CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART I

UNDERSTANDING ORGANISATIONAL ENVIRONMENT

TUESDAY: 22 April 2025. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

SECTION A

QUESTION ONE

(a) Explain the following terms as used in organisational environment:

(i) Organisational behaviour. (2 marks)

(ii) Organisational ecosystem. (2 marks)

(iii) Strategic fit. (2 marks)

(b) Highlight **FOUR** indicators that an organisation is failing to adapt to environmental changes. (4 marks)

(c) Identify **FIVE** principles that guide the operations of cooperative societies. (5 marks)

(d) Outline **FIVE** signals that indicate an industry is moving towards a monopolistic market structure. (5 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

(a) Explain **FIVE** ways organisational culture interacts with the external environment to shape business performance. (10 marks)

(b) Examine **FIVE** adaptive strategies organisations can implement to ensure resilience in a dynamic and uncertain environment. (10 marks)

(Total: 20 marks)

QUESTION THREE

(a) Asses **FIVE** sustainable business practices that organisations can adopt to align with an evolving environmental landscape. (10 marks)

(b) Suggest **FIVE** key dimensions of environmental scanning that organisations should prioritise to maintain a competitive advantage. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR
Read the case study below and answer the questions that follow.

TAIFA PETROLEUM LIMITED (TPL)

Taifa Petroleum Limited (TPL) was once a dominant player in the petroleum retail industry, known for its expansive market presence and strong financial performance. Established in 1970 as a state-owned entity, the company was later privatised in 1980 through a public share offering at the securities exchange. Following its privatisation, TPL experienced rapid growth and market dominance between 1982 and 1984, solidifying its position as a leading petroleum retailer. However, despite its early success, the company struggled to adapt to its organisational environment's complexities, ultimately leading to its decline.

A combination of external and internal factors contributed to TPL’s downfall. Externally, the company faced a deteriorating economic environment characterised by high interest rates, unfavourable exchange rate fluctuations and a broader economic downturn that reduced consumer purchasing power. Additionally, changes in government regulations, taxation policies and increased market competition further strained TPL’s profitability. Internally, the company suffered from weak corporate governance, inefficient resource allocation and poor strategic planning. In its attempt to expand aggressively, TPL overextended itself financially, leading to a growing debt burden and operational inefficiencies.

By 1987, TPL faced serious financial distress, forcing it to close down its underperforming petroleum stations across the region. To raise capital, the company issued a right offering that raised 3 billion shillings, yet instead of using the funds to stabilise operations, key directors began offloading their shares in the open market. This move reduced their ownership from 20% to less than 7%, eroding investor confidence. Soon after, the board of directors declared the company insolvent, exacerbating the crisis and pushing TPL to the brink of collapse.

The government was forced to intervene to protect key stakeholders, including creditors, suppliers, and shareholders. A bailout package was implemented to enable the company to settle outstanding supplier dues and restore business operations. Recognising the need for strong leadership, the board appointed Ms. Chuma Shaka as the new Chief Executive Officer (CEO). With extensive experience in the petroleum industry, Ms. Shaka was tasked with executing a turnaround strategy to revive the company.

Under her leadership, TPL implemented significant operational and governance reforms. Cost-cutting measures were introduced to eliminate inefficiencies, while strategic market repositioning helped restore customer confidence. The company also restructured its internal governance framework to enhance transparency and accountability. A renewed focus on stakeholder engagement helped rebuild trust among investors, suppliers and customers, ensuring long-term stability. Additionally, TPL adopted new technologies to improve supply chain management, operational efficiency and financial reporting.

By 2018, TPL recorded its first profits in years, marking a significant milestone in its recovery. However, the company’s decision not to declare dividends frustrated shareholders, who voiced their disappointment during the company’s Annual General Meeting (AGM). While management justified the move as necessary for reinvestment and long-term growth, it highlighted the ongoing challenge of balancing financial prudence with shareholder expectations.

(Disclaimer: This case study is solely for educational and examination purposes.)

Required:

(a) Discuss **FIVE** strategies TPL could implement to rebuild trust among key stakeholders, including investors, suppliers, and customers. (10 marks)

(b) Assess **FIVE** critical success factors that led to TPL’s recovery under the leadership of Ms. Chuma Shaka. (10 marks)

(c) Evaluate **FIVE** benefits of conducting a comprehensive environmental analysis before implementing major business strategies. (10 marks)

(d) Appraise **FIVE** potential risks associated with government intervention in rescuing financially distressed companies. (10 marks)

(Total: 40 marks)

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