

Selection of Strategic Suppliers for Partnership: A Model with Two Stages Approach

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Abstract : Strategic partnerships with suppliers play a vital role for the long-term value-based supply chain. This strategic collaboration keeps still being one of the top priority of many business organizations in order to create more additional value; benefiting mainly from supplier's specialization, capacity and innovative power, securing supply and better managing costs and quality. However, many organizations encounter difficulties in initiating, developing and managing those partnerships and many attempts result in failures. One of the reasons for such failure is the incompatibility of members of this partnership or in other words wrong supplier selection which emphasize the significance of the selection process since it is the beginning stage. An effective selection process of strategic suppliers is critical to the success of the partnership. Although there are several research studies to select the suppliers in literature, only a few of them is related to strategic supplier selection for long-term partnership. The purpose of this study is to propose a conceptual model for the selection of strategic partnership suppliers. A two-stage approach has been used in proposed model incorporating first segmentation and second selection. In the first stage; considering the fact that not all suppliers are strategically equal and instead of a long list of potential suppliers, Kraljic's purchasing portfolio matrix can be used for segmentation. This supplier segmentation is the process of categorizing suppliers based on a defined set of criteria in order to identify types of suppliers and determine potential suppliers for strategic partnership. In the second stage, from a pool of potential suppliers defined at first phase, a comprehensive evaluation and selection can be performed to finally define strategic suppliers considering various tangible and intangible criteria. Since a long-term relationship with strategic suppliers is anticipated, criteria should consider both current and future status of the supplier. Based on an extensive literature review; strategical, operational and organizational criteria have been determined and elaborated. The result of the selection can also be used to determine suppliers who are not ready for a partnership but to be developed for strategic partnership. Since the model is based on multiple criteria for both stages, it provides a framework for further utilization of Multi-Criteria Decision Making (MCDM) techniques. The model may also be applied to a wide range of industries and involve managerial features in business organizations.

Keywords : Kraljic's matrix, purchasing portfolio, strategic supplier selection, supplier collaboration, supplier partnership, supplier segmentation

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