



KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE (PROCUREMENT)

BMS 423: SUPPLIER RELATIONSHIP MANAGEMENT

DATE: Tuesday, 28th November, 2017

TIME: 2.00 p.m. - 4.00 p.m.

INSTRUCTIONS:

Answer question **ONE (Compulsory)** and any other **TWO** questions.

QUESTION ONE - (30 MARKS)

Stressit Ltd is a medium-sized engineering company that manufactures a range of equipment used in the civil engineering industry. It has become specialists in the design and manufacturing of concrete pre-stressing systems, concrete vibration machines and other machinery used in the civil engineering industry.

Stressit's supply base is made up of over 800 firms ranging from large component suppliers, for example, engines to drive the vibration equipment, to smaller and seldom-used parts suppliers and assemblers. Most of the supply base is located in the UK. Many of the current suppliers are also suppliers to Stressit's competitors. From a highly successful beginning, the company has, until recently, managed to maintain its market share by innovation, the production of high quality products, and by providing a first class technical service to its many UK and international customers. Over the last five or six years, Stressit has noticed a decline in sales as a result of competitive activity, mainly from companies based in developing countries. These competitors have access to lower labour and raw materials costs and can undercut Stressit's prices significantly in most of the markets in which it operates.

Research conducted by Stressit's sales team indicates that customers consider that the differential in price is now large enough to counteract the benefits of the superior quality and service offered by Stressit.

In response to this strategic threat, Stressit has proposed the following action plan.

- i) Rigorously cut waste from its supply chain.

- ii) Encourage innovation from its suppliers.
 - iii) Source assemblies from the international competitors' own suppliers.
 - iv) Produce a range of low cost products.
- a) In response to this strategic threat, Stressit has proposed to rigorously cut waste from its supply chain, encourage innovation from its suppliers, source assemblies from the international competitors' own suppliers and produce a range of low cost products. Considering each plan explain how supplier relationships can assist the organization achieve its objectives. (20 marks)
- b) Give five reasons as to why Stressit should evaluate its supplier performance. (10 marks)

QUESTION TWO

Briefly explain how a supplier is able to indentify the critical few suppliers that he/she should engage in the firm. (20 marks)

QUESTION THREE

- a) Explain the phases of evolvement of relationships from adversarial to collaborative relationships. (10 marks)
- b) As an expert in conflict resolution, explain the factors you would consider in deciding the method to be used in resolving conflicts in Supply Chain relationships. (10 marks)

QUESTION FOUR

- a) Discuss five characteristics of successful collaborative buyer-supplier relationships. (10 marks)
- b) Explain five common supplier rating methods. (10 marks)