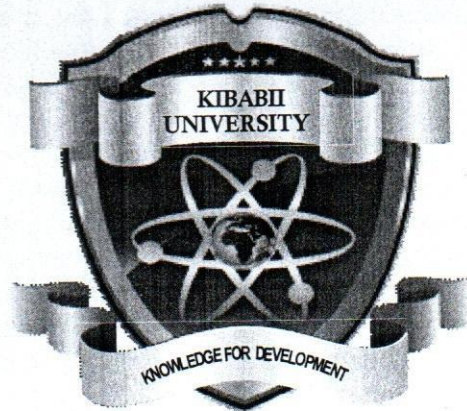


(20)

KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

**2019/2020 ACADEMIC YEAR
FOURTH YEAR SECOND SEMESTER
MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT**

COURSE CODE: BBL 424

**COURSE TITLE: RISK MANAGEMENT IN SUPPLY
CHAIN**

DATE: 12/11/2020

TIME: 9.00 – 11.00AM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

QUESTION ONE (COMPULSORY)

CASE - ENTERPRISE LIMITED (EL)

Enterprise Limited (EL) was founded over 20 years ago as a leading motor lubricant manufacturing and trading company. The lubricants division generated revenue in excess of Sh.280 million per annum. EL's products were sold through a number of channels including retailers and petrol stations. Given EL's size it could not source plastic bottles for lubricants from any single supplier. It had to award a 3 year call off contract to two (2) suppliers; Super pack and Grand Plastics. Both suppliers were equally comparable in terms of product quality, capacity and industry experience. EL enjoyed a long-term relationship with the two suppliers. About Sh.6 million was spent annually on plastic bottles. Super Pack and Grand Plastics supplied 70% and 30% of this volume respectively. Both suppliers complied with delivery terms during the first two years of the contract. Super Pack, however began to experience challenges during the beginning of the third year. Super Pack (SP) has been in business of plastic bottles manufacturing for over 10 years. Its product line varied from small 90ml cosmetic tubes to 5 liters bottles. SP operates a manual production line that placed it at a competitive disadvantage relative to Grand Plastics that use semi fully automatic machinery. Despite this factor, SP has been a low price bidder over the past two (2) contract years. EL's business has represented 60% to 70% of SP's annual revenue. Johnson, the company's purchasing manager, received an email from the lube plant manager that a meeting had been called to discuss a shortage of plastic bottles from one of its suppliers. In the meeting with the EL's plant manager, Johnson was informed that due to workers strike at SP, production had been halted. EL's weekly orders would go unfilled. The plant manager went on to inform Johnson of other problems that had occurred at SP recently. SP's Managing Director (MD) had been sacked on short notice without any explanation. The new MD announced that there would be no bonus payments this year. As a result, workers at SP became dissatisfied and unproductive. A strike soon followed that lasted two (2) weeks.

The plant manager expressed his concerns that the strike would cost Sh.770,000 per day. Losses would mount during the upcoming holiday season as the public travelled more and needed lubricants for their vehicles.

Purchasing from the other supplier proved difficult. Grand Plastic was at 90% capacity of its production volume. As Grand Plastics worked with a number of EL's competitors, EL was concerned that increasing its orders might provide competitors with some market intelligence and hurt the company in the long run. From the scenario, it was evident that the shortage meant that the plant would be unable to meet production goals and sales would be lost.

In relation to the case above;

- i. Explain THREE major supply chain vulnerabilities in EL. (10 marks)
- ii. Examine FIVE ways Johnson can mitigate the above vulnerabilities. (10 marks)
- iii. Advice EL on THREE reasons why they may need to consider switching their suppliers. (10 marks)

(30 marks)

QUESTION TWO

- a) The KIBU Procurement Students Association has argued that risk management should be added to the required core of knowledge in BCOM. To what extent do you agree or dis-agree that "risk management" should be a required "CORE" course in the business curriculum? Use practical examples in your answer. (10 marks)
- b) Assess THREE sources of risk that can impact on the vulnerability of globalized supply chains. (10 marks)
- (20 marks)**

QUESTION THREE

- a) How can a company ensure that its supply chain is resilient to unexpected events? (10 marks)
- b) "Creating a culture of risk awareness thought the organization is generally an effective method in reducing the likelihood that an organization will be exposed to **hidden risks**" Explain how this can be done with examples form an organization of choice. (10 marks)
- (20 marks)**

QUESTION FOUR

- a) "With *increasing consumer spending online, major retail businesses are finding it difficult to control costs and manage administration in respect of customer returns. Customer satisfaction will be severely impacted if customers are kept waiting too long for replacement items and inconvenienced by the need for them to arrange shipment of the faulty goods*" Explain the role of communication and consultation in managing risks in the supply chain? (10 marks)
- b) Distinguish between the following as used in Supply Chain Risk Management:
- i. Risk Acceptance and Risk Avoidance (2 marks)
 - ii. Operational Risk and Project Risk (2 marks)
 - iii. Shareholder and Stakeholder (2 marks)
 - iv. Treatment and Transfer (2 marks)
 - v. Risk Capacity and Risk Exposure (2 marks)
- (20 marks)**

QUESTION FIVE

- a) Describe the nature, contents and use of a risk register in Supply Chain Risk Management? (10 marks)
- b) Briefly explain the following concepts as used in Supply Chain Risk Management
- i. Demand Risks (2 marks)
 - ii. Secondary Risk (2 marks)
 - iii. Reverse Logistics (2 marks)
 - iv. Risk Charter (2 marks)
 - v. Exogenous Uncertainty (2marks)
- (20 marks)**