

## 15.2.0 PURCHASING MANAGEMENT

### 15.2.1 Introduction

This module unit is intended to equip the trainee with knowledge, skills and attitudes that will enable him/her to manage the purchasing function effectively.

### 15.2.2 General Objectives

By the end of the module unit, the trainee should be able to:

- manage quality in procurement of goods and services
- make sound sourcing decisions
- apply appropriate buying techniques and skills in specific purchasing situation
- demonstrate ethical purchasing behaviour

### 15.2.3 Module Unit Summary and Time Allocation

Code	Sub-Module Units	Content	Time (Hours)
15.2.01	Introduction to Purchasing	<ul style="list-style-type: none"><li>Objectives of purchasing and supply function</li><li>Importance of purchasing and supply functions</li><li>Ways of organizing purchasing and supply functions</li></ul>	4
15.2.02	Purchasing Structure and Organisation	<ul style="list-style-type: none"><li>Purchasing organisation structure</li><li>Status of purchasing</li><li>Centralization and decentralization</li><li>New approaches</li></ul>	12
15.2.03	Quality Assurance	<ul style="list-style-type: none"><li>Meaning of quality control and quality assurance</li><li>Aspects in Quality Assurance</li><li>Importance of Quality Assurance</li><li>Role of Kenya Bureau of Standards in Quality Assurance</li><li>Techniques of quality assurance</li><li>Types of quality standards</li></ul>	12

Code	Sub-Module Units	Content	Time (Hours)
15.2.04	Sourcing	<ul style="list-style-type: none"> <li>• Supplier development programme</li> <li>• Building and maintaining suppliers</li> <li>• Evaluation of suppliers</li> </ul>	12
15.2.05	Supplier and Market Behaviour	<ul style="list-style-type: none"> <li>• Market structure</li> <li>• Pricing strategies</li> </ul>	12
15.2.06	Purchases and Contract	<ul style="list-style-type: none"> <li>• Meaning of a contract</li> <li>• Essentials of a valid contract</li> <li>• Activities involved in contract formation</li> <li>• Types of contract</li> <li>• Rights, obligations and responsibilities of the parties to a contract</li> <li>• Types of purchases</li> <li>• Methods of controlling execution of a contract</li> </ul>	6
15.2.07	Support Tools for Purchasing Decision Making	<ul style="list-style-type: none"> <li>• Tendering process</li> <li>• Forecasting technique</li> <li>• Investment appraisal techniques</li> <li>• costing techniques</li> <li>• Model and simulation</li> </ul>	14
15.2.07	Negotiation	<ul style="list-style-type: none"> <li>• Meaning of negotiation</li> <li>• Importance of negotiation</li> <li>• Phases/stages of negotiations</li> <li>• Negotiation styles</li> <li>• Strategies and tactics of negotiation</li> <li>• Composition of negotiation team</li> <li>• Qualities of a negotiator</li> </ul>	10
15.2.08	Ethics and Integrity in Purchasing	<ul style="list-style-type: none"> <li>• Meaning of integrity and ethics</li> <li>• Importance of ethics</li> <li>• Kenya Institute of Supply Management Code of Ethics</li> <li>• Role of Kenya Anti-Corruption Commission (KACC) in public procurement</li> <li>• Public officers code of ethics</li> </ul>	5

Code	Sub-Module Units	Content	Time (Hours)
		<ul style="list-style-type: none"> <li>• Causes of unethical practices and behaviors within the public sector</li> <li>• Measures of eradicating unethical purchasing practices in the public sector</li> <li>• "Do's" and the "don'ts" by the officers in public procurement</li> </ul>	
15 2 09	Emerging Issues and Trends	<ul style="list-style-type: none"> <li>• Emerging issues and trends in purchasing management</li> <li>• Challenges posed by emerging issues and trends in purchasing management</li> <li>• Coping with challenges posed by emerging issues and trends in purchasing management</li> </ul>	3
<b>Total</b>			<b>90</b>

15.2.01	<b>INTRODUCTION TO PURCHASING MANAGEMENT</b>	15.2.01T2	Importance of purchasing management - Reduction of suppliers cost - Identification of critical materials - Total quality management
	<b>Theory</b>		
15.2.01T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:	15.2.01T3	Ways of organising purchase and supply functions
	a) explain the objectives of purchasing function in an organisation		
	b) explain the importance of purchasing function in an organisation	15.2.01P	<b>Practice</b> <i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to discuss the importance of purchasing function in an organisation
	c) describe ways of organising purchase and supply functions.		
15.2.01C	<b>Competence</b> The trainee should have the ability to identify critical materials in an organisation.	15.2.01P1	<i>Content</i> Class discussion on importance of purchasing function in an organisation
	<i>Content</i>		
15.2.01T1	Objective of Purchasing function - Right quality - Right time - Right place - Right quantity - Right price		<i>Suggested Teaching/Learning Activities</i> - Discussion - Note taking - Observation  <i>Suggested Teaching/Learning Resources</i> - Textbooks - Charts - Resource persons

	<i>Suggested Evaluation Methods</i>	15.2.02T2	Status of purchasing
	- Assignments		- High level
	- Written Reports		- Middle level
15.2.02	<b>PURCHASING STRUCTURE AND ORGANISATION</b>	15.2.02T3	- Low level
	<b>Theory</b>		Centralization and decentralisation of purchasing
15.2.02T	<i>Specific Objectives</i>		- Definition of centralization and decentralisation purchasing
	By the end of the sub-module unit, the trainee should be able to:		- Advantages centralization and decentralisation purchasing
	a) describe purchasing organisation structure		- Disadvantages centralization and decentralisation purchasing
	b) explain the status of purchasing in an organisation structure	15.2.02T4	New approaches
	c) discuss centralized and decentralized structure		- Combined structures
	d) discuss the new approaches to purchasing structures.	15.2.02P	<b>Practice</b>
15.2.02C	<b>Competence</b>		<i>Specific Objective</i>
	The trainee should have the ability to identify different organisation structures applied by different organisations.		By the end of the sub-module unit, the trainee should be able to illustrate the purchasing organisation structure
		15.2.02P1	<i>Content</i>
15.2.02T1	<i>Content</i>		Illustration of Purchasing organisation structure
	Purchasing organisation structure		<i>Suggested Teaching/Learning Activities</i>
	- Vertical		- Note taking
	- Horizontal		- Observation
			- Class presentation

	<p><i>Suggested Teaching/Learning Resources</i></p> <ul style="list-style-type: none"> <li>- Textbooks</li> <li>- Resource persons</li> <li>- Internet</li> <li>- Relevant journals</li> </ul>	15.2.03C	<p><b>Competence</b></p> <p>The trainee should have the ability to apply quality assurance and control techniques in purchasing</p>
	<p><i>Suggested Evaluation Methods</i></p> <ul style="list-style-type: none"> <li>- Oral tests</li> <li>- Assignments</li> </ul>	15.2.03T1	<p><i>Content</i></p> <p>Meaning of terms</p> <ul style="list-style-type: none"> <li>- Quality control</li> <li>- Quality assurance</li> </ul>
15.2.03	<p><b>QUALITY ASSURANCE</b></p> <p><b>Theory</b></p>	15.2.03T2	<p>Aspects of quality assurance</p> <ul style="list-style-type: none"> <li>- Design</li> <li>- Specification</li> <li>- Assessment of supplier</li> <li>- Motivation of workers</li> <li>- Training of staff</li> <li>- Feedback communication</li> <li>- Certification by International Standards organisation (ISO) or Kenya Bureau of Standards (KEBS)</li> </ul>
15.2.03T	<p><i>Specific Objectives</i></p> <p>By the end of the sub-module unit, the trainee should be able to:</p> <ol style="list-style-type: none"> <li>a) explain the meaning of quality control and quality assurance</li> <li>b) describe aspects covered in quality assurance</li> <li>c) explain the importance of quality assurance</li> <li>d) explain the rôle of the Kenya bureau of standards in quality assurance</li> <li>e) explain the techniques of quality assurance</li> <li>f) identify types of quality standards.</li> </ol>	15.2.03T3	<p>Importance of quality assurance</p> <ul style="list-style-type: none"> <li>- Defect prevention</li> <li>- Cost prevention</li> <li>- Competitive advantage</li> </ul>
		15.2.03T4	<p>Role of the Kenya Bureau of Standards (KEBS) in quality assurance</p>

15.2.03T5	Techniques of quality assurance Fish bone - Benchmarking - Computer Aided Design (CAD) - Failure mode and effect analysis - Quality Circles - Cross functional quality teams - Standardisation		<i>Suggested Evaluation Methods</i> - Assignments - Oral tests
		15.2.04	<b>SOURCING</b>
			<b>Theory</b>
15.2.03T5	Types of quality standards	15.2.04T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to: a) explain supplier development programme b) build and maintain suppliers relationships c) evaluate suppliers.
15.2.03P	<b>Practice</b> <i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to carry out inspection of goods, works and services.	15.2.04C	<b>Competence</b> The trainee should have the ability to: i) evaluate suppliers ii) develop supplier iii) build and maintain suppliers relationships
15.2.03P1	<i>Content</i> Class presentation on Inspection of goods, works and services		
	<i>Suggested Teaching/Learning Activities</i> - Discussion - Note taking - Observation	15.2.04T1	<i>Content</i> Supplier development - Technical - Financial - Training - Management support - Shared facilities - Purchasing assistance
	<i>Suggested Teaching/Learning Resources</i> - Textbooks - Charts	15.2.04T2	Building and maintaining supplier relationship - Joint-problem solving - Feedback communication - Trust

15.2.04T3	Supplier evaluation - Technical aspect - Financial aspect	15.2.05	<b>SUPPLIER AND MARKET BEHAVIOUR</b>
	<b>Practice</b>		<b>Theory</b>
15.2.04P	<i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to choose an appropriate source of goods and services, works	15.2.05T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to: a) discuss different market structures b) discuss the pricing strategies in different market structures.
15.2.04P1	<i>Content</i> Choice of an appropriate supplier		
	<i>Suggested Teaching/Learning Activities</i> - Discussion - Note taking - Observation	15.2.05C	<b>Competence</b> The trainee should have the ability to apply various pricing strategies in different market conditions.
	<i>Suggested Teaching/Learning Resources</i> - Textbooks - Charts - Relevant journals	15.2.05T1	<i>Content</i> Market structures - Perfect competition - Oligopoly - Monopoly - Duopoly
	<i>Suggested Evaluation Methods</i> - Oral Tests - Assignments	15.2.05T2	Pricing strategies - Fixed price - Cost reimbursable/cost price - Target price - Cost plus - Market price



	<i>Practice</i>		
15.2.05P	<i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to discuss various pricing strategies in different market conditions.		<ul style="list-style-type: none"> <li>a) explain the meaning of a contract</li> <li>b) describe the essentials of a valid contract</li> <li>c) identify activities involved in contract formation</li> <li>d) describe the various types of contract</li> <li>e) distinguish different types of purchases</li> <li>f) identify rights, obligations and responsibilities of the parties to a contract</li> <li>g) describe methods of controlling execution of a contract.</li> </ul>
15.2.05P1	<i>Content</i> Class discussion on the pricing strategies in different market conditions		
	<i>Suggested Teaching/Learning Activities</i>		
	<ul style="list-style-type: none"> <li>- Discussion</li> <li>- Note taking</li> <li>- Observation</li> </ul>		
	<i>Suggested Teaching/Learning Resources</i>		
	<ul style="list-style-type: none"> <li>- Textbooks</li> <li>- Charts</li> <li>- Relevant journals</li> </ul>	15.2.06C	<b>Competence</b> The trainee should have the ability to participate in drafting a purchase contract.
	<i>Suggested Evaluation Methods</i>	15.2.06T1	<i>Content</i> Meaning of a contract
	<ul style="list-style-type: none"> <li>- Tests</li> <li>- Assignments</li> </ul>	15.2.06T1	Essentials of a valid contract
		15.2.06T1	Activities involved in contract formation
15.2.06	<b>PURCHASES AND CONTRACTS</b>	15.2.06T2	Types of contract
	<b>Theory</b>		<ul style="list-style-type: none"> <li>- Fixed/lump sum</li> <li>- Turn-key</li> <li>- Target</li> <li>- Cost reimbursable</li> </ul>
15.2.06T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:	15.2.06T2	Rights, obligations and responsibilities of the parties to a contract

15.2.06T1	Types of purchases - Small orders (small value purchases) - High value orders/ Big order	15.2.07	<b>SUPPORT TOOLS FOR PURCHASING DECISION MAKING</b>
15.2.06T1	Methods of controlling execution of a contract	15.2.07T	<b>Theory</b>
15.2.06P	<i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to come up with duties, Rights, obligations and responsibilities of the parties to a contract		<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:
15.2.06P1	<i>Content</i> Rights, obligations and responsibilities of the parties to a contract		a) describe tendering process b) apply forecasting techniques in purchasing c) apply appropriate investment appraisal techniques d) explain various costing techniques used in making buying decisions e) apply modeling and simulation approaches.
	<i>Suggested Teaching/Learning Activities</i> - Discussion - Note taking - Observation	15.2.07C	<b>Competence</b> The trainee should have the ability to use quantitative and qualitative techniques in decision making.
	<i>Suggested Teaching/Learning Resources</i> - Textbooks - Relevant journals	15.2.07T1	<i>Content</i> Tendering process - Invitation to bid - Receipt of bids - Opening and evaluation of tender - Award of tender - De-briefing
	<i>Suggested Evaluation Methods</i> - Oral tests - Assignments		

15.2.07T2	Techniques of forecasting - Quantitative - Qualitative		<i>Suggested Teaching/Learning Activities</i> - Discussion - Note taking - Observation
15.2.07T3	Techniques of investment appraisal - Traditional methods (Undiscounted methods) - Modern methods (Discounted methods)		<i>Suggested Teaching/Learning Resources</i> - Textbooks - Charts - Resource persons - Relevant journals
15.2.07T4	Costing techniques - Marginal - Standard - Absorption - Life cycle costing - Target costing		<i>Suggested Evaluation Methods</i> - Assignments - Class presentations
15.2.07T5	Modeling and simulation approaches - Modeling - Simulation		

## 15.2.08

## NEGOTIATION

### Practice

15.2.07P	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to: a) prepare tenders b) apply investment appraisal methods
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### Content

15.2.07P1	Preparation of tenders
15.2.07P2	Application of Investment Appraisal Methods - Accounting Rate of Return - Net Present Value - Payback Period - Profitability Index - Internal Rate of Return

### Theory

## 15.2.08T

<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to a) explain the meaning of negotiation b) explain the importance of negotiation c) describe the phases/stages of negotiation d) evaluate the various negotiation styles e) explain the various strategies and tactics used in negotiation f) explain the composition of an effective negotiation team
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	g) explain the qualities of a good negotiator.		<i>Suggested Teaching/Learning Resources</i>
15.2.08C	<b>Competence</b> The trainee should have the ability to manage negotiation process		- Resource persons - Internet - Relevant journals
	<i>Content</i>		<i>Suggested Teaching/Learning Activities</i>
15.2.08T1	Meaning of negotiation		- Discussion
15.2.08T2	Importance of negotiation		- Note taking - Observation
15.2.08T3	Phases/stages of negotiation		<i>Suggested Evaluation Methods</i>
	- Pre-negotiation - Actual negotiation - Post negotiation		- Written Tests - Assignments
15.2.08T4	Negotiation styles		
	- Win-Win - Win-Lose	15.2.09	<b>ETHICS AND INTEGRITY IN PURCHASING</b>
15.2.08T5	Strategies in negotiation		<b>Theory</b>
	- Partnership - Adversarial - Tactics		<i>Specific Objectives</i>
15.2.08T6	Qualities of a good negotiator	15.2.09T	By the end of the sub-module unit, the trainee should be able to;
	- Communication skills - Planner - Listener		a) explain the meaning of the terms ethics, integrity and professionalism
	<b>Practice</b>		b) discuss the importance of ethical buying to an organisation
15.2.08P	<i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to come up with the negotiation styles in an organisation		c) identify the causes of unethical practices and behaviors within the public sector
	<i>Content</i>		
15.2.08P1	Negotiation skills		