

Chapter 15

Supplier Selection Improvement Process in an XYZ Company Through DMAIC

Umangkumar Pabari

Concordia University, Canada

ABSTRACT

The existing supplier selection process of an XYZ company will be defined and mapped to understand the process characteristics and capabilities and then it will be analyzed to identify non-value-added activities. Corrective actions will be recommended to improve the supplier selection process for the company using DMAIC technique. It will aid in developing a competitive supplier base out of bulk suppliers available in the market that will result in competitive advantage over its peers and achieving the quality, cost, and service enrichment goals.

INTRODUCTION

A supplier now-a-days works as a second heart of the company while the buyer being the first heart and any company's success depends on the interaction between two of them which makes the whole process more intriguing and challenging for the buyer. Buyer must implement procurement strategy in a way that gives the best value for money and for that internal communication with experts and then negotiation and co-ordination skills with outside parties become very crucial as far as the company's profit is concerned.

A Buyer of any company has to have skills such as efficient planning, negotiation, purchase and delivery, management and presentation. But his most important task will be to form an effective supplier selection process and choose potential suppliers for the best interest of a company. The name is easy but the process itself is very complex as it comprises of many factors. The process is tedious and time-consuming and therefore very demanding, but each company has it and still they somehow find it hard to follow it properly and adding new suppliers to their list on a regular basis which ultimately affects their profit.

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Therefore, a proper supplier selection process becomes essential in accruing any company's profit scale.

BACKGROUND

It's essential to know the types of suppliers available in the market before understanding the importance of choosing a right supplier for a firm. There are mainly seven types of suppliers that a buyer needs to play with according to a specific need.

1. **Manufacturers and Vendors:** They research, develop and finally produce the product which is ready for purchase.
2. **Wholesalers and Distributors:** They buy in bulk from many vendors and supply larger quantities to government and other organizations directly.
3. **Affiliate Merchants:** They sell their products with the help of banner ads and a network of affiliates.
4. **Franchisors:** It is a business owner who gives license to an individual to develop own business which includes suppliers often at less price than an individual can get for himself or herself.
5. **Importers and Exporters:** They will buy products from manufacturers in one country and export them to a distributor in another country or vice versa.
6. **Independent Crafts People:** They will sell directly their manufactured products directly to retailers or end customers.
7. **Drop Shippers:** They are suppliers of products from single or multiple firms which will deliver directly to the buyer.

The company should not only receive right materials, in right quantity, at right time, with the right service and at the right price but also from the right source which is supplier. Multiple sourcing has replaced single sourcing in most cases now-a-days as it dwindles external risks. However, it depends on the size of the company and their needs. Choosing the right suppliers is vital in giving consistent rise to any business and it is a skill that needs to be developed and there are many methods available for it and have been used by purchase managers but to build a long-term relationship with the supplier is as important as taking few factors while analyzing the whole process.

The importance of having a proper supplier can be inexplicable in words but in-general it affects the whole manufacturing process and therefore the customer while affects manufacturer's image in the market.

Supplier selection process is a part of the procurement process and their job is to get required goods while supply chain is the required infrastructure to get those goods. Therefore, both are different to an extent but supply chain management can be considered as one of the responsibilities of a procurement team.

Supplier selection process eventually increases the value of a purchaser by minimizing purchasing risk if formulated and executed properly. There are many theories available for supplier selection. However, in present scenario, supplier selection and evaluation, both go hand-in-hand and therefore it requires patience and time along with strategy. However, it should be flexible in-terms of consumer demand which varies day-in-and-day-out which puts procurement team under tremendous pressure and expects them to modify themselves according to the market and that is the first rule in developing an effective supplier selection process.

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