

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF MASTER
SCIENCE IN PROCUREMENT AND LOGISTICS MANAGEMENT**

MPLM 815: PROCUREMENT MANAGEMENT

STREAMS:

TIME: 3 HOURS

DAY/DATE : THURSDAY 15/07/2021

8.30 A.M – 11.30 A.M

INSTRUCTION

Answer question ONE (COMPULSORY) and any other TWO questions

QUESTION ONE (30 MARKS)

CASE STUDY

COLOPLAST A/S

Coloplast is a Danish Company that supplies surgical products. Coloplast exemplifies a small company operating within a highly specialized market, serving multinationals.

Logistics

The logistics departments in each division operate parallel to each other, but their activities are coordinated through a corporate logistics department which was established in 2000. It was formed because of the need for inter-division coordination.

Organizationally, the corporate logistics department reports to the corporate logistics manager, who is also logistics manager at Os tomy Cave. **Coloplast re-engineers its global procurement.**

To keep place, Coloplast radically re-engineered its business processes from design and forecasting to procurement, production, distribution and customer relationships. The primary goals are to serve customers better, cope with large growth rates in sales, personnel and product

proliferation and reduce costs. Key areas for improvements include product testing, physical distribution, supplier relationships, entry strategy for new products and fulfillment capacity.

Distribution system

Coloplast has 16 subsidiaries, including Denmark. National stocks are allocated to their respective markets and can not be transferred to other markets because instruction manuals and packaging are printed in specific languages.

Coloplast has analyzed the distribution structure in Europe and has concluded that a decentralized warehouse structure is better than a centralized or regionalized one. One important reason for this is that the products differ by country. The close integration between marketing and distribution will also be lost if centralized.

Production

Coloplast has five plants in Denmark and two in the United States after the acquisition of Amoeba Corporation in 2004 (breast prostheses, special textiles and bras for mastectomized women) and Sween Corporation in 2005 (skin care products). The two plants in United State have satellite factories in Alabama and Costa Rica Coloplast has also recently established production in China.

Supplier relationships

Purchasing is also decentralized. However for some key suppliers demand is combined into total frame orders. Most external suppliers provide only raw materials, although others are used for their unique research and development capacities.

The worst possible situation is when the supplier's ability and willingness to deliver is low and there are no alternative suppliers.

Coloplast follows its supplier performance closely in terms of delivery and quality complaints. Suppliers scores are posted on both a green board and red board in the posting is a call to action. As a new initiative coloplast has sent employees to a supplier with quality problems to work

within the supplier's production system for a week. Direct contact makes it easier to explain problems and creates a stronger bond with the supplier.

The future

Coloplast expects increased pressure in the future for higher cost effectiveness competition will increase and the market for continence products may stagnate, because of more efficient surgery.

Requirements :

- (a) Discuss coloplast's planning and entry to the international markets. [5 marks]
- (b) Critically analyze the benefits and risks that Coloplast may encounter by trading in foreign countries. [10 marks]
- (c) With Coloplast in mind, discuss factors contributing to the development of logistics globally. [5 marks]
- (d) Identify and discuss aspects of global procurement that management of other firms can replicate from Coloplast. [5 marks]

QUESTION TWO (20 MARKS)

- (a) Negotiation process involve main three phrases. Explain how you would manage each phase in negotiation process to achieve the desired negotiation objectives. [10 marks]
- (b) The parties in negotiation should understand the different approaches to apply in different negotiation situations. As a skilled negotiation discuss any five negotiation approaches showing how each can be applicable to arrive at the successful agreement. [10 marks]

QUESTION THREE (20 MARK)

- (a) Discuss six main principles of Total Quality Management. [12 marks]
- (b) Explain the categories of cost of quality. [8 marks]

QUESTION FOUR (20 MARKS)

- (a) Explain the advantages that accrue to an organization that centralizes its procurement operations. [5 marks]
- (b) Procurement is nit a mere act of buying It is a process. Discuss. [15 marks]

QUESTION FIVE (20 MARKS)

- (a) Analyze FIVE criteria that a procuring entity would use in its selection of suppliers in a bid to fulfill their requirements. [15 marks]
- (b) Identify any FIVE principles of procurement. [5 marks]
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