



**SCHOOL OF BUSINESS
DECEMBER EXAMINATIONS 2019
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION**

RPS 402: SUPPLIER RELATIONSHIP MANAGEMENT

DATE: DECEMBER 2019

TIME: 2 HOURS (11:30AM-1:30PM)

INSTRUCTIONS:

- 1. ANSWER QUESTION ONE(COMPULSORY) AND ANY OTHER TWO**
 - 2. MARKS ALLOCATED TO EACH QUESTION ARE SHOWN AT THE END OF THE QUESTION**
 - 3. BE ORGANISED AND NEAT**
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Question 1 (30 Marks)

CASE STUDY

Interview Excerpt with Jean-Christophe Deville, general manager, purchasing, at Toyota Motor Europe

How do you define SRM at Toyota? And how do SRM specific activities with strategic suppliers differ from the way you manage supplier relations in general?

At Toyota we consider nearly all our suppliers as strategic and approach them with the same core beliefs (summarised by our “Toyota Way” in purchasing). But in terms of the depth of activities, especially in the area of research and development, we can certainly draw a line between our strategic co-development partners and the other suppliers.

In practice, the concept of SRM is defined by the methodology and the set of tools that we deploy in order to develop a collaborative way of working with our vital strategic suppliers, so that both partners get the most out of the relationship. Some of those are hard tools – KPIs, for example (that we use with all our suppliers) – while others are soft and more exclusive tools, such as regular executive top-to-top reviews. Of our 250 European suppliers, about half are non-Japanese companies, and of those about 15% are classed as strategic potential or actual co-developers. For those, we not only have more frequent senior-level review meetings, but we also invest time in things like technical R&D shows, where we discuss the latest thinking and ideas together, and participate in conferences for their own (and our second-tier) suppliers.

What impact, if any, has the economic downturn and Toyota’s recent quality issues had on your SRM activities?

At the moment, we have lower volumes for cars in production and a lower level of turnover to offer to our key suppliers. However, managing the relationship with them is a constant and is aimed at maximising value for both parties over several years. So, from an attitude and willingness point of view, SRM remains high in our list of priorities, in order to prepare future activities and future projects. When talking to suppliers, they reckon that, paradoxically, these tough times help to increase the clarity of the relationship.

What challenges do you face internally from an SRM perspective?

Purchasing is a permanent promoter of SRM with strategic suppliers, but other internal divisions may have a different or shorter-term view on the way to manage them. For example, R&D may want to support suppliers with the highest innovation capabilities, while Quality may expect to promote suppliers with the best industrial quality performance. Purchasing has to integrate and moderate the different opinions. Generally speaking, once escalated high enough those gaps get closed.

What other roles does purchasing, and the supplier relationship managers within the function, play in SRM?

Purchasing leads the overall relationship with strategic suppliers, sets the pace and measures the heartbeat of the relationship. We evaluate them (using KPIs), we set up regular company-to-company reviews and we help to manage various types of requests/ concerns from different Toyota divisions – R&D, Quality, Delivery, and Manufacturing. For key suppliers, a purchasing manager/senior manager would typically be seen as the main point of contact for the supplier (this is in addition to their classical line buying role) and the person responsible for making sure that all of these things happen. Typically, the vice-president level meetings would be organized once or twice a year by these SRM managers.

Innovation is a key driver of SRM at Toyota. How do you manage the process of capturing, assessing and either progressing or rejecting supplier ideas and proposals?

Suppliers typically organise the technical shows I mentioned earlier in our European R&D facilities (some may replicate the same shows in Japan). The aim of these is to demonstrate their capabilities to Toyota engineers, to highlight innovative ideas with a more immediate application, as well as giving us a flavour of their research on a longer-term perspective. We also adopt alternative and innovative solutions from suppliers via different cost-reduction initiatives and through value engineering/value analysis tasks. However, it remains a permanent challenge to get this done. Indeed, Toyota is always careful in keeping the right balance between innovation and the preservation of our Toyota standards, which are the foundation of the quality and the durability of Toyota-branded cars.

Toyota generally shares savings with suppliers, typically on a 50:50 basis. Why do you consider this important?

The intention is to reward both the supplier, for offering innovative solutions, as well as to reward Toyota. If a supplier does not find it attractive to work with Toyota, we believe their motivation in the long run will reduce. We want to be seen as firm and challenging, but fair, hence our view on sharing benefits.

What do you see as the most important ingredients for success in SRM? And what should you avoid doing?

We believe that doing business, using a long-term, non-opportunistic philosophy, is an activity that takes place between human beings at the end of the day. Top-to-top regular, transparent connections are key. Even bad news or difficult decisions can be accepted most of the time, if enough time is taken to explain honestly the background and impacts. What must be avoided is the feeling that one partner is trying to maximise the benefit of the relationship to the detriment of the others. Such an opportunistic approach would break the mutual trust for an indefinite time. In the same way that we see some of our partners as strategic, we want to be seen as a strategic customer. And to reach this we must be perceived as loyal and reliable.

Required:

- a) Distinguish between transactional, collaborative and alliance types of relationships
(6 marks)
- b) Discuss FOUR (4) factors that have influenced TOYOTA's approach to supplier relationships.
(8 marks)
- c) Elaborate THREE (3) approaches that may be used in setting performance targets and measures while monitoring supplier relationship performance. **(6 marks)**
- d) Using the phrase "Purchasing leads the overall relationship with strategic suppliers, sets the pace and measures the heartbeat of the relationship" Discuss how Peter Kraljic's Model is applied in this case study. **(10 marks)**

QUESTION TWO:

- (a) Using an appropriate model discuss this statement "We cannot satisfy every stakeholder in business but we can effectively manage them" **(10 marks)**
- (b) Briefly discuss the supplier-relationship spectrum **(10 marks)**

QUESTION THREE:

- a) Service Levels Agreements (SLAs) are a useful tool for buyer – supplier communication and relationship management. Expound on FIVE (5) techniques available in monitoring service levels **(10 marks).**

- b) Using a suitable diagram elaborate on supplier preferencing Model of Suppliers' perception to Buyers **(10 marks).**

QUESTION FOUR:

Failure to continuously manage relationship problems may hinder the progressive development of relationship or cause may cause problems within it.

- a) Apply Bensaou's Model to relate to the role of power in Buyer-Supplier relations management. **(10 Marks)**

- b) With a suitable illustration, elaborate on how to achieve maximum stakeholder engagement by analyzing and prioritizing different stakeholders groups in any given organization. **(10 Marks)**