



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE (PROCUREMENT)

BMS 423: SUPPLIER RELATIONSHIP MANAGEMENT

DATE: 16/8/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (30 MARKS)

A blend of SRM and traditional tactics

There are of course occasions when businesses revert to a more ‘traditional’ approach. Last year food giant Premier Foods announced that it would be reducing its suppliers by close to 50 percent and look to secure better deals from those it kept on. The objective was to reduce complexity in its supply chain and develop deeper relationships, whilst cutting approximately £10 million in costs.

The tactics Premier Foods employed to achieve this were heavily criticized by many in the industry. The company asked suppliers to commit to the relationship by contributing to a programme titled ‘invest for growth.’ In return, suppliers are put in a position where they are more likely to secure more business from Premier Foods, but also create a stronger relationship.

The initiative has been hailed as a success by Premier Foods, which has reported good progress in terms of supplier consolidation and cost cutting. Some suppliers, however, have complained that the project amounts to little more than paying Premier Foods for the privilege of supplying them. The tactics have been described as unfair, with commentators pointing out that suppliers in the food and drink industry are under particularly intense price pressure.

In its defense, Premier Foods pointed out that the programme will not automatically exclude suppliers who do not invest in the scheme. A spokesperson added that “Price, quality, reliability and service are also all-important criteria.” Whereas it is difficult to commend the company’s request for suppliers to pay, the idea behind the initiative is an interesting combination of new and old practices.

Required:

- a) From the case above, there is a conflict between strategic goal and traditional goals. Describe five grounds of conflict explaining how to ensure a balance for improving relationship with suppliers. (10 marks)
- b) It is implied in the case that companies need to create a supplier relationship management strategy rather than operating in reactive mode. Explain five inconsistencies that characterize reactive supply chains. (10 marks)
- c) At Premier Foods, Supply chain leadership need to encourage supplier representatives to openly share feedback through open communication, and then prove their willingness to listen. Discuss five enablers to effective communication with their suppliers. (10 marks)

QUESTION TWO (20 MARKS)

- a) Based on Bensaou Model of Buyer-Supplier Relationships explain the specific investments that determine the relationship. (10 marks)
- b) The relationship with One of your key suppliers has been declining over time as a result of the supplier viewing your organization as a nuisance. Propose five measures that you may institute to reverse the situation. (10 marks)

QUESTION THREE (20 MARKS)

- a) As a supply chain manager, describe the steps you would follow in the management of supplier relationships according to the Cox model. (10 marks)
- b) A just-in-time supply chain management approach focuses on operating in a lean manner as possible, aligning supply and demand with virtually no buffer inventory. This approach however has its own vulnerabilities. Discuss FIVE ways in which JIT can spoil buyer-supplier relationships. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Explain five areas of ICT application in a manufacturing company that can support buyer-supplier relationship and enable improvement of its processes. (10 marks)
- b) Describe the steps involved in Strategic Relationship Analysis (SRA) while undertaking Supply base reduction. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Explain the reasons why some organizations prefer non-litigation methods for conflict resolutions with their suppliers. (10 marks)
- b) The organization you work for operates decentralized procurement approach. You have been appointed to chair a committee that will be evaluating the health of relationships between various decentralized units and their suppliers. Propose a criterion that you would use for the exercise. (10 marks)