# Identifying, Evaluating, and Selecting Suppliers

## Introduction

The identification, the evaluation, and the selection of ideal suppliers befitting a firm’s strategic sourcing plan enhance objectivity in the efficient utilization of resources. The identification and evaluation of suppliers are vital because it enhances the selection of qualified suppliers for a firm’s strategic outsourcing plan and budget. The efficient utilization of financial resources is enhanced when the cost-effective supplier is identified. The sourcing of supplies requires suppliers who have integrity and have a good profile in the supply of their supplies. Additionally, the supplier’s values must rhyme with the values of the firm before the contracting process starts.

## Topic Relevance

The process of identification, evaluation, and selection of ideal suppliers is important because suppliers determine the overall success of an organization’s business. Sourcing of materials determines customer satisfaction and competitive edge of an organization. The evaluation of good suppliers accrues long-term benefits for a firm besides cost saving and maintenance of quality products. First, the good suppliers boost the image of the firm because customers hold the firm in high regard. In addition, the company’ network is made up of esteemed suppliers. The success in the evaluation and selection of good suppliers enhances the achievement of an organization’s goals (Ho, Xu, & Dey, 2010). The move also enables an organization to understand the consistency of the supplier’s value with the firm’s values. This helps in negotiating for the supply business. In addition, the model of operation of the suppliers can be established in advance to ensure ease of doing business between the firm and the suppliers. Moreover, the initiative enables an organization to establish the ability of the firm to adequately supply the goods required. This will prevent any operation and business stall within the organization. The evaluation and selection of the supplier confirm the competency of the supplier in advance.

## Discussion

### The Identification and Evaluation of Suppliers

First, the competency of the supplier must be established to ensure that the supplier is able to meet the needs of the organization. In addition, the approval rate of the supplier must be assessed to know the level of appeal the supplier enjoys among customers. The assessment will unearth the possible problems that the supplier experiences in the course of their duty. According to Narasimhan, Talluri, and Mendez (2001), adequate information on the suppliers must be sought to ensure a sound decision making on the material sourcing. In addition, the capacity of the supplier must be assessed to ensure that their capacity satisfies the needs of the firm. In this regard, the supplier’s ability to positively respond to market and supply fluctuations will be assessed to ensure sound decision-making on supplier selection. The capacity of the supplies is based on their resource base. For instance, the adequacy of personnel, equipment, storage, and materials will confirm a supplier’s capacity to supply a firm.

A strategic firm’s sourcing plan should use resourcefulness of the supplier to determine the supplier’s reliability. In addition, the commitment and the determination of a supplier is crucial in the evaluation of a supplier’s ability to satisfy a strategic firm’s sourcing plan. Quality is indispensable in the sustenance of supply of goods; hence the quality certification must be an ascertained to affirm the supplier’s reliability. The commitment to a long-term engagement with a firm can be established from the company’s profile with other clientele and the adequacy of resources. The other crucial aspect pertaining to the evaluation of a supplier is control. The control over policy, procedure, and the supply chain is a manifestation of control for any supplier. The level of control is vital because a firm could unsuccessfully deal with a proxy purporting to be an independent entity. The independence of a supplier will enable it to be consistent and reliable in its delivery of supplies. The other aspect of evaluation is financial stability. This aspect is a major determinant of a supplier’s reliability. The absence of financial reliability is an indication of weakness and subjectivity in the supply business.

The financially strong suppliers are able to withstand the fluctuations in an economy. However, the financial structure of the supplier must be satisfactory whereby there is a balance between equity financing and debt financing. The supplier evaluation process must feature the cost-benefit analysis. Bhutta and Huq (2002) assert that the cost-benefit analysis is vital because it provides the firm with an opportunity to undertake a comparison of various suppliers’ offers. The main aim of any organization is to make a profit. For this reason, the firm is likely to settle any supplier that offers quality products at the cheapest prices. The consistency in the supply of quality products must be ascertained in the process of evaluation of a supplier for a strategic sourcing plan. The consistency of the supplier takes other dimensions including the efficiency in the time taken for the delivery of the products to the firm, the customer service, the pricing, and the batch quantities. The consistency in the maintenance of the procedures, processes and the internal controls will also enhance the supplier’s success for selection to supply a strategic firm.

The culture of the supplier is also crucial in the process of vetting a supplier for the sourcing contract. Different suppliers adopt different workplace values and practices, which underlie the culture of the organizations. Most firms’ business culture entails the supply of quality to the customers and the maintenance of quality customer service to enhance the retention of clients. For this reason, the supplier’s business culture must rhyme with the firm’s business culture to qualify for the sourcing procurement. The commitment to environmental conservation is vital in the evaluation of a supplier (Lu, Wu, & Kuo, 2007). The breach of environment conservation attracts fines and sanctions. For this reason, the supplier must prove that they are committed to environmental conservation and use clean energy in the production of their products. The ethical compliance of the supplier must be ascertained to ensure that the supplier chooses to supply the strategic firm that does not have integrity issues.

According to Agarwal, Sahai, Mishra, Bag, and Singh (2011), the communication of the supplier must be efficient to guarantee the seamless supply of products after contracting them. The mode of communication and the channels of communication of the supplier must be evaluated to ascertain their efficiency and reliability in correspondence during the supplying the goods. Efficient communication is a source of success for any strategic product sourcing. The global ability is a crucial aspect in the evaluation of the supplier because a firm may have a location in different geographical locations of the world. Therefore, the ability of the supplier to supply such locations is a confirmation of the appropriateness of the supplier in quality service delivery. Risk management of the supplier must be above board to avoid product delivery stall. Risk management is the most important aspect of any organization. The ability to manage various losses associated with uncertainties underscores a supplier’s ability and sustenance its services.

The dependency aspect of the supplier must be ascertained. A potential supplier for a strategic firm’s sourcing project should not be dependent on certain clients. Such dependence will compromise service delivery. A high dependency will indicate that the supplier may renege on its responsibility to deliver required goods on time for the firm in the quest. The management of the supplier must be evaluated to ascertain whether there are flaws in the administration, which are clear indications of future failures in operations. Sarkis and Talluri (2002) assert that the quality work procedures of the supplier must be assessed to a certain whether the supplier has been consistent in their commitment to quality service delivery. The aspect of quality is the basis upon which all decisions pertaining to the material and product sourcing are based. Quality products lead to the generation of profit; hence the achievement of the firm’s goals. The quality products also enhance the reputation of the firm among customers. The quality products also enhance the company’s competitiveness in the market. By and large, a supplier must prove that they will deliver quality products and services for the entire contractual period. The value chain management of the firm is also vital in the assessment of the potential of the supplier. The value chain analysis is vital because it enhances the utilization of resources within the supplier firm. In this case, the supplier is unlikely to be burdened with high costs and subsequent underhand deals to set-off losses.

The supplier must also be assessed for problem-solving to ensure that dealing with the supplier during times of crisis will not be hectic. The supplier’s evaluation will also involve logistical capability whereby the establishment of operational logistics management systems will prove the supplier’s potential. Industrial engineering is a crucial aspect of the supplier evaluation because it will reveal the reliability of the supplier’s productions. The evaluation will establish whether the supplier does the manufacturing subject to the quality assurance standards. The level of research and development of the supplier must be assessed to know the extent of innovation and creativity in the production processes of the supplier. The assessment of the research and development aspect of the supplier provides information on the consistency of the supplier in adopting latest technology in production, operation, and supply chain management (Chen, Lin, & Huang, 2006). The payment mode preferred by the supplier must be assessed to establish weaknesses or strengths of the supplier upfront. In addition, the supplier must be assessed on their internal cost reduction strategies.

### Supplier Selection

The selection of a supplier for a strategic firm’s sourcing plan involves certain procedures. First, the supplier must be screened subject to the firm’s guidelines before being selected to undertake the job. The supplier selection scorecard is prepared, and it contains the characteristics, business policies, and constraints of the firm. Then, the identification of suitable suppliers is undertaken to identify the potential suppliers. The selection of the potential suppliers will be based on experience and profile in service delivery. In this case, the current suppliers, past suppliers, competitors, and industry groups will be assessed for suitability. After the identification of the suitable suppliers, it will be easy to pinpoint the most appropriate supplier. The scorecard ranking will be done on the potential suppliers identified. According to Bruno, Esposito, Genovese, and Passaro (2017), a scorecard ranking can be done subject to the interview results and site visits. In addition, the information already collected on the profile of the various suppliers subject to the firm’s guidelines can be used in the scorecard ranking process. Consequently, the highest scoring supplier is selected. After the selection process, the negotiation process follows. During the negotiation process, the working terms are discussed to establish the agreement on a wide array of aspects of working including the pricing, the period, capacity, and specifications of the products to be supplied and the work ethics to be used. After all the parameters are set, the firm and the supplier will formally enter into a contract. The contract will outline all the requirements of the engagement between the supplier and the firm regarding sourcing of the products specified.

## Conclusion

The identification, evaluation, and the selection of a supplier for a firm’s strategic sourcing project are vital. The evaluation of the supplier is significant because it establishes the capability of the supplier besides exposing the possible weaknesses. The concept of supplier evaluation and selection is essential for a student because the student may be involved in the process of supply of products or take part in the hiring of suppliers of certain products in the future. By and large, the supply of products is common in all sectors of an economy; hence the mastery of the process of evaluation and selection of an ideal supplier is essential.

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