

**KIBABII UNIVERSITY**



**UNIVERSITY EXAMINATIONS**

**SPECIAL/SUPPLEMENTARY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER**

**FOR THE DEGREE OF BACHELOR OF COMMERCE/  
BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BCP 221/BBL 221**

**COURSE TITLE: PURCHASING AND SUPPLY MANAGEMENT**

**DATE: 24/09/2021**

**TIME: 2.00PM-4.00PM**

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**INSTRUCTIONS TO CANDIDATES**

**Answer Question ONE (compulsory) and ANY OTHER TWO questions**

### **Case Study: Procurement of plastic parts at Sony-Ericsson**

Sony-Ericsson Multimedia Communications is a global provider of mobile multimedia devices, including mobile phones, accessories, and PC cards. The company was established in 2001 by the telecommunication provider Ericsson and consumer electronic provider Sony. Sony-Ericsson undertakes product research, design and development, manufacturing, marketing, sales, distribution and customer services. The Global management office is based in London, and R&D is in Sweden, UK, France, Netherlands, India, Japan, China and the US. (Sony Ericsson, 2008)

Sony Ericsson has a purchasing organization divided into two parts where one part is strategic and the other one is project based. The project based organization part is co-located with the development units and intends to meet and serve the needs of the development units. The first stages of the product development are performed in-house without any cooperation within the suppliers. However, once the product reaches the final stages of the development joint development projects are initialized. (Ohlin, 2008)

In every project, there is one or several person responsible for a certain commodity type. The number of commodity located to each purchaser is based on the strategic importance and the constraints related to the product. If a purchased product is considered to be of a more simple nature, a purchaser can be responsible for supporting several projects with that commodity. (Ohlin, 2008)

The plastic purchasing section at Sony-Ericsson does not have any general approach or model for setting up supply strategies. The persons responsible for each commodity group create their own supply strategies based on the specific situation. The department in question does not use any standardized portfolio model which can be applied for all product categories. Further on, there is no specified strategy of model for analyzing supply markets when searching for new suppliers. (Ohlin, 2008)

In most cases the traditional purchasing procedure is not applied at Sony Ericsson. In a traditional purchasing procedure, the purchasing process begins with the company determining product specifications which is followed by a supplier selection and a contracting. However, in Sony Ericsson's case, an unspecified proposal is sent out without any product specifications. Sony Ericsson uses its market position to delay the final specification of the product until late in the process. This allows Sony Ericsson and the supplier to have a longer development phase before specifying the final product. Further on, by using its company strength this way, Sony Ericsson can postpone price discussions until late in the process where they have a much better bargaining situation. (Ohlin, 2008)

Sony Ericsson use a rating model for existing suppliers' abilities based on past experiences. Suppliers are selected based on past experiences, knowledge, suitability, and production capacity. There are a number of abilities as being especially suitable as supplier characteristics; ability to produce various technologies in-house, amount of support from supplier during development project, and price. Quality is mentioned being a parameter which is very hard to measure and is often based on past experience of the supplier. Sony-Ericsson is in its turn evaluated by the suppliers on a yearly basis. Factors that are evaluated are mostly from a performance point of view rather than evaluation of "soft" values. (Ohlin, 2008)



### QUESTION ONE

- a) Sony Ericsson uses a rating model for existing suppliers' abilities based on past experiences. Discuss the two types of rating suppliers. (4 marks)
- b) Sony-Ericsson evaluates suppliers on a yearly basis. Factors that are evaluated are mostly from a performance point of view rather than evaluation of "soft" values. Discuss. (6 marks)
- c) Global sourcing is one of the policy and strategy that Sony Ericsson adopts in its sourcing process. Apart from global sourcing advise Sony Ericsson on other policy and strategy that they can adopt (10 marks)
- d) Discuss how Sony-Ericsson purchasing department relates with research and development, design and engineering, manufacturing, marketing and sales, distribution and customer services. (10 marks)

### QUESTION TWO

- a) Historically purchasing focused on internal processes and tactics. Discuss the progression of purchasing in recent years. (10 marks)
- b) Specification is a statement of an attribute of a product, process or service. Discuss the basic functions of specification (10 marks)

### QUESTION THREE

- a) Discuss the reasons why measuring and evaluating purchasing performance has historically had certain problems or limitations. Do you think the purchasing function should increase or decrease its effort to measure performance? (10 marks)
- b) Discuss the reasons why some issues that confront a buyer are often not clear from an ethical perspective. (10 marks)

### QUESTION FOUR

- a) Describe the concept of value as it relates to value analysis. Provide examples of how an organization can increase value to itself or to its customers. (10 marks)
- b) Discuss to the barriers to international purchasing that many firms confront. For each barrier, discuss one or more ways that a company can overcome the barrier. (10 marks)

### QUESTION FIVE

- a) Briefly discuss the periods in the evolution of purchasing and supply management. What do you forecast for the future? (10 marks)

b) Discuss the reasons why organisation hold stock at any one time (10 marks)