

# KISM AND KASNEB

## CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

### PART II

#### SUPPLY CHAIN MANAGEMENT FOR SMEs

WEDNESDAY: 24 May 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

#### SECTION A

##### QUESTION ONE

- (a) Highlight FIVE factors SMEs must consider when developing supply chains. (5 marks)
- (b) State FIVE benefits that accrue to SMEs that embrace environmental sustainability. (5 marks)
- (c) Describe the role of innovation in improving supply chain performance for SMEs. (5 marks)
- (d) Outline FIVE characteristics of strategic business decisions made in SMEs. (5 marks)

**(Total: 20 marks)**

#### SECTION B

##### QUESTION TWO

- (a) Discuss the importance of good leadership skills for SMEs in supply chain management. (10 marks)
- (b) Evaluate FIVE financial risks that face SMEs. (10 marks)

**(Total: 20 marks)**

##### QUESTION THREE

- (a) Explain the role of marketing in supply chain performance. (10 marks)
- (b) Explain the importance of establishing good buyer-supplier relationship. (10 marks)

**(Total: 20 marks)**

#### SECTION C

##### QUESTION FOUR

##### CASE STUDY

XYZ is an SME company offering services in the financial and building society sector. The company's new Chief Executive Officer moved into the position from a manufacturing organisation. She recently engaged a consultant to study the way in which procurement and supply chain management is conducted at XYZ. The consultant's report had the following findings:

- Each part of the organisation is empowered to create contracts and establish partnerships with suppliers.
- The banking arm of the business has a procurement manager whereas the building society employs a chief buyer.
- There are over 500 suppliers to the organisation but no expenditure analysis is available.
- In the past year there were 5,000 purchase orders placed with suppliers, 40% of the orders were issued after receipt of an invoice.
- In each part of the organisation, departments and individuals have authority to place contracts without involvement of procurement officers.
- There are currently four major disputes relating to infringement of property rights, breach of contract for not taking agreed quantities of printing, late installation of IT system and theft of goods from third party leased warehouse.
- There is no cost reduction target, supplier rationalisation or relationship management strategy.

The CEO has noted that this style of procurement and supply chain management is affecting overall performance and intends to change it.

**Required:**

- (a) Explain how you would reorganise the procurement department given the opportunity. (8 marks)
  - (b) Describe how you would persuade the departments that procurement and supply chain management can add value to their expenditure. (10 marks)
  - (c) Propose recommendations for dealing with disputes with suppliers. (12 marks)
  - (d) Discuss the ethical principles that you would include in the supply chain management policy for XYZ. (10 marks)
- (Total: 40 marks)**

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# KISM AND KASNEB

## CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

### PART II

#### SUPPLY CHAIN MANAGEMENT FOR SMEs

WEDNESDAY: 25 May 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

#### SECTION A

##### QUESTION ONE

- (a) Explain FOUR characteristics of small and medium enterprises (SMEs) that distinguish them from other enterprises. (4 marks)
- (b) Highlight SIX components of a business plan. (6 marks)
- (c) Describe TWO practices SMEs could adopt to manage relationships with other supply chain partners. (4 marks)
- (d) Y Compliant Ltd. was established in the year 2015. Its core business is to manufacture plastic wall and floor tiles. This is a new brand of tiles in the market.

Explain to the management of Y Compliant Ltd. the product lifecycle likely to be experienced by the new brand of tiles in the market. (6 marks)

(Total: 20 marks)

#### SECTION B

##### QUESTION TWO

- (a) Discuss the relevance of the triple bottom line framework to SMEs. (10 marks)
- (b) Examine five information technology tools that could be used by SMEs to increase operational efficiency and effectiveness. (10 marks)

(Total: 20 marks)

##### QUESTION THREE

- (a) Describe THREE levels of a supply chain strategy, giving examples. (10 marks)
- (b) Evaluate the importance of a supply chain strategy for an SME. (10 marks)

(Total: 20 marks)

#### SECTION C

##### QUESTION FOUR

Read the excerpt below and answer the questions that follow:

#### SMALL AND MEDIUM ENTERPRISES (SMEs)

Small and medium enterprises (SMEs) are considered the backbone of economies in developing countries including Kenya. SMEs play a significant role in the economy of Kenya especially through the Jua Kali Sector.

It is estimated that there are over seven million SMEs in Kenya providing employment and income to the youth and other low income earners.

Mutuma Enterprises is one of the many registered SMEs in Kenya operating in Meru County. It was registered as a business name in the year 2002 dealing in supply of stationery to both private and public institutions within the county.

The business was started with a base capital of Sh.300,000 which included a pick-up valued at Sh.120,000. The number of staff was four (4) including the two directors.

Like many SMEs in Kenya, Mutuma enterprises has suffered from constraints that lower its resilience to risks and has prevented it from the much anticipated growth to attain economies of scale.

In the year 2012, Mutuma Enterprises had grown its capital base to Sh.600,000 and a workforce of five (5) including the directors.

There was no significant growth in Mutuma Enterprises over the next ten (10) years due to challenges facing SMEs in Kenya. These challenges are not only in the areas of financing and working capital but also in development of human resource, access to Government and other private tenders and access to modern technology and information.

The introduction of e-procurement by the Government has locked many SMEs including Mutuma Enterprises from participating in Government tenders.

Most SMEs lack creditworthiness and management capacity so they have trouble in securing funds for their business activities such as procuring raw materials, products and acquiring tools of trade.

They are also regarded as insecure and costly businesses to deal with because they lack required collateral to get financial support from Banks. However, some financial institutions such as Maendeleo Bank have introduced LPO financing to mitigate this challenge. The Government has designed programmes and policies that are market driven to support SMEs. Government for example introduced a 30% preference in Government procurement for youth, women and persons with disabilities.

**Required:**

- (a) Discuss how the public sector in Kenya could benefit from participation of SMEs in public procurement. (10 marks)
- (b) Explain FIVE major challenges facing SMEs in Kenya. (10 marks)
- (c) Describe ways in which SMEs could access finances for their activities. (10 marks)
- (d) Highlight some of the emerging issues and trends in supply chain management for SMEs in Kenya. (10 marks)

**(Total: 40 marks)**

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# KISM AND KASNEB

## CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

### PART II

#### SUPPLY CHAIN MANAGEMENT FOR SMEs

WEDNESDAY: 23 November 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

#### SECTION A

##### QUESTION ONE

- (a) Define the following terms as used in Small and Medium Enterprises (SME) management:
- (i) Sole proprietor. (2 marks)
  - (ii) Partnerships. (2 marks)
- (b) Describe FIVE enablers of supply chain management for SME's. (5 marks)
- (c) Explain SEVEN supply chain challenges faced by SME's in Kenya. (7 marks)
- (d) Define FOUR types of contracts commonly used in supply chains and which impacts on structure of SME's. (4 marks)
- (Total: 20 marks)**

#### SECTION B

##### QUESTION TWO

Advise a manager of an upcoming SME on how to prepare a business risk profile, clearly indicating how each of the potential risks could be mitigated. (20 marks)

##### QUESTION THREE

Discuss the benefits and challenges that globalisation poses for small and medium enterprises in Kenya. (20 marks)

#### SECTION C

##### QUESTION FOUR

Read the case below and answer the questions that follow:

Household Appliances Ltd. is a Kenyan SME that imports a wide range of products such as washing machines, cookers, dishwashers and similar household items. Such products are sold through large retail outlets in Kenya and also directly to some corporate clients, such as hospitals and local county governments. There is rapidly growing local demand.

Some retail outlets have implemented computer assisted ordering such that as soon as an item is sold, a replacement is ordered automatically from Household Appliances Ltd. Delays in the replenishment of stock at the retail outlet can result in loss of sales. Household Appliances Ltd. has no vehicle fleet of its own and has outsourced transport to a large logistics company. This company combines distribution of Household Appliances Ltd. products with deliveries of other customers. Because of this policy, delays of upto several days can occur in replenishing the retailers stock. This has caused disputes with retailers.

The supplier of the products sold by Household Appliances Ltd. also manufactures the same items for three other competing firms in the Kenyan market. It also emerged that a preferred alternative supplier for these products has entered into a collaborative arrangement with one of Household Appliances Ltd.'s competitors for joint development of substitutes offering substantial cost and performance advantages over those currently in use. To manage losses due to the above factors, Household Appliances Ltd. has adopted a policy of keeping high levels of stock.

**Required:**

- (a) Explain FIVE sources of vulnerability in Household Appliances Ltd. supply chain. (10 marks)
- (b) Explain the steps you would recommend to improve Household Appliances Ltd's supply chain performance. (10 marks)
- (c) Discuss internal and external risks for Household Appliances Ltd. (10 marks)
- (d) Evaluate FIVE reasons why an SME operating in Kenya would prefer buying products from overseas markets to buying locally. (10 marks)

**(Total: 40 marks)**

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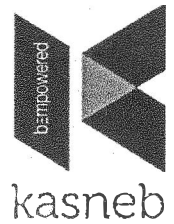




CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

SUPPLY CHAIN MANAGEMENT FOR SMEs



WEDNESDAY: 22 May 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Highlight FIVE ways in which SMEs can access financial resources for their business operation. (5 marks)
  - (b) Outline FIVE reasons why SMEs should have a strategic plan. (5 marks)
  - (c) Describe FIVE benefits that public sector organisations realise when they source from SME suppliers. (5 marks)
  - (d) Explain FIVE measures that can be used to evaluate the social and ethical performance of SME supply chains. (5 marks)
- (Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Examine FIVE factors to be considered when structuring an SME procurement function. (10 marks)
  - (b) Assess FIVE effective change management strategies that SMEs should adopt. (10 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) Analyse FIVE factors which determine SMEs export pricing in international market. (10 marks)
  - (b) Describe FIVE critical supply chain leadership skills necessary in SMEs. (10 marks)
- (Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

TIMBERLY CORPORATION

Timberly Corporation (Timberly) is one of the largest exporters of film-faced plywood (FFP) in the country. In 2005, Tim Wood and two partners founded Dovetail Enterprises, a trading company for insulation products in the country. A new trading line of imported FFP from China was added in 2007 for the local market. In 2013, Tim Wood and his partners converted Dovetail Enterprises into a joint stock company, Timberly Corporation. Business was brisk and Timberly experienced double digit growth from 2005 to 2011.

By 2010, 95% of FFP used in the country was imported from China, primarily for the construction industry. Sensing the growth in demand for higher quality FFP to support the local construction boom, the founders decided to venture into FFP production in 2011.

However after building strong brand equity in both local and foreign markets as a mid-range FFP producer, Timberly faced a major constraint to its growth ambition. Veneer, a key raw material for making FFP, was in short supply in the Country.

Therefore a key supporting strategy was identifying and cultivating a supplier base of raw materials. Sourcing veneer from overseas suppliers was expensive. Furthermore, the domestic FFP market was becoming increasingly competitive. By June 2017, an escalation in the company's order backlog due to a severe shortage in veneer led Timberly's chief executive officer, Tim Wood, to review his company's business model and strategy to sustain growth. Tim Wood considered various options to address the supply shortage and the prospect of market expansion with new products. However, there were major risks associated with all available options.

**Required:**

- (a) Discuss TWO strategic options available to Timberly Corporation to deal with the veneer supply shortage. (10 marks)
  - (b) Compose a risk profile/register for Timberly Corporation. (10 marks)
  - (c) Propose FIVE types of relationships that can be developed with the veneer suppliers. (10 marks)
  - (d) Discuss FIVE features of a Joint Stock Company (JSC). (10 marks)
- (Total: 40 marks)**
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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

SUPPLY CHAIN MANAGEMENT FOR SMEs



WEDNESDAY: 28 November 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (i) Identify FOUR elements of governance in the supply chain for SMEs. (4 marks)
- (ii) Identify FOUR key performance indicators that can be used to measure environmental sustainability in SMEs supply chains. (4 marks)
- Examine THREE challenges faced by SMEs that lack a supply chain function. (6 marks)
- (iii) Highlight SIX benefits of a proactive risk management strategy. (6 marks)
- (Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Evaluate FIVE types of strategic supply chain decisions you are likely to make in order to improve the business position of an organisation. (10 marks)
- (b) Demonstrate FIVE challenges you are likely to face as a supply chain manager of an SME. (10 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) Examine the significance of the following ratios on SMEs supply chains:
- (i) Liquidity ratios. (5 marks)
- (ii) Profitability ratios. (5 marks)
- (b) Examine FIVE contract pricing and payment terms that you would include in a purchase contract. (10 marks)
- (Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

KIRIMI AND SONS LTD

Kirimi and Sons run a business in Kahawa town that was started in 2015. Its main business is the sale of fertilizer to flower farms around the area. The business has about 15 full time employees, 6 sales persons and 3 drivers. Kirimi acts as the managing director while the sons are supervisors. The daily reports are usually handed over to the managing director.

In the year 2016, the company had sales turnover of Sh.5 million but the sales plummeted to Sh.4.8 million in 2017. An analysis of the staff indicated that the staff turnover in the last one year stood at 50%, with new staff mainly running the operations. Due to declining sales, Kirimi is facing cash flow problems and as a result he is contemplating approaching a preferred local bank with prospects of acquiring a loan facility to boost business operations. He is also considering starting a

marketing department dedicated solely to ensuring business continuity through rigorous marketing campaigns. On seeking advice from a consultant, Kirimi was advised on the following courses of action:

- 1 Develop a strategic business plan.
- 2 Negotiate for a loan facility with a reknown local bank that offers favourable terms and conditions.
- 3 Employ a different leadership style that accommodates staff's views and opinions at all levels.
- 4 Leverage on opportunities availed by technology and globalisation for effective marketing.

**Required:**

- (a) Summarise the components of a strategic business plan for Kirimi and Son's Ltd. (10 marks)
  - (b) Propose FOUR negotiation approaches that the organisation can adopt in the negotiation with the preferred bank to ensure favourable outcome. (10 marks)
  - (c) Advise Kirimi on FIVE bases of market segmentation. (10 marks)
  - (d) Evaluate FIVE opportunities availed by technology and globalisation that will enhance marketing of the organisation's products. (10 marks)
- (Total: 40 marks)**



WEDNESDAY: 23 May 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Highlight FIVE unethical trading issues to be considered when buying from an SME. (5 marks)
- (b) Describe THREE elements to be included in the sourcing plan for SMEs. (3 marks)
- (c) Outline FOUR signs that could indicate that an SME has financial difficulties. (4 marks)
- (d) Building relationships requires an understanding of how parties will work together. In this regard, SMEs must have a relationship charter.  
List EIGHT items that should feature in any relationship charter. (8 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Analyse FIVE ways through which a supply chain strategy can support a corporate and business strategy. (10 marks)
- (b) Assess FIVE roles of SMEs in achieving public procurement objectives. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Mwachuga has over the last five years operated a centralised procurement structure to cater for the needs of his business units spread across the country. He noticed some shortcomings of the structure and decided to replace it with a devolved structure.

Propose FIVE factors that he needs to consider for a successful change management. (10 marks)

- (b) (i) Assess TWO operational risks that affect SMEs supply chains. (6 marks)
- (ii) Propose TWO measures to control and mitigate the operational risks identified in (b) (i) above. (4 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

ROKO COMPANY LIMITED

Roko Company Limited is a leading private sector agricultural development company. It has been in business for ten years now. Roko has decentralised offices in two cities, but it has plans to expand nationally and within East African countries. In the current financial year, the management has formulated a new supply chain strategy to improve its financial, materials management and its planned projects. The strategy is aligned with the business objectives and market requirements. Key areas to be addressed in its material management approach are standardisation, sustainability and team approach. The company is also keen on raising awareness among its stakeholders regarding its new strategy. Frequent meetings have been conducted to promote good relationships with buyers and suppliers. At the moment, Roko Company Limited has a good information system which is not integrated with other functions and processes.

**Required:**

- (a) Discuss FIVE challenges Roko Company Limited would face in seeking grants from government for their planned expansion. (10 marks)
  - (b) Propose FIVE measures the supply chain officer should take to enhance sustainability of raw materials used at Roko Company Limited. (10 marks)
  - (c) Evaluate FIVE reasons why Roko Company Limited has adopted standardisation as a suitable supply chain strategy for its materials. (10 marks)
  - (d) Assess FIVE benefits the company would get from Centre-Led-Action-Network as a purchasing structure. (10 marks)
- (Total: 40 marks)**
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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

SUPPLY CHAIN MANAGEMENT FOR SMEs



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TUESDAY: 26 November 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Describe FOUR ways SMEs add value in the supply chain. (4 marks)
- (b) Explain THREE limitations for SME that chooses to resolve a dispute with a supply chain partner through litigation. (6 marks)
- (c) Identify SIX factors required for an effective procurement team in an SME. (6 marks)
- (d) Highlight FOUR ethical issues in an SME supply chain. (4 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Demonstrate FIVE benefits of insurance as a form of risk management for SMEs. (10 marks)
- (b) Explain FIVE key financial components of a business plan. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Analyse FIVE measures that an organisation can put in place to support SME's supplier participation in the sourcing process. (10 marks)
- (b) Describe FIVE challenges that SMEs face in the distribution process within the supply chain. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

LOUIS HOUSE OF DESIGN

Louis House of Design is a well established brand in East Africa, famous for its craftwork leather bags and t-shirts. The firm was established in Kenya by Louis Mapambo in 1960. The manufacturing of Louis House of Design products is still a labour intensive process with each team of 12 workers responsible for producing about 100 bags a day.

Following the death of Louis Mapambo, his son, Yoweri Mapambo, took over the leadership of the firm. He was ambitious about taking Louis House of Design to the next level building a global brand and setting up a multinational corporation that will achieve perfect equilibrium between machines and labour.

Louis House of Design earnings have been above average. In the last year, the company announced a record operating margin of 35%. The standard average margin in the industry was 25%. Yoweri expanded its products line by applying the craftwork and design of its leather to small leather goods, such as purses and wallets, and its whole luggage line. To assist Yoweri, Louis House of Design hired Fred Pablo as art director. Pablo is a distinguished international designer.

Since Pablo's arrival, creating limited-edition collections have become Louis House of Design's marketing strategy to capture consumer's attention reinvigorating the brands identity while boosting the bottom line. Further, the company has been offering lifetime repair guarantee to its customers.

Louis House of Design seeks to expand to the neighbouring country: Tangabara. Tangabara is known for a group oriented culture in which there is a real pressure to possess luxury brands. Successful brands such as Prada and Adidas have made Tangabara a luxury market. Times have changed and Tangabara consumers are becoming less inclined to purchase highly priced products. They have become eager to save money and have become more aware of the value for money considerations.

The Tangabara market is defined as cyclical; in the sense that there are periods of huge spending often followed by periods of slow growth and moderation. The sluggish economy is likely to complicate matters further.

**Required:**

- (a) Assess FIVE benefits of the form of business ownership seen at Louis House of Design. (10 marks)
- (b) Evaluate FIVE value adding strategies that Louis House of Design could use as it expands into Tangabara. (10 marks)
- (c) Propose FIVE qualitative demand forecasting techniques that would assist Louis House of Design to overcome the challenge of a cyclical market in Tangabara. (10 marks)
- (d) Appraise FIVE sources of capital that Louis House of Design could use to increase capacity and fund its supply chain expansion into Tangabara. (10 marks)

**(Total: 40 marks)**

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# KISM AND KASNEB

CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

## PART II

### SUPPLY CHAIN MANAGEMENT FOR SMEs

#### PILOT PAPER

September 2015.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

#### SECTION A

##### QUESTION ONE

- (a) Explain the concept of “product differentiation” in marketing. (4 marks)
- (b) Distinguish between the terms, assets, liabilities, working capital and liquidity as used in preparation of financial plans for SME’s. (4 marks)
- (c) Explain the significance of long term planning to a Kenyan SME. (4 marks)
- (d) State any four reasons why SME’s rarely implement strategies in Kenya. (4 marks)
- (e) Explain the importance of market research to an SME. (4 marks)

(Total: 20 marks)

#### SECTION B

##### QUESTION TWO

Evaluate the impact of public sector preference and reservation schemes on the growth of SME’s. (20 marks)

##### QUESTION THREE

Using an organisation of your choice:

- (a) Appraise the concept of sustainability. (8 marks)
- (b) Assess how the concept of triple bottom line can be used to achieve sustainability by SME’s. (12 marks)

(Total: 40 marks)

#### SECTION C



##### QUESTION FOUR

Use the case study below to answer the questions in this section.

##### SCF (K) Ltd.

Super Comfort Furnitures (SCF) (K) Ltd. is a Kenyan Small and Medium Enterprise (SME) in the highly competitive informal (Jua Kali) sector. SCF (K) Ltd. was started in the year 2000 with three casual employees. The company sells office furniture to the domestic market with its main customers being the major retail outlets.

The company’s main inputs include timber and metal which is obtained from uncontracted suppliers.

Over the last ten years, SCF (K) Ltd. has grown in terms of capital invested, labour force, and product range. Mr. Kayo, the proprietor, has relied on knowledge and skills gained from trainings and workshops occasionally organised by the Ministry of Industrialisation to manage his expanding business. Financial resources to manage his recurrent expenditure are limited, mainly due to delayed payment by his customers.

The suppliers on the other hand have insisted on prompt payment for their deliveries. He has outstanding orders for three county governments and hardly has any resources to fulfill the orders.

Mr. Kayo approaches you for professional help.

**Required:**

- (a) Examine the supply chain risks that SCF (K) Ltd. may be facing and suggest possible mitigation measures. (10 marks)
- (b) Discuss five leadership skills Mr. Kayo requires to effectively and efficiently manage SCF (K) Ltd. supply chain. (10 marks)
- (c) Propose any five measures Mr. Kayo can take to address the existing financial challenges. (10 marks)
- (d) Evaluate the role of effective management of supply chain partners in SME management. (10 marks)

**(Total: 40 marks)**

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