



MNP3701

(479648)

May/June 2014

STRATEGIC SOURCING

Duration 2 Hours

70 Marks

EXAMINERS
FIRST
SECOND
EXTERNAL

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PROF JA BADENHORST
DR MJ NAUDE

Use of a non-programmable pocket calculator is permissible

Closed book examination

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This paper consists of 9 pages, plus instructions for the completion of a mark-reading sheet

ANSWER SECTIONS A AND B (70 MARKS IN TOTAL).

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SECTION A

All the questions in section A are compulsory.

Total: 20 marks

Answer all the questions on the mark-reading sheet.

As a backup, please also write down the answers in your answer book, for example: Question 1 = 4 (if you think the answer to question 1 is option 4). (If you do not write down the answers as a backup and your mark reading sheet gets lost, you will get NO MARKS for section A.)

Observe the following exhibit of the framework for strategic cost management

Category value	High	1. critical products	2. commodities
	Low	4 unique products	3 generics
		Low	High
		Number of available suppliers	

When prioritising efforts to reduce costs, organisations often apply a structured framework for cost reduction. Each approach requires a different strategic focus in terms of price versus cost. Answers 1 and 2 based on the information (and/or characteristics) provided above.

QUESTION 1

Identify the strategy that an organisation can use for generic products

- 1 Cost analysis
- 2 Price analysis using market forces
- 3 Total delivered cost
- 4 Standardise requirements

QUESTION 2

Identify the strategy that an organisation can use for critical products

- 1 Cost analysis
- 2 Price analysis using market forces
- 3 Total delivered cost
- 4 Standardise requirements

[TURN OVER]

QUESTION 3

Identify the four enablers of purchasing and supply chain management

- a Capable human resource
- b Capable operation management
- c Suitable organisational design
- d Precise measures and measurement systems
- e Real-time and shared information technology capabilities
- f capable engineering design team

- 1 a b d e
- 2 a c d e
- 3 b c f
- 4 c d e g

QUESTION 4

_____refers to the process of assessing and selecting, amongst others, the structure and formal system of communication, division of labour, coordination and control to achieve organizational goals and objectives, including supply chain objectives

- 1 Supply chain design
- 2 Organisational design
- 3 Operations design
- 4 Strategic design

Look at the information provided below and answer questions 5 and 6 that follows.

- a taxes
- b down time costs
- c warranty costs
- d environmental costs
- e risk costs
- f financing costs
- g administration costs

QUESTION 5

Examples of acquisition costs are

- 1 a b c
- 2 c e
- 3 d f g
- 4 a g

QUESTION 6

Examples of usage costs are

- 1 a d g
- 2 b c f
- 3 e f g
- 4 a e

[TURN OVER]

QUESTION 7

Which combination of the following are situations wherein an alliance may be appropriate?

- a Synergistic collaborative design opportunities
 - b Stable demand
 - c Low switching likelihood with low switching costs
 - d High switching likelihood with high switching costs
 - e Volatile demand
 - f Price is stable
- 1 All of the above
 - 2 a d e
 - 3 b d e f
 - 4 a b f

QUESTION 8

Which of the following are potential problems of global sourcing?

- a Poor quality
 - b Long lead times
 - c Social and labour problems
 - d Cultural issues
- 1 a b c d
 - 2 b c d
 - 3 a b
 - 4 c d

QUESTION 9

Organisations that are successful in deploying supply chain strategies do so because of their integrative strategy development process. Identify the components of an integrative strategy development process.

- a Cross-functional business objectives
 - b Purchasing and supply chain goals
 - c Supplier suggestion programs
 - d Purchasing and supply chain strategies
 - e Performance measurement system and review
 - f Joint brainstorming for cost improvements
- 1 All of the above
 - 2 None of the above
 - 3 a b d e
 - 4 b c e f

[TURN OVER]

QUESTION 10

The overall objective of the supplier evaluation process should be _____

- 1 to creating additional competition
- 2 to get knowledge of the supplier
- 3 to reduce purchase risk and maximize value to the purchaser
- 4 to improve leadership skills of the supplier

QUESTION 11

Most managers recognise the need to reduce the time it takes to evaluate and select suppliers. Which of the following are **not** tools to reduce selection time?

- a Map the current supplier and evaluation and selection process
- b Data warehouse with supplier information
- c Preferred supplier list
- d Total cost of ownership
- e Supply risk management
- f Predefined contract language and shorter contracts

- 1 a b c f
- 2 b d e
- 3 All of the above
- 4 None of the above

QUESTION 12

Which of the following statements are true of quality costs?

- a Prevention costs are costs to prevent poor quality in products and services
- b Maintenance is a prevention cost
- c Downtime is an appraisal cost
- d Inspection is an appraisal cost

- 1 b c d
- 2 a c d
- 3 a b c
- 4 a b d

QUESTION 13

Which one of the following is not a key element of total quality management?

- 1 Recognition the quality is everyone's responsibility
- 2 Six Sigma is the performance standard
- 3 Commitment by everyone in the organisation
- 4 Continuous improvement of quality

[TURN OVER]

QUESTION 14

There are several barriers to overcome in supplier development. *Pursuing small wins* is a solution to which barrier?

- 1 The buying company's purchase volume from the supplier does not justify development investment
- 2 Importance of purchased item does not justify development efforts
- 3 Lack of executive support within the buying organization for supplier development
- 4 No immediate benefit to supplier development is evident to the buying organization

QUESTION 15

There are several barriers to overcome in supplier development. For example, when the importance of a purchased item does not justify development efforts, organisations should

- 1 standardises and uses single sourcing
- 2 pursue small wins
- 3 take longer-term focus
- 4 prove the benefits

QUESTION 16

There are several barriers to overcome in supplier development and suppliers' experiences some specific barriers too. *A supplier champion* is a solution to which barrier?

- 1 Supplier's management agrees to improvements but fails to implement the proposals
- 2 Suppliers are not convinced development will provide benefits to them
- 3 Supplier lacks engineering resources to implement solutions
- 4 Supplier lacks required information systems

QUESTION 17

A study of which of the following issues may be included in a TCO analysis?

- a Manufacturability
- b Projected sales
- c Financial accounting reports
- d Outsource decision
- e Analysis of suppliers beyond tier one

- 1 a d e
- 2 b c d e
- 3 a b d
- 4 a b c e

QUESTION 18

Before approaching suppliers and asking for improved performance, it is critical to develop cross-functional consensus and support from within the organisation. In which step of the supplier development strategy does this take place?

- 1 Identify critical suppliers for development
- 2 Form a cross-functional development team
- 3 Meet with suppliers top management team
- 4 Identify opportunities and probability for improvement

QUESTION 19

Identify the **incorrect** statement regarding project management and projects

- 1 Projects move through various phases from conception to completion
- 2 The main focus of the project manager is just to get the job done as quickly as possible
- 3 One of the issues that a project manager has to deal with is to stay within the budget of the project
- 4 The planning phase of a project is crucial because there is a strong correlation between effective planning and successful project outcomes

QUESTION 20

Identify the **incorrect** statement regarding contracts

- 1 With a firm fixed price contract the supplier's risk is low and the buyer's risk is high
 - 2 Cost-based contracts are applicable when the goods or services procured are expensive, complex and important to the purchasing party
 - 3 A fixed-price contract with incentives is typically utilised under conditions of high unit costs and relatively long lead times
 - 4 When deciding on a type of contract the total rand value of a purchase will be one of the considerations
-

SECTION B**Total: 50 marks.****Answer any TWO of the following THREE questions.****Read the following paragraph as background for your answers to question one.**

Assume that you are the supply manager at a large manufacturer of plastic bottles. These bottles are used by organisation that for example, distribute fruit juice and milk related products. There are five major developments in the field of supply management. Three of these developments are (1) cross functional teams, (2) supply chains and (3) supply alliances. As supply manager, you plan to make the implementation of these three components a priority. Answer the following questions.

QUESTION 1**(25)**

- 1 1 What are the benefits that result from using cross functional teams? Briefly explain these benefits (6)
- 1 2 Briefly discuss supply management's relations with eight other departments within the organisation (8)
- 1 3 Compile by means of a diagram basic supply chain for the manufacturing of plastic bottles, showing all the parties and processes involved (5)
- 1 4 Tabulate the differences between a traditional approach and a collaborative approach regarding the characteristics of the buyer-seller relationships (6)

QUESTION 2**[25]**

- 2 1 Briefly discuss the importance of purchasing (10)
- 2 2 Identify the three most critical factors that may have a major impact on the final supplier selection process (3)
- 2 3 Provide reasons why will organisations make use of e-reverse auctions? (2)
- 2 4 Under what circumstances will organisations make use of the learning curve? (3)
- 2 5 Identify and briefly discuss the project planning and control techniques. A brief discussion of the following should be included, a description of each, when or why organizations will use these project planning and control techniques (7)

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QUESTION 3**[25]**

- 2 1 Explain the five steps of category strategy development with an aid of a diagram (21)
- 3 2 Identify and briefly explain any four types of purchases (4)

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PART 1 (GENERAL/ALGEMEEN) DEEL 1

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STUDIE-EENHEID by PSY100-X

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For use by examination invigilator
Vir gebruik deur eksamenopsiener

IMPORTANT

- USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
- MARK LIKE THIS
- CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
- ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
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- CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
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BELANGRIK

- GEBRUIK SLEGS N HB-POTLOOD OM HIERDIE BLAD TE VOLTOOI
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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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