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"Supplier Evaluation Process from the Perspective of the Stakeholders"

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Abstract: This article was derived from a completion monography of a Bachelor course in Business Administration held at the Mackenzie University, in the Campinas campus, Brazil and aimed to giving students a practical learning in the development of an applied research. The paper deals with a supplier's process management and their performance, and had as an objective to identify stakeholder's perceptions about this management, in an automotive industry in the Metropolitan Region of Campinas, Brazil. The research was conducted by means of interviews and the results showed that a well stablished suppliers management process contributes to the organization's continuous improvement of products and processes.
Keywords: Supplier management, Supply Chain, Evaluation of Supplier Performance, Processes Management.

I. INTRODUCTION

Scavarda and Hamacher (2001) points out that a Procurement Department in automotive industries, for a long period of time, has always been understood as a support area, so that its scope normally was restricted to commercial transactions, which aimed mainly at reducing the purchase price of those products at a required level of quality, to meeting the production demands of such organizations.

In the last decade in Brazil it became inexorable a market opening, which promoted the production globalization in unimaginable scales, and in such a way that changed dramatically the competitive arena of business, requiring from procurement areas/departments postures differentiated for the performance of their duties and functions.

Campos (1992) emphasizes that a company can't be competitive in isolation, since it is embedded in a chain of buyers and suppliers, where all the companies operating in it, seek to maximize their added value, transferring cost and quality gains, in order to make the chain as a whole much more competitive. The above outlined context, signals out that changes came over to remain in next years, and so is not enough to provide quality products or services to customers, it is also necessary to develop personalized experiences, creating therefore synergistic products and services that have market acceptance (Alvarez and Queiroz, 2003).

The authors listed above, suggest that for companies to become more competitive, it is necessary to strengthen the value chain links and create long-term relationships with suppliers.

It is urgent for the strategic moves of the organizations, that the process of qualifying suppliers, to be managed properly, generate competitive advantages for companies. This concern for the integrity of its business, with the establishment of lasting partnerships with reputable companies, acting with ethics and social responsibility, in accordance with legal principles and, furthermore, noting the quality and commitment in supplying products and services it is a decisive factor for its perpetuation (Oliveira, 2013). This article was derived from a work of completion of the Bachelor course of Business Administration from the Mackenzie University, Campinas campus, Brazil and which aimed to giving students a practical learning in the development of applied research.

II. LITERATURE REVIEW

2.1 Concept of Processes

Conceptualizing processes becomes a hard task as there are a large number of approaches, from different authors, with different visions, which can lead to confusion in the use of this term, in the practical application of that *'constructo'*. So we sought to find in the literature, after extensive review, the author whose concept best suited to the initial objectives intended by the authors of this study. We chose, thus, the approach proposed by Oliveira (2013):

Process is a structured and intuitive set of functions of planning, organization, management and evaluation of the sequential activities that present logical link between them, in order to meet and preferably surpass, with minimization of interpersonal conflicts the needs and expectations of internal and external customers from the point of view of the company.

The logic of the choice of the above author's definition, had a decisive factor not only related to the approach by logical sequencing of activities, but also for understanding how to reduce interpersonal conflicts without, however, eliminating those activities, and especially in obtaining focus on the satisfaction of both internal and external customers.

2.2 Suppliers Performance Evaluation Process

Strategic decision-making evaluation of suppliers cannot be only determined by pricing and or by measuring the intrinsic quality of the products and services offered. Currently, companies seek partnerships with long-term relationships, which are translated through values and mutual trust. This type of relationship is intended to develop a reciprocal and balanced growth between the parties, and during this relationship, the companies exchange market intelligence and information, empowering them to create value for those involved, making them thus more competitive (Silva et. al, 2006).

The primary goal of this process is to decide on the most appropriate supply source, which comes with other decisions important to the company, such as, the number of suppliers that will participate in the supply portfolio and the volume of requests to be allocated to each of these suppliers (Weber and Current, 1993).

Bowersox and Closs (2001), cited in Canto (2004) mention three factors that are essential for customer service: availability, performance and reliability. The availability is related to the supplier's ability to maintain and keep a strategic stock with customer products. It is expected a delivery flexibility that reflects, in an emergency service by the supplier to the customer's demands.

Typically, this inventory planning is based on the predictions of the past needs of customers, which can generate distortions in the quantity of goods being supplied. The second factor relates to the speed, consistency, operational flexibility of the suppliers and recoverability, they demonstrate in overcoming any faults committed by their suppliers.

This resiliency involves including logistical commitment with expected lead time and eventually acceptable variation. Finally, the third factor refers to the quality or the ability to maintain stock levels of availability and operational performance as planned and with the desired quality level (Bowersox and Closs, 2001) cited in Canto (2004). Even according to Canto (2004), it is necessary to standardize this supplier's performance evaluation process through the use of metrics that reflect the organization key points in order to achieve its specific objectives.

It should be noted that by making this management, companies, provide the development of the entire value chain making them more robust, i.e., providing more reliable and perennial results.

2.3 Process Management

According to the ABPM methodology (ABPM, 2009), process management is defined as:

A disciplined approach to identifying, designing, implementing, documenting, measuring, monitoring, controlling and improving business processes, automated or not, aiming to achieving the desired results, in a consistent way and aligned with the strategic goals of the organization.

Paim (2009) point out that "improving processes is a basic action to respond to the changes that occur in the action environment, to maintain the system productive and competitive".

To above authors, the management process is divided into three groups of tasks that can be understood as planning, organizing and controlling processes, and this includes the measurement of processes considered strategic for the organization, that means a performance indicator system.

With proper management of the processes, managers can evaluate, from appropriate performance metrics of each of the chosen strategic processes, its flaws and gaps, and improvement opportunities. These actions allow to identifying the activities that no longer add value to processes and which are likely to be either eliminated or improved.

2.4 Performance Indicators

The performance indicators are related directly with the client's values and the overall performance of the organization, harmonizing, aligning and enhancing the purposes of all people involved in the business (Zelter, 2005). Martins and Costa Neto (1998) state that "the performance indicators are proposed in order to measure the performance in key business areas, such as, customers, markets, products, strategic processes, human resources, suppliers, the community and society".

The indicators are means of measuring the effectiveness of particular processes or activities through a pre-defined goal, which acts as a reference and guide the team committed to their implementation. Zelter (2005) conceptualizes that the performance indicator is associated with a model and a random variable which is as a time function. These indicators are seen as forms of quantified representation of attributes and characteristics either requirements of products or services". According to the above author, this concept also applies to processes, understood as a set of causes and conditions that transform resources into products, used to monitor and improve results over time.

III. METHODOLOGY

This research can be considered of qualitative and exploratory nature and is related to a case study since it was intended to understand and explain a phenomenon of real life. The case study is significant when researchers plan to obtain information which indicates the importance of contextual issues to understanding the research problem (Yin, 2010).

Gil (2002) suggests to similar studies, a qualitative research as the most suitable due to the fact they provide greater depth on topics, whose knowledge is not yet fully delineated. The qualitative method provides an integrated approach to phenomena, which can be better understood in the context in which they occur, leading to the understanding of relationships dynamics (Godoy, 1995).

Besides primary data, the study also used secondary data, obtained both through literature revision and organization data reports collected through interviews made with company's managers. In this research we used semi-structured interviews once it favored dialogue with respondents, deepening important aspects to keeping focus on the research objectives.

For the analysis of data collected, we used the Content Analysis Technique, which, according to Bardin (2009, p. 21) corresponds to the consolidation of the data obtained by grouping them into categories. The categorization should take into account the characteristics that are common to each of these elements, allowing a simplification of the raw data in order to facilitate the researchers' conclusions. Bardin (2009), warns that to perform a proper categorization and, with

that, to be able to generate a set of appropriate categories, the principle for exclusion must be obeyed, i.e., an element chosen for a particular category, necessarily, must not belong to another, such that the intersection between them must be zero.

This analysis allowed the data to be categorized to facilitate not only their consolidation, grouping them in different categories, which were classified based on the results of the interviews (Flores, 1994).

3.1 Data of the studied company

The company in which the research was drawn up has as a fancy name “Company X”, which operates in the automotive segment, due to the emphasis given by it in monitoring and tracking the suppliers performance process evaluation. These unit has about 800 employees, is a global company, and world leader in the production of automotive wheels.

3.2 Results of data collecting

The data collection was conducted through semi-structured interviews, with questions prepared by the researchers. The interviews were applied to thirteen employees identified as key persons in the process, distributed according to the areas - quality and advanced quality engineering, procurement, logistics, production and tooling department. Concerning the sampling of employees: one of them belonged to the strategic level, i.e. the manager of the plant, eight to the tactical level, managers and supervisors, and four to the operational level.

Taking into account the considerations made, five categories, were identified from the consolidation of the data, in accordance with Bardin (2009): category 1, Stakeholders in the suppliers performance evaluation process; Category 2, suppliers performance evaluation process; Category 3, performance indicators; Category 4: results generated by the suppliers performance evaluation process, Category 5, risks inherent to suppliers evaluation performance.

3.2.1 Categories Identified after analysis of data

Statements from respondents supported the identification of categories, however, due to the space available for the publication, the authors decided for demonstrating only one and the most significant speeches of each category.

Category 1- Stakeholders In The Suppliers Performance Evaluation Process

The category 1 reflects the need to identifying the stakeholders in the process and it was built based on the lines of the respondent E1, listed below:

E1: [...] We have people from all areas of the company, we have people from Engineering, Quality, Procurement area, we have people of product engineering, production [...].

This statement demonstrates the need for linking and strengthening of relations between the areas concerned in the process, which demonstrates the importance of systemic vision and synergy that must exist between them, so that the management of this process adds the necessary value to the whole organization.

It was noted that the stakeholder's mapping could play a very important role, in order to improve the supplier's process management.

Category 2 - Suppliers Performance Evaluation Process

This category relates to the assessment of the performance of suppliers and can be understood by the following statements:

E3: [...] Our procedure of supplier evaluation, and supplier choice it starts with the Risk Assesment. The Risk Assesment is a tool that has several issues, from the technical, logistical side, and commercial side, so we can minimise the risk of choosing a vendor that doesn't have the capacity to provide for the company.

The respondent E3 indicates that the company has a consolidated practice to reduce the risk of acquiring not able third-party products.

Category 4 - Results Generated By The Suppliers Performance Evaluation Process

This category brings information collected, which have relation to the impacts generated by suppliers performance evaluation process from the point of view of the organization. This perception is significant for people to have confidence in what other areas are doing so that the level of suppliers quality can be continuously improved, as understood by the interview below:

E5: [...] (The suppliers performance evaluation process) help to take decision, for example, in relation to what suppliers purchase. For example, we have a specific provider, [...] from 2014 onwards we eliminated this supplier because of problems we had with his delivery quality.

And another point, even for decision making, for the Purchasing Department to negotiate prices, this is important. If we don't monitor them, we don't give technical support to the decision making of the Purchasing Department.

Category 5- Risks Inherent To The Suppliers Performance Process Evaluation

According to the interviews, it was identified some risks that are inherent to the suppliers performance process evaluation, as noted by the respondent E1,

as shown below:

E1: [...] we're trying to reduce supply risks [...] we can't do it with 100% of suppliers […] we are focusing more on raw material, which constitutes 60% of our product [...].

In the talk of the E1 respondent, we realized the strategy employed by the company regarding the prioritization of activities, opting for raw materials, which is corresponding to 60% of the products content supplied by the company.

3.2.1 Final Considerations

The data obtained allow to emphasize that the management of the innovation process in the company analyzed have strategic management and the perception on the part of stakeholders is that this contributes to the management decision-making processes to ensure the quality of the supply of products acquired from third parties.

In the interviews conducted it is noticed that there are still conditions to process improvements, especially in the strengthening of internal relations between internal areas that participate in the process and the suppliers contributing to making it more robust.

IV. CONCLUSION

We observed in the company studied, that the suppliers performance evaluation process, presents itself as a strategic theme within its supply chain. This reinforces the point of view that the construction of lasting partnerships in the supply system, promotes everlasting competitive advantages, since it has the potential to improving the quality of management for both companies involved in the partnership as suggested by Oliveira (2013).

Each interviewee, in his own way, was aware of the importance of an assessment of the suppliers performance, showing that they have the perception of the importance of the process, however with some gaps, reflecting improvement opportunities for those who are directly related to the processes studied.

What concerns the areas interested in the suppliers performance evaluation process, such areas have architecture of indicators, as a way of tracking and monitoring their suppliers performance. This fact that was appointed by the managers as a relevant factor in the decision making of the areas/departments involved, in choosing a suitable and convenient supplier.

In short we can conclude that the value perception of stakeholders in the process of performance evaluation of suppliers is a positive factor, based and from the analysis of the responses of the respondents who, highlighted the importance of the supplier process evaluation for the continuous improvement of products and processes of the Organization, including, to their own suppliers.

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