

INTERNATIONAL PROCUREMENT AND COST
REDUCTION IN MANUFACTURING FIRMS

CASE STUDY OF MUKWANO INDUSTRIES LIMITED

BY
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A RESEARCH PROPOSAL SUBMITTED TO THE SCHOOL OF
BUSINESS AND MANAGEMENT IN
FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF
DEGREE IN PROCUREMENT AND SUPPLIES
AT KAMPALA INTERNATIONAL UNIVERSITY
KIU

OCT 2011

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DECLARATION

I MUKANSINGA M GRACE, Registration Number: BSP/2006/82/DU declare that this is my original work and to the best of my knowledge has never been submitted in any other institution.

Signature: grace.....

Date: 02/DEC/2011.....

APPROVAL

This is to certify that this work prepared by MUKANSINGA M Grace, registration number BSP/20006/82/DU has been prepared under my supervision.

Name of supervisor MICHAEL PATEL

Signature M. Grace

DEDICATION

This research report is dedicated with lots of love and appreciation to my all family members of RUTAYISIRE'S FAMILY and RUBAYIZA'S FAMILY.

To my friends who have contributed to its completion, without you, I would have not made it. Thank you.

May the Almighty God bless you all.

ACKNOWLEDGEMENT

Whereas the research study is similar in many ways to writing out an exam paper, it is one of the most demanding and challenging, yet interesting.

It may not be possible in my opinion to carry out any research without assistance from any person in the form of finance, moral or even expertise in the field of research. Because of this I would like to acknowledge first and foremost my University: Kampala International University, my supervisor Mr. RUTEGANDA MICHAEL for the professional and personnel guidance they gave me while carrying out t his research. Furthermore, am very grateful to the management and staff of Mukwano (U) Ltd who allowed and enabled me to get all the necessary information that was required to write this thesis.

I would also like to thank my friend MUSANGANIRE DIVINE, KAYIRANGA FROLA, MBABAZI JACKIE, UMUKUNZI SHARON, KAZEYEZU BONHEUR, AMANI, KENNEDY, FRIDA, PARFAIT, for the morale and wonderful support they gave me to complete this report.

LIST OF ABBREVIATION

PPDA.....	public procurement and disposal of Public assets
5Rs	right price, right quantity, right quality, Right source right time.
LTD	Limited.
U	Uganda

ABSTRACT

The study covered the literature about international procurement and cost reduction in manufacturing firms, and reflected the forms used in international procurement, the tools used, why organizations engage in international procurement, how costs can be reduced and relationship between international procurement and cost reduction.

International procurement refers to a commercial transaction between a buyer and a seller located in different countries, this highlights that procuring internationally is becoming more of a strategic motive that should be hired by organizations with a global view of staying in business.

The study investigates forms used in international procurement and these include purchasing, tenancy agreements, hire purchase, counter trade, franchising among others. Furthermore it also investigates the tools used which also include sourcing, auctioning, ordering, market place among others.

The study highlighted several factors that force organizations to engage in international procurement, these include need to acquire low priced goods, need to access worldwide technology, need to acquire high quality of goods and services and the need to enjoy better services.

Furthermore the study also highlighted ways of reducing costs in organizations like supplier relationship, cost reduction, cost managements, target costing and value engineering and capacity utilization.

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CHAPTER ONE

1.0 INTRODUCTION

This chapter covers the background of the study, statement of the problem, purpose of the study, objectives of the study, research question, scope and significance of the study

1.1 Background of the study.

International procurement is referred to as a commercial transaction between a buyer and seller located in different countries (Trent and Monezka).

Lysons and Farrington (1996).

The two further stated that international procurement is becoming a factor of life that each organization regardless of the nature or size of the firm should be embracing during age.

Procuring internationally is becoming more of a strategic motive that should be hired by organizations with a global view of staying in business. The primary reasons of international procurement include, changes in business environment and factors relating to the needs or competitiveness of a firm. (Lysons).

For an organization to remain competitive, it has to minimize costs so as to earn more than competitors, but spend less (Cole 1997). Cost drivers in procurement need to be identified and eliminated through effective procurement can be a great procurement strategy.

Therefore, there is need for international procurement as it will lead to substantial reduction in cost and an increase in company's profits. Despite the implementation of effective local sourcing in organizations worldwide, cost still remain high.

According to Rexta and Miyamoto who suggest that larger manufacturing firms with a depth of resource capacity aggressively pursue the full potential of international procurement by capitalizing upon the World's best suppliers hence a large suppliers base.

According to (Birou and Fallicent) illustrated that the most prevalent reasons for firms sourcing internationally where, the lower prices available from foreign sources and availability of foreign products not obtained domestically.

The breaking down of trade barriers between countries and improvements in transport logistic and communication generally made the buyer's market now a global village.

More than ever before, organizations should look through the whole world of potential suppliers.

International procurement has reduced costs in companies that have implemented it. Companies like Mukwano (u) limited which has employed business to business solutions has cut down costs like late delivery costs, quality assurance costs, research and development cost.

Mukwano (u) ,limited revised various products and services soap, cooking oil, plastic utensils the share holders behind the joint venture have vast experience in procurement services thus it is ranked as best leading manufacturing company of the above products their for the researcher would therefore like to examine the relationship between effective international procurement and cost saving in Mukwano industries.

Quality assurance, costs, research and development costs, high price payment, late delivery costs. These are symptoms of inefficient procurement strategy which hinders cost reduction.

The research would therefore like to examine the relationship between effective international purchasing and cost saving in Mukwano industries limited.

1.2 Problem statement

The aim of international procurement is to ensure high quality, increase the number of suppliers both delivery performance and enhance competitive position, access low priced goods as such for an entity like Mukwano industries to achieve cost reduction in the procurement process.

However, there is still persistent increase in operation costs such as how output , loss of customers and delay in suppliers, therefore.

It was the interest of the research to investigate whether international procurement plays role in reduction of costs in Mukwano industries

1.3 Purpose of the study

The study aimed at drawing a clear understanding on the relationship between international procurement and cost reduction in Mukwano industries limited.

1.4 Objectives of the study.

The study was guided by the following objectives.

- 1.To assess the forms of international procurement.
- 2.To examine out approaches or tools used in international procurement.
- 3.To examine how costs can be reduced in Mukwano industries limited.
- 4.To evaluate the relationship between international procurement and cost reduction in manufacturing firms.

1.5 Research questions

1. What are the forms of international procurement?
2. What are the tools or approaches used in international procurement?
3. How can procurement costs in manufacturing firms be reduced?
4. How is international procurement associated with cost reduction in manufacturing firms?

1.6 Scope of the study

The study was chosen because the researcher anticipated that most manufacturing firms were having difficulties in procuring internationally, hence poor quality output.

1.6.1 Geographical scope

The study concentrated on few local manufacturing firms that were striving to build their international business structure.

1.7 Significance of the study

The research was to be of great use in the following ways.

It was to help students who were asked to find out the relationship between international procurement and cost reduction.

It was to be used by corporate managers whose organizations were facing high costs because of local sourcing.

It was to be used by interested researchers who could be wishing to analyze international procurement.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

This chapter contains literature on what is international procurement, showing clear distinction on the forms of international procurement, reasons why organizations are getting involved in international procurement, how business organizations reduce costs, the relationship between international procurement and cost and reduction.

2.1 The concept of international procurement

To a layman, international procurement refers to the buying from outside a company's boundaries. This international procurement could be conducted using the above methods as further illustrated.

According to Trent and Monezka (2006) international procurement is a worldwide sourcing which is a strategic tactic that developed and developing originations engages into developing and maintain a wide market share.

International procurement could man great success if we managed. Ferdows and Meyer's (1990).

Drinkers's (1986) emphasized the need for organizations to global; and utilize the trade liberation across all nations.

Charles Goodman (1986) a well known scholar associated international procurement with organizations creating a firm sound relationship in the international environment.

International procurement is becoming a necessary competitive weapon in the battle for survival and prosperity to many organizations (Lyson 2006). This is believed that international procurements reduced cycle times, improved responsiveness to customers and many others.

2.2 Forms of international procurement

International procurement is a process of acquiring goods, works, and services through or by purchases, tenancy, leasing, and hire purchase, mortgage the counter trade. This international.

2.2.1 Purchasing

Purchasing refers to the process of acquiring and ensuring that the 5R's are achieved.

According to Van Welle, they include right quality, place, source and times. Therefore purchasing is course taken by organizations to cognizance of the various means of acquiring the needed resources for organizational operations.

2.2.2 Tenancy agreements.

The tenancy agreement is a contract between one party and another for this case between an organization and a land lord where both parties are located in different countries. This agreement gives certain rights to both in the organization and the land lord, for example the right to occupy the accommodation and the right to receive rent for letting the accommodation to both the organization and the landlord respectively.

2.2.3 Franchising.

Franchising is defined as a business relationship in which the franchisor (the owner of the business providing the product or service) assigns to independent people. The franchise has the right to market and distribute the franchisor's goods and services and to use the business name for a fixed period of time.

The international franchise association defines franchising as a continuing relationship in which the franchisor provides a license privileged to do business, pus assistance in organization, training, merchandising and management in return from a consideration franchisee.

2.2.4 Hire purchase

This involves the payment of a down payment at the beginning and fixed installments periodically and the buyer becomes the owners of goods upon payment of the last installment.

2.2.5 A lease contract.

This contract can involve any property owner (the offeror) makes an offer to another party (offeree) and the offered accepts the offer. The offeror must authorize the offered to posses and use property owned by the offer or for a certain period of time without gaining ownership. A case also contains considerations, which means that the offered must give something of value to the offer or any other thing of value be accepted by leaser.

2.2.6 Mortgage.

A mortgage is a lien on a property/ house that secures a loan and is paid in installments over a set period of time. Thus mortgage secures your promise that you will repay the borrowed to buy your home. Mortgages come in many different shapes and sizes and though it is not common in developing countries. In the developed countries like UK, USA are already using these mortgages.

2.2.7 Counter trade

Yasias and Freed defined counter trade as generic term for parallel business transactions, liking sellers and buyers in reciprocal commitments that usually lie outside the realm of typical money mediate trade.

Commonly described , counter trade is a form of international trade reciprocal trading in which an order is placed by a purchaser with a supplier in another country and vice versa on condition that goods of an equal or specified value are sold or bought in the opposite direction.

Any economy would argue that counter trade is often, but not necessary. It normally takes place in less developed countries and countries with centrally planned economies. The rising price of

oil, higher interest rates and foreign debt have meant that many countries are unable to generate sufficient hard-core earnings by means of their exports to service their debts, but desperately need imports. As a result of economic financial and political forces, counter trade has become an established feature of modern markets where countries exchange in their export imports that wish to satisfy needs.

The organization wishing to procure goods and service from foreign counties can use any of the above methods basing on the nature of the work it would wish to perform.

2.3 tools used in international procurement

The approaches used include;

2.3.1 Sourcing, which is the process of using collaborative tools by procurement professional, suppliers to conduct the strategic activities of procurement cycles, there are tool types of sourcing, that is strategic which involves top level management and tactical which involve low level decisions. Some of the activities found in sourcing include, contract management, contract award, and tendering.

2.3.2 Tendering, a tender is an invitation by the procuring entity to suppliers for consideration of an opportunity to supply or offer goods and services that are required, it is a process where suppliers are invited to submit their prices to a particular contract or a particular product. The process is based on the buyer using an invitation to tender through advertisement or directly to potential suppliers.

2.3.3 Auctioning, is the sale in which an object or service is sold to the highest bidder, it is a web based event that enables efficient open and transparent bidding between pre-qualified suppliers either on the lowest price or most economically advantaged. Tender as a part of the fully tendering process, some documents used include, bid document and extension.

2.3.4 Reserve auction, the buyer sets an initial price which suppliers need to meet if the price is not reached. The contract is not awarded during auctioning, suppliers may be able to follow auction bids made e.g. reverse price, maximum price and based priced.

2.3.5 Ordering, ordering systems like online ordering systems involve electronic links from a purchaser' modem. The major feature of online ordering system is that buyers have to develop a soft ware requirement to link up with a suppliers system.

2.3.6 Market place, this is usually through internet, and different types of market places that are found on the internet, here actual transactions take place between the buyer and the seller. Items like air tickets, laptops are used.

2.4 Reasons for organizations engaging in international procurement.

With the firm's desire to operate at low costs, firms need to focus on knowing, adopting to and influencing their consumers with an effort to ensure that organizations achieve their objects of reducing costs and maximize market share. According to Kotter who defined market as a set of actual and potential buyers with the need to satisfy their wants. Thus Kotter further advices managers of these organizations to critically analyze their market changes so as to stay in business and as of now some organizations are engaged in international procurement because of the following reasons;

The need to access a worldwide technology is sending organizations to procure across the broader. Technology is form overseas like Japan, china, USA is associated with high level of expertise which is require by the leading firms to enhance their performance hence reducing operation costs of the firm.

Organizations also seek to acquire low priced gods and high services. This is mostly because of the high competitive level and use of technology abroad company's product at lowest cost thus charges a minimum price, for these companies in the market. These forces organizations procure and identify the products or lower prices in the overseas market.

Moreso, most organizations need to acquire high quality of goods and services of international company's a broad produce goods and services in relation to international required standards. That's like ISO 9000 for quality which is considered by all organizations worldwide. Hence firms procure from abroad to ensure buying standard items.

The need to enjoy better performance is attracting many firms to but overseas.

Due to the high competency, effectiveness and efficiencies, organization. In developing countries like Japan, USA, UK tend order for a car form Japan to be delivered to Uganda in a month's time, the car will be in Uganda by the lapse of the one month.

Also the need to enjoy better customer's services is dragging firms to source overseas. Services like training of staff, installation and transportation are well conducted by these countries in the developed world. This is largely because these countries tend to attach great value to the image of their companies as well as the satisfaction or their customers thus providing to the expectations of the client and even more.

Most of the developed countries, after ensuring production in their localities tend to work out beyond their horizons to increase the number of processors or suppliers, this could be because of the limited number of providers in the home country.

The need to meet trade obligations, a company or the country as a large may engage in counters trade with another country. This requiring her to buy from the overseas country.

Non availability of goods required to run the firm, for instance most firms in Uganda use oil and its products in the operations but oils is produced from countries like Iraq and others, thus the non availability of the required resources force companies to engage in international procurement.

Organizations also engage in international procurement to fitful bilateral agreement due to conditionality's like to give you funds by donors you must purchase raw materials from the USA.

Firms also engage in the reciprocity agreement implying that you buy from me, I also buy from you. This is as a result of the need to expand its market shares it enters into an agreement of buying from across boards countries so as it also buys from her. This reduces marketing costs.

Need to attain flexibility, this is because of the high levels of innovational and creative of the overseas providers in terms of technology, design and can always easily adopt to structural changes in the business market.

Need to reduce costs associated with administration. This is because the local providers are inefficient in their operations, thus occurs additional costs such as monitoring cost, damage costs in case of failure to reach expectant standards, unlike the overseas suppliers who endeavor to maximize firms expectations.

2.5 Ways of reduction in business organizations.

Strategic options are not only concerned with expansion into new resource capabilities and core competences, but Lynch 2004 argues that the organization may also need to consider cutting back its nature of competition in some markets, it is quite possible that low wage settlement production enterprises will provide real competition.

2.5.1 Suppliers relationship.

Lynch (2000) argues that supplier's willingness and ability to maintain quality and reduce costs enhance the organization's ability to achieve cost reduction. In addition, labor (2004) further asserts that suppliers invest in cost reduction efforts has been concentrated mainly in the product development phase of the phase of the product's life cycle.

2.5.2 Cost reduction and cost management

A collaborative cost reduction program beyond product development is merged with inter organizational cost management. Cooper and Slagmulder (1999) distinguished three domains such as cost management during manufacturing and improvement of the efficiency of the buyer-

supplier interface or process improvements. They identify several cost management techniques to support each of these domains and focus on their inter organizational use.

2.5.3 Target costing and value engineering.

During product development, two main techniques can be used first target costing is structure approach to determine the cost and quality must be produced to generate the desired level of profitability and its anticipated selling as explained earlier.

Secondary, value engineering is a systematic interdisciplinary examination of the factors affecting the cost of a product in order to devise a means of achieving the required standards of quality and reliability at the target cost. Laboro (2004). The aim is to increase the value of a product either by increasing its functionality without increasing its cost or by reducing its functionality.

According to Foster and Muller (1990), economies of scale need to be distinguished from capacity utilization of plantain the latter case, cost fall as the plant reaches capacity but would not fall any further if an even larger plant were to be built. With economies of scale, the larger plant would lead to a further cost reduction.

2.5.4 Capacity of utilization

Where plant has a high fixed cost, there may be cost reductions to be obtained by running production as close to capacity as possible cost benefit can be gained by full utilization of plant capacity utilization. Companies cut their prices as they scramble to fill their plant, this reducing their profit margins. High capacity utilization is useful but relives on competitors allowing such activity to take place which may weaken its effect Cooper and Slangmuder (1999).

2.6 relationships between international procurement and cost reduction.

Procuring internationally should be hired by manufacturing firms with the goal of reducing operation costs. International procurement helps to reduce operation costs like marketing costs because the products manufactured will be of highly quality, delivery performance costs, these are basically because international firms want to maintain their image, administration costs like inspection, monitoring, damage costs.

According to the institute of procurement and supply chain management, international procurement and cost reduction are related as expressed in their theory.

The following analytical frame work is the theoretical basis of procurement analysis, which is based on expenditure and security of supply (risk). The methodology is known as spend profiling which should result in better management of the procurement function through the application of analysis based buying strategies designed to achieve better value for money outcomes.

The spend profile segments the expenditure into four money categories. The following matrix is designed to reflect the relationship between security of supply and relative expenditure. In the context of procurement, risk should be understood as the difficulty of securing supply (that is to say level of market competition, the importance of the good or service to the organization, the likelihood of supply failure etc) for example, organization requires a specialist product that is only available from one supplier, it is highly exposed to potential problems with the performance of that supplier. On the other hand, if a product is available as an off the shelf item from a number of suppliers, the level of risks is lower.

Procurement programs have delivered significant savings, but there is a critical gap between the expectations of senior management. They believe that procurement has under-delivered further savings significantly greater than those already achieved.

To close this delivery gap, the very barriers that have prevented procurement delivering its full potential must be overcome. This requires a new multifaceted, company –wide and company endorsed approach hence international procurement (Axon international).

CHAPTER THREE

Methodology

3.0 Introduction

This section focused on how data was collected and analyzed, it specified the research procedures that were used in collecting data.

3.1 Research design

The researcher used different methods of data collection and all methods used in evaluating the relationship between international procurement and cost reduction. The data collected contained both qualitative and quantitative considering primary data and secondary data other methods were questionnaires, interviews and observations. The research design will be the case study research design

3.2 Study population.

The research used various categories of respondents and these included suppliers, purchasers, management and so on. The choice was based on the assumptions that had fully internalized international procurement and provided the necessary information.

3.3 sampling procedure

3.3.1 Sampling design

A description analytic approach was adopted for the study because it was based on simultaneous consideration and analysis of international procurement and cost reduction in manufacturing.

3.3.2 A sampling size

A sampling of 45 respondents were used from each category to comprise the sample size where by, for top management 4 were used , 26 employees and 13 members of the general and 2 procurement officers.

3.4 source of data

The research information will be collected from both primary and secondary data it was based on interviewers, questionnaires, books, journals, magazines and internet articles that are in line with the topic.

3.4.1 Primary data

Primary data, this is the data that is not processed and presented anywhere for example interviews.

3.4.2 Secondary data.

Secondary data is that data that will be obtained through literature review of already published literature, the internet, journals, newspapers and other documents.

3.5 Data collection methods

Data was collected from secondary and primary source journals, literature from other researchers and internet since the data was mainly from the mentioned sources.

3.5.1 Oral interview

It involved face to face interaction between the researcher and the staff of Mukwano industries as it was the method of data collection alongside the questionnaires instruments.

3.5.2 Questionnaires

Primary data was conducted through a surely based on self administered structure questionnaires that was used to collect data from different staff

3.6 Data processing methods

The data collected was edited manually and then typed, analysis was used and it was done by use of tables and information. It qualified and put into percentages in relation to various views about international procurement.

3.7 Data presentation

Data will be presented and analyzed by making reference to the available literature in order to compare and contrast.

3.8 Limitations of the study

I. the respondents were not responding in time as expected and even look at you as nonsense or burden to them.

However, this was solved by being friendly to them.

II. Time limitation the time allocated for the research was not enough since the researcher attended lectures, did the course work, and this was solved by having a time table for each activity.

III. Information was not given out to the researcher because they say some are secrets of the company and confidential.

Financial constraints since the researcher is a student and yet needed money to type and print the data and also getting access to the library books became a problem hence denied a chance to collect information.

CHAPTER FOUR

PRESENTTION AND DISCUSION OF THE FINDINGS

4.0 INTRODUCTION

This chapter presents and discusses the findings of the study, the findings to be discussed covered the area relating to international procurement and cost reduction in manufacturing firms.

The study was carried out with specific objectives in mind and with the major aim of finding answers to research questions that were set earlier.

SECTION A

4.1 Background information

The findings which narrate their current trend of affair in Mukwano (u) limited are based on 4s respondents of the sample survey, the conclusion made may not be absolute but may act as a focal point or guide for setting up new strategies in the company, secondly they may constitute a bench upon which future research could be compared.

Demographic characteristics of the respondents

Table 1; sex of respondents

Sex	Frequency	Percentage (%)
Male	32	71
Female	13	29
Total	45	100

Source: primary data:

71% were males and 29% were females; investigation found out that workers in Mukwano (u) limited are of 2 categories that is skilled (minority), semi skilled (average) that such skills are distributed among departments such that each department gets enough man power to run its activities, workers are further

categorized into the confirmed and those still sexing on probation especially new recruits. Its said that probation is up to six months.

Work force

Investigation found out that Mukwano (u) limited has got total of about 100 workers, researcher knew from the respondents that they are 8 (8%) top management, 15 (15%) middle management, 25 (25%) lower management and 48(48%) casual staff. The researcher was further informed the number of casuals varies with how busy the company is seasonally.

The respondents reported that some of them are students (holiday makers) who come during vacations: source; primary data.

Table 2; work force analysis (position held)

Position held	Frequency	Percentage (%)
Top management	8	8
Middle management	15	15
Lower management	25	25
Casual staff	52	52
Total	100	100

Table 3; level of education

Education	Frequency	Percentage (%)
Professional	7	16
University degree	15	33
Diploma	20	44
Secondary	3	7
Other	0	0
Total	45	100

Source; primary data

It can be seen from table 3 above that most of the respondents were diploma holders with a 44% percentage while others had 16%, 33%, and 7%. It can be also seen that secondary were the least respondents for this study because of the level of education.

Table 4; period at the company.

Period	Frequency	Percentage (%)
0-6 months	16	36
6-12 months	14	31
2 years	0	0
2-5years	10	22
More than 5 years	5	11
Total	45	100

Source primary data

Most people according to the survey are new recruits that have not stayed with the company for along time beyond 5 years as presents above.

Table 5; frequency of procurement activities in Mukwano (u) limited

Period	Frequency	Percentage (%)
Anally	7	16
Quarterly	53	53
Monthly	14	31
Others	0	0
Total	45	100

Source; primary data.

From table 5, 53 % of respondents agree that procurement activities are carried out quarterly because of the high demand of goods and this depend on the period of shipping the goods. 16% believe that it is carried out annually because of the expenses of shipping while 31% agree it is carried out monthly because of high demand.

SECTION B

4.2 Table 1 indicate form of international procurement used in Mukwano industries.

Forms	Frequency	% percentage
Purchasing	36	80
Tenancy agreement	0	0
Franchising	9	20
A lease contract	0	0
Mortgage	0	0
Counter trade	0	0
Others	0	0
Total	45	100

Source; primary data

80% of the study found out that Mukwano mostly uses purchasing as a form of international procurement, because the form ensures that 5Rs are achieved while 20% for franchising, this is because, Mukwano assigns independent people to have rights to market and distribute their goods and services and use the business name for a fixed period of time.

Question 2; findings on advantages of using the above form.

The advantages of using purchasing include;

According to Van Weele, purchasing brings about right quality, right place, right source and right time that is 5R's are achieved. Therefore purchasing is a course taken by organizations to cognizance of the various means of acquiring the needed resources for organization operations.

Table 2; frequency of periods on international purchasing in Mukwano industries.

Periods	Frequency	Percentage (%)
Annually	15	33
Monthly	25	56
Weekly	5	11
Daily	0	0
Not sure	0	0
Total	45	100

Source; primary data.

From table 2, 56.5 of the respondents agreed that international procurement is carried out monthly due to high demand while 33% believe that it is carried out annually due to high expenses of shipping and 11% agreed it is carried out weekly also due to demand.

Table 3; response on how long purchasing has been into use.

Periods	Frequency	Percentage (%)
1 year	0	0
2 years	0	0
2-5years	0	0
More than 5 years	45	100
total	45	100

Source; primary data.

From table 3, 100% of the respondents agreed that purchasing has been into use more that 5 years because it is the mostly used form of international procurement which Mukwano uses.

Table 5; does purchasing improve quality in Mukwano industries

Response	Percentage (%)	Frequency
Great extent	89	40
Less extent	11	5
Total	100	45

Source; primary data.

From table 4 above 89% of the respondents agree that purchasing improves on the quality of Mukwano (u) limited because according to Van Weele purchasing ensures 5R's while 11% do not agree because sometimes goods of high quality are expensive hence not easily accessed.

Table 5; response on how purchasing has helped Mukwano (u) limited to acquire the needed resources in its operation.

Response	Frequency	% percentage
Strongly agree	37	82
Agree	5	11
Disagree	3	7
Strongly disagree	0	0
Not sure	0	0
Total	45	100

Source; primary data

From table 5, 37 % of the respondents strongly agree that purchasing has helped Mukwano to acquire the needed resources in its operation while 5% agree and 3% disagree. Mostly respondents strongly agree because purchasing in a course taken by an organization to cognizance the various means of acquiring the needed resources while others disagree because it is not the only form used in international procurement.

Table 6; response on paying in installments

Response	Frequency	% percentage
Yes	31	69
No	14	31
Not sure	0	0
Total	45	100

Source; primary data

69% of the respondent agree that Mukwano (u) ,limited allows its customers to pay in installments, 31% do not agree.

SECTION C

4.3 Findings on tools use in international procurement.

Table 1; Response on tools used in international procurement

Tools	Frequency	% percentage
Sourcing	34	76
Tendering	8	18
Auctioning	0	0
Reverse auction	0	0
Ordering	2	4
Market places	1	2
Total	45	100

Source primary data

34% of the respondents agree that sourcing is the main tool used in international procurement because it involves activities like contract management, contract award, while 8% agree that tendering follows and 2% believe that ordering is sometimes used also 1% go for market places.

Table 2; response on involvement in international procurement process

Response	Frequency	% percentage
Top level management	29	64
Low management	13	29
Middle management	3	7
Total	45	100

Source; primary data

64% believe that top level management is mostly involved in international procurement process because they develop strategic decisions which are put in place for other to follow while 29% of the respondents believe low management is mostly and 7% believe middle level management.

Table 3; Response on carrying out activities during sourcing.

Response	Frequency	% percentage
Strongly agree	31	69
Agree	11	24
Strongly disagree	0	0
Disagree	3	7
Not sure	0	0
Total	45	100

Source; primary data,

69% of the respondents strongly agree that Mukwano carries out the following activities like contract management, contract award and tendering because these activities are part of procurement while 24% agree and 7% disagree due to corruption in the process.

Table 4; advertisement of tenders

Response	Frequency	%percentage
Strongly agree	37	82
Agree	5	11
Strongly disagree	0	0
Disagree	3	7
Not sure	0	0
Total	45	100

Source; primary data

82 percent of the total respondents strongly agree that Mukwano advertise its tenders so as to get services and quality while 11% agree and 7% disagree because sometimes they go direct to potential suppliers.

Table 5; response on whether on-line or manual system D is used.

Response	Frequency	% percentage
Yes	34	76
No	11	24
Not sure	0	0
Total	45	100

Source; primary data

76% of the respondents agree that Mukwano mostly uses manual system while 24% believe that on-line ordering system is used because manually system is cheap when sourcing internally and need less technology compared to on-line ordering system which is used to avoid traveling expenses.

SECTION D

4.4 FINDINGS ON WHY ORGANISATIONS GO FOR INTERNATIONAL PROCUREMENT

Table 1; has Mukwano achieved while carrying out international procurement

Response	Frequency	% percentage
Strongly agree	34	76
Agree	10	22
disagree	1	2
Strongly Disagree	0	0
Total	45	100

Source; primary data

76% o the respondents in Mukwano has achieved in international procurement due to substantial reduction in cost and on increase in company profit while 22% agree and 2% disagree because there is persistent increase in costs.

Table 2; where does Mukwano (u) limited purchase its inputs from

Country	Frequency	Percentage
Japan	4	9
USA	1	2
China	8	18
Kenya	32	71
Non of the above	0	0
Not sure	0	0
Total	45	100

Source; primary data.

71% of the respondents agree that Mukwano makes its purchases in Kenya due to low costs while 18% believe in china because it can meet the demand, also 9% believe its from Japan, lastly 2% believe in USA because of the quality and better services.

Table 3; responses on how Mukwano has gained from international procurement

Achievement	Frequency	% percentage
Early deliveries	12	27
Low priced goods	4	9
High quality services	5	11
Improved quality	24	53
Total	45	100

Source; primary data

53% of the respondents believe that Mukwano has mostly gained in improvement in quality through international procurement this is because at home there are of poor quality while 27% believe its early deliveries, 11% believe that its high quality services and the least 9% believe its low priced goods.

Table 5; response on better services provided when carrying out international procurement.

Response	Frequency	% percentage
Yes	31	69
No	14	31
Not sure	0	0
Total	45	100

Source; primary data

69% believe that Mukwano enjoys better services when carrying out international procurement activities especially in Kenya while 31% do not agree with it especially when procured from developed countries like Japan, USA, China, they just provides manuals for guidelines.

Table 6; responses on different branches

Response	Frequency	% percentage
Strongly agree	21	47
Agree	14	31
Strongly disagree	0	0
Disagree	10	22
Not sure	0	0
Total	45	100

Source; primary data

47% -of the respondents strongly agree that these factors have made Mukwano to have different branches all over the world in order to meet the demand while 31% agree and 22% disagree.

Table 4 findings on other factors that made Mukwano to participate in international procurement.

The need to enjoy access a worldwide technology is sending Mukwano to procure across the border, the need to enjoy better performance in international procurement, more so, the need to attain flexibility this is because high levels of innovation, the need to reduce costs associated with administration and non availability of goods to run the firm have also forced Mukwano to participate in international procurement.

SECTION E

4.5 FINDINGS ON HOW COSTS CAN BE REDUCED IN MUKWANO INDUSTRIES (LTD)

Table 1; responses on the feedback

Response	Frequency	% percentage
Strongly agree	31	69
Strongly disagree	5	11
agree	9	20
Don not think	0	0
disagree	0	0
Total	45	100

Source; primary data

From table 1, they found out that 69%, strongly agree that the feedback Mukwano gets from clients during international procurement is inadequate enough to help the company work towards cost efficiency due to persistent increase in costs, 21% strongly disagree that they respond and 22% agree.

Table 2; Responses on who conducts cost efficiency in Mukwano (u) limited

Response	Frequency	% percentage
Management	30	67
Board of directors	5	11
Shareholders	0	0
Employees	10	22
Not sure	0	0
Others	0	0
Total	45	100

Source; primary data

It is clearly seen from table 2 above that it is the task of management with 67% to carryout cost analysis in Mukwano (u) limited through employee only part as indicated in the table with a percentage of 22 and 11 for the board of directors.

Table 3; levels of cost efficiency in Mukwano (u) limited.

Response	Frequency	% percentage
Too high	31	69
High	9	20
Too low	0	0
Low	0	0
Moderate	5	11
Total	45	100

Source; primary data

69% of respondents say cost efficiency is too high, 20% also say high to it, while 11% are moderate.

Table 4; Does management accept and react towards the feed back.

Response	Frequency	% percentage
Strongly agree	34	76
Agree	6	13
Not sure	5	11
Strongly Disagree	0	0
Disagree	0	0
Total	45	100

Source; primary data

76% of respondents strongly agree that management reacts as soon as possible towards responses obtained from cost reduction, 11% are not sure that management reacts to it while 13% agree that as sources management detects weakness or any feedback from international procurement, it acts accordingly.

Table 5; Good selection of management personnel and qualified management is one way of solving international problem in organizations

Response	Frequency	% percentage
Strongly agree	41	91
Agree	0	0
Not sure	4	9
Strongly Disagree	0	0
Disagree	0	0
Total	45	100

Source; primary data

91% respondents strongly agree that good selection o procurement personnel and qualified management is one way of solving international problems, 9% are not sure that good section of procurement personnel and qualified management is the way of solving international problems like they are presented above accordingly.

Table; other factors in relation to international procurement.

Factors	Frequencies	% percentage
Purchasing	45	100
Management	0	0
Franchising	0	0
A lease contract	0	0
Others	0	0
Total	45	100

Source; primary data

100% of the study found out that cost efficiency is affected by only purchasing because it's the only factor used in international procurement.

SECTION F

4.6 FINDINGS ON THE RELATIONSHIP BETWEEN INTERNATIONAL PROCUREMENT AND COST REDUCTION.

The objective number five of the study was to examine the relationship between international procurement and cost reduction in the company and how it helps the company to achieve its goals and objectives.

Table 1 relationship between international procurement and cost reduction

Response	Frequency	% percentage
Yes	39	87
No	6	13
Total	45	100

Source; primary data.

From the above table, 87% agree with current trend of international procurement having a relationship with organization performance while 13% do not agree, the study revealed that there is a high relationship between international procurement and cost reduction and that they work hand in hand for the success of the organization.

Findings show a significant positive relationship between an organization international procurement and cost reduction since having improved efficiency improvements are calculated on the basis of the implementation of international procurement.

Table 2 how has international procurement led to cost reduction in Mukwano industries.

Response	Frequency	% percentage
Great extent	38	83
Less extent	7	16
Total	45	100

Source; primary data from table 2,

84% believe international procurement has led to cost reduction to a great extent because there is increase on profits while 16% believe to a less extent because there is still increase in costs.

Table 3 findings on kinds of cost reduced through international procurement.

Costs	Frequency	% percentage
Operational costs	9	20
Marketing costs	14	31
Delivery costs	22	49
Other costs	0	0
Total	45	100

Source; primary data

From table 3, 49% of the study found out that delivery performance costs are mostly reduced when carrying out international procurement while marketing costs following with 31% and operational costs with 20%..

CHAPTER FIVE

DISCUSION, SUMMARY,CONCLUSION AND SUGGESTION.

5.0 INTRODUCTION:

The main purpose of this research study was to investigate the international procurement and cost reduction in manufacturing firms.

A hypothesis was formulated and a number of questionnaires were formulated to help the researcher get the information

The results were persecuted specific reference to other research findings reviewed in related literature

5.1 Discussion

From the research findings it is indicated that the international procurement leads to costs reduction in Mukwano industries Ltd. From section (D) table 1, 76% of the respondents reviewed that Mukwano has achieved in international procurement. These results are in line with Cole (1997) assets that for an organization to remain competitive, it has to minimize costs so as to much a competitor but spend less, so the need for international procurement with lead to substantial reduction in costs and increases company's profits .

From table 1 section (B) shows purchasing as the major from of international procurement, this is justified by 80% of the respondents who strongly agreed. according to Van Wheel , purchasing refers to a process of acquiring and ensuring that the 5 R's are achieved, this means that right quality , right place , right quantity ,right price, right sources are achieved , therefore Mukwano takes purchasing as a course to cognizance the various means of acquiring the needed resources.

The findings from table 3 section (b) indicates that 56% of the respondents agreed that international procurement activities are carried out monthly giving reasons of shipping and risks

The findings from table 7 of section (b) indicates that 69% of the respondents agreed that Mukwano allows its customers to pay in installments, this clearly brings another form of international procurement which is known as hire purchase

In order to carryout international procurement there must be tools used so as to lead to cost reduction , professional suppliers to conduct the strategic activities of procurement cycle , there must be tools on which include,

Sourcing, this involves activities like contract management, contract award and tendering. Sourcing is a strategy which involves top level management, tactical and low level decisions.

From table 1 section c 76% of the respondents agreed that sourcing is the main tool used in international procurement.

From table 2: section (c) indicates that 64% of the respondents confirmed that top level management is mostly involved in international procurement process because they develop strategic decisions which include, sourcing.

From table 4: section (c) indicates that 82% of the respondents agree that Mukwano advertisers its tenders so as to get better services and quality.

The findings from table 5 section (c) indicates that 76 % of the respondents agree that Mukwano mostly uses manual system than online system because manual system is somehow cheaper than when purchasing within nearby boarders or countries and need less technology .

Mukwano mostly purchases its inputs in Kenya following the findings, which indicate that 71% table 2 section D of the respondents agreed because it incurs low costs .

Reasons like increase the number of processors, suppliers and limited number of providers in the home made Mukwano of have different branches, this is indicated in table 6 section (D) indicates 47% of the respondents strongly agree with so.

The need to access a worldwide technology, need to enjoy better performance , need to attain flexibility , need to reduce costs associated with administration and non availability of goods to run the firm has forced Mukwano to participate in international procurement as indicated in question 4 section (D) . According to Kotter who defined market as a set of actual and potential buyers with the need to satisfy their wants with the firm's desire to operate at low costs, Firms need to focus on knowing, adopting and influence their consumer's to achieve costs reduction.

The feedback Mukwano limited gets from clients during international procurement is inadequate enough it help the company work towards costs efficiency , this is indicated in table 1 section (E) 69% of the respondents confirm the findings due to persistent increase in costs.

The findings from table 2 sections (E) confirm that 67% of the respondents agree that management is responsible for conducting costs analysis in Mukwano s (u) ltd, although employees play apart with 22 %.

From table 3 section (E) findings indicates that level of costs efficiency in Mukwano is too high, this is indicated 69 of respondents in the research findings .

Management accepts and reacts towards the feedback got in solving international procurement problems in Mukwano, this is indicated with 76% of the respondents in table 4 of section (E) management reacts as soon as it accepts the feedback.

In order to avoid procurement problems in Mukwano, there should be good selection of procurement personnel and qualified management, this is indicted in table 5 of section (E) with 91% from the research findings.

The findings in table 1 section (F) show that international procurement has got a relationship with cost reduction , this is justified by 87% of the respondents who agreed that with the above,

According to the institute of procurement and supply chain management, international procurement and cost reduction are related as expressed in their theory.

5.2 Summary of findings

The following are key findings

- ❖ International procurement leads to cost reduction in Mukwano industries.
- ❖ Purchasing as a major form of international procurement ensuring the 5 R's .
- ❖ International procurement activities are carried out monthly in Mukwano
- ❖ Mukwano allows its customers to pay in installments
- ❖ Sourcing as a major tool used in international procurement , bringing out, contact award and tendering.
- ❖ Top management is mostly involved in procurement activities.
- ❖ Advertisement of tenders takes place in Mukwano
- ❖ Manual system is mostly used than on –line system
- ❖ Benefits of international procurement lead to cost reduction
- ❖ Feed back Mukwano gets from clients is inadequate enough to help towards costs reduction
- ❖ Management is responsible for conducting cost analysis
- ❖ The level of cost efficiency is too high
- ❖ Management reacts accordingly towards the feed back
- ❖ There is a relationship between international procurement and cost reduction in Mukwano (U) ltd.

5.3 Conclusion

The researcher has drawn the following conclusion from the discussion.

It was found by the researcher that international purchasing has played a big role in cost reduction, purchasing function to a large extent assured the 5Rs, sourcing as a tool ensured contract management, contract award and tendering. As a result of going in international procurement Mukwano (U) limited market share has maximized and costs reduced. Costs were reduced by management through reacting to the feedback accordingly as a result of international procurement relationship with cost reduction.

5.4 Recommendations

In right of the discussion in this study, the following recommendations are made, .

The firm should try to ensure that the 5R's are achieved, this is done through efficiency in purchasing in long run , costs will e minimized.

Again during sourcing, contract award, contract management and tendering should be carried out effectively this can be done by following the rules of PPDA and international rules.

Organizations engaging in international procurement should try to maximize their market share so as to reduce costs.

Management should bear in mind that more emphasis be put in responding to the feedback so as to help the company towards cost reduction.

There should be a strong relationship between international purchasing and costs reduction in Mukwano so as to choose the gap

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Questionnaires

Sex: Male ☐ Female ☐

1. What are forms of international procurement used in Mukwano industries?

- Purchasing ☐
- Tenancy agreement ☐
- Franchising ☐
- A lease contract ☐
- Mortgage ☐
- Counter trade ☐
- Others ☐

2. When do you often use the above form?

- Annually ☐
- Monthly ☐
- Weekly ☐
- Daily ☐
- Not sure ☐

3. How long purchasing has been into use?

- 1 year ☐
- 2years ☐
- 2-5years ☐
- More than 5 years ☐

4. Does purchasing improve quality in Mukwano Industries?

- Great extent ☐
- Less extent ☐

5. How purchasing has helped Mukwano (u) limited to acquire the needed resources in its operation?

- Strongly agree ☐
- Agree ☐
- Disagree ☐
- Strongly disagree ☐
- Not sure ☐

6. Do you pay in installments?

- Yes ☐
- No ☐
- Not sure ☐

7. What are tools used in international procurement?

- Sourcing ☐
- Tendering ☐
- Auctioning ☐
- Reverse auction ☐
- Ordering ☐
- Market places ☐

8. Tell me if your company involve in international procurement process?

- Top level management ☐
- Low management ☐
- Middle management ☐

9. Do you carry out activities during sourcing?

- Strongly agree ☐
- Agree ☐
- Disagree ☐
- Strongly disagree ☐

- Not sure ☐

10. Do you use advertisement tenders

- Strongly agree ☐
- Agree ☐
- Disagree ☐
- Strongly disagree ☐
- Not sure ☐

11 Do you use on-line or manual system advertisement?

- Yes ☐
- No ☐
- Not sure ☐

Section D

12 Has Mukwano succeeded while carrying out international procurement?

- Strongly agree ☐
- Agree ☐
- Disagree ☐
- Strongly disagree ☐

13 .Where does Mukwano (u) limited purchase its inputs from?

- USA ☐
- Japan ☐
- China ☐
- Kenya ☐
- None of the above ☐
- Not sure ☐

14. How Mukwano has gained from international procurement?

- Early deliveries ☐
- Low priced goods ☐
- High quality services ☐
- Improved quality ☐

15. did you noticed better services when carrying out international procurement?

- Yes ☐
- No ☐
- Not sure ☐

14. What other branches think at International procurement?

- Strongly agree ☐
- Agree ☐
- Disagree ☐
- Strongly disagree ☐

15 Is feed feedback effective?

- Strongly agree ☐
- Strongly disagree ☐
- Agree ☐
- Do not think ☐
- Disagree ☐

15 Who conducts cost efficiency in Mukwano (u) limited?

- Management ☐
- Board of directors ☐
- Shareholders ☐
- Employees ☐

- Employees ☐
- Not sure ☐
- Others ☐

16. How are levels of cost efficiency in Mukwano (u) limited?

- Too high ☐
- High ☐
- Too low ☐
- Low ☐
- Moderate ☐

17. Does management accept and react towards the feedback?

- Strongly agree ☐
- Agree ☐
- Not sure ☐
- Strongly Disagree ☐
- Disagree ☐

18. Good selection of management personnel and qualified management is one way of solving international problem in organizations.

- Strongly agree ☐
- Agree ☐
- Not sure ☐
- Strongly Disagree ☐

19. What are other factors in relation to international procurement?

- Purchasing ☐
- Management ☐
- Franchising ☐
- A lease contract ☐
- Others ☐

20. Are there relationships between international procurement and cost reduction?

- Yes ☐
- No ☐

21. How has international procurement led to cost reduction in Mukwano industries?

- Great extent ☐
- Less extent ☐

22 Which kinds of cost reduced through international procurement?

- Operational costs ☐
- Marketing costs ☐
- Delivery costs ☐
- Other costs ☐