Introduction

The best companies around the world are discovering a powerful new source of competitive advantage. It's called supply-chain management and it encompasses all of those integrated activities that bring product to market and create satisfied customers with cost and quality. **If cost per piece of manufacturing is lower compare to competitors greater will be profit to company.**

The Supply Chain Management Program integrates topics from manufacturing operations, purchasing, transportation, and physical distribution into a unified program. Successful supply chain management, then, coordinates and integrates all of these activities into a seamless process. It embraces and links all of the partners in the chain. In addition to the departments within the organization, these partners include vendors, carriers, and third-party Companies and information systems providers.

One of the way to optimized supply chain management is import substitution. It helps to organization to reduce cost, time, documentation, taxes & manpower involved to tackle documentation and taxes. It also help to co-ordinate activities like Just in time and increases the efficiency of organization.

Import substitution policies for deliberate and accelerated industrialization in less developed countries were bound to come into conflict with neo classical view of efficiency through free trade. Proliferation of import substitution in much of third world raises fundamental question as to whether existing pattern existing pattern of protection are consistent with their strategy of economical development. In other word, are import substitution policies the best mean of achieving the desired industrialization? What is opportunity cost of alternatives foregone or only dimply perceived are static losses in by gain in dynamic efficiency and productivity of resources?
India is developing country, So many new technologies having scope to settle down. In the first mechanism, learning occurs through the incorporation of new intermediate products invented abroad in the local production chain. The use of the foreign intermediate product conveys the embodied technological capability and R&D of the foreign producer. For example, an engine producer may decide to import the engine block because the foreign supplier controls the tolerances more tightly than domestic suppliers. Because of the tighter tolerances, the engine assembly process runs more smoothly and productivity rises. An alternative example is a shoe producer that decides to switch to imported leather because its better malleability allows the creation of more intricate shapes, enabling the production of shoes with greater value added.

While this mechanism for productivity growth is intuitive, two reasons might make it rare empirically. First, a change in productivity occurs only if the imported intermediate good can be obtained for less than the full value to the producer of the new technology embodied in it. Since they are of superior quality, one would expect that the foreign engine block and foreign leather cost more than local substitutes.

Productivity thus rises only if this increase in cost is less than the benefit it generates for the buyer. Second, even if learning occurs, it is very difficult to measure econometrically because it is potentially confounded with significant endogeneity problems. In fact, it is easy to recognize that a the decision to import is likely to be contemporaneous with unobserved (to the econometrician) positive productivity shocks (Keller and Yeaple 2003). These reasons discourage an examination of the impact of imports on the buyers of foreign products and suggest a focus on an alternative mechanism for learning from imports. The second mechanism for learning from importing is exposure to foreign technology. An original design invented in a particular region is learned elsewhere, for example, by reading a patent, reverse engineering a product, or licensing a technology. Since productivity typically depends on the local stock of knowledge, learning the new design raises productivity by increasing the local knowledge pool. This mechanism is easy to operationalize and test at the aggregate economy level. But, econometric identification of the phenomenon at the firm level requires careful consideration of how the learning will actually occur.
To better understand this learning mechanism, recall the example of the engine assembler that decides to import engine blocks because of the tighter tolerances. As it starts to work with the foreign supplier, it becomes aware of the technologies that are superior to those of the domestic suppliers. Still, to the extent that this firm is in the business of engine assembly, not engine block manufacturing, the awareness of the new technology is all that will pass to the domestic economy. Because the assembler has no direct use for this new knowledge, no productivity enhancement will be take place (beyond the one described above in the context of the first learning mechanism).

But, another group of firms could benefit from this awareness: the domestic engine block manufacturers. Local suppliers of equivalent intermediate products have strong incentives to adopt technologies that enable them to better compete with and eventually displace foreign suppliers. Failure to imitate the foreign import may threaten local supplier profitability, market share, and even survival. In addition, conditional on ability, a domestic client will likely prefer a local supplier to a foreign one because a local transaction poses fewer logistical concerns and less currency exchange risk.

Therefore, local clients have an incentive to help local suppliers in finding and acquiring technologies that enable them to compete with foreign suppliers. In fact, the management literature has long acknowledged this role that supply chain relations play in transferring knowledge to and building the capabilities of suppliers. This phenomenon is especially salient in somewhat geographically isolated regions, such as in India, Indonesia and in complex supply chains such as automotive or machinery manufacturers.

BOSCH LTD Nasik, has policy to maximize the profit through maximize the localization to reduce the uncertainty of the future. Doing the localization import substitution are the key tool in BOSCH used now days.

For department of common rail assembly of injector in BOSCH LTD Nasik, Main contributor for consumable cost is Test cable which is use for functional testing of common rail
injector. In the target to reduce the consumable cost by reducing the cost per piece for injector there are following two ways

1. Go for negotiation with the existing supplier of Test cable manufacturer.

2. Go for import substitution by utilizing the ability of local vendor in India.

Being monopoly of German firm those supplying the Test cable to all other BOSCH plant of manufacturing the Common rail injectors above probability no 1 will be rejected. Alternative remain is to do import substitution.