

**UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

**STRATEGIC PROCUREMENT
Examination**

2013 - 2014

BAM III – NKOZI Campus

Date: Wednesday 4th December 2013

Time: 2.00pm-5.00pm

Instructions

- 1. Do not write anything on the question paper**
- 2. Question one is compulsory. Answer any other three questions**

Question one

CASE STUDY: Process integration

Spear Motors (U) Ltd makes business in Mercedes Benzes, but its other plant in Nairobi makes only fax and copy machines. High-Tec Electronics is the major supplier of components to Spear Motors (U) Ltd. For over 10 years, High-Tec has provided parts for many of Spear Motors' Mercedes Benzes.

Early in the development cycle for the HUB 100e, Spear Motors (U) Ltd Procurement Manager visited the High-Tec facility. They wanted to determine whether High-Tec could make the parts Spear Motors (U) Ltd needed for the Mercedes Benzes at a specified price or target cost. A target cost for the entire product was developed based on marketing inputs and was then broken down for different categories of parts based on historical costs. The target costs for the mechanical parts were further broken down into a target cost for each metal part needed to make the motor vehicle. When it was determined that High-Tec Electronics could supply almost all the parts for HUB 100e at or below Spear Motors (U) Ltd's targeted cost, the two companies were then able to move further into the development and engineering phases.

At first, there was no detailed design for the HUB 100e but after general discussions, High-Tec submitted an initial design for the Mercedes Benzes. As the development cycle evolved, the design became progressively tighter and more detailed. It started out with a basic frame and shape, and eventually was reduced to a set of detailed design specifications. At each stage of design evolution, engineers from both companies worked together, with the Procurement Office acting as a liaison. While engineering provided the technical information and specifications, the Procurement Personnel helped in coordinating meetings and provided information on business volumes, pricing, cost-management strategies, and contract specifications.

The joint venture has also paid off for High-Tec Electronics. In return for their cooperation and support, Spear Motors (U) Ltd mechanical design engineers have been using some of the same components for future generations of the product and High-Tec Electronics will have the first opportunity at the new business. High-Tec Electronics and Spear Motors (U) Ltd understand the interdependencies between them. They also understand the importance of relying on procurement as an integrating function.

Tasks

- a. What do you understand by the term 'Strategy' and 'Strategic Management'? Explain why you think it is important for organizations to manage strategically. **(10marks)**
- b. With reference to the case above, discuss why it is important for the organizations to integrate suppliers into a new product development process? **(10Marks)**
- c. Discuss the most important elements needed to successfully integrate suppliers into new product development process **(10Marks)**
- d. What challenges can arise from a firm's effort to integrate suppliers into a new product development process **(10Marks)**

Question two

Using relevant examples from a Hospital of your choice;

- a. In what ways does the Kraljic (1983), Purchasing Portfolio Approach (Matrix) assesses supply risk for some items **(4Marks)**

- b. There are some risk and profit factors that can enable all purchased items to be assigned to one of the 4 quadrants as identified by Kraljic. Explain the above statement with relevant examples
(10Marks)
- c. Discuss the importance of the Kraljic Purchasing Portfolio Matrix
(6Marks)

Question three

Firms individually and jointly must establish where costs (especially non-value added) are in supply chain and develop strategies to reduce or eliminate them. However, this may only be achieved with the consideration of certain factors that may relate to systems, culture, general or supply chain. Discuss
(20marks)

Question twenty four

'Any alliance relationship can only be concluded on a basis of filling out a product portfolio'. Discuss how an organization can enter into an alliance with a supplier of strategic value.
(20marks)

Question five

Imagine after the completion of your course, BBA- Procurement, you have been offered a job of a Procurement Officer and your new MD has approached you to advice him on the SWOT analysis as he is trying to start a new venture;

- In your report to MD, discuss the need for undertaking a SWOT analysis and why it is a crucial step in the strategy development process
(10marks)
- Why do you think that it is important to align the procurement strategy to the overall organizational strategy?
(10Marks)

Question six

- Change is said to be a blessing to an organization when it is handled well. However many people mostly in Uganda today fear change and they have worked tirelessly to resist it. Discuss the above statements in relation to Change Management in Strategic Procurement.
(16marks)
- What are some of the skills Change Agents in procurement related projects must exhibit? (4marks)

End of Question Paper