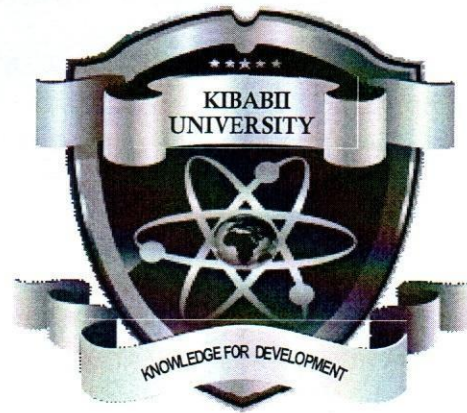


KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

MAIN EXAMINATION

2020/2021 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCP 411

COURSE TITLE: MANAGING SUPPLY CHAIN RELATIONSHIPS

DATE: 02/08/2021

TIME: 2.00PM-4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE (compulsory) and ANY OTHER TWO questions

QUESTION ONE

Case study: Kummins and Koshiha

In the eighties, Kummins's innovative idea was to develop a diesel engine with no need for a cooling system. Thus, the crucial issue for the project was to develop sustainable ceramic components. Kummins started its selection process of finding appropriate suppliers for developing the ceramic. A great deal of visits and communications with different suppliers were held. One of the companies that came to attention was the Japanese producer of ceramic Koshiha.

However, during the early phase of project the conditions for Kummins changed, due to research proved that redesign of the engine could be made in order to achieve energy efficiency. The ceramics could also be used to other functions due to its new discovered wear resistant. Kummins now initiated a R&D program for exhibiting a solution. The research showed that silicon nitride was the material that was needed to perform the operation. Kummins started a new evolution process of potential suppliers. At the end of this process Koshiha was the most suitable company because they had the same way of working and common objectives and attitudes.

After executive negotiations, both companies decided to consider a joint relationship. It was also agreed on a common working plan with the same time table etc. Koshiha and Kummins created a common project team consisting of people from each of the companies. Although, the intention was to jointly decide which components that were essentially to go further with for development. The wear resistance components were preceded and tested from both companies. After successful technical development and cost minimization of the components of the engine, Koshiha was appointed for the manufacturing part of the engine and Kummins for the design. At this time, there were great deals of technical uncertainties in regards to the result of the new engine.

In early 1987, the team had managed to achieve adequate performance data, but with no customers. At the same moment, Kummins had experienced some major engine components wear problems, which required redesign of the components. Kummins decided to consider a field test with about 60 engines, and by this in the end of 1989 they managed to get rid of the problem. They could now equip all the engines with correct ceramic components that were found during the field test. At this time the relationship and thereby the cooperation between Koshiha and Kummins was so successful that they formed a joint venture named "Engineering ceramic Technologies" (Enceratec) in the US.

Finally, there were two main reasons why "Enceratec" was founded. At first the both companies felt that they had developed a joint unique competence together. The second reason was that Koshiha had an unoccupied capacity in its production and thereby a need to cover the unoccupied capacity. From Kummins point of view, the interest of reducing production cost of purchased components was one of the underlying backgrounds to the joint venture with Toshiba.

Questions

- a) Basing on the case study using the life cycle model of buyer supplier relationship, discuss the stages that Kummins and Koshiba underwent in the development of a joint venture **(10 marks)**
- b) Kummins started its selection process of finding appropriate supplier for developing the ceramic. Discuss the process vividly. **(10 marks)**
- a) No relationship can or should be expected to last forever as organisations operate in a dynamic environment. The ending of relationship does not necessarily mean failure. With regard to the above case, Koshiba and Kummins can terminate their relationship. Discuss the reasons for both companies terminating their relationship **(10 marks)**

QUESTION TWO

- a) Describe two main types of relationships that might exist between suppliers and buyers. Explain the circumstances that favour each type of relationship. **(10 marks)**
- b) Cox presents a step ladder that are characterised by extensive information sharing, long-term partnering and a greater scope of products purchased from one supplier. Discuss these steps. **(10 marks)**

QUESTION THREE

- a) Outline and discuss the possible ethical issues arising from buyer supplier interaction **(10 marks)**
- b) Holmlund *et al* classify interaction between two or more enterprise as taking place on five different aggregation levels. Discuss these levels. **(10 marks)**

QUESTION FOUR

- a) Examine why organisation should engage in developing supply chain relationship **(10 marks)**
- b) Discuss the advantages and the disadvantages of an outsourced relationship for an organisation. **(10 marks)**

QUESTION FIVE

The Kraljic purchasing portfolio model aims at guiding managers to recognize the weakness of their organisation and formulate strategies for guarding against disruptions. Discuss the model giving examples under the headings 'leverage items', 'strategic items', 'non critical items' and 'bottleneck items' **(20 marks)**