

Tutorial Letter 201/1/2018

Strategic Sourcing MNP3701

Semester 1

Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics

IMPORTANT INFORMATION:

This tutorial letter contains important information
about your module.

BARCODE

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1 INTRODUCTION

Dear Student

This tutorial letter contains the answers for Assignments 01 and 02, as well as the format of the examination paper. It also includes an example of a previous examination paper.

2 GUIDELINES FOR ANSWERING ASSIGNMENT 01

The answer below is not a model answer. It is only a guideline to indicate to you which aspects you were expected to include in the discussion of the assignment.

Your assignment should not have exceeded three pages. Although the answers may vary among students, an answer will still be correct and acceptable as long as the reasoning is sound. In discussing the case study questions, you must first study the relevant theory in the study material and then apply it to the case study at hand. You can use the theory as a basis to explain the appropriate citation in the case study. You can use underlining or markers to highlight certain important words or main concepts.

General note:

When you answer any assessment questions, note the verb since it will indicate the expected detail and structure of your answer. In addition, the marks allocated to a question will guide you regarding the time you should spend on the question and the required detail.

ASSIGNMENT QUESTIONS

30 MARKS

- 1 Identify and discuss possible pricing strategies that could be a reason for Shoprite's lower internal food inflations. (22)

Guidelines for answering: This is not a straightforward theoretical question. You are expected to structure the theory by using bullets for headings, followed by the application (substantiate your answer from the case study).

Refer to pp 418 to 428 in the study guide.

In the case study, it was stated that Shoprite focused on "price" and that their aim is to retain their low-price leadership. Your answer should include the discussion of price analysis elements.

Price analysis refers to the process of comparing supplier prices against external price benchmarks, without direct knowledge of the supplier's costs. Price analysis focuses on a seller's price with little or no consideration given to the actual cost of production. Price analysis includes

- a market structure
- economic conditions
- the pricing strategy of the seller
- market-driven pricing models
- using the producer price index to manage price

Your answer does not have to cover all the various aspects of a price analysis.

Price analysis is usually used for products that are sold to the public in the commercial market. Furthermore, the prices of the various suppliers are available to be compared.

Cost-based pricing is usually used in the manufacturing process, which includes costs such as labour hours and rates. The food suppliers of Shoprite will make use of a cost analysis. Furthermore, a cost analysis will only be used when a price analysis can not be performed. When there are no other products to compare the various prices, cost analysis is the preferred method in the designing of new products, blue print products and for procurement services where there are no competing prices available. Cost analysis is a challenging approach because an organisation needs to determine the fair value where there is not a marketable comparison.

Shoprite would not use any of the cost analysis techniques because, firstly, their focus is on price and secondly, Shoprite is a retailer and cost analysis is more appropriate for manufacturing.

- 2 Shoprite requires many different types of products. Discuss four (4) different types of products (goods and services) Shoprite will typically purchase, and give an example of each. (8)

Refer to pp 22 to 23 in the study guide.

Consumer goods: goods purchased by Shoprite for household's consumption, (✓) such as **stationery and cleaning products.** (✓)

Resale products: goods purchased by Shoprite in order to resell them at a profit (this will be Shoprite's focus), (✓) for example: **merchandise on shelves.** (✓)

Services: (✓) Shoprite purchase services such as **cleaning and security services.** (✓)

Industrial products: (✓) Shoprite will buy ovens to bake bread. (✓)

Mark allocation: 1 mark for identifying the type of product/service and 1 mark for the example.

Total marks: 8 marks

3 GUIDELINES FOR ANSWERING ASSIGNMENT 02

Assignment 02, together with Assignment 01, contributes to your year mark. The correct option for the multiple-choice questions and the appropriate sections in the study material are indicated below. You can expect similar questions in the examination.

Multiple-choice questions

20 marks

QUESTION 1

The most common reason why an organisation buys from local suppliers is ...

- [1] the use of a JIT system and dramatic price savings.
- [2] community goodwill and quick replenishment.
- [3] improved quality and cost benefits.
- [4] access to current technology.

Answer: 2, p 255

The answer is clear from the discussion on local suppliers. Option 1 is incorrect since JIT is commonly used when suppliers are near the buying firm. Options 3 and 4 are incorrect because improved quality, access to current technology and cost benefits are advantages of global sourcing.

QUESTION 2

An organisation might decide to use fewer suppliers, but this decision can lead to possible risks. Indicate which of the following is/are possible risk(s) of using fewer suppliers:

- [1] supplier dependency and the negative effects on individual functional managers
- [2] supply disruption and lack of competition
- [3] regular rank reverse auctions
- [4] regular reverse auctions

Answer: 2, pp 335 to 336

The answer is clear from the discussion on the possible risks of fewer suppliers. Therefore, options 1, 3 and 4 are incorrect.

QUESTION 3

An organisation's innovation includes a "just-in-time system" to increase its competitiveness. Which one of the following modes of transportation would be best suited for the organisation?

- [1] an air carrier
- [2] a water carrier
- [3] a motor carrier
- [4] a rail carrier

Answer: 3, p 669 (exhibit 17.5)

Question 3 is an insightful question and tests your knowledge on the just-in-time system. Option 1 is incorrect because air carriers, even though the fastest, are the most expensive of all the various modes of transport. Most of the time a motor carrier can deliver from door-to-door. Water and rail carriers are slow modes of transportation and cannot deliver door-to-door.

QUESTION 4

Ford may implement a formal supplier selection process. However, this process could increase the cycle time. Which one of the following is the main reason why Ford has to decrease the time of evaluating and selecting suppliers?

- [1] support is needed by third parties
- [2] competition and customer pressure
- [3] pressure to have a data warehouse available
- [4] pressure to have shorter contracts

Answer: 2, p 278

Pressure from customers to be more competitive forces organisations to reduce the time it takes to perform a task or to carry out a process. These pressures also affect the time to evaluate and select suppliers. Purchasing must be proactive and anticipate supplier selection requirements rather than react when a need arises. Therefore, options 1, 3 and 4 are incorrect.

QUESTION 5

By definition, ... management entails managing the downstream processes in the supply chain from the end of the production line to the end customer.

- [1] distribution
- [2] warehouse
- [3] purchasing
- [4] strategic sourcing

Answer: 1, refer to the list of definitions in Tutorial Letter 101

Distribution management focuses on managing the processes on the outbound side of the supply chain, specifically from the end of the production line at the focal firm to the final consumer – making option 1 correct. Warehouse management (option 2) is incorrect, since it represents a logistics activity within the supply chain and would only support distribution management. Options 3 and 4 are also incorrect, since purchasing management and strategic sourcing entail the *upstream* processes in the direction of suppliers, which are in the opposite direction of distribution management.

QUESTION 6

The concept of ... is synonymous with purchasing.

- [1] sourcing
- [2] a supply chain
- [3] distribution
- [4] logistics

Answer: 1, refer to the list of definitions in Tutorial Letter 101

The concept of sourcing is also referred to as purchasing – making option 1 the correct answer. The purchasing activity is only part of the supply chain (option 2) and therefore the concepts are not synonymous. Since purchasing/sourcing lies on the inbound side of the supply chain, distribution (option 3) as an outbound activity is not part of the purchasing process and is thus not correct. Logistics (option 4) refers to the flow of purchased/sourced goods and is therefore incorrect.

QUESTION 7

Which one of the following tools can help an organisation identify *waste* in a project or in processes?

- [1] process mapping
- [2] value analysis
- [3] value stream mapping
- [4] programme evaluation and review technique

Answer: 3, p 487

Option 3 is correct because value stream mapping is a process of visually presenting the flow of materials and information that identify wasted time and actions in a manufacturing or service process. Option 1 is incorrect because process mapping is a tool that reduces processes to their parts or activities and then eliminates non-value activities or delays within a process. Option 2 is incorrect since value analysis involves examining all elements of a component, assembly, end product, or service to make sure it fulfils its intended function at the lowest total cost. Option 4 is incorrect because a program evaluation and review technique is a control technique that identifies the activities or tasks that make up a project and determine the sequence of those activities.

QUESTION 8

What is the *main* difference between a supply chain and a value chain?

- [1] A supply chain is focused on the supply activity, whereas the value chain is focused on value-adding activities.
- [2] A supply chain has different upstream and downstream linkages, whereas the value chain has only downstream linkages.
- [3] A supply chain consists of the value-adding activities of a network of organisations, whereas a value chain consists of the value-adding activities of a specific organisation.
- [4] A supply chain focuses its activities on satisfying the final consumer's need, whereas a value chain coordinates the supply chain activities of different supply chain role players.

Answer: 3, refer to the list of definitions in Tutorial Letter 101

It is evident from the literature that authors differ on their definitions of the supply chain and the value chain. Some authors (and practitioners) even see these two concepts as being the same. Option 3 describes the main difference between the chains, which lies in the fact that a value chain comprises of the activities of an *individual organisation*, while a supply chain would be the different activities of a *network of organisations* (not a single organisation). Therefore, a supply chain would encompass the value chains of different organisations. Option 1 is not true since both chains would be involved in value-adding activities. Option 2 is incorrect because value chains are involved within organisations. Option 4 is incorrect since a value chain in a single organisation cannot coordinate supply chain activities of a network of organisations.

QUESTION 9

Variations on the straightforward fixed price contracts include ...

- [1] a fixed-price plus a fixed-fee contract, a fixed-price contract with incentives and a fixed-price cost-sharing contract.
- [2] a fixed-price contract with incentives and a fixed-price contract with escalation.
- [3] a cost-sharing contract and a fixed-price contract with escalation.
- [4] a cost plus fixed-fee contract, a firm fixed-price contract and a cost-sharing contract.

Answer: 2, pp 544 to 547

This answer is clear from the discussion on fixed price contracts. Options 1, 3 and 4 serve as distractors.

QUESTION 10

Supply management can best be defined as a ...

- [1] process of planning, implementing, evaluating and controlling strategic and operating decisions to direct all the activities of the purchasing function towards opportunities that are consistent with the organisation's capabilities to achieve its long-term goals.
- [2] process of identifying and conducting negotiations with and forming supply agreements with vendors of goods and services.
- [3] strategic process of identifying, acquiring, accessing, positioning and managing the resources that the organisation currently or potentially needs to achieve its mission and strategic goals.
- [4] strategic management process whereby commodities (materials and services) and suppliers are analysed, and relationships are formed and managed according to best practices and appropriate strategies in support of long-term organisational goals.

Answer: 3, refer to the list of definitions in Tutorial Letter 101

Option 3 is the correct answer and the definition of supply management as seen in Tutorial Letter 101. Option 1 is incorrect as it is the definition of *strategic purchasing*. Option 2 is incorrect as it is the definition of *sourcing*. Option 4 is incorrect as it is the definition of *strategic sourcing* from a narrow sense.

QUESTION 11

In the *framework for strategic cost management* ... are high-value products or services that require price analysis using market forces to do the work and identify what a competitive price is.

- [1] commodities
- [2] generics
- [3] critical products
- [4] unique products

Answer: 1, p 415 and exhibit 11.4

The answer is clear from the discussion on the framework for strategic cost management and exhibit 11.4. Therefore, options 2, 3 and 4 are incorrect.

QUESTION 12

An organisation is in the planning phase of a large complex project and the time estimates are uncertain. Which one of the following techniques would be the best option to use in these circumstances?

- [1] the programme evaluation and review technique (PERT)
- [2] Gantt charts
- [3] the critical path methods (CPM)
- [4] crashing networks

Answer: 1, pp 467 to 469

Option 1 is correct. PERT will be used for large complex projects with the uncertainty of the time to completion of the project. Option 2 is incorrect because Gantt charts cannot be used for large complex projects. Option 3 is incorrect. CPM will be utilised in a case where there is a single known time for each activity with no variances. Option 4 is incorrect because crashing networks will be used to reduce time and save costs. (Please note that option 4 is not in your prescribed book.)

QUESTION 13

Which one of the following options could be used by an organisation to achieve a rapid reduction in the number of its suppliers?

- [1] the “improve or else” approach
- [2] the triage approach
- [3] the competency staircase approach
- [4] the eighty-twenty rule approach

Answer: 4, p 336

Question 13 states the reason for the use of the eighty-twenty rule approach. Option 1 will be employed when an organisation wants an immediate performance improvement. Options 2 and 3 are incorrect since the triage approach and the competency staircase approach consist of various processes in the selection of suppliers and they are time consuming.

QUESTION 14

The difference between supply management and purchasing management lies in the following:

- [1] Purchasing management is an organisational function, whereas supply management is not an organisational function.
- [2] Supply management is strategic in nature, whereas purchasing management refers to performing purchasing activities at a tactical level.
- [3] Purchasing management refers to the actual purchasing process, whereas supply management refers to the distribution of requirements internally to different users.
- [4] Supply management activities are performed on a tactical level, whereas purchasing management is performed on a strategic level.

Answer: 2, refer to the list of definitions in Tutorial Letter 101

The major difference lies in the strategic nature of supply management. Option 2 is correct since supply management is an organisational function that does not only refer to performing typical purchasing activities but also to performing supply activities due to a broader, more long-term focus which includes performing additional supply activities. Both can be organisational functions, which makes option 1 incorrect. Option 3 is not correct since the distribution of requirements internally is an operational activity. Option 4 is also incorrect because of the strategic nature of supply management.

QUESTION 15

Each organisation can benefit from applying an effective pricing formula to their purchasing process. A ... will be used when an organisation wants to determine whether a price is reasonable in a competitive marketplace.

- [1] cost analysis
- [2] sales price variance
- [3] cost-volume-profit analysis
- [4] price analysis

Answer: 4, p 418

Price analysis is an analytical tool that identifies the primary external forces that are causing prices to either increase or decrease. Various prices can be compared, and an organisation can see if their prices are competitive or not. Option 1 is incorrect because with a cost analysis, there are no other prices or information to compare a product's price and it will be difficult to determine a competitive price. Option 2 is incorrect because the selling price variance is the difference between the actual and expected revenue that is caused by a change in the price. Option 3 is incorrect since the cost-volume-profit analysis is a planning process that is used by management to predict the future volume of sales made and profits.

QUESTION 16

Since barriers to supplier development may originate in the interface between the buyer and supplier, solutions have to be found. Organisations should create a supplier ombudsman if ...

- [1] confidentiality inhibits information sharing.
- [2] the supplier does not trust the buying organisation.
- [3] the supplier is reluctant to share information on costs or processes.
- [4] organisational cultures are poorly aligned.

Answer: 3, p 345

This answer is clear from the discussion on buyer-supplier interface barriers.

QUESTION 17

Collaborative buyer-seller relationships are characterised by the following:

- [1] ploys, secrecy and buyers inspecting all products
- [2] shared concerns, openness and shared objectives
- [3] secrecy, optimum benefits and unpredictable strategies
- [4] own interest, ploys and downplaying hostility

Answer: 2, p 124 and exhibit 4.2

The answer is clear from the explanations of collaborative buyer-seller relationships. Options 1, 3 and 4 served as distractors as they do not relate to collaborative buyer-seller relationships.

QUESTION 18

Sourcing can be defined as ...

- [1] identifying and exploiting cost-efficient opportunities for insourcing.
- [2] developing and using a website for online purchases based on customer preferences.
- [3] appointing and developing experts in the purchasing function to ensure professionalism.
- [4] identifying, conducting negotiations with and forming supply agreements with suppliers.

Answer: 4, refer to the list of definitions in Tutorial Letter 101

Sourcing would be the process of identifying, conducting negotiations with and forming supply agreements with vendors of goods and services – making option 4 the correct one. Option 1 is incorrect since when planning to insource activities, alternative suppliers need not be sourced. Although sourcing could relate to purchasing, the development of a website to facilitate online purchases (option 2) would refer to the act of selling and not buying/purchasing. Recruiting purchasing experts to be employed in the purchasing function (option 3) does not relate to the action of sourcing.

QUESTION 19

A ... supplier evaluation system seeks to quantify the total cost of doing business with a supplier, as the lowest purchase price is not always the lowest total cost for an item.

- [1] cost-based
- [2] six sigma
- [3] cost-mark-up
- [4] categorical

Answer: 1, p 328

Question 19 gave the explanation of a cost-based supplier evaluation system. Therefore, options 2, 3 and 4 are incorrect.

QUESTION 20

In the downstream portion of a supply chain, ... managers are responsible for the actual movement of materials between locations.

- [1] accounts
- [2] operations
- [3] purchasing
- [4] logistics

Answer: 4, pp 13 to 17

Question 20 tests your knowledge on logistics and a supply chain. Option 4 is the only correct answer and therefore options 1, 2 and 3 are incorrect.

4 FORMAT OF THE EXAMINATION PAPER

4.1 Structure of the examination

Please note the new format of the examination paper. The duration of the examination is two hours and the format of the examination paper for this module is as follows:

- **Section A** is compulsory and consists of long essay-type questions or shorter paragraph questions, which add up to 45 marks. These questions are based on a case study. The total marks for this section is 45 marks.
- **Section B** • consists of two essay-type questions of 25 marks each. You can answer any one of these questions. These questions may include a long essay-type question or shorter paragraph-type questions, which add up to 25 marks each. The total for section B is 25 marks.
- The total of the paper is 70 marks.

Please note that the examination paper will be in a fill-in format. Make sure you read the instructions for answering the questions.

The year mark contributes 20 percent and the examination 80 percent of the final mark.

5 GUIDELINES ON HOW TO ANSWER ESSAY-TYPE QUESTIONS

It is essential to follow a systematic and technically correct approach in answering essay-type questions in the examination and assignments. Students often disregard the importance of a technically correct approach and are consequently awarded unsatisfactory marks. We have found that students struggle to answer essay-type questions and for this reason, we provide some guidelines on how to respond to these questions.

5.1 Structure and headings

Use *structure and headings* when answering essay-type questions. You should under no circumstances write *one long paragraph*. When you write long unstructured paragraphs, you tend to start drifting away from the question that is being asked, or you write too much on a single point.

5.2 Relevance

Make sure your answer is relevant to the question that is being asked. Do not try to integrate irrelevant information into your answer. You will not be given marks for this. Make sure you identify what is being asked and answer the question directly. Unfortunately, some students provide an in-depth and complete discussion on a question that was not asked – these answers are not applicable, and students will not get marks for them.

5.3 Answer the entire question

Make sure you read the question and answer everything that is being asked. Some students only answer a small section of the question and expect full marks. If a student answers only 40 percent of the question being asked, he or she cannot be given more than 40 percent of the marks for that question. For example, let us assume that a question is asked of which the answer has five steps. Let us also assume that each step is approximately the same length and

the question counts 25 marks. If a student discusses only the first two steps but manages to write five pages about these two steps, the student will not be given more than 10 out of 25 for this question, because he or she did not answer the entire question.

5.4 Do not dwell too long on a question

Many students complain about not having enough time to complete their paper. Part of the examination process is to find out whether students can identify what is being asked, and answer the question in a concise yet complete manner. You have to be able to identify the important aspects of the question, and not necessarily provide all the available information on the question being asked.

6 PREVIOUS EXAMINATION PAPER

Examination notes are included in Appendix A for your information. Please note that the format of the examination paper has changed (see section 4.1). An example of a previous examination paper is included in appendix B for your information. The purpose of this examination paper is that you familiarise yourself with the format of the examination paper. All the answers of the examination paper are in your study material. No memorandum will be made available. You might find various previous examination papers on myUnisa. Please note that Unisa only recently adopted the fill-in format examination. Some of the papers on myUnisa might still be in the old format.

7 CONCLUDING REMARKS

I trust that the above guidelines will assist you in evaluating your answers for Assignments 01 and 02 and that this tutorial letter will give you an indication of the format you can expect in the examination. I wish you every success in your studies. Please contact me, as indicated in Tutorial Letter 101 (MNP3701/101/2018), if you encounter any problems on the content of the module. Communicate with the relevant academic sections for any other inquiries.

Best wishes

Mrs EG Trollip
Module Lecturer
Department of Entrepreneurship, Supply chain, Transport, Tourism and Logistics
Unisa

APPENDIX A – NOTES ON EXAMINATION PAPER

Please note that the format of the examination paper for May/June 2018 will differ from the previous examinations papers on *myUnisa*. The previous examination papers, which are available on *myUnisa*, will still be a great help with your preparation for the May/June examination.

May/June 2018 is the first examination with the new format, and we want to bring the following to your attention.

Section A will be different from previous years. As from May/June 2018, Section A consists of long essay-type questions or shorter paragraph questions, which add up to 45 marks. These questions are based on a case study. The total marks for this section is 45 marks. Previously section A consisted of 20 MCQ questions.

Section B replaces section C, and the type of questions is the same format as the questions in section C previously.

APPENDIX B – AN EXAMPLE OF A PREVIOUS EXAMINATION PAPER

UNIVERSITY EXAMINATIONS

UNIVERSITEITSEKSAMENS

**MNP3701**

(480758)

October/November 2016

STRATEGIC SOURCING

Duration : 2 Hours

70 Marks

EXAMINERS :

FIRST :	MRS EG TROLLIP
SECOND :	PROF JA BADENHORST
EXTERNAL :	PROF MJ NAUDE

Closed book examination.

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This paper consists of 23 pages, plus instructions for the completion of a mark-reading sheet.

INSTRUCTIONS:

1. This is a fill-in examination – write your answers in this examination book and hand it in to the invigilator when done.
2. This examination paper consists of 23 pages.
3. Answer sections A, B and C (70 marks in total).
4. Section A is compulsory and counts 20 marks.
5. Section B is compulsory and counts 35 marks.
6. Section C is compulsory and counts 15 marks.
7. In section C you need to choose any one of the two questions.
8. Only the first question that you have completed in section C will be marked.
9. Read your questions carefully.

SECTION A

ALL the questions in section A are compulsory. Answer all the questions on the mark-reading sheet provided.

Total: 20 marks

As a backup, please also indicate your chosen answer by colouring the corresponding letter next to correct option in the examination book. For example: [3].

Read through all the questions carefully and choose the BEST option.

QUESTION 1

In the case study on page 9, a few reasons were mentioned why JT College could be classified on the *proactive stage* regarding the progression of world class supply management standards. Which one of the following is a typical aspect of the *proactive stage*?

- [1] reports at a very low level
- [2] some cross-functional support
- [3] leverage supplier technology
- [4] applies best practices to purchasing

QUESTION 2

Users of products or materials to be purchased should clearly describe what must be sourced and also communicate their requirements to the purchasing staff. A description by ... will be the best option for standardised items so that the requirements are well understood.

- [1] performance characteristic
- [2] market grade
- [3] brand
- [4] specifications

QUESTION 3

... results in waste because valuable equipment or labour resources is not producing an output.

- [1] Idle time
- [2] Inventory
- [3] Wasted operator motion
- [4] Delivery

QUESTION 4

Failing to respond to the needs of internal customers will diminish the confidence they have in purchasing, and they might try to negotiate contracts themselves, a practice known as ...

- [1] strategic sourcing.
- [2] spend management.
- [3] maverick buying.
- [4] outsourcing.

QUESTION 5

Blanket purchase orders are typically used more often for ... purchases.

- [1] unique
- [2] lower value
- [3] complex
- [4] spot buy

QUESTION 6

A ... refers to a specific family of products or services that is used to deliver value to the end customer.

- [1] spend analysis
- [2] decentralised structure
- [3] category
- [4] hybrid structure

QUESTION 7

Organisations can use a variety of approaches to overcome barriers to supplier development. What type of approach is used when an organisation sends their own expert personnel to assess the supplier?

- [1] the "stick" approach
- [2] the carrot approach
- [3] the hands-on approach
- [4] the feet-on approach

QUESTION 8

Although single sourcing gives optimum leverage and power over the supplier, ... sourcing gives the greatest security of supply.

- [1] sole
- [2] multiple
- [3] global
- [4] national

QUESTION 9

The highest level of supplier involvement in a product development process is called ... box design.

- [1] blue
- [2] white
- [3] grey
- [4] black

QUESTION 10

When stock falls to a given level, ... activates the system to inform the material controller or purchasing department to replenish supplies.

- [1] a blanket order
- [2] the reorder point
- [3] forecasting
- [4] customer service

QUESTION 11

A/an ... team identifies potential suppliers, negotiates with them and actually buys the materials.

- [1] purchasing research
- [2] operational support
- [3] sourcing
- [4] administrative and support

QUESTION 12

In ..., a purchaser may have to use internal engineering estimates about what it costs to produce an item, rely on historical experience and judgement to estimate costs, or review public financial documents to identify key cost data about the seller.

- [1] reverse price analysis
- [2] a TCO analysis
- [3] penetration pricing
- [4] competition pricing

QUESTION 13

In the ... model, suppliers' prices are set to achieve a high profit on each unit by selling to purchasers who are willing to pay a higher price because of a lack of sophistication or a perceived higher value of goods.

- [1] market skimming
- [2] revenue pricing
- [3] promotional pricing
- [4] price volume

QUESTION 14

A supplier scorecard is a/an ...

- [1] tool for evaluating suppliers.
- [2] measure for suppliers' reliability.
- [3] list of suppliers actively being used.
- [4] ABC analysis of trade with suppliers.

QUESTION 15

Which one of the following documents communicates internal planned customer requirements

to purchasing?

- [1] the bill of lading
- [2] the reciprocity policy
- [3] material packing slips
- [4] forecast reports

QUESTION 16

Users of materials in the organisation (internal customers of purchasing) apply a ... for projects where there is a single known time for each activity with no variance.

- [1] make-buy analysis
- [2] post-completion analysis
- [3] critical path method
- [4] program evaluation and review technique

QUESTION 17

A ... is a series of tasks that requires the completion of specific objectives within a certain time frame; has defined the start and stop dates; consumes resources, particularly time, personnel, and budget; and operates with limited resources.

- [1] process
- [2] work order
- [3] purchase order
- [4] project

QUESTION 18

A/an ... clause allows parties to terminate the contract if either one fails to live up to the contractual requirements.

- [1] evergreen
- [2] penalty
- [3] systems contract
- [4] escape

QUESTION 19

There are various factors to consider when negotiating with a supplier. The volatility of pricing conditions for major elements of the product, such as raw materials, purchased components, and labour, refers to the ... factor.

- [1] process or technology uncertainty
- [2] component market uncertainty
- [3] degree of trust between buyer and seller
- [4] total rand value of the purchase

QUESTION 20

Which type of contract would be used in a situation where both parties want to share the allowable costs between them on a predetermined percentage basis?

- [1] the cost plus incentive fee contract
- [2] the time and materials contract
- [3] the cost-sharing contract
- [4] the fixed-price with incentive fee contract

END OF SECTION A

Read the following case study as background for your answers to the questions that follow.

PURCHASING AND SUPPLY CHAIN MANAGEMENT AT JT COLLEGE

JT College is a well-established institution presenting online contact sessions at satellite campuses in two different provinces.

To realise their vision to provide quality education for ordinary South Africans, the appointed management team adheres to strict regulations, procedures, and policies related to both academic and administrative issues. Driven by cost-efficiency, management focuses on best practices in procurement, which currently forms their largest expense at the college.

The management team has therefore appointed a supply chain manager who is responsible for all procurement activities at the college. The supply chain manager realises that suitable suppliers and streamlined purchasing costs could have a substantial influence on the bottom-line figures. Furthermore, six assistant managers were appointed to attend to the day-to-day procurement activities in the purchasing process. For example, the appointed supplier-and-contract management is responsible for managing the tactical functions of the procurement function, which include ensuring that suppliers supply quality products on time and cost-efficiently. The five other managers were appointed to attend to issues pertaining to inventory, operations, distribution and legal issues respectively. A customer relationship manager was also appointed to manage long-term relationships with all the role players in JT College's supply chain.

Strict policies regarding the relationships between JT College's buyers and suppliers were compiled. A code of conduct was given to each buyer to clarify what activities are classified as unethical behaviour. Issues included in the code of conduct are the purposeful awarding of a contract to a family member, receiving gifts from suppliers and withholding important information from a supplier.

JT College has specific supplier requirements and contracts only suppliers, who are financially stable and B-BBEE accredited. Furthermore, JT College encourages suppliers to apply for a certificate of achievement signifying that they are qualified suppliers.

JT College's information systems enable them to provide a twelve-month forecast using electronic data interchange (EDI) to their external suppliers. To streamline the purchasing process, they consistently use a long-term blanket purchase order and purchase orders, while piecemeal internal purchase requisitions are occasionally used.

In 2015, the management team appointed an outside team to analyse JT College's procurement best practices regarding their progression towards world class supply management standards. The outcome of this analysis was as follows: on the negative side, JT College does not follow certain best procurement practices and can be classified as being in the proactive stage. They lack strategic sourcing, and they do not manage their supply chain. On a positive note, JT College excelled in other best practices, such as information technology, the hybrid structure between centralisation and decentralisation and training and development in purchasing and supply chain-related activities.

As a result of the above report, a strategic sourcing manager was appointed. Furthermore, a detailed supplier performance system was implemented to measure on-time delivery and quality performance. Another decision was to outsource cleaning, catering, gardening, IT and security services from 2016 in an attempt to streamline the functional activities in the college and to reduce costs.

SECTION B

TOTAL: 35 MARKS

Please note: Section B is compulsory. You need to motivate your answers by providing quotes or details from the case study.

QUESTION 1 – COMPULSORY QUESTION

[35]

- 1.1 Compile by means of a diagram an example of a basic supply chain for JT College. (5)
- 1.2 List and explain the three *most critical factors* indicated in the literature that organisations such as JT College should consider during the supplier selection process. (6)
- 1.3 According to the case study, JT College wants to outsource some services. Briefly discuss three reasons behind the decision to outsource services. (3)
- 1.4 Answer the following questions on *supply chain management strategies*: (12)
 - (a) Identify and discuss any five of the different supply chain management strategies. {10}
 - (b) Identify from the case study the supply chain management strategies followed by JT College. Motivate your answer from the case study. {2}
- 1.5 According to the case study, JT College excelled in some best practices such as information technology and training and development. Therefore, we can assume that JT College applied some of the pillars of purchasing and supply chain management. Name

and discuss the pillars of purchasing and supply chain management used by JT College and give an example of each from the case study. (9)

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1.5 According to the case study, JT College excelled in some best practices such as information technology and training and development. Therefore, we can assume that JT College applied some of the pillars of purchasing and supply chain management. Name and discuss the pillars of purchasing and supply chain management used by JT College and give an example of each from the case study. (9)

END OF QUESTION 1

END OF SECTION B

SECTION C**15 Marks**

Answer any ONE of the two following questions in the space provided below.

IMPORTANT NOTE: Only the *first* question that you have completed will be marked. You will not benefit in any way if you complete both long questions.

QUESTION 2**[15]**

2.1 Answer the following questions on *cross-functional teams*. (12)

- (a) Define cross-functional teams. {2}
- (b) Discuss from the case study how JT College applies cross-functional teams. {2}
- (c) Discuss four benefits of cross-functional teams. {4}
- (d) Briefly discuss when organisations usually make use of cross-functional teams {4}

2.2 Answer the following questions on *quality of source*. (3)

- (a) Briefly explain the concept of *quality of source*. {2}
- (b) Provide the most important reason for the implementation of *quality of source* by an organisation {1}

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QUESTION 3

[15]

- 3.1 Answer the following questions on the different *types of purchasing*: (12)
- (a) Different types of purchasing can be identified in terms of the nature of the object of purchasing or the situation of the transaction. Distinguish between four different types of purchasing and provide a relevant example of each type. {8}
 - (b) Provide examples of the different types of purchasing in an organisation such as JT College. {4}
- 3.2 Briefly explain how the price of an item is established in a target pricing contract. (3)

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(a) Different types of purchasing can be identified in terms of the nature of the object of purchasing or the situation of the transaction. Distinguish between four different types of purchasing and provide a relevant example of each type. {8}

(b) Provide examples of the different types of purchasing in an organisation such as JT College. {4}

3.2 Briefly explain how the price of an item is established in a target pricing contract. (3)

**END OF QUESTION 3
END OF THE EXAMINATION PAPER**

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