Supplier Collaborative and Ethical Consideration in the Vendor Selection Process

Amy Melton
MeltonA@apsu.edu
Terry Damron
DamronT@apsu.edu
Magan Calhoun
CalhounM@apsu.edu

Abstract

This examination of location strategy implementation by Pittsburgh-based service firms, particularly eco-friendly initiatives, was pursued via a case-study approach. The factors selected for comparison were site size and cost; air, rail, highway, and waterway systems; zoning restrictions; proximity to markets/suppliers/competitors; and environmental impact issues. The study included five service-based firms, most of which made decisions concerning new locations within the last few years, and highlighted those factors most significant in the location strategies of local service firms. Findings evidence proximity to market/suppliers/competitors was the most heavily weighted factor in site selection among Pittsburgh-based service firms. The least considered factor in site selection was economic impact. Further, while each firm practiced various eco-friendly initiatives, those initiatives were largely intended to reduce firm costs rather than minimize environmental impact.

The present study suggests that using technology in conjunction with a solid supply chain and locational strategy contributes to a successful business operation. As e-commerce is only one segment of supply chain and location management, it is worthwhile to note that a complete supply chain strategy (as previously presented in the text) is necessary to improve business performance. The results of this study show that missing parts of a supply chain strategy will lead to an ineffective supply chain strategy. Ineffective implementation of any business strategy will contribute to failure to succeed.

The analysis highlighted the vast differences is nature, operations, and requirements of firms within the service sector, confirming that the differentiation between a goods-producing and a service-producing firm is not necessarily clear cut. The present case study found the factors affecting site selection for service firms vary in importance

according to the firm's approximate resemblance to a pure service model. The fact that U.S. and local levels of environmental concern already set the standard for operations around the world impacts the necessity to consider environmental impact. Unlike the Pittsburgh of decades ago, modern Pittsburgh is a relatively clean and environmentally responsible city, with local and federal environmental codes in place to maintain the standards for business operations. Oil and gas drilling is an example of local operations that put in place many measures and abide by numerous regulations to minimize the negative effects of operations on the local environment. Again, the issue here is operations, not location decisions.

The case study results should lay down a foundation for future studies that seek to create an operations-based development model that measures service quality in the logistics service industry. The model should include the factors discussed in the present study of proximity to markets/suppliers/competitors; air, rail, highway, and waterway systems; size and cost; zoning restrictions; and associated environmental impact issues. These factors have potentially major impacts on the measurement of service quality. These factors are particularly important to developed economies, where service industries are increasingly becoming economically dominant. Managers should openly compare their internal standards on service quality as they relate to logistics so they can find ways to improve them.

An obvious limitation of the present study is the inclusion of only Pittsburgh-based service companies. However, Pittsburgh is a global headquarters and major technology area with low unemployment; as such, it certainly establishes a successful story for other service-based firms to follow. Further research on this topic would be beneficial to determine if industries that compete on product differentiation or response strategies would draw similar conclusions about the relationship between quality management, service quality, and business success.

The authors conclude that the Pittsburgh-based service firms examined in this case study appeared to strategically leverage location decisions with highest concern for their proximity to their markets/suppliers/competitors. Based on the conceptual analysis, it seems access to airport facilities and highway transportation systems were of second most importance. Perhaps this trend may be due to the necessity to facilitate the coming together of firms with their markets/suppliers/competitors in an efficient manner. In general, the present study found many Pittsburgh-based service firms have initiated eco-friendly initiatives, but these initiatives are motivated by potential cost savings and are affecting other operational decisions, not just location decisions. Hence, it appears lean practices are still the major driving force behind eco-friendly practices in the Pittsburgh area.

KEY WORDS: business strategy, case study, eco-friendly, location, operations management, technology.

Relevance to Marketing Practitioners: This case study is relevant to marketers and researchers in dealing with qualitative performance incentives for crowding funding initiatives.

TRACK: Business-to-Business Marketing/Supply Chain Management