an uninterrupted flow of essential material at a reasonable cost; this entails first choosing suppliers who are capable in terms of technology, quality, delivery, and cost, and then collaborating with them to improve their skills’. The supplier development programmes, he continued, may be summed up as any organised, methodical attempt to establish and maintain a network of capable suppliers.

1.3. Research questions

The following are the research questions under consideration:

- Why are the vendors not trained to acquire up-to-date skills regarding the automotive industry in Pakistan?
- What are the reasons that hinder the initiation of vendor development programmes?
- What is the role of vocational training, and how can it benefit the labourer?
- How vendor development programmes are directly linked with the productivity of labourers?

2. Materials and Methods

According to the nature of the study, it requires the responses of the employees from the subject sector's organisations, qualitative approach is the best option to record the feedback via surveys and interviews. The factors which are hindering the vendor development programmes comprise the following research questions.
2.1. Participants

The nature of this study is apart from mass data collection and relies heavily on feedback from industry stakeholders; OEMs and vendors. To have a better viewpoint from the perspective of local vendors along with their reasoning for the current gap, the qualitative research methodology has been used. The data collection, the procedure of the study and the results pose no harm to the participants or the people of Pakistan. All ethical standards were adhered to in this study.

2.2. Data collection instrument

In qualitative research, interviews and focus groups are the most popular methods of data collection. Individual participants' perspectives, experiences, opinions and motives can be explored through interviews. To examine the current issue, eight vendors participated in interviews, who are part of various markets in the automotive industry. Some of these vendors are direct suppliers to OEMs while some vendors are categorised under a third part resource in the local automotive industry (related to automotive parts). These vendors provided real-time information regarding the current issues faced by the automotive industry and the limitations and barriers they face. The interviews impart valuable knowledge regarding the constraints in establishing vendor development programmes. This also includes highlighting the declining trajectory that credible and leading vendors have witnessed while maintaining their relationship with OEMs, over the years.

These vendors being interviewed also provide a breakthrough in uncovering the impediments that do not allow the encouragement of vendor development programmes in the automotive industry of Pakistan. The interviews were conducted by recognised vendors who belong to renowned industries and have valuable and practical knowledge regarding the needs and demands of the automotive industry.

The methodology of this study is specifically selected to know the viewpoint of various vendors individually. Interviews are conducted as they are a widely accepted methodology in research. They provide flexibility along with the in-depth analysis of a small sample size. Each person has their way of perceiving things; therefore, interviews help place the focus of research on the views and opinions of each participant separately. It enlightens regarding distinct behaviour and perceptions of people. It imparts deeper comprehension of social phenomena and thus provides accurate knowledge regarding issues in arranging vendor development programmes in the automotive industry of Pakistan.

The data collected via questionnaires and interviews were decoded in tabular form.

3. Results

The interviews had been conducted with recognised vendors, who belong to renowned industries and have valuable and practical knowledge regarding the needs and demands of the automotive industry. These vendors work under M/s CONTINENTAL, M/s MICRO ENGG, M/s RELIANCE, M/s ALLCO, M/s INTERNATIONAL IMPLEX, M/s INTIME ENGG, M/s ENTERPRISING and M/s OSAKA.

3.1. Table and graph

The data collected via questionnaires and interviews were decoded in tabular form as mentioned in Tables 1 and 2, provided that it defines every attribute of the questions asked by the vendors.

<table>
<thead>
<tr>
<th>Vendors</th>
<th>Workers nos.</th>
<th>Qualifications</th>
<th>Age (below given years)</th>
<th>Support to carry out vendor development programmes</th>
<th>Government role in training programmes</th>
<th>Basic training required</th>
</tr>
</thead>
</table>

Table 1
Participants’ Responses
TABLE 2
Participants’ Awareness and Performance After Training

<table>
<thead>
<tr>
<th>Vendors</th>
<th>OEM role in vendor development programme</th>
<th>Does interpersonal skills matter among workers?</th>
<th>Performance after training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor 1</td>
<td>Awareness of technology</td>
<td>No (in unskilled worker)</td>
<td>Performance improved</td>
</tr>
<tr>
<td>Vendor 2</td>
<td>Awareness of technology</td>
<td>Yes (in skilled worker)</td>
<td>Performance improved</td>
</tr>
<tr>
<td>Vendor 3</td>
<td>Awareness of technology</td>
<td>Yes (in skilled worker)</td>
<td>Performance improved</td>
</tr>
<tr>
<td>Vendor 4</td>
<td>Upskilling by information</td>
<td>Yes (in skilled worker)</td>
<td>Don’t give training</td>
</tr>
<tr>
<td>Vendor 5</td>
<td>Upskilling by information</td>
<td>Yes (in skilled worker)</td>
<td>Performance improved</td>
</tr>
<tr>
<td>Vendor 6</td>
<td>No operational role</td>
<td>Yes (in skilled worker)</td>
<td>Performance improved</td>
</tr>
<tr>
<td>Vendor 7</td>
<td>Upskilling by information</td>
<td>No (in unskilled worker)</td>
<td>Performance improved</td>
</tr>
<tr>
<td>Vendor 8</td>
<td>No operational role</td>
<td>Yes (in skilled worker)</td>
<td>Performance improved</td>
</tr>
</tbody>
</table>

The graphical representation (Figure 1) shows the information regarding the vendors concerning the following traits.

- No. of workers (how many workers are working in the organisation?)
- Age (defining the age limit of workers working in the organisation)

**Figure 1**
Vendor Traits

The following pictorial representation (Figure 2) shows the constant result received from all the vendors in which it is obvious that the basic training required by every vendor is the continuous improvement process i.e., KAIZEN.

**Figure 2**
The Constant Result Received From All the Vendors

4. Discussion

The interviewees wanting their labourers to have proper knowledge of ‘KAIZEN’ reflect that they want the labourers to evolve with the advanced procedures over time. All vendors quoted that financial constraints are their biggest barrier. This is the reason that many SMEs in the automotive sector prefer to hire low-skilled labour who has less to no knowledge about vendor development programmes. Even the support from stakeholders to carry out vendor development programmes is limited, which is one of the major reasons creating an obstruction.

The labourer's performance will be improved after holding the vocational training programmes, which will further enhance the growth of the organisation. Moreover, no OEM or industrialists come out with a positive role to play. Although times are changing with technological advancements, the employees are burdened with work, sparing no time to invest in such productive exercises. This also highlights the need for the project managers and top-level management to interact with the labourers and indulge in social engagement activities for making the local automotive industry flourish.

Many vendors commented that the government should take interest in such a manner that financial barriers are removed. This includes organising such activities at the state level so that vendor development programmes become a norm, increasing skilled employment resulting in financial independence at the community level.

5. Conclusion

Promoting vendor development programmes is required to meet the degree of technical proficiency found globally. The focus is on boosting financial independence at the community level through smart and coordinated decisions made by vehicle manufacturers and assemblers. The primary problem limiting vendor development programmes in Pakistan's automobile industry is financial constraints. This can be remedied by the state becoming involved directly and working with regional institutions all around Pakistan. Financial constraint is the major factor that limits vendor development programmes in the automotive industry of Pakistan. This can be resolved by the direct involvement of the state along with collaborations with local institutions across Pakistan.

To match the international level of technical competence, it is necessary to promote vendor development programmes. The emphasis is on increasing financial independence on a communal level through effective and synergised decisions by top management of automotive assemblers and manufacturers.

References


