



STRATHMORE BUSINESS SCHOOL
BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT
END OF SEMESTER EXAMINATION
SCM 1204: PROCUREMENT OF GOODS, SERVICES AND WORKS

Date: Thursday, 17th March 2022

Time: 2 Hours

Instructions:

1. This examination consists of **FIVE** questions.
2. Answer Question **ONE (COMPULSORY)** and other **TWO** questions.

QUESTION ONE (30 MARKS)

Ready the case study below and answer the questions that follow

CASE STUDY – ZOOLOGICAL SOCIETY OF LONDON (ZSL)

The Zoological Society of London (ZSL) is a third sector organisation, best known for operating the London and Whipsnade Zoos, which between them attract more than two million visitors a year. However, it is also an international scientific and conservation charity with a mission to promote the worldwide conservation of animals and their habitats.

A feature article in the June 2016 issue of *Supply Management* explained that organised procurement was a recent development at ZSL, with a team of three procurement officers appointed in 2013. The article described some of the unusual purchases at ZSL, including pregnancy-testing equipment for monkeys, venomous snake-proof gloves and a decoy heron. The main items sourced, however, are the foodstuffs for the animals, including 350 tonnes of hay per annum and large quantities of carrots, sweet potatoes and other vegetables.

Before the procurement team was formed, sourcing was undertaken by individual budget holders, who tended to use the same suppliers, often on a single source basis. The new approach is to use several suppliers, or multiple sourcing, to reduce the risk of supply failure.

The procurement team is also keen to work with and support other functions within ZSL. The procurement team has worked with the HR team to procure software systems and with the finance department to select and source a purchase-to-pay system. In both cases, the procurement team was able to help these other

business functions to identify appropriate award criteria, to ensure that they would achieve the best value for money.

Since the procurement team was formed three years ago, savings of £1 million have been achieved; £350,000 of those savings came from negotiating two deals for energy supplies, fixing prices with suppliers of gas and electricity, resulting in savings of 11.5%.

The procurement team is constantly looking at potential suppliers, with the aim of achieving further savings. However, many of the items sourced, such as animal foodstuffs, are critical and the team needs to ensure that any potential supplier has sufficient liquidity and profitability, to avoid supply failure.

One major purchase, on which the team has advised ZSL, is the purchase of a specially designed boat to carry out animal surveys on the River Thames. Because of the value of the purchase, it is likely that it will be sourced through a tendering process.

In addition to identifying savings, the procurement team has clear ideas on corporate responsibility. It has produced terms and conditions and a code of conduct for suppliers, some of whom are based overseas. The document covers ethical and environmental requirements, including the UK's Modern Slavery Act, with which suppliers must comply.

More than 200 of ZSL's staff are based abroad, working on international conservation projects in more than 50 countries. A significant amount of equipment has to be sourced and shipped out to these employees, so ZSL's procurement team needs a good understanding of issues such as the documentation relating to exports and imports, import duties and tariffs and Incoterms.

Main source: *Supply Management Journal*

- a) The case study information states that ZSL's new approach to sourcing is to use several suppliers, or multiple sourcing.
 - i. Describe **THREE** advantages to ZSL of a multiple sourcing approach, compared to single sourcing. **(6 marks)**
 - ii. Describe **TWO** disadvantages to ZSL of a multiple sourcing approach, compared to single sourcing. **(4 marks)**
- b) The case study information states that ZSL's procurement team was able to help the other business functions identify appropriate award criteria.
 - i. Explain **THREE** criteria that ZSL might use in its contract award process. **(6 Marks)**
- c) Explain and justify **FOUR** stages that ZSL might include in its tendering process for the procurement of the new specially designed boat. **(8 marks)**
- d) As a procurement officer in one of the manufacturing firms in Kenya, you have been tasked to come up with procurement frameworks guiding the structure of buyers. Point out the

various types of buyers and explain which category you will prefer to apply in your procurement. **(6 Marks)**

QUESTION TWO (15 MARKS)

a) Nairobi is the capital city and most populated city of Kenya, with a population of about 4 million people. Its total procurement volume is \$ 1.5 billion per year, giving it a huge impact on the supply of goods and services within the Kenyan Market. The city has set a target for 90% of food served in municipal facilities to be organic. However, the city's produce on organic food lies below 40% and that means, a larger percentage will have to be procured from foreign sources. Procuring from foreign sources normally comes with its disadvantages which calls for procurement leadership to be very careful on how to go about such an engagement. Using this information, outline **FIVE** core capabilities of a procurement leader.

(5 Marks)

b) With relevant examples, Explain **THREE** distinctive features of services procurement, detailing why the specifications would differ from Goods or works procurement. **(6 marks)**

c) As a procurement manager tasked with the acquisition of select items for your organization, describe **FOUR** elements of a procurement plan that you think might help making the right procurement decisions. **(4 Marks)**

QUESTION THREE (15 MARKS)

a) Using practical examples, describe any **THREE** exceptional circumstances when single sourcing should be used. **(6 Marks)**

b) You have been appointed as the University procurement officer for Strathmore University and your first assignment is on procuring laptops for first year students. Discuss any **THREE** procurement methods you are likely to use and give a stance on which one will take priority and why.

(9 Marks)

QUESTION FOUR (15 MARKS)

- a) The Incoterms rules are series of pre-defined commercial terms published by International Chamber of Commerce widely utilised in international commercial transactions. With relevant examples, identify the **FOUR** groups of Incoterms. **(8 Marks)**
- b) A company within the food industry is struggling to be at par with similar organizations in the same industry. The company's sales revenues are declining sharply. A team of experts attribute the problem to poorly written specifications. Argue using **SEVEN** points on the specification principles for specification writers. **(7 Marks)**

QUESTION FIVE (15 MARKS)

- a) Baxton Ltd intends to procure CCTV system that meets its requirements in enhancing security management across the organization. There are many CCTV systems available in the market. The organization does not have an established ICT and security departments. Explain **THREE** reasons why Baxton Ltd should prefer performance specifications over conformance specification. **(6 marks)**
- b) Discuss **THREE** features of procurement in the public sector. **(6 Marks)**
- c) Using **THREE** points, explain the knowledge areas that a member of a bid evaluation committee must have. **(3 Marks)**