



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 : NONE
DURATION : 3 Hours
LEVEL : 4:2
DATE : 30 JUN 2022

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer question number one (1) in Section A (Compulsory) and any other **three (3)** questions in Section B.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

SECTION A

QUESTION ONE

FENSTER SYSTEME GMBH

Fenster Systeme GMBH (FS) was a German Firm, which had built up a sound position in Germany in supplying a range of components for the automotive industry, with its main factory in Coburg. It wished to develop a base in the United Kingdom (UK) as part of a strategy of expansion within Europe, which was deemed to be necessary to meet the requirements of several automotive assembly firms. Lower labour costs, and a more peaceful industrial relations climate in the UK than previously, were some of the factors determining the choice of country.

The purchase of a company in Coventry, Dryden Engineering, was the route adopted to implement the strategy. This company already had an established position in the automotive industry, making similar products, such as window regulators. However, it lacked the financial resources for either product development or the re- equipment of its factory with more modern computer – controlled machinery. FS could see that it would be able to supply existing customers in the UK, but it would also be relatively easy to transport goods to mainland Europe.

Ford was an important customer of FS in Germany and the Coventry plant was to be brought on stream to supply both UK and Germany plants. The plan was to supply daily on an 'ex works' basis. A trailer was to be filled on a daily 'call- off' basis, with information transmitted via a computer link. Once in the Ford logistics system, delivery was the responsibility of the customer and the final destination would not necessarily be known. In order that the Coventry factory could be accepted for this JIT arrangement, some of the work stations had to be redesigned for the complete assembly of components and facilities had to undergo the rigorous Ford quality certification process. A training programme was also needed to prepare the workforce to work to more exacting standards of quality and service.

At this time, ideas about the design, manufacture and supply of car windows and winding mechanisms were being modified. In the traditional way, the car assembly bought all the necessary parts and components and took on the responsibility for the assembly work. This meant that the assembler also had to buy in and co- ordinate the supply of all these items. Taking into account the range of different types of windows and window regulators – electric or manual, arm and cable – this meant coping with many parts and suppliers. Car assembly companies decided that it would be advantageous to change from this approach and buy in

complete window system, which could then be easily fitted into the door panels. This change of approach had a number of implications for companies like FS.

FS had an opportunity to become a main system designer and manufacturer of the window subassembly. This meant expanding the design skills that it already possessed and developing the expertise to design and develop the complete system. The responsibility of purchasing and controlling the supply of parts that were outside the manufacturing competence of FS also had to be taken on board.

The customer's purchasing policy with respect to his subassembly was seen to provide a number of benefits. Smaller specialist suppliers can build up expertise in the design and manufacture of the complete system. The efforts of the customer's own designers and production personnel will not have to be diluted and diverted from the main core areas. Purchasing is able to concentrate on working closely with just the system or subassembly provider. A close partner – ship can be established and the problem of co- ordination is made easier, compared with having to deal with a large number of parts suppliers.

From a supply chain point of view, the transition to a policy of sourcing the complete window system changes the structure of the chain. FS becomes a main first- tier supplier direct to the car assembly firm. Other parts suppliers, which previously supplied direct to the car assembly company, now become second – tier suppliers and deliver parts to the first – tier supplier, like FS.

Firms, like FS, in this type of change in the structure of the supply chain, have to decide whether they wish to become the first- tier supplier and take on the expanded role required of them. The alternative is to remain a parts supplier and fight to win contracts from those who do become the system designers and producers. There may be a risk that such contracts will not be won and firms will find it harder to build up an special competitive advantage. (Saunders, 1997)

Required:

- a) Discuss the implications of sourcing a 'complete system' from a supplier. **[10 Marks]**
- b) Justify FS's strategy of buying 'ex works' from suppliers. **[15 Marks]**

SECTION B

QUESTION TWO

- a) Using a Zimbabwean organisation of your choice, critically evaluate the reasons for embarking on international sourcing. **[10 Marks]**
- b) Identify and explain the challenges that may be encountered through international sourcing. **[15 Marks]**

QUESTION THREE

Discuss the internet-based technologies that a purchasing function of an organisation can adopt to enhance its competitive advantage in the market. **[25 Marks]**

QUESTION FOUR

Discuss the benefits of benchmarking purchasing giving examples **[25 Marks]**

QUESTION FIVE

As a procurement professional in Zimbabwe, advise the supply chain fraternity in your country on the enhancement of 'visibility of the procurement discipline'. **[25 Marks]**

END