TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

Department of Management Science

DEPARTMENT OF BUSINESS STUDIES

END OF SEMESTER EXAMS FOR BACHELOR OF COMMERCE

BPC 4403: STRATEGIC PROCUREMENT MANAGEMENT

CLASS: YEAR FOUR SEMESTER ONE

AUGUST 2019

TIME: 2 HOURS

INSTRUCTIONS:

- Answer question **ONE (Compulsory)** and any other **TWO** questions.
- Marks are allocated and the end of each question

This paper consists of THREE printed pages.

QUESTION ONE (30 MARKS)

PROCTER & GAMBLE PRODUCTS LTD

Procter & Gamble products ltd is a typical Fast Moving Consumer Goods (FMCG) company with an annual turnover of nearly 700,000. It has six factories, 30 depots and 3,500 distributors spread over the entire country. Its product profile comprise of ten categories such as branded coconut oil, Jam, cooking oil and special flavors. At one time, Procter & Gamble was faced with considerable difficulties in terms of forecasting. At the depot or godown level variations on some sku, were in the range of as much as 100%. There were in range of as much as 100%/ There were also complexities in distribution on account of the large number (3500) of distributors across the country. This would invariable lad to a pi le up of inventories at certain places and stock-outs in others. Visibility of stocks at the distributor level was low, because after invoicing, it was impossible to determine the level of stock that distributors were holding.

The only source for this year was the secondary sales figure. These figures were collaged manually once a month and their accuracy was always questionable in the FMCG industry, secondary sales calculation is the bigger challenge; primary sales area always easier to collage. Because planning cycle were fixed, decisions could not be taken online processes were highly individual or employee dependent and in the absence of an integrated approach there was little or no communication.

The planning cycle was only 15-20 days hardly enough to allow corrective action. Apart from the annual budget, the firm operated on a fixed 3-month cycle. Thus, once the output at the end of these three months was decided, nothing could be done in the interim. The result was that if the output for the first month were in excess the next two months stock would simply pile up. Invisibly therefore, there were skews towards to the ends of quarters. The firm had fixed dispatch plans for the quarters these were followed even if sales were low. There were coordination difficulties between the sales and manufacturing departments as managers were not using the same data.

Typically sales staff would complain they lost sales because of stock-out while the bank room would say that there were excess supply lines somewhere in the system about which they were unaware. The planning cycles for sales and manufacturing did not match. There was no system for distribution planning one would wait for the sales person or distributor to call up and place the order. Some means of replacement order generation was fried- however, they were on stand-alone systems and did not succeed. There were several islands of information in consistencies in the MIS and no data visibility across the system. The firm had to do a lot of cleaning up before new technology could be brought in Mr. Kassim, the sales and Distribution manager recently attended a seminar on supply chain management organized by an institute of management. He realized then that, integrated Supply Chain Management (SCM) approach is the only way to get out of all the present ills of the company. He also saw a huge opportunity for cost savings with such an approach however he was confused as to how to proceed since any wrong more or faulty implementation will have serious consequences to the company.

QUESTIONS

a) Identity the potential areas for cost savings with an integrated supply chain management. (10 marks)

b) Identify specific action plans for implementing integrated SCM including the role of IT. (10 marks)

c) Indicate appropriate performance metrics to measure the various aspects of supply chain performance in FMCG business such as Procter & Gamble products Ltd. (5 marks)

d) Discuss how global supply chain management concept would be of help in enhancing the competitive advantage of Procter & Gamble products. (5 marks)

QUESTION TWO (20 Marks)

a) There is an increased recognition of the purchasing function in various public and private institutions as an integral strategic function to these institutions. Discuss various reasons for the growth of purchasing involvement in key strategic decision making of organization in Kenya. (10 marks)

b) The strategic aspect of purchasing defines a set of long-term objectives which are general variations of a number of these objectives. Discuss. (10 marks)

QUESTION THREE (20 Marks)

a) You are a procurement manager in one of the multinational companies in Kenya. Discuss the procurement objective in strategy implementation in your organization. (10 marks)

b) Effective global supply chain management calls for an understanding of each driver and the way it operates. Looking at the qualitative dimension of globalization, elaborate how various global supply chain drivers affect the supply chain. (10 marks)

QUESTION FOUR (20 Marks)

a) Compare and contrast the principles and goals of lean to those of supply chain management. (10 marks)

b) Effective procurement strategy to support supply chain management concepts requires a much closer working relationship between buyers and sellers. In view of this statement, discuss some of the emerging procurement strategies that can be adopted in an organization to ensure value for money. (10 marks)

QUESTION FIVE (20 Marks)

a) Identify the FIVE participants / parties in the Internal Business Environment and their roles in shaping business structures and functions. (10 marks)

b) Highlight any FIVE reasons that may lead Managers in charge of different areas of work to make the required work facilities themselves instead of buying them from outside suppliers in the market. (10 marks)

"WISHING YOU THE BEST OF LUCK"