

**Regular exam in Purchasing & Supply Management TEK416 – Fall 2017**

Date: **23 October 2017**  
Time: 8:30-12.30 Morning session, 4 hours  
Room: Samhällsbyggnad  
Examiner: Professor Árni Halldórsson (Tlf. 031 772 1582)

### Information

- The exam paper consists of four pages including this front page.
- Standard calculator and English dictionary are allowed.
- Results will be announced through Ladok.

### Instructions for the exam and your answers:

- Your result from this exam (weight: 80%) will be added to your results from seminar 2 in the course (weight: 20%). Together, these results make up your grade.
- A maximum of 80 points can be awarded for the written exam and a maximum of 20 points for seminar 2, i.e. 100 points in total. This written exam must be passed to pass the course overall.
- The weight of each question below is indicated by the number in parenthesis (points).
- Marks will be awarded for answers that reflect knowledge of theoretical principles from the literature supported by examples from cases and industry, and indicate an awareness of the managerial implications of the issues raised.
- To get full points on a question, your answer must be comprehensive, well elaborated, illustrated/exemplified, and well-presented (written language, structure).
- Each answer could be on several pages, but **not more than one answer on each page**

### Tips for answering:

- Read and analyse – briefly – all questions before you start answering the exam paper
- Plan the whole time according to your brief analysis of the exam
- Don't forget to allow for some time to review your answers in the end
- If you "get stuck" on one question – go to the next one
- Think about your handwriting; make sure it's easy to read your answers
- You are allowed to use a pencil for your answers

**Good luck!!!**

# CHALMERS

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Please answer all of the following six questions:

## Question 1 (14 points)

Describe and discuss Krajlic's portfolio approach by identifying its key components, and by explaining its usefulness for purchasing managers. Illustrate your key points with examples.

## Question 2 (12 points)

Identify and describe different types of *social* consideration to make when purchasing goods or services.

## Question 3 (10 points)

In an RFP (request for proposal) from a pharmaceutical company for a newly developed medicine, three different criteria have been identified as important (quality, price, delivery reliability). In order to have a more objective evaluation of the suppliers they are working with the company has decided to weight the criteria according to perceived importance. The result from the internal survey on the importance of criteria has been as follows: **Quality** has been "almost strongly preferred" (numerical rating 4) in comparison to **price**, and "very strongly preferred" to **delivery reliability** (numerical rating 7). On the other hand, **price** was judged "slightly preferred" to **delivery reliability** (numerical rating 2). **Two suppliers, Unix and Glic**, have made it to the final supplier shortlist, and the company wants to evaluate them based on the pre-defined criteria. Based on previous performance and data from the RFP, in offered prices, **Unix** was "strongly preferred" (numerical rating 6) to **Glic**. But, in delivery reliability and quality, **Glic** was respectively "moderately preferred" (numerical rating 3), and "almost strongly preferred" (numerical rating 4).

- a) Use the data above to assess which of the two suppliers should be recommended and motivate why. (6 points)
- b) With the insight gained from the assessment, suggest and motivate a possible strategy the company can take as a next step in their relationship with the two suppliers. (4 points)

## Question 4 (6 points)

From a theoretical point of view, why is it important to be the party that makes the first offer in a price negotiation?

## Question 5 (18 points) – concepts

Explain the following concepts and discuss in brief their usefulness to purchasing professionals. Illustrate key points with examples:

- a) Supplier audit versus vendor rating (6 points)
- b) Purchasing strategies and power/dependence (6 points)
- c) The principle of non-discrimination (6 points)

## Question 6 (20 points)

As an external consultant, with expertise in purchasing and supply management with particular focus on supply risk and supplier base analysis, you are asked consider the following background and context, and address the task provided below:

Background and context: *Good afternoon, I hope this e-mail finds you well! Of course, I have a favour to ask. It's really to see if you can point me in the right direction? I have now moved from "J. R. Ewing Oil & Gas" to "Finest Food & Taste", a leading food manufacturer with own brands that have very strong positions on the retailing market in Europe. Our cornerstones are flavours, product development and quality control, and we produce and sell product concepts in various food categories to the consumer market, mainly packaged food but fresh food is a growing segment. This move is all very exciting and very different from my previous company. I am really happy about this, in particular since it overlaps with my personal interests in the so-called triple-bottom line. Fingers in many pies from day one, but one of the challenges my unit is facing is having an idea of what is happening at the supplier end of our supply chain. We all know that suppliers are an important source of competitive advantage to companies, but they can also be an important source of unforeseen problems. It is particular here that we are a bit lost. Both our manufacturing and sales and marketing units are talking about problems that can often be traced back to the supplier base. Headings in media such as "Product recalls", "horse-meat scandal", "unpredictable supply chain disruptions" and "superstorms" have spread some uncertainty around in the organisation, and purchasing has been asked to ensure that the commitment to high quality and value of our brands also is ensured through our purchasing and supply management practices. Now I have a basic reading list based on books and articles on this subject, and so I shall be reading some of these soon. However, time is short, and the favour I would like to ask is: How should I think of supply risk, and is there a generic process or an approach that helps us to work with suppliers in this respect? My personal experience is from a completely different environment than then food supply chain that Finest Food & Taste is a part of, and so I need something little more to lend credibility to my approach. Also, I am very surprised that our company does not have a well-developed approach to this, so I am looking to introduce a template for*

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*working on and with suppliers in a more structured manner. I know this may be a little cheeky to ask, but hopefully you can steer me in the right direction.*

*Best wishes, Jackie Brown.*

**Task:** Based upon your expertise in the areas of supply risk and supplier base analysis, discuss what may be the key managerial challenges Jackie Brown and her organisation are facing? How can these be solved, and what would be your recommendation to her request? At the end of your answer, summarise your key points in clear statements (a set of bullet-points or a table) that can be presented to Finest Food & Taste.

**\*\*\* End of the exam paper \*\*\***