

5.3 Examples of examination questions (section C)

I have also included a number of questions from previous examination papers to give you an idea of how examination questions may be formulated. Examination questions that were included in recent examination papers include the following:

- ✓ (a) Give an overview of the concepts "purchasing", "strategic sourcing" and "supply chain management" as the preamble for supplier relationship management. (04)
- ✓ (b) Compile a supply positioning model (also known as a strategic sourcing matrix). Briefly explain each quadrant (in terms of market conditions and supplier relationships). (20)
- ✓ (c) With an aid of a diagram provide the buying organisation's comparison of the supplier perception model and the supply positioning model. (12)
- ✓ (d) Explain the responsibilities of a supplier relationship management team. (10)
- ✓ (e) Show by means of a table (with two columns) the differences between managers and leaders. (10)
- ✓ (f) Evaluate the standing buyer/supplier relationship established with the strategic suppliers by addressing the complexity and trust aspects of this relationship. (20)
- ✓ (g) Elucidate the correlation between "change" and "communication". (06)
- ✓ (h) Briefly explain six best practices in contract management. (10) (06)
- ✓ (i) Illustrate and explain the contract management functions at the different levels of

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- ✓ (j) Outline the generic supplier relationship management process with an aid of a diagram. (30) (20)

Make sure you adhere to the guidelines in section 4 of this tutorial letter when answering the examination questions.

Please do not call the lecturer for examination hints. NO examination hints will be provided.

Please note that the intention in this tutorial letter is not to provide you with a list of examination questions, but to give you an idea of how examination questions could be formulated.

6 CONCLUDING REMARKS

I trust that the above guidelines will help you to evaluate your answers to Assignments 01 and 02 and that this tutorial letter has given you some idea of the sort of questions to expect in the examination.

Good luck with your studies!

TTL 201 → Examples of examination questions

(a) Overview of concepts "Purchasing", "Strategic Sourcing", Supplier Relationship Management

Purchasing

is the process of deciding what, when and how much to purchase, the act of purchasing and the process ensuring that what is required is received on time and in the quantity and quality specified.

Strategic Sourcing

~~is the process of analysis~~
is the process whereby spending is analysed and categorised according to the importance and cost of the purchases and the complexity of the supplier base.

Supplier Relationship Management

is a process that requires knowledge, a cultural change and careful predetermination.
It is a process that must be ^{learned} understood by the employees and must be led by the employees of the buying organisation wherever the organisation may find itself in the a particular supply chain.

(b) The supply positioning model (Strategic Sourcing Matrix) 100 JTT

| | | |
|---|--|--|
| <p>High</p> <p>level of risk & complexity</p> | <p>Bottleneck</p> <p>Products or Services.</p> <ul style="list-style-type: none"> • Low expenditure • Few alternate products or services available • Few qualified sources of products or services available • Unique specifications. | <p>Critical</p> <p>Products or Services.</p> <ul style="list-style-type: none"> • High expenditure • Strategic to profitability and operations of the buying organization • Alternate products not available • Few qualified sources of products and services available • Complex specifications |
| <p>Low</p> | <p>Routine</p> <p>Products Services.</p> <ul style="list-style-type: none"> • Low expenditure • Many existing alternate products services available • Products services readily available from various qualified sources • Small individual transactions • Clear specifications. | <p>Leverage</p> <p>Products Services.</p> <ul style="list-style-type: none"> • High expenditure • Existing alternate products or services available • Products services readily available |
| | <p>Low</p> <p>Value spend or item</p> <p>High</p> | |

c) The buying organisation's comparison of the supplier perception model and the supply positioning model.

| | | |
|-------------------------|---|--|
| High | Develop relationship (especially with Suppliers of bottleneck products/services) | Core Relationship (especially with Suppliers of critical products or services). |
| low | Marginal relationship (especially with Suppliers of routine products/services) | Exploit relationship (especially with Suppliers of leverage products or services) |
| level of attractiveness | Value of Business | |
| | low | High |

d) Responsibilities of a Supplier Relationship management team.

- teaching suppliers how to develop themselves after initial guidance
- focussing on underlying causes of discrepancies in Supplier Performance
- focussing on wasteful activities & of all supplier efforts
- involving suppliers in new products and process development at the buying organisation
- providing training programmes and training times for suppliers
- providing education programmes that go beyond training
- providing ^{tooling} tools and ~~technology~~ technical assistance to Suppliers
- providing ^{Supplier support centres} the
- loaning executives to suppliers such as process eng or sinicers or quality ^{managers} managers
- providing the monitor-measure-feedback loop
- eliminating fear that the supplier's workforce may have toward supplier involvement with the buying organisation
- ensuring that that the savings shared from improvements = shared with the Supplier
- encouraging suppliers to contribute to improving processes at the buying organisations.

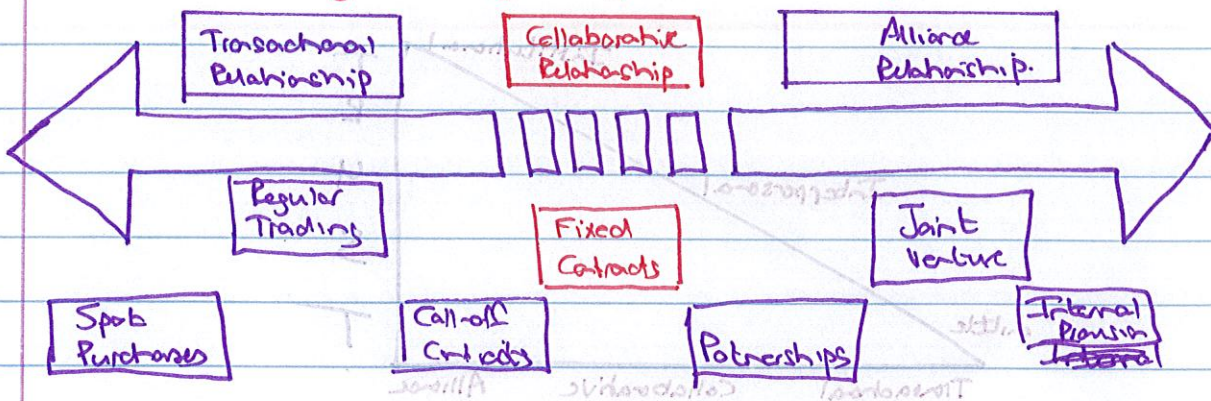
- clearly documenting the supplier relationship management process in order to gain ^{internal buy-in} ~~senior executive~~ buy-in from senior executives along with the managers and stakeholders in the business units who need to participate.
- set stretched goals to encourage radical change in suppliers as well as the aim of continuous improvement.

(e) Differences between managers and leaders.

| Managers | Leaders |
|--|---|
| Handles tactics, drives forward by authority | Handles tactics, drives forward by using inspiration and goodwill |
| Makes provision for the 'how' | Makes provision for the 'why' |
| Work is managed to a satisfactory performance | People are led and influenced beyond simple legitimate authority |
| 'Fire-fights' | 'Fire-lights' |
| Plans the pace and reacts | Directs and is proactive |
| Works with limits/bandwidths and demands respect | Works with hopes and dreams and commands respect. |
| Mainly short-term focused | Mainly focused on medium/longer term |
| Inspires stability within the status quo | Inspires innovation and change. |
| Often are extroverts and emotionally warm | Often are introverts and emotionally distant. |

(F) Evaluate the standing buyer/supplier relationship

The complexity of buyer/supplier relationships.



The one extreme ^{of} this continuum (left-hand side) constitutes the simplest ^{and} intricate and loose relationship types in the form of spot purchases while the most intricate and close relationships are illustrated at the other side (right-hand side) where companies can make internal provision for certain products or services.

The relationship in the continuum can be anywhere between the two extreme sides.

Comparisons of characteristics between close and distant associations between the buying organisation and suppliers.

A distant association A close association

No collaboration Collaboration is the main focus.

Short-term focus long-term focus

Opportunistic Joint opportunism

Low levels of trust High levels of trust.

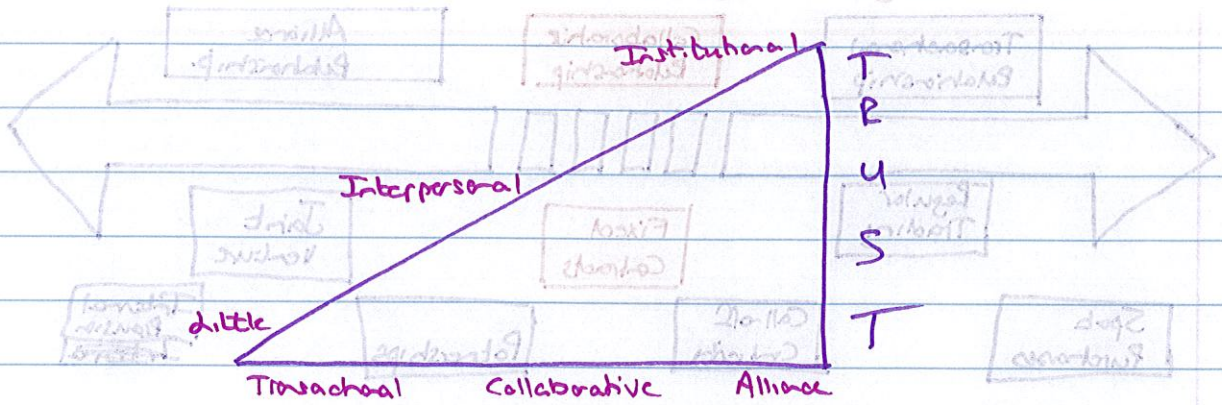
Disputes resolved by reference Disputes resolved by discussion

No contract Strong personal relationships

Little effort required to manage buyer/supplier relationship Significant effort required to manage buyer/supplier relationship

Buyer / Supplier relationship and trust

The relationship spectrum.



Relationship

Often trust will remain a major barrier to a buyer/supplier relationship.

Trust = build

- between people
- one on one
- not built remotely
- between relational organisations.

Building trust one on one involves:

- doing what you say you will do
- going beyond conventional expectations
- undertaking honest and open communications
- being patient
- accepting and admitting mistakes
- ensuring that the other party gets a fair outcome.

Trust and collaboration are partners. Collaboration requires trust when sharing together

and involves:

- Shared goals: showing a common purpose
- Shared values: agreed values and beliefs that bind us together
- Shared learning: pooling talents, knowledge, skills
- Shared effort: one approach with flexible team

Shared information where the right information (used to give better prices and reduce costs) is shared with the right people (those who can use it to help us) for the right reason (which will reduce, save, improve and amuse).

The essence of trust

(distort.) Trust building

| | |
|--|---|
| Trust is... Confidence in own and other's abilities; Experienced by working with together with honesty, integrity and openness. A positive power using both the heart and the head. Learning and being flexible and willing to change. Building, intimacy and working together face-2-face. | Trust is not... Blind faith in the unknown. Cheap, as there is high costs of failure. A single 'my view' Formal rules. Easy. |
|--|---|

Levels of trust

| Level One | Level Two | Level Three |
|--|---|---|
| Boundary trust Contractual Explicit promises Standard performance Exchange data for transaction Symbiotic | Reliable trust Competence Known standards Satisfactory performance Cooperate on information for mutual access. Share | Goodwill trust Commitment Anything that is required to foster the relationship. Succeed beyond expectations cognitive connection and joint decision making. Swap |

At the end of the course, we will have a final exam. The exam will be a written test. It will cover all the topics we have discussed in the course. The exam will be held in a computer lab. The exam will be held on the 15th of November. The exam will be held from 10:00 to 12:00. The exam will be held in the computer lab. The exam will be held in the computer lab. The exam will be held in the computer lab.

Building trust (Tachet)

Acceptance

be non-judgmental of others

appreciate others

react to data, not rumours

Be open

Initiate self-disclosure

volunteer information

reveal values + priorities

Be honest and congruent

say what you think

state clearly what you will / will not

reveal

Be reliable

do what you say you will do

set clear + realistic limits

be true + break commitment seriously

Prerequisites for buyer / supplier trust

Satisfaction with the relationship

Both sides must feel they

can gain from the relationship

Flexibility of relationship

Preferred supply chain relationships

are adaptable in their focus

Atmosphere of ~~relationship~~ cooperation

An atmosphere of cooperation must be maintained, established, nurtured

Conflict

How disputes are resolved is critical

Organisational Style

Cross-functional teams should be a way of life at both organisations

(g) Correlation between change and communication

Communication involves sharing information between people, up and down and side to side with the objective being to prevent misunderstanding

Change management: is a skillful process, and a key skill in dealing with change is communication

this communication will involve:

- inform all stages
- Ask questions to uncover feelings
- Listen carefully to answers
- Consult whenever possible
- admit to mistakes and learn from them

Communication is not a once-off exercise but is continual.

During change communication should be continuously

It is critical to

- involve people
- listen
- communicate
- giving people time to ^{adapt} ~~change~~.

(h) Six best practices in contract management

- (1) continually develop and force standard processes for contract management.
- (2) use commercially available contract management solutions with emphasis on having capabilities to store, search and retrieve critical contracting information.
- (3) use risk-assessed contract language, wherever possible to streamline and improve efficiency of the contracting process.
- (4) perform regularly scheduled audits and performance checks.
- (5) identify contract management 'champions' and secure strong executive and stakeholder support to drive adoption and contract compliance.
- (6) selection team that was responsible for contract management system requirements and preferences from each division and communicating the intent and progress of the programme.

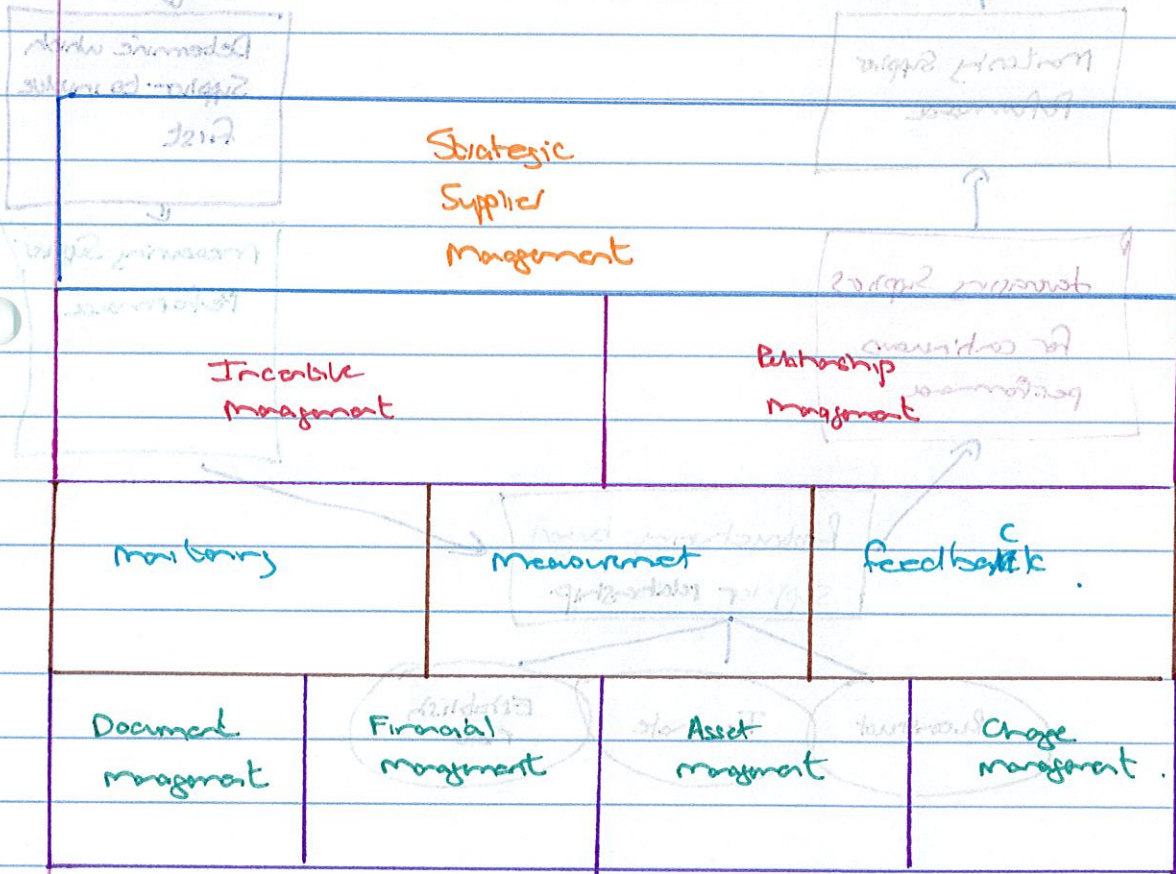
(i) Contract management functions and levels

Level 1 → Administration

Level 2 → Compliance management

Level 3 → Performance management

Level 4 → long-term performance enhancement



long-term performance enhancement (get true competitive advantage)

Performance Management (get more than the minimum, but adequate)

Compliance Management (get what you paid for)

Administration (know what is going on)

Step 1 → Create a clear relationship management plan

Step 2 → Develop a relationship management framework

Step 3 → Determine which parties to include first

Step 4 → Analyze the contract

Step 5 → Develop the contract

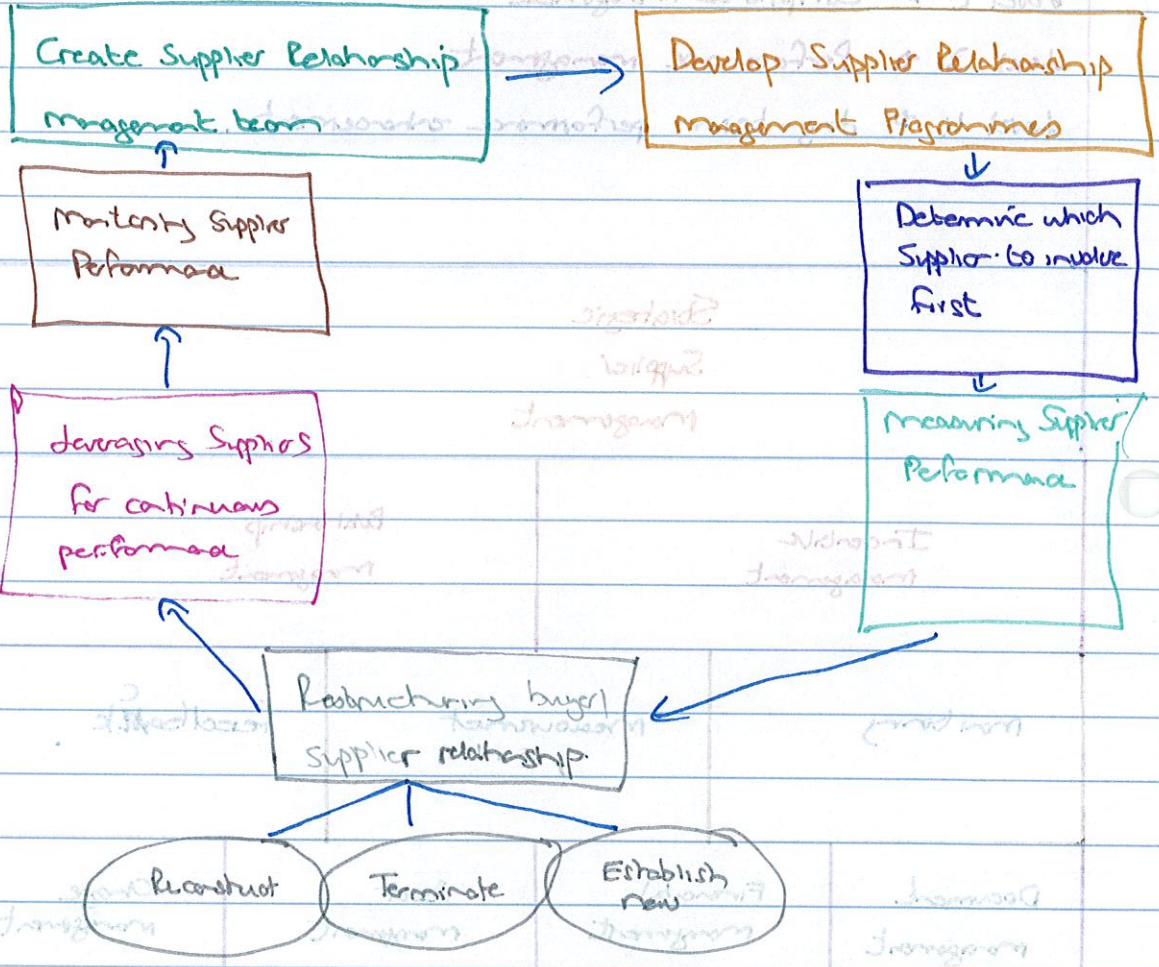
Step 6 → Implement the contract

Step 7 → Review the contract

Step 8 → Terminate the contract

(1) A generic Supplier Relationship Management Model

A generic Supplier Relationship Management Model



Step 1 → Create Supplier Relationship Management team

Step 2 → Develop Supplier Relationship Management Programme

- ↳ Choose a Supplier Relationship Model
- ↳ Develop organisational stages of interaction

Step 3 → Determine which Suppliers to involve first

- ↳ Analyse spend
- ↳ Segment the customer

Step 4 → Restructuring the buyer/supplier relationship

- ↳ Apply Supplier Contract management factors to reconstruct existing buyer/supplier relationship or terminate old or establish new buyer/supplier relationship
- ↳ Negotiate the Supplier relationship performance milestones upon which the incentives are based

Step 5 → Increasing Suppliers for continuous performance.

Step 6 → Monitor Supplier Performance

