



MNP3703

(493143)

May/June 2014

SUPPLIER RELATIONSHIP MANAGEMENT

Duration 2 Hours

70 Marks

EXAMINERS :
FIRST
SECOND
EXTERNAL

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DR MJ NAUDE

Use of a non-programmable pocket calculator is permissible.

Closed book examination.

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This paper consists of EIGHT (8) pages, plus instructions for the completion of a mark-reading sheet.

ANSWER SECTIONS A, B AND C (TOTAL: 70 MARKS)

[TURN OVER]

SECTION A**ALL THE QUESTIONS IN SECTION A ARE COMPULSORY.**

Answer all the questions on the mark-reading sheet.

Each question counts 1 mark.

[20]

Consider the following example of a supply chain and answer questions 1 and 2.

Eskom needs a vast amount of raw materials to produce electricity. One of the most important commodities in this regard is coal. Assume that Anglo-coal meets Eskom's needs pertaining to coal. Eskom is then able to produce electricity, which is in turn supplied to the various municipalities in South Africa. The municipalities in turn supply households and businesses with electricity for utilisation.

QUESTION 1

Which of the following is regarded as the focal firm in this supply chain?

- 1 Eskom
- 2 Anglo-coal
- 3 The municipalities
- 4 The households and businesses

QUESTION 2

As far as Anglo-coal is concerned municipalities are considered as _____ in the above description of the supply chain.

- 1 suppliers
- 2 buying organisations
- 3 customer's customers
- 4 end-users

QUESTION 3

_____ are negotiated agreements with suppliers to offer a certain price for products or services that remain valid for all purchases made within a certain period, but the buying organisations are under no commitment to buy any particular amount.

- 1 Spot purchases
- 2 Regular trading
- 3 Call-off contracts
- 4 Fixed contracts

QUESTION 4

Contract management can be defined as _____ the implementation of a(n) _____ agreement between two parties that stipulates the fulfillment of their contractual obligation to one another to ensure that immediate action can be taken to effectively and efficiently manage _____ that may occur.

- 1 monitoring, individual, fluctuations
- 2 observing, specific, variations
- 3 safeguarding, reciprocal, changes
- 4 finalising, distinctive, revision

[TURN OVER]

QUESTION 5

Which of the following evaluation criteria is used when evaluating the desirability of using contracts?

- a Is it a long-term agreement?
- b Are there high levels of trust between the buying organisation and the supplier?
- c Is it a high value purchase?
- d Is this a repetitive purchase?

- 1 a b
- 2 b c d
- 3 a d
- 4 a b c d

QUESTION 6

The evaluation at this hierarchical level of the portfolio of relationships may cause a potential termination of the relationship, since _____ represent/s a time-framed commitment.

- 1 sequence
- 2 action
- 3 episodes
- 4 relationship

QUESTION 7

Which of the following is important in developing successful relationships in a partnership?

- 1 Commitment by top management
- 2 Interpersonal relationships between employees of the companies
- 3 Mutual/compatible needs that result in a win-win situation for the partners
- 4 All of the above.

QUESTION 8

Which of the following is **NOT** important in developing a successful strategic alliance?

- 1 Developing efficient processes that will remain unchanged for the duration of the partnership
- 2 Developing performance metrics
- 3 Investigating the capabilities and core competencies of the supplier
- 4 Open lines of communication that both promote sharing and secure confidentiality

[TURN OVER]

QUESTION 9

Fit the characteristics in Column B with the relationship class in Column A

COLUMN A		COLUMN B	
a	Transactional relationships	1	Medium competitive advantage Intermediately skilled resources Minimal technology inflows
b	Collaborative relationships	2	Early supplier involvement A total cost focus One or a few suppliers
c	Alliance relationships	3	High potential for problems pertaining to communication Little continuous improvement Minimal service

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|---|-------|-------|-------|
| 1 | a = 1 | b = 3 | c = 2 |
| 2 | a = 3 | b = 1 | c = 2 |
| 3 | a = 3 | b = 2 | c = 1 |
| 4 | a = 2 | b = 3 | c = 1 |

QUESTION 10

President Steyn is a two way communicator and views partnerships as important aspects of leadership. Therefore, he can be regarded as a (an) _____ leader

- 1 autocratic
- 2 charismatic
- 3 procrastinating
- 4 democratic

QUESTION 11

Mr Khumalo is looking for ways to achieve stable relationships with his teams. What would you suggest to assist him realise his goal?

- 1 He should only appraise his staff whenever he gets a chance as this exercise is time consuming
- 2 He should not communicate his vision to the team because it might be stolen
- 3 He should empower team members and not control them.
- 4 He should set challenging objectives that are unachievable.

QUESTION 12

When establishing buyer-supplier relationships, all the sequences which in turn comprise all the related episodes and actions in one particular relationship between organisations, would be referred to as _____.

- 1 relationships
- 2 sequences
- 3 partner base
- 4 episodes

[TURN OVER]

QUESTION 13

Which one of the following is **NOT** the capability of the resource-based theory (RBT)?

- 1 Corporate architecture
- 2 Innovation
- 3 Supplier performance
- 4 Reputation

QUESTION 14

Which type of contract would you use when there is a frequent requirement of a product or service and the price can be easily determined?

- 1 Spot purchases
- 2 Regular trading
- 3 Call-off contracts
- 4 Fixed contracts

QUESTION 15

According to Kurt Lewin's model, implementing change, will involve three basic steps, namely

- 1 removing obstacles, changing structures and encouraging new approaches
- 2 unfreezing, changing and refreezing
- 3 communication, innovation and change
- 4 creating vision, change and fostering team spirit

QUESTION 16

Which one of the following is **NOT** part of contract life cycle?

- 1 Transaction
- 2 Creation
- 3 Compliance
- 4 Analysis

QUESTION 17

A family of international standards for environmental management is _____

- 1 ISO 9000
- 2 ISO 14000
- 3 ISO 9003
- 4 ISO 16000

QUESTION 18

Which one of the following circumstances will most likely lead to a buyer-supplier break-up?

- 1 Stability and consistency of organisational philosophies
- 2 Supplier constantly meeting required service levels
- 3 Collaborative efforts between the buyer and the seller
- 4 Supplier suddenly becomes financially unstable

[TURN OVER]

QUESTION 19

Change control aims to ensure that all changes are assessed and approved by management before their implementation. Which one of the following is **NOT** a goal for change control?

- 1 Minimal disruption to services
- 2 Reduction in back-out activities
- 3 Economic utilisation of resources involved in implementing change
- 4 Little continuous improvement

QUESTION 20

_____ enables open communication, making demands, stating preferences, asking for information, offering proposals and making concessions

- 1 Tacit negotiation
- 2 Content negotiation
- 3 Cost negotiation
- 4 Face-to-face negotiation

[TURN OVER]

SECTION B**SECTION B IS COMPULSORY.****[30]**

Read the following article and answer the questions that follow.

BMW tops ranking in supplier relationship index

27 June 2012 | Kamalpreet Badasha

BMW has been rated number one in the 2012 *Supplier Relationship (SuRe) index* scoring 617 points out of a possible 1,000.

The annual research, conducted by information company IHS, ranks 28 carmakers based on interviews with executives at 230 automotive suppliers. In second place was Porsche with 611 points, followed by Mercedes-Benz with 606 and Jaguar Land Rover with 599. IHS analyst Matteo Fini, said: "The key reason for the improvement by BMW, according to suppliers, was providing them with the potential to make a profit over the lifetime of a contract." The bottom three companies were Chinese manufacturers Dongfeng Motor Group with 402 points, FAW Group Corp with 391 and Chery Automotive with 370 points.

The index is compiled using qualitative ratings for 29 metrics provided by suppliers, which are then converted into points. The metrics include payment terms, support in achieving price reduction, protection of supplier's intellectual property and demands for better logistics. The car manufacturers are then given individual scores for five concepts: profit potential, organisation, trust, pursuit of excellence and outlook.

BMW ranked first for outlook, which assesses how suppliers feel about the future success of the car manufacturers as a customer for securing business. BMW was second for organisation, which examines the quality of communications with the supplier. It was also second for pursuit of excellence, a concept that looks at the extent to which the car manufacturer achieves competitive advantage by getting the best-in-class technology delivered to the customer. BMW came third for profit potential, which is defined by factors such as productivity gains and payment for parts.

SM reported in May that the latest *North American OEM Supplier Working Relations Study*, published by consultancy Planning Perspectives, found that despite Chrysler and General Motors having improved relations with suppliers for the fifth consecutive year, they still lagged behind Toyota, Honda, Ford and Nissan.

Source: http://www.supplymanagement.com/news/2012/bmw-tops-ranking-in-supplier-relationship-index/?utm_source=Adestra&utm_medium=email&utm_term=

[TURN OVER]

QUESTION 1**[30]**

- 1 1 Explain relationship formation according to the five different aggregation levels in relation to the above article (10)
- 1 2 From the above article and your knowledge of the topic, discuss briefly what constitutes the buyer/supplier relationship (06)
- 1 3 Compile and explain the supplier perception model in order to illustrate how suppliers view their relationship with BMW as the buying organisation. (12)
- 1 4 Define supplier relationship management in relation to strategic sourcing (02)

SECTION C

Answer **ANY ONE** of the following **TWO QUESTIONS**. Total: 20 marks.

QUESTION 2**[20]**

There are two (2) approaches to negotiation, namely collaborative (or constructive) and adversarial (or competitive) negotiations. Discuss the classifications of negotiation in detail by addressing the following issues.

- 2 1 The main objective of each of these approaches (04)
- 2 2 The four (4) types of relationships (08)
- 2 3 The two (2) types of contact (02)
- 2.4 The content of the three (3) issues in negotiation situations, namely price, contract and delivery (06)

OR**QUESTION 3****[20]**

Illustrate the contract management functions at the different levels of strategic supplier management

PART 1 (GENERAL/ALGEMEEN) DEEL 1

STUDY UNIT e.g. PSY100-X
STUDIE-EENHEID by PSY100 X

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UNIQUE PAPER NO
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For use by examination invigilator
Vir gebruik deur eksamenopsiener

IMPORTANT

- 1 USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
- 2 MARK LIKE THIS
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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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