Supplier Selection and Assessment by University Procurement Officers

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ABSTRACT

Supplier selection and assessment is at the core of the procurement process. This study investigates how procurement officers in Israel’s universities select and assess their suppliers. The authors explore which information channels officers use to assess suppliers and find that incidental and informal information sources are the most frequently used followed by official sources. The authors examine the criteria used by officers to select suppliers and identify quality and price as significantly more important than most other criteria. Finally, the authors do not find strong evidence that officers categorize suppliers to key and non-key suppliers according to the university’s goals.

KEYWORDS

Key-suppliers, Procurement Officers, Supplier Assessment, Supplier Selection, Universities in Israel

INTRODUCTION

The science of procurement has made tremendous progress as a result of the technological advancements, globalization and increased competitiveness. With this progress, the organization relies more and more on procurement and therefore the consequences of an inefficient procurement process are grave and detrimental to the viability and success of the organization. A vital element to this process is the assessment of suppliers and service providers. This assessment is based on multiple and various information resources and relies on specific supplier assessment criterions.

In the past decades, the internet serves as a leading platform for information to the procurement officer and has a critical role in the relationship between the procurement officer and his or her suppliers. The magnitude of information accessible to the procurement officer as a result of the internet is of epic proportions and affects the quality, quantity, availability and prices of the supplies and services procured by the organization.

The increasing importance of the use of information technologies to obtain essential information for the procurement process raises the need to understand how procurement officers use the information available to them to assess suppliers. This strongly affects the officers’ performance and the relationship between the officers and their suppliers.

There has been scattered research focusing on the information seeking behavior of procurement officers in universities. This research, therefore, attempts to fill a gap in the literature concerning the universities’ procurement officer’ information seeking behavior. The goal of this research is to understand these processes and characterize them since a better understanding of the procurement officers’ behavior will enable supplier and service providers to build business and technological systems that are adapted to the needs and behavior of procurement officers. This, in return, will...
improve the credibility of supplier evaluation and allow the purchasing organization to receive high quality services and information regarding suppliers.

The university system in Israel is a public system. For the public sector, procurement is one of the major uses of public resources and is therefore heavily regulated, to the degree that one may argue it is overregulated (see, for example, Balaeva & Yakovlev, 2015). Despite these many rules and regulations, procurement officers still have considerable flexibility and freedom to select suppliers as well as define the criteria by which suppliers are selected. One can therefore investigate how procurement officers actually operate and whether they do so in according to the purpose statement of the organization for which they procure.

Accordingly, in this paper we address the following research questions: First, what are the information channels that procurement officer uses in order to assess suppliers? Specifically, we consider various formal, informal and foreign sources of information and ask the officers to rank the frequency of use of each of these sources. The second research question is what criterions the procurement officers use to assess the suppliers? To this end, we use an exhaustive list of criteria based on Zhang et al. (2003) and ask the officers to rate their use of the criteria. The third research question is whether procurement officers categorize suppliers to key and non-key suppliers according to the university’s goals?

This study makes a number of contributions. First, we provide additional evidence to researchers’ findings that informal sources of information are the most important sources of the procurement officers (e.g., Aarikka Stenroos & Sakari Makkonen, 2014; Latour & Henthorne, 2015). Second, with respect to the selection criteria we find that quality and price are more important than most other criteria. This finding partially corroborates Benyoucef, Ding & Xie (2003) who find that price, delivery and quality are the most important criteria for the officers. Finally, we find that many of the officers do not categorize their suppliers to key and non-key suppliers, which implies inefficiency in their management of the supplier selection process.

Our study is conducted in the university system of Israel. Very little is known about the information search behavior of the procurement officers in universities despite their prevalent use of various channels of information for seeking information about suppliers. It is important to broaden our knowledge about this behavior and the procurement process in order to develop business systems and technologies that facilitate the procurement officer operations. With the appropriate systems, the reliability of the supplier assessment will improve and the procuring organization will receive quality service and information about suppliers.

LITERATURE REVIEW

The procurement process involves the acquiring and flow of goods or services between the supplier and the customer who is purchasing these goods and services. (Zenz & Thompson, 1994). Muffatto and Payaro (2004) detail the stages of procurement, which include – need, searching, evaluation of alternatives, negotiation, evaluation of offers, agreements, contracting, ordering and the transferring of the goods. The practice of procurement includes many cost reducing strategies such as long-term procurement agreements (see Thompson, 1991) and company credit cards that serve as P-cards (see Spekman, 1988).

The use of electronic tools in the procurement process (E-procurement) is nowadays a standard of the trade. Pioneering E-procurement systems are the Electronic Data Interchange (see Gifkins, 1988) whereas today there are numerous such systems. The adoption of such systems has been investigated recently in Byazit (2014).

Supplier Selection and Assessment

Dickson’s (1966) seminal research about supplier selection and assessment identifies twenty-three criteria. The four criteria ranked highest in importance are quality, delivery, performance-history and warranty & claims policies. In another research, satisfaction from previous purchases was found
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