UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, April-May 2024

Course: Procurement & Supplier Relationship Management   Semester: IV
Program: MBA LSCM   Time   : 03 hrs.
Course Code: LSCM 8008
Max. Marks: 100

Instructions:

<div align="center">

SECTION A
10Qx2M=20Marks

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S. No.	Attempt all questions in this section	Marks	CO
Q 1	**Fill in the blank & also write the full form of the following**		
(a)	Which is correct for black box design definition (a)the supplier is given blueprint and told to make the product from them (b)the supplier and buyer company's engineer jointly design the product (c)highest level of supplier involvement (d)none of the above	2	CO1
(b)	The electronic integration and management of all procurement activities including purchase request, authorization, ordering, delivery and payment between a purchaser and supplier is known as: (a) E-procurement process (b) e-procurement (c) e-procurement system (d) all the above	2	CO1
(c)	Which of the following is a key part of a decision to outsource? (a) Make or buy (b) Pass or fail (c) Win or lose (d) Buy or sell	2	CO1
(d)	What is the terminology used whereby all associated costs of a procurement are taken into consideration? (a) Total cost of buying (b) Total cost of procurement (c) Total cost of purchasing (d) Total cost of ownership	2	CO1
(e)	Which of them is a part of conduct of purchasing personnel I. Ethical policy II. Reciprocity policy III. Non-compete clause	2	CO1

		Marks	CO
	(a) I only (b) I & II only (c) II & III only (d)all of the above		
(f)	Which of the following is benefit of cross-functional sourcing team I. reduce time to complete tasks II increased innovations III synergy and improved problem resolution (a)I & II only (b)I & III only (c)I, II & III (d)none of the above		
(g)	What is the term used to describe where supply chain partners manage the replenishment of parts or items for sale? They do this through the sharing of information on variations in demand and stock levels for goods used for manufacture or sale (a)Vendor-managed inventory (b)E-procurement drivers (c)Efficient customer response (d) E-business value and stock level grid	2	CO1
(h)	Non-compete clause means (a) defines expected ethical behaviour (b) defines companies position on reciprocal practices (c) contacts and supplier visit policies address not only purchasing but all personnel behaviour in this area (d) none of the above	2	CO1
(i)	How many stages are there within the purchasing cycle? (a) 3 (b) 4 (c) 5 (d) 6	2	CO1
(j)	Which of the following elements are important in considering new or existing suppliers for integration: I. Targets, II. timing, III. ramp-up, IV. Personality of CEO (a) I only (b) I & III only (c) I, II & III only (d) all of the above	2	CO1
**SECTION B** **4Qx5M= 20 Marks**		
	Attempt all questions		
Q2	Supplier wants to understand that by selling 8000 units to the buyer, where fixed cost is $25000, variable cost $5, selling price per unit is $8. Calculate (i) whether he is making a profit or loss (ii) what will be the break-even point?	5	CO2
Q3	Define the following- Price analysis, cost analysis, total cost analysis and strategic cost management?	5	CO2
Q4	Discuss the various steps used in managing supplier quality with TQM?	5	CO2

Q5	What do you understand by TCO? What are the various steps in building the model?	5	CO2

<table>
<tr><td colspan="4" align="center">SECTION-C
3Qx10M=30 Marks</td></tr>
<tr><td>Q</td><td>Attempt all questions</td><td></td><td></td></tr>
<tr><td>Q6</td><td>Consider yourself as the chief purchasing officer for a company with worldwide production and buying locations. Design an organizational structure that allows you to compete effectively. Describe the reporting structure, the physical placement of personnel, the placement of purchasing authority, and the coordination of activities with other functional groups.</td><td>10</td><td>CO3</td></tr>
<tr><td>Q7</td><td>Why should management periodically review its purchasing policies and procedures? What are the potential consequences if management does not review policies and procedures?</td><td>10</td><td>CO3</td></tr>
<tr><td>Q8</td><td>Discuss the areas typically considered within purchasing's span of control. Explain why it is important that purchasing have authority over each of these areas.</td><td>10</td><td>CO3</td></tr>
<tr><td colspan="4" align="center">SECTION-D
2Qx15M= 30 Marks</td></tr>
<tr><td>Q</td><td colspan="3">Read the case and answer the following questions

Sourcing Process at Federal Express

FedEx Corporation is a $20 billion market leader in transportation, information, and logistics solutions, providing strategic direction to six main operating companies. These are FedEx Express, FedEx Ground, FedEx Freight, FedEx Custom Critical, FedEx Trade Networks, and FedEx Services.

THE FEDEX CENTER-LED INITIATIVE
Prior to the purchase of the Ground, Freight, and other non-express-based services, Federal Express had reorganized all of its major indirect spend in information technology, aircraft, facilities/ business services, vehicles/fuel/ground service equipment, and supply chain logistics groups under the Strategic Sourcing and Supply group, led by Edith Kelly-Green. After the purchase of these different businesses, the supply management function was reorganized into a Center-led supply chain management (SCM) sourcing model. ("Center" refers to a Center of Excellence that focuses on centralizing sourcing strategy teams.) Over the last two years, FedEx Supply Chain Management has been focusing on leveraging sourcing and contracting for all of the FedEx family of companies. For office supplies, instead of having each company run a contract, SCM has a single corporate contract for all of the negotiation effort that allows for different transactional approaches. It has been a gradual migration to a centralized view of how procurement happens. It is central for the larger spend areas and different policy requirements.

THE SOURCING PROCESS</td></tr>
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FedEx established a seven-step sourcing process,

Step 1: A user provides a requisition for an item. When the user provides the requisition, the sourcing specialist or team must establish whether it is worth putting a strategy around it. This is typically done using a return-on-investment criterion: Is the spend large enough to put a significant amount of time into sourcing the product through a full-blown supplier evaluation? For example, if the requisition is for something that turns out to be a $200,000 per year spend, the payback on it may not be worth the resources required to do a full supplier evaluation and selection process. However, if the spend is large enough, the team will conduct an assessment of the category that profiles that industry and commodity. This assessment involves researching the nature of existing purchasing activity: How much is it, who is it with, and what are the issues with existing suppliers? If it is not large enough, the user may be directed to a simple purchase order and invoice through the Ariba system.

Step 2: Assuming a large spend, based on research conducted in Step 1, the team goes into a process to select the sourcing strategy, in essence taking all of the information it has and deciding how it will approach that marketplace. Is a request for proposal appropriate? Does it need to maintain existing relationships or revisit negotiation and develop a strategy regarding the sourcing strategy?

Step 3: Assuming it is going beyond a negotiation, the team must conduct in-depth research with suppliers in that area, including qualification of the suppliers. Can the suppliers satisfy user requirements, service aspects, and so on? The end goal is to develop a list of suppliers to send RFPs to. The team conducts a supplier portfolio analysis.

Step 4: Another phase of this implementation pass is to revisit this strategy and have the team take another look at it. Has it uncovered something that will cause it to change negotiation? The team develops a strategy for negotiation; does it want to use a reverse auction or use a conventional RFP, as well as criteria for supplier evaluation? Is this still something it wants to do? If so, it proceeds with the RFP to the selected suppliers.

Step 5: After receiving RFPs, the team conducts the supplier selection and negotiation process.

Step 6: Once the team has made the selection, it needs to do the integration. This is done by applying the Ariba toolset with the supplier and identifying integration conflicts to be resolved to make the contract workable.

Step 7: The final stage in this process is to benchmark the supply market by monitoring the supplier(s) through the FedEx Supplier Scorecard system. E-procurement tools through the Ariba Buyer system play a big role in the process. For example, users who need a PC can select one online and requisition it. Depending on the business rules governing authority threshold, the user may need a supervisor's authorization and may need higher-level approval as well. If the spend goes into the capital range, there is another set of approval rules to ensure that people who oversee capital purchases also approve it. It also draws on the business rules from the IT group, which may be a different set of rules. Business rules are established within Ariba Buyer depending on the category of spend taking place. The types of controls made on purchases will vary. Once those approvals are completed, it releases out to the supplier. In Ariba, users have an online catalog for contracts that are in place; several thousand office supplies are set up on the catalog. Requisitioners can find what they want, and once submitted, the requisition is bounced against a purchase approval policy. Requisitioners can also use an RFP before they initiate the sourcing process. One of the first things they will do is get a handle on accounts payable information using Ariba to identify the largest suppliers and establish prior sales to FedEx with information on line items. Ariba Buyer also tracks receipts. Because FedEx receives products and services at many different locations around the globe, all employees have an obligation to enter a receipt into the system when the shipment arrives or the service is performed, which generates an acknowledgment and a matching invoice on the system. If an individual does not receive the product or service, Ariba will develop e-mail reminders that will eventually escalate to senior management if left unattended. The value of using a single e-procurement system is that if FedEx supply management decides to implement a change on the control levels, it is easy to do across the company using the system. For example, if the CEO mandates a spending freeze (no PCs without VP-level approval), SCM can change the business rules on the system. FedEx also uses ELAMS, another information system for temp labor contract programmers. The ELAMS system allows online requisitions for contract programmers or temp labor based on contracts that are in place—it controls the rate and type of individual sent out by that company and can approve the invoices online. It can also ensure that the skill level of temp labor FedEx is paying for is matched to the skill level of the individual actually doing the work. This enables FedEx to control the type of person that it actually pays for, delivering both value and cost savings to the bottom line. This example illustrates that improving the purchasing process in terms of efficiency and effectiveness requires more than one single system or approach. Purchasing, accounts payable, user groups or departments, and those responsible for handling

	inventory and material can all benefit from a systematic approach to improving how goods and services flow into an organization.		
Q9	What steps in the purchasing process are done electronically versus on paper? What types of controls can be used because of e-procurement in the sourcing process?	**15**	**CO4**
Q10	What do you think are the challenges associated with implementing e-procurement in this example?	**15**	**CO4**