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Centre for Open and Lifelong Learning

FEEDBACK TUTORIAL LETTER

1ST SEMESTER 2023

ASSIGNMENT 2

PROCUREMENT MANAGEMENT

PMM711S

This feedback tutorial is just a guideline, and students were not strictly marked to the feedback provided. Marks were awarded where logic was applied.

Assignment General observations

Using artificial intelligence applications should be done with caution. You are still expected to apply understanding to the assessment. Students with a high score of more than 30% were penalised accordingly to plagiarism criteria for the university. The AI tools should help you understand your Assignment, not do the assignment for you.

1. When will you guys learn that submitting similar assignments always attracts a zero mark from me? It is unacceptable. It shows pure ethical issues and low morale on your side.
2. When using synonyms, ensure your answers still make sense.
3. The aim is that you apply the course content to the assessment. E.g. procurement strategies are given in the guide, and your job is to apply them. Do not go online and copy and paste anything that says strategies.
4. Use one font
5. copy and paste from AI applications without changing a word. The AI tools should help you understand your Assignment, not do the assignment for you.
6. Application is key. Copying from the study guides and not applying them doesn't demonstrate any learning.
7. Familiarise yourself with the APA referencing style. You can get a guide from the library.

QUESTION 1 (30 MARKS)

A CLOSE corporation which employs one person scooped health tenders worth N\$141 million last month to supply medical products to the Ministry of Health and Social Services. The close corporation XYZ Investment CC is the second biggest beneficiary from the controversial medical tenders worth N\$2,8 billion awarded by the Central Procurement Board of Namibia (CPBN) last month. Documents show that XYZ Investment CC operates from the parents' residential home. Records from the Business and Intellectual Property Authority (BIPA) show that the current owner took over the CC a year before the health ministry put out the medical tender. XYZ Investment CC was the cheapest for the N\$84 million tender. XYZ Investment CC is an example of many other businesses regarded as briefcase businesses. As a result, government procurement is frequently accused of contracting briefcase businesses. However, XYZ Investment CC's owner denied her business was a briefcase business, stating, "My understanding of a 'briefcase company' is an entity that only exists on paper or is used as a front company." I can assure you that XYZ Investment CC does not fall into either category. "For about five years, we have supplied goods to both the private and public sectors in Namibia, Angola, and South Africa," she said. The Ministry of finance warned against abusing government policies to benefit briefcase companies. These companies have existed for less than two years and have scooped up some of the largest contracts to supply and deliver clinical products for the health ministry. This is even more concerning as most contracts are inflated through intermediaries while Namibia is battling a debt ratio of 70%, high unemployment, and high Gini coefficients.

Source: The Namibian

1.1 Public procurement aims to engage local suppliers to stimulate the economy and reduce unemployment. In the context of giving Namibian suppliers more power, evaluate whether the above case meets the goal. [10 marks]

General feedback

Majority of you were just repeating the case without analysing it. This approach attracts the lowest marks as it demonstrates the lowest level of learning and understanding. E.g. what is the implication of awarding a company with one employee? What conclusion can be concluded from a business operation from home?

Expected answers

The case described raises concerns regarding the engagement of local suppliers and achieving the goals of public procurement in Namibia. Below are some evaluations of whether the above case meets the goal of giving Namibian suppliers more power:

Local Supplier Engagement: Despite being a local entity, the close corporation XYZ Investment CC operates from the owner's residential home. While the location of the business does not necessarily disqualify it from participating in public tenders, it raises questions about the capacity and infrastructure of the company to handle large-scale contracts. Local suppliers must have proper facilities, resources, and systems in place to deliver on contracts and effectively ensure consistent supply, especially when involving large contracts of 114 million for example.

Duration of Existence: The owner of XYZ Investment CC denies that her business is a briefcase company and highlights that it has operated for approximately five years, supplying goods to both private and public sectors in Namibia, Angola, and South Africa. However, it is worth noting that the current owner took over the close corporation just a year before the health ministry put out the medical tender. This relatively short duration of ownership raises concerns about the stability, track record, and experience of the business in handling large contracts.

Transparency and Fair Competition: Public procurement promotes transparency and fair competition among suppliers. The case highlights that XYZ Investment CC was the cheapest bidder for the tender. While cost-effectiveness is an important factor in procurement decisions, ensuring that the selection process is fair, transparent and considers factors beyond just the lowest price is crucial. Evaluating the supplier's capabilities, track record, and ability to deliver quality products on time should also be considered.

Inflated Contracts and Intermediaries: The article mentions concerns about inflated contracts through intermediaries. This raises questions about the transparency of the procurement process and the possibility of improper practices such as corruption or favouritism. If contracts are inflated, or intermediaries are

involved, it can undermine the goal of engaging local suppliers and stimulating the economy.

In summary, based on the information provided, the case raises doubts regarding whether the goal of giving Namibian suppliers more power is adequately achieved. The engagement of XYZ Investment CC, a local supplier, should be scrutinised to ensure transparency, fair competition, and value for money in public procurement. Measures should be in place to assess local suppliers' capacity, track record, and stability, especially when awarding significant contracts. This will help promote a healthy and competitive business environment, stimulate the economy, and reduce unemployment effectively.

1.2 What procurement strategy(ies) should the government pursue to boost local suppliers effectively and efficiently? [10 marks]

General feedback

The aim is that you apply the course content to the assessment. E.g. procurement strategies are given in the guide, and your job is to apply them. Do not go online and copy and paste anything that says strategies. Also, not all the strategies apply. Which one will best help boost local suppliers? The majority of you just went on the internet with general strategies and copied without applying them.

Some considerations are discussed below;

Supplier Development Programs: The government can establish supplier development programs to provide local suppliers training, mentorship, and capacity-building support. These programs aim to enhance their skills, knowledge, and capabilities in procurement processes, quality management, financial management, and business development. By investing in the development of local suppliers, the government can improve their competitiveness and increase their chances of successfully securing contracts.

Total Quality Management (TQM): Implementing TQM principles can help the government ensure that local suppliers deliver high-quality products and services. TQM emphasises a culture of continuous improvement, customer focus, and process efficiency. The government can work with local suppliers to implement quality management systems, conduct regular audits and inspections, and provide guidance on meeting quality standards. By emphasising quality, local suppliers can enhance their reputation, build customer trust, and compete effectively.

Supplier Base Optimisation: The government should focus on diversifying its supplier base by actively seeking and engaging with a wider range of local suppliers. This strategy involves identifying and encouraging small and medium-sized enterprises (SMEs), women-owned businesses, and disadvantaged groups to participate in public procurement. By broadening the supplier base, the government promotes inclusivity, stimulates economic growth, and reduces dependency on a limited number of suppliers.

Supplier Relationship Management: Developing strong relationships with local suppliers is crucial for their growth and success. The government should establish effective communication channels, regular meetings, and feedback mechanisms to engage with suppliers. This facilitates collaboration, understanding of supplier needs, and addressing any challenges they may face. Strong supplier relationships foster trust, encourage innovation, and create a supportive environment for local suppliers to thrive.

1.3 Suggest evaluation criteria that CPBN must use to select the right suppliers. [10 marks]

General feedback

You all performed relatively well on this question.

Expected answers

To select the right suppliers, the Central Procurement Board of Namibia (CPBN) should consider the following evaluation criteria:

Track Record and Experience: Evaluate suppliers based on their track record and experience in supplying similar products or services. Consider the supplier's history of successfully delivering on contracts, performance, and ability to meet deadlines. Look for evidence of their experience in the relevant industry and their understanding of the specific procurement requirements.

Financial Stability: Assess the financial stability of suppliers to ensure they can fulfil the contract. Evaluate their financial statements, creditworthiness, and ability to manage cash flow. Suppliers should have a solid financial foundation to handle the financial demands of the contract and avoid potential disruptions.

Technical and Operational Capabilities: Consider the technical and operational capabilities of suppliers. Evaluate their infrastructure, equipment, and resources to ensure they can meet the required standards and specifications. Assess their production capacity, quality control processes, and ability to scale up production if needed.

Quality Management Systems: Assess the supplier's quality management systems and certifications. Look for evidence of adherence to international quality standards and certifications relevant to the products or services being procured. Evaluate their processes for quality control, product testing, and continuous improvement.

Compliance with Legal and Ethical Standards: Evaluate suppliers' compliance with legal and ethical standards. Assess their adherence to relevant regulations, licenses, permits, and certifications. Consider their commitment to ethical practices, including anti-corruption measures, environmental sustainability, and social responsibility.

Pricing and Value for Money: Consider the pricing proposed by suppliers and evaluate it in the context of the overall value for money. Assess whether the proposed prices are competitive and reasonable concerning the quality and scope of the products or services offered. Consider the long-term cost-effectiveness and sustainability of the supplier's pricing.

References and Recommendations: Seek references and recommendations from previous clients or stakeholders who have worked with the suppliers. This can provide insights into the supplier's performance, reliability, and customer satisfaction. Consider feedback from reliable sources to comprehensively understand the supplier's reputation and credibility.

Local Content and Economic Impact: Assess the extent to which suppliers contribute to local content and the overall economic impact. Evaluate their commitment to sourcing local materials, employing the local workforce, and supporting local communities. Consider how the supplier's involvement will benefit the local economy, stimulate employment, and promote local business growth.

Risk Assessment: Conduct a thorough risk assessment of each supplier, considering their financial stability, reliability, and capacity to mitigate potential risks. Evaluate their ability to handle unexpected events, supply chain disruptions, or other contingencies.

Using these evaluation criteria, CPBN can ensure a comprehensive assessment of suppliers' qualifications, capabilities, and suitability for procurement. This promotes transparency, fair competition, and the selection of suppliers that can deliver high-quality products or services while maximising value for money.

QUESTION 2 (10 MARKS)

With practical examples, examine why global sourcing could be an option for a Namibian organisation of choice.

Common mistake

You are expected to choose a company of choice and contextualise global sourcing

Expected answers:

Global sourcing could be an option for Meatco:

Cost Savings: Meatco could consider global sourcing of inputs such as animal feed, packaging materials, and equipment. By sourcing animal feed ingredients from international markets that are available at competitive prices, Meatco can lower its production costs. Similarly, sourcing packaging materials or specialised equipment from global suppliers may offer cost advantages compared to relying solely on local suppliers.

Supplier Options and Product Variety: Global sourcing would provide Meatco access to a wider range of suppliers for different cuts and types of meat. For example, Meatco could explore sourcing specific cuts of beef or lamb from international suppliers with expertise in producing those cuts. This would allow Meatco to expand its product offerings and cater to specific domestic and international customer demands.

Specialised Expertise and Technology: Meatco could leverage global sourcing to acquire specialised expertise and technology in meat processing. For instance, they could collaborate with international suppliers with advanced processing technologies or expertise in value-added meat products. This would enable Meatco to enhance its processing capabilities and offer customers a broader range of high-value products.

Diversification of Supply Chain Risks: Global sourcing would enable Meatco to diversify its supply chain and mitigate risks associated with local factors. By sourcing meat from different international suppliers, Meatco could reduce the impact of localised risks such as disease outbreaks, adverse weather conditions, or fluctuations in local livestock availability. This diversification would help ensure a steady meat supply to meet customer demand.

Access to New Markets: Global sourcing can allow Meatco to access new international markets for its meat products. By sourcing globally, Meatco could comply with international standards and certifications required by different countries, allowing it to export its products to new markets. This would expand Meatco's customer base and revenue streams, reducing its reliance on the domestic market.

Innovation and Competitive Advantage: Global sourcing would expose Meatco to new ideas, technologies, and best practices in the global meat industry. Collaborating with

international suppliers could facilitate knowledge transfer, enabling Meatco to adopt innovative processing techniques, packaging solutions, or product formulations. This would enhance Meatco's competitiveness by offering differentiated products and meeting evolving consumer preferences.

It's important to note that Meatco must carefully evaluate logistics, quality control, regulatory compliance, and market dynamics when considering global sourcing. Developing strong relationships with global suppliers, conducting thorough due diligence, and ensuring compliance with international standards are crucial for successful global sourcing initiatives.

QUESTION 3 (10 MARKS)

Use the Kraljic portfolio analysis to scrutinise any procuring entity of your choice.

General observation

Kraljic divides company procurement into four quadrants: strategic, leverage, bottleneck and routine, based on the risk of acquiring or difficulty and the importance or total expenditures. You were expected to divide the chosen company procurement into these four quadrants, develop strategies based on the classifications, and give examples of products for each category.

Expected answers:

The Kraljic portfolio analysis is useful for analyzing and managing procurement strategies based on the importance and supply risk of purchased goods or services. Let's apply the Kraljic portfolio analysis to scrutinise Meatco:

Bottleneck Items (High Supply Risk, High Importance): In the context of Meatco, bottleneck items can be identified as critical inputs or factors that have a high impact on the company's operations and are at high risk of supply disruption. These may include livestock supply, processing equipment, and skilled labour.

- **Livestock Supply:** As Meatco heavily relies on the availability and quality of livestock, any disruptions in the supply chain, such as disease outbreaks or changes in livestock availability, can significantly impact operations. Meatco should closely monitor livestock supply trends, establish strong relationships with local livestock producers, and explore options for diversifying sources of livestock to mitigate supply risks.
- **Processing Equipment:** Meatco's processing equipment maintains efficient production. Ensuring the availability of spare parts and regular maintenance schedules can help mitigate the risk of unexpected breakdowns and minimise downtime. Meatco may consider developing long-term relationships with equipment suppliers or exploring partnerships for technology transfer and continuous improvement.

Strategic Items (Low Supply Risk, High Importance): Strategic items are highly important to the company but have a lower risk of supply disruption. In the case of Meatco, strategic items can include meat marketing, branding, and product development.

- **Meat Marketing:** Effective marketing strategies are crucial for Meatco to promote its products and expand its customer base. Meatco should invest in market research, branding, and advertising to maintain a strong market presence and ensure its products are well-positioned in domestic and international markets.

- Developing strategic partnerships with marketing agencies or consultants can provide valuable expertise.
- **Product Development:** To meet changing consumer preferences and remain competitive, continuous product development and innovation are essential for Meatco. Meatco should invest in research and development to introduce new value-added products, explore different packaging options, and adapt to evolving market trends. Collaboration with research institutions, culinary experts, or product development consultants can facilitate the creation of innovative meat products.

Non-Critical Items (High Supply Risk, Low Importance): Non-critical items are of low importance to the organisation and pose a high risk of supply disruption. In the context of Meatco, these items may include office supplies, maintenance services, or general consumables.

- a) **Office Supplies:** While office supplies are necessary for day-to-day operations, their impact on Meatco's core activities is relatively low. To manage the supply risk associated with non-critical items, Meatco can explore options such as bulk purchasing, negotiating favourable contracts with suppliers, or considering alternative suppliers to ensure a stable supply at a reasonable cost.

Routine Items (Low Supply Risk, Low Importance): Routine items are of low importance to the company and have a low risk of supply disruption. These may include cleaning supplies, basic packaging materials, or generic equipment.

- **Cleaning Supplies:** Ensuring a clean and hygienic environment is important for Meatco's operations, but the supply of cleaning supplies is relatively stable and easily replaceable. Implementing efficient inventory management practices, exploring cost-effective suppliers, and monitoring market trends for potential cost-saving opportunities can help optimise the procurement of routine items.

By applying the Kraljic portfolio analysis, Meatco can identify areas of procurement that require special attention, such as livestock supply and processing equipment, while optimising the procurement of routine and non-critical items. This analysis helps prioritise procurement efforts, mitigate supply risks, and effectively manage key procurement categories within the organisation.