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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 17th April, 2024
Time: 11.30am – 1.30pm

KPS 100 – PRINCIPLES OF PURCHASING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

THE ROLE OF PROCUREMENT IN SHAPING NACOL TO A WORLD CLASS ORGANIZATION

In the running of today's competitive business, procurement plays the critical role of acquiring goods or services required for production or running of the business. The goods and services are acquired from external sources. In brief, the procurement process involves requesting bids from vendors, selecting the best option, and then negotiating terms and conditions. At Nacol Limited, a company that specializes in the manufacture of Fast Moving Consumer Goods, procurement is a critical part of the strategic team within the organization, as it encompasses all activities involved in helping ensure profitability and growth of the company. Procurement department ensures that there is continuous supply of materials and services needed to produce products or deliver services. The main functions of procurement include obtaining supplies at the best possible price, ensuring that quality standards are met at all times and to ensure materials required are delivered within the stipulated timelines to ensure competitiveness of the products in the market.

As a growing organization, Nacol uses different types of procurement methods to deliver the best value to the organization however each procurement method has its own set of challenges. The most common procurement methods used by Nacol include: direct purchase, competitive bidding, Request for Proposal (RFP), and Request for Quotation (RFQ) among many others. All the procurement methods are therefore evaluated before any is deployed. Procurement is a critical part of the business and can have a significant impact on the overall performance of the business if well executed. There are many different procurement strategies that can be employed, and the most effective strategy will vary depending on the specific industry. There are some general principles however that all successful procurement strategies should follow. To ensure compliance with the procurement processes, Nacol has developed several steps used in sourcing that have been named the Strategic Steps of sourcing which is always used when sourcing for goods and services. The Nacol procurement is centralized in order to leverage on the size of the organization.

The purchasing team sits at the Head office and sources materials for all the plants. First, Nacol has aligned procurement with the overall strategy of the company. The procurement strategy supports the company's business objectives and help to achieve its strategic goals. Second, the procurement function is integrated into the rest of the organization. The procurement team works closely with other departments within the company, such as marketing, sales, and operations, to ensure that there is always early procurement involvement in the purchasing needs of the company. Third, procurement at Nacol is proactive rather than reactive. The procurers anticipate future needs and trends and take steps to ensure that they are prepared for them. The success of procurement at Nacol depends on the strong relationships with suppliers. The procurement team has built strong relationship with their suppliers to ensure J-I-T delivery, ensured quality, and agreed upon quality among several other critical things.

Case Study Questions:

- a) For the Procurement Department to assist NACOL in developing a world class organization, Mark who is the procurement Director wants to develop a Procurement Standard Operating Procedure that the organization must follow in future in the purchase of goods and services. Discuss the steps in an effective purchasing process that Mark must include in the Standard Operating Procedure. (6 Marks)
- b) The Procurement Director has been briefed that automating the procurement process will bring transparency in all the procurement transactions. Explain how deployment of an e-procurement system can benefit NACOL Corporation. (6 Marks)
- c) Mark has been briefed that a streamlined procurement function can contribute positive value to his organization. Mark has therefore formed a task force to assist in streamlining the procurement process. Explain in details, discuss the steps that NACOL Corporation can take to streamline its procurement process. (6 Marks)
- d) In making all intended changes in adopting a new procurement processes, Mark is likely to face some challenges. Discuss three potential challenges that NACOL might experience in transitioning from her current procurement process to an e-procurement system, and how can NACOL Corporation address them. (6 Marks)
- e) To transition from the current procurement process to the proposed procurement organization, NACOL must carry out performance measurement. Discuss three Procurement performance indicators that Mark Corporation track to measure the success of the procurement function that he is leading. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Kenya Bado has documented a Purchasing Standard Operating Procedure in which he wants to publish the steps used in the Supplier Selection at Miradi Ltd. He is in the process of publishing the document in order to have stake holder participation. He has divided the Supplier Selection steps into two for ease of appreciation by the stake holders. Discuss the first five steps in the supplier selection process that Kenya Bado should publish. (5 Marks)
- b) Simon Andrew the Operations Director with Big Mark Corporation has a group of interns newly onboarded in the organization. The interns are to be attached to the Procurement Department for three weeks to appreciate the role of procurement in the organization. Simon wants to explain the principles the procurement team is using in the purchase of goods and services. Explain at least five Principles of Purchasing that Simon needs to discuss with the interns. (5 Marks)

- c) Anne Marrie, the new Procurement Manager at Amazoan Corporation is aware of unethical dealings that take place during purchasing of goods and services. She suspects that some of her procurement staff are involved in unethical dealings. Discuss potential Causes of Unethical Dealings within the procurement process at Amazoan. (5 Marks)
- d) Alice the Continuous Improvement Lead in the Supply chain department is well aware of the impact that Quality has on the finished products of Power It, a company that manufactures Fast Moving Consumer Goods. Describe the key considerations related to quality levels that Alice should focus on during her Quality Circles. (5 Marks)

QUESTION THREE (20 MARKS)

- a) In the competitive Oil & Gas Industry, Mrs Mapesa must always help her company acquire the materials required at very competitive pricing in order to remain competitive in the market. Explain why it is important for Mrs Mapesa to always obtain materials and services at the right price (5 Marks)
- b) Funga Kamba wants to build a strong relationship with his suppliers. He believes in having a productive negotiation with his suppliers rather than the winner takes it all approach. Discuss the objectives that Funga intends to achieve through negotiation with vendors (5 Marks)
- c) In the concluded Head of Procurement Symposium, Grace has learnt on Global Sourcing which she believes can help improve her company. She is preparing a Board paper for adoption of Global Sourcing practice in the organization. Discuss at least five benefits of Global Sourcing that Grace should include in the Board Paper for presentation and adoption (5 Marks)
- d) Mr Kelama is convinced that he must rationalize his supplier base. His organization has come up with a requirement to incorporate supplier development in the procurement policy. His dilemma is which criteria to adopt in evaluating how to develop suppliers. Kelama is busy and has therefore engaged a consultant to develop for him a tool with a criteria for supplier development appraisal. Explain the factors that the consultant should include in his tool for supplier development evaluation (5 Marks)

QUESTION FOUR (20 MARKS)

- a) PMC Enterprises has recently experienced a disruption in the management of her supply chains due to emerging trends in purchasing. The Operations Manager is preparing to brief the CEO on the steps she is taking to mitigate on this supply chain disruption. Explain FIVE mitigating strategies for countering emerging issues in purchasing that the Operations Director should list down for briefing the CEO (5 Marks)
- b) The newly appointed CEO of Mono Motapa PLC believes that a Centralized Purchase Organization Structure can deliver more value than other forms of Purchasing organization structure. He wants to convince the Board of the company on the need to adopt a centralized purchase organization structure. As the Director of Supply Chain Management whom the CEO has tasked to develop the Board paper, discuss FIVE reasons the CEO needs to convince the Board to adopt a centralized purchasing organization structure as opposed to other purchase organization structures (5 Marks)

- c) John has developed a policy on Supplier Development and is keen on deploying the policy. He however realizes that his current staff do not have the requisite skills to engage in supplier development. John therefore decides to approach HR to hire for him new staff with the required skills on supplier development. HR is developing a Job Description in order to advertise the vacancy. John has been asked to help with the required skills for this job. Discuss the skills that John needs to list down to fulfill the requirements of the Job of supplier development. (5 Marks)
- d) Damaris has been instructed to source for an Active Pharmaceutical Ingredient(API) from overseas since the API is not available locally at the moment. Damaris does not know any overseas supplier from whom she can source for the API. Discuss at least FIVE potential sources of information about overseas suppliers that Damaris can use to identify an overseas supplier for the API (5 Marks)

QUESTION FIVE(20 MARKS)

- a) James Haroun feels that they are not getting the best prices for one of the main raw materials they purchase for production. He also feels that they are not purchasing the raw material from the best suppliers in the market. A friend recommends to James to carry out a supply market analysis. Explain the factors that James needs to consider in supply market analysis (5 Marks)
- b) Beatrice has used single sourcing as a method of acquiring goods for her organization while clearly giving justification why the use of single sourcing method is good for the organization given the urgent nature of almost all the purchases made. The new CEO however wants other types of sourcing to be incorporated in the purchasing process. Describe FIVE other types of sourcing that Beatrice can use to purchase goods. (5 Marks)
- c) The M&S Enterprises is going through a restructuring program. Phillis, the Head of operations has been tasked to explain the objectives of the different functions within the operations department. Discuss at least FIVE Objectives of Purchasing department THAT Phillis should include (5 Marks)
- d) Royal PLC is weighing the disadvantages of the different purchasing organization structures in order to determine a suitable organization structure to adopt. Mr Henschman, is reviewing the Decentralized purchase organization structure. Outline the disadvantages of a decentralized purchase organization structure that Henschman should include in his write up. (5 Marks)