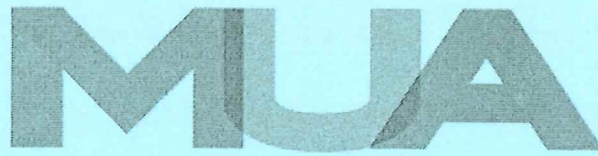


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

PSM 403: INTERNATIONAL PROCUREMENT

DATE: 28th JULY, 2022

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:

Global Procurement: Motivations and Strategy

As the progressive lowering of trade barriers eases – however fitfully – the flow of goods worldwide, business survival increasingly hinges on a company's ability to compete globally – in external and/or internal markets. Competitors from overseas are targeting previously secure domestic markets, while domestic competitors are increasingly looking overseas not only for new markets, but also for new sources of supply. Their procurement objectives are many and varied, but high on the list of priorities are issues of cost reduction, product and service innovation, technology acquisition and risk spreading. Blind loyalty to existing markets and suppliers is no longer sufficient to ensure that a firm continues to make a comfortable living, let alone to achieve the growth and profitability it needs to remain competitive.

Global Procurement: An Intrinsic Part of Global Strategy

Global competition has become a central issue for many western multinationals. The emergence of European, Japanese and Third World multinationals has created a new competitive environment, calling for globalization of corporate strategy. Numerous advantages are increasingly recognized in creating and integrating various business operations across national boundaries. This has resulted in an increasing number of multinational firms engaged in sourcing of components and products on a global scale. Indeed, cross-national marketing transactions encompass both the buying (i.e. sourcing) and selling (i.e. market selection) aspects of the exchange process. Although marketing institutions are examined primarily in their roles as sellers rather than as buyers, the buying side of the exchange process should not be ignored. Most of the recent research in sourcing strategy, however, has dealt with various managerial issues, ranging from structural complexity and operational complexity of international sourcing to reasons for international sourcing and to cost advantage/disadvantage arguments among others. To maintain competitive advantage, multinational firms need to look beyond their national boundaries for sourcing of components and/or finished products. Successful global sourcing requires top management commitment and

allocation of resources. Options open to those firms range from establishing a buyer/seller relationship across national boundaries, to entering into a joint venture agreement with an existing foreign company, to investing directly in overseas production facilities. In developing viable sourcing strategies on a global scale, the firms must consider not only manufacturing costs, the cost of various resources, and exchange rate fluctuations, but also availability of infrastructure (including transportation, communications and energy, industrial and cultural environments, the ease of working with foreign host governments, political stability, a well-developed infrastructure and a well-educated, urban workforce as attributes of low-risk procurement success. The complex nature of sourcing strategy on a global scale spawns many barriers to its successful execution. Logistics/ inventory/distance, nationalism, and lack of working knowledge about foreign business practices, among others, are major problems identified by both US and foreign multinationals who are engaged extensively in international sourcing. Sourcing development programs should be arranged within organizations to foster development of a positive attitude regarding international purchases. Thus, the implementation of such a sourcing strategy calls for a well-integrated and efficient global corporate system and outlook. These are some of the factors motivating companies to source from abroad and their approaches to globalization.

Required:

- a) In the case study, options open to those firms range from establishing a buyer/seller relationship across national boundaries is entering into a joint venture. Describe FIVE benefits associated with creating and maintaining international supplier/buyer relationship. **(15 marks)**
- b) In reference to the case study, to develop viable sourcing strategies on a global scale, the firms must consider not only manufacturing costs and exchange rate fluctuations, but also availability of infrastructure. Evaluate five international purchasing strategies to mitigate adverse currency fluctuations. **(10 marks)**

QUESTION TWO

- a) Discuss the international purchasing environment that procuring entities should be aware of before they practice global sourcing **(10 marks)**
- b) Purchasing officer from one of the county government, found out that the consignment of drugs that were impounded at the county's drug store 'lacked relevant shipping documents. Explain five shipping documents used in international logistics. **(5marks)**

QUESTION THREE

- a) INCOTERMS refer to the set of international rules for the interpretation of the chief terms used in foreign trade contracts. Discuss five reasons for the frequent update of the INCOTERMS. **(5 marks)**
- b) Assess the criteria for selecting the mode of transport in international logistics. **(10 marks)**

QUESTION FOUR

- a) Describe the contributions of the 'use of containers' in International trade. **(5 Marks)**
- b) Discuss the Importance of documentation in international trade **(10 marks)**

QUESTION FIVE

- a) Elaborate the types of letter of credit available to the exporter and buyer. **(5 marks)**
- b) Your organization is intending to use freight forwarders during the process of acquiring its supplies. Evaluate five factors that might have influenced this decision. **(10marks)**

QUESTION SIX

- a) Describe the procedure of undertaking international tendering followed in sourcing supplies from international markets. **(10 marks)**
- b) Explain the benefits of Effective customs planning in global logistics **(5marks)**