

Forion Electronics (Forion) manufactures a range of electronic goods. Its business has grown rapidly over the last ten years and is now complex and international. Forion manufactures over 100 different products, selling into 25 different countries. There is a supplier base of over 200 companies from which Forion sources. As the business has become more complex, the board has found it difficult to pull together all the information that they require in order to make decisions.

The current information systems are developed in-house and are based in the functional departments (such as purchasing, manufacturing, warehousing and delivery, selling and marketing). The organisation uses the financial system as a means of bringing together information for an overview of corporate performance.

There have been a number of examples of problems encountered with information in Forion:

- there are inefficiencies arising from ordering the wrong amount of subcomponents;
- there are often stock-outs or obsolescence of unsold goods in the warehouses, although the marketing department prepares good sales forecasts; and
- sometimes, there are insufficient delivery vehicles available to meet customer deadlines.

The board of Forion believes the problems arise from poor information sharing within the company. They are considering the purchase of an enterprise resource planning system (ERPS) to be the single information system for the whole organisation.

Also, Forion is planning to launch a smartphone. However, in order to make it competitive they need to have high-visibility, durable screens. As the cost of screen development is considerable, it has been decided to form a strategic alliance with a well-known screen manufacturer to provide this key component for the new smartphone. Bon Accord Screens (BAS) has been chosen as the strategic ally, as they have a strong reputation for their quality of manufacturing and new product development. BAS has been trying to break into the smartphone market for several years.

The alliance agreement has stipulated three critical areas of performance for BAS' supply to Forion:

1. quality of manufacturing, measured by fault rates of screens supplied being within agreed tolerances (so that they fit Forion's phone-bodies);
2. time of delivery, measured by the number of times a shipment is more than one day overdue; and
3. the ability to provide technical upgrades to the screens as the market demands.

The service level agreement (SLA) will be based on these three points and there will be financial penalties built into the agreement if BAS fails to meet these.

**Required:**

(b) Evaluate, from Forion's viewpoint, the usefulness of the three critical areas in the alliance agreement for measuring the performance of BAS. (8 marks)