

**D3/March 2018**

## **Diploma in procurement and supply**

# **Sourcing in procurement and supply**

<b>Date</b>	<b>Tuesday 6 March 2018</b>
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<b>Time</b>	<b>Start 09:30</b>	<b>End 12:30</b>	<b>Duration 3 hours</b>
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## **QUESTION PAPER**

### **INSTRUCTIONS FOR CANDIDATES**

This examination has **FIVE** compulsory questions worth 20 marks each.

1. Do not open this question paper until instructed by the invigilator.
2. All answers must be written in the answer booklet provided.
3. All rough work and notes should be written in the answer booklet.

**You are advised to allow 20 minutes to read carefully and analyse the information in the case study before attempting to answer the questions.**

## **CASE STUDY – GROCERY GRANDE**

Grocery Grande is a leading retailer of food stuffs and general merchandise, operating over 800 stores and employing 20,000 people in Europe. Its headquarters are based in Paris, France. Grocery Grande uses a third party recruitment agency to source potential staff and to conduct the first-round interviews. Grocery Grande has been informed that its preferred recruitment supplier has been acquired by a competitor in the recruitment industry, EmployUS. Grocery Grande has contracted with EmployUS in the recent past and has received a poor service from them, which had a negative effect on staff resources. As a consequence of this, Grocery Grande intends to find a completely new recruitment agency to help source its retail staff.

Following press coverage of the merger, Grocery Grande's head of human resources, Nina Owen, has been approached by a new specialist recruitment firm, RecruitOnLine, which is based in China but operates globally. RecruitOnLine, established in 2012, provides an internet-based system that automates the recruitment process: candidates apply for vacancies online, the applications are digitally processed and an automated review process is then applied, based on clients' criteria. RecruitOnLine also conducts the first-round interviews using video link, which means it is able to provide an effective and efficient service for its clients.

Nina is particularly keen to start work with RecruitOnLine as Grocery Grande will be starting its annual graduate recruitment programme in just three months' time. RecruitOnLine has a specialist digital recruitment campaign which has a proven record for attracting high-calibre graduates for its clients all over the world. Nina believes that attracting and fostering talent is critical to the sustained success of Grocery Grande and she is very enthusiastic about this aspect of the service.

Although RecruitOnLine is a relatively new business, Nina strongly believes that its use of technology in the recruitment process is more advanced than other agencies. Nina has asked Grocery Grande's head of procurement, Reshma Kaur, to agree a price and create a contract with RecruitOnLine. In response, Reshma has formally notified Nina that there would need to be a competitive tendering exercise for this service in accordance with Grocery Grande's procurement policy. However, Nina is unable to understand why Reshma cannot just agree a price with RecruitOnLine and why there is a need for additional quotes to be received, which will only delay the process.

Reshma explains, 'It is our company policy for purchases costing in excess of \$5,000 on a yearly basis, to evaluate more than one potential supplier. This ensures we have a proper, fair competition in accordance with our procedures. I will need your help in developing a plan for sourcing this recruitment service from interested suppliers as we will need to create appropriate selection criteria that prequalify interested suppliers.'

Reshma also states, 'We also need to create award criteria as we should consider other factors in addition to the price. We should then operate a competitive tendering process in our normal way and ensure compliance with any necessary standards such as data protection issues and other regulatory requirements.'

The recruitment manager at Grocery Grande, who reports to Nina, has indicated that he will support the new tendering exercise for the recruitment service. He has also heard about an e-auction system which is used to obtain bids online and believes that this offers an effective sourcing solution. Reshma has been looking for an opportunity to introduce e-auctions to the organisation, but Nina is very sceptical as to whether it would be appropriate in this instance.

## QUESTIONS

These questions relate to the case study and should be answered in the context of the information provided. You are advised to spend 32 minutes on each question.

- Q1** The case study states that Grocery Grande had experienced a poor service from the recruitment agency EmployUS, which resulted in a negative effect on staff resources.

Explain **FOUR** areas that an organisation, such as Grocery Grande, might use to monitor the performance of its suppliers. **(20 marks)**

- Q2** Identify and justify **TWO** technical criteria and **TWO** commercial criteria that could be used by Grocery Grande when considering suppliers during the selection process. **(20 marks)**

- Q3 (a)** Evaluate the risks if Grocery Grande does not assess the financial stability of the potential suppliers before the award of a contract. **(10 marks)**

- (b)** Describe **TWO** financial ratios that Grocery Grande might use to establish the liquidity of the suppliers. **(10 marks)**

- Q4 (a)** Outline **THREE** benefits of using an e-auction system as a procurement tool for Grocery Grande. **(12 marks)**

- (b)** Suggest **TWO** potential disadvantages of introducing an e-auction system as a procurement tool for Grocery Grande. **(8 marks)**

- Q5 (a)** Grocery Grande is a private sector organisation; its procurement policy requires all annual commitments in excess of \$5,000 to be competitively tendered.

Explain **TWO** reasons why compliance with the procurement policy is important for Grocery Grande. **(10 marks)**

- (b)** Explain, using examples, the ethical issues which Grocery Grande should consider when sourcing from an international supplier. **(10 marks)**

**END OF QUESTION PAPER**



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