MNP2601 – Study unit 5 – Assessment and Selection o f suppliers

**Characteristics of a good Supplier**

**Criteria for Supplier selection**

1. **Quality and Quality accreditations.**

* This influences productivity and leads to fewer interruptions
* Many large organisations require suppliers to be ISO 14001 certified

1. **Price, Cost and structure**

* Suppliers are entitled to fair price
* Information is valuable as it helps in determining efficiency and mark-up on prices to determine if prices are reasonable.

1. **Delivery**.

* Important because organisations are moving towards demand pull for products and services.
* Important because there is a pressure to reduce inventories and this leads to more frequent deliveries.

1. **Time**

* Speed of response is Important as it reduces lead time.
* Suppliers should analyse and reduce cycle times through time mapping

1. **Flexibility**

* Refers to how quickly a supplier can adjust to a change in demand esp[ecially for intergrated supply chain.
* Can be flexible with regards to : Volume, variety, mix and New products.

1. **Service**

* Combination of the above criteria. Important for repeat customers.
* Includes suppliers attitude towards consignment and “supplier managed Inventories”

1. **Financial status**

* Important to determine financial health or condition of supplier.
* Financially stable suppliers reduce risks
* Obtain info from Credit bureaus

1. **Systems: Operations, planning and control and e-commerce**

* Important to know how suppliers plan schedule and control operations.
* Electronic communications are important due to technological innovations.

1. **Technology and process capabilities**

* Here you will look at the following: Ability to meet future demand, design capabilities and innovation and the ability to meet more demanding specifications.

1. **Supply chain management**

* Should be looked at a a separate criteria and consideration should be given to:

Suppliers propsed position and role in the supply chain.

Suppliers awareness of SCM concepts

Suppliers transport and distribution

1. **Environmental issues, ethics and social responsibility**

* Suppliers need to be environmentally conscious and take the following steps:

Adopt ISO 14001 Enviromental management system.

Enviromentally friendly packaging

Become conscious regarding Recycling and waste disposal

1. **BBBEE**

* Core requirements of SA Business environment and supplier policy should be checked.

1. **Capabilities, responsiveness and motivation :Present and Future.**

* Here we consider the following supplier traits: Management and staff capabilities, employee relationships, staff morale, attitude to employee development and motivation to meet organisational requirements.

1. **Geographic location:**

* Suppliers should be located near the purchasing organisations.
* The less Geographically complex the supplier location Is, the less complex the supply chain will be.

**Methods used in Supplier Evaluation.**

Weighted point evaluation method, suppliers measured against each other on a point system.

Purchasing managers judgement for low value purchases.

Executive round table is a semi-formal method where purchasing team makes presentations to exec.

**Supplier Selection process**

**The Exploratary stage or pre-assesment phase**

**STEP 1: Identify possible suppliers**

* Various sources to identify suppliers: Search engines, embassies, trade fairs and Credit bureaus, national associations and trade directories.

**STEP 2: Prescreening to reject unsuitable suppliers**

* Here we eliminate suppliers who are unsuitable
* Will eliminate suppliers in a poor financial situation
* Suppliers who experience labor problems
* Suppliers who don’t meet organizations quality requirements.

**Selection Phase or assessment phase**

**STEP 3: Conduct research on potentially suitable suppliers.**

* Information can be found in the public domain and acquired through supplier visits and supplier surveys or questionares.
* Supplier visits are more time consuming and coslty
* Supplier surveys or questionnaires, option where supplier visits are not feasible.

**STEP 4: Choose evaluation method and analyze the suppliers**

* Weighted point evaluation method, suppliers measured against each other on a point system.
* Purchasing managers judgement for low value purchases.
* Executive round table is a semi-formal method where purchasing team makes presentations to exec.

**STEP 5: Select Suppliers**

* Purchasing manager of cross functional team makes decision.

**Supplier Management stage or post assessment phase**

**STEP 6: Ongoing measure of supplier performance**

* Supplier performance measurement can be done using the weighted point evaluation method
* Many organizations base their ongoing measurements on quality, cost reduction, on time technology and service**.**

**STEP 7: Supplier accreditation**

* Suppliers who have gone through selection criteria can be classified into:
* Approved Suppliers- Suppliers meeting requirements.
* Preferred suppliers- Suppliers with good past performance
* Certified Suppliers –Ultimate supplier accolade. Certification comes with an in depth supplier assessment and revolves around quality management systems and continuous improvement. This is important because it places supplier into a certain category and this influences decisions to be made in future.

**The need for supplier Certification**

* See step 7 above in the supplier selection process.

**The Environment of the purchasing decision**

* The business environment consists of Macro, market and Micro factors that will help or hinder the business

MARCO ENVIROMENTAL FACTROS: Legal and ethical environment, economic environment, technological environment and environmental issues.

MARKET STRUCTURE: Competitiors, suppliers, customers, intermediaries and distributors.

MICRO ENVIROMENT: Mission and goals, functions and resources.

**Supplier Relationship management**

* Is a buying organisations strategic management philosophy for interacting with its supply base with the objective of sustaining superior performance thropughout the span of the association.

**Buyer/ Supplier Relationships**

* Transactional relationships: Straightforward relationship between a buyer and a seller where two parties do not get closely involved and is short term or once off.
* Collaborative relationships: Parties adopt a high level of co-operation to maintain a trading relationship over time.
* Alliance relationship: Main difference from collaborative relationship is that trust is involved, trust is created btween alliance champions and executives who create this unit.

**Characteristics of good Supplier (Please double check this)**

* Good Financial status or health
* Fair pricing
* Quality
* Reliability, flexibility and innovation