



**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE**

**NMKT 302: PURCHASING AND MATERIALS MANAGEMENT**

**NOVEMBER 2021**

**LECTURER: DR FARAI CHIGORA**

**TIME: 5 HOURS**

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### **INSTRUCTIONS**

You are required to answer questions as instructed

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Choose and answer one question only

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Start each question on a new page in your answer booklet

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Credit will be awarded for logical, systematic and neat presentations

### **Case Study (Purchasing and supply chain)**

Purchasing and supply management were being under the clerical function and it was not a respected job but in the last 30 years it has made strides and has emerged as a respected and viable profession. Though it is not the oldest profession but in 3000 BC, pyramid building Egyptians followed supply of construction materials and workers on papyrus rolls. Purchasing gained significant importance with the industrial revolution and Marshal M. Kirkman published the first ever book in 1887 on purchasing so-called 'Procurement: The Handling of Railway Supplies' which ultimately resulted in professionalization of procurement. After mid of 1990s, supplier-manufacturer relationship emerged even more and today procurement as well as supply management is a valuable contributor in order to benefit the organization (Serez, 2011).

Traditionally, purchasing was not an important task in the past and clerks were used to perform it. But now with the evolution of supply chain management, companies got awareness about its strategic benefits. Now supply management has transformed from clerical task to the managerial activity. It was a challenging task during the shortages of goods and price escalation, therefore there should be efficient and pro-active persons to meet the demand and supply point both locally and globally. Companies are now hiring procurement personnel with competent skills to negotiate with the suppliers for the acquisition of goods at best quality and low possible price. Now it is a separate department which comes under the umbrella of supply chain department that only deals with the purchasing of goods and raw materials (Jacoby, 2009).

What role does purchasing management play within an organization?

There are several roles of purchasing management within an organization which are as follows:

- **Minimum possible price:** It is the most important role of purchasing department to acquire inventories and goods at possible lowest cost with good quality. Definitely it will be ultimately resulting in reducing the production cost, which will be beneficial for the company.
- **Developing new vendors:** Supplier selection is one of the main tasks of purchasing department in order to meet the demand and supply line through avoiding the stock-out situation.
- **Supplier Relationship:** Making good supplier relationship is also very necessary for the purchasing personnel. Sometimes purchasing people negotiates with the vendors to diminish the cost more than their range, which ultimately results in damaging the supplier manufacturer relationship. Purchasing people should initially evaluate the supplier pool to find out the best supplier either with single sourcing or with multiple sourcing; in this case it is necessary to keep good relationship with their vendors.
- **Proper transaction records:** It is obviously a role of purchasing personnel to keep all the records of the transactions done for the buying of goods by the procurement department.
- **Make or buy:** It is an important decision-making factor of procurement personnel to decide whether to make or buy, which depends on the nature of business. Outsourcing the core-business can be dangerous because they will be dependent. Purchasing department can buy raw materials from vendor but it will obviously not acquire the whole production (Jacoby, 2009).
- **Inventory management:** The role of purchasing department is to manage the inventory through meeting the supply and demand line. Inventory management is the blood of an organization, therefore it needs to be managed very carefully otherwise the company will fall in stock-out situation.

In short, it is the key task of purchasing department to buy material at right quality, in the right quantity, at the right price, from the right source, at the right time, with the right logistics. It is an ideal situation but at least it should be the vision of purchasing department (Johnson, 2011).

What skills are required of purchasing management professionals?

Skills which are required for purchasing management professionals are as follows:

- **Negotiation skills:** Negotiation skills are the most important factor, which is needed for the purchasing management professionals. The ability to extract the outcomes that will be accepted for all the parties in order to meet their organizational goals.
- **Analytical skills:** The analytical skills are necessary especially for the supplier selection. The ability to visualize and solve different types of problems and make decisions on the basis of available facts and figures is required for good purchasing personnel.

### Questions 1

Provide a report on any **five** new roles of the purchasing and materials function presented in the case study above. **[100 marks]**

### Questions 2

'A purchasing cycle is for managing acquisition not materials handling'. Discuss this statement in relation to the case study above. **[100 marks]**

### Questions 3

In relation to the case study above, discuss any **five** key aspects that should be considered for an effective materials handling. **[100 marks]**

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**END OF EXAMINATION**

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