KENYATTA UNIVERSITY
UNIVERSITY EXAMINATIONS 2020/2021
FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE (PROCUREMENT)

BMS 423: SUPPLIER RELATIONSHIP MANAGEMENT

DATE: MONDAY 17TH MAY 2021 **TIME: 8.00 A.M - 10.00 A.M**

INSTRUCTIONS:

Answer Question ONE and ANY other TWO Questions

QUESTION ONE

Park Stockton Bell (PSB) is an investment bank with offices in almost all major world cities. PSB provides financial advice to clients to help them to raise capital and to maximise their return from financial investments. Its clients are mainly large multi-national companies.

The focus on cost reduction has resulted in a number of changes to PSB's operations. It has outsourced many activities to reduce costs and to gain additional benefits. One area that has been outsourced is Information Technology (IT) services. An IT specialist now supplies all computer hardware such as computers and printers, as well as the provision of a 24 hour helpline for PSB staff. The helpline provides PSB staff with immediate assistance for any IT problems they may be experiencing.

PSB has outsourced its IT services to Star Computing Services ('Star'). Star is a specialist IT Company with expertise in sourcing and supplying computer hardware for its clients. Star has achieved a reputation of excellence through its ability to source up-to-date computer hardware at reasonable prices, as well as its ability to provide IT support and advice to companies and their employees.

The outsourcing contract has been in place for two years. PSB negotiated a strict Service Level Agreement (SLA) with Star. Star agreed to the SLA as it was keen to list PSB as one of its customers. Additionally, the PSB contract is lucrative.
PSB uses detailed Key Performance Indicators (KPIs) to monitor Star's performance, and PSB is alerted to under performance by Star at an early stage. PSB regularly warns Star of potential failure to meet the SLA.

For its services, Star receives a standard monthly fee for an agreed level of activity. Once this level of activity is achieved Star invoices for any additional activity on a monthly basis. Star' payment terms are 30 days from date of invoice; but Star regularly waits for up to 90 days for payment from PSB.

Both PSB and Star actively seek improvement in the delivery of IT services. However, when improvements are identified, PSB expects Star to absorb any additional costs of making the changes. These continuing demands mean that Star has dropped several of its other, smaller contracts so that it can devote more resources to the PSB contract. The PSB contract now generates more than 60% of Star's sales revenue.

(a) Describe **FIVE** benefits, other than reduced cost, that PSB might have gained from outsourcing its information technology (IT) services to Star. **(10 marks)**

(b) Explain **FIVE** ways in which Star might reduce its dependency on the relationship with PSB. **(10 marks)**

(c) Explain the ways in which the use of KPIs can enhance the relationship between PSB and Star. **(10 marks)**

QUESTION TWO

(a) Explain the factors that might impact on the nature of the relationship between a purchaser and a supplier. **(10 marks)**

(b) Explain, and illustrate with a diagram a Supplier Preferencing Matrix. **(10 marks)**

QUESTION THREE

(a) Explain the term agile in the context of Purchasing and supply relationships and suggest how an organisation might attempt to become agile. **(10 marks)**

(b) Outline the major drawbacks of using litigation as a method of resolving contractual disputes. **(10 marks)**

QUESTION FOUR

(a) Contrast Supplier Appraisal and Vendor Rating in the context of improving relationships between buyers and suppliers. **(10 marks)**

(b) Define e-purchasing and explain how e-Purchasing tools may impact on both internal and external relations. **(10 marks)**