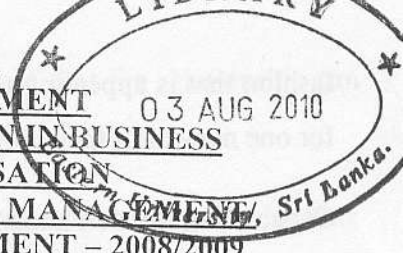


**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**  
**THIRD YEAR – SECOND SEMESTER EXAMINATION IN BUSINESS**  
**ADMINISTRATION/COMMERCE/SPECIALISATION**  
**IN HUMAN RESOURCE MANAGEMENT/MARKETING MANAGEMENT,**  
**ACCOUNTING & FINANCE/ENTERPRISE DEVELOPMENT – 2008/2009**  
**(JUNE 2010)**



**MKT 3243 – SUPPLY CHAIN MANAGEMENT**

Answer all questions

Time: 03 Hours

1) **Sony Ericsson**

In 2001 telecommunications leader Ericsson and the Sony Corporation joined forces to establish Sony Ericsson mobile communications. Their combined mobile phone business had sales of over \$7 billion in the year 2000. The company offers a range of mobile communication products that go far beyond simple mobile phone technology.

The slender and stylish T28 world can be used to access GSM (Global System for Mobile Communication) services in Europe, Asia the pacific, Africa, and North and South America. At the most advanced end of technology scale, the newly introduced T68 mimics a Windows pocket PC device, offering mobile e-mail (with the ability to insert pictures and sounds), along with the ability to surf the Internet, update your calendar, organize your notes, and synchronize and share your information with a PDA or laptop.

The T28 World is the smallest GSM mobile telephone ever developed by Ericsson, measuring 3.9 by 2 by 0.6 inches, or 97 by 50 by 15 millimeters, and weighing between 89 and 114 grams, depending upon and battery selected. Even so, it still contains 300 components. This complicated piece of technology is designed by Ericsson engineers, and produced through the R&D efforts of Ericsson and numerous suppliers closely working together with aligned technologies, measurement, and testing systems.

The outer sheath and flip-up mouthpiece are not just pieces of plastic. They are made with magnesium to become shatterproof if you drop your phone. In addition, these features provide protection for the chips, circuits, and batteries inside and prevent heat buildup so that you can use the telephone 24 hours per day, 7 days a week. Finally, the sheathing has to be molded in a

fashion that is appealing to consumers, fits easily into the hand, and looks good. Given the specs for one non- high-tech component, just consider what is involved in technology inside.

Considering the demands for sheathing, it's obvious that Ericsson must select suppliers carefully with an eye to long run relationship. It has four factors in mind when choosing suppliers: (1) the supplier's technical knowledge and performance abilities; (2) the supplier's commercial performance in terms of patents and intellectual property rights; (3) the supplier's capabilities in terms of capital, personnel, facilities and knowledge (e.g., can the firm ramp up to the level of production Ericsson requires?); and (4) timing (can the supplier develop the component and produce it in time for the product launch?). All of these factors are important because each firm relying on the other. The supplier relies on Ericsson for sales revenue and profits to justify the expense, time, and effort expended in developing parts and production for Ericsson. Ericsson, on the other hand, must have along term, stable supply of components in order to support its global marketing efforts. The lifetime of technology in this industry is exceedingly short- as little as a year sometimes. Thus Ericsson's customers (network operators and distributors) cannot wait even a week—for Ericsson to deliver those T28 throughout their life-cycle.

Components are extremely important to Ericsson as it is an assembler of components and not manufacturer. To make chips requires a different technology than does the molding of sheathings and flip pieces, which again is different from batteries. There are so many technologies in the average mobile telephone that at present no one company could make all the parts. Therefore, Ericsson keeps a "basket" of suppliers-each of which makes parts for multiple Ericsson products. In turn, Ericsson has multiple, but few, suppliers for each component. This arrangement reduces the business risk for all firms involved. So, company X that makes the sheathing for the T28 sells other products to Ericsson. If the T28 bomb, then everyone is protected as no one is overly dependent on any one Ericsson product.

Overtime, this means that the personnel at Ericsson and the supplier get to know each other very well. They visit each other's facilities; they are involved in R&D on various components; and Ericsson keeps the supplier apprised of what its needs are likely to be in the future. Each of these interactions- whether by phone, by e-mail, or in person- is important to reassure each partner that the other is performing as promised, to make sure that the technologies are aligned and that a consistent message is sent and received between the layers of personnel in the firms involved.

Eventually, people on both sides get to know each other quite well, so that the relationship can become personal as well as business, but it always a professional relationship.

Because of this close association, Ericsson uses a highly structured approach to forecasting supplier selection. It begins by determining how the current supplier base is likely to evolve over the next five to seven years so that it understands what that will look like in future. Second, it determines what the patent portfolio of suppliers will look like and how rapidly they are developing their own special technologies. This enables Ericsson to know if it needs to field suppliers for a new technology or can find a supplier in its current base. Ericsson also keeps current suppliers up-to-date on what it will need in the future and what it should be developing.

Once chosen, suppliers tend to stay in the Ericsson basket for a long time. The supplier of that sheathing for the T28 has been with Ericsson for over ten years. Given the importance of the supplier to Ericsson and vice versa, it only makes sense to have a carefully maintained deep and long relationship with one another. Once in the supplier basket, firms know that Ericsson will stick with them through several problem periods before dissolving the relationship. This is consistent with the time and effort that Ericsson puts into selecting suppliers and consistent with building trust in them. Constant shifting of suppliers would engender distrust, cause difficulties in assembly operations, and make it difficult for Ericsson to satisfy market demand. Both parties would lose in that situation, and that is not allowable in this fast-paced business. If Ericsson stumbles, Nokia, Motorola, or Qualcomm will jump into the breach to get ahead.

- a) Why supplier's selection is important to this organization? (04 marks)
- b) What environmental factors affect the relationship between Ericsson and its suppliers? (05 marks)
- c) What are the organizational factors involved in this case study? (05 marks)
- d) What are the major drivers that determine the nature of the relationship between Ericsson and its suppliers? (06 marks)
- e) How important is it to have a global mobile standard today? (06 marks)

**(Total 26 marks)**

2) a) Briefly describe the importance of supply chain in creating value to the customers and suppliers, and value for the firm's stakeholders. (04 marks)

b) *"Much of our attention will be directed towards strategic logistic planning it can be discuss using general approach. Operational and practical planning often require and intimate knowledge of the particular problem, specific approaches must be customized".*

Based on the above statement identify and explain the major problem areas to tackle logistic planning. (06 marks)

c) *"Many of the principles and concepts that guide logistic planning are dived from the unique nature of logistic activities, especially transportation. Others are a result of general economic and market phenomena. All give insight as to what the logistic strategy might be."*

Based on the above statement explain the guidelines that are used for logistic strategic formulation. (08 marks)

**(Total 18 marks)**

3) a) *"Along with quality and service, price also represent the product to the customer"*

Based on the above statement explain the role of different pricing policy for effective supply chain management. (06 marks)

b) *"It has been assumed that the elements of the order cycle have been operating without constraint. However customer service policies will distort a normal order cycle patterns."*

Considering the above situation explain the policies used to adjust order cycle time.

(08 marks)



c) *“Logistic have long believed that sales are affected some degree by the level of logistic customer service provided”.*

Discuss this statement with suitable example.

(04 marks)

**(Total 18 marks)**

4) a) Define order processing and explain the activities involve in processing order.

(08 marks)

b) *“Transportation usually represent the most important single element in logistic cost for most firms”*

Based on the above statement describe the importance and effective transport system.

(06 marks)

c) Briefly explain the role played by agents in the transportation system. (06 marks)

**(Total 20 marks)**

5) a) *“Transportation rates are the prices that for higher carriers charge for their services. Varies criteria are used in developing rates under the variety pricing of situations.”*

Explain the most common rates structures used in developing rates for transporting system.

(06 marks)

b) Define just in time supply (JIT) scheduling and explain it's main characteristics

(06 marks)

c) Define the differentiate formal and informal organization in supply chain. (06 marks)

**(Total 18 marks)**