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**FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF PURCHASING AND LOGISTICS MANAGEMENT**

BPLM 216: PURCHASING POLICY AND STRATEGY

STREAMS: BPLM (Y4S1)

TIME: 2 HOURS

DAY/DATE: FRIDAY 07/12/2018

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: Answer question ONE (Compulsory) and any other TWO questions

CAST STUDY – THE PROTECTIVE EQUIPMENT COMPANY

Introduction: The Protective Equipment Company (PEC) is a medium sized enterprise in the private sector. PEC manufactures and sells a range of protective work-wear and equipment which is designed to withstand the most hazardous working conditions. The products are made to extremely high quality standards and PEC constantly updates its products to reflect different operating environments and health and safety at work requirements. New product development is often focused primarily on technical excellence rather than profitability. Procurement activities. The current buyer at PEC has been in the position for six months having been promoted from purchasing assistant when the previous buyer retired. Due to her limited experience combined with the complexity of the product range and the need for high levels of quality, she has found it difficult to influence sourcing strategy. Formal procurement procedures and systems at PEC are very limited. Currently, the buyer waits to receive a requisition from the production function to place orders for equipment, materials and products. This means that orders are usually urgent and the buyer has little opportunity to review alternative suppliers or sourcing approaches. Low value maintenance, repair and operations (MRO) requirements cause particular problems as the

BPLM 216

requisitions are difficult to aggregate. This causes excessive and time-consuming administration for the buyer.

Testing requirements pressure testing machinery used for testing the quality of seams in the protective work-wear is nearing the end of its life and will soon require replacement. Product testing is essential to confirm final quality of manufacture and conformance to industry standards. The test equipment is highly specialized and will be costly to replace. Also, recent machine maintenance highlighted both the cost and the long lead times of the MRO items required to keep the machine operational. If the equipment is not replaced, the test work will need to be outsourced to facility specializing in this type of service provision. Supplier data recently, the buyer has become concerned that some of her key suppliers could be facing financial difficulties. However, she is uncertain how to investigate the financial position of these suppliers. The information left by the previous buyer is several years out of date and the current buyer is concerned that their position could now be significantly worse. The buyer believes that she needs to research the supply market in order to gather more information on external supplier capabilities. This will allow her to identify alternative suppliers with the necessary technical and quality standards and good financial stability.

- (a) Examine THREE different sourcing approaches that could be used by the buyer at PEC to more effectively source safety products and materials from suppliers [6 marks]
- (b) Explain how the new product development approach at PEC could impact on sourcing effectiveness [8 marks]
- (c) Discuss the actions that the buyer could take to balance commercial and technical award criteria when selecting suppliers [12 marks]
- (d) Identify FOUR signs that the buyer at PEC could look for to indicate that certain suppliers are experiencing financial difficulties [4 marks]

QUESTION TWO

- (a) Explain the step to an effective procurement strategy [10 marks]
- (b) Enumerate 5 ways of reducing costs in supply chain management [10 marks]

QUESTION THREE

- (a) Explain the steps involved when developing supply chain relationships [10 marks]
- (b) Using relevant examples, explain 5 importance of long term capacity planning in an organization [10 marks]

QUESTION FOUR

- (a) Using relevant examples, explain 5 drivers for aligning the procurement strategy to corporate strategy [10 marks]

BPLM 216

(b) Enumerate 5 importance of crafting a procurement strategy for a firm [10 marks]
