

THE ROLE OF SECURITY IN THE SUPPLIER SELECTION DECISION

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This research investigates the trade-offs food manufacturers are willing to accept in order to receive increased security from their suppliers, as well as the conditions that might make food manufacturers more willing to make these trade-offs. Evidence exists that firms who increase their security capability will increase their cost of doing business. These costs will most likely be passed down to that firm's customers. It has also been shown that firms who increase their security capability add variance to their order cycle time, which stands to decrease their capability to deliver product to their customers in a reliable manner.

This research elucidates the amount of price increase and delivery reliability decrease purchasing firms are willing to accept in order to receive secure product from their suppliers. It is hypothesized that firms are not willing to accept higher prices or decreased delivery reliability in order to utilize secure suppliers unless certain conditions apply. These moderating conditions are hypothesized to be: (1) the purchasing firm is concerned about security related incidents that have occurred at their firm or (2) the purchasing firm sources goods internationally.

Conjoint analysis was used to test the proposed hypotheses. A sample of 107 purchasing managers employed by domestic food manufacturers was obtained. Results indicate food purchasing managers are not willing to sacrifice price or delivery reliability for security. However, if respondents were concerned over security related incidents or source goods internationally they are willing to pay a 1-2% price premium for advanced security. Respondents were not willing to sacrifice delivery reliability. Other supplier selection criteria are examined as well and results related to these criteria would be presented.

This research stands to be of interest to academics, practitioners, makers of public policy and parties interested in risk management. There has been little empirical work related to supply chain security, and this research therefore stands to be of interest to academics interested in the topic. The research is also of interest to academics in that it delineates the importance of security as it relates to other supplier selection criteria. The research provides practitioners evidence supporting the value of security to their customers, which could assist them in moving security related change management initiatives forward. Public policy makers can utilize the results to determine if government regulation of security is required, or if free market demands for security can substitute for burdensome regulation. The results are of interest to those interested in risk management in that they indicate if security, a means to mitigate the risks of terrorism, is important enough to managers that they are willing to sacrifice in order to receive secure product from their suppliers. Academic publications related to this research are in progress and targeted toward operations and supply chain related journals.