

# WOMEN'S UNIVERSITY IN AFRICA



*Addressing gender disparity and fostering equity in University Education*

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**FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES**

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**BACHELOR OF SCIENCE HONOURS DEGREE IN PURCHASING AND SUPPLY  
CHAIN MANAGEMENT**

**MAIN PAPER**

**PSM412 : INTERNATIONAL PURCHASING AND SUPPLY**

**INTAKE 9 : THIRD YEAR FIRST SEMESTER**

**DATE :**

**TIME : 2 HOURS**

**INSTRUCTIONS TO CANDIDATES**

Answer Question **1** and any other **two**.

## **Question 1**

### **IBM & LENOVO: FROM OUTSOURCING TO A PARTNERSHIP RELATIONSHIP**

The decision to outsourcing a strategic component is one of the most wrenching for any company. The IBM Lenovo case is a good example. In 2005, IBM made history by selling the business line its sub-contractor Lenovo, China's leading computer maker. IBM, the maker of original PC – outsources its PC manufacturing business function that was once a strategic component of the company. In addition, the sale was one of the first major mergers between an American company and a Chinese one – East blends with West. Through an increasing focus on services, IBM was moving away from the manufacturing of PC into a global integration services leader. In the meantime, Lenovo has grown to the second largest endpoint device manufacturer in the world. A combination of their complementary core competences would lead to joint value creation in the PC business and services. Lenovo's hardware complimented IBM services, software and associated computing products would result in joint solutions to manage the customers' complete device life cycle, which could separately not have been reached. According to IBM, the partnership accelerates the time-to-value and reduces the management costs and overall risk through closer collaboration.

In order to deal with the hidden danger in outsourcing – the loss of intellectual property (IP) - IBM and Lenovo see each other rather as partners with complementary paths. They are innovating together in joint innovation teams and aim at delivering holistic end-to-end computing solutions to the customer. IBM is marketing and selling Lenovo hardware through IBM Global Services and providing technical support, while Lenovo through IBM, will collaboratively sell its products to customers under the name 'Delivery by IBM'. This creates a compelling long-term partnership for both sides. As IBM and Lenovo were established collaboration partners before the sale, both parties were already familiar with each other's way of working, which reduces the collaboration problems such as trust issues. The combined leadership between IBM and Lenovo has created added value to both consumers and the companies themselves, which would have been more difficult when both companies would have still operated independently.

**Source:** Van Wheel A. J., (2014), Purchasing and Supply Chain Management. Cengage Learning, U.K. **p174**

**Required:**

(a). Discuss **five** reasons that might have compelled IBM to outsource to Lenovo. [20]

(b). Examine **five** potential outsourcing challenges in this relationship. [20]

**Question 2**

With the aid of examples, appraise **five** key tenets of Supplier Relationship Management (SRM). [20]

**Question 3**

Using examples, explain **five** benefits of Total Quality Management (TQM) in a supply chain. [20]

**Question 4**

Discuss **five** types of power a purchasing practitioner must be aware of when negotiating international contracts of purchase. [20]

**Question 5**

Discuss five motives for buying overseas [20]

**Question 6**

With the aid of examples, examine **five** reasons why some organisations are hesitant to engage 3PLs and 4PLs. [20]

**END**