

UNIVERSITY OF BOLTON

**SCHOOL OF BUSINESS AND CREATIVE
TECHNOLOGIES**

MSC SUPPLY CHAIN MANAGEMENT

SEMESTER 2 EXAMINATIONS 2009/2010

PROCUREMENT AND OPERATIONS MANAGEMENT

MODULE NO: EBU4012

Date: Tuesday 1st June 2010

Time: 2.00 – 5.00 pm

INSTRUCTIONS TO CANDIDATES:

There is 1 question on this paper.

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Examination Case Study May 2010 (UK cohort)

The fictional company in this case study is an international manufacturer of small unbranded household electrical products which it supplies to large electrical retailers and other suppliers of household electrical products for sale under their own brand names.

A brief company history.

Formed in the 1960's in Manchester, the company initially produced electric kettles and coffee machines for sale through one of the large UK department stores. Over the next 20 years the company continued to expand through the introduction of further products, primarily driven by requests from their primary customer. In parallel to this they began to offer design variants of their basic product range to other UK retailers for sale as their own brands.

During the 1980's and 90's the company expanded further, this time based upon their design and manufacturing expertise, now offering an additional bespoke product development and manufacturing facility to branded electrical goods manufacturers. As the central and eastern European countries began to open up to trade the company acquired a manufacturing facility in Poland to take advantage of lower manufacturing costs, and added to this a new purpose built distribution facility to provide a storage and distribution hub for the European markets.

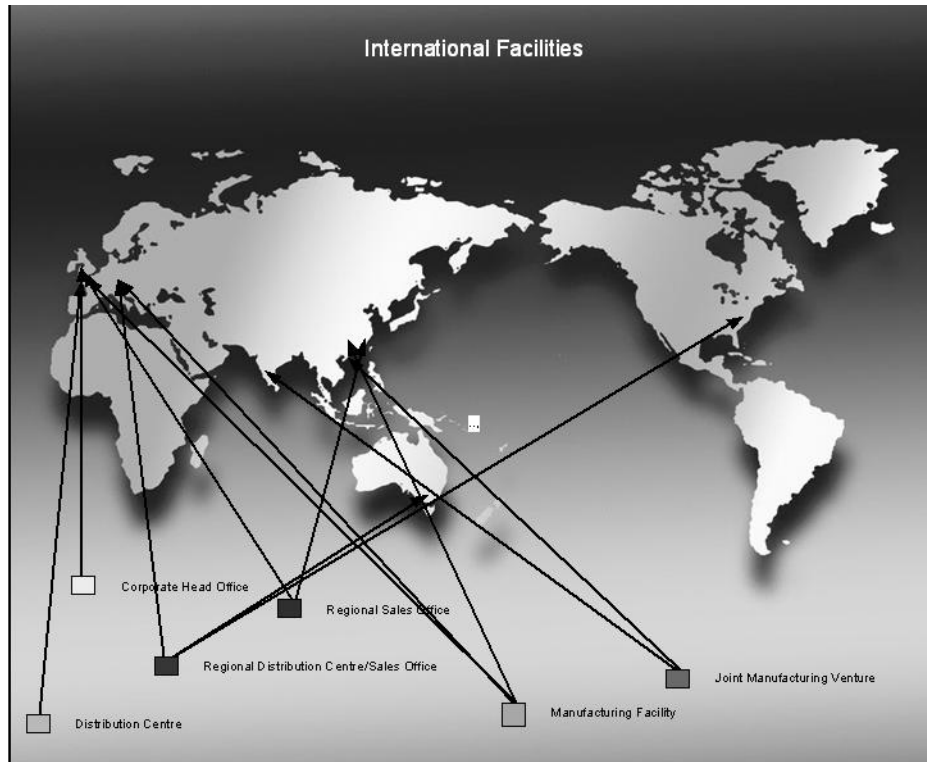
Over the years a number of the company's key components had been purchased from China and early in 2000 negotiations commenced to buy into two of the key suppliers with whom the company had traded for a number of years. These negotiations were successfully completed in 2001 with the setting up of two joint manufacturing organisations. These two organisations then began not only to produce the component parts, but also to assemble the finished products. This was then followed by the takeover of an Indian supplier and its incorporation into the organisation.

After the incorporation of the new manufacturing facilities the company then entered into a period of expanding sales and distribution with the setting up of a number of regional sales and distribution centres to support the areas of the world in which the company now traded.

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The map below shows the company's world-wide facilities as they are now.



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Facility Details by Region

Country	Resource	Functions
UK	Corporate Headquarters	Group Finance
		Group Marketing
		Group Manufacturing Planning
		Group Inventory Planning (Incl. Distribution Resource Planning)
		Product Research and Development
		Procurement (finished product from affiliates & suppliers)
	Local Finance	All Operating Centre/Regional Financial Control and Reporting
		Local Purchase and Sales Ledgers
	Manufacturing	All elements of Manufacturing/Assembly
		Procurement (all materials and services required locally)
	Distribution Centre	UK Sales Office (incl. Sales administration)
		Regional Sales Force
		Regional Marketing
		Finished Goods Warehousing (internal + external)
Transport Planning		
Management (own fleet + 3PL contracts)		
POLAND	Local Finance	All Operating Centre/Regional Financial Control and Reporting
		Local Purchase and Sales Ledgers
	Manufacturing	All elements of Manufacturing/Assembly
		Procurement (all materials and services required locally)
	Distribution Centre	UK Sales Office (incl. Sales administration)
		Regional Sales Force
		Regional Marketing
		Finished Goods Warehousing (internal + external)
		Transport Planning
Management (own fleet + 3PL contracts)		
INDIA	Local Finance	All Operating Centre/Regional Financial Control and Reporting
		Local Purchase and Sales Ledgers
	Manufacturing (x1)	All elements of Manufacturing/Assembly
		Procurement (all materials and services required locally)
		Component and Raw Material Storage
Local Transport Operations		
CHINA	Local Finance	All Operating Centre/Regional Financial Control and Reporting
		Local Purchase and Sales Ledgers
	Manufacturing (x2)	All elements of Manufacturing/Assembly
		Procurement (all materials and services required locally)
		Component and Raw Material Storage
Local Transport Operations		
AUSTRALIA	Local Finance	All Operating Centre/Regional Financial Control and Reporting
		Local Purchase and Sales Ledgers
	Distribution Centre	Australian Sales Office (incl. Sales administration)
		Regional Sales Force
		Regional Marketing
		Finished Goods Warehousing (internal + external)
Transport Planning		
Management (own fleet + 3PL contracts)		
USA	Local Finance	All Operating Centre/Regional Financial Control and Reporting
		Local Purchase and Sales Ledgers
	Distribution Centre	US & Canadian Sales Office (incl. Sales administration)
		Regional Sales Force
		Regional Marketing
		Finished Goods Warehousing (internal + external)
		Transport Planning
Management (own fleet + 3PL contracts)		

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Late last year the Company appointed a new Managing Director from outside the organisation. This was the first senior appointment where the individual had not progressed through the business and on taking on the new role he soon became aware that the organisation lacked cohesion and a common organisational approach. Processes operated differently across the various regions of the business and there also appeared to be a lot of duplication which he felt could and should be removed if the business was to move forward successfully.

The majority of the business's senior management had worked for the company for many years and in some cases with over twenty years service. The Managing Director felt they would either lack the breadth of experience necessary to lead a fundamental business review, or be too entrenched in the current business practices to provide unbiased proposals. He has therefore gained Board approval for the employment of a consultancy company with experience in organisational and business process change.

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QUESTION

Considering the above scenario you should answer all the elements listed in the question below. You are free to make any assumptions about the current organisation and processes used by the scenario organisation and should state these assumptions where appropriate.

You are employed by the consultancy organisation mentioned above and have been asked to lead one of the project teams tasked with recommending the organisational and process change required by the client.

Specifically, you are tasked with researching how the client could centralise their procurement processes and how these might align to their manufacturing and distribution operations and then recommend how your proposals might be implemented.

Areas you should focus on include:

1. The identification of which products, materials or services should be sourced globally and which locally. Consider both direct and indirect supplies. (up to 10 marks)
2. The structure, systems and responsibilities required to support centralised procurement and how this is likely to differ from the current structures. (up to 20 marks)
3. How the new procurement structure might interface with the operational areas of the business. (up to 20 marks)
4. Potential problems and barriers to be overcome in implementing your recommended changes. (up to 15 marks)
5. Identify a suite of KPI's you would recommend to provide the necessary control and performance reporting required by the new processes. (up to 20 marks)
6. An analysis you what you believe would be the main benefits of your proposal. (up to 15 marks)

You are encouraged to support your proposal with diagrams, process charts and organisation charts as you feel appropriate.

END OF QUESTIONS