



KENYATTA UNIVERSITY
UNIVERSITY EXAMINATIONS 2018/2019
SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF COMMERCE
BMS 423: SUPPLIER RELATIONSHIP MANAGEMENT

DATE: MONDAY, 25TH MARCH, 2019

TIME: 2.00 P.M. - 4.00 P.M.

Instructions: Answer question ONE and ANY other two questions

QUESTION ONE

Framlington Agricultural Limited (FAL) is a small- to medium-sized enterprise (SME) engaged in the repair and refurbishment of agricultural machinery. Established some 25 years ago, the company has built up a good reputation for supplying an excellent service to the farming community throughout the region. It has around 60 employees, many of whom are highly skilled agricultural engineers.

About five years ago, George Framlington, the company's founder and managing director, identified a profitable market for the restoration of old tractors. These have become both valuable and popular as collectors' items. This line of business has expanded and FAL now has customers from all over the world.

Consuela Martinez, FAL's buyer, has established a number of sources of supply for the manufacture of the many specialist but now obsolete items that are no longer produced.

This has taken considerable time and effort as the quantities are comparatively small, the quality is crucial, and the production skills required are of a very high order.

A particular example is the hydraulic parts that are common to many of these machines. These are manufactured by a nearby company, Pressureit Ltd, with which FAL has developed, and enjoyed, an excellent and profitable partnership relationship in this growing area of business.

Three months ago, an explosion at Pressureit's factory destroyed the building, seriously injured some of the key staff and thus interrupted the supply of parts to FAL. Although FAL carried adequate stocks of the hydraulic parts, these are now running low and FAL's production planners estimate that there is only about 30-days supply remaining.

Also, there seems to be no prospect of the factory being rebuilt in the short-term, as an official enquiry into the incident is still continuing and Pressureit's insurance company is refusing

compensation until the enquiry is completed. Moreover, Pressureit's board has just decided to lay-off most of the workforce indefinitely to reduce costs.

Having in the past totally relied on this single source of hydraulic parts, Consuela and her small buying team have not previously located a qualified, alternative supplier for these essential hydraulic parts. She has subsequently realised the urgency of this and has identified three possible alternative suppliers. The outcome of her initial enquiries is as follows:

Company	Lead Time	Price	% of turnover represented by FAL's business
HoseCo	15 days	£2000 per unit	10
BoyleCo	30 days	£1500 per unit	20
HookCo	45 days	£800 per unit	70

HoseCo and BoyleCo are both located in Eastern Europe but within the EU. HookCo is located in India.

While the differences in the time and prices quoted are obvious, Consuela has no previous experience with these suppliers. It is, therefore, unclear what their actual performance would be both in terms of their delivery commitments and the quality level of the products supplied. However, the situation is urgent and if FAL's reputation is not to suffer, a decision has to be made quickly.

- (a) Explain, using an appropriate matrix, the position of the hydraulic parts required by FAL. (10 marks)
- (b) Explain, using an appropriate model, how HookCo might perceive FAL as a customer for hydraulic parts. (10 marks)
- (c) Describe **FIVE** characteristics of a partnership relationship such as that enjoyed by FAL with Pressureit. (10 marks)

QUESTION TWO

(a) Explain how each of the following could affect the relationships between buyers and suppliers:

- (i) Supplier appraisal.
- (ii) The use of information and communications technology (ICT). (10 marks)
- (b) Explain how outsourcing activities to external suppliers can help organisations to become more effective. (10 marks)

QUESTION THREE

- (a) Discuss, using examples, the phases of the relationship lifecycle. (10 marks)
- (b) Explain, using examples, **FIVE** reasons why a purchasing and supply relationship might end. (10 marks)

QUESTION FOUR

(a) Explain **FIVE** ways that 'dependency' may become a feature of many buyer/supplier relationships. (10 marks)

(b) For each of the following problems that a buyer might experience with international sourcing, discuss the nature of the problem and propose a solution.

(i) Cultural differences. (5 marks)

(ii) Differences in the legal systems. (5 marks)