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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 28th July, 2022
Time: 11.30am – 1.30pm

KPS 400 - PURCHASING AND INFORMATION TECHNOLOGY

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

CASE STUDY

TAMU INCORPORATE ONLINE PROCUREMENT

Tamu Inc, (Tamu) one of the world's largest privately owned businesses purchased more than \$5 million materials annually. F. Wakesho, vice president of Business solutions at Tamui was aware that many major firms were achieving significant benefits through the use of online procurement auctions. Wakesho wondered whether an online auction could be designed that would meet the special needs of the company while enabling Tamu to achieve its prosperity and growth in highly competitive markets. Tamu began making butter cream candies sold door to door and had grown to include global businesses in food, pet care, drinks. Tamu operates in three African countries; in Kenya, South Africa and Nigeria. Tamu has grown from a \$120 million business in the 1980s to a \$8 billion dollar business in 2021. Tamu operates its business on five core principles.

- Quality "The consumer is our boss, quality is our work and value for money our goal"
- Mutuality "a mutual benefit is a shared benefit; a shared benefit will endure"
- Responsibility. As individuals we demand total responsibility from ourselves.
- Efficiency "We use resources to the full, waste nothing, and do only what we can do best.
- Diversity: Our individual differences is our strength.

Tamu's five core principles formed a framework for guiding supplier relationship management and purchasing negotiation. The bulk of Tamu's \$5 billion annual direct material purchases came from a small number of highly value suppliers who dealt with Tamu supplier development department. Buyers representing two or three products-maintained supplier relationships and were also responsible for the development of new sources of supply. Maintaining relationships with highly valued suppliers reinforced the Tamu culture of mutually shared benefits.

Many different contracts and negotiations were used to address the huge number of different purchasing situations involving private businesses, brokers, governments, monopolies and cartels often supplier would work with a buyer over along period of time to forge an agreement on a contract and relationship issues.

Many firms used online auctions for part of their purchasing well known examples include Jambo Tech, the procurement sit for U.S Automakers, Marsey Ferguson, and Oilcom, a procurement site for the petrochemical industry. Sites such as these conducted “Reverse” auctions where a single buyer and a set of prequalified suppliers negotiated at a private web-based exchange. (A ‘reverse’) auction was one where a low bidder won, as opposed to the more common auction, for example for works of art, when higher bidder won). For the online auctions, mechanisms varied from site to but typically put, a buyer put a supply contract (on RFQ or request for quote) up for bids on the procurement web site. Potential suppliers were then issued with a login password and accessed the site, placing their bids to supply the RFQ the auction closed at a preset time or when no further bids appeared, and the winning bidder was selected in some cases, the current low bid was available to all bidders and bidders had to remain online and keep track of current low bid if they wished to retain possibility of winning the contract.

Tamu’s objective was to obtain the needed materials from its list of approved suppliers fairly and at minimum cost. It was critical that any auction was open and followed Tamu principles. The standard reverse auction, with a single RFQ and low bid winning appeared a suitable solution for materials purchased in very large quantities. However, many items purchased by Tamu were of small lots, and it was time consuming to both Tamu and its suppliers to deal with each lot separately. Tamu buyers thus aggregated individual small orders. Tamu did not want to become dependent on just a few suppliers.

REQUIRED

- a) Discuss five unique features of e-procurement technologies that makes the proposed development of Tamu’s online procurement portal attractive. (5 marks)
- b) Assess the first mover advantages that Tamu Incorporated would gain by being the first to implement online procurement in its industry. (5 marks)
- c) Analyse the legal provisions by the Public Procurement and Disposal Act [2015] with regards to electronic procurement. (5 marks)
- d) Assess the technology and information risks that Tamu would expose itself to by implementing online procurement. (5 marks)
- e) Compare and contrast traditional methods of procurement and e-procurement. (5 Marks)
- f) Highlight the Steps followed in electronic procurement process. (5 Marks)

QUESTION TWO (20 MARKS)

- a) Procurement systems are a collection of procedures and methods used in an organization for procuring goods and services required by an end user. It includes specifications, quantities of items to be procured, authorization of procurement, identification and selection of suppliers or vendors, finalization of firms of procurement with vendors purchase orders, follow up for supply of items ordered, inspection and approval of goods etc. Giving relevant examples outlines different types of procurement systems.

(10 Marks)

- b) MRP system & DRP system does not suit all organizations. They are complex systems to be introduced and administered successfully. Once launched it may be difficult to make changes. Provide clear difference and similarities between the two systems.

(10 Marks)

QUESTION THREE (20 MARKS)

- a) An e-contracting process or life cycle consists of a number of phases where each phase constitutes activities confined to that phase. At a broad level, e-contracting processes is classified into three phases. Discuss.

(10 Marks)

- b) Outsourcing is the use of external service providers to effectively deliver IT enabled business process, application services and infrastructure solutions for business outcomes. Using relevant examples discuss types of outsourcing used by procuring entities.

(10 Marks)

QUESTION FOUR (20 MARKS)

- a) The bar code is read by a laser scanner and sent to the computer. The description of the item is stored in the computer and in the case of supermarkets, the information is instantly sent back to the checkout where it is printed on the receipt. Discuss the bar code applications. (10 Marks)
- b) A platform is a structure that allows multiple products to be built within the same technical framework. Companies invest in platforms in the hope that future products can be developed faster and cheaper than if they are built on standalone machines. Highlight different types of electronic procurement platforms used by Amazon Company Limited 10 Marks)

QUESTION FIVE (20 MARKS)

- a) Describe the impact of information technology on daily operations in the purchasing and supply department.

(10 Marks)

- b) Analyze typical fraudulent activities in purchasing and supply and methods of prevention.

(10 Marks)