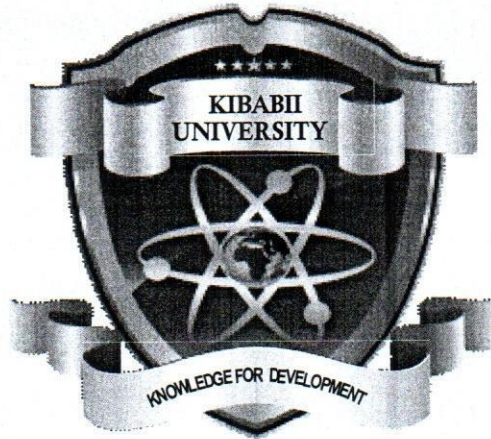


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# KIBABII UNIVERSITY



## UNIVERSITY EXAMINATIONS

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

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCP 424**

**COURSE TITLE: SUPPLY CHAIN PERFORMANCE  
MEASUREMENT**

**DATE: 09/11/2020**

**TIME: 9.00 – 11.00AM**

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### 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**

### **Case Study: Advanced Warehouse Systems: Increasing Competitiveness**

#### **Introduction**

Advanced Warehouse Systems (AWS) are manufacturers of racking and storage systems for a range of industrial applications. Established in 1980, by a sales director and financial director from the then market leader, the company recognised the growth potential of the logistics industry in relation to international supply and distribution and the need for flexible-modular systems for warehousing requirements. The product range includes bought-in items such as racking, shelving, and storage products, though the main turnover comes from bespoke products, made at a manufacturing facility located in the north-east of England. This facility deals with special order projects, for applications in adverse environments (for example, chemical or bio-hazard) or where a high degree of automation is required (for example, mechanical picking operations).

#### **Operations**

The head office is located in central England, where the design, research and development, marketing, sales, finance and IT functions are housed. Each site is responsible for its own purchasing and human resources. AWS provides turnkey (all inclusive) solutions directly to its customers. The turnkey solutions are managed by regional project managers situated throughout the UK and Europe. Alternatively, it supplies products to approved installation firms, which deal with smaller contracts. The markets are predominantly UK and mainland Europe, with an increasing shift towards Eastern Europe being noted due to increased industrialisation and consumer activity. Transportation of the product is generally by road haulage and via ports where required.

#### **Information Technology**

AWS has introduced an intranet to share project information within the company. This has improved the transfer of data between the functions; but has it failed to deliver the expected benefits of quality improvement (from better document control) or cost (from improved project planning). On-site data capture is shortly to be introduced which will mean time from site survey to design completion will be further reduced, if correctly operated.



## **The Business Environment**

Competition has increased in the budget sector of the market due to accessibility and improved quality of Far East sub-contract manufacturers. Additionally, margins have been squeezed due to the rising price of raw materials and the rising costs of paint finishing due to environmental control pressures. With increased outsourcing of warehousing and distribution there has been a rise in specialist logistics companies, which are now gaining buyer power due to their increased size.

## **The Objectives of the Business**

AWS has identified three key objectives for the next three to five years:

- development of the mainland European presence and the establishment of a permanent operations office in Germany
- a reduction in costs of 2.5% year-on-year to protect margins
- expansion of the bespoke services provision, where differentiation by technical ability is likely to protect margins.

## **Supply Chain Concerns**

At a meeting of the board of directors the managing director expressed the following concerns for AWS:

1. Regulatory requirements of the industry are more demanding. There is more emphasis on health and safety, and the financial implications of employing sub-contracted labour. Differential legislative practices across Europe are proving difficult to manage with regard to these factors.
2. The current manufacturing sites are operating close to capacity.
3. Contracts have started late due to delays in distribution of the product; these delays have been experienced due to incidents of industrial action at ports and increased customs' controls.
4. Supply disruptions to certain raw materials have disturbed production schedules raising a requirement for overtime working and associated additional cost.
5. The transport fleet costs of operation are steadily rising due to fuel, wage, maintenance, licensing and insurance costs.
6. The diversity of projects being undertaken (from a technical perspective) has increased the supply base substantially.

The managing director has asked the functional directors of the organisation to report back on aspects of the above with their recommendations on how to address.

**Required:**

- a) Explain how AWS might identify and select appropriate suppliers for significant potential outsourcing activities **(10 marks)**
- b) Explain how AWS would manage appropriate suppliers for effective supply chain performance in its outsourcing activities **(10 marks)**
- c) Recommend how AWS might prepare for and conduct negotiations with potential partner organizations **(10 marks)**

**(Total: 30 marks)**

**QUESTION TWO**

- a) Explore how the Procurement Function can support significant growth objectives for an organization **(10 marks)**
- b) Explore how *Ray Carter's 10C's* of Supplier Appraisal can be used by the procurement function to improve competitiveness **(10 marks)**

**QUESTION THREE**

- a) Explain Five Potential Information and Communications Technologies that can be used in supporting competitive supply chains performance. **(10 marks)**
- b) Explain the potential role of Information and Communications Technology in supporting a competitive supply chains performance. **(10 marks)**

**QUESTION FOUR**

Supplier segmentation exercise can contribute to the effective management of the supply base hence an improved supply chain performance.

- a) Describe Three ways that can be used to segment the supply base. **(10 marks)**



- b) Explain any Five Rights of Procurement show how they would be used to improve the performance of a segmented supply chain. **(10 marks)**

**QUESTION FIVE**

Explain Five Quality Initiatives that can be used to improve the Supply Chain Performance in a Food Manufacturing Industry **(20 marks)**