

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

**BACHELOR OF SCIENCE HONOURS DEGREE IN PURCHASING AND SUPPLY
CHAIN MANAGEMENT**

MAIN PAPER

PSM 123 : PURCHASING ENVIRONMENT

INTAKE 12 : FIRST YEAR SECOND SEMESTER

TIME : 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer Question **1** and any other **two**.

Question 1

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 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 a 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.

Required

- a) Using the PESTLE tool, analyse how PEC could improve the identified challenges. [15]
- b) “The buyer believes she needs to research the supply market order to gather more information on external supplier capabilities.” Evaluate this statement with the aid of the concept of environmental scanning. [25]

Question 2

Evaluate the significance of environmental scanning to a procurement officer within any organization of your choice. [20]

Question 3

Discuss the nature of the following types of competitive markets;

- (a) Perfect competition [5]
- (b) Monopoly [5]
- (c) Oligopoly [5]
- (d) Monopolistic (imperfect) competition [5]

Question 4

‘The product life cycle can be useful for the achievement of **value for money** within any organization of your choice.’ Discuss. [20]

Question 5

Analyse the effects of any five incoterms of your choice, clearly reflecting on risk management. [20]

Question 6

Using any organization of your choice discuss how, “stakeholder conflict” can be resolved. [20]

END