

The
Management
University
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POST GRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF MASTER OF BUSINESS ADMINISTRATION

LSO 503: STRATEGIC PROCUREMENT

DATE: 31ST JULY 2024

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

THE ORGANIZATIONAL STRUCTURE OF VIRGIN GROUP

Many assume the Virgin Group to be a multinational, but such is not the case. Each of the 300 odd companies of the Virgin Group operates separately and Branson serves as shareholder, chairman, and public relations supremo. Most of them are operating companies that own assets, employ people, and offer goods and services. These operating companies are owned and controlled by about 20 holding companies. The Virgin Group has a very complex structure. It has been termed both as a brand franchising operation as well as a keiretsu. However, based on its structure, the Virgin Group can be safely termed as an organization with a keiretsu structure. A keiretsu is a group of organizations, each of which owns shares in the other organizations in the group, and all of which work together to further the group's interests. Furthermore, such a large organization with a complex structure needs to be organic in order to be able to adapt to changes in its environment. An organic structure promotes flexibility, so people initiate change and can adapt quickly to changing conditions.

Considering each of the individual companies as a department providing a unique product or service, it is evident that they exhibit product departmentalization. Product departmentalization is the division of the departments of an organization based on the type of product or service offered. For example, Virgin Mobile offers cellular services while Virgin Records is a music label. However, the structure of the Virgin Group is so complex that it is necessary for it to not just have one type of departmentalization. For instance, Virgin Mobile has operations in many different countries like the UK, India and Australia. As such, the type of service varies in each of these countries. This shows that Virgin Mobile also exhibits geographic departmentalization. Geographic departmentalization is the division of an organization based on the geographic location. In addition, type of service and products also varies depending on the customer base hence exhibiting customer departmentalization. Customer departmentalization is the division of an organization based on the kind of customers it serves. Since the Virgin Group of

companies exhibit so many types of departmentalization, the organization as a whole is said to have a hybrid structure, which is a mixture of two or more kinds of departmentalization. This multi-divisional approach helps the Virgin Group to easily adapt to the cultural, technological and other forces in the region it expands to.

The division of labor and the hierarchy is also an important aspect of an organization's structure. The number of levels of authority, the control, and the amount of communication are key factors in the proper working of an organization. As mentioned, the Virgin Group's companies operate as separate organizations. The companies are part of a family rather than a hierarchy. They are empowered to run their own affairs, yet the companies help one another, and solutions to problems often come from within the Group somewhere. In a sense, Virgin is a commonwealth, with shared ideas, values, interests and goals. In fact, Branson himself has provided all his employees with the authority to make unsupervised decisions based on their intuition rather than following a chain of command. This leads to the employees having more confidence in them and in the management. Since interaction among all the levels of the hierarchy is promoted, it increases effective communication.

This is evident from the fact that Branson personally interacts with employees on a regular basis discussing ideas and receiving feedback. The Virgin Group expresses self-sufficiency and effective communication. Virgin has a flat hierarchical structure and this enables quick and efficient decision making. The flat structure is one of the reasons that the Virgin Group has been able to expand into new ventures. In addition, a flat structure allows a wider span of control, and decentralization. Span of control is the number of subordinates a manager manages directly. The decentralized structure of the Virgin Group gives more power in the hands of its employees when it comes to decision making. Decentralization is the delegation of authority to all levels of the hierarchy. Branson believes that the employees are the backbone of the company and hence it is important that they have enough involvement and authority in decision making.

Source: mbaknol.com/management-cases-studies

Required:

- a) With reference to the case study, suggest with reasons, an organization structure for the procurement function that would best suit the Virgin group. (10 marks)
- b) Analyze how outsourcing and subcontracting would be implemented within the Virgin group of companies. (10 marks)
- c) Discuss the benefits of strategic procurement implementation within the virgin group of companies. (10 marks)

QUESTION TWO

- a) Discuss the link between corporate strategy and the performance of the procurement function in an organization. (8 marks)
- b) Analyze the key performance indicators for an efficient procurement department. (7 marks)

QUESTION THREE

- a) Evaluate the process of new product development in an organization, industry or sector known to you. (8 marks)
- b) Discuss the strategic role of make or buy decisions in organization, industry or sector that you are familiar with. (7 marks)

QUESTION FOUR

- a) Discuss the financial benefits of strategic inventory management in an organization, industry or sector known to you. (8 marks)
- b) Evaluate adversarial negotiations in sourcing with regard to long term relationships with suppliers. (7 marks)