



# **MACHAKOS UNIVERSITY**

**University Examinations 2021/2022 Academic Year**

**SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM**

**MANAGEMENT**

**DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE**

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR**

**BACHELOR OF COMMERCE (PROCUREMENT OPTION)**

**BMS 423: SUPPLIER RELATIONSHIP MANAGEMENT**

**DATE: 23/8/2022**

**TIME: 2.00-4.00 PM**

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## **INSTRUCTIONS**

**Attempt Question one which is compulsory and then choose two other questions of your choice.**

### **QUESTION ONE (30 MARKS)**

#### **PREMIER FOODS**

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. In FIVE Points propose a proactive supplier relationship management strategy for the case above. (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 barriers 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 relationships between buyers and suppliers. (10 marks)
- b) The relationship with one of your key suppliers of a critical component has been declining over time as a result of the supplier viewing your organization as a nuisance. Propose a FIVE-point mechanism that you may institute to correct the perception. (10 marks)

**QUESTION THREE (20 MARKS)**

- a) Describe FIVE steps you would follow in the process of managing buyer-supplier relationships for your organization. (10 marks)
- b) Inventory carrying along organizational supply chains may be regarded as old fashioned as compared to JIT operations. Discuss FIVE ways in which holding of inventory may help to strengthen buyer-supplier relationships. (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Although ICT is loudly said to impact positively on buyer-supplier relationships, explain FIVE measures that may be put in place to ensure optimal impact from ICT adoption. (10 marks)
- b) The company you work for is in the process of rationalizing its supplier base. Describe FIVE steps that you may follow when carrying out the exercise. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain the circumstances under which an organization would prefer to use the litigation method for conflict resolutions with its 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)