



STRATHMORE BUSINESS SCHOOL
BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT
END OF SEMESTER EXAMINATION
SCM 2101: CONTRACT MANAGEMENT AND NEGOTIATION SKILLS

Date: Friday, 29th July 2022

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE

Greengos Limited, service organization in Karen, Nairobi worked for many years on contracts that operated without any performance measures, although there were regular or random check against specifications (depending on the nature of the contract). Standards were met, costs remained largely within the budget, and there were few disputes and no early terminations. This was only possible because they were working with several small suppliers, for whom they were a key client. Keeping the business was very important to these suppliers.

As they started to professionalize procurement, the following became apparent.

Staying within the budget did not necessarily mean getting good value.

There was no incentive either to drive down the costs (e.g, through eliminating wastes) or drive-up quality.

Carrying out reviews of available suppliers in each product and service category led to larger contracts with large suppliers. This meant that the client status changed, and buying power was effectively reduced. It seems counter intuitive that combining spend can reduce buying power, but it can have effect by taking the purchaser from one supply market into another, in which it has less influence e.g from small local suppliers to large national or international suppliers.)

Goodwill was no longer a good enough initiative. There was a clear need to measure and manage

- A. Discuss the importance of performance measurement in contract management **(6 Marks)**
- B. Explain **THREE** reasons why Greengos may prefer performance specification instead of forms specification **(6 Marks)**
- C. Specification is central to effective contract management for Greengos, Discuss **FOUR** merits of performance specifications in commercial agreements. **(8 marks)**

- D. A contract is an agreement between two (or more) parties which is intended to be enforceable by law. Highlight four (4) critical questions at the heart of contract law. **(4 Marks)**
- E. With relevant examples, explain three (3) vitiating factors that render contracts incomplete or invalid **(6 Marks)**

QUESTION TWO

- A. Explain the term ‘balance of power’ in contract negotiation. **(2 Marks)**
- B. Consider why most people stop at a red traffic signal. Everyone knows it is the law, but if you analyze it further., there may be other *sources of power* at work here *influencing your behavior*. The more forces, the stronger the effect. Using the example of the types of power that influence this situation, match the situation with relevant power **(5 Marks)**

Situation	Power
It is the law	referent power
If you do not stop, you maybe fined / prosecuted by police	information power
You know it is dangerous, you may put yourself or others in danger	coercive power
You feel better about yourself as you see yourself as good citizen	legitimate power
You are afraid of embarrassment if seen breaking the law by a friend / neighbour	reward power

- C. Identify the sources of information or insight that will assist you in avoiding time wasting in situation where there is no Zone of Possible Agreement (ZOPA) in commercial negotiation **(6 Marks)**
- D. Explain what is meant by 'battle of the forms' in relation to the precedence of the buyer's contract terms or the supplier's contract terms. **(4 Marks)**
- E. Standard terms are the basic terms and conditions of business governing transactions that do not have a definitive contract, usually designed to be included in form of documents such as orders. Highlight three (3) advantages of the standard forms of contract **(3 Marks)**

QUESTION THREE

- A. In negotiations, tactical ploys or gambits are important. Briefly explain THREE tactical ploys that can be used in commercial negotiations **(6 Marks)**
- B. Using FIVE characteristics, compare collaborative (integrative) negotiation with adversarial (distributive) negotiation. **(10 Marks)**

- C. Explain TWO cultural differences between the parties to a negotiation that may impact on the negotiation process or outcome. **(4 Marks)**

QUESTION FOUR

- A. Explain in detail FIVE elements of a legally binding commercial contract **(10 Marks)**
- B. The book, “Getting to Yes”: *Negotiating an agreement without giving in* by Rodger Fisher and William Ury, is the premise of principled approach to negotiation. Explain the four (4) focus areas of this approach **(8 Marks)**
- C. With relevant examples explain the principle of best alternative to negotiated agreement (BATNA) **(2 Marks)**

QUESTION FIVE

- A. Explain the stages in negotiation, highlighting TWO “Dos and don’ts” in each stage **(10 Marks)**
- B. Donald Trump, the former President of USA co- author of the book “The Art of the Deal” in 1987 which emphasizes on win loose approach to negotiation. Highlight SIX formulars of negotiation suggested in the book **(6 Marks)**
- C. With relevant examples, explain TWO situations when a directive persuasion approach in commercial negotiation is most effective instead of collaborative approach. **(4 Marks)**