

## Strategic Goal Oriented Supplier Selection

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**Abstract**—This paper develops a novel approach for selecting a strategic supplier that best meets both long-term strategic goals and short-term requirements of an auto parts manufacturing company in a supply chain. The relative importance value of the supplier selection criteria to the strategic goals is first assessed by identifying how the criteria contribute to the goals. Based on the relative importance value of the criteria to the goals, the criteria weights are obtained. This strategic goal oriented weighting method is incorporated into a Multi-criteria Decision Making (MCDM) model. The potential contribution of the suppliers to the strategic goals is evaluated by the MCDM model. An empirical study on the supplier selection problem of the auto parts company is conducted to demonstrate the applicability and effectiveness of the approach. The approach has general application in selecting a strategic supplier for a supply chain with various strategic goals and supplier selection criteria.

**Keywords**—strategic suppliers; strategic goal oriented weighting method; Multi-criteria Decision Making.

### I. INTRODUCTION

Supplier selection has become a crucial issue for the success of a company in a supply chain, since good suppliers can considerably help the company improve its price competitiveness [1] and enhance the quality of its products [2]. A conventional approach to supplier selection is that a company contacts many available suppliers, sends requests for quotations for a specific order, evaluates them in terms of their quote and performance, and selects the best-performing one for the given order [3].

Selecting the most suitable supplier among a large number of potential suppliers with different levels of performance is inherently a Multi-criteria Decision Making (MCDM) problem [4]. The supplier selection problem thus requires making trade-offs between conflicting quantitative and qualitative criteria in order to evaluate the performance of the suppliers. Various supplier selection approaches have been proposed to meet the short-term requirements of customer orders. To select top-performing suppliers that best meet the short-term customer orders, the selection criteria such as price, quality, delivery, service, and technical capability have long been used [5][6] [7][8].

To ensure long-term survival and growth, companies increasingly want to develop long-term relationships with competitive suppliers rather than dealing with many suppliers on an order-by-order basis. It is difficult and

inefficient for the companies to maintain partnerships with all available suppliers, as it causes the excessive transaction and management costs, and difficulties for key supplier development. To develop the long-term relationships with suppliers, it is of strategic importance for a company to select the strategic supplier that can best meet long-term expectations of the company in addition to satisfying the short-term requirements of individual orders. No existing approaches, however, are available to choose a strategic supplier for meeting both long-term strategic goals and short-term requirements of companies. To fill this important gap, this paper presents a new approach for selecting the long-term strategic supplier that best contributes to both long-term strategic goals and short-term requirements of a company. To illustrate this approach, an MCDM model with a new weighting method is developed to evaluate the potential contribution of suppliers to the strategic goals by examining the relative importance value of the supplier selection criteria to the goals.

In Section 2, we first present the strategic supplier selection problem of an auto parts manufacturing company in South Korea (referred to as the KAP company). We then develop a new strategic supplier selection approach in the context of KAP in Section 3. In Section 4, we conduct an empirical study to illustrate the approach. Finally, we discuss key findings and practical implications of the study in Section 5.

### II. THE SUPPLIER SELECTION PROBLEM IN AN AUTO PARTS MANUFACTURING COMPANY

The KAP company is a first-tier auto parts manufacturer in South Korea. KAP produces auto parts such as sun roof, rail roof, pedal, fuel tank, suspension, axle housing, wheel housing, frame parts, lamp parts, and FRT cowl parts. KAP receives materials and components from about 160 suppliers for manufacturing auto parts, and supplies the auto parts to four major Korean auto companies including Hyundai, Kia, Renault Samsung, and GM Daewoo as a first vendor. KAP has eight domestic factories located all over the country and the purchasing division of each KAP factory selects its suppliers close to the factory for transportation cost reduction. Thus, most of the 160 suppliers of KAP are small and spread all over the country. This creates many low quality suppliers and causes the excessive transaction expenses for KAP to deal with many minor suppliers. Very often a customer order is met by many suppliers with small quantities. This makes

the qualified suppliers have less opportunity to develop as a major supplier by constantly receiving many orders with large quantities. In this regard, KAP wants to develop a small number of long-term suppliers. In addition, developing long-term relationships with competitive suppliers gives KAP substantial benefits such as product cost reduction, quality insurance, product commonality and risk reduction of product liability. To address this issue, there is an urgent need for KAP to have a strategic plan for developing long-term strategic suppliers.

Table 1 shows the strategic goals  $G_k$  ( $k=1, 2, \dots, 10$ ) and their weights  $w_k$  given by KAP in relation to its strategic plan for supplier selection. KAP considers achieving profitability ( $G_1$ ), coercive power for supplier management ( $G_4$ ) and long-term relationship between KAP and its suppliers ( $G_5$ ) as the most important goals with regard to supplier selection. Development of large suppliers ( $G_2$ ) and minimisation of product costs ( $G_3$ ) are also important strategic goals, as they affect long-term profit and growth of KAP. KAP prefers to work with major suppliers for ease of communication ( $G_8$ ), since they have advanced transaction systems and well-trained employees to make transaction processes easier for KAP.

The strategic goals are not directly used as criteria for evaluating the performance of suppliers, as it is difficult to assess and measure the performance of suppliers with respect to these goals. Thus, the supplier selection criteria  $C_j$  ( $j=1, 2, \dots, 14$ ), which are measurable quantitatively or assessable qualitatively and are independent of each other, are used to achieve the strategic goals, as shown in Table 2. Each supplier selection criterion is linked to the different strategic goals in terms of its relative importance value to the goals, as shown in Fig. 1. The total turnover and profits criteria ( $C_1$  and  $C_2$ ) significantly affect the achievement of profitability ( $G_1$ ), development of large suppliers ( $G_2$ ), and minimisation of product cost ( $G_3$ ). The types of equipment and number of equipment ( $C_3$ , and  $C_4$ ) are used to achieve part commonality ( $G_7$ ).  $C_1$ ,  $C_2$ ,  $C_3$ , and  $C_4$  are quantitative criteria and their values are obtained from KAP.

TABLE I. STRATEGIC GOALS AND THEIR WEIGHTS

Strategic goal		Weight
$G_1$	Profitability	0.2
$G_2$	Development of large suppliers	0.1
$G_3$	Minimisation of product costs	0.1
$G_4$	Coercive power for supplier management	0.2
$G_5$	Long-term relationship between KAP and its suppliers	0.2
$G_6$	Quality improvement of KAP and its suppliers	0.025
$G_7$	Part commonality	0.025
$G_8$	Ease of communication	0.1
$G_9$	Mitigation of patent disputes	0.025
$G_{10}$	Maximisation of return on investment	0.025
Total		1

To meet the strategic goals involving minimisation of product cost ( $G_3$ ), long-term relationship ( $G_5$ ), quality improvement ( $G_6$ ), part commonality ( $G_7$ ) and maximisation of return on investment ( $G_{10}$ ), qualitative criteria  $C_5$ ,  $C_6$ ,  $C_7$ , and  $C_8$  are used. These four qualitative criteria are assessed by KAP, based on its own assessment sheet with a score range of 0-100. For  $C_5$ , the lower the item price, the higher the score. Six selection criteria  $C_9$ ,  $C_{10}$ ,  $C_{11}$ ,  $C_{12}$ ,  $C_{13}$ , and  $C_{14}$  are related to the strategic goals including coercive power ( $G_4$ ), long-term relationship ( $G_5$ ), ease of communication ( $G_8$ ), and mitigation of patent disputes ( $G_9$ ).  $C_9$  and  $C_{10}$  are measured in percentage and qualitative criteria  $C_{12}$ ,  $C_{13}$ , and  $C_{14}$  are measured based on a 1-10 rating scale by KAP.

TABLE II. SUPPLIER SELECTION CRITERIA

Criteria	Measure
$C_1$	The total turnover of the supplier Dollar amount
$C_2$	The total profits of the supplier Dollar amount
$C_3$	The number of types of equipment of the supplier to produce KAP item Number
$C_4$	The total number of equipment of the supplier to produce KAP item Number
$C_5$	Average item price Score (0-100)
$C_6$	Average item quality (Error and shortage rate and late delivery rate history in previous transaction with KAP) Score (0-100)
$C_7$	Quality management system (Quality, resource, facility, and process) Score (0-100)
$C_8$	Technical skills Score (0-100)
$C_9$	The proportion of turnover of the supplier made from KAP Percentage
$C_{10}$	The proportion of profit of the supplier made from KAP Percentage
$C_{11}$	The total partnership year between KAP and the supplier Year
$C_{12}$	Personal connection, regionalism and kinship (blood relation) between KAP and the supplier Rating scale (1-10)
$C_{13}$	Proactive manner for communication, and transaction Rating scale (1-10)
$C_{14}$	Compatible strategic objectives of the supplier with KAP Rating scale (1-10)

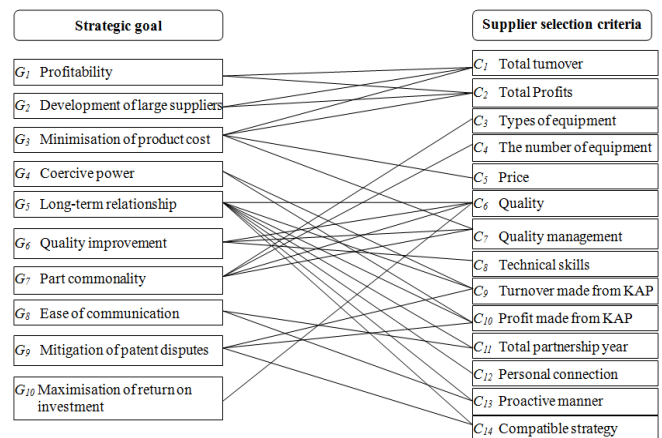


Figure 1. The relationship between the strategic goals and supplier selection criteria.

Based on the strategic goals and the supplier selection criteria, KAP wants to find which supplier can best perform for meeting its long-term strategic goals and short-term requirements. To address this important issue of KAP, we develop a strategic supplier selection approach.

III. THE STRATEGIC SUPPLIER SELECTION APPROACH

To evaluate the potential contribution of suppliers to the strategic goals, we develop an MCDM model with a strategic goals oriented weighting method. Evaluating suppliers can be formulated as an MCDM problem. The MCDM problem involves a finite set of  $I$  suppliers  $S_i$  ( $i=1, 2, \dots, I$ ) with respect to a set of  $J$  supplier selection criteria  $C_j$  ( $j=1, 2, \dots, J$ ). Assessments are conducted by decision makers to determine the weight vector  $W=(w_1, w_2, \dots, w_j)$  and the decision matrix  $X=\{x_{ij}, i=1, 2, \dots, I; j= 1, 2, \dots, J\}$ . The weight vector  $W$  represents the weights of criteria  $C_j$  and the decision matrix  $X$  represents the performance ratings ( $x_{ij}$ ) of suppliers  $S_i$  with respect to criteria  $C_j$ . The supplier selection problem has been solved by various MCDM methods [9][10][11][12][13]. Especially, the SAW method, also known as the weighted sum method, is the widely-used and well-known MCDM method [14]. The basic logic of SAW is to obtain a weighted sum of the performance ratings of each alternative with respect to criteria. This method is well justified theoretically and easily understood by a decision maker [14]. We use the SAW method to aggregate the performance ratings and criteria weights for evaluating suppliers.

In MCDM, different criteria weighting methods have been widely used to determine the importance of criteria [15][16][17]. We develop a new strategic goal oriented weighting method to determine the criteria weights by considering the strategic goals of KAP. To calculate the weights of the supplier selection criteria  $C_j$  ( $j=1, 2, \dots, J$ ) (given in Table 2), the relative importance value  $r_{jk}$  ( $k=1, 2, \dots, K$ ) of the supplier selection criteria  $C_j$  to the strategic goals  $G_k$  ( $k=1, 2, \dots, K$ ) (given in Table 1) is assessed by investigating how the criteria contribute to the goals of KAP, as shown in Fig. 1. A point estimate measurement, such as a five-point Likert type scale [17] has been widely used for making subjective assessments, as it is intuitively easy for a decision maker to use in expressing the subjectiveness and imprecision of the decision maker's evaluation [18]. The relative importance value of the supplier selection criteria with respect to the strategic goals is assessed by using a set of five linguistic terms {Not Important (NI), Somewhat Important (SI), Moderate (M), Important (I), Very Important (VI)}, which is associated with a corresponding set of numerical values {1, 2, 3, 4, 5}. The assessment is made by KAP, based on its current strategic needs and operational settings.

With the linguistic terms, the relative importance value of the supplier selection criteria with respect to the strategic goals is given from the knowledge of experts in KAP. Table 3 shows the relative importance value for determining criteria weights under various strategic goals. For example, the total turnover of the supplier ( $C_1$ ) is considered to be important (I) to achieve profitability ( $G_1$ ) and reduction of

product cost ( $G_3$ ). KAP considers that suppliers making high revenues can contribute more to profitability and cost reduction of KAP. Partnership year ( $C_{11}$ ) is considered to be very important (VI) to achieve long-term relationship between KAP and its suppliers ( $G_3$ ) and ease of transaction ( $G_8$ ). Partnership year ( $C_{11}$ ) that KAP has built with its suppliers can be a good indicator of buyer-supplier relationships. If KAP builds long-term relationships with its suppliers, transaction between KAP and its suppliers will become easier and more cost-effective to each other. The turnover and profits made from KAP criteria ( $C_9$  and  $C_{10}$ ) are the most important supplier selection criteria to achieve coercive power ( $G_4$ ) and long-term relationship ( $G_3$ ) of KAP. This coincides with KAP's opinions that they want to be suppliers' major customer taking most of their orders in order to hold a dominant position over a long-period of time. The types of equipment and number of equipment criteria ( $C_3$  and  $C_4$ ) are considered to be not important (NI) to achieve profitability ( $G_1$ ), product cost reduction ( $G_3$ ), quality improvement ( $G_6$ ), ease of transaction ( $G_8$ ), and mitigation of patent disputes ( $G_9$ ), while it significantly contributes to expansion of the size of the supplier ( $G_2$ ).

Based on the relative importance value of the supplier selection criteria with respect to the strategic goals, criteria weights  $w_j$  are calculated. The decision matrix  $X$  representing the performance ratings ( $x_{ij}$ ) of each supplier  $S_i$  ( $i=1, 2, \dots, I$ ) with respect to the supplier selection criteria  $C_j$  is assessed by KAP. These performance ratings are given based on both quantitative and qualitative assessments. The quantitative assessments are conducted based on objective data, while the qualitative assessments need the decision makers' subjective judgments to rate the performance of suppliers with respect to the supplier selection criteria.

TABLE III. THE RELATIVE IMPORTANCE VALUE OF THE SUPPLIER SELECTION CRITERIA TO THE STRATEGIC GOALS

Criteria	Strategic goal									
	$G_1$	$G_2$	$G_3$	$G_4$	$G_5$	$G_6$	$G_7$	$G_8$	$G_9$	$G_{10}$
$C_1$	I	VI	I	SI	SI	M	NI	NI	NI	M
$C_2$	I	VI	I	SI	SI	M	NI	NI	NI	M
$C_3$	NI	I	NI	SI	SI	NI	M	NI	NI	SI
$C_4$	NI	I	NI	SI	SI	NI	M	NI	NI	SI
$C_5$	VI	SI	VI	NI	M	SI	NI	NI	NI	SI
$C_6$	SI	M	M	NI	M	VI	M	NI	SI	SI
$C_7$	SI	M	I	NI	SI	VI	M	NI	SI	SI
$C_8$	SI	M	SI	NI	SI	I	NI	NI	M	M
$C_9$	M	NI	NI	VI	VI	NI	NI	NI	I	I
$C_{10}$	M	NI	NI	VI	VI	NI	NI	NI	I	I
$C_{11}$	NI	NI	NI	M	VI	NI	NI	VI	SI	I
$C_{12}$	NI	NI	NI	M	I	NI	NI	M	SI	NI
$C_{13}$	NI	NI	NI	M	I	NI	NI	I	NI	NI
$C_{14}$	NI	NI	NI	M	I	NI	NI	SI	I	I

Given the relative importance value  $r_{jk}$  of the supplier selection criteria  $C_j$  and the decision matrix  $X$ , an MCDM model with a strategic goal oriented weighting and SAW method is developed to evaluate the potential contribution of suppliers to the strategic goals as follows:

Step 1: Calculate the strategic goal oriented criteria weights  $w_j$  ( $j=1, 2, \dots, J$ ) of the supplier selection criteria  $C_j$  ( $j=1, 2, \dots, J$ ) by aggregating the weight  $w_k$  of each strategic goal  $G_k$  ( $k=1, 2, \dots, K$ ) and relative importance value  $r_{jk}$  of each selection criterion  $C_j$  to each goal  $G_k$  by

$$w_j = \frac{\sum_{k=1}^K w_k r_{jk}}{\sum_{j=1}^J \sum_{k=1}^K w_k r_{jk}} \quad (1)$$

Step 2: Normalise the performance ratings  $x_{ij}$  in the decision matrix  $X$  of supplier  $S_i$  for criteria  $C_j$  to make them compatible across the criteria by

$$y_{ij} = \frac{x_{ij}}{\sqrt{\sum_{i=1}^I x_{ij}^2}} \quad (2)$$

Step 3: Calculate the contribution scores  $T_i$  ( $i=1, 2, \dots, I$ ) of supplier  $S_i$  by aggregating the strategic goal oriented criteria weights  $w_j$  and the normalised performance ratings  $y_{ij}$  by

$$T_i = \sum_{j=1}^J w_j y_{ij} \quad (3)$$

#### IV. THE EMPIRICAL STUDY

An empirical study is conducted to demonstrate how the strategic supplier selection approach works for KAP in order to meet its both long-term strategic goals and short-term requirements. To evaluate the potential contribution of suppliers to the strategic goals, an MCDM model with the strategic goal oriented weighting method is used. Ten suppliers are used as samples for the empirical study.

Based on the relative importance value criteria (given in Table 3) of the supplier selection criteria (given in Table 2) with respect to the strategic goals (given in Table 1), criteria weights  $w_j$  are calculated by Eq. (1). Table 4 shows the weights of the supplier selection criteria. The highest weight 0.094 is given for the proportion of turnover and profit of the supplier made from KAP ( $C_9$  and  $C_{10}$ ). KAP has assigned the highest weight 0.2 to coercive power for supplier management ( $G_4$ ) and long-term relationship between KAP and its suppliers ( $G_5$ ), and the proportion of turnover and profit of the supplier made from KAP ( $C_9$  and  $C_{10}$ ) are the most important selection criteria of suppliers to achieve coercive power for supplier management ( $G_4$ ) and long-term relationship between KAP and its suppliers ( $G_5$ ) of KAP. The number of types and total number of equipment of the supplier to produce KAP item ( $C_3$  and  $C_4$ ), on the other hand, gains the lowest weight 0.053.

TABLE IV. THE WEIGHTS OF THE SUPPLIER SELECTION CRITERIA

Criteria	$C_1$	$C_2$	$C_3$	$C_4$	$C_5$	$C_6$	$C_7$
Weight	0.077	0.083	0.053	0.053	0.082	0.065	0.062
Criteria	$C_8$	$C_9$	$C_{10}$	$C_{11}$	$C_{12}$	$C_{13}$	$C_{14}$
Weight	0.056	0.094	0.094	0.080	0.066	0.068	0.067

In the supplier selection problem, the performance ratings of ten suppliers with respect to the quantitative and qualitative selection criteria (given in Table 2) are assessed by KAP as shown in Table 5. The basic units of  $C_1$  and  $C_2$  are one million dollars. Average item price ( $C_3$ ) and quality ( $C_6$ ) criteria are adjusted by taking the reversal of the original data to make a consistent comparison across all criteria. The performance ratings of ten suppliers are then normalised by Eq. (2).

Given the criteria weights and normalised performance ratings of suppliers, the contribution scores of ten suppliers are calculated by Eq. (3). The highest and lowest contribution scores of the suppliers are 0.3164 and 0.2860 respectively. Table 6 shows the normalised performance ratings with respect to 14 selection criteria, and contribution scores (given in the last row) of the ten suppliers. Supplier  $S_2$  is a highest rated supplier that best contributes to both long-term strategic goals and short-term requirements of KAP.

To help better illustrate how the strategic goals affect the strategic supplier selection, sensitivity analysis has been conducted by adjusting the strategic goal weights. Sensitivity analysis for strategic goals  $G_1$ ,  $G_4$ , and  $G_5$  has been used as an example. Figs. 2, 3, and 4 show how priorities of ten suppliers can change, based on the different weight of the strategic goals  $G_1$ ,  $G_4$ , and  $G_5$  by sensitivity analysis. The x-axis shows the weight of each strategic goal and y-axis displays the contribution score of ten suppliers.

TABLE V. THE PERFORMANCE RATINGS OF TEN SUPPLIERS

	$S_1$	$S_2$	$S_3$	$S_4$	$S_5$	$S_6$	$S_7$	$S_8$	$S_9$	$S_{10}$
$C_1$	59	86	80	105	108.7	100	123	80	90	76
$C_2$	6	5	4.7	15	12	20	18	21.5	17	25
$C_3$	20	69	123	48	101	84	21	95	44	61
$C_4$	2500	5160	1800	2000	980	1200	400	980	912	1900
$C_5$	90	99	95	99	100	90	70	90	85	55
$C_6$	80	50	95	75	70	80	85	80	30	80
$C_7$	95	99	80	55	10	90	80	80	70	75
$C_8$	90	80	75	30	25	95	90	80	80	70
$C_9$	0.98	0.86	0.8	0.69	0.95	0.5	0.5	0.94	0.9	0.7
$C_{10}$	0.75	0.79	0.5	0.9	0.9	0.7	0.83	0.6	1	0.7
$C_{11}$	23	20	22	9	18	9	16	10	15	7
$C_{12}$	10	7	10	8	7	9	8	9	8	10
$C_{13}$	9	7	10	6	7	9	10	4	6	9
$C_{14}$	8	5	5	10	10	9	3	5	7	9

TABLE VI. THE NORMALISED PERFORMANCE RATINGS, CONTRIBUTION SCORES AND RANKINGS OF SUPPLIERS

	$S_1$	$S_2$	$S_3$	$S_4$	$S_5$	$S_6$	$S_7$	$S_8$	$S_9$	$S_{10}$
$C_1$	0.202	0.294	0.274	0.359	0.372	0.342	0.421	0.274	0.308	0.260
$C_2$	0.119	0.099	0.093	0.297	0.238	0.396	0.356	0.426	0.336	0.495
$C_3$	0.085	0.294	0.525	0.205	0.431	0.358	0.090	0.405	0.188	0.260
$C_4$	0.361	0.744	0.260	0.288	0.141	0.173	0.058	0.141	0.132	0.274
$C_5$	0.322	0.354	0.340	0.354	0.358	0.322	0.251	0.322	0.304	0.197
$C_6$	0.339	0.212	0.402	0.318	0.296	0.339	0.360	0.339	0.127	0.339
$C_7$	0.389	0.405	0.327	0.225	0.041	0.368	0.327	0.327	0.286	0.307
$C_8$	0.379	0.337	0.316	0.126	0.105	0.400	0.379	0.337	0.337	0.295
$C_9$	0.387	0.340	0.316	0.273	0.375	0.198	0.198	0.372	0.356	0.277
$C_{10}$	0.304	0.320	0.203	0.365	0.365	0.284	0.336	0.243	0.405	0.284
$C_{11}$	0.457	0.398	0.437	0.179	0.358	0.179	0.318	0.199	0.298	0.139
$C_{12}$	0.365	0.255	0.365	0.292	0.255	0.328	0.292	0.328	0.292	0.365
$C_{13}$	0.359	0.279	0.399	0.239	0.279	0.359	0.399	0.159	0.239	0.359
$C_{14}$	0.338	0.211	0.211	0.423	0.423	0.381	0.127	0.211	0.296	0.381
Score	0.3155	0.3164	0.3115	0.2872	0.2980	0.3122	0.2860	0.2933	0.2890	0.3009

Fig. 2 shows that  $S_6$  is superior to suppliers  $S_2$ ,  $S_1$  and  $S_3$  in terms of the contribution score when the weight of profitability ( $G_1$ ) is higher than about 0.45, while suppliers  $S_2$ ,  $S_1$ , and  $S_3$  are preferable to  $S_6$  when the weight of profitability ( $G_1$ ) is less than about 0.16. Assigning the higher weight on profitability ( $G_1$ ) increases the probabilities of  $S_6$  to be selected. The contribution scores of suppliers  $S_6$ ,  $S_2$ ,  $S_1$ , and  $S_3$  are always more dominant than suppliers  $S_{10}$ ,  $S_5$ ,  $S_8$ ,  $S_9$ ,  $S_4$ , and  $S_7$ , regardless of the weight of profitability ( $G_1$ ) due to the fact that the performance ratings of suppliers  $S_6$ ,  $S_2$ ,  $S_1$ , and  $S_3$  with respect to profitability ( $G_1$ ) are much superior to suppliers  $S_{10}$ ,  $S_5$ ,  $S_8$ ,  $S_9$ ,  $S_4$ . This indicates that suppliers  $S_6$ ,  $S_2$ ,  $S_1$ , and  $S_3$  contribute more to the profitability ( $G_1$ ) strategic goal than suppliers  $S_{10}$ ,  $S_5$ ,  $S_8$ ,  $S_9$  and  $S_4$ . Fig. 3 shows that two suppliers  $S_2$  and  $S_1$  are always superior to others. This indicates that suppliers  $S_2$  and  $S_1$  contribute more to the coercive power ( $G_4$ ) strategic goal than suppliers  $S_3$ ,  $S_6$ ,  $S_{10}$ ,  $S_5$ ,  $S_8$ ,  $S_9$ ,  $S_4$  and  $S_7$ . Fig. 4 shows that  $S_1$  is superior to supplier  $S_2$  when the weight of  $G_5$  is higher than about 0.25, while supplier  $S_2$  or  $S_6$  can be chosen when weight of  $G_5$  is less than about 0.25. Suppliers  $S_1$ ,  $S_2$ ,  $S_3$ , and  $S_6$  are always more dominant than others. This indicates that they contribute more to the long-term relationship ( $G_5$ ) strategic goal than others. It is noteworthy that depending on the different weights of the strategic goals, priorities of suppliers change. Thus, KAP will be able to use these different weighting combination results for its various strategic plans. The result of the sensitivity analysis demonstrates that determining the different weights of strategic goals changes criteria weights, thus affecting strategic supplier selection of KAP.

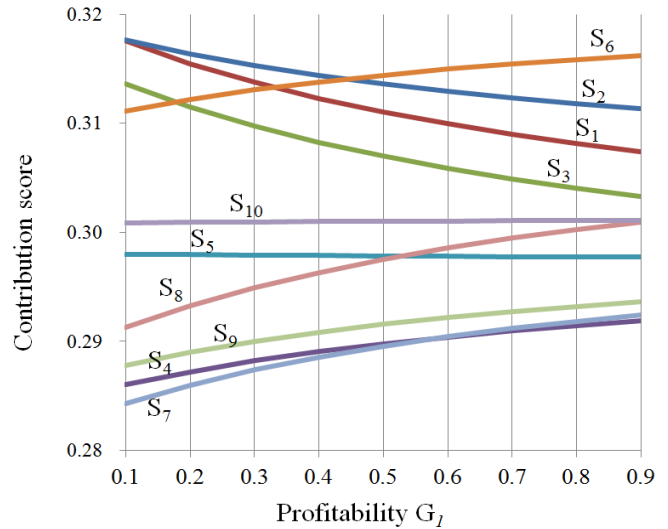


Figure 2. Sensitivity analysis based on profitability ( $G_1$ ).

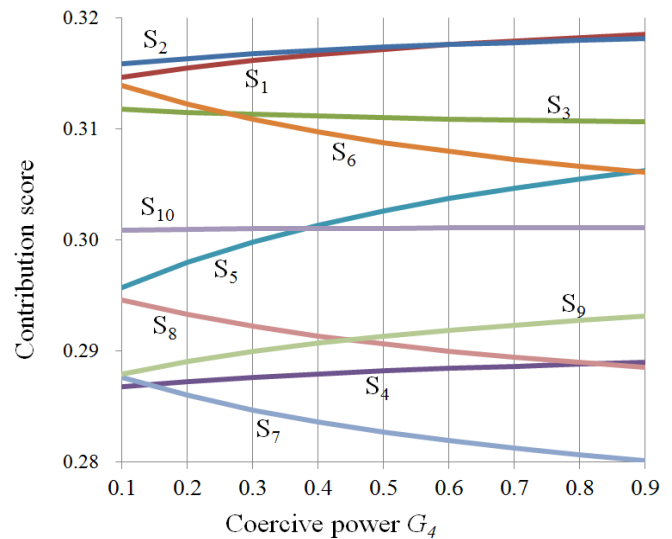


Figure 3. Sensitivity analysis based on coercive power ( $G_4$ ).

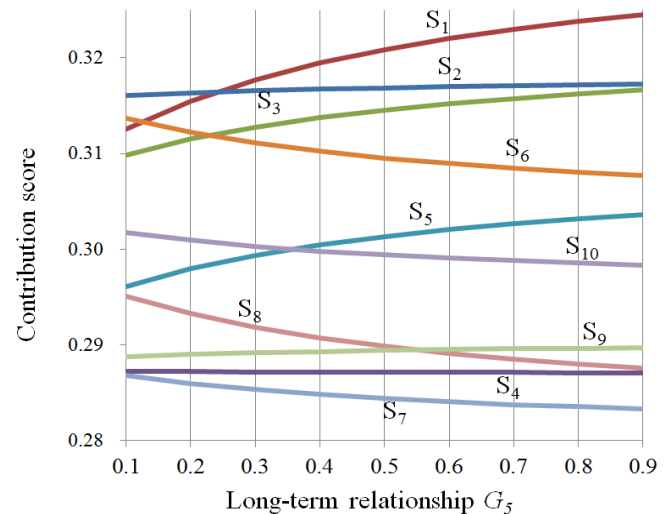


Figure 4. Sensitivity analysis based on long-term relationship ( $G_5$ ).

## V. CONCLUSION

Selecting the supplier that best meets both specific long-term expectations and short-term requirements of a company requires a comprehensive approach. To address this decision problem, we have developed a new strategic supplier selection approach for meeting both long-term strategic goals and short-term requirements of customer orders of a company. A new weighting method has been developed to evaluate the potential contribution of the suppliers to the strategic goals of a company by examining how the selection criteria contribute to the goals. The strategic supplier selection approach developed in this paper provides a structured approach for a company to choose the long-term strategic supplier most contributing to its long-term survival and growth, and short-term requirements. Although the approach is exemplified with the strategic supplier selection problem in the auto parts manufacturing company, it has general application in selecting a strategic supplier in different supply chains with various strategic goals and short-term requirements.

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