

THE SELECTION OF SUPPLIERS IN THE PROCESS OF COOPERATION

Bartosz Marcinkowski¹

Abstract

One of the forms of building competitive advantage is cooperation, often seen as a complex, multifaceted, consisting of a series of stages, process. The author, based on the example of a large production company, describes the issue of the selection of suppliers, which is a fundamental phase of the cooperation cycle, conditioning future success or failure of the project.

Keywords

Cooperation, selection of suppliers, selection of partners, process of cooperation.

Introduction

The functioning of the economic enterprises today is defined by the volatility of the environment. Business operators must meet the increasing globalisation, rapidly increasing competition, while battling for rare resources. The key to gain advantage, is to gain access to valuable, hard-to-forge, non-substitutable resources and managing them in such a way so as to achieve optimum results. Companies seek to achieve this objective through the use of three different, in principle, but at the same time combinable forms of market coordination -control, competition and cooperation². It was the last of the forms which within three decades has become robust - from the 80s of the last century, the number of cooperation agreements between enterprises has grown extensively. At that time, the inter-organizational collaboration has become an important issue of creating a development strategy, allowing firms to strengthen their competitive position by increasing market power and efficiency, expansion of markets, while enabling access to new, key skills and productive resources. It should be stressed, however, that cooperation is extremely complex and complicated process, consisting of many stages. One of the challenges facing the company is the selection of a partner, with the appropriate competence and determined to participate in the process of creating value.

In the light of the above, the objective of the article is the analysis of the suppliers selection criteria, and to identify the major factors governing the acceptance or rejection of a potential partner. To achieve the objective some empirical studies were carried out, in which there was employed the case study method of Terravita Ltd, Poznań, established on the market for chocolate products.

The essence of cooperation process

Nowadays, increasingly, the organization is seen as a collection of defined processes. Such approach makes it much easier to control the realization of the objectives, and by means of this optimize production time, lower the cost of production, or increase the efficiency of management. One of these processes is cooperation, which takes the form of an extremely complex, multifaceted, consisting of a series of stages cycle. In order to ensure the efficiency and effectiveness of operations, it is vital, therefore, to recognize its course and factors that contribute to it.

In the literature of the subject the concepts describing the process of cooperation of undertakings differ from each other in the number of phases found in it - they extend from the

¹ Bartosz Marcinkowski MSc, a graduate student in the Department of Enterprise Resource Management and Analysis, University of Economics in Poznan.

² A. Sulejewicz, *Partnerstwo strategiczne: modelowanie współpracy przedsiębiorstw*, SGH. Oficyna Wydawnicza, Warszawa 1997, Monografie i Opracowania / Szkoła Główna Handlowa 427, pp. 64-75.

schemes that contain two basic, general steps³ to theories distinguishing many steps and sub-steps that describe in detail the relation since the early moments of its planning, through starting cooperation, to phases of full maturity, or even the breakdown⁴.

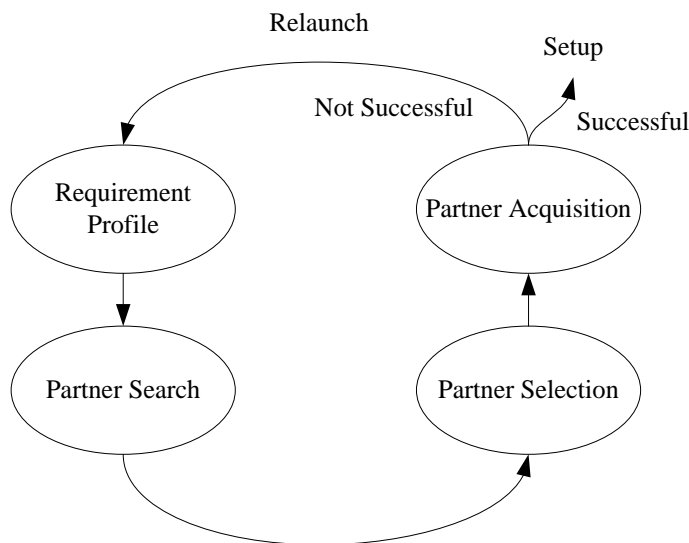


Figure 1. The partner selection phase.

Source: C. Marxt and P. Link, *Success factors for cooperative ventures in innovation and production systems*, „International Journal of Production Economics”, 2002, no 3, p. 221.

It should be pointed out that one of the most important stages in any concept, is the selection of a potential partner. Having decided to solve the problem by using cooperation the enterprise comes to the issue of the selection of potential contractors. In this decision, the operator must take into account not only technological possibilities but also the factors of a strategic and cultural character. There are four subprocesses that occur at this stage⁵ (fig. 1):

- to determine the requirements profile. It is necessary to analyse the key competences and resources offered by the partner, verify objectives compliance, determine whether

³ A. Ujwary-Gil and J. Choroszczak, *Analiza fazy tworzenia aliansu strategicznego firmy krajowej z zagranicznym kooperantem*, 2003, pp. 2–3.

⁴ B. Kaczmarek, *Współdziałanie przedsiębiorstw w gospodarce rynkowej*, Wydaw. Uniw. Łódzkiego, Łódź 2000, pp. 166–186;

B. Kapcia, *Fazy rozwoju współczesnej kooperacji*, „Przegląd Organizacji”, 1994, no 10, p. 18;

F.R. Dwyer, P.H. Schurr, and S. Oh, *Developing Buyer-Seller Relationships*, „Journal of Marketing”, 1987, t.51, no 2, pp. 15–21;

C. Marxt and P. Link, *Success factors for cooperative ventures in innovation and production systems*, „International Journal of Production Economics”, 2002, t.77, no 3, pp. 220–223;

R.F. Olsen and L.M. Ellram, *A portfolio approach to supplier relationships*, „Industrial Marketing Management”, 1997, t.26, no 2, pp. 103–110;

M. Urbaniak, *Rola jakości w procesach budowania relacji z dostawcami na rynku B2B (cz. 1)*, „Logistyka”, 2008, t.nr 6, pp. 28–29.

⁵ C. Marxt and P. Link, *Success factors for cooperative ventures in innovation and production systems...*, op. cit., pp. 220–223.

a competitor can be a contractor, as well as evaluate previous experience related to the cooperation.

- Search for a partner. Various search methods should be used in order to ensure optimal results. The employees are a good source of knowledge about the potential partners. In addition, it is necessary to use all available databases, as well as, in some cases, it is possible to obtain information through trade fairs.
- The choice of a partner meeting established requirements. In accordance with the established requirements of the profile the most appropriate business contact is chosen, in the process of which the management of the company should be involved. It is extremely important to take account of the evaluation criteria which considers the purpose and the partner.
- Partnership with the contractor. The easiest way to start collaboration is to show the direct benefits from the partnership. In addition, compliance of the goals is required, leading to a win-win situation. If all of the above assumptions are met, and a potential partner considered optimal, cooperation commences, however, if not, you must repeat the process for selecting a partner again.

In the literature one can meet a number of guidelines for the proper conduct of selection of contractors⁶. First of all, the selection procedure should be applied based on many, diverse criteria, including factors of a financial and economic nature (supplier margin, its financial stability, size and experience, barriers to entry and exit, the periods of stasis), efficiency (delivery, quality, price), technological (the ability to cope with technological changes, the kind and depth of the production capacity of the provider, current and future production power of the supplier, design capabilities of the supplier)⁷. It must be, however, indicated that this list is not closed, and depending on the specifics of the activity the company should give appropriate weight to the factors, and, if it considers it appropriate, make up a list of other important determinants. It should also be borne in mind that it should comply with the adopted policies which can impose some restrictions, such as the maximum share of one contractor in the structure of suppliers or customers, the minimum number of partners, etc.

Methodology of the study

To achieve the objective of the article some empirical studies were carried out in September 2014 using methods of case-by-case study. Applying such approach to research was to initially understand reality and discover scientific problems for further research, as well as to provide examples of management in business practice. The research entity selected was Terravita Ltd - manufacturing company based in Poznan, operating in the chocolate business. The choice of this undertaking was made knowingly taking into account two basic criteria:

- belonging to a group of medium-sized or large companies, which determines a significant number of partners and a wide range of interorganizational links;

⁶ M. Kumar, P. Vrat, and R. Shankar, *A fuzzy programming approach for vendor selection problem in a supply chain*, „International Journal of Production Economics”, 2006, t.101, no 2, p. 274.

⁷ R.F. Olsen and L.M. Ellram, *A portfolio approach to supplier relationships...*, op. cit., p. 106;

M. Matejun, *Kryteria wyboru dostawcy outsourcingowego*, „Prace Naukowe/Akademia Ekonomiczna w Katowicach, Współczesne i perspektywiczne kierunki badań w zarządzaniu przedsiębiorstwami”, 2009, p. 291.

- long-term market presence which gave the analysed company time to develop an optimal, in the opinion of the Board of Directors, process of the selection of suppliers.

As a detailed test method there was chosen a method of a direct interview with the chief financial officer and a specialist on supply as well as the analysis of selected documentation. The research process has been focused on the description of the organizational reality, linked to interorganizational relationship management process in the enterprise.

Selection of suppliers in Terravita Ltd

Regardless of the type of business, any undertaking in order to achieve competitive advantage must include numerous relationships with business entities in its environment. These relationships take different forms, from simple, occasional transactions, through long-term relationships, to advanced, integrated organizational structures⁸. It should be noted that we can talk about the full success of the interorganizational relationship only in case of having an agreement with the competent partner, aiming to achieve a common goal, with key competences, filling the gaps in the capabilities and resources of the company. What is extremely important, therefore, is the selection process of suppliers, which is conducted on the basis of a number of criteria, which meaning and importance varies depending on, among other things, the market, the nature and size of the transaction, or the strategic importance of the potential partner. On the basis of an analysis of the literature and own considerations there have been identified a number of factors of the diverse nature, which may determine the choice of a potential contractor. Then, in the course of the research, the analyzed entity was asked for an assessment of the individual variables and define their importance in the selection process of suppliers.

During the empirical tests the analyzed entity pointed out that a group of the most important factors in the process of the selection of suppliers, include such determinants as the price level offered by suppliers, the quality of the offered products, price/quality relationships, supplies promptness, terms of payment and supplies quality (compliance with the requirements).

Factors of great importance when selecting a potential partner include terms and conditions and realization of supplies (including transport costs), flexibility regarding changes to the terms of cooperation, the size of the order, etc., the financial health of the provider, image and reputation of the company, service, technical and technological level, satisfying complaints, availability of products and services and possessing quality certificates.

Minor factors in managing supplier selection included by the manager of the analyzed entity are the factors such as references and certificates of other market participants, the breadth and depth of product range, experience and qualifications of the crew, courses and

⁸ F.E. Webster, *The Changing Role of Marketing in the Corporation*, „Journal of Marketing”, 1992, t.56, no 4, p. 5;

P. Kale and H. Singh, *Managing strategic alliances: what do we know now, and where do we go from here?*, „The Academy of Management Perspectives ARCHIVE”, 2009, t.23, no 3, pp. 46–47;

K.G. Provan and P. Kenis, *Modes of Network Governance: Structure, Management, and Effectiveness*, „Journal of Public Administration Research and Theory”, 2008, t.18, no 2, pp. 229–236;

B. Kaczmarek, *Współdziałanie przedsiębiorstw w gospodarce rynkowej*, Wydaw. Uniw. Łódzkiego, Łódź 2000, pp. 13–102.

training carried out by the supplier to the buyer, the supplier's position in reference to the company's competitors, the ability to take into account the wishes going beyond general standards, plans and readiness to change and structural improvements, pro-ecological activities, as well as innovation and the inventiveness of the supplier activities.

In the process of the selection of suppliers the company do not pay attention to such determinants as an access by the supplier to the storage of the materials, the period of operation of the company on the market, the possibility of shared business, the distance from the purchaser to the supplier, the geographical location, research carried out by the supplier, the supplier's market share, volume of production and the possibility of its increase by the supplier, the level of stocks at the supplier, or the structure of the ownership of the company.

The findings of the carried out research allow to conclude that the investigated company, in the process of the selection of suppliers is primarily guided by the quality of the products and services offered, as well as the financial conditions of the conducted transactions. In addition, organization factors as well as service and logistics facilities play also an important role. This hierarchy values used by the analysed entity is not accidental - it applies the pricing strategy, therefore, the key for the company is to search for suppliers allowing to reduce the costs of production, without affecting negatively the quality of manufactured products.

Summary

Businesses opting to perform set tasks with the help of external entities, should, in order to ensure the effectiveness of the activities, at any stage analyse a broad range of factors, among others, of a financial, economic, technological, effective, strategic, organizational, cultural, competence, or imaginal character. During the empirical research the analysed entity pointed out that when selecting potential partners it is guided by a number of different criteria, giving them different importance. The most important factors in the process of the selection of suppliers, the examined company included determinants of a financial and quality nature, which is conditioned by the entity strategy based on cost leadership.

References

- Dwyer F.R., Schurr P.H., and Oh S., *Developing Buyer-Seller Relationships*, „Journal of Marketing”, 1987, t.51, no 2, pp. 11–27.
- Kaczmarek B., *Współdziałanie przedsiębiorstw w gospodarce rynkowej*, Wydaw. Uniw. Łódzkiego, Łódź 2000.
- Kale P., and Singh H., *Managing strategic alliances: what do we know now, and where do we go from here?*, „The Academy of Management Perspectives ARCHIVE”, 2009, t.23, no 3, pp. 45–62.
- Kapcia B., *Fazy rozwoju współczesnej kooperacji*, „Przegląd Organizacji”, 1994, no 10, pp. 18–20.
- Kumar M., Vrat P., and Shankar R., *A fuzzy programming approach for vendor selection problem in a supply chain*, „International Journal of Production Economics”, 2006, t.101, no 2, pp. 273–285.
- Marxt C., and Link P., *Success factors for cooperative ventures in innovation and production systems*, „International Journal of Production Economics”, 2002, t.77, no 3, pp. 219–229.
- Matejun M., *Kryteria wyboru dostawcy outsourcingowego*, „Prace Naukowe/Akademia Ekonomiczna w Katowicach, Współczesne i perspektywiczne kierunki badań w zarządzaniu przedsiębiorstwami”, 2009, pp. 289–298.
- Olsen R.F., and Ellram L.M., *A portfolio approach to supplier relationships*, „Industrial Marketing Management”, 1997, t.26, no 2, pp. 101–113.
- Provan K.G., and Kenis P., *Modes of Network Governance: Structure, Management, and Effectiveness*, „Journal of Public Administration Research and Theory”, 2008, t.18, no 2, pp. 229–252.

- Sulejewicz A., *Partnerstwo strategiczne: modelowanie współpracy przedsiębiorstw*, SGH. Oficyna Wydawnicza, Warszawa 1997, Monografie i Opracowania / Szkoła Główna Handlowa 427.
- Ujwary-Gil A., and Choroszczak J., *Analiza fazy tworzenia aliansu strategicznego firmy krajowej z zagranicznym kooperantem.*, 2003.
- Urbaniak M., *Rola jakości w procesach budowania relacji z dostawcami na rynku B2B (cz. 1)*, „Logistyka”, 2008, t.nr 6, pp. 28–29.
- Webster F.E., *The Changing Role of Marketing in the Corporation*, „Journal of Marketing”, 1992, t.56, no 4, pp. 1–17.