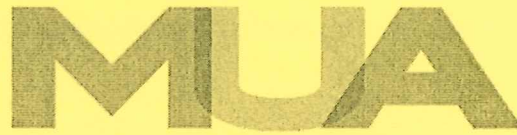The
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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

LSO 502:   E- SUPPLY CHAIN MANAGEMENT

DATE: 19TH JULY 2022

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:

ALIBABA

Retail chain ALIBABA operates in a fiercely competitive market in which cost reduction can be key to market share gains and profitability. Also central to market success is compressing cycle time to reduce inventory and free working capital, goals that are especially challenging to ALIBABA due to globalization of the supply base, the inherent cultural autonomy of individual operating units, and the widespread distribution of store locations.

The ALIBABA staff had also been using traditional procurement methods and processes and was resistant to change. The company had been using a software application that did not meet basic requirements for an e-procurement system, and the software developer no longer supported the product. Procurement processes and operations involved verbal requests, manual entry of purchase orders into a stand-alone system, heavy use of inefficient, paper-based processes, "snail mailing" of purchase orders and invoices from suppliers to ALIBABA purchasing, manual matching and codification of POs and invoices, snail mailing of coded invoices from purchasing to accounts payable, and manual re-keying and mailing of paper checks to suppliers.

Use of archaic processes and systems produced problem for ALIBABA — for individual stores and at the corporate level. The stores had no visibility into preferred suppliers and products, poor understanding of supply availability due to inconsistent information on requirements, no standard approval processes, long and unpredictable delivery of required goods and services, and a general poor control of the spend. At the corporate level, the processes and systems created challenges from a divisional approach to supply management that damaged leverage with suppliers, a decentralized and sub-optimum oversight of supplier relationships, ad-hoc negotiation of contracts, and the failure to create a strategic approach to supply

management and the business processes needed to execute effective supply management.

The inherent procurement inefficiencies also caused major problems for suppliers, who had to deal with unpredictable and extended payment terms, high error rates, high administrative overhead, multiple points of contact within ALIBABA headquarters and individual business units, and a general

ALIBABA wanted to create a centralized procurement organization, and a senior-level procurement professional was recruited to lead it. The new procurement organization was faced with several challenges, including:

• Keeping up with very high transaction volumes;

• Identifying and qualifying new suppliers to upgrade the supply base;

• Launching cost-reduction initiatives with suppliers that were accustomed to dictating pricing levels;

• Taking ownership of supplier relationships from internal customers;

• Transitioning from a tactical to a strategic focus; and

• Implementing formal strategic sourcing and supply management systems and methodologies.

Solution Selection and Deployment

ALIBABA chose the following Oracle solutions to enhance its procurement transformation: Purchasing, Sourcing, iProcurement, iSupplier Portal, Accounts Payable, and Purchasing Intelligence. Oracle solutions were chosen for their ability to automate and integrate order management functions across all business divisions, all suppliers, expense payables, and budgeting and planning processes. Also, management believed the ALIBABA financial value chain had to be seamlessly linked with supply management to achieve its objectives. The Oracle suite accomplished this goal.

The Oracle solutions were implemented in a two-phased approach. The first phase focused on streamlining the core processes used by purchasing, finance, and suppliers. This set the stage for the requisitioning implementation to begin once

sufficient intelligence on spending patterns had been gathered. Core Purchasing, i-Supplier Portal, Purchasing Intelligence, and Sourcing went live in just 10 weeks. ALIBABA placed emphasis on forcing system compliance from purchasing professionals, which would produce process improvement and speed the needed cultural change. The company mandated the use of the Core Purchasing module, along with the use of e-invoices and elimination of paper invoices. A "zero tolerance" policy was adopted on invoice matches.

Phase One enabled ALIBABA to identify spend categories and end user communities that represented the best possible candidates for additional streamlining.

The second phase extended reengineering and automation to end users by implementing electronic requisition management. The iProcurement module was installed for end user requisitioning, extending process improvement to end users at ALIBABA stores. Implementation was characterized by the following:

• Aggressive use of punch-out to push catalog hosting burdens to the top 15 suppliers;

• Aggressive deployment of requisitioning tools to the stores; and

• Clearly defining spend thresholds and approval hierarchies to drive fiscal discipline.

The system went live in mid-2003 with Phase One. Phase Two took considerably longer, starting in mid-2004 and implemented in a matter of weeks.

Tools are used at varying levels throughout ALIBABA. Seven hundred stores and 72 regional executives were brought online. For corporate offices, the system was rolled out to three divisions, with a focus on 220 administrative personnel considered "power users." More recently, the system Best Practices in E-Procurement was extended to the company's 217 Babies R Us stores, along with 20 district managers and three regional directors.

The implementation is very broad in scope and includes spend and supplier analysis, spend category analysis, sourcing, requisition management, PO processing, invoicing, and accounts payable. Approximately 1,500 ALIBABA users are connected to the iProcurement system, in more than 900 ALIBABA locations. Meanwhile, 250 suppliers are enabled with the iSupplier portal. As is the case with all applications, ALIBABA runs all e-procurement and related applications internally.

If possible, suppliers are enabled via punch-out. For supplier unable to use it, ALIBABA directs them to content services available from Oracle's private exchange (oracle.exchange.com). The e-procurement system is used for both store and non-store items, such as fixtures and maintenance items.

Results

ALIBABA achieved cultural change and process improvement via the system's rollout. As business leaders and executives gained immediate visibility into requisitions for lines of business and store locations, their interest dramatically changed the company's culture. The budgeting process became much more efficient and predictable, freeing capital for investment in strategic initiatives, such as new store openings or store remodeling.

Each level of the organization benefited. Stores had immediate access to online catalogs for easy ordering, as well as better selection of goods and services, often with higher quality levels at lower prices. Lead times were reduced, and users gained visibility into order status and access to complete order history. Essentially, users became able to rely on purchasing to ensure quality supply, allowing users to focus more deeply on selling toys. At the corporate level, executives can manage business requirements and purchase specifications better. The purchasing department has been upgraded dramatically, and is focused on providing better service to internal customers and external suppliers instead of engaging in numerous tactical activities that had been required. Spend is centralized across all divisions, resulting in better leverage during negotiations with suppliers. The company has reduced working capital requirements and improved cash management.

For procurement, the system has dramatically reduced the number of verbal requests and amount of effort required to satisfy internal customers. Paper order processes have been eliminated, and there is seamless integration into the accounting function via Accounting/General Ledger, Fixed Assets, and Expense Payables.

For accounts payable and finance, the e-procurement initiative has reduced headcount, increased inventory accuracy, eliminated paper invoices, eliminated manual invoice entry, and enforced automatic matching of POs and invoices.

For suppliers, the e-procurement initiative has resulted in payments from ALIBABA that meet or exceed payment terms. Pricing is now locked in, and all primary contact is through ALIBABA purchasing.

Required

    a) With respect to the case study explain five strategies used in the implementation of e-procurement. **(10 marks)**

    b) Analyse five challenges that an organization my face in the implementation of e-procurement process. **(10 marks)**

    c) With respect to the case study, discuss five benefits of e-procurement adoption in an organization. **(10 marks)**

QUESTION TWO

    a) Using a specified organization, explain three potential benefits of implementing e-sourcing. **(6 Marks)**

    b) Electronic contracts can be created and transmitted to suppliers and other relevant stakeholders. Discuss three value adding benefits. **(9 marks)**

QUESTION THREE

a) Using a specific organization, industry or sector, explain any four risks an organization may face while implementing various technological systems.

(9 marks)

b) Suggest three possible means of mitigating against the risks explained in (a) above. **(6 marks)**

QUESTION FOUR

a) Using a specific organization, industry or sector, discuss three potential benefits of implementing green supply chain management practices.**(9 marks)**

b) Using an identified organization, industry or sector analyzes four challenges of reverse auctions. **(6 marks)**