



**FACULTY OF MANAGEMENT
EXAMINATION JUNE 2016**

DEPARTMENT OF BUSINESS MANAGEMENT

MODULE : **STRATEGIC SOURCING: A SUPPLY CHAIN
PERSPECTIVE**

CODE : **BML9X02**

DATE : **JULY SUPPLEMENTARY 2016**

DURATION : **3 HOURS**

TIME : **08:30 – 11:30**

TOTAL MARKS : **100**

EXAMINER(S) : **Dr D KUMAR**

(EXTERNAL) MODERATOR: **Mr R Janse van Rensburg**

NUMBER OF PAGES : **FIVE PAGES (including the case study)**

INSTRUCTIONS TO CANDIDATES:

- Read the following case study
- One hour is allowed to read the case.
- Please answer all the questions.
- Question papers must be handed in.
- This is an open book assessment.
- Read the questions carefully and answer only what is asked.
- Number your answers clearly.
- Write neatly and legibly.
- Structure your answers by using appropriate headings and sub-headings.

- The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

QUESTION 1

Define strategic sourcing that is relevant to the DHS.

[5]

QUESTION 2

What sourcing strategy should the DHS adopt?

[20]

QUESTION 3

What supplier relationship systems the DHS can pursue to promote fair competition?

[15]

QUESTION 4

What change management initiatives should SSG use to address the cooperation issue?

[20]

QUESTION 5

What are the aims of the commodity councils?

[20]

QUESTION 6

What initiatives should you recommend to address the issue of non-availability of data?

[20]

Total: [100]

---o0o---

Case Study: Department of Homeland Security: Office Products Sourcing¹

It was September 2004, and Al Thompson had just been named director, strategic sourcing and acquisition systems, office of chief procurement officer, at the Department of Homeland Security (DHS). It was a big job, but Al was accustomed to responsibility. He has retired from the U.S. Navy as a captain two years ago, having spent more than 20 years in acquisitions and contracting there.

In June 2002, President George W Bush proposed the biggest restructuring of the federal government in nearly 60 years. Seven entire agencies and offices from several others – a total of 22 agencies - would merge into a cabinet level – DHS.

The new department would include the Federal Emergency Management Agency, U.S. Coast Guard, Transportation Security Administration, Customs Service, Immigration and Naturalisation Service (including the Border Patrol), Animal and Plant Health Inspection Service, and the Secret Service. Office of some other agencies would also be absorbed, such as, the Commerce Department's Critical Infrastructure Assurance Office, the National Domestic Preparedness Office, the National Infrastructure Protection Centre at the FBI, the Federal Protection Service and the Federal Computer Incident Response Capability at the General Services Administration.

The resulting department would have an initial budget of \$37 billion and 180,000 employees, making it bigger than all other agencies besides the department of Defence and Veterans Affairs. It would pool the missions and resources of dozens of agencies that had responsibility for aspects of homeland security. For example, the department would combine the port security duties of the U.S. Coast Guard, Customs, APHIS and INS under one roof.

Those agencies were organised into four broad operating divisions designed to combine missions and resources that were currently scattered across government. No federal employees would be laid off in the process of creating the department.

¹ Source: Cross, T.; Department of Homeland Security: Office Products Sourcing, Darden Business Publishing

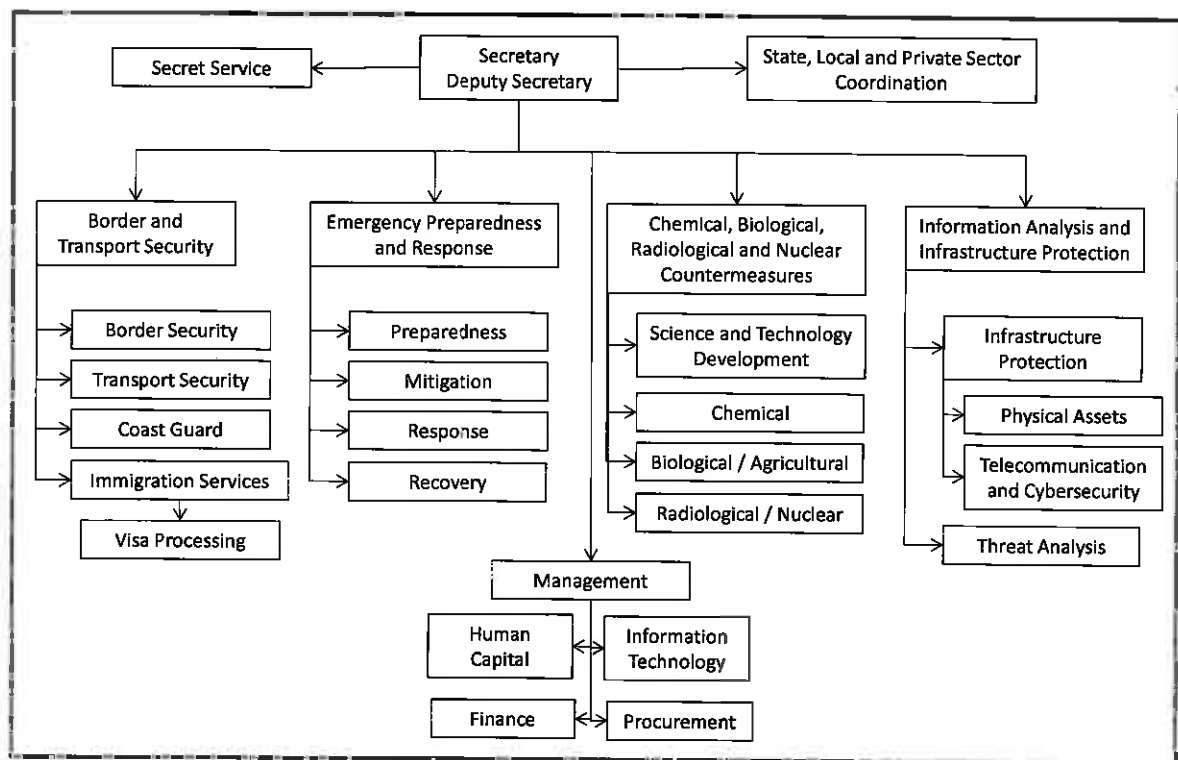


Figure 1: Organisation of the DHS

In 2003, high priority was given to strategic sourcing to stretch the budget as far as possible. Getting senior level buy-in into the strategic sourcing initiative was essential. Commodity councils were formed for 16 commodity areas. The purpose of each council was to formulate and recommend a comprehensive strategic sourcing plan to the Strategic Sourcing Group (SSG). AI chaired the SSG, which oversaw the work of all commodity councils and consisted of members from the office of chief procurement officer, general counsel, inspector general, chief financial officer, chief information officer, acquisition lead representatives, and chief administration services. In total, SSG had 14 members from various DHS agencies and four of AI's people.

The SSG moved quickly to assess the situation and identified the need to develop a sourcing strategy where suppliers could compete in an open format. Office supplies had been one of the earliest initiatives in the DHS strategic sourcing program. Through a survey of 22 agencies, the SSG uncovered several hundred existing deals of office products ranging from sweet deals to awful ones, all of which used blanked purchase authorisations and single-source contracts. The SSG also discovered inconsistencies in both the spend data they could assemble from accounting records as well as forecast spending and no reliable data was available on spending by office product category.

The SSG quickly realised that the DHS's use of office products varied widely. Some needed next day delivery while many other planned their purchases a week or more in advance. They habitually purchased what they wanted it from the source that fit their situation.

Getting cooperation from the employees in this vast organisation would not be easy. That became apparent very early: Indeed, it was very difficult to get the various agencies to even name a representative to the SSG.

---o0o---