



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE
(YIV, SII)

BPC 4404: MEASURING PURCHASING PERFORMANCE

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

Before entering into a contract with a supplier, it is important that an organization has:

- i) Properly analysed its needs, including functional and performance requirements.
- ii) Clearly defined the outcomes desired for the purchase.
- iii) Established the Key Performance Indicators (KPIs) for the purchase.
- iv) Maintained and referred to the past supplier performance records.
- v) Produced a contract that provides for in-contract evaluations, monitoring procedures and measurement of performance against appropriate KPIs.

Suppliers need to be made aware from the outset that their performance will be assessed and recorded. They must be advised of the performance criteria, how they will be measured, how performance assessments will be recorded and who will have access to such information.

In light of the above, answer the following questions:

- a) With examples, explain the key performance Indicators (KPIs) that a buying company can use in setting individual performance targets for its suppliers. **(8 marks)**
- b) Explain how an organization can use the cost-ratio method to evaluate the performance of its suppliers. **(12 marks)**
- c) Discuss with an example, how a modern organization can use the weighted point method in measuring supplier performance. **(10 marks)**

QUESTION 2

- a) Currently, there are still many variations in the process to be followed when implementing performance evaluation across the entire supply chain. Clearly explain the main phases of a supplier chain management evaluation process. **(12 marks)**
- b) With the help of a well-articulated example, discuss the behavioural impact of evaluating purchasing performance. **(8 marks)**

QUESTION 3

- a) Different stakeholders of organizations within a supply chain may have different views on what constitutes success and therefore use different ways to measure it. Explain how an organization can use the performance prism to measure the performance of its supply chain. **(12 marks)**
- b) The results of performance measurement will have to be interpreted, so that some sense can be made of these. Discuss the various activities that are performed during the interpretation of the results. **(8 marks)**

QUESTION 4

- a) The quality of each and every measure will clearly depend on the accuracy of the data on which it is based. And yet, the data required for calculating performance measures is rarely 100%. Explain some of the problems that may affect performance measurement data. **(8 marks)**
- b) Discuss with clearly explained examples, the various elements of performance measurement and evaluation. **(12 marks)**

QUESTION 5

- a) Explain how the portfolio approach can be used in assessing the purchasing areas during procurement performance measurement and evaluation. **(12 marks)**

- b) Explain why it is important to be able to measure events and conditions that have an effect on purchasing and supply performance. **(8 marks)**