

Application of AHP method in partner's selection process for supply chain development *

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Summary: The process of developing a supply chain is long and complex, with many restrictions and obstacles that accompany it. In this paper the authors focus on the first stage in developing the supply chain and the selection process and selection of partners. This phase of the development significantly affects the competitive position of the supply chain and creates value for the consumer. Selected partners or "links" of the supply chain influence the future performance of the chain, which points to the necessity of full commitment to this process. The process of selection and choice of partner is conditioned by the key criteria that are used on that occasion. The use of inadequate criteria may endanger the whole process of building a supply chain partner selection through inadequate future supply chain needs. This paper is an analysis of partner selection based on key criteria used by managers in Serbia. For this purpose we used the AHP method. The results show that these are the top ranked criteria in terms of managers.

Key words: supply chain, the selection process and choosing a partner. Key criteria, AHP method

Rezime: Proces razvoja lanca snabdevanja je dug i složen, uz brojna ograničenja i prepreke koje ga prate. U radu autori se fokusiraju na prvu fazu u razvoju lanca snabdevanja, odnosno proces selekcije i izbora partnera. Ova faza u razvoju značajno utiče na konkurentsku poziciju lanca snabdevanja i stvaranje vrednosti za krajnjeg potrošača. Izabrani partneri, odnosno „karike“ lanca snabdevanja, određuju buduće performanse lanca, što ukazuje na neophodnost potpune posvećenosti ovom procesu.

Proces selekcije i izbora partnera uslovljen je ključnim kriterijumima koji se koriste tom prilikom. Korišćenje neadekvatnih kriterijuma može ugroziti čitav proces izgradnje lanca snabdevanja, kroz izbor partnera koji neodgovaraju potrebama budućeg lanca snabdevanja. U radu je izvršena analiza izbora partnera na osnovu ključnih kriterijuma koje koriste menadžeri u Srbiji. U te svrhe korišćena je AHP metoda, čiji rezultati pokazuju koji su to najbolje rangirani kriterijumi sa aspekta menadžera.

Ključne reči: Lanac snabdevanja, proces selekcije i izbora partnera, ključni kriterijumi, AHP metoda

1. INTRODUCTION

Creating and maintaining competitive advantage and market share is limited by environment. Companies should not ignore the changes at the market, improvement of existing or introduction new product by competitors, the emergence of new technologies and so on. Modern business conditions determine entering at the market. Companies which accept to change and create a structure and culture which provide fast adjustment have a chance for prosperity and development (see/10/p. 70).

One way of overcoming these limitations and risks imposed by the turbulent environment is to connect with companies that are specialized to perform different activities. In this way companies involved in integration processes have more options in creating superior value for consumers and as well as results in the possibility of differentiation from the competitors. However, if company wants to achieve a competitive advantage by integrating through supply chain, problem of finding partners is not only one. The problem of integrated companies are the relationships that are established among them, which can often be a limiting factor in achieving competitive advantage in the market supply chain.

Process of design and development of supply chains is not simple. Integrating companies in the supply chain is being implemented in two phases. The first includes all activities related to the selection of suitable partners, while the second phase includes the activities of development of the supply chain, in terms of building long term relationships. The complexity of partner selection is determined by the corresponding number of steps to be performed, such as are: gathering information about potential partners, strategic analysis of partners' portfolio, partners selection, planning activities in the supply chain and controlling the execution of planned activities. Mistakes which were made at the first phase of designing supply chain are a serious obstacle in implementing the second phase as well as the full implementation of the concept of supply chain.

2. THE IMPORTANCE OF ENTERING THE SUPPLY CHAIN

Supply chain refers to unique business process without inter-company boundaries in which existing two-way flows of raw materials, finished goods, money and information and where each individual company is only 'link' in the chain. The supply chain includes all companies that directly or indirectly contribute to achievement of the demands of consumers. The functions within each company are also involved in achievement of consumer demands (see /3/ p. 3). Each logistics process of company is part of a broader and larger process

that takes place within the supply chain and any managerial logistical decision should be consistent with the principles of the specific management in the supply chain to which it belongs (see /2/ p. 170).

Supply chain competencies are based on relationships established among all members of the chain. Cooperation is inevitable and due to it is difficult to meet needs of end customers (see /6/ p. 110). Companies enter into relationships in order to create superior value for consumers. Companies enter into relationships in order to create superior value for consumers. Creating and delivering value to customers is too great a burden for a company. Creating partnership through relationship management in the supply chain can be traced through generations of partnering presented in Table 1. In modern conditions it is difficult to find companies which are left to themselves and own available resources. All its shortcomings the individual companies tend to provide through entering into certain relationships.

Table 1 The three generations of partnering excellence

Generation	Milestones
First – generation partnering	Agreeing mutual objectives Making decisions and resolving problems openly as agreed at the start of the project Aiming at targets that provide continuous measurable improvements
Second – generation partnering	Develop strategy jointly Embrace participating firms fully Ensure equity by allowing all to be rewarded on the basis of fair prices and profits Integrate firms through cooperation and trust React to feedback positively and quickly
Third – generation partnering	Take joint responsibility for key outputs Mobilize full partnership development expertise Innovate jointly

Source: Gibbs R., Humphries A.. (2009) Strategic Alliances and Marketing Partnership: Gaining Competitive Advantage Through Collaboration and Partnering. Kogan page. London and Philadelphia. p. 111.

There are many motives for entering the supply chain. Wang and Kess have been dealt with motives of entering the supply chain. The following motives for entering the supply chain are identified by them (see /12/ p. 473):

- reduce of risk through: diversification of product portfolio, fixed costs, the need for capital investment. faster entry into foreign markets,
- economies of scale that provides a lower average cost by using the comparative advantages of all partners.

- blocking competition through defensive strategy that is reflected in cooperation with competitors or offensive strategy. which is achieved by placing the product at lower prices and greater market share.
- overcoming trade barriers.
- international expansion.
- provision of insufficient resources.

In practice the most common motives for entering the supply chain are resources available to potential partners and that value which will be achieved by entering into a chain. Failure and risk in business easily can be avoided by collaboration and partnering and due to they are often listed as motives.

Entry into the supply chain can eliminate restrictions on the business in foreign markets. The cooperation established in this way makes it easier entering at new markets, contributing to lower tariffs and taxes in foreign countries, provides a distribution network at favorable conditions at international markets.

Incompatibility of the motives among partners from countries different by their economic development is a often problem. Given the fact that between the different levels of development, there are differences in the institutional environment, resources, skills, knowledge, there are also differences in motives for involvement in the supply chain (see /4/ p. 578).

The process of supply chain design is long and expensive, due to it is necessary to determine the benefits of entering into the supply chain and thus justify such a decision. The decision about entering the supply chain is justified if it brings mutual benefits. The advantages of this decision refer to the achievement of savings through (see /6/ p. 255):

- reduction of negotiation and signing of specific contracts,
- reduce the need for checking the financial viability and quality of partners,
- reduce the level of investment required, using a system of research and development from external sources,
- reduce costs and develop more competitive products,
- shortening lead time and production cycles.

3. THE COMPLEXITY OF THE PARTNERS CHOICE IN THE PROCESS OF DESIGNING THE SUPPLY CHAIN

The process of designing or building the supply chain is not possible without properly carried out the selection of potential partners. This is the first stage in designing the supply chain.

The problem of finding appropriate partners is reflected in the inability for formalize phase selection and choice of partner. The main tasks of this phase are identification of subject of the supply chain and sources of information. In order to achieve a rationalization of this phase is necessary to define the subject of a supply chain which would suggested the kind of information should be sought. Sources of information are numerous but not equally available. Information from secondary sources are the basis for decisions about which companies to go into further negotiations. It is the information which are used in the preliminary stage of selection. The purpose of the preliminary selection is the separation the major partners from the all other which were analysed in the previous phase. Information about selected partners in this phase will be stored in a database. Assessment is based on an analysis of information from primary sources and its task is the choice of partners which will go into further negotiations with the possibility of signing the contract.

Beside the specific partners choice this phase also requires decisions about the optimal number of partners in the supply chain. Today's global chains have a tendency to reduce the number of participants in the chain and focus on building partnerships with a small group of partners. The decision about selection a multiple or lesser number of partners, carries with it both advantages and disadvantages.

The advantages of choice a lesser number of partners is reflected in faster implementation of innovation, excess levels of cooperation and trust, the faster and more accurate exchange of confidential information, the greater the possibility of obtaining products and/or services of higher quality, the establishment of closer links between partners better communication, cooperation easier with the introduction new products and services, increasing mutual trust, increasing familiarity with each other, joint effort (see /11/ p. 115). On the other side the benefits of supply chain with multiple partners are: more sources of knowledge and experience, easy and fast replacement supplier or partner who does not perform duties adequately and so on. The bad side from choice of lesser number of partners is greater sensitivity to the failure of the supply chain participants, high dependency, the possibility of blackmail with price and ect. On the other hand the participation of a great number of partners in the supply chain hinders communication between members and, as well as build relationships of trust and in that case it is difficult to ensure compatibility of objectives, strategies, corporate culture and etc.

More than 90% of the products HP company are the result of work their partners. All partners are equally responsible for the generated value. However, HP does not give up all decision to its suppliers. The company provides training to its suppliers in order to reach high standards in terms of society and the environment that apply to HP. Since 2004. HP was conducted a review of operations in large companies with the number of employees over the 400.000. The problem of HP's supply chain are suppliers of second-level. Many of them are small and medium enterprises (with 250 or fewer employees) which do not have the knowledge and resources according to HP's standards. In contrast to

the direct or first-level suppliers second-level suppliers do not have contractual relationship with HP. Instead, they provide products and services to producers who have contracts with HP. Suppliers of second-level is more difficult to monitor.

Increasing the number suppliers of second-level may adversely affect the value of the whole supply chain. The main reason for this argument is that the second-level suppliers often do not have to follow all usual procedures of management system (see / 15 /).

Designing a global supply chain requires the selection and cooperation not only with domestic but also with foreign partners. In modern conditions rare are supply chains which have all partners from a single country. The reason is that the choice of only domestic or foreign partners entails certain limitations. The disadvantages of choosing foreign partners are: limitations in collecting information from other countries, or inaccessibility of information, differences in language, prolonged period of negotiation the differences in currency, differences in legislation and etc. The benefits of choosing foreign partners are: achieving lower prices (especially when it comes to partners from countries with cheap labor or raw materials), greater competition among potential partners, insufficient capacity of local partners (see /12/ p. 479).

IKEA is an example of selecting of the partners according origin. Number of products in IKEA stores are from a global network of suppliers, because of that is very important that the company must has close relationships with suppliers. A large network providers initiated the need for increased control products. Middle 1990s. IKEA had more than 2.000 suppliers but until 2009 this number was reduced to less than 1400 suppliers. Reasons for the reduction suppliers numbers in recent years are the needs for greater security in the supply chain and capacity for continued growth.

The decision to build a network of supply outside the Nordic countries with suppliers from other countries of Western and Eastern Europe was a response to the conflict between the IKEA and the Swedish company furniture. This conflict arose over the aspirations of the company IKEA in reducing costs and the furniture industry could not be achieved. Building relationships with suppliers from Poland has provided the company a strong position in the IKEA furniture market by implementinig cost leadership strategy. The IKEA was been supplied from 54 different countries in 2008. The largest source of supply are suppliers from Europe (64%), China (20%) and Poland (16%). Coordination and communication with partners from different countries are achieved through worldwide retail stores. Without a collaborative relationship the balance between the costs of inventory and avoidance of risk is difficult to achieve (see /16/).

4. Multicriterial selection of partners

Choosing the criteria for the partners' selection requires the use of quantitative methods. Because all criteria are equally important in making decisions about choosing a partner, these methods have the task of determining the most important criteria in a specific situation.

The process of selecting the most important criteria may encounter on obstacles, such as:

- Changing internal and external environment and
- Subjectivity in the selection of criteria.

From the moment of choosing criteria for the selection of partners based on defined criteria, there are a great number of changes in internal as well as the external environment. Selection of the criteria for the partner selection depends on the existing conditions. Changes within the company may be accompanied by the need for re-election criteria, which will be in accordance with the new situation. The need for change of criteria exists in the case of changes in external environment.

In addition to quantitative methods an important factor in the selection criteria, are very important managers which made decisions. The selection criteria can be under influence of their beliefs, attitudes, and opinions. Selection criteria should be left to quantitative methods, and subjective methods can only be supportive (See 13/ p. 285). The high level of subjectivity in the selection criteria can be an obstacle in the process of partner selection.

In the early 1950s have been made first attempts in defining criteria for partners selection. Among the first Brendel was compiled a list of 20 key questions regarding the partners selection. In 1960s Pegram defined the following criteria: financial conditions, the sales force, product line, reputation, market coverage, market position, managerial skills. From that period many authors were trying to make a synthesis of pre-defined criteria. Some of the most commonly used criteria in the process of choosing and partners' selection are shown in Figure 1.

The Finnish manufacturer of biochemical products may be good example of selection partners at the international market. The goal of this company was entering the Chinese market by building partnerships with distributors. The Finnish manufacturer made complex analysis and choice boiled down to two potential vendors. One distributor had a motive to expand the product line, and the other had to a motive to achieve higher profits by introducing new products that are not available to the Chinese market. The Finnish manufacturer has chosen the first distributor for the following reasons: great interest in the products, the company is owned by young people therefore will be easier to overcome cultural differences, the geographical position of the distributors is

available and better than another. The reasons for cooperate with Finnish manufacturer, which first distributor is emphasize were: competitive product, honesty and reliability of the manufacturer and good communication in the negotiation process or during the preliminary selection (see / 12 / p. 475).

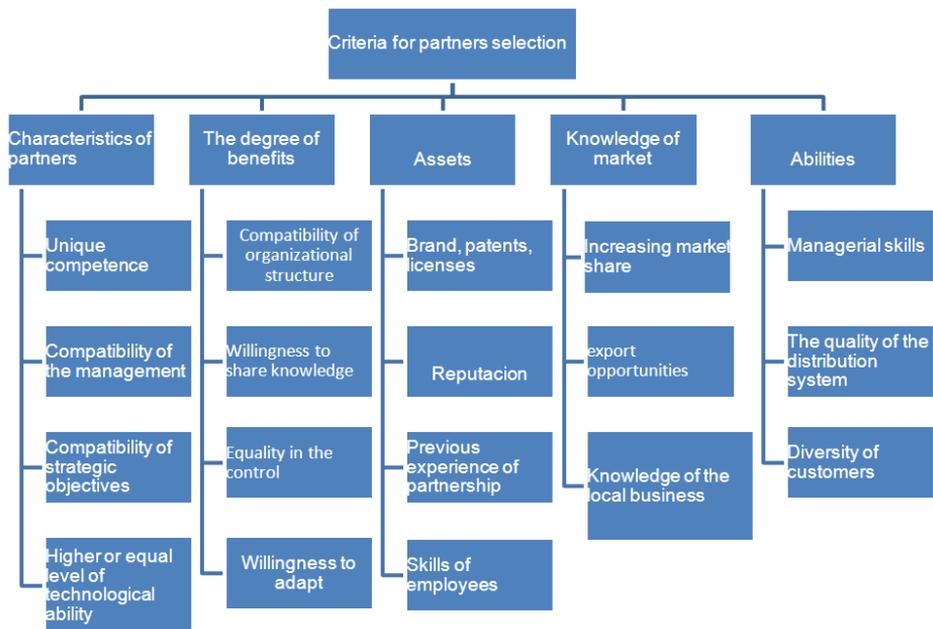


Figure 1 The criteria and sub-criteria for the selection of partners (taken and translated from /14/ p. 4649)

5. THE APPLICATION OF AHP METHOD IN THE ANALYSIS OF THE CRITERIA FOR MAKING DECISIONS TO CHOOSING A PARTNERS IN SERBIA

Choosing a partner the supply chain is the first step in the development of supply chains. Therefore the smallest mistakes in making decision can be dangerous for the entire supply chain. For this purpose exist a many different criteria which are the base in defining of partners at the "acceptable" and "not acceptable" for further cooperation and development of long-term relationships. Criteria used in selection are also the attributes of potential partners. Today, are crystallized a great number of criteria, and is very important to categorize them into essential and inessential.

The need for studying and monitoring the growing number of properties some phenomena are affected to occurrence of some of the search for a suitable mathematical methods that would provide a complete picture of the process of exploring these phenomena. In the modern conditions the business environment is subjected to frequent changes and must be forced to use different mathematical methods in decision making. However, the application of mathematical methods in making decision requires adequate bases of information and basic knowledge of procedures and techniques for analysis and evaluation of available information (see /5/ p. 3).

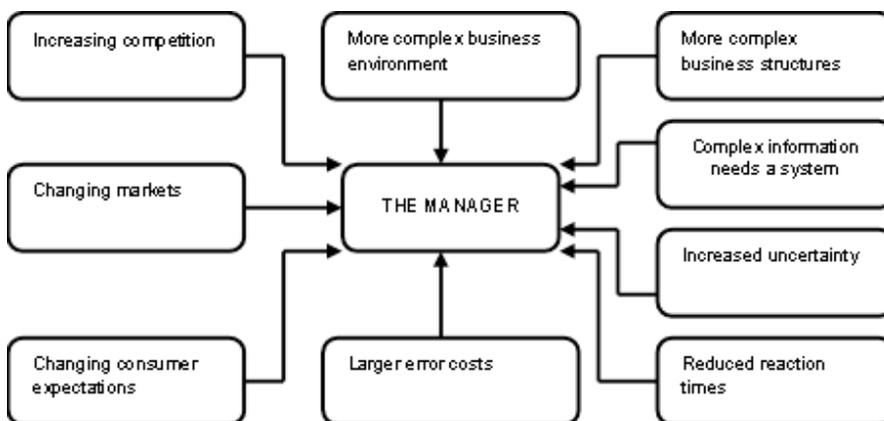


Figure 2 Requirements for decision making (see /5/ p. 3)

Turbulent environment makes that life of manager's becomes more complex, especially in cases where their decisions affect not just on one company, but on many those which involved in the supply chain. Figure 2 presents some of the major problems which a process of making decision for managers makes more difficult.

Because of increasing complexity of business environment, managers has greater demand for information. On the other hand, the time available for making decision is increasingly reduced. Thus, the consequences of making wrong decisions become very serious and costly (see /5/ p. 2). These decisions relate to the selection of wrong market, unsuitable partners, an attack on wrong competitor and ect. Complex environment requires the application of mathematical methods in a given situation for providing adequate information.

The choice of mathematical methods is determined by research and purposes. In some cases the use of these methods gives the best possible solutions. These situations require additional qualitative analysis, as well as demonstrating conceptual and interpersonal skills of managers in making decisions.

Mathematical methods have found application in the process of designing and development of supply chains. The choice of adequate methods can provide answers to many questions faced by supply chain partners.

Supply chains existing in Serbia. However, what often appears as a problem is the adequate implementation of the concept of supply chain. The implementation of concept depends on the choice of appropriate partners that will build long-term partnership. Analysis of the designing and development supply chain allows selection of companies from different sectors (primary, secondary and tertiary) given that members of the supply chain suppliers manufacturers, retailers, wholesalers, distributors and others.

Managers from 20 companies from Serbia was responded on the question about desing supply chain and criteria which commonly used in the process selection and chosing partners. Collection of primary data was performed by applying the method survey. For this purpose was used the questionnaire. The questionnaire consists of two parts. The first part of the questionnaire consists of general questions about the name, address, business enterprises, the number of employees, form and origin of ownership, as well as position manager which is responsible for completing the questionnaire. The specific part of the questionnaire relates to issues related to the criteria that companies use in selecting partners.

The analysis included nine criteria which are commonly used in the decision making process in choosing partners. It is on the following criteria: cost (raw materials, finished goods, services), quality, speed of delivery, after-sales services, communication systems, financial stability, geographic location, compatibility of goals and corporate culture compatibility. Managers of companies from Serbia with numbers from 1 to 9 (where 1 - the most important criterion and 9 - the criterion of the least significant) was marked the most important criteria.

Analyzing the importance of individual criteria, especially in large, and small and medium (SME) enterprises is determined in the average rank and standard deviation for each criterion separately as shown in Table 2. The best ranked criterion for managers of large companies is the price, its standard deviation is the lowest (1.174), which indicating that the opinions of managers about the importance of this criteria is uniform. The conclusion is that the most important criteria for large enterprises is price. For small and medium enterprises the best ranked criteria is quality. Also, here is the lowest standard deviation (1.059). For small and medium enterprises in Serbia as the most important criteria, in making decisions about choosing a partner, is quality. The opinions managers of small and medium enterprises about the importance of this criteria is uniform.

Based on the average score is also assigned by the manager's individual criteria shows the ratio scale (Table 3). The ratio of scale will be used in implementing the AHP analysis.

Table 2 The average rank of the individual criteria standna deviation at large (L) and small and medium-sized (MIS) companies

Criteria	Number of managers	The average rank (L)	The standard deviation (L)	The average rank (SME)	The standard deviation (SME)
Price	10	3.40	1.174	2.30	1.494
Quality	10	5.70	4.596	1.70	1.059
Speed f delivery	10	5.00	2.449	3.10	1.370
Postsale service	10	8.20	3.084	6.70	2.946
Communication System	10	7.60	3.471	6.90	3.635
Financial stability	10	7.40	2.908	5.90	2.961
Geographical location	10	6.30	2.789	6.80	2.821
Compatibility of objectives	10	8.20	1.969	8.10	1.524
Compatibility of corporate culture	10	8.70	2.413	8.90	1.874

Source: Anđelkovic A., (2010), The development of supply chains support by methods of statistical analysis, Master thesis, p. 68.

Table 3 Average rating criteria and ratio scale

Criteria	Average grades assigned by managers	Racio scale
Price	8.2	8
Quality	8.6	9
Speed of delivery	8	7
Postsale service	4.1	3
Communication System	5.2	4
Financial stability	7.3	6
Geographical location	6	5
Compatibility of objectives	1.3	1
Compatibility of corporate culture	1.8	2

Source: Data are the result of research conducted for the needs of the master thesis (see /1/)

The analytical hierarchical process (AHP) as one of the multicriteria optimization method is a tool for decision making on the selection of one from a series of alternatives, especially in cases when exist several criteria by which to make a decision (see /9/ p. 59). Most of the authors tells about the AHP method as making decision support. The analytic hierarchy process is flexible because it provides a solution of problem in complex conditions, with many criteria and alternatives is relatively easy to find a relationship between the influencing factors, recognize their explicit or relative influence and importance in the real

conditions and to determine the dominance of one factor over another (see /17/). AHP method involves decomposition of the problem in the process of making decision to the parts with respect to their mutual characteristics and formation of hierarchical models of different levels (see /8/ p. 49). Basically it is a creation of specific tools for analysis and hierarchy making decision.

AHP method has the multi-stage approach. In the first phase, a problem to solve is viewed as a hierarchy, where the goal is at the top of the observed problem. The lowest hierarchical levels represent a range of alternatives from which choice is made. In the second phase is done of data collection. This phase involves the comparison of two pairs of each attribute (in the paper will be done comparing the attributes of criteria. and the importance of one criterion over another). The strength of one criterion over another is determined by the ratio of skalom 1 - 9 (where 1 indicates the equality of attributes, and strength of a 9 aspolutnu attribute over the other). In this way a reciprocal nxn matrix whose elements $a_{ii} = 1$, i.e. at the main diagonal elements are jedninice (Table 4).

Table 4 The reciprocal comparison matrix

Criteria	Price	Quality	Speed of delivery	Postsale service	Commun. system	Finan. stability	Geogra. location	Compat. of object.	Compat. of
Price	1	0.89	1.14	2.67	2	1.33	1.6	8	4
Quality	1.13	1	1.29	3	2.25	1.5	1.8	9	4.5
Speed of delivery	0.88	0.78	1	2.33	1.5	1.17	1.4	7	3.5
Postsale service	0.38	0.33	0.43	1	0.75	0.5	0.6	3	1.5
Commun. System.	0.5	0.44	0.57	1.33	1	0.67	0.8	4	2
Finan. stability.	0.75	0.67	0.86	2	1.5	1	1.2	6	3
Geogra. location	0.63	0.56	0.71	1.67	1.25	0.83	1	5	2.5
Compat. of object.	0.13	0.11	0.14	0.33	0.25	0.17	0.2	1	0.5
Compat. of corpor. culture	0.25	0.22	0.29	0.67	0.5	0.33	0.4	2	1
Σ	5.65	5	6.43	15	11	7.5	9	5	22.5

Source: Data are the result of research conducted for the needs of the master thesis (see /1/)

The reciprocal matrix is added by columns and then divides each of the elements of an appropriate amount or the odds following table gives the following formula:

Table 5 Matrix of weights

Criteria	Price	Quality	Speed of delivery	Postsale service	Commun. System.	Finan. stabili.	Geogra. location	Compat. of object.	Compat. of corpor. culture
Price	0.1770	0.178	0.1773	0.178	0.1818	0.1773	0.1778	0.1778	0.1778
Quality	0.2	0.2	0.2006	0.2	0.2045	0.2	0.2	0.2	0.2
Speed of delivery	0.1558	0.156	0.1555	0.1553	0.1364	0.156	0.1556	0.1556	0.1556
Postsale service	0.0948	0.066	0.0669	0.0667	0.0682	0.0455	0.0667	0.0667	0.0667
Commun. system	0.0885	0.088	0.0886	0.0887	0.0909	0.0893	0.0889	0.0889	0.0889
Finan. stability	0.1327	0.134	0.1337	0.1333	0.1364	0.1333	0.1333	0.1333	0.1333
Geogra. location	0.1115	0.112	0.1104	0.1113	0.1136	0.1107	0.111	0.1111	0.1111
Compat. of object.	0.0230	0.022	0.0218	0.022	0.0227	0.0227	0.0222	0.0222	0.0222
Compat. of corpor. culture	0.0442	0.044	0.0451	0.0447	0.0455	0.044	0.0444	0.0444	0.0444

Source: Data are the result of research conducted for the needs of the master thesis (see /1/)

The resulting coefficients now add up the ranks, and the weights of attributes are obtained when the sum of each row share a number of attributes, or according the mathematical formula:

$$a_j^1 = \frac{a_j}{\sum_{i=1}^9 a_j}, j = \overline{1,9}$$

Weights of coefficients express a relative importance of each criterion in terms of the decision-maker and as follows: $w_1 = 0.1781$, $w_2 = 0.2006$, $w_3 = 0.1535$, $w_4 = 0.0676$, $w_5 = 0.0890$, $w_6 = 0.1337$, $w_7 = 0.1114$, $w_8 = 0.0223$, $w_9 = 0.0445$. So, on the second level of the hierarchy is determined by the importance of each attribute or criterion, based on their weights was done by ranking the same importance for managers whose companies are the subject of research. Table 6 shows the criteria arranged in order of importance in making decision on the selection of partner, with whom will be designing the supply chain.

Table 6 Criteria sorted by relevance in process of choosing a partners in Serbia

Ranking criteria	Criteria
1	Quality
2	Price
3	Speed of delivery
4	Financial stability
5	Geographical location
6	Communication System a
7	Post sale service
8	Compatibility of corporate culture
9	Compatibility of objectives

6. CONCLUSION

Research results which are shown in the paper represent a picture of supply chain in Serbia. The impression is that companies in Serbia implemented the concept of supply chain for their own recognition and realization of personal goals. Large companies which possessing the resources, knowledge and experience tend to impose themselves as the most powerful and most essential member of the supply chain. On the other hand, SMEs are interested for entering to the supply chain for ensuring survival at the market. It is impossible completely to change the business environment with features from the past.

Selection of an adequate partner requires great care in compiling "lists the pros and cons" in the definition of ideal partners' profile. It seems that a company give small attention to this step. Focus on criteria such as price, quality, financial stability, it seems to ignore the criteria that are very important for the further development of relations in the supply chain. Those criteria should not be left out of course, but it is necessary to combine them with qualitative criteria.

One of the problems faced by supply chains in Serbia is the neglect of certain qualitative criteria (such as compatibility of goals and corporate culture) in the selection of partners that follows the build of long-term relationships. Achieving long-term relationships with partners in great extent conditioned by the attitudes, beliefs and ideas which espouse. Despite the fact that a large number of managers (80%) has spoken favorably about the compatibility of goals between the partners in the supply chain, the analysis shows that the choice of partners according to this criteria is on "high" ninth or last place in relation to other criteria were assessed. These responses may indicate that a harmonizing of aims among partners comes later. However, subsequent alignment targets

significantly slows development long-term partnership and certainly is a "trigger" in the appearance of conflicts in the supply chain.

Further development of supply chains depends exactly from this steps, from choosing appropriate partners. Given the results of AHP method conclusion is that companies in Serbia in the selection of partners primarily guided by the quantitative criteria. Building relationships in the supply chain can be limited by focusing on quantitative criteria. Criteria such as the compatibility of goals and corporate culture according to opinion managers occupy a very low position in the choice of partner, accounted for 1% or 2%. If the partners are planning for the future cooperation through pure transactional relationships, neglect of these criteria would not have caused greater problems. However, as these two criteria are the basis for future development of partnerships in the supply chain, due to the fact that in Serbia companies give very little attention, can be concluded that the long-term relationships and building will be significantly slowed and limited. The results show that the two criteria mentioned are ignored by managers of the analyzed companies. There is a need to increase the awareness of managers about the importance of these criteria. The neglect of these criteria when selecting suppliers may not currently causes conflicts between the partners, but they are certainly inevitable. The results of this selection of partners is very difficult to use in building relationships of trust.

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