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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

**2021/2022 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
MAIN EXAMINATION**

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCP 312

**COURSE TITLE: STRATEGIC SUPPLY CHAIN
MANAGEMENT**

DATE: 19/05/2022

TIME: 9.00AM – 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

Read the case study below and answer the questions that follow. Marks allocated to each question are shown at the end of the question.

CASE STUDY

PUGO KENYA

The standard newspaper Kenya (4 February 2017) carried an article in the business section regarding the “return” of the French car assembler Pugo to Kenya. Mr Jean Marie, the Vice President for Pugo Middle East and Africa is reported to have disclosed this after a meeting with the President of Kenya.

It was reported the company will invest about Sh.1.2 billion in the new assembly plant at industrial area, Nairobi. It is further estimated that about 200 jobs will be created with an initial roll out of about 1,000 cars to the market. Although Pugo has many brand portfolios. It was reported that it will begin assembling its famous brand Pugo 805.

The entry for this carmaker in the Kenyan market is driven by local demand factors. The current generation in Kenya has taste for cars. The entry of Pugo follows that of Volks another car maker already assembling affordable vehicles at an assembly plant in Thika. Its vehicles are distributed by RM. According to this report, UR will be the new Pugo franchise dealer for the Kenyan market. Pugo ceased its assembly operations in Kenya in 2004 and severed business links with the dealer then.

The decision to assemble Pugo cars in Kenya through UR exposes the car to a long and complex supply chain. According to the principles of setting up a tiering structure in similar organisations, Yako will play the role of an Original Equipment Manufacturer (OEM) for the Kenyan market then Pugo becomes the top level purchaser. The fact is Pugo has basically outsourced assembly of its vehicles to UR in Kenya.

A vehicle on the road is actually a confederation of various parts, sub-components, components, sub-assemblies and assemblies. Therefore, there is a “chain” of supplier involvement in the assembly of a vehicle. UR will be receiving complete knockdown Kits (CKD) from overseas. The CKD Kits are a unit load containing major components in a car. UR will basically be “breaking bulk” then assembling the car. Kenya is not a major manufacturer of many vehicle requirements such as engines and gear boxes therefore those are sourced from overseas.

A closer look at an assembly plant will reveal that a vehicle passes through different stages. At some point local materials are required such as paint, steel sheets, textile, plastic and rubber products. Once the complete unit is ready, another decision to be made is about how the product will reach the market. UR/Pugo partnership will face local

competition from vehicle industrial players such as Toyota, Nissan, VW including imported second hand cars from Japan, UK and UAE among others.

In the late 80s and early 90s most of manufacturing industries closed shop and relocated to emerging economies in Asia. The argument then and now is that it is difficult to do business in Kenya because of high costs and corruption. The exodus from Kenya by manufacturers benefited countries such as China, Singapore, Malaysia, Thailand and South Korea.

The procurement and supply chain function impacts on organisation performance in terms of profits. There are various ways in which this function can “add value” to organisations such as Pugo or UR. The procurement and supply chain team recruited by UR has a big task ahead; “to implement best practices especially in sourcing and supplier management”.

- a) Evaluate how outsourcing assembly of Pugo cars may affect its competitive advantage. (10 marks)
- b) There are various ways in which the function of procurement and supply chain can “add value” to organisations such as Pugo or UR in the different processes. Discuss. (10 marks)
- c) Discuss the best practices that the organisation can implement to achieve success in its process and practices. (10 marks)

QUESTION TWO

- a) You have been appointed to head a team from your organization on supplier appraisal visit to supplier to ascertain their capability. Explain the aspects that your team will cover in the assessment. (10 marks)
- b) Discuss the different inventory control techniques that can be used to ensure adequate stock is held in the supply chain by different supply partners (10 marks)

QUESTION THREE

- a) Discuss the following terms as it pertains to supply chain management
 - (i) Internal functions
 - (ii) Upstream external suppliers
 - (iii) External downstream supply chain(10 marks)

b) Consider the supply chain involved when a customer purchases sugar in the supermarket. Identify the decision phases in this supply chain. (6 marks)

c) The term supply chain management does not have a universally agreed definition. Consider other different views of supply chain management. Conceptualize your own definition of supply chain management. (4 marks)

QUESTION FOUR

a) There has been a lot of discussion among practitioners on the benefits of supply chain management (SCM). Discuss any five such benefits of SCM to an organization. (10 marks)

b) Outsourcing has become popular in the current supply chain management" discuss the validity of this statement stating the pro and cons of outsourcing and what the future portends for it as a means to achieving supply chain excellence (10 marks)

QUESTION FIVE

a) What is meant by the term lean supply chain and what are the principles of lean thinking (8 marks)

b) Explain the seven (7) forms of waste associated with each thinking and give examples of each for a food supply chain to supermarkets. (12 marks)