



MASEHO UNIVERSITY
UNIVERSITY EXAMINATIONS 2013/2014

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DEGREE OF MASTER OF SCIENCE IN SUPPLY CHAIN
MANAGEMENT**

(CITY CAMPUS - EVENING)

MSM 808: PROCUREMENT AND SOURCING STRATEGY

Date: 21st July, 2014

Time: 5.30 - 8.30 p.m.

INSTRUCTIONS:

- Answer Question ONE and any other THREE questions.
- All questions carry equal marks.



SECTION: A (24 MARKS)

QUESTION ONE: CASE STUDY

You are employed by Kombewa Financial Services Group (KFSG) Ltd as the category manager for IT procurement. You have just left a senior management team meeting, having presented a report on the status of IT procurement. The salient points were:

Annual expenditure (excluding one-off projects)	KSH 40 million
Number of service providers	20
Locations to which IT services are provided	6
Amount of annual up-front payments	KSH 16 million
Suppliers in default of contract obligations (last year)	4
Predicted increase in service charges (next year) expenditure	3.6% of annual

After you had presented these basic facts there was a heated discussion. It all began when you expressed the view that the IT support contracts that embrace all software, maintenance, emergency call-out to IT problems, desktop replacement and laptop maintenance and replacement, should be outsourced on long-term partnering basis (you recommended seven years with option to extend for a further three years). The IT manager said that he did not agree and that the current arrangement should remain. He was convinced that the current suppliers were all specialists in their field and knew the software better than anyone else. Then the finance director joined in the discussion, stating that all he was interested in was cost! Not only did he not want a 3.6 percent increase, he wanted a 10 percent reduction in costs. He also wants the up-front payments stopped. The managing director who chaired the meeting has given you some actions (see Tasks below) and has asked that you report back to the senior management team in two weeks with an agreed position between you and the IT manager.

Tasks

- (a) What arguments can you assemble to support a long-term partnering strategy? (8 marks)
- (b) How would you contract to deliver the finance director's objective? (8 marks)
- (c) Assuming you lost the argument for partnering-what strategy would you deploy to make savings? (8 marks)

SECTION: B

QUESTION TWO

"The cost of evaluating the performance of suppliers can be high".

- (a) What arguments would you use to justify the expenditure on evaluating performance? (4 marks)
- (b) What steps might you use to minimize such expenditure? (4 marks)
- (c) What benefits to your organization and to suppliers does the evaluation bring? (4 marks)

QUESTION THREE

- (a) As head of the purchasing function in a large firm, what organizational and procedural safeguards would you insist on to ensure compliance with professional standards on ethical behavior? (6 marks)
- (b) Outline in general terms some of the common situations faced by buyers which can give rise to potential ethical problems (6 marks)

QUESTION FOUR

Evaluate how (a) global sourcing and (b) collaboration with suppliers can improve strategic performance of an organization of your own choice. (12 marks)

QUESTION FIVE

Discuss how procurement can improve organizational performance in difficult economic times (12 marks).

QUESTION SIX

Discuss the importance of market analysis in strategic sourcing demonstrating the salient factors (12 marks)