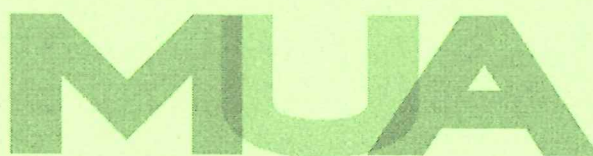


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

PSM 403: INTERNATIONAL PROCUREMENT

DATE: 8TH AUGUST 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the **Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

MANAGING GLOBAL PROCUREMENT

Global brands and companies now dominate most markets. Over the last two decades there has been a steady trend towards the worldwide marketing of products under a common brand umbrella of companies. At the same time the global company has revised its previously localized focus, manufacturing and marketing its products in individual countries, and now instead will typically purchase on a worldwide basis for global production and distribution.

The logic of the global company is clear: it seeks to grow its business by extending its markets whilst at the same time seeking cost reduction through scale economies in purchasing and production and through focused manufacturing and/or assembly operations. However, whilst the logic of globalization is strong, we must recognize that it also presents certain challenges. Firstly, world markets are not homogeneous, there is still a requirement for local variation in many product categories. Secondly, unless there is a high level of coordination the complex logistics of managing global supply chains may result in higher costs and extended lead times.

These two challenges are related: on the one hand, how to offer local markets the variety they seek whilst still gaining the advantage of standardized global production and, on the other, how to manage the links in the global chain from sources of supply through to end user. There is a danger that some global companies in their search for cost advantage may take too narrow a view of cost and only see the purchasing or manufacturing cost reduction that may be achieved through using low-cost supply sources. In reality it is a total cost trade-off where the costs of longer supply pipelines may outweigh the production cost saving. Clearly a key component of the decision to go global procurement must be the service needs of the marketplace. There is a danger that companies might run the risk of sacrificing service on the altar of cost reduction through a failure to fully understand the service needs of individual markets.

Required:

- a) In reference to the case study, explain the reasons for global procurement. (15 marks)
- b) From the case study, explain the strategies for entering global markets. (10 marks)

QUESTION TWO

- a) Describe FIVE setbacks of not creating and maintaining international supplier/buyer relationship. (10 marks)
- b) Explain the failures of not negotiating for procurement with suppliers in international procurement. (5 marks)

QUESTION THREE

- a) Mr Juma has been experiencing a lot of losses while procuring internationally due to currency fluctuations. Explain FIVE measures that he can take to reduce the adverse consequences of currency fluctuation. (10 marks)
- b) Explain five intermediaries used in international trade. (5 marks)

QUESTION FOUR

- a) Elaborate the causes of uncertainties and risks in international procurement. (5 marks)
- b) Explain the failures of lack of customs planning in international trade. (10 marks)

QUESTION FIVE

- a) Elaborate FIVE sources of information in international procurement. (5 marks)
- b) Explain FIVE intermediaries in international procurement. (10 marks)

QUESTION SIX

- a) Explain the benefits of outsourcing in global logistics management. **(5 marks)**

- b) Describe the procedure of undertaking international tendering that can be used in sourcing supplies from international markets. **(10 marks)**