



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CPS 410

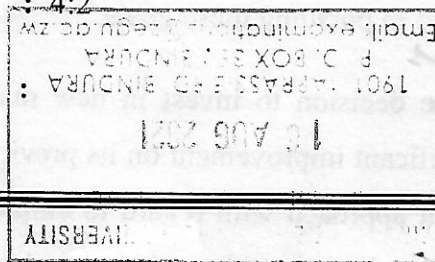
COURSE TITLE : APPLIED STRATEGIC PURCHASING

SPECIAL REQUIREMENTS : NO SPECIAL REQUIREMENTS

DURATION : 3 Hours

LEVEL : 4:2

DATE



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

ARMoured VEHICLE COMPANY

The market for defence equipment had seen a number of major changes. The ending of the cold war, caused by the fragmentation of the former USSR and symbolized by the collapse of the Berlin wall, had led to a reappraisal of defence strategies and a cut-back of expenditure on equipment by many governments. The international market has thus become more competitive, as suppliers fought to obtain contracts in the face of falling demand. Efforts to strengthen the competitive nature of defence procurement in the United Kingdom had also added further pressure on suppliers. The Armoured Vehicle Company (AMC) had taken stock of the changed environment and had developed strategies in an attempt to cope with these new conditions.

To remain a viable international supplier of defence vehicles and to maintain its position in the United Kingdom, the AMC saw that performance needed to improve. It wished to remain committed to goals of excellent quality and service, but it realized that customers' perceptions of what constituted excellence were changing. In order to retain the image, it wanted to project, therefore, standards had to be raised. Design and development capability is influential in winning contracts, but customers were also becoming more demanding in terms of cost, 'no defects' and 'on time delivery'. Both manufacturing and purchasing and supply strategies were involved in pursuing these goals.

The company took the decision to invest in new manufacturing facilities and these were purpose built and significant improvement on its previous set-up. The opportunity was taken to introduce a different approach with regard to employment practices. A strategy of team-based manufacture was adopted, with a view to releasing untapped talent and to pursuing continuous improvement policies. Gains in flexibility from having multi-skilled teams were also being sought by these changes. As part of the programme to reduce costs, it had also been decided to reduce the level of inventory by bringing the flow of supplies more into line with rates of usage. This meant reducing the flow of supplies more into line with rates of usage. This meant reducing batch sizes of supplies more into line with rates of usage. This meant reducing batch size of parts and subassemblies. While much could be accomplished by improving internal operations, it was recognized that performance overall was also dependent on the standards of the suppliers used by the company.

An overhaul of purchasing and supply strategies was also called for, therefore as part of corporate programme. A measure of the significant of the supply chain is indicated by the fact that 70 per cent of the product cost was made up of the bought – out content. Past policies had been typical of western up of the bought- out content. Past policies had been typical of western approaches. A large supply base had been maintained and sourcing had been conducted on an adversarial, competitive basis. Price had been the dominant concern. It might be summed up as a ‘more the merrier approach’. The consequences, however, had been seen in terms of quality problems, late deliveries and a need to rely on a policy of goods inward inspection to screen out defective supplies.

A major plank in the revised purchasing and supply strategy was the goal of rationalizing the supply base in order to improve the quality of supplier performance. Quality in this context was to include not only product quality in the technical sense, but also wider aspects of quality, with reference to service and ability to manage costs. It was decided that a switch to partnership sourcing with a small number of suppliers would be the best way of resolving all the problems. The first task, therefore, was to assess the performance and capabilities of existing suppliers and to identify the poor performers. Past performance data were analysed and supplier quality audit (SQA) teams visited suppliers to provide a fuller picture of capabilities. Those that were rated poor and who showed no signs of being able or willing to change were then dropped at the first opportunity and efforts were focused on building up partnership with the remainder.

Arrangements were made with suppliers to operate with stricter quality standards and to place the main onus of responsibility for managing quality on their shoulders. Training and support was offered where necessary. The aim was to work with appropriate 200 ‘A’ grade suppliers and to rely on receiving goods without applying quality checks as they are delivered to the factory. Fast moving items are being, delivered directly to the point of use. While the company does not have the same volume of output as the motor vehicle industry generally, it was believed, nevertheless, that many aspects of JIT and TQM policies could be put into practice.

Additional benefits of the supply strategy, in working with better committed suppliers within the framework of stable, long- term relationships, can be identified. Ongoing cost reduction programmes, which concentrated on aspects such as design, quality, productivity and logistics improvements, are producing savings, to the benefit of both the supplier and the

customer. Better planning and scheduling has improved delivery performance and there is now less exposure to problems of shortages. Buyers are expected to have more time to work effectively with and manage the reduced number of suppliers (Saunders, 1997).

Required;

- a) Analyse the drivers of strategic change for AVC (10 Marks)
- b) Compare the old and new police for managing quality for AVC (15 Marks)

Question 2

Explain using practical examples the benefits of category management and spend analysis to a purchasing function of any organisation of your choice.

(25 Marks)

Question 3

Explain the necessity to measure purchasing performance of any organisation of your choice using the following key areas of purchasing performance measurement:

- a) Purchasing Price/Cost Dimension (6 Marks)
- b) Purchasing Product/Quality Dimension (6 Marks)
- c) Purchasing Logistics Dimension (6 Marks)
- d) Purchasing Organisation Dimension (7 Marks)

Question 4

As a procurement manager in your organisation explain with examples the importance of embracing Corporate Social Responsibility initiatives. (25 Marks)

Question 5

Discuss the factors to be considered when outsourcing services from suppliers. Use a Zimbabwean organisation to highlight the factors. (25 Marks)

END