2. The complexity of the supply market, gauged by supply scarcity, pace of technology and/or materials substitution, entry barriers, logistics cost or complexity, and monopoly or oligopoly conditions.

Kraljic further claims that ‘by assessing the company’s situation in terms of these two variables, top management and senior Procurement executives can determine the type of supply strategy the company needs both to exploit its procurement power vis-à-vis important suppliers and reduce its risk to an acceptable minimum.’

*Figure 2.1 on page 36 in your textbook shows the involvement of procurement at strategic, tactical and operational levels. We shall discuss the development of the different types of supply strategies later in Unit 3.*

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**Activity 1.5**

What are the key responsibilities for Procurement function in relation to the development of corporate strategies? Give examples of the implications for Procurement function in corporate decisions on what products and services to sell.

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**Summary**

Ultimately, procurement’s measure of its contribution needs to be seen in the success of the organisation as a whole. Contributing operationally and strategically, directly and indirectly, and in a positive mode, the Procurement function is contributing to its full potential when the way the procurement relates to its internal interfaces and the suppliers brings about performance better than the competition and greater customer satisfaction.

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**Self-test 1.3**

How do the procurement activities affect product quality in an organisation? What other areas could also have contributed to product quality issues? How could the findings be applied to strategic formulation and competitive positioning?