



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CPS 402

COURSE TITLE : STRATEGIC PURCHASING

SPECIAL REQUIREMENTS : NO SPECIAL REQUIREMENTS

DURATION : 3 Hours

LEVEL : 4:1

DATE : 26 OCT 2021

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. **QUESTION ONE IS COMPULSORY**
3. Answer **QUESTION ONE AND ANY THREE (3)** questions.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []
6. Use of practical examples where necessary is encouraged

Question 1

Chrysler:

From 1989 to 1993, Chrysler reduced its production supplier base from 2500 companies to 1114 and fundamentally changed the way it works with those that remained. The time to develop a new vehicle is approaching 160 weeks, down from an average of 234 weeks during the 1980's. The cost of developing a new vehicle has decreased by an estimated 20 to 40 percent. Since 1988, Chrysler has reduced its number of buyers by 30 percent and has increased the dollar value of goods produced by each buyer. Profit per vehicle has increased from approximately \$250 in the 1980s (taking the average from 1985 through 1988) to \$2110 in 1994 (Dyer, 1996). 'Now about 90 percent of Chrysler's purchasing volume is with 150 suppliers' (Lewis, 1995).

Discuss the impact of strategic sourcing on the phenomenal performance of Chrysler.

(25 Marks)

Question 2

Explain the concept of value chain analysis by Michael Porter and clearly highlight the importance to strategic purchasing

(25 Marks)

Question 3

Identify and explain potential barriers to good purchaser – supplier relationships and ways to mitigate the barriers. Give examples.

(25 Marks)

Question 4

Discuss the importance of the Kraljic purchasing matrix in strategic purchasing.

(25 Marks)

Question 5

'The development of an effective purchasing strategy is dependent on a deep understanding, thorough analysis of corporate objectives, the competitive dynamics of the industry, the operational needs of the business and the resources available''

With the aforementioned statement in your mind, as a procurement manager in your organisation, identify and explain key procurement strategies that your department may use in order to contribute effectively to the accomplishment of the overall objectives of your organisation.

(25 Marks)

END