2025

International trade for Moroccan Entrepreneurs and the power of negotiation to develop a strategic procurement process.
"The ultimate objective: Creating a Procurement Center of Excellence for Business' analysis and learning to adopt an Entrepreneurial approach to purchasing : An improved model is recommended"

DBA THESIS

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Introduction

Regardless of how basic it may seem at first, an international trade transaction isn't considered finished until the seller has been paid, the delivery has occurred, and all other responsibilities have been met. This may seem apparent, but even relatively straightforward transactions can go awry on occasion.

A very simple example is the pandemic COVID that changed everything we know about the process of international trade. (even the shipping trade was experiencing a strong downturn, Container freight rates have reached historical highs and rates, severe shortage of containers as these are held up in waiting ships, combined with pandemic-related delays in intermodal connections, the international trade shipping industry is currently living a healing process.)

These events can occur for a variety of causes, but at their core, they are all caused by errors in the transaction's risk assessment and/or the manner these risks were covered.

As an illustration, consider the risk assessment of the client. Exporters frequently fail to recognize that some larger nations are separated into states or regions, many of which have distinct cultures, which may have an impact on trade patterns and procedures. In many nations, a buyer may only view a seller-signed contract as a letter of intent unless it is additionally countersigned by a higher-ranking, internally authorized management.

Alternatively, it's likely that due to modifications in their own business or the surrounding circumstances, the seller accepted terms that were adequate in the past but are now mistaken.

Another explanation can be that the parties just did not speak in the same language or paid attention to all of the specifics of the agreed-upon terms of payment. This would undoubtedly result in vague phrases that might be the topic of disagreements in the future. This would not become apparent until after delivery, at which point the seller would be in a weaker negotiating position. These mistakes might not result in non-payment, but they are more likely to cause payment delays, which raises the risk to business and/or political one.

Another common outcome of vague or undefined terms of payment is that the buyer may have unresolved claims against the seller, or the buyer may share the seller's viewpoint and take

advantage of the opportunity to unilaterally deduct payments for actual or purported delivery flaws or defects.

From the initial point of contact between the buyer and seller to the last payment, every aspect of international trade necessitates specialized understanding. Creating professional, uncontested terms of payment and finding competitive solutions for currency and trade finance issues are two examples of such areas of expertise. Not just in challenging markets or countries, not only in larger, more complex transactions, but also in fairly routine day-to-day transactions, these areas are critical to the offer and following contract discussions.

In a market where competition is fierce, selecting the right currency could be crucial, and the capacity to provide financing has emerged as a key differentiator in talks. Because the terms of these credits are primarily favorable to the buyer in such an environment, there is a greater demand for longer credit periods and better terms.

Financial options, as well as terms of payment and currency, can frequently be constructed as standard models for identical or repeatable transactions with known clients. In other situations, however, each transaction and its unique preconditions must be tailored. This becomes even more apparent when one considers the fundamentals of global trade, which include over 150 nations, many of which are new or growing markets, such as Morocco, my home country. The arrangement of the terms of payment is crucial for safe and successful commerce in many of these industries.

Aside from factors like the buyer, the nation, the kind of commodities, size, scope, and complexity, every transaction has a variety of preconditions. This means that in order to ensure a lucrative and secure transaction with a specified and agreed-upon degree of risk, the seller must do an individual risk assessment and make decisions accordingly.

Consequently, it is crucial that the buyer and seller understand how to set up workable conditions of payment. In real terms, this means that the seller has to be prepared to make concessions during the negotiation process, including on particular issues pertaining to financing, payments, guarantees, and currency. It is crucial to comprehend the relationships between these elements, what must be adhered to and what can be compromised, in these circumstances and frequently in other challenging conversations.

In order to reach a settlement and prevent pointless conversations or misunderstandings, each successful negotiation must take into account the demands of both commercial parties in a reasonable and equitable manner. When basic requirements are satisfied to protect the transaction, an experienced seller would constantly want to prevent such circumstances, enhancing the possibility of future commercial transactions.

The interactive negotiation process between the commercial parties in an international trade transaction will also be the subject of numerous remarks and references in this thesis; this information is beneficial to both the buyer and the seller.

An entrepreneur who wishes to purchase and export independently should find it to be an easy-to-use and educational guide that will assist them from the beginning of the procurement process through sourcing, negotiating, purchasing, adhering to customs laws, and receiving the transported items at their warehouse.

The Thesis's primary content

This Thesis is intended to be a practical reference guide to help in the daily work of Purchase & procurement-International trade department for an entrepreneurial organization –seen from the perspective of both the seller and the Buyer– within sales, shipping and administration. The contents have, therefore, been structured as follows:

Procurement operations and structure

Strategic Sourcing

The power of Negotiation

Criticizing the existing Models in Moroccan Companies

Suggest a new model to implement

risks and risk assessment (analysis)

methods of payment

guarantees, bonds and standby L/Cs

export credit insurance

currency risk management

trade finance

structured trade finance

structure and design of practical terms of payment (action)

Building a Resilient supply chain

Future Directions

Purpose

The motive and aim of this Thesis are to generate a significant input of the procurement and international trade reference manual intended to entrepreneurs, involving:

- An utter chart of the future procurement
- A proposal for a procurement plan
- An approach for an International trade model adapted to be used for Moroccan Entrepreneurial companies.
- Single out, and where needed create, routine descriptions, tools, templates for all relevant procurement procedures.
- Present all the aforementioned inputs in a clear and easy to use model for potential new entrepreneurs' beginners or Entrepreneurs with difficulties to implement International trade department within their organizations.

Limitations of the study

The accountability of the advanced It Support and implementation of the international trade onto the company intranet is the not the course of this project due to the need of a special competence to handle the company intranet and document system.

Please do not forget that within my 11 years of work within the international trade in Morocco and Abroad, Most of the Moroccan companies just started to implement the electronic system where everything is mentioned and manuscript, Change is very difficult still for some companies and its work force, especially when the change is resisted because it doesn't serve their interests. When the company adopt a very functional IT system like Sage 100, Sage X3, Odoo, SAP and others, it will be very difficult for the departments of the company involved in the international trade to commit a fraud (import export, customs agents, finance, accounting, supply chain, warehouse operators, drivers delivering the containers). I doubt it. And it would be very easy on auditors to check the cash management flow from A until its placed or not within the warehouse.

Research Methodology

Research strategy

The research has been heavily reliant on empirical data from workshops, interviews, management books, and most importantly, information gathered from my own experience (live, direct from the field) in order to create the model best suited to any entrepreneur's company situation. This has allowed me to present research where the solutions reached are in line with best practice according to the aforementioned sources and ease a significant burden on the new entrant entrepreneurs.

Methodological approach when creating the model

When this project started the companies where I have worked, were in the middle of restructuring of the procurement department, with fragments from the old organization working side by side with fragments from the new organization. Due to this unique circumstance, the traditional method of the Business flow chart—which starts with creating a snapshot of the current state of affairs, identifies areas for improvement, and then creates a future process map—is not applicable. Owing to the constantly evolving current procedures, a description of the future process was developed so that the department's continuous modifications could be directed toward it.

I've outlined the steps I plan to take in order to address this problem:

• List all current procurement initiatives.

This was accomplished by using secondary data that was gathered from many websites, including our own department, in the form of routine documents, descriptions, tools, and templates. Even foreigners were interviewed by me.

• After current operations were identified, it was crucial to determine which ones would be worthwhile to include in a subsequent procurement process. The theoretical models and current models were also contrasted.

• All required tools were gathered, connected to the process map, and integrated into the entire structure.

• After all activities were mapped into the structure, it was crucial to evaluate and validate the new structure.

• Lastly, the comprehensive process flow chart was ready for the business to put into practice.

A sequential technique of creating a process chart to procurement manual

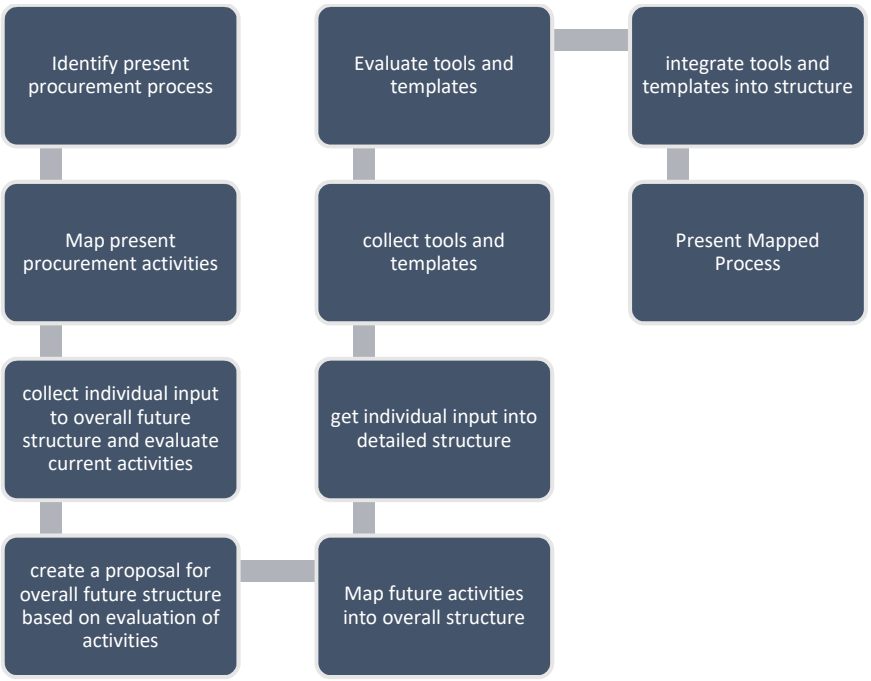


Figure 1.

Literature Review

Procurement Function

As I'll clarify later in the thesis, the procurement function is a component of the sourcing function. The procurement role in an ERP-enabled environment includes a thorough indenting process, budget management for purchases, purchase order release, and arranging shipment schedules in conjunction with seller planning. It also involves making sure that documentation and system updating procedures are followed.

In Morocco, the majority of companies do not use a useful ERP or even any ERP at all. I have worked with SAGE 1000, and Sage X3. Import and export companies in Morocco don't use the ERP, to avoid online registered tracking of information so the company can ease the false declaration of taxes and payment with cash, (one of the best ways used to evade taxes)

ERP is the engine behind each of these procedures. The procurement function deals with managing rejections, defective returns, warranty replacement processes with suppliers, capital equipment, projects, and aftermarket spare parts procurement in addition to the acquisition of raw materials and components.

One important aspect of procurement is vendor development. The procurement staff must acquire a variety of skill sets, including sourcing and vendor development. The procurement function collaborates closely with the inbound supply chain or procurement logistics. In addition to being familiar with the principles and regulations of commercial trade, a procurement specialist must possess operational understanding of the logistical activities within the supply chain network, the numerous agencies, laws, customs rules, and taxation.

Procurement Process and Sourcing Strategy

Procurement process and sourcing strategy are not synonymous, despite their tight relationship.

Planning, creating, and cultivating a dependable and competitive supplier base, choosing a procurement strategy, specifying pricing tactics, and supply chain requirements are all part of sourcing strategy. The strategy entails aligning its goals with or validating the goals of stakeholders in the finance and operations sectors. distribution and marketing. The final step in the sourcing strategy is to arrange competitive purchasing for the company's services,

components, and raw materials in addition to other variables. The procurement process, as previously mentioned, is concerned with assuring performance and managing the day-to-day operations of the procurement function.

Change in the Strategic Sourcing Methodology

The way that businesses see and handle their supplier relationships has changed as a result of the realization that suppliers are crucial to the company's supply chain network. particularly in light of the COVID-19 epidemic. The perceived worth of supplier partnerships has changed as a result of several reasons. Companies now need to establish production or assembly facilities closer to markets and in areas where conversion costs are comparatively lower due to complex business models at global scales and market needs.

This means that the company needs to have a strong supplier network that can guarantee supplies at all times. Shorter product life cycles are a result of technological advancement and improved R&D capabilities. Products become outdated more quickly due to new product versions and innovation. In addition, the timely creation of new design supplier parts is necessary for the introduction of new goods, and suppliers must keep up with the evolving designs and specifications.

The concepts of lean manufacturing and cost per unit require managers to continuously search for ways to cut costs associated with both procurement and procurement logistics.

Buyers might delay assuming ownership of goods until the point of consumption by fostering a collaborative relationship with suppliers and getting those companies to hold inventories at the buyer's site.

Preferred suppliers now accompany the buyer into locations where the buyer is establishing facilities and provide value-added services, such as handling warehousing in the context of CRM. As a result, management has come to understand that in order to create a global business model, they must establish supplier relationships, collaborate with suppliers, and make investments both in strengthening the relationship and the supplier's skills. The management of suppliers is no longer transactional.

A sourcing strategy for services may also include contracting out a business process to a different organization. The outsourcing company may receive workers and assets as part of this plan**.**

Sourcing plan

The culmination of all strategic sourcing planning efforts is the sourcing plan. All sourcing events are scheduled and detailed in this planning, including the sourcing team in charge of each event, the start and end dates of the sourcing event based on each RFX step (RFI, RFP, RFQ), the specifications of all services or materials, and negotiations/cost targets.

Managing the schedule and caliber of each sourcing event within the strategic sourcing program is the aim of the sourcing plan.

80% of Moroccan construction companies use spreadsheets for manual sourcing and RFX activities, which is still common practice among procurement experts.

However, this increases the possibility of inaccuracy and gaps in the procedure of sourcing.

Sourcing optimization

The field of operations research uses cutting-edge methods to assist in improving decision-making. Conversely, optimization makes use of mathematical algorithms to quickly resolve business issues by analysing all potential outcomes—or a large number of them—and choosing the ones that result in the optimal answer. Optimization is useful for supply chain and sourcing operations because it allows sourcing professionals to assess thousands of procurement inputs at once. This assessment provides options to meet the buyer's sourcing objectives by taking into account the worldwide market, particular supply chain conditions at the moment, and supplier conditions on an individual basis

Cooperative Sourcing

Cooperative sourcing refers to the negotiation or cooperation of various businesses with comparable business operations. The rival with the best manufacturing function can outsource its rivals' business processes in order to cut expenses.

Finding a durable alliance and the business with the best production function is the primary task in this collaboration, as all parties to the negotiations may be either insourcers or outsourcers. This is challenging because it can be challenging to estimate the true costs of production, and

negotiators may be inclined to inflate these costs in order to obtain greater fees for insourcing. Inefficient solutions are frequently caused by high switching costs, the expense of looking for possible cooperation sourcers, and the expense of negotiating.

Sourcing Business Models

A technique to organizing supplier relationships that is systems-based is called sourcing business models. A sourcing business model is a kind of business model used in partnerships in which the success of the connection depends on cooperation between multiple parties. Seven different business models exist for sourcing, ranging from transactional to investment-based. The Performance Based/Managed Services Model, Shared Services Model, Equity Partnership Model, Approved Provider, Preferred Provider, Vested Outsourcing Business Model, and Basic Provider are the seven models.

Procurement experts -looking for a cutting-edge strategy to find the best fit between buyers and suppliers- are the target audience for sourcing business models.

Theorical Framework

Understanding Procurement

The field of supply management and procurement is evolving quickly. While the effective processing of purchase orders was once the primary responsibility of procurement professionals, the fast-paced nature of today's corporate climate has expanded that position to include control over the full sourcing and acquisition process. Today's procurement experts need to be quick to identify and react to the state of the market, as well as having the insight to anticipate what the company will require in the future. putting plans into action that adapt to the evolving dynamics of the organization's constant reinventing. In fact, the modern procurement management expert needs to be a change master. And in order to support that change dynamic, the procurement specialist or the independent contractor who will source and buy must also be an expert in best practices—methods that have been demonstrated to yield exceptional results—to consistently guarantee that change promotes enhancement of the business process rather than merely replacing one subpar system. Establishing an analytics-focused procurement center of excellence at a customer products organization is crucial.

In order to deal with a variety of stakeholders in multi-tier supply networks, purchasing and supply management (PSM) has gained attention as an essential (van Weele and van Raaij, 2014), strategic (Cousins et al., 2008), and crucial business activity (Wynstra et al., 2019). (Choi and Krause, 2006). We must provide significant answers to a number of questions in order to practice, identify PSM as an academic and practical field. What exactly is buying, and what does it entail? Furthermore, what is it not? We must explain the purchase process in order to educate future business owners and students about this intricate field that involves a wide range of tasks. Frequently, this is accomplished by elucidating and illustrating a purchasing process model (PPM).

Difference between purchasing and procurement

The transactional stage of purchasing goods and services is the main emphasis of the purchasing process, which is a subprocess of procurement.

The collection of tasks involved in obtaining the supplies and services a company needs is known as purchasing. Purchasing is a little portion of the larger procurement job, as was previously indicated. Ordering, rushing, receiving, and processing payments are all part of this procedure.

The various stages involved in the purchasing process are as follows:

- Getting a purchase request;
- asking for offers and assessing quotes;
- sending official purchase orders;
- receiving goods and services;
- assessing the caliber of supplied goods;
- and deciding how much to pay vendors

The strategic role of purchasing

Beyond cost savings, the purchasing department typically has a lot more other methods to improve the company's competitive position. Some of these methods are presented by Van Weele (2005) and are listed below:

- Product standardization: By aiming for a decrease in product variation, purchasing can help cut expenses. Reducing the number of vendors and distinct components will help achieve this.

- Contribution to product design and innovation: Industry innovations frequently originate from suppliers or arise from close communication between customers and sellers. Buying may support ongoing product innovation and improvement by actively encouraging these kinds of interactions.

- Reduction of stock: by enforcing strict discipline on the provider. Buying might reduce the requirement for component safety stocks. This could entail asking the supplier to hold a consignment supply at the facility, for example. These kinds of activities have the potential to drastically lower the required stock quantity and, consequently, the capital used.

- Increasing flexibility: The business may need to seek greater flexibility from its suppliers if it hopes to provide it to its clients.

- Promoting synergy in purchasing: A lot of businesses have a business unit structure with largely independent business units. As a Director of Procurement Business Unit, I oversaw a procurement center that was in charge of importing goods and raw materials for two factories, five showrooms in Morocco, and two showrooms overseas. The procurement center was also in charge of exporting and selling the manufactured products that were produced within the factories, so in this case, two business hats. In such a structure, the business unit manager is responsible for both revenue and costs. By coordinating their purchases with other departments, purchasing officers can save a lot of money in certain situations.

I discovered that there are a number of procurement and purchasing models that could be of interest to an entrepreneur with an interest in or investment in international commerce from my research conducted in the past few years and my review of the literature. My goal is to disseminate to academics the most discussed and utilized models, which have been influenced by the works of Van Weele, Dobler and Burt, Van Raji, and others.

Van Weele (2018) states that purchasing is recognized as a component of the procurement process and is included in models of cyclical processes.

The purchasing organization typically possesses some information about the suppliers in the market and has expertise purchasing the kinds of commodities and services that they want. This is the kind of information that makes sense to use while making a purchase. As a result, models that emphasize the cyclical nature of purchasing have been put forth, in which the process begins anew for a subsequent purchase once the series of stages has concluded.

A category sourcing strategy and contracts with one or more suppliers for that buying category are the outcomes of the strategic and tactical efforts in the outer ring. The beginning of the operational activities, which result in invoicing, is marked by the contract. The bills are entered into the expenditure analysis, which is a sourcing analysis. The

strategic supply base management operations are delineated by the inner ring. When combined, the inner and outer rings outline the components of purchasing and supply management, or PSM.

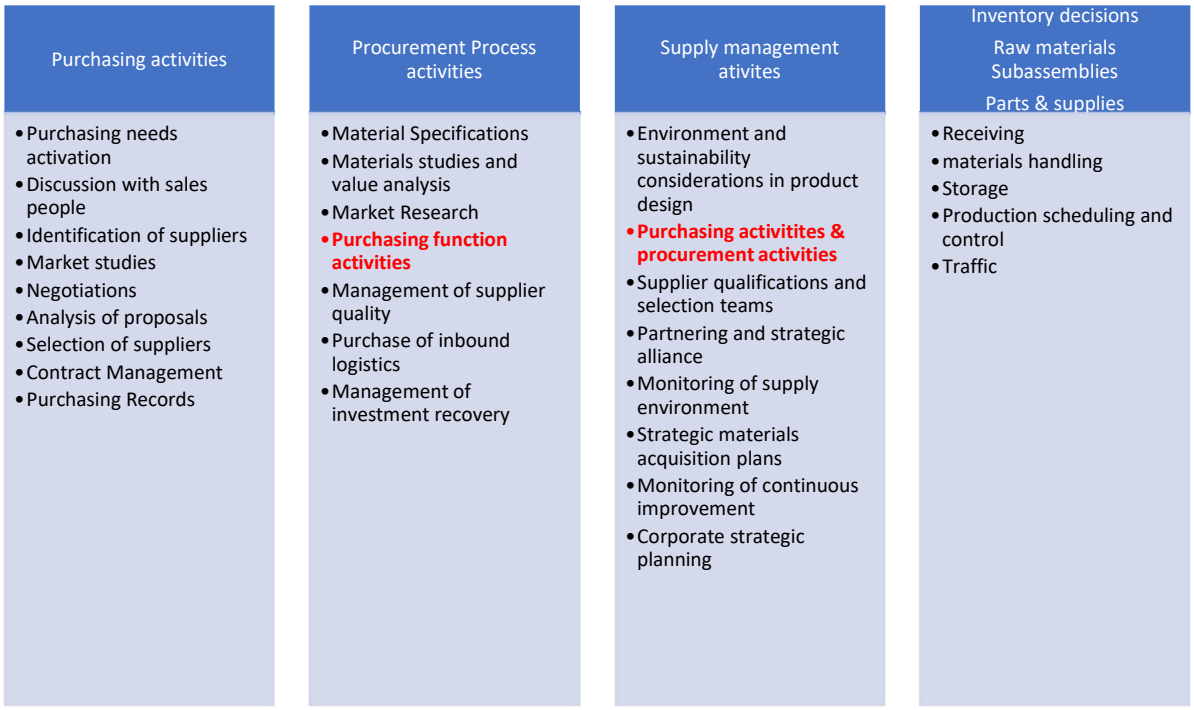


Figure 2. A purchasing Chart. Reproduced with permission of Mc-Graw Hill education, from Dobler and Burt (1996, p37.), permission conveyed through copyright clearance center, Inc.[1]

There are several levels of processes in the previously described Dobler and Burt (1996) model shown in Fig. 1. These levels range from strategic to tactical/operational in nature. The procurement activities, which are a subset of supply management activities, include tactical and operational purchasing. This model, which is similar to a Russian matryoshka doll with nesting dolls, highlights the hierarchical structure of purchasing and supply management procedures. In the paradigm, materials management is positioned as a distinct process. These models usually

[1] From the journal of Purchasing and Supply management 25 (2019) 100577. Purchasing-process-models--Inspiration-for-teac_2019_Journal-of-Purchasing-a.pdf

explain that the process of purchasing begins with an issue or request (from an internal customer) and ends with a solution that has been ordered and provided. Hence, buying is portrayed as a more practical and tactical kind of problem-solving. The only model that explicitly integrates purchasing and supply management into the organization's larger strategic considerations is the one developed by Dobler and Burt (1996).

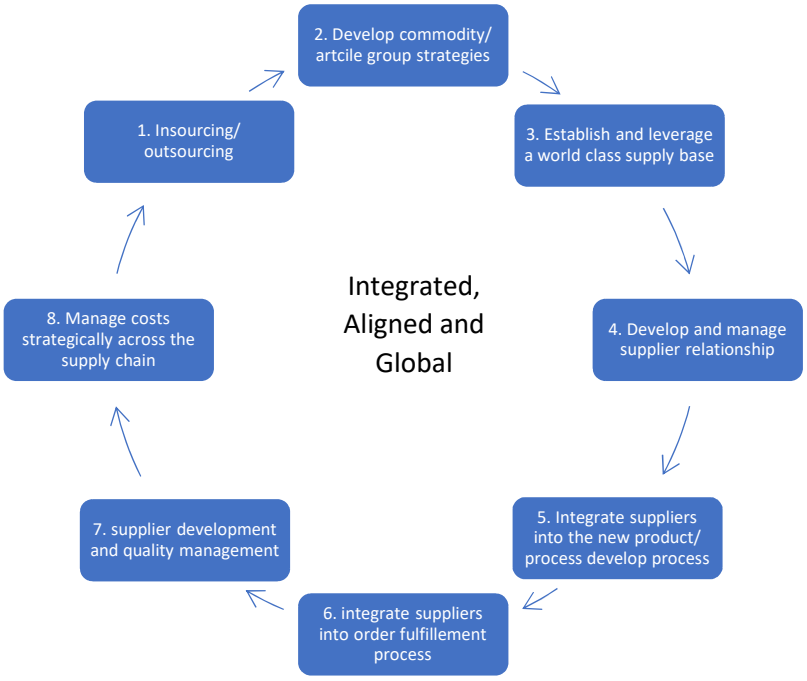


Figure 2. A strategic Process model based on Monckza (1999), Reproduced with a permission of Nevai. Source Nevai 2002. [2]

The aforementioned model is one of the strategic process models mentioned in the journal of Purchasing and supply management.

A higher strategic level of purchasing is addressed by the procedure. The most well-known of these is the Purchasing Excellence Framework, which was created by Monczka (1999) at Michigan State University in collaboration with the Dutch Association for Purchasing Management (NEVI, 2002) (see Fig. 2). This concept is well-known in the academic world and has been copied in textbooks such as Axelsson et al. (2005, p. 5) and van Weele (2018, p. 169). It has not been published very often, but it has been widely used through practice. None of the Van Weele's tactical moves are taken into account by this approach. Rather, it talks about how

[2] Extracted from Journal of Purchasing and Supply Management 25 (2019) 100577

strategic action may make purchasing an integrated, global, and coordinated aspect of the total corporate strategy. This paradigm places a lot more emphasis on the lengthy design phase of creating purchasing policies than it does on making real purchases.

Another model, based on the status of suppliers, splits the purchase steps (see Fig. 3 below) and was inspired by Nokia and given by Johnsen et al. (2014, p. 31). The process is represented visually as a combination of one cycle and two concurrent streams of subprocesses. A supplier's performance, development, and connection with the purchasing firm are all regularly monitored once it has been recognized and designated as a preferred supplier. Thus, the inner circle of Figure 2 and the cyclical portion of this model are the same. To be recognized as a supplier, new vendors must first pass the pre-evaluation and go through the selection process.

The operations for maintaining current suppliers are kept apart from the activities for looking for and choosing new suppliers in this paradigm. Additionally, the model shows that managing the current supply base is a continuous effort with long-term orientations, while searching for new suppliers is a one-time linear process.

The Interaction Life Cycle model by Bäckstrand (2014) is a self-developed process model created especially for teaching purposes. The Plan-Do Check-Act (PDCA) cycle serves as the foundation for this hybrid model, which extends the planning stage of a new purchase as a linear process to include the identification of a need, the investigation of potential solutions for meeting this need (such as a Make-or-Buy choice), and the initial decision to buy. The Plan stage is started if making a purchase is the best method to meet a demand. In the Do stage, the purchase is made, and in the Check stage, it is monitored.

There are four options available on the Act stage:

(a) Echo: Make a new purchase if the transaction is a pure rebuy based on the existing contract;

(b) Evolve: The Plan stage will be reviewed if any changes to the contract are required;

(c) Exit - When a product is no longer required, the provider and the relationship are ended;

(d) Exchange - The supplier is swapped out for a new one and the linear sourcing stage is reviewed if the product is still required but the present one is unable to produce at the predetermined levels.

By specifying which process steps should be completed at various points over the product life cycle, this process model takes into account the temporal component as well (Hayes & Wheelwright, 1979).

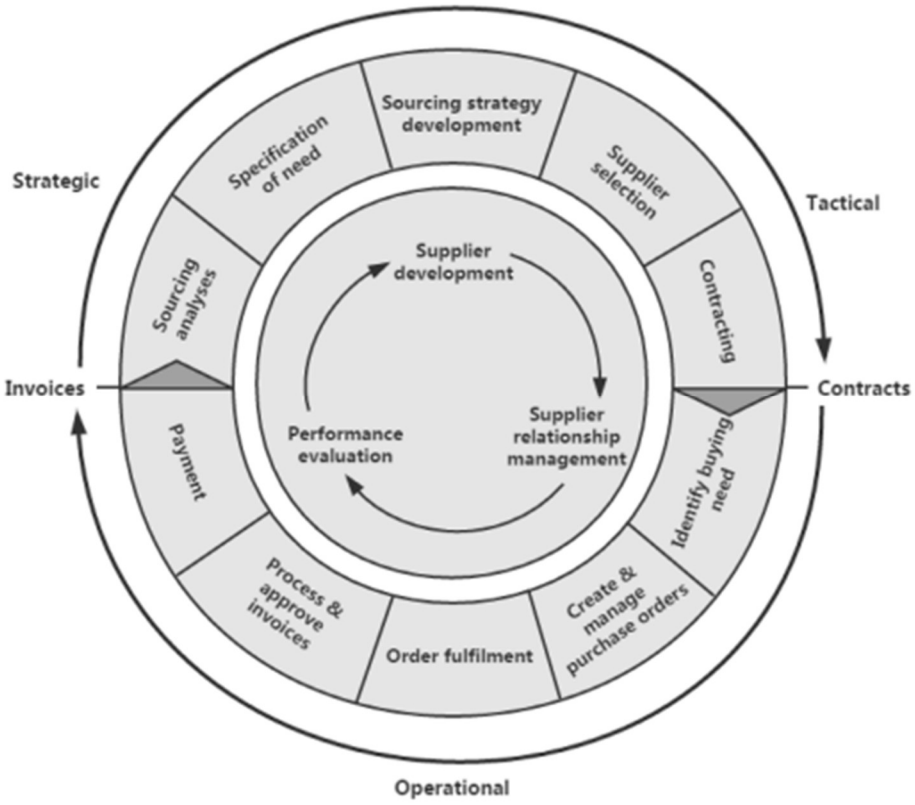


Figure. 3. The Purchasing Supply Management process wheel (van Raaij, 2016).[3]

Understanding the influence of purchase requires critical thinking, investigation, and discussion of pertinent issues. (check below)

- Why do more and more senior managers see how important supply and purchase management is?
- What distinguishes supply management from purchasing? What distinguishes supply chain management from supply chain orientation?
- What distinguishes a value chain from a supply chain?
- Do you believe that purchasing agents for organizations ought to act like entrepreneurs? Why not, and why not?

[3] Extracted from Journal of Purchasing and Supply Management 25 (2019) 10057

- What are some of the variables that could affect how crucial purchasing is to an organization's success?
- Given the anticipated rise in artificial intelligence, robotics, and automation, what qualifications do you believe a purchasing expert should possess?
- What is it that supply managers' collaborative actions affect so much?
- Why does the way supply managers behave as a group affect economic trends so much?
- Would we all agree that depending on the sort of business, people have different roles to play in supply management?
- The history of supply and purchase management can be divided into seven stages. What can we expect going forward?

Right Measures and Measurement systems

One of the pillars supporting excellence in supply chain management and procurement is having the appropriate metrics and measurement tools in place. Regrettably, there are numerous obstacles standing in the way of better performance through measurement. Among them are:

- An excessive number of metrics

- Discussion of appropriate metrics

Two things that are always changing are metrics and old data, particularly in Morocco.

The organization must have a process in place to measure what it wants to measure and know what those hurdles are in order to overcome them. and has access to the appropriate data. Acting upon the measurement data is the next step. Ultimately, the goals are updated to take into account the competitive landscape, market conditions, and evolving aspirations of the startup company, just like any other planning system would.

Why is measurement so important?

First, measurement helps with fact-based decision-making as opposed to subjective ones. Second, measuring is a great approach to share requirements with other participants in the supply chain and to encourage ongoing change and development. Suppliers are more likely to perform well if they are aware that their actions are being watched. Numerous businesses utilize the measuring method to honor exceptional achievement as well as to enhance supplier performance going forward. As an illustration, consider the Elite Supplier Program, which

recognizes suppliers for their demonstrated dedication to quality and accountability as well as their attention to the needs of their clients while delivering creative solutions.

By associating crucial metrics with intended business results, measurement also communicates what matters. Determining whether new initiatives are yielding the anticipated results is another benefit of the measurement process.

Lastly, I think that the ideal instrument for managing supply chain and purchasing operations may be measurement.

The evolution of supply chain management in the last decades (2000-2025)

The actions that a purchasing organization in the twenty-first century needs to take are not the same as they were in the past. These days, it's thought that there are several ways to add new value to the supply chain: supplier development, supplier design involvement, using full-service suppliers, total cost supplier selection, supplier relationship management, strategic cost management, cloud-hosted enterprise-wide systems (ERP), integrated internet linkage, and shared databases.

Newer ideas keep coming up in spite of all the alterations mentioned above. These include fostering innovation in the supplier base, boosting top-line revenue development, keeping an eye on supplies with mobile devices, and controlling supply chain hazards internationally.

As we enter the third decade of the twenty-first century, strong technologies will make it possible to manage these partnerships through the automation of tactical procedures. In order to better satisfy user needs, several businesses are increasingly employing AI to identify changes in data trends and drive customer- and user-centric purchasing. They now even employ cutting-edge database mechanisms, such blockchains, which enable instantaneous supply chain transaction tracking and improve safety, compliance, and responsiveness. These mechanisms enable transparent information exchange inside a company network.

Regarding the purchases made thus far in this century, three conclusions can be drawn:

- First, given the challenges posed by global competition, fast evolving technology, and changing customer expectations, purchasing must have a global function and vision.

- Secondly, the purchasing function needs to continuously apply integrated digital technologies that enable automation and learning in order to keep its significance.

As a good practice Example, I'm reviewing below the case of taking an entrepreneurial approach to purchasing at Bobsan College:

Teresa Pitaro, the director of business services for Babson college and her team of purchasing managers, are acting like entrepreneurs and as a result changing the culture of Bobsan.

Teresa purchasing team, have engineered copy center, bookstore and transportation deals. They have extended their influence to become an integral part of construction sourcing. This job was previously performed by facilities managers with minimal or no purchasing input. Finally, they have found new ways to leverage their office supply buy through a university consortium. All this has been accomplished while automating the buying process and giving the internal customers more responsive service.

Considering that Babson has the premier entrepreneurship program in the USA, according to the US news and world report, the supply team's approach fits well with the culture.

The challenges of Babson always required the team to continually challenge old ways of doing business. Says Pilatro "buying can usually be segmented into buying processes and internal customer groups". Then they had to focus on three buying processes and their associated customers:

1. Process driven buying empowers the customer to purchase from contracts that the purchasing group negotiates. Office supply are the best example of this type of purchase. Working with the Boston Consortium, a group of 15 Boston area universities, a very attractive contract was negotiated with a major supplier of office products. In some cases, saving between 5 and 8 percent were realized from the previous contract. Additionally, a procurement card (P-card) contract was negotiated by the purchasing group that provides additional price discount over a certain volume level. These rebates are then put in general budget at Babson to fund additional operating needs. Marketplace is an e-procurement tool provided by the consortium that has potential to further streamline and automate the purchasing process for the college in the Future.
2. Nontraditional spend buying process involves expanding purchasing's influence into spend categories that have been traditionally purchase by other functions. Examples in the category include construction and renovation projects. Previously construction-related purchases were performed by facilities with little involvement by purchasing. Purchasing was involved in early stages of the construction plan, this included

successfully bidding construction management services for the renovation of two buildings on campus.

3. Centralized contracted services buying process involves using the expertise of the suppliers that team with the college to provide products used on a daily ongoing-basis. Pilatro has focused her efforts on meeting with user groups to identify opportunities in theses areas to lower and improve services while reducing risk.

Thus, so far, the challenges were:

To centralize buying effort to capture complete usage across various users and then collaborate with suppliers to continually reduce total cost.

Leverage technology to simplify and automate repetitive activities while capturing and disseminating information knowledge.

I want to quote that within the aforementioned example of Babson college and Mrs Pilatro, the budget managed yearly is about 161$ million dollars in college operational spending every year.

Purchasing organization

According to Axelsson and Laage Hellman (1991), an organization's structure affects how well procurement functions. They imply that the type of organizational structure chosen will have a significant impact on how the organization is governed.

According to Axelsson and Laage Hellman (1991), there are three methods to arrange purchases based on specialization:

• Commodity-based specialization

• Facility-based specialization

• Customization according to supplier

A buyer handles all purchases for a certain facility in the first scenario, a buyer handles specific products or services in the second, and a buyer handles all purchases from a particular supplier in the last scenario (Axelsson & Laage- Hellman, 1991).

• Task, authority, and responsibility levels

• Three degrees of responsibility—strategic, tactical, and operational—can be distinguished in purchasing organizations. Different topics are addressed at each level. The highest level, the

strategic level, is more concerned with broad concerns, the tactical level is more detailed, and the operational level is almost exclusively focused on day-to-day specifics. Van Weele (2005).

Strategic level

• Decisions made at the strategic level affect the company's long-term standing in the market. Typically, these kinds of choices are made at a somewhat high level inside the company, ideally at the top management level. Van Weele (2005)

Van Weele (2005) cites the following as instances of strategic purchasing decisions:

• The creation and publication of operational norms, processes, and work descriptions that confer authority upon the purchasing department.

• The creation and execution of audits and review programs to keep an eye on and enhance the performance of purchasing activities.

• Choosing to assign tasks that the business now performs in-house to outside vendors.

• Create enduring agreements and relationships with approved and/or preferred suppliers.

• Choices about whether to use a multi-sourcing or single-sourcing supplier approach.

• Important financial choices.

• Choices pertaining to retrograde integration.

• Choices on intercompany supply and transfer-pricing rules.

• Choices about countertrade, bartering, and reciprocal agreements rules.

Tactical level

Decisions like supplier development and evaluation, as well as supplier selection, are made at the tactical level. Purchasing decisions that have an impact on processes and products are typically made at the tactical level as well. Van Weele (2005)

Van Weele (2005) cites the following as instances of tactical purchasing decisions: • Corporate and/or annual supplier agreements.

• Creating and preparing programs for value analysis, design review, and product standardization.

• Implementing and running supplier certification procedures to raise the caliber of materials and commodities that arrive.

• Choosing and hiring suppliers generally, and supply-base reduction initiatives specifically.

Operational level

Ordering and expediting are daily tasks that fall within the operational level. Order follow-up and delivery surveillance are additional concerns at this level.

Van Weele (2005) lists the following as instances of operational level purchasing decisions and actions:

• The ordering procedure;

• Any expedited actions pertaining to released orders.

Troubleshooting: resolving day-to-day issues with payment and supply in conjunction with the supplier; monitoring and assessing supplier performance.

Centralized versus Decentralized purchasing organization

When constructing the purchasing organization, a crucial choice to be taken is the level of centralization (van Weele, 2005). Centralized and decentralized organization represent the two extremes in this.

Decentralized purchasing structure

Businesses with a business unit structure typically have a decentralized structure. Under this kind of arrangement, the business unit manager is often in charge of all purchases made inside the business unit as they are accountable for the unit's financial performance. Since each negotiator may only fight for the expenditure of his or her own business unit, a significant drawback of this kind of organization is that the corporation cannot utilize all of its bargaining strength. This implies that separate agreements can be made by the same company with the same supplier, allowing one business unit to receive one price and another unit to receive a different one.

This kind of structure is typically used when a corporation has divisions with distinct demands and distinct items that are bought for each division. Van Weele (2005)

Centralized purchasing organization

A corporate level purchasing department is in charge of all purchases in a centralized purchasing organization. Decisions regarding supplier selection and product requirements are made centrally in this kind of organization. The terms and conditions of contracts with suppliers are often negotiated centrally and apply to all business units. Contracts with this kind of organization are typically long-term agreements that specify which suppliers may be purchased from, as well as the terms of delivery and costs. However, the business units are typically in charge of carrying out the actual purchasing under the agreements.

The primary benefit of this arrangement is that the negotiators are bargaining on behalf of the entire company, giving them far more negotiating power and sway over the supplier. Usually, this results in more favorable terms and other agreements. This structure also has the benefit of generally resulting in a higher degree of standardization in the products that are acquired. The drawback is that it leads to issues with accountability when a business unit manager is in charge of his output but unable to control the cost of items he purchases. Generally speaking, this organizational structure makes sense when several business units make comparable purchases of goods or services. Van Weele (2005

The procurement process

Van Weele (2005) presents a basic model of the procurement process. This process has six steps:

1. Define specifications
2. Select supplier
3. Contract agreement
4. Ordering
5. Expediting
6. Evaluation

This procedure provides a decent overview of the operational handling of procurement, but it is devoid of explanations of other aspects of the process, such as advanced supplier management and performance measurement. In order to have a more comprehensive understanding of the topic, research has also been conducted on other aspects of the procurement process.

The governance process

The primary goal of the governance process is to assess the effectiveness of the logistics and procurement division while also providing directives in the form of policies and instructions.

Measuring purchasing performance

Setting and assessing targets is a suitable technique to control purchases, according to Axelsson and Laage-Hellman (1991). They claim that Key Performance Indicators might be used for this. The KPIs are split up into seven categories:

- Price related KPI's
- Quality related KPI's
- Delivery related KPI's
- Inventory related KPI's
- Savings related KPI's
- Activity Related KPI's
- Other

Axelsson and Laage-Hellman (1991) presents a large number of KPI's within these categories

Van Weele (2005) outlines two metrics—purchasing effectiveness and purchasing efficiency—that can be used to assess purchasing performance. According to him, purchase efficiency is a measure of the resources utilized to achieve something, whereas purchasing effectiveness is a measure of what has been achieved.

Many KPIs that can be used in the construction business are presented by Lööw (2006), based on van Weeles's (2005) four dimensions: cost/price, product/quality, logistics, and organization.

However, some of these KPIs are quite broad and can be used in other industries. To make these KPIs easier to access and comprehend, they were arranged on a dashboard.

The Strategic Sourcing process

Creating a sourcing strategy is a difficult process that involves many variables that differ depending on the company, commodity, and environmental conditions.

The choice between single and multiple sourcing is one of the most frequent strategic decisions. Saunders (1994), Dobler and Burt (1996), Heniritz et al. (1991), and other authors discuss this decision.

Dobler and Burt (1996) outline some factors to be considered when addressing tactical and strategic purchasing-related challenges.

Early supplier involvement

Suppliers can offer their experience in the following nine areas if they are brought in early in the buyer's design process, according to Dobler and Burt (1996).

- Material specifications
- Tolerances
- Standardization
- Order sizes
- Process changes in supplier’s manufacturing
- Packaging
- Inventory
- Transportation
- Assembly changes in buyers’ plant

Four reasons for utilizing early supplier involvement:

- Get suppliers input before the design is frozen

- Capitalize on the latest technology
- Save time since design cycles are getting shorter
- Let the supplier know that they are part of the team

Number of suppliers

How many parallel sources of supply should be employed is another factor to take into account while creating a strategy, according to Dobler and Burt (1996). A business may opt to source all of its goods from one supplier, a practice known as single sourcing, or it may choose to get its supplies from two or more vendors, a practice known as dual or multiple sourcing. The various tactics are suitable in various contexts. Single sourcing is appropriate in the following situations, per Dobler and Burt (1996):

• Higher quantities can result in better prices due to economies of scale;

• Quality matters.

• Having a lot of sway over a supplier is beneficial.

• The expenses of sourcing, processing, expediting, and inspecting are lower.

• Just-in-time production necessitates coordination, quality, and control from a single source.

• There could be a significant drop in freight expenses.

• The usage of several suppliers is unfeasible or unduly expensive, and specialized equipment or machinery is necessary.

• There will be less overall system inventory.

• The supplier's commitment improves as a result.

• There is an increase in interdependency and risk sharing;

• Time to market is crucial

On the other hand, Dobler and Burt (1996) states that dual or multiple sourcing may be appropriate:

• To safeguard the purchaser during emergencies, strikes, or shortages.

• To keep things competitive and offer a backup supply. This is often accomplished by having a primary supplier who receives roughly 70% of the volume and a secondary supply who receives the remaining 30%. Then, supply is guaranteed by a backup and economies of scale can be preserved.

• To satisfy international manufacturing locations' local content criteria.

• To fulfill the volume demands of the client.

• To prevent complacency or sluggishness on the side of the sole supplier.

• When the client is a minor participant in the market for a certain product.

• When it's unclear where technology is headed.

• In domains where vendors frequently surpass one another in terms of technology.

Share of supplier business

According to Dobler and Burt (1996), a corporation must choose how much of the supplier's turnover it wants to account for when deciding on its purchasing strategy. Their influence increases with the percentage of the business they own, but if they stop doing business, they could place the supplier in a tough position and damage their own reputation.

Buying locally, nationally or internationally

Dobler and Burt (1996) state that one factor to take into account when creating a sourcing strategy is whether to source locally, nationally, or worldwide.

Dobler and Burt (1996) list the following advantages of local sourcing:

- Because of their near geographic proximity, the buyer and supplier can work together more closely.
- Delivery dates are frequently more precise because transportation plays a relatively small role in the delivery process.
- Consolidated insurance and transportation costs may lead to lower costs. In actuality, a local provider ships out numerous orders from local customers in one shipment.
- Shorter lead times can allow inventory to be reduced or eliminated.

- Orders in a hurry are probably filled more quickly.
- It is typically easier to resolve disputes.
- Fulfillment of implied social responsibility to the community

Dobler and Burt (1996) list the following benefits of national sourcing:

- Greater economies of scale when compared to regional vendors
- National businesses are typically able to offer better technological support.
- Larger national corporations are better equipped to manage varying demands due to their higher production capacity and consequently more production flexibility.
- Their larger market means that shortages are less likely.

Comparing international sourcing to the first two options reveals much more complexity. Many factors need to be taken into account when sourcing from overseas, and it can be challenging to identify the precise advantages of doing so because they vary depending on the product and the region from where it is acquired. The advantages could range from obtaining the best quality to the lowest price. (Burt and Doubler, 1996)

Purchasing from a Manufacturer or a distributor.

Choosing to acquire items from a distributor or straight from the manufacturer is a crucial decision. Purchasing from a distributor often costs more than purchasing directly from the manufacturer, but the distributor has the ability to enhance the product with additional features. For example, the distributor can order many products with a single order by stocking products from multiple manufacturers, which reduces the cost of ordering, receiving, controlling, and managing invoices. Additionally, buying in lesser quantities via a distributor as opposed to a manufacturer is frequently possible. The result is that using a distributor is more likely to be the best option for smaller, less significant purchases; for example, Frequently, MRO-articles are bought via a distributor. (Burt and Doubler, 1996).

Environmental considerations

Environmental factors may need to be taken into account while making a purchase. Ensuring that suppliers do not handle ecologically problematic substances in a way that could harm the buying company is of utmost importance for the buying organization. This could happen through negative press, or in certain situations, the purchasing company might even be held financially accountable for issues brought on by a supplier. (Burt and Doubler, 1996).

Ethical considerations

When creating a sourcing strategy, and especially when selecting suppliers, a buyer must always be mindful of any conflicts of interest (Dobler and Burt, 1996).

Supply market research

Having all the necessary knowledge about the supplier market is essential to be able to choose a sourcing plan. Research on the supply market might be done to obtain this data. Van Weele (2005) outlines a methodical approach to supply market research that looks like this:

• What specific issue has to be resolved? What specific information is needed? What level of accuracy is required for the information?

At this point, the questions need to be addressed. It is unlikely that you will locate what you are looking for if you do not know what it is.

• A cost-benefit evaluation. How much will the research cost? How many man-hours will the research require? Will the information gathered be worth more than the cost?

• A feasibility analysis. What data is currently accessible within the organization through publications and statistics? An excellent documentation service might be very beneficial. Strong databases are widely available in public domains or at academic institutions.

• Planning the research project. To ensure that you are well-prepared, it is crucial to create a research strategy. It ought to include every pertinent phase of the planned investigation.

• Putting research activities into action. At this point, the plan is followed and the actual study is carried out.

• Writing the assessment and research report. Following the research, a report should be created that includes the assignment and the findings.

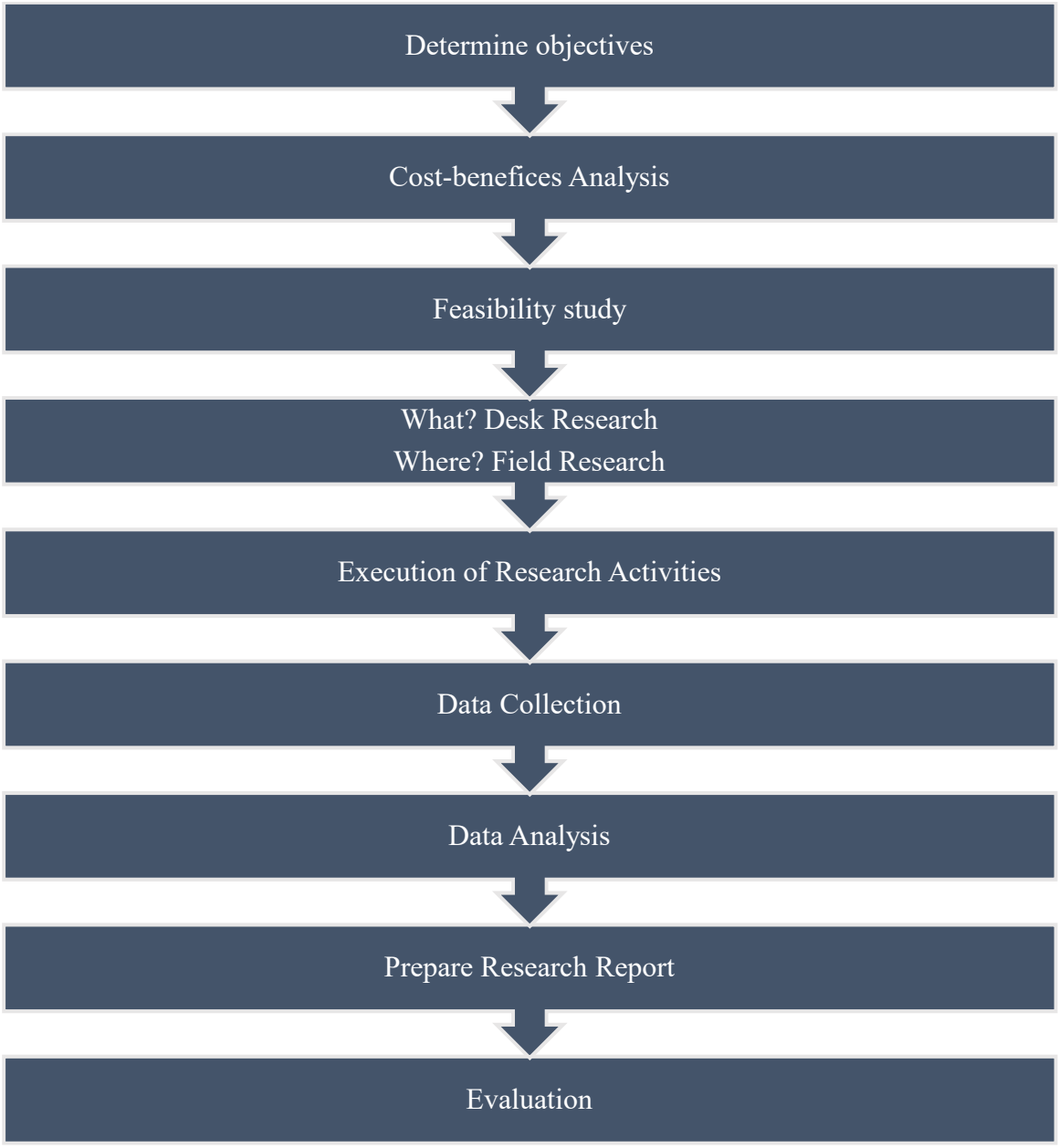


Figure 3: Supply market research according to Van Weele (2005)

Supply market research can be conducted on three separate levels according to Van Weele (2005):

• Macroeconomics Research. In macroeconomic research, broad variables including labor costs, consumer price index, inflation, and unemployment are examined for the entire nation.

• Mesoeconomic Research. At this level, specific variables like capacity, supply, and demand are examined and an industry rather than a whole nation is studied.

• Microeconomic Research. In microeconomic research, particular vendors are examined.

Kraljic's Matrix

Kraljic's matrix is a frequently utilized tool while working with strategies. This matrix is broken down into four squares where suppliers and commodities are categorized based on supply risk and their financial impact on the business. Refer to figure 4. Van Weele (2005)

There are four classes:

1. Products with a large financial impact but a low supply risk are considered leverage products. Competitive bidding is typically used to source these products.

2. High supply risk and significant financial effect are characteristics of strategic items. Usually, partnerships are used to source these products.

3. Routine products are those that have less risk to the supply chain and little financial impact. Using automated technologies, for example, helps reduce the number of man-hours involved in the procurement process of these products.

4. Products that have a high supply risk but little financial impact are known as bottleneck products. Securing the supply is a regularly employed strategy for these kinds of products. Van Weele (2005)

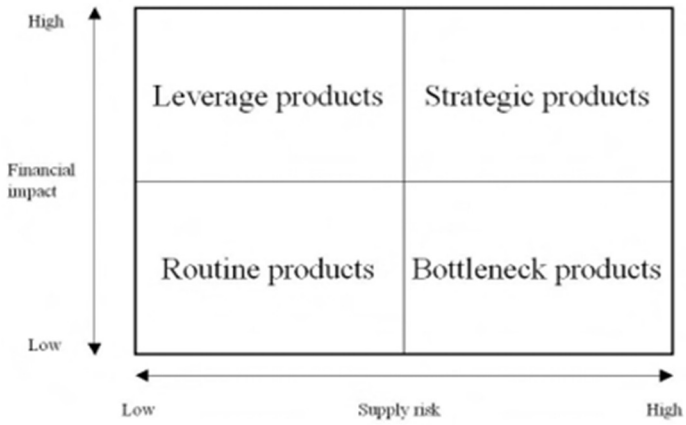


Figure 4. Kraljic's matrix, (based on Van Weele, 2005)

Table1: Four basic supplier strategies and its abilities in Kraljic matrix (Kraljic,1983) combined with strategies suggested by Van weele 2005:

Strategy	*Purchasing management*	*Materials management*	*Sourcing Management*	*Supply Management*
Procurement focus	Noncritical items (e.g., steel rods, coal, office supplies)	Leverage items (e.g., electric motors, heating oil, EDP hardware)	Bottleneck items (e.g., electronic parts, catalyst materials, out-side services)	Strategic items (e.g., benzol cyclo-hexane, scarce metals, high-value components)
Key performance Criteria	Functional efficiency	Cost/price and materials flow management	Cost management and reliable short-term sourcing	Long-term availability
Typical sources	Establish local suppliers	Multiple suppliers, chiefly local	Global predominantly new suppliers with new technology	Established global suppliers

Time horizon	Limited; normally 12 months or less	Varied, typically 12 to 24 months	Variable, depending on availability vs. Short-term flexibility-trade-offs	Up to ten years; governed by long-term strategic impact (risk and contract mix)
Items purchased	Commodities, some specified materials	Mix of commodities and specified materials	Mainly specified materials	Scarce and/or high value materials
supply	Abundant	Abundant	Production-based scarcity	Natural scarcity
Decisions Authority	Decentralized	Mainly decentralized	Decentralized but centrally coordinated	Centralized
The strategy suggested by Van Weele (2005)	Category management	Competitive bidding	Secure supply	Partnership

Mechanisms to create corporate advantage in purchasing

It may seem unusual that despite the fact that a number of academics have suggested that intracompany cooperation can result in large purchasing savings, there hasn't been much discussion of it in the literature on purchasing, (industrial) marketing, and general management. There aren't many conceptual and empirical articles, as far as we know. The organization of purchasing in multi-plant settings as well as the arguments in favor of centralised or decentralised purchasing are the main topics of most purchasing text books (Dobler and Burt, 1996; Lysons, 1996; Van Weele, 1994; Baily, 1994; Fearon et al. 1993; Heinritz et.al., 1991; Corey, 1978). The strategic importance of coordination both within and across the purchasing departments of various operational units is acknowledged by numerous writers.

According to Faes and Matthyssens (1998:205), there are differing views regarding the relative importance of centralization and decentralization in today's business environment. According to certain studies, there has been a trend in the purchasing process toward greater decentralization because this allows for the resolution of issues closer to the site of the problems (Gadde and Hakansson, 1994). Some identify one of the major trends in purchasing as the centralization and/or consolidation of purchasing processes, which improves and develops essential purchasing competencies (cost modeling, market knowledge, etc.). Additionally, a global sourcing strategy is thought to necessitate the unification of purchasing requirements across global business divisions (Dobler and Burt, 1996). According to Faes and Matthyssens (1998) two conflicting pressures can be identified. Globalisation, standardisation and efficiency pressures are pushing towards greater centralisation. Customisation, differentiation and responsiveness pressures push towards greater decentralisation. In other words, both decentralisation and Decentralised with some informal and voluntary co-ordination. In this approach, each business unit has its own autonomous purchasing function.

Any cross-business unit coordination is informal, ad hoc, and optional. Apart from what might be revealed by the firm's financial or other operating policies, there is no centralized coordination or formulation of policies. This organization minimizes corporate overhead by delegating all purchasing responsibilities to the field sites. The absence of management or operational capability in the local purchasing units to give the group the economies, synergies,

and purchasing power typically found in businesses with centralised groups is a drawback of this approach.

Voluntary purchasing committees with field offices are one variant on the decentralized model. Local purchasing representatives with comparable demands for goods and services form a council.

They get together willingly and coordinate procurement (contracting, ordering, and negotiating) from a single supplier as if they were a single organization. Nonetheless, in many companies, the lack of commitment and leadership from upper management frequently results in the dissolution of volunteer purchasing committees (Cavinato, 1991).

Decentralised with central co-ordination

This approach combines a centralised purchasing co-ordinating group (or individual) at company headquarters with dispersed purchasing units reporting to a business unit manager. This central group looks for chances for the company as a whole where individual plant site employees might not have a macro-view, and it oversees topics and issues of importance for the entire organization. The central groups typically function as consultants, which means they have to sell their services to the business units in order to cover their yearly expenses. This model has the benefit of giving the company management over suppliers and the scope of a central group, but it does not come with all of the overhead costs associated with completely centralized groups (Cavinato, 1991).

Centralised

Under this method, all operating units have their purchases made by a central purchasing group; the operating units are consulted but do not handle their own purchasing. The company benefits from centralized purchasing by having a single, pooled sourcing and purchasing authority.

While a significant portion of the potential synergies in corporate purchasing are captured by this model, user control and responsiveness to local demands are limited. Historically, realizing a favorable price as a result of accumulating volumes has been the main benefit of central purchasing.

Regrettably, companies who adopted centralized purchasing centralized not just the process of locating parts from suppliers, but also the act of placing orders.

A number of "new" purchasing structures have recently been introduced to the literature and to practice: Federal Organization Purchasing (FOP) (Akbar and Lamming, 1996) and the Center Led Action Network (CLAN) (Cammish and Keough, 1991; Russil, 1997).

Decentralized functions have been demonstrated to have low critical mass, low skill levels, and poor communication among units, while centralised functions are frequently linked to huge, unresponsive, and bureaucratic qualities. Decentralized structures frequently have drawbacks similar to those of centralised arrangements, and vice versa. Both the rigidity of centrally organized structures and the fragmentation characteristics of decentrally organized structures are thought to be avoided by using CLAN and FOP to organize the purchasing function. The primary distinction between FOP and CLAN is that FOP is center-led, meaning "the center makes it happen."

Centre-Led Action Network (CLAN)

In a CLAN organization, purchasing responsibility and functional excellence are managed from the corporate center, while purchasing action (real buying) is carried out in totally autonomous decentralized purchasing units (Russill, 1997: 315). This organizational structure aims to preserve flexibility and diversity while reaping the rewards of building a sizable critical mass. Through the use of official cross-unit coordination and integration structures (such as corporate groups), CLAN combines user control and responsiveness to local demands with the capacity to exploit corporate purchasing synergies. The corporate center's main goal is to facilitate networking amongst the separate business units in addition to leading the purchasing function (undriven networking of this magnitude fails) (Russill, 1997:73).

All of the supply market difficulties that are required for a firm to function can be handled by the purchasing teams within the business units, which are accountable to their respective business managers and boards. When necessary, a CLAN temporarily gathers buyers from the appropriate business units, who then collaborate to develop and carry out the purchasing strategy. This allows for coordinated action to be taken. The functional purchasing family includes all members of the purchasing team, including those from other departments and purchasing. This is known as creating a corporate advantage in purchasing. The following are necessary for CLAN success: buyers are empowered by best-practice policies and procedures, efficient systems infrastructure, active support and a champion of change at the top of the

organization, and buyers who are competent, as well as open-minded internal users who wish to work together (Russill, 1997:75).

Organizing purchasing and supply management

The choice of how purchasing should be arranged will depend on which category or commodity segmentation is used. One argument that hasn't been covered yet is the difference between decentralized and centralized purchasing. Globalization, standardization, and efficiency demands are driving for greater centralization, while customization, differentiation, and responsiveness pressures are pushing for greater decentralization. Each of these has advantages and disadvantages of its own (Dubois & Wynstra, 2005). According to Rozemeijer, van Weele, and Weggeman (2003), the mixture of these two purchasing strategies—coordinated or center-led—seems to represent the direction of current trends.When volumes are consolidated, centralized purchasing can result in significant cost savings through information collection and operational management. This perspective is predicated on the idea that costs can be reduced by enhancing purchasing power.

Finding the finest international suppliers, standardizing product criteria, having "one face" with the provider, and finding the greatest worldwide suppliers are all benefits of centralised purchasing. Gadde, Håkansson, and Persson (2010) state that the primary "internal" rationale for centralization is that it encourages buyer professionalism and allows for the effective allocation of resources. However, centralizing operations will inevitably result in an overabundance of bureaucracy and process delays, which can impair creativity and the capacity to respond to market developments. Decentralization gives the business unit's purchasing function more autonomy and enables quick decisions that are in the best interests of the unit Finding synergy in procedures and purchase volumes is the issue. Using purchasing power with lesser volumes and finding synergies may be challenging when purchases are made across divisions.

Since one can assess the potential savings and overlook all of the bureaucratic issues that will occur, it is easy to argue that everything should be centralized (Karjalainen, 2009).Center-led purchasing, also known as hybrid purchasing (Dubois & Wynstra, 2005), has been proposed as the ideal organization for the purchasing department (Rozemeijer et al., 2003). Additionally, Kraljic proposed in 1983 that businesses should include a mix of centrally and decentralized categories (see Table 1 for specifics). However, the most effective purchasing strategy depends on the structure of the business; centralised purchasing in a decentralised organisation would be odd. Additionally, The organizational growth model by Gardner (1972) (Figure 8) also shows that while both centralized and decentralised structures are significant stages of development, the structure is in the middle throughout higher levels. This concept states that businesses start out as creative entities and eventually require hierarchy and direction as they expand. This is known as the "crisis in leadership," and it will result in direction-driven growth. The crisis of autonomy arises because the company will require more autonomy as it grows and receives more direction. Following a crisis, there will be expansion through delegation, which will give divisions greater authority but ultimately result in an organization without coherence, and so on (Greiner, 1972).

This demonstrates that there is no ideal organizational or purchasing structure—rather, it depends greatly on the circumstances and growth stages. It is evident that these organizational changes will have an impact on the purchasing procedures and the organizations as a whole. The model in Figure 8 also offers an excellent perspective on how organizations grow during crises.

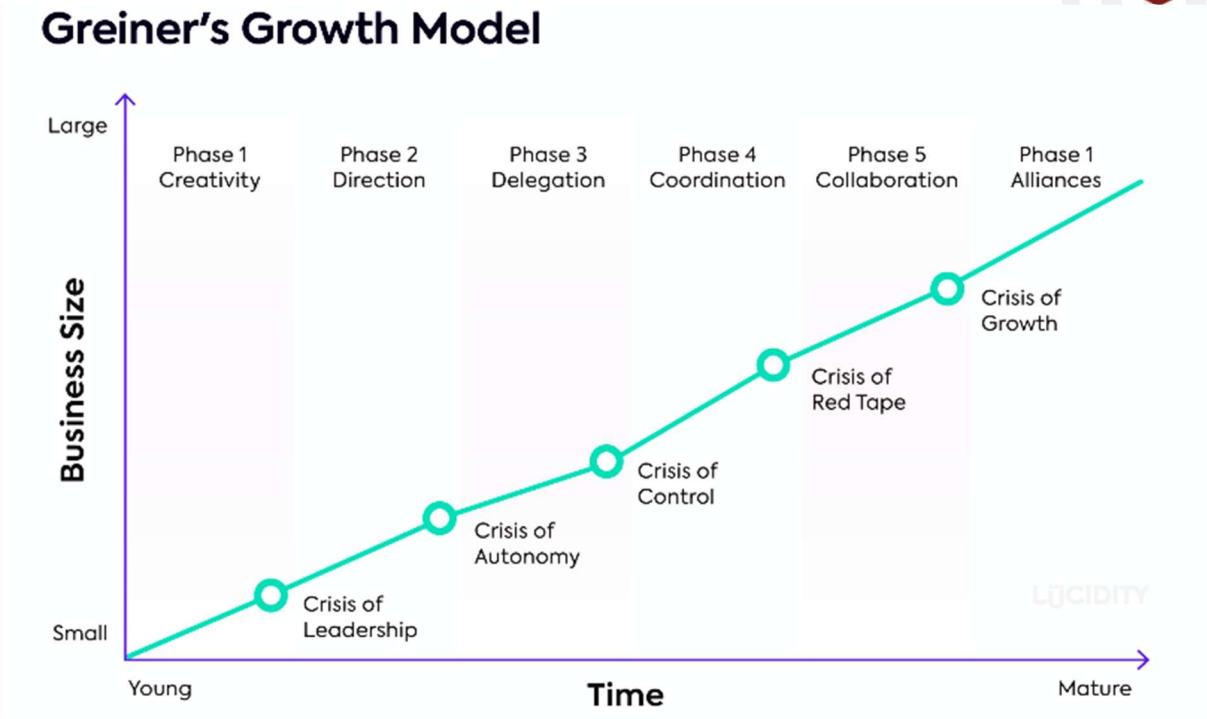


Figure 8: The five phases of organisational growth (Greiner, 1972)

Rozemeijer (2000) describes how various corporate structures have evolved over time and, as a result, what are the natural organizational structures for purchasing function. She draws on Greiner's work in the organisational growth model. See Table 2 below for specifics on how the preferred structure has changed over time and the successes and drawbacks of both centralised and decentralised approaches.

Table 2: Different corporate structures and their development over time (Rozemeijer, 2000)

Period	*Corporate structure*	*Corporate Management Focus*	*Crisis*	*Purchasing Function*
1950's	Functional	Vertical synergy	Co-ordination overload and bureaucracy	Centralized

1960's	Divisional	Financial control	No co-ordination	Decentralized
1970's	Hybrid/Matrix	Horizontal synergy	Too much Co-ordination & too little results	Centralized
1980's	Business Unit	Financial control	Focus too much on BU results, too little synergy	Decentralized
1990's	Center-Led	Synergy and Financial Control	?	Center-Led (Cross functional and cross business)

The aforementioned feature served as motivation for Rozemeijer et al. (2003) to examine the purchasing organization through the lenses of purchasing maturity and corporate coherence in order to determine the best arrangement for the purchasing function. Figure 9's framework illustrates the many organizational approaches to corporate purchasing. Here, corporate coherence refers to the corporate mindset about synergies, which includes internal cooperation and the way in which synergies are handled with other departments. A certain level of purchasing sophistication is a sign of maturity, but that will be covered in more detail later. The implication is that these decentralized or centralised selection processes are the ones that function best for businesses with low purchasing maturity, while structures that combine these two approaches perform better for businesses with higher purchasing maturity (Rozemeijer et al., 2003).

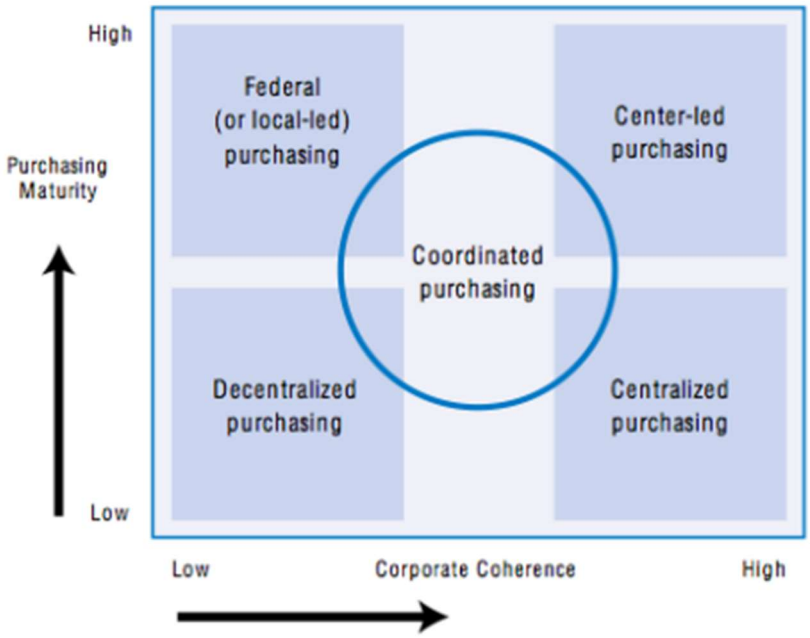


Figure 9: Corporate purchasing organisational approaches (Rozemeijer et al., 2003)

Developing purchasing and supply management

In the current economic slump, businesses are placing a greater emphasis on increasing profitability. Cost-cutting is typically the first thing that is done, but there are a number of other things that could be done to increase profitability. The fundamental steps that can be taken to increase profitability are shown in Figure 10's modified DuPont analysis. Red highlights the actions where PSM has a significant influence. Some can be applied more quickly, while others take longer. Using stricter cost control, combining volumes, and putting a lot of effort into tenders are the fastest ways to achieve an influence on profitability when attacking purchasing operations. The benefit of cost savings is that every euro saved goes directly toward the bottom line. Given that the profit margin is roughly 10%, the corporation would need to sell 10% more in order to make the same profit from that 1% cost savings in purchasing. Better yet, if the company implements the appropriate savings approach, it can increase sales by 10% while still making savings. This presupposes that cost reductions won't have an adverse impact on other elements like product quality or customer service.

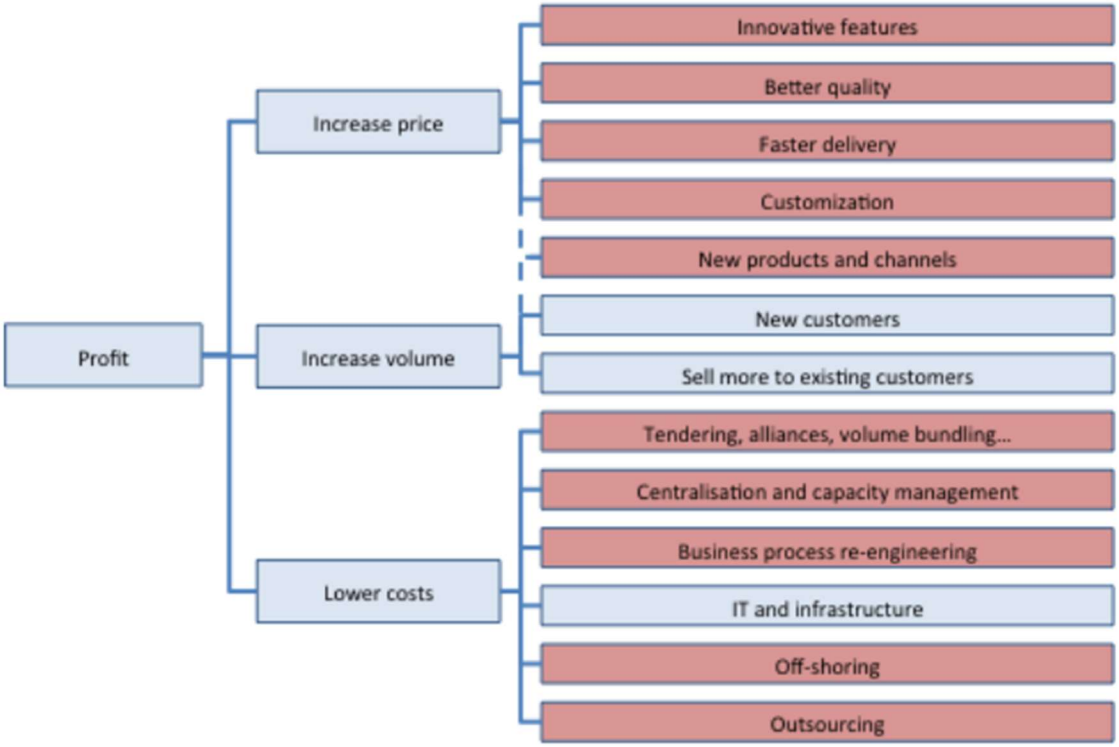


Figure 10: Ways on increasing profitability (modified DuPont -analysis), the ones where PSM can have major impact marked with light red

PSM, however, has an impact on collaborations, marketing, sales, and new product development in addition to its direct effects (Gottfredson et al., 2005). These factors make the development of PSM crucial, and its benefits go beyond the cost-cutting initiative as it also gives businesses a competitive edge in a variety of other ways. PSM development needs to be comprehensive. Numerous studies have shown that understanding various PSM components leads to the best performance (Brandmeier & Rupp, 2010). Structured working procedures and ongoing process improvement are required in order to put all these features to use and maintain the pace of development.

Because of this, one-time cost-cutting efforts won't be enough to maintain the competitive advantage; instead, capabilities must be built up.

This principle is nicely illustrated in Figure 11. Recently, the research has underlined that as connections play a significant part in purchasing, the focus should be on the people's purchasing skills (Dubois & Pedersen, 2002). Successful partnerships and purchasing connections typically hinge on interpersonal ties and effective bargaining techniques (Dubois & Pedersen, 2002).

Because the environment is always changing and adjustments must be made on a regular basis, the purchasing personnel's talents are crucial.

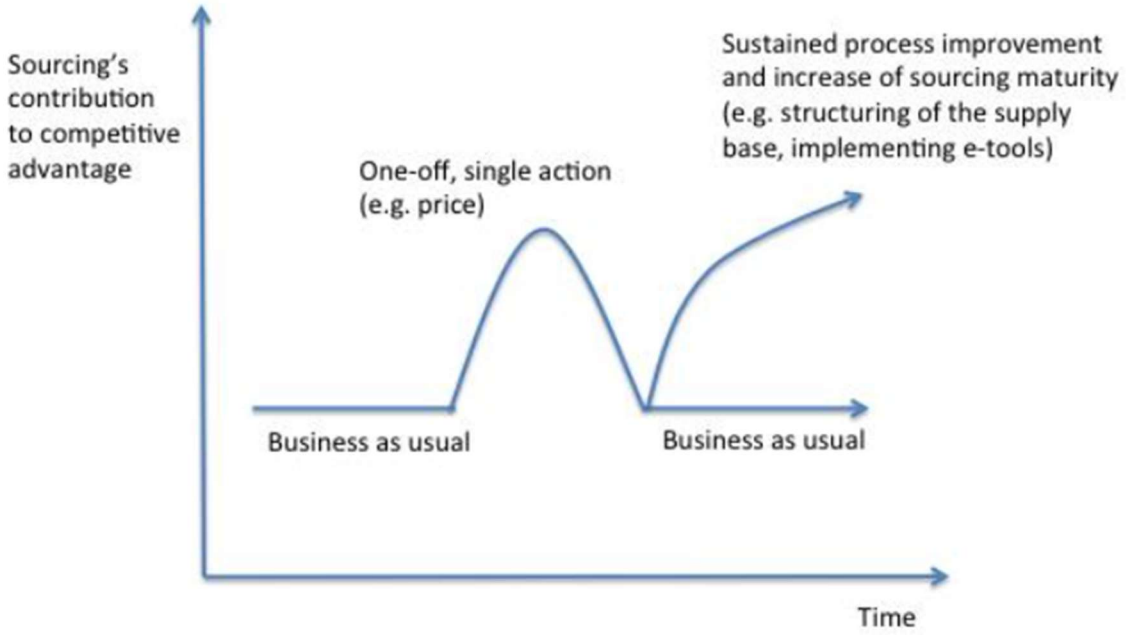


Figure 11: The basic idea of more structured and synchronized working method (Axelsson, Rozemeijer, & Wynstra, 2005)

Maturity models in literature

The degree of growth or development is called maturity. Something is mature when it reaches a point where further development is not possible. William Cox Jr.'s product lifecycle model, or PLC-model, is a well-known illustration of a maturity model (1967).It displays a product's life cycle in four stages: introduction, growth, maturity, and decline (hence the name). In literature on product development and marketing, this idea is frequently utilized. The model illustrates how sales volumes rise (and fall), how the competition shifts, and how many product variations ought to appear. The model provides insight into the potential obstacles that could arise over the course of a product's lifecycle and is predictive in nature, outlining expectations at each step. Marketing professionals may organize their product portfolio and target the correct consumers with their marketing efforts by knowing the conceptual model of the product lifecycle.

We may prepare for the future and take steps to make it enjoyable for ourselves by comprehending the development and maturity models. The Quality Management Maturity Grid (QMMG), which was introduced by Phillip Crosby in his best-selling book "Quality is free" in 1979, is another well-known maturity model. This maturity model's purpose is comparable to that of the product lifecycle model in that it fosters development activities and clarifies the problem. The executives will comprehend the current situation and recognize the possibility for quality management work when they are shown the maturity grid. The challenge of promoting the concept of quality management served as the impetus for the development of this maturity grid. All of them had some sort of prediction at that time.

Everyone had some understanding and predictions about quality at the time, but nobody truly realized the potential that could be realized in creating quality management. Crosby designed a user-friendly, straightforward model that allowed for the grid to be used to infer the requirement for high-quality, long-term programming. Under Crosby's paradigm, there are five stages: (1) Uncertainty; (2) Awakening; (3) Enlightenment; (4) Wisdom; and (5) Certainty. The quality management maturity grid, as it appears in his book, is shown in Table 3.

There is a brief description for each step and category, which aids in determining the stage at which one is now at and offers a clearer grasp of what quality is and should be. In the book, Crosby claims that although "Certainity," the model's last level, is rarely reached, However, not many businesses have succeeded in doing so.

Since 1979, a lot has transpired, and in the majority of organizations today, well-managed quality is standard.

Table 3: The Quality Management Maturity Grid by Phillip Crosby (1979)

Quality Management Maturity Grid (Crosby)	Assessor:		Department:		
Measurement Categories	**Stage 1: *Uncertainty***	**Stage 2: *Awakening***	**Stage 3: *Enlightenment***	**Stage 4: *Wisdom***	**Stage 5: *Certainty***
Management understanding and attitude	No comprehension of quality as a management tool. Tend to blame quality department for "quality problems".	Recognising that quality management may be of value but not willing to provide money or time to make it all happen.	While going through quality improvement programme learn more about quality management; becoming supportive and helpful.	Participating. Understand absolutes of quality management. Recognise their personal role in continuing emphasis.	Consider quality management as an essential part of company system.
Quality organisation status	Quality is hidden in manufacturing or engineering departments. Inspection probably not part of organisation. Emphasis on appraisal and sorting.	A stronger quality leader is appointed but main emphasis is still on appraisal and moving the product. Still part of manufacturing or other.	Quality department reports to top management, all appraisal is incorporated and manager has role in management of company.	Quality manager is an officer of company; effective status reporting and preventive action. Involved with customer affairs and special assignments.	Quality manager on board of directors. Prevention is main concern. Quality is a thought leader.
Problem handling	Problems are fought as they occur; no resolution; inadequate definition; lots of yelling and accusations.	Teams are set up to attack major problems. Long-range solutions are not solicited.	Corrective action communication established. Problems are faced openly and resolved in an orderly way.	Problems are identified early in their development. All functions are open to suggestion and improvement.	Except in the most unusual cases, problems are prevented.
Cost of quality as % of sales	Reported: Unknown Actual: 20%	Reported: 3% Actual: 18%	Reported: 8% Actual: 12%	Reported: 6.5% Actual: 8%	Reported: 2.5% Actual: 2.5%
Quality improvement actions	No organised activities. No understanding of such activities	Trying obvious "motivational" short-range efforts.	Implementation of a multi-step programme (e.g. Crosby's 14-step) with thorough understanding and establishment of each step.	Continuing the multi-step programme and starting other pro-active / preventive product quality initiatives.	Quality improvement is a normal and continued activity.
Summary of company quality posture	"We don't know why we have problems with quality".	"Is it absolutely necessary to always have problems with quality?"	"Through management commitment and quality improvement we are identifying and resolving our problems."	"Defect prevention is a routine part of our operation."	"We know why we do not have problems with quality."

According to these instances, maturity models have an initial stage that characterizes the primitive level of growth and an ultimate stage that characterizes the ideal and excellent level of development. varied models have varied numbers of stages, but four to six is the usual number. Similar to the quality management maturity grid, it is also common for models to be separated into measurement categories. Categories may also be in different stages of

development; the average is then used to determine the division's or company's overall stage.Models are used to help comprehend how the ideal path should or will be walked; maturity phases offer a natural means of understanding the development.

It is best not to interpret these models too literally as they are primarily descriptive rather than accurate (Crosby, 1979). Conceptual in nature, models serve primarily as tools for benchmarking or insight-giving (Brandmeier & Rupp, 2010).In the context of business, maturity models are applied across a range of disciplines, including marketing management, strategic analysis, software engineering, production management, process management, quality management, and innovation domain (Paulk et al., 1993).Standards have only two levels in their waymaturity models: qualifying and disqualifying the standard. In the case of the ISO 9000 quality system, authorized auditors can even award a certificate to a company indicating that it has reached a particular level.Maturity models in the context of operations are typically defined as a set of structured levels that indicate how well behaviors, practices, and processes can consistently provide the necessary outputs .

outcomes (Hammer, 2007).Software developers frequently utilize the Capability Maturity Model (CMM) to grade programming subcontractor processes and ensure that their methods of operation are at the required level (Paulk et al., 1993). The model was created by Carnegie Mellon University's Software Engineering Institute using data from Phillips Crosby, the author of the book "Quality is free."The Initial Level, Repeatable Level, Defined Level, Managed Level, and Optimizing Level are the five levels that are employed in CMM. Rendon (2008) published the contract management maturity model (CMMM), which is an example of how other domains have developed models for their needs based on the levels described in the model and its commercial success. Similar to purchasing or quality control, contract management requires development and an awareness of the current stage is a crucial component.

The Capability Maturity Model (CMM) and purchasing are related because standardization has made it simpler to buy software programming from places where it hasn't been done before (such low-cost nations). ISO certificates also have this effect. These credentials have played a significant part in the growth of numerous enterprises.This is made possible by the existence of a widely accepted measurement system, which boosts market confidence and provides potential suppliers with some degree of assurance.

Although standards and audit firms are another matter entirely, they have contributed to a rise in confidence in international markets.

Maturity models in purchasing and supply chain management

In order to observe the level of purchasing functions and openly present development prospects, purchasing maturity models are required. Similar to other maturity models, it is necessary to show the potential paths for purchasing function development. Buying maturity models satisfies the need to map the current condition of the business and provides the organization with context regarding potential future development demands. According to Schiele (2007), the maturity model outlines the auditable phases that an organization is anticipated to undergo as it strives for increased complexity. It's critical to comprehend the potential of the purchase and how it might be enhanced.

This is particularly crucial for startups and smaller businesses who are only now beginning to realize the full potential of external networks. Finding successful rivals and searching for best practices could aid in the development of the function, but they don't tell you how these items should be manufactured or what's best for the business at this stage of growth. Both the amount of purchasing and other operational levels change throughout businesses; however, each business has various optimal operating levels. It implies that each organization has distinct development needs.According to Charles Darwin, it's not about being the strongest or quickest; rather, it's about having the best habitat fit (Cousins, Lawson, & Squire, 2006).Buying has received more attention as a result of growing demand to cut costs and the recognition of the power of external resources.

The purchasing domain offers a plethora of diverse variables for development. Since not everyone can benefit from world-class procedures, it's important to choose the appropriate level of improvement targets. There is a suggestion that certain industries don't even want to reach particular levels of maturity (Keough, 1993; van Weele, 2005).Certain sophisticated techniques may be too bureaucratic or burdensome for sectors such as financial services and construction (van Weele, 2005).Employing the maturity model as a foundation for development enables businesses to anticipate future trends and concentrate on the advancement of their own operations. In essence, using maturity models is comparable to benchmarking, but it requires a deeper comprehension of dependencies.

The terms "development model" (Keough, 1993; van Weele, 2005), "evolution model" (Monczka et al., 2011), and "progression model to the world-class level" (Burt et al., 2003) are other terms for the purchasing maturity model. It's easy to use a maturity model conceptually; just recognize where you are at the moment and begin putting strategies into action.

According to one perspective on growth, businesses should be aware of where they are in respect to their goals (Burt et al., 2003).The issue—or potential—with these models is that they have not undergone adequate testing, and the majority of them are conceptual (Schiele, 2007).Nonetheless, there aren't many research that show a connection between performance and maturity level. According to Cousin et al. (2006), there is an evolutionary process in the development of purchasing that is statistically related to performance. Moreover, Schiele and Paulraj et al. (2006) have discovered that performance is positively impacted by a higher level of maturity. These results are essentially simple sense: businesses with sound operating procedures and processes ought to outperform those with outdated methods of operation. It should be highlighted that a company's purchasing maturity level is not the only factor influencing its performance; a comprehensive analysis of the entire organization is necessary to determine the "true causes."Because everything affects everything, it becomes challenging to measure purchase success. The theory of constraints, a management paradigm, goes into greater detail to address and examine this problem.

The strategic stages in the development of purchasing function by Reck and Long (1988)

First maturity model that is recognized to fitPSM domain was Reck & Long's (1988):“Strategic stages in the developmentof a purchasing function”(Axelsson et al., 2005; Rozemeijer, 2000; Schiele, 2007; van Weele, Rozemeijer, & Rietveld, 1998).In the article, they describe how purchasing develops from passive to integrative in four stages.

The model was based on interviews, and it focuses on proving that purchasing can have serious impact on competitive strategy (“competitive weapon” as the article heading states). Briefly described, the stages in the model are: (1) Passive: purchasing handles orders, reacts on internal orders, and reports to the factory; (2) Independent: developed function, some operations automatized, actively looking for new suppliers, costs and value are analysed but the main

focus is on efficiency; (3) Supportive: function supports finding competitive advantage, purchasing is involved in product development and important part of the company, total-cost-of-ownership (TCO) view, reports to management and communicates with all the functions; (4) Integrative: purchasing is highly responsible for competitive success, a holistic view about how functions affect on each other and other functions also understand the meaning of purchasing, integral part of firms competitive strategy. Within the company,different people have different ways of working, and some people might be executing tasks in the way expected in the higher or lower maturity level, this notation comes again to the fact that the models descriptive, not exact. Common to this and other models is that the development process is evolutionary, not revolutionary. Changes take time and developments to the higher stage are happening gradually.

Jumping over one stage is not possible or it doesn't happen without difficulties. Reck & Long (1988) states that basic things need to be in order before company can move to the next stage. This advice is extremely valid for other maturity models and for business development in general.

The procurement development model of Keough (1993)

Mark Keough published an article titled "Buying your way to the top" in the Harvard Business Review in 1993, drawing inspiration from the work of Reck and Long. Despite the abundance of papers discussing the significance of external networks, purchasing was not viewed at the time as a possible source of competitive advantage (Forrester, 1958; Kraljic, 1983; Reck & Long, 1988). Keough (1993) explains in the article why and how the purchasing function should be developed. The maturity model (procurement development model in Figure 12) is used to show the various organizations' stages of strategic purchasing. The paper and the methodology are based on in-depth interviews with over 150 organizations worldwide. Keough (1993) built his maturity model by adding stages and dimensions, drawing inspiration from the work of Reck and Long.

Additionally, he stated that not all businesses and sectors must strive for the utmost degree of maturity and listed sectors that generally correspond to the various phases in his model (see Figure 12 for details). The model predicts that financial services will always remain at the "serve the factory" stage and that the automobile sector would eventually reach "world-class supply management." These models, as highlighted by Cousins et al. (2006) in their paper, have a

Darwinian "survival of the fittest" perspective, which indicates that the optimum form of organization isn't necessarily the strongest or largest; rather, it's the one that best suits the environment.For instance, tiny businesses may benefit more from straightforward operating procedures, and complex industry techniques are superfluous.

Keough (1993) outlines four obstacles that must be removed before a business can be said to have a fully strategic purchasing organization.These obstacles are as follows: (1) Establish a solid foundation; (2) Make financial contributions; (3) Create a supportive organizational framework; and (4) Create a network of top-tier suppliers. These "simple" recommendations can help organizations "buy themselves to the top."The only author with the audacity to guarantee savings from switching between stages is Keough (1993).

According to his maturity model, he estimates that savings would range from 5% to 10% at each level.

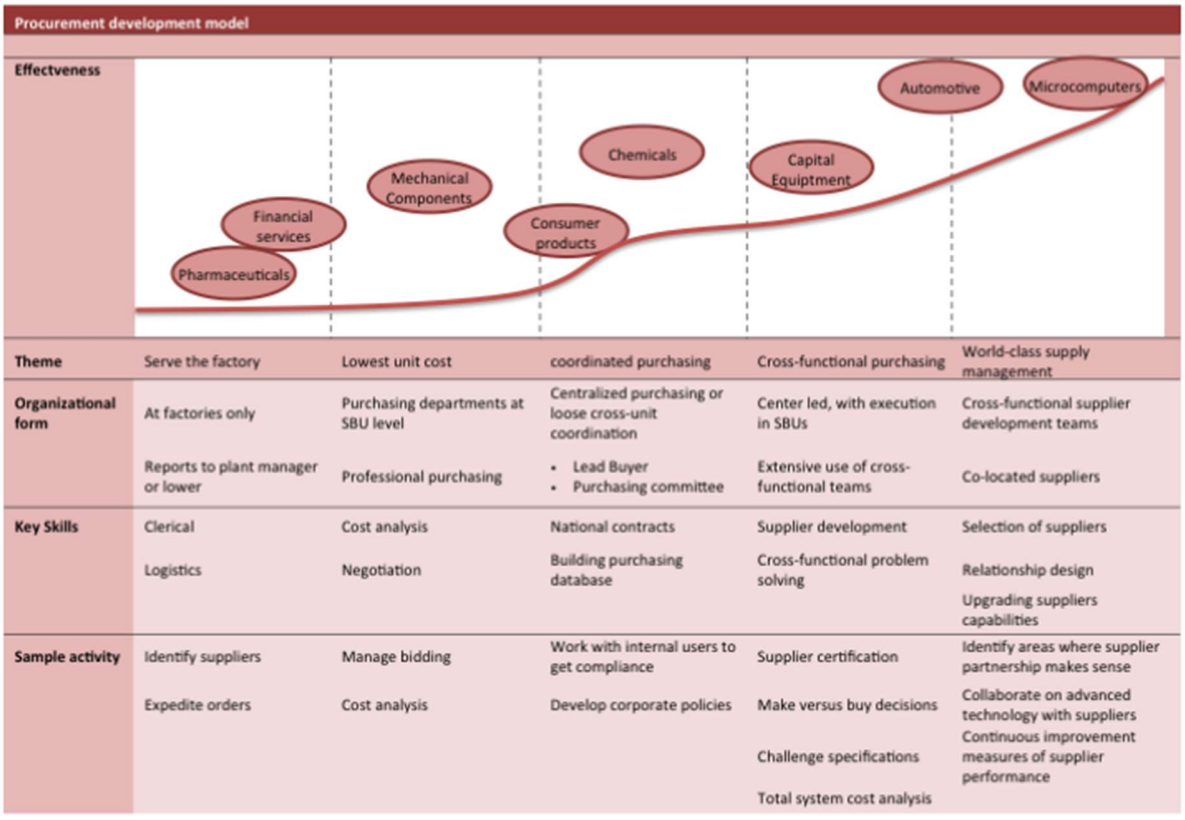
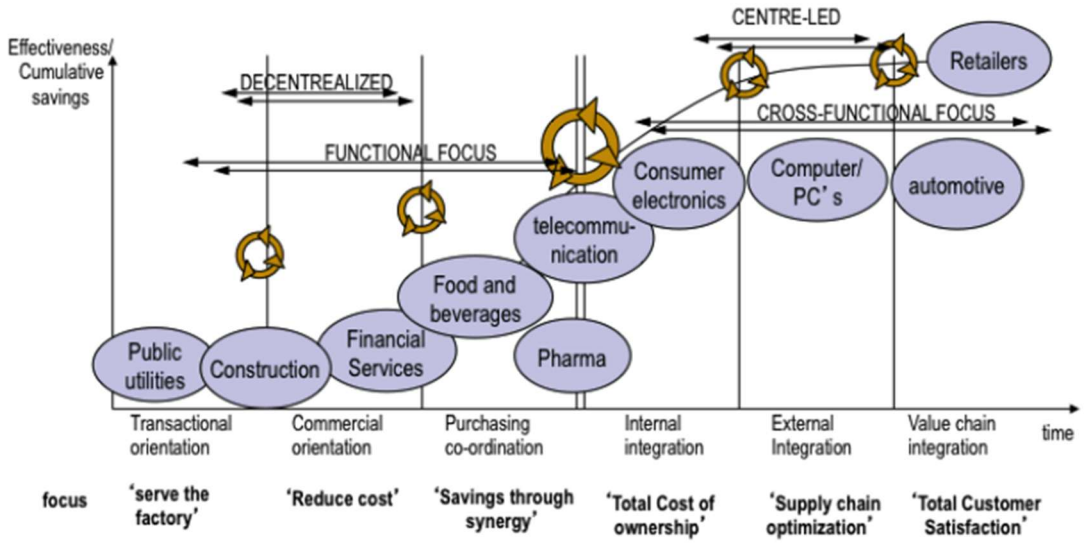


Figure12.: Procurement development model presented by Keough (1993)

The maturity model of Van Weele (1998)

Van Weele et al.'s 1998 maturity model (Figure 13) integrates all of the earlier models into a single model. The model is largely based on the one described by Keough (1993, Figure 12), although it has been updated with regard to organizational structures, focus, industry perspectives, and the addition of a sixth stage (instead of the previous five). As can be observed from the arrows between the stages, the model captures significant aspects of purchasing development and how the firms will find better methods to organize themselves (decentralized vs. centralised and functional vs. cross-functional focus). Compared to Keough's (1993) model, which places both industries lower in the stages, this model places the automobile industry in the last phase and pharmaceuticals (Pharma) in the center of the maturity continuum (see Figure 12). Since then, this approach has been used extensively in the PSM sector.

Since its release in 1998, this model has been often cited in the PSM field and has undergone multiple updates.[4].



[4] The same model has then been published in the book:" Purchasing & supply chain management: analysis, strategy, planning and practice" (editions 1 to 5) by the same author, which is a widely used text book in universities.

Figure12: Purchasing and supply management maturity model presented by Van Weele (1998)

Summary of the PSM maturity models in the literature

Table 2 is a compilation of all purchasing maturity models that have been published in the literature. There have been numerous iterations following Reck and Long's (1988) approach, as the table illustrates. The Reck and Long (1988), Keough (1993), and Van Weele et al. (1998) variants of these models are the most influential; they are frequently cited and mentioned in the literature about purchasing maturity and development.

The most recent models on display are essentially updates of the previous ones. The work of Cousins et al. (2006), "Celebrity," which has an imbalance in maturity levels in several aspects, offers some fresh insights. Paulraj et al. (2006) and Schiele (2007) employed a questionnaire survey to determine what kinds of levels are possible to find rather than using any maturity models as the foundation for their models.

This is the reason why percentages have been used to define various maturity levels.

Table 3: Purchasing maturity/development models (modified fromVan Weele et al., 1998)

Author	*Stage 1*	*Stage 2*	*Stage 3*	*Stage 4*	*Stage 5*	*Stage 6*
Reck and Long 1988	Passive	Independent	Supportive	Integrative		
Syson 1989	Clerical (transactional)	Commercial	Strategic (proactive focus)			
Bhote 1989	Confrontation	Arms length	Goal Congruence	Full Partnership		
Cavinato 1990	Buying at low prices	Purchasing	Procurement	Supply acquisition	Facilitate Network	

Cammish and Keough 1991	Serve the factory	Lowest unit cost	Co-ordinated purchasing	Strategic procurement		
Van Weele 1992	Operational administrative orientation	Commercial orientation	Logistic orientation	Strategic orientation		
Burt 1993	Reactive	Mechanical	Proactive	Strategic supply management		
Keough 1993	Serve the factory	Lowest unit cost	Co-ordinated purchasing	Cross functional purchasing	World class supply management	
At Kearney1994	Transaction	Control	Functional Excellence	Integration		
Monckza 1994	Manufacturing Support	Price buying	Consolidation	Integrated strategic sourcing and SCM		
Chadwick 1995	Clerical	Commercial	Supportive	Strategic		
Barry and Cavinato 1996	Basic MRO purchasing processes	Enhanced MRO procurement practices	World class MRO procurement practices			
Van Weele 1998	Transaction orientation	Commercial orientation	Purchasing coordination	Process orientation	Supply Chain orientation	Value chain orientation
Burt et al.2003	Clerical	Mechanical	Procative	World class		
Monckza 2004	Basics beginnings	Moderate Developments	Limited integration	Fully integrated supply chain		

Paulraj et al. 2006	(0-25 %) Nascent	(25-75%) Tactical	(75-100%) strategic		
Cousins at el. 2006	Undeveloped	Capable	Strategic		Celebrity
Schiele 2007	0-25%	25-50%	50-75%	75-100%	
KPMG 2012	Foundation	Established	Leading	Excellence	

Role of negotiation for procurement and supply chain professionals

When we propose that negotiation can save the day, a number of issues arise that need to be addressed in order to fully comprehend the potential of negotiation in the business world.

What is negotiation, and why is skill at it important?

What helps and what hinders our ability to negotiate effectively?

How can sellers have the upper hand in a negotiation, and what can I do to reverse this?

while is it necessary to modify my negotiation strategy in order to succeed while negotiating across cultural boundaries?

What is meant by "pooled negotiation power" when discussing corporate synergy? How can we apply it to our purchase, too?

How can I oversee trades and maintain control over them?

How can I make sure that the agreements we made during the talks are carried out and fulfilled?

Introduction to negotiation

It is a fact of life to negotiate. Everybody engages in daily negotiations. especially those who work in the procurement department. In order to achieve commercial "value for money" outcomes, negotiation abilities are highly prized in both the public and private sectors. According to the Chartered Institute of Purchasing & Supply (2018), "employees of public

bodies are expected to deliver commercial, cost-effective outcomes while demonstrating accountability and integrity in accordance with the Act, public procurement procedures, rules and regulations."

A comprehensive strategy that will be applied during the whole procurement cycle is negotiation.

This guideline's main idea is that talks can take place at any moment. When feasible, the goal is to find common ground.

When interests diverge, the goal is to create independent standards and solutions that are equitable for all sides while also seeking out opportunities for mutual advantage (Chartered Institute of Purchasing & Supply, 2018).

Procurement professionals engage in negotiations to establish advantageous conditions for a new supplier contract. This may entail starting over when negotiating terms with a new vendor or negotiating changing terms with an established supplier when a contract is extended.

The best price and terms of payment, the timing of production and delivery, quality requirements, and other issues are usually settled through negotiations.

In order to strengthen ties with long-term suppliers, the discussions should take into account what is beneficial for both the customer and the supplier, rather than merely trying to acquire the best deal.

Prior to starting talks with suppliers, it's critical to establish goals so that all of your desired outcomes are addressed.

Setting Objectives For Negotiation

While defining the goals of a negotiation with a supplier, many elements must be taken into account. These could consist of, but aren't restricted to cost:

- value for money
- delivery time
- payment conditions
- after-care and maintenance terms

- quality standards
- lifetime costs each product/service
- importance of each product/service to your business

Making a list of what matters most is one of the first things we should do in order to prepare for a negotiation. You will then have some leeway to choose which aspects are negotiable and which cannot be compromised.

Negotiation Defined

Negotiation is 'coming to an agreement'. It is necessary as 'the process by which agreements are reached, by parties with different and potentially divergent interests, is a complex one" (Chartered Institute of Purchasing & Supply, 2012)[5]

"In a procurement context, negotiation is a process of arriving at an agreement on the conditions of a contract, through discussions between buyer and seller:

Negotiation is a bargaining process between two or more parties, each with its own viewpoints and objectives, seeking to reach a mutually satisfactory agreement on, or settlement of, a matter of common concern".[6]

What is a pooled negotiation power?

Goold and Campbell's (1998) study on corporate synergy is among the most extensive. According to them, there are six main types of commercial synergy, and one of these is the pooling of negotiating strength.

- Pooled negotiating power, sometimes known as "buying together," allows various divisions to have more clout with suppliers, which can lower prices or even improve product quality.

[5] Adapted from: CIPS Negotiating and Contracting in Procurement and Supply

[6] Extracted from: UNDP/CIPS Advanced Certificate in Public Procurement, Level 3

They can purchase things that are more affordable or even of higher quality. Many businesses have discovered significant advantages by pooling their input purchases, which are used by multiple businesses. Similar advantages can also be obtained by businesses through cooperative negotiations with other groups, including rival businesses, clients, governments, academic institutions, and other non-competitors. There are numerous examples of combined negotiating strength with other parties (Essig, 1998). These forms of collaboration go under many names in the business world: buying offices (Retail), consortium purchasing (Industrial enterprises), group purchasing (Health Care), and cooperative purchasing (Public sector).

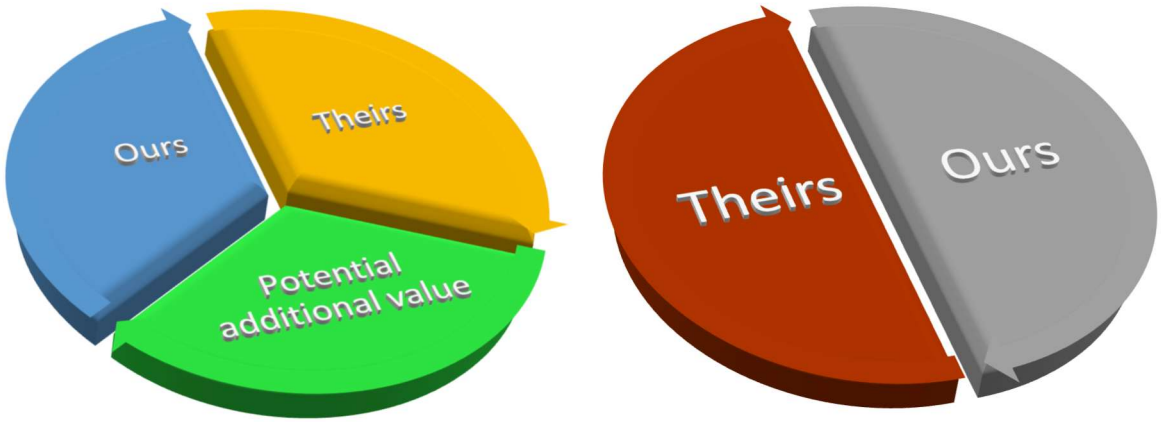
Coordinate purchasing strategy as a negotiation tool and a strong one:

Based on a few insights from European case studies, Matthyssens and Faes (1997b) explained the value of a coordinated purchasing approach as a tactical tool. By combining the volumes bought in the different units, it can be used to avoid using negotiating techniques that are mutually incompatible as well as to obtain a stronger negotiating position. Based on a poll, Faes and Matthijssens (1998) summarize the top five advantages of a coordinated purchasing method that people believe to be beneficial. First and foremost, coordination promotes improved information sharing within purchasing departments and business divisions. Second, it facilitates the creation of better market bargaining strategies. Thirdly, it results in considerable cost reductions.

Ultimately, it results in a better understanding of the supplier cost structures and supply market. Because of this, big businesses like Chrysler, Philips, Xerox, and Chrysler coordinate their purchasing processes, including supplier selection, worldwide negotiations, and corporate contracts (Van Weele and Rozemeijer, 1996).

Claim Value and Create Value

A finite amount of a value is up for distribution, and parties' bargain and compete over it. This is similar to splitting a pie (see figure below), where one side says the other must give up since the pie can only be divided so much. By their very nature, "claiming" negotiations are competitive, with each party looking to obtain the most possible value. Parties agree on the share of the pie that they fight for.



Claiming Value Creating Value

Figure 13: The value pie- Claiming or creating value.

Create Value

In order to maximize the value between them, parties collaborate. Here, increasing the pie while benefiting each piece holder is the goal. In order to assure the return of benefits to both parties, reaching agreements is predicated on striking a balance in the amount of time and energy that is prepared annually. If this isn't balanced, there could not be consensus. Value-creating negotiators by definition have more value accessible to them, increasing the likelihood of a successful resolution.

The illusion of win/win

Getting a win-win is the main goal of negotiation. That's what I initially believed, but it's not really true—many negotiating books have discussed the idea of won/win, implying that this is the only approach.

It is only one, not two. Apart from winning, there can also be a win/lose scenario, in which both parties agree, but the losing party agrees reluctantly—possibly because they have no other option or because they were misled in some way and were not even aware of it when they agreed.

The win/win, Win/win and win/loose, all involve agreement, typically where both parties have walked away. Figure 14 below, shows the different combinations and the nature of agreement in each case.[7]

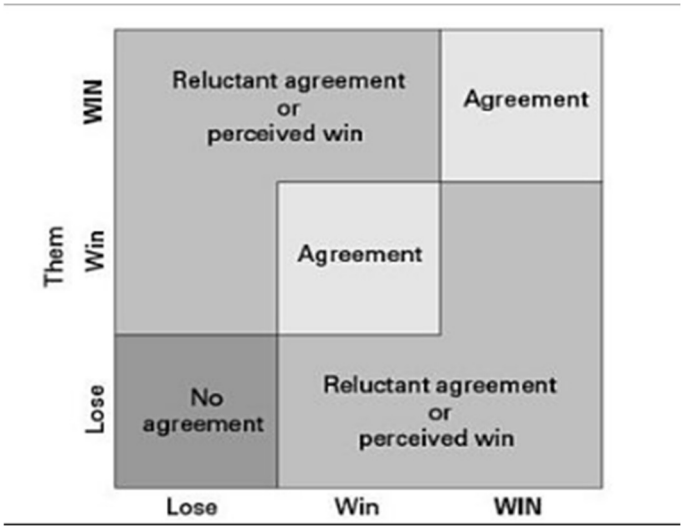


Figure 14: Different forms of agreement in a negotiation

Negotiation strategies

A number of scholars argue that a win-win approach to negotiations is preferable to a competitive one (Cronin-Harris, 2004; Fisher, 1999, among others).

Five procedures are outlined by Cronin-Harris (2004) to guarantee a win-win bargaining scenario.

1. **Prioritize and rank your interests.** This is done in advance of the actual negotiating situation to determine which requests are negotiable for other parties.

[7] Jonathan O'Brien' Book : Negotiation for Procurement and Supply chain professionals: A proven approach of negotiat

2. **Determine the goals of the opposing parties.** At this point, a negotiator should try to see himself in the other party's position to gain an understanding of what he wants.

3. **Recognize that there are needs besides money.** This is significant because a negotiation cannot be win-win if consideration is limited to financial gain.

4. **Carefully prepare factual questions.** It is crucial to try to learn as much as you can about the other party's goals early in the negotiating process, as this will make it simpler to meet him halfway and come to a mutually agreeable agreement.

The Negotiation at National and International Levels

Conceptual Aspects related to Negotiation

Barnes (2002) suggests that an interaction between individuals or organizations might serve as a conceptual framework for understanding what constitutes a negotiation. To negotiate is, in general, to haggle, strike agreements, and accomplish this through a successful exchange of information. Remarks from the hazy and precarious line that penetrates the negotiation of negotiating and persuasion are frequently heard in the academic setting. Even though the contract may resemble a negotiation, how it is received may vary depending on the nation in which the negotiation is held (Steele, 1991).

Additionally, according to Barnes (2002), negotiation is fraught with negativity since, as is commonly noted, it is frequently avoided out of a dread of another aspect of achievement in the negotiation's outcome.

While becoming ready in advance is wise in most situations, it's especially important while negotiating to avoid being overpowered by the opposition right away. It will be necessary for you to prepare on two fronts: adopting the appropriate mindset and learning about the potential interests of the other party.You enter, give a quick handshake, take a seat, and beam. Try to build as strong of a person-to-person relationship as you can from the very first face-to-face interaction with the other party, and in fact, from any discussions that might take place prior to the formal negotiation.

Everyone's resources should be directed toward assessing the problems and coming up with a creative, win-win solution, not toward posturing, bullying, taking offense, or engaging in any other highly negative behavior that might obstruct a rational solution.

An injunction consisting of four sentences that are only slightly confrontational captures the essence of the emerging consensus over how to proceed in a negotiation: Ask a question, even in reply to one, to advance the conversation. If you are unable to offer a question, simply remain silent and bide your time until the other person can break the awkward silence. You should only make an observation or an assertion very infrequently, maybe to maintain the human aspect of things. and then pose a question right away.

Once the foundation for a potential deal appears, start very carefully nudging the dogs in that direction. Ilich suggests a method he refers to as funneling: Remind the other party that the matter at hand has been resolved, let them know that you both still stand by your agreement, and move on to other unresolved matters.

In essence, negotiation has not changed over the years, despite ongoing change. This is what Shell (2002) said. Since new technologies, especially the internet, have become available, the new economy has expedited procedures and made it easier to form a distant negotiation. When negotiating, the approach should take the parties' personalities and current circumstances into account (Shell, 2002).

Phases of a Good Negotiation

Barnes (2002) states that in order to have a successful negotiation, the following procedures must be followed:

You should approach the negotiation with optimism in order to clarify it in the first phase.

The discussions are based on needs, therefore it will be important to recognize and comprehend both your wants and the needs of the other party during the second phase, which will include your ideas as well as those of others.

Acquiring the ability to accept differences is the third step. In order to put oneself in the other person's shoes, the trader needs to appreciate distinctions and use specific language and actions.

The fourth stage of negotiation is one in which body language, consideration, calmness, clarity, and comprehension are crucial forms of communication.

Completing your homework prior to a negotiation is the fifth step. Prior to the negotiation, it is necessary for mental preparation and for both logical and emotional thinking.

Negotiating with firmness, justice, and impartiality is the sixth step. Asking questions, making affirmative remarks, observing the circumstances, listening, reflecting, and going over the issue are all included in this.

In the seventh stage, people might sometimes use the three phrases "I agree," "I respect," and "I wish" to counteract troublesome behaviors and turn someone from a change-maker to a champion.

Generating contentment with the result is the last step. The negotiation has to be viewed as a process rather than a singular occurrence. Always, a win-win connection is preferable.

National and International Negotiation: Facilitating and Restrictive Factors

Cultural differences strongly impact international talks under this particular focus. Since cultures vary, so do the approaches and procedures used in various nations to make decisions (Sebenius, 2002).

These days, goods have to be both flexible and adaptive to the ever-changing needs of global consumers, and those engaged in international negotiations need to be adaptable enough to change their methods of behaving to suit the different ways that different nations negotiate.

International negotiators must reject national origin assumptions in order to prevent miscommunication, which will have a detrimental effect on the formal and informal decision-making process.

It should aim to affect an organizational process's outcome in addition to negotiating with individuals, which may call for varying approaches and techniques from the three models put forth by Sebenius (2002): from top to bottom (where negotiators attempt to communicate directly with the boss, who makes the decisions); consensus (where members agree); and

coalition in steps (where a group adopts the form of an obstructive or winning coalition). Sebenius (2002) adds that in addition to taking into account the national culture, it's critical to comprehend the intricacies of an organization that absorbs another culture and become knowledgeable about power dynamics and decision-making procedures, which might vary greatly across nations.

In light of the wide definition of negotiation, the Harvard Business Review (2002, p. 49) emphasizes that "all facets of business life are informed by negotiation." Every conversation, whether it is with suppliers, customers, or even requires some kind of negotiating with investors and partners. Actually, "business" and "negotiation" are referred to by the same terms in various languages. However, failure can come at a heavy price.

Regarding the variations in regulations, the negotiator might be conducting business in a nation where a board, rather than a single person with the necessary authority, makes decisions. A sardonic expression could convey indifference, but the warmth might not correspond with his own interest. When a "yes" in Japan might also mean a "not," behavioral differences are seen as odd (Steele, 1991).

Negotiations are frequently postponed in Latin American countries, according to Minervini (1991). Concerns exist regarding the more prominent form.

As much as physical contact during conversations and hugs is permitted, there are concerns regarding the more prominent form rather than the content. In commercial dealings, nations like France and Germany do not use first names. In Russia, only friends give each other hugs and kisses. It is not advised to pass business cards, platters, or other objects in India using the left hand.

In order to conduct business, the seller or exporter must comprehend the boundaries of the environment and its effects, the social structure, the trading system, religion or beliefs, the political system, the legal system, the financial system, the tax system, infrastructure, and logistics (Steele, 1991).

Analysis of the potential causes that could result in restricted aspects is necessary for a successful international negotiation. Prices in that nation may not be competitive due to the cost of internalizing goods sold to that market. Therefore, during the bargaining process, it is imperative to closely monitor import taxes, non-tariff barriers including import quotas,

excessive documentation, inspections, and the stringent anti-dumping regulations. Overcoming these obstacles to international business has led to the rise of joint ventures.

Export-oriented businesses in the Brazilian state of Santa Catarina face challenges in obtaining funding for their operations and obtaining raw materials. The final component impairs the production plans of the businesses and delays the timely delivery of the contracted quantity of goods.

Negotiator and its Personal Skills

According to the idea, all parties involved in a negotiation must be addressed. According to Minervini (1991), the trader must make an effort to ascertain the elements that will satisfy the other side.

Interpersonal skills will always be the focus of negotiations. Personal engagement is crucial for forming a trusting environment and building relationships during negotiations, especially in complex sales or agreements (Shell, 2002). In discussions, justice becomes paramount and interests take precedence over positions. Shell sets himself apart from other trade gurus such as Roger Fisher, Howard Raiffa, and William Ury by emphasizing the importance of personality in negotiating.

A mutual status allows the trader to perceive the other party's dispute and motivations from a different perspective, something that does not occur in a competitive profile. The cooperative negotiator faces a conundrum while concentrating on the issue rather than the individual: frequently, persons are a part of the issue (ibid).

Additionally, Shell thinks that there is no one right technique to bargain. One option is to employ a social psychology-based interpersonal relationship tool, which can be employed as needed.

In international talks, the negotiator is subject to norms pertaining to three roles: observer, individual participant in the environment, and negotiator. The observer views the world from the perspective of a visitor.

The observer views the world from the perspective of a visitor. It is advised to adapt to local customs that exhibit civility, deference, and flexibility.

The other party's needs and desires will be enquired about by the negotiator. Even if they are founded on the same ideas, discussions take different paths depending more on the selected trading strategy and important elements that make trade satisfying.

If the opposing party does not acknowledge the issues or protocols, negotiations will always come to a standstill (Steele, 1991).

Negotiatior´s Profile

In the new economy, the trader profile will typically be adaptable, forming new connections and expanding their firm in both domestic and foreign markets. A negotiator does not fit into a single description. Because different kinds of traders are needed in different scenarios. A skilled negotiator in sales should have traits like attentive listening and relationship-building expertise (Shell, 2002).

When the negotiator is able to better understand himself and his qualifications are not being utilized, the trader profile can be enhanced. Finding a means to be more authentic and effective is also necessary. When negotiating with someone else, the opposing party must sense your credibility as the foundation of the discussion (Shell, 2002).

The Significance of Cross-cultural Communication in International Business Negotiation

Negotiations in international commerce typically take place between several nations and areas. They have varied histories and cultural traditions as a result of the various political and economic systems around the world. To succeed in the negotiation, we must be well-versed in the backgrounds of businesses from other cultures. Regarding different opponents, we ought to use various negotiating strategies.

The features of the western negotiation style: the East and the West have distinct negotiating styles due to linguistic and cultural differences. American negotiators, for instance, frequently cling to individualist ideals, viewing oneself and the other as autonomous, independent, and self-sufficient. They approach talks with a competitive mindset, which includes bringing a

backup plan to the table but making an outrageous opening offer, additionally, they are vivacious, self-assured, and tenacious; they take pleasure in debating their opinions and have a universal perspective, which they use to discuss the many applications of concepts. Naturally, when they offer their unfavorable assessments, they are forthright and truthful. Therefore, when engaging in international negotiations with Americans, we should refrain from using oblique language and instead be straightforward in expressing our doubts when necessary. Or reaching a deadlock in negotiations is simple.

Change never stops, even when distinct discussions across national cultures are recognized. In many contexts, including international corporate culture, the emphasis on problem-solving and linear communication is characteristic of Western approaches to negotiation. Local customs are matched with regional and Eastern values, while Western standards are harmonized with national strategies and negotiation techniques keep evolving on a worldwide scale.

Cultural factors that influence negotiation

The negotiating styles of the West and the East, represented respectively by the United States, Germany, Japan, and China, have drawn a lot of experts to compare them in terms of international business negotiation because there are clear cultural differences between the two groups that account for why and how the westerners and easterners negotiate so differently. The United States, Japan, and China represent two distinct negotiating styles that are sufficiently common to be compared in research on international corporate negotiations. Different cultural backgrounds cause negotiators to favor different bargaining techniques.

One of the most significant elements influencing whether talks with individuals from different cultures succeed or fail is culture. Here, we examine a few specific cultural elements that are at play and are widely thought to have a significant influence on economic discussions between the West and the East.

Time orientations

Around the world, there are two distinct orientations to time: monochromic and polychromic. Monochromic methods of understanding time are sequential, linear, and center around one thing at a time. These methods are especially prevalent in Scandinavian, German, Swiss, and

American civilizations that have been inspired by Europe. Additionally, Japanese individuals lean toward this end of the temporal continuum. Polychromic approaches to time feature multiple things happening at once and multiple persons being involved. The duration of a connection is flexible and holds greater significance than a set timetable. Most Mediterranean and Latin cultures—such as those in France, Italy, Greece, and Mexico—as well as some Eastern and African cultures, are characterized by this approach.

Polychromic negotiators frequently schedule flexible start and finish times for their meetings. When it feels appropriate, take a rest. Become accustomed to a tremendous volume of information. Consider start timings as flexible and don't take tardiness personally. Expect to read each other's minds and occasionally have conversations that overlap.

Monochrome culture negotiators typically value timely starts and ends, planned breaks, addressing one agenda item at a time, precise, explicit communication, a preference for speaking in order, and the perception that being late diminishes or shows disrespect.

Space orientations

Cultural variations exist in space orientations. They relate to boundaries of private and public space, comfortable personal space, comfort or discomfort with physical contact and touch, and expectations regarding the location and mode of interaction. Personal space is significantly more expansive in Northern European nations than it is in Southern European nations. For instance, the Italians or the Greeks become too near to a German or a Swede. Regarding personal space, an American etiquette guideline says this: "When we meet someone, don't stand too close. The other person finds discomfort in close proximity to us, so maintain our physical distance to avoid having him continually back away from us. It is best to keep at least two feet between you and the other person.

Space conventions should be taken into consideration while assigning seats during talks. Americans typically converse across from or at an angle to others who are seated opposite them. These arrangements can make the Chinese feel uncomfortable and isolated. They might want to talk when seated next to each other.

The preferences for different spaces vary significantly based on factors such as gender, age, generation, socioeconomic status, and environment. Although these distinctions fluctuate

throughout groups, they ought to be taken into account when examining space as a variable in negotiations.

Individualism — collectivism

One's behavior might be shamelessly self-centered in individualistic settings. The person is free to express his feelings, raise concerns, and pass judgment in public. Individuals are free to succeed or fail, and it does not bring the same level of humiliation to the group. People in individualistic cultures prioritize work over relationships and place a strong importance on independence. In these cultures, people are expected to look after themselves and prioritize their own needs over those of their communities, groups, or society as a whole. Individualistic cultures tend to value open disagreement and linear logic. Individualistic society members anticipate that the negotiators on the other side will be able to act unilaterally.

The interests of the family or the community are prioritized over those of the individual in many cultures. These so-called "collectivist" cultures depend on reaching agreements as a group and avoiding confrontation. Collectivist cultures, on the other hand, place a high emphasis on individual interdependence, solidarity, and loyalty.

Mutual self-interest serves as the foundation for relationships, which rely on the group's success. In collective cultures, one's identity is determined by their affiliation with particular organizations. Group integrity is prioritized in order to foster a culture that values cooperation, avoiding confrontation, and conformity. In collective societies, general, abstract agreements are prioritized over particular, concrete problems.

Power differential

The concept of power differential characterizes the extent to which individuals submit to and tolerate unequal power dynamics.

Some people are viewed as superior to others in cultures when there is a high power disparity due to social standing, gender, race, age, education, birth right, personal accomplishments, family history, or other variables. Low power differential cultures prioritize earned status over assigned status and tend to treat all individuals equally. In any given national context, the more unequally wealth is divided, the larger the power gap will be. The civilizations of the Arabian

Peninsula, Malaysia, the Philippines, Mexico, Indonesia, and India are examples of nations with a significant power disparity. These nations typically have comfortable negotiators.

Uncertainty avoidance

The concept of uncertainty avoidance relates to how cultures handle ambiguity and uncertainty, and consequently, to how well they can adjust to change. Arab, Muslim, and traditional African nations are typically the most uncomfortable with ambiguity and uncertainty because they place a great priority on safety and conformity, avoiding risks, and relying heavily on formal laws and customs. Trust is typically reserved for close friends and family. It could be challenging for foreign negotiators to build trustworthy and confidence-building connections with people from various national cultures.

The countries that are found to have a greater threshold for uncertainty are the US, Scandinavia, and Singapore. These national cultures tend to place a high importance on taking calculated risks, addressing problems creatively, having flat hierarchies, and being open to uncertainty. In these cultural situations, it might be simpler for outsiders to build trustworthy connections with negotiation partners.

Masculinity — femininity

The degree to which a culture values assertiveness or caring and social support is referred to as masculinity or femininity. The phrases also describe the extent to which men and women function according to socially predetermined roles. Assertiveness, task-orientation, and achievement are rated as preferred traits in nations and areas like Japan and Latin America. Gender roles and "live to work" attitudes are more prevalent in these cultures. Values of nurturing, cooperation, relationships, and solidarity with the less fortunate are prevalent in feminine-rated nations and areas like Scandinavia, Thailand, and Portugal, where the moral tenet is more "work to live."

Naturally, it's crucial to keep in mind that cultural connections with gender differ significantly, meaning that things that are viewed as masculine in one context may be viewed as feminine in another. It might be helpful for negotiators to take into account how gender roles are interpreted in the cultural contexts of their negotiation partners.

Context orientation in major cultures

The significant impact of culture on bargaining: Context, or the framework, background, and external circumstances in which communication or an event occurs, is a crucial component.

High-context cultures are relational, collectivist, intuitive, and meditative; they are found throughout much of the Middle East, Asia, Africa, and South America. This indicates that a strong emphasis is placed on interpersonal ties in these cultures. Building trust is a crucial precondition for any commercial deal. These are collectivist societies that value unity and consensus within the collective over individual success. In these civilizations, feelings or intuition rule people more so than reason. Context, which might include a speaker's tone of voice, facial expression, gestures, postures, and even their family background and social standing, is more significant than words alone.

High-context communication is typically more formal and indirect. Extensive apologies, flowery language, and humility are frequent.

Low-context cultures are action-oriented, logical, linear, and individualistic; these civilizations include most of Western Europe and North America. Low-context cultures place a high importance on facts, reason, and directness. Matching up the facts and assessing each one separately is the process of solving an issue. Facts are used to make decisions instead of gut feeling. Conversations result in actions. When communicating what is required of them, communicators should be clear, succinct, and efficient.

They make an effort to use precise language and want it to be understood literally, to be very clear. Negotiations are concluded by explicit contracts. Those who communicate in high-context cultures rely less on legal documents or precise terminology, which is considerably different from this.

People in high contexts may even be suspicious of contracts and take offense at the implied lack of trust they convey.

Therefore, we can conclude that every country has a unique culture. These cultures differ in a number of aspects, such as context orientation in major civilizations, individualism versus collectivism, power differentials, uncertainty avoidance, and orientation toward space. Diversity in culture has a big impact on the negotiation. Naturally, the types of negotiations used by each country will also differ.

Preparation and strategies for negotiations

A procedure in which two or more parties get together to talk about shared and competing business interests in an effort to come to a mutually beneficial arrangement is known as business negotiation. It is possible to view negotiation as a sensitive process, made much more so by disparate cultural perspectives. How can we make agreements run well and steer clear of the subtle pitfalls? I'll walk us through a detailed solution to this problem.

The preparation before the intercultural negotiation

Effective pre-planning is essential for a fruitful negotiation. We won't learn much about our partner and won't be able to maximize the benefits of an intercultural negotiation if we rush the process. Naturally, our partners will assume that we paid little attention to this negotiation, which may indicate that we have a negligent attitude toward the company and our partner. We shall thereby lose the negotiation. Consequently, it is critical that we prepare well before entering into an intercultural discussion. But how can we do this? I'll give us some suggestions after that. Since the team is the cornerstone of our successful negotiation, we must first ensure that our team is well-organized.

We can minimize the size of our crew. However, this does not imply that our team can produce more productive work with fewer members. Our team has to include certain members with specific expertise, effective communication skills, a strong sense of teamwork, and a competitive mindset.

Selecting team members

The organization needs to select individuals with a variety of technical abilities and character traits to form a cohesive and effective team. The strengths of each team member must balance the weaknesses of the others. Technical knowledge needs to be supported by the capacity to apply and explain it. Building a team is like putting together a jigsaw puzzle; if the pieces don't fit, the project won't work.

Gathering of information

The first and most crucial phase in getting ready for a particular negotiation is gathering information once the negotiating team has been put together. Finding out as much as you can

about a possible partner or client before entering into negotiations is a standard practice. Information on money, markets, technology, policies, and even an executive's background is required. The following stage is to examine the different data in order to assess our counterpart's likely objective and preferences, taking into account both his and our own points of view.

Obtaining information

Knowing the history and family status of a specific executive can be very advantageous, especially considering how important business talks are.

More importantly, information about markets, science and technology, policies and regulations, etc., is gathered.

For example, the major concerns that need to be gathered, the legal, political, business, and financial systems; infrastructures and logistical systems; and the parallel.

Analyzing information

The next stage is to examine the different data in order to assess our counterpart's likely objective and preferences by considering both of our viewpoints.

It is sense to conduct a feasibility study before to the negotiation because there is so much information available. After weighing numerous options, including the ones listed below using a project negotiation as an example, it should reach firm conclusions on all fundamental matters. These include the political and social backdrop, social and economic analysis, in-depth analysis, location and site, primary costs, labor, schedule implementation, and financial and economic evaluation.

The negotiating brief

The manager who will be in charge of the negotiation's conclusion signs the written negotiating brief.

Define the negotiation goal in terms of the main topics that will be covered in the brief. For each of the main components, specify the lowest level that is acceptable. Assuming we are the vendor, we may include in our brief the minimal acceptable degree of detail about the following key concerns: price, terms of payment, delivery, and warranty. Indicate when you think the negotiations should be finished. Provide information about the team leader and other participants in the negotiation, including their names and positions. Establish the channels of

communication and the method for reporting. It ought to specify how and to whom reports to management.

The negotiation plan

The plan offers structure and discipline, both of which are important for a team to succeed. It will act as a roadmap for the negotiating team throughout the process. The negotiation team creates the negotiating plan, whereas the negotiating brief is made up of the directives that management has given the team leader. Establish some foundational principles and allow for flexibility in various scenarios while formulating the initial plan and outlining potential actions or techniques. For a number of pragmatic and psychological reasons, the negotiation's location may be the most crucial situational element.

There are two things to think about when it comes to the administrative setup. When organizing meetings while negotiating at home, the team can choose which conference rooms to use, including one for adjournments, arranging for amenities, etc. If the team is going overseas, careful consideration should be made to selecting a hotel with the greatest business amenities, reference books, portable office supplies, etc.

Furthermore, prior to engaging in cross-cultural negotiation, two interrelated factors must be taken into account.

The relationship's foundation is the fact that contracts govern business in a large portion of Europe and North America. Personal relationships are viewed as harmful since they can cause problems and skew judgment. Business is personal across most of Asia and South America. They will only form partnerships with people they are familiar with, at ease with, and trust. As a result, investing in connection building is essential prior to doing business.

Knowledge during negotiations: Business proposals that are presented in a clear, logical manner and that make use of data and facts are highly valued in Western business culture. Though they differ, other corporate cultures rely on comparable data.

For instance, spoken information delivered orally or through the use of maps, graphs, and charts may be preferred by oral and visual communicators, such as the South Americans.

The bridge-building between the different cultures

Making those preparations alone, however, is insufficient; we also need to be aware of what the intercultural discussion will entail. This thesis will then go on to explain the issues in detail.

Let us assume that there are two people: Mohammed in the west and Omar in the east. Mohammed and Omar share similar interests and dislikes. Despite their possible business partnership, Mohammed and Omar never discussed their differences and the agreement never materialized.

Misunderstandings of each other's actions and disparate ideas of the negotiating process itself were the root of the issue. Mohammed views negotiating as a means of completing a contract. When he felt their conversation wasn't progressing as swiftly as he believed it should, his reasoning got stronger and stronger. Days before their talks, the deal effectively ended since his counterpart interpreted this as contempt.

Even while globalizing marketing and communications has shrunk the world in many aspects, there are still significant cultural distinctions. Mohammed and Omar have comparable likes, but they approach negotiating in ways that are strongly influenced by their own national cultures. They arrived at a deadlock because none of them knew the other's presumptions about how the negotiation would proceed when they sat down at the table. Therefore, it is important that we focus on the issue of how to create cultural bridges in order to reduce mistrust until it eventually vanishes.

We should try the following to get ready for our negotiations:

1. Get to know the people with whom we will be interacting directly. One of the best strategies to get over mistrust is to establish a personal relationship with someone!

2. Background: research is done about the business we are dealing with. Learn all you can about the company. Get the company's credit checked. Make every effort to find out about their financial status.

3. Learn about the foreign company's culture and become aware of any potential cultural differences that might arise.

4. Seek the help of a business that can offer us some advice and is experienced in handling such cultural differences.

Offensive strategy

Not just the strongest states can make claims. All states frequently engage in defensive claiming, while offensive claiming by the weak against the powerful is uncommon. Any nation engaged in international business is trying to switch from one party's strategy to another, or combine the two. We shall take the attack if our power exceeds that of our opponent, thus we should deploy tactics appropriately.

Make inquiries. There are four different types of questions: yes/no, specific, attacking, and probing. Because probing questions are worded in general ways, they are challenging to respond to. They are meant to gather intelligence so that, prior to a significant attack, one side can exploit the weakness in the other's plan. Based on information gleaned by probing questions and previously discovered facts, specific queries are intended to coerce an admission.

In commercial discussions, it is a useful strategy. At times, we must give up by severely shelling our opponent. If the negotiator handles this tactic properly, it usually has the potential to advance the negotiation. Usually, it can trick the other party into agreeing to terms and sealing the deal.

Assail in the west and pretend to strike in the east. When one party's true goal is the complete opposite, they will overemphasize how important it appears to be to them winning a specific issue. Any suggestion from their colleagues raises suspicions in the minds of certain negotiators.

It takes promises, such as those provided by national laws and regulations, company standard operating procedures, directives from a superior, prior precedents, etc., to convince the other party that the assertions made are true. Both parties will use it as a significant offensive negotiation tool. In most cases, the higher commitment takes precedence when there are various levels involved.

Find "the right answer" and the interests of your rival. Finding out the interests of the other party becomes crucial since negotiating about interests is a better method to conduct technology trade negotiations. Two parties may attempt the right response technique when they have conflicts of interest, which can be challenging to settle. This is how it functions:

1) Acknowledge the existence of a standstill;

2) Abandon the position of negotiator;

3) Examine the issue impartially;

4) Look for the best solution;

5) concur on the correct response;

6) Take on the role of negotiators once more and determine whether the correct response presents workable options.

Look for anomalies or disparities in the context. Remember that the best context-aware party will most likely "win" the negotiation. A contextual irregularity is any aspect of the negotiation that, in light of the transaction's overall context, raises red flags or seems off. Specifically, the term "discrepancy" refers to discrepancies in the amounts or prices in a seller's proposal. Put otherwise, it's a means of contesting the legitimacy of a proposition.

There will be instances where putting the suggestion into practice would be ridiculous, thus the one who made it is asked to rephrase it in more constrained terms.

Frequently, a thorough examination of these components will uncover mistakes that imply the idea might not be sound.

We can portray the opposite side as unreasonable in this way. The negotiator can take an advantageous position if he can ascertain factors such as the two that have been described here.

Act combative. Intense negotiators take a broad, forthright approach. They turn the opposing party's self-confidence against them.

Make your case. During negotiations, one party frequently feels compelled to demonstrate to the other that they are aware of and will not compromise upon their true interests. The legitimate justifications need to be arranged in some fashion.

Up until the point of climax, every point in the argument should be more compelling than the last. In other words, it concludes with the most compelling argument, the one that the opposing side will find most believable.

The Supplier management process

Van Weele (2005) presents three major questions that have to be asked in the supplier management process.

- For which commodities should the number of suppliers be reduced?
- For which commodities should the current number of suppliers be maintained?
- For which commodities should the number of suppliers be increased?

According to Van Weele; the current tendency in sourcing strategies is to concentrate on lowering the number of suppliers; nevertheless, this cannot continue indefinitely. Additionally, he says that cutting suppliers should be a means, not an end, to an objective.

The actions listed below are recommended by Van Weele (2005) for the supplier management process:

1. Review of contracts. Every contract that currently exists with suppliers is examined in this step. Finding and identifying every contract that already exists could be difficult because there

be a sizable number of contracts that are not under the purview of the purchasing division. This stage's goal is to ascertain which pricing agreements have been formed, whether the supplier's real performance and satisfaction have been recorded, and to evaluate the associated obligations and risks.

2. Competitive bidding from both new and existing suppliers. By asking additional businesses than the current suppliers to submit an offer, this stage aims to examine the supply market as a whole. The contract with the "best-in-class" provider is the ultimate result of this procedure.

3. Mapping the value chain and improving supplier relationships. The process's first two parts are all about choosing the best suppliers, and the third and last step is all about making the most of these providers. This process involves setting specific goals and objectives for lowering

prices and costs, improving quality, cutting lead times, and enhancing customer service. Numerous businesses have groups of experts from various fields that all parties engaged in this process of establishing targets. The sharing of ideas for mutual improvement activities is one of the main goals of this activity. In this procedure, suppliers typically have to handle the majority of the labor and progressively integrate into the customers' company operations. This process also includes value chain mapping analysis of the complete supply chain, which identifies the origin of each component.

Types of supplier

Van Weele delineates four categories of suppliers based on the degree of development associated with each kind. According to table 3:1, the relationship with a design partner is the most developed, while the relationship with the supplier—that is, any provider providing goods to the company—is the least developed.

Table 3:1. Different types of suppliers (Van Weele, 2005)

Less developed relation ⟷ More developed relation

Aspect	Supplier	Preferred Supplier	Supply Partner	Design partner
Relationship characteristics	-Operational	-Operational	-Tactical	-Strategic
Time-horizon	-Order to Order	-1 year	-1-3 years	-1-5 years
Quality	-As requested by producer -Quality control by producer	-As requested by producer -Quality controlby producer and supplier	-"Sign-off" by supplier -Quality assessment by supplier (Process quality)	-"Sign-off" by supplier -Early supplier involvement in design. -Quality assessment by supplier (Process quality)
Logistics	-Orders	-Annual agreement + Call-off orders	-Periodical scheduling of materials requirements by producer	-Electronic Document Interchange (EDI)
Contract	-Order to Order	-Annual agreement (1 year)	-Annual agreement (> 1 year) -Quality agreement	-Design contract -Life of type responsibility (product liability supply)

Price/cost	-Price	-Price + rebate	Price + Cost reduction targets	- Price based on calculation. - Continuous improvement (design, quality, cycle time)

Purchasing Policy

Dobler and Burt (1996) defines a policy as:

"A statement that describes in very general terms an intended course of action."

They states that after the fundamentals of an activity are established, policies are developed to serve as a general guideline in making operating decisions that channel actions toward achievement of the objectives.

Risk

Persson (2006) defines risk as:

"The probability that something unwanted should happen multiplied with the severity of the consequences of such an event."

Persson (2006) distinguishes between internal and external risks when it comes to purchasing concerns.

Internal risks are those that originate from within the organization itself, including: inadequate understanding of the true needs

- Missing important employees;
- inaccurate RFQs;
- and numerous additional

Risks that originate inside the suppliers themselves are known as external or commercial risks.

Examples of these risks include shortages and rising pricing or other costs.

• Exchange rates;

• Cancellation of desired product production

Van Weele (2005) classifies buying risks into four groups:

Risks associated with technology, commerce, contracts, and performance

- **Technical risk** is connected to the supplier's ability to provide the agreed-upon functionality and performance. Concerns about technical risk may include whether the provider have the necessary expertise to fulfill the request.Van Weele (2005)
- **Commercial risks** pertain to the expenses a business incurs as a result of a purchase. These could include the prices as well as additional expenses that come with the purchase, including shipping, manufacturing charges, customs fees, or other. Van Weele (2005)
- **Contractual risks** are worried about whether the contract is accurate enough to prevent errors and about how clearly the penalties of errors are laid forth. Rewarding subpar performance with fines helps reduce contractual risks. Van Weele (2005)
- **Performance risks** are merely the chance that the provider won't be able to fulfill their end of the bargain. Van Weele (2005)

Ethics

The purchasing and sales departments are a company's two primary windows to the outside world, according to Dobler and Burt (1996). This implies that the activities of these two departments have a significant impact on how the outside world perceives the company because they are very visible.

Studies have demonstrated, according to Dobler and Burt (1996), that how the purchasing department behaves in ethical dilemmas has a significant impact on how the rest of the business behaves in comparable circumstances. Therefore, it is crucial to guarantee that the purchasing department acts morally. The best method to do this, according to the authors, is to create and implement an appropriate ethical policy and to provide ongoing instruction and training.

A code of conduct developed by the National Association of Purchasing Management is presented by Dobler and Burt (1996).

1. Concepts of Ethics. Aim to keep relationships, behaviors, and conversations free from the appearance and intent of unethical or compromised behavior.

2. Accountabilities to the company. Show your devotion to your employer by carefully adhering to their legal directions, exercising due caution, and using just the authority that has been given to you.

3. An overlapping interest. Avoid engaging in any professional or private endeavor that could put your interests and those of your employer at odds.

4. Appreciations. Avoid asking for or taking advantage of loans, credit, or discriminatory discounts. You should also avoid accepting gifts, entertainment, favors, or services from current or potential suppliers that could sway or appear to sway a purchase decision.

5. Private information. Treat employers' or suppliers' proprietary or confidential information with appropriate caution, taking into account any ethical and legal repercussions as well as any laws and regulations.

6. Handling of vendors. Encourage good connections with suppliers by being fair and courteous throughout the whole purchasing process.

7. Mutual Aid. Avoid reciprocal arrangements that limit the ability to compete.

8. The law. Recognize the legal implications of your purchases and abide by the word and spirit of the laws governing the purchasing function.

9. Minority- and small-owned businesses. Promote participation from all societal segments by endorsing small, minority, and underprivileged businesses.

10. Employee personal purchases. Discourage purchasing from participating in employee-sponsored programs for non-business personal expenditures.

11. Accountability to the industry. Become more proficient and elevate the purchasing profession by obtaining and keeping up-to-date technical knowledge and the highest moral standards.

12. Global Business. Do international commerce in conformity with national laws, your organization's policies, and these ethical standards and guidelines, as well as the laws, customs, and practices of other nations.

Authority

Heinritz et al. (1991) define a purchaser as an agent acting on behalf of their company who has been authorized by management or the owner to commit company cash. There are frequently financial restrictions on the maximum amount that a single buyer may spend without first obtaining explicit management clearance. According to the writers, authority ought to be commensurate with duty and the capacity to fulfill that obligation.

According to Heinritz et al. (1991), managers grant buyers authorization; typically, they do this to control expenses by limiting the amounts that a buyer can sign for. There may be multiple tiers of authority. For example, a single buyer may sign deals up to a specific amount; above that threshold, the CEO must sign the agreement, followed by the chief procurement officer and a senior purchaser up to a predetermined sum.

From the seller perspective (Exporter Entrepreneur)

Why do certain businesses engage in more profitable and regular export transactions than others?

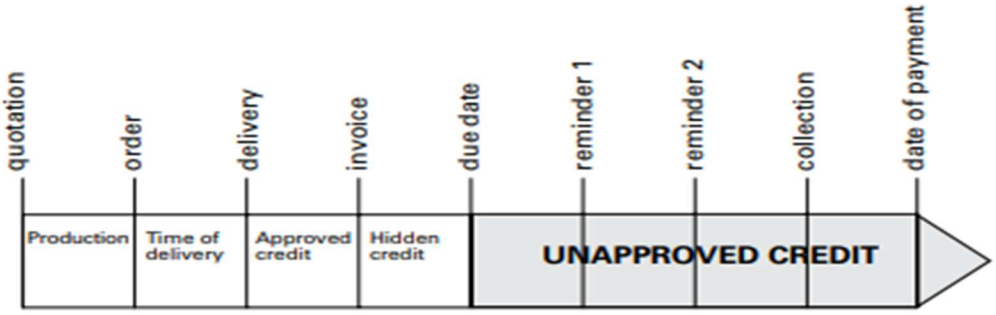
It's because businesses are in the best position to enter completely new markets only when they are able to cover even the most challenging export risks. Increase sales, gain market share, and expand into new areas. Who wouldn't desire that? However, making the sale is frequently not the issue—rather, it's making sure you get paid.

Why might the export chain occasionally experience issues, ranging from quotation to payment or, in the worst scenario, non-payment? The seller frequently underestimates the dangers associated with the deal, or they are just unaware of them. Alternatively, the seller may not receive the terms of payment that were initially agreed upon and, does not succeed in finding a different method to cover the transaction at that point, or maybe decides not to proceed with the transaction at all. Essentially, the seller can handle transactions even in the most challenging regions of the world by understanding how to professionally cover the trade risks.

But the follow-up needs to be done in a professional manner at home as well.

Efficient management of the deal up until shipment and efficient debt supervision afterward are required.

Time is money – look at the time arrow below



As soon as the contract is signed, the follow-up begins. It may take the form of a forward currency hedge, guarantees, discussions regarding an export credit risk policy with the insurance provider, or a follow-up on the buyer's responsibilities, such as properly issuing a letter of credit. It is never a good idea to find yourself in the time arrow's gray area, where the seller is more vulnerable because the items have already been dispatched but the payment hasn't arrived on schedule.

The worst part is that even the strongest letter of credit could be useless if the seller is unable to fulfill its obligations under the letter of credit in the future if pre-shipment supervision is not in place. It frequently comes up in sales conversations in distant foreign nations. The details of a successful transaction are frequently negotiated in sales talks that take place in other nations that are far from the home company. It could also be challenging to get modifications made to the seller's advantage once the agreement is signed, not the least of which being the terms of payment.

The transaction's profitability will eventually be determined by the follow-up, which is vital.

3 study Cases of Purchasing and Procurement analysis within Moroccan Companies

- First study Case: 15 months studying the impact of a decentralized procurement process
- Second study case: 4 years studying the impact of a procurement process through and EIG.
- Third study case: 5 months studying the impact of standard procurement process through one department.

I have to mention that the first and second case are both part of the construction tiles and sanitary wares industry with huge budgets.

The third case is a very different industry: office and education industry.

Before delving into the study cases aforementioned, I have to speak briefly and go through some points regarding the structure of the supply Markets in Morocco

An examination of the current supply market structures can reveal that the purchasing business is not in a favorable position. Situations characterized by monopolies or oligopolies may limit competition, which could reduce the buyer's power to negotiate prices and select suppliers (independent of the procurement methodology used).

Therefore, purchasing departments—especially those in larger organizations—need to devise plans to manage the supply chain at competitive pricing. The following techniques can be used to build "counter" power:

• Create price-cost analysis methods to strengthen your capacity to bargain with current suppliers.

Encourage new suppliers to enter the market or create overseas sources of supply to promote competition. Assign business to many suppliers to maintain competition. Get in touch with the director general.

• If you believe that monopolies or restrictive agreements pose a threat to the public interest, get in touch with the director general of fair dealing to look into them.

• Take into account the possibility that the buyer's own business could produce the item.

• Look into the potential for a takeover or merger with a supplier to gain more control over necessary supplies.

• Create alternatives from different vendors to avoid shortages and the ensuing price increases.

Therefore, it is clear that purchasers need to do more than just adjust to changes in the supply environment as they happen; instead, they need take proactive measures to guarantee that developments serve their needs and safeguard their interests.

Seeking immediate cost advantages could have negative long-term effects if suppliers' price-cutting strategies are intended to force rivals out of the market and establish a dominant position.

Study cases:

- Company Achemina
- Company EIG Boughaze
- Company Buropa

First Study Case:

Company Group Achemina Ceramica

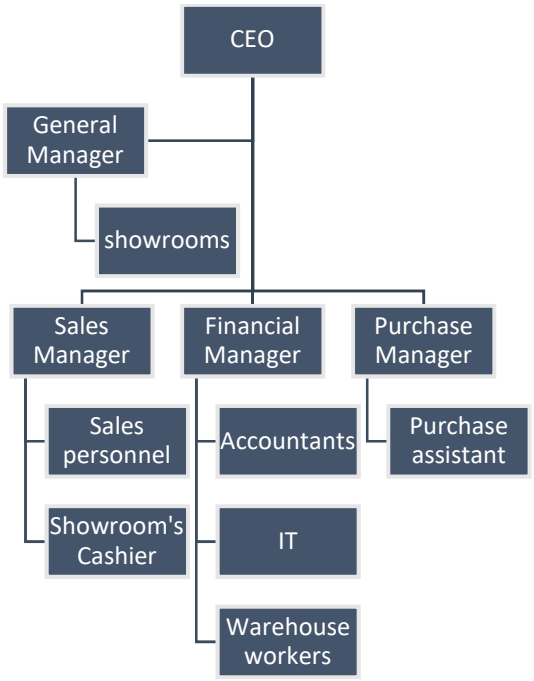
Specialist in import and distribution of tiles and sanitaryware. ACHEMINA CERAMICA occupies a prestigious position on the Moroccan market thanks to its direct relations with the world's leading ceramic and sanitaryware factories. Existing in Morocco since 2010.

A solid, expanding group of companies specializing in the import and distribution of floor and wall tiles and sanitaryware. Partners of several internationally renowned factories, mainly in Spain, Italy and Turkey.

Their strengths:

- large stocks available to meet the needs of major projects.
- Continuity on selected references to support your projects over time.
- Abundance of choice and novelty.

Organizational Chart of the company



The procurement and purchasing Model of Group Achemina Ceramica

The advantage of this group of Small and medium companies is that it has more than one company that buys and procure internationally which means it is already registered within the international insurance companies.



Figure 14 : Procurement process model of Achemina Ceramica

The purchasing model in Achemina Ceramica is a decentralized one. Even though the purchasing is made through four different companies located in Morocco however it has it advantages.

It offers several distinct advantages over centralized purchasing. These include increased agility, specialized purchasing, and supplier diversity

Advantages of Achemina Ceramica's decentralized purchasing

- **Purchasing agility**

Decentralized purchasing at the Achemina Ceramica group typically facilitates quicker and faster decision-making than centralized purchasing models since it allows for much more open communication without the need for a single approval. Teams can interact with a wider variety of providers and handle requests without any bureaucratic hold-ups.

Specialized purchasing knowledge

In the aforementioned decentralized purchasing model, each department handles purchase requests specific to its needs. This allows the team to become its own "purchasing expert." They understand suppliers, department needs, and business priorities better than an external purchasing department and apply their expertise to the purchasing process.

- **More supplier diversity**

Supplier diversity is important because it means buyers have more bargaining power and because it protects against supply restraints. If one vendor's price is too high, or they aren't able to fulfill orders quickly, the buyers (4 companies) have alternate routes to procure the goods and services they need.

In a decentralized purchasing model, individual teams build supplier relationships and are able to determine which supplier is the best fit given current circumstances.

Disadvantages encountered of the Achemina Ceramica decentralized purchasing

While a decentralized purchasing model offers many benefits for larger companies, there are also some downsides.

- **Difficulty enforcing compliance standards**

Complicating matters for IT teams responsible with upholding security and compliance standards are non-standardized processes. It's also more difficult to guarantee that vendor screening or other regulations are being enforced consistently when various Departments handle their own procurement.

- **Missed opportunities for discounts**

Discounts are frequently given by vendors in response to volume or on-time payment. Vendors may decide not to offer discounts based on sales volume in a decentralized purchasing process due to a lack of coordination and centralization. Similarly, if there are delays, the buyer may forfeit any discounts that are offered for paying invoices on time or in full.

One of the biggest drawbacks of this technique is that it produces jumbled data if you do not have a proficient ERP system. This not only invites mistakes, duplications, and erratic expenditure, but the dispersed nature of the data also makes doing a comprehensive spending analysis more challenging. This disarray can severely damage budgets and result in needless stress for the financial department.

With regard to this first case and my experience studying it for more than 1 year I can conclude that its process of procurement purchase and import is a successful one. Because it combines decentralized purchasing from 4 different companies however under the supervision and tactical strategies of one person: The Chairman.

This firm is serving multiple markets, it has showrooms in 5 different regions in Morocco:

1. Casablanca
2. Agadir
3. Rabat
4. Kenitra
5. Fes

In each of two periods, the firm purchases inputs from a supplier (through 4 companies) and sells final products to end consumers (through one company). The firm consists of n, n ≥ 5, segments (divisions), each of which serves a distinct market.

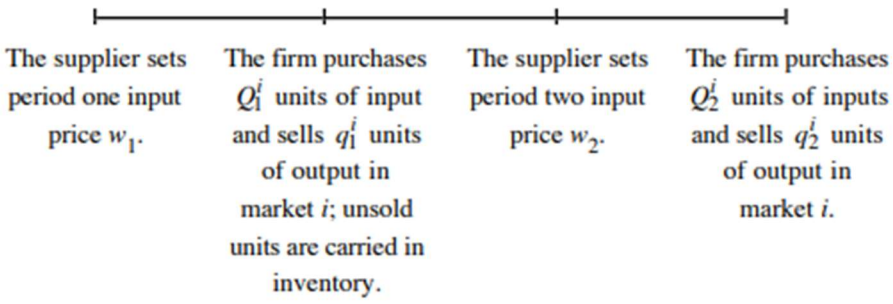
The markets correspond to different geographical territories and/or distinct product offerings; denote the set of markets by N. The (common knowledge) demand for the retail product in market i , i ∈ N, in period t, t = 1,5 , is given by pt i = a < qti, where pti is the price paid by consumers and qti is the quantity sold in the retail market. The supplier's production costs and the firm's conversion costs are each normalized to zero.

At the start of each period, the supplier sets its (per-unit) wholesale price, wt, for the firm. Subsequent to the supplier setting its terms, the firm procures Qti units of the product and sells qti units (equivalently, sets the retail price pti) in retail market i, i ∈N.

At the end of period 1, the firm carries forward any excess purchases as inventory; denote the inventory level for market i by Ii, Ii = Q1i < q1i. For each unit it carries in its inventory, the firm incurs a holding cost of h, h ≥ 0.

The focus herein is on whether procurement and inventory decisions (i.e., Qti and qti) should be made centrally for all n markets or whether the firm should decentralize and leave procurement and inventory management decisions under the auspices of their respective divisions. Under decentralization, we initially employ the standard formulation wherein divisions seek to maximize their own divisional profit; the issue of incentive design is examined further in the section below.

The following timeline summarizes the sequence of events



Second study case:

The company Al Boughaze GIE

Is within the same industry as Achemina Ceramica mentioned above. Ceramic tiles and sanitary wares importer and exporter.

Al boughaze GIE is an Economic Interest Group equivalent to a purchase center where all regrouped companies buy through it.

(GIE) is an intermediary legal form between a company and an association, created for a fixed term and comprising at least two members operating in the same business sector. Morocco has recently seen a surge in the number of GIEs.

"Issam El Maguiri, President of the Casablanca Association of Chartered Accountants, explains in the March 5 issue of L'Economiste newspaper, that this legal form offers greater competitiveness, enabling companies to attack international markets. Indeed, by pooling their efforts and technical knowledge, GIE members can create synergies and economies of scale for prospecting abroad. According to the daily, this is a difficult task for SMEs. In fact, exporters are well aware of this, and have already grouped together in various EIGs, notably for services. Farmers are also starting to take an interest, particularly cooperatives, with the aim of exporting more at lower cost. Issam El Maguiri points out that even large groups are turning to EIGs to facilitate administrative and accounting procedures and minimize management costs.

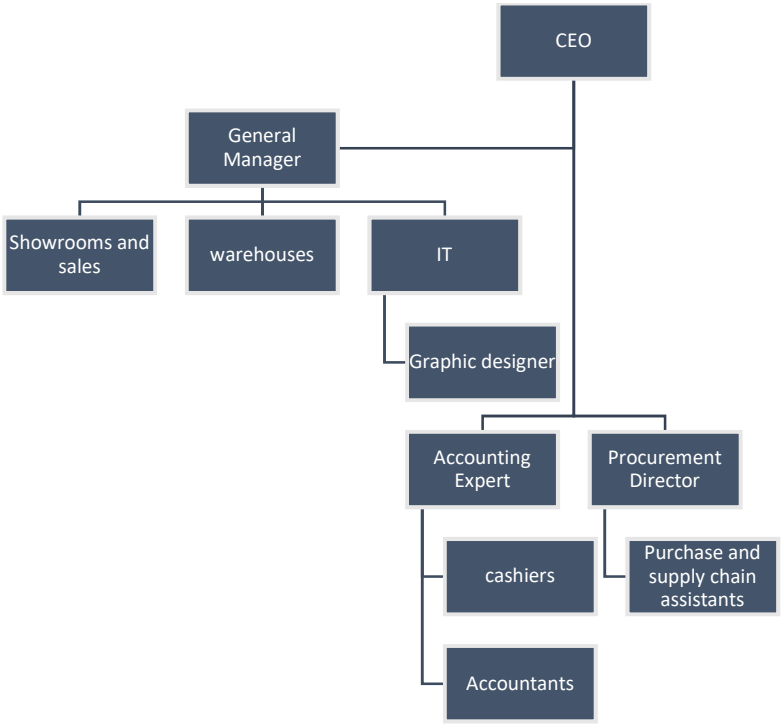
Issam El Maguiri concludes by pointing out that, in the event of grouping in an EIG, cooperatives lose their tax exemption, as do indirect exporters, who are deprived of their rights to tax benefits."

However, the EIG cannot replace its members in the exercise of their activities, and cannot use their goodwill.

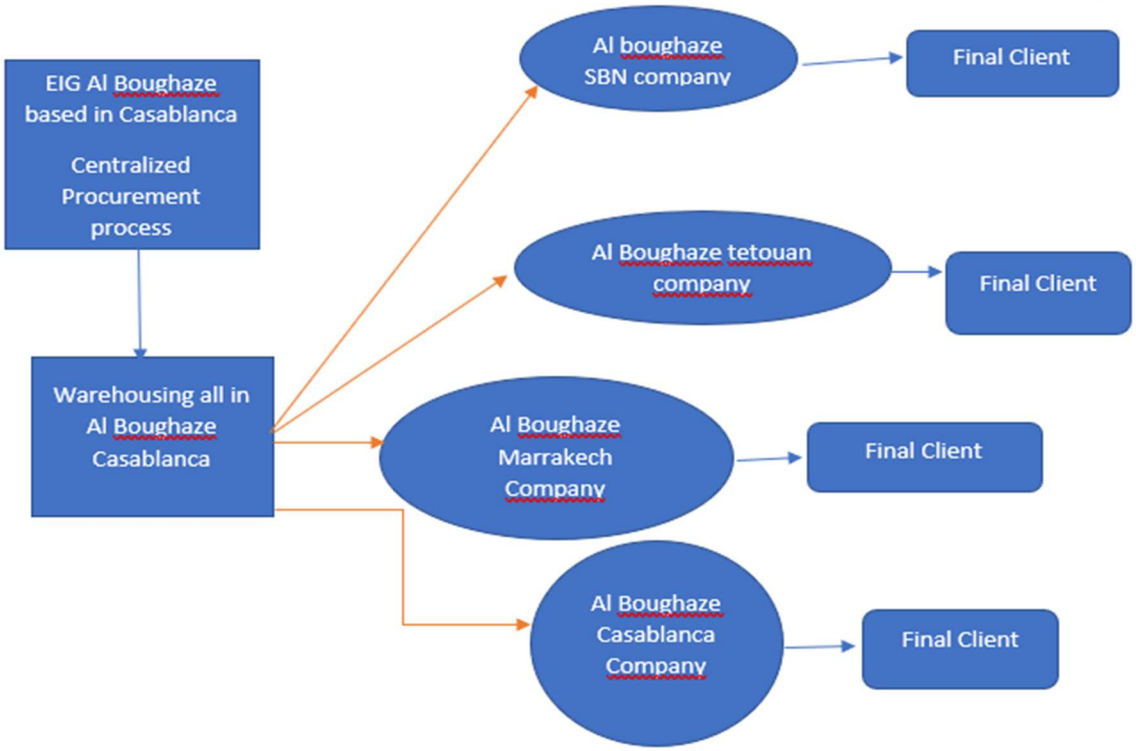
There are 3 types of EIG: service EIG, purchasing EIG or sales EIG, each of which is at the service of its members. That said, there are a number of obstacles to the development of this legal form. For example, the solidarity of members in relation to debts, or the still unclear tax framework.

Al Boughaze GIE is a Purchasing one. So the purchasing is centralized.

Organizational Chart of the Company



The procurement and purchasing Model of EIG Al boughaze



The Advantages of the EIG centralized purchasing process

Normally the benefits that we were supposed to see progressing through the EIG as a central unit of purchasing with huge budgets are positive but unfortunately not this case.

The supposed to be advantages are the following for any central EIG for procurement, I myself was going through the process for more than 4 years, preparing the outcome plans and preparing steps for a successful result:

- **Better Strategic Efficiency**

The centralized purchasing system that I was overseeing is frequently directly tied to our long-term business goals and the purchasing department's injective. This is mostly because, in a centralized purchasing structure, many organizations place greater importance on procurement.

Businesses that place a higher value on centralized purchasing should see an increase in visibility within the company and a higher likelihood of long-term strategic planning participation. The financial success of the company is inextricably linked to the procurement goals when the procurement strategy is integrated into a long-term goal.

More Procedural Efficiency

Centralization eliminates efforts that are repeated and redundant. There are chances to combine departmental purchases so that I might be eligible for volume discounts and also lower the delivery and transportation expenses by exchanging information and resources. If we manage everything from a single location, I ought to have been able to automate the process and streamline it across departments.

For example, a centralized procurement architecture facilitates the establishment and upkeep of solid vendor and supplier relationships. How? One approach is that it makes things less confusing for the suppliers, who are no longer confused about who to contact for each purchase order.

In a decentralized method, staff members are given the authority and financial resources to decide what they believe necessary within reasonable bounds of course, and gives them a budget. Employees can deduct expenses for software subscriptions or tangible items without having to sign a contract of any type.

However, when we put in place a centralized purchasing strategy, everything is handled in one place, enabling your purchasing department to take advantage of your volume with suppliers to build enduring relationships that will ultimately save you time and money.

Improved Control and Management

You'll have more internal control if the purchasing policies are centralized.

The top-down information flow that the purchasing policy permits standardizes decision-making and purchasing processes. For example, a central policy specifies the staff members who are permitted to issue a purchase order, as well as the standards for selecting vendors and establishing expenditure caps.

The sole option available to the others is to use purchase requisitions, which must be approved before becoming an official order.

Organizations frequently discover cost reductions in a number of areas thanks to that enhanced control and management. They will discover that their overhead costs have decreased, and their increased purchasing power will entitle them to bulk discounts, which will further cut their costs. To aid in the expansion of the company, the savings can subsequently be allocated to other departments.

Buying isn't usually a simple process. In addition to buying supplies, there are typically other duties involved, such as ensuring that suppliers provide high-quality goods, reducing vendor risk, and negotiating contracts with suppliers.

We can handle a large number of little purchases and aggregate them throughout the entire company using centralized purchasing. This lowers your overhead expenses for risk analysis, transportation, quality control, and inventory management.

When employing a centralized purchasing strategy, the purchasing division typically pools similar orders and directs them toward the suppliers who can provide the cheapest prices. Because the purchasing department can offer a larger volume of business, this results in even better price. In order to keep your business going forward, the vendor is therefore more inclined to give bulk discounts.

The real outcomes and results of the centralized EIG Boughaze for purchasing are as follows:

They were several hindrances blocking the effective implementation of the centralized purchasing process:

Procurement Failure N°1

A lack of accurate data has led to a shortage of a crucial product component.

Solution: I have suggested to clean up the data

Simply put, procurement shouldn't be making significant purchases without trustworthy data. Despite the fact that many professionals lament that they are overwhelmed by data, possessing it is useless if it is:

• Unknown to you;

• Not arranged in a way that makes it useful.

• It is unimportant.

For your company, effective data management can lead to reduced expenses, more sustainable and simpler procedures, and more accurate forecasts. Shortages or excess inventory are the alternatives.

The IT person was not at the level of handling all the existed data. The company just instaured an ERP sage 100. Not really a good one or an effective one, but the reason why many companies avoid having it until now (even though nowadays we are talking about artificial intelligence like Chat GPT in procurement, which I have used it personally during my searching of sourcing partners) in order to facilitate corruption.

Procurement Failure N°2

Out-of-control maverick spend is costing the business.

Solution suggested: Improved communication

When it comes to managing extravagant expenditures within your company, there is no easy fix. It will require persistence and patience to solve the issue, but it is possible. Uncontrolled buying can be disastrous for procurement teams, leading to strained relationships with suppliers, blown budgets, and a loss of revenue for the company. The owner of the company, his wife, and family can ask someone else at random to buy goods locally, or they can speak with a supplier and commit an act of purchasing over the phone. It's probable that insufficient training has been provided for system users or that the e-procurement technology isn't being effectively utilized. First and foremost, teach every employee the value of a centralized procurement system. After that, we can ensure that it is user-friendly and accessible. In order to improve the efficiency of the centralized procurement process, employees should adhere to the purchasing procedure.

Procurement Failure N°3

Company Purchasing Exceeds Budgets

The budget was not meeting the demands from the top management, and more careless spending was the result. The difference between what's left in the budget and what upper management is aware of is probably a communication and visibility breakdown.

Employees may make needless purchases if they are unaware of real-time budgets that contain approved items that have not yet been paid for or purchased.

Solution suggested

providing real-time budget monitoring and employing purchase and procurement technologies to control business spending. The teams will be able to see what has been paid for, what has been bought, approved, and pending expenditure requests, as well as how these will impact the budget.

Procurement Failure N°4

Hasty, Anxious, and Impulsive Purchases

Hasty, last-minute purchases are a typical procurement issue facing new and rapidly expanding businesses.

During a company's debut or rapid expansion, executives typically want to make sure everything is set up and in order right away. This frequently entails disobeying the procurement process's precautionary measures.

Rushing to buy something and making emotional decisions can have negative long-term effects. For instance, when purchases spiral out of control and business revenue isn't able to keep up with the sudden increase in spending, cash flow problems may occur.

Solution suggested

Create a purchase procedure to stop impulsive spending. The following items must to be part of the purchasing procedure:

- For every requirement of the company, staff members should draft a purchase order.
- Every purchase order will be reviewed and approved (or rejected) by top management.
- Funds are released by the finance department, for example, using a virtual card.
- The purchasing division purchases something and sends in the bill.
- Make sure invoices match three-way

Procurement Failure N°5

Fraudulent transactions

According to ACFE 2022 Report[8], fraud can cost organizations as much as five percent of their revenue. That's a lot of money.

Employees may commit fraud on their own or in collaboration with third parties. To steal money from the company, an employee can, for instance, inflate the cost of goods to be bought or fabricate invoices. They might even provide a contract to a shell firm or accept bribes from a supplier.

In this instance, financial transactions and conflicts of interest (the accounting department), customs authorities (a high degree of corruption, numerous fraudulent transactions), and storage (constantly missing products) were the main areas where fraud was committed.

Fraud must be promptly stopped in order to avoid having a negative effect on our bottom line, regardless of the shape it takes. However, it takes a year or more before fraud is detected, so it's not a simple task. How therefore can we stop fraud?

*Solution suggested

Until the items are received, take pictures of them, and prepare an inventory record that is signed and stamped for each procurement process, train staff to identify and report any red flags that may arise during and after the purchase process.

To confirm payments and guarantee the validity of invoices, use three-way matching. Make that the vendor invoice corresponds with the purchase order and the transaction receipt before sending any money.

[8] https://legacy.acfe.com/report-to-the-nations/2022/

Utilize a centralized procurement system to automate purchases. It will be more difficult for employees to take advantage of gaps for personal benefit if there are multiple levels of verification. If fraud does happen, you can track down the fraudulent transaction and take appropriate action.

Procurement Failure N°6

Either too many decision makers or paralysis

"Decision by committee" or "analysis paralysis" are common terms used to describe this phenomena. The impulse to involve as many people as possible in these situations may really work against you. The project gets mired in a sea of ideas and opinions rather than proceeding with a defined plan of action.

The proprietor wants to see his idea come to pass.

The general manager has a concept as well and wants it to be implemented.

The accountant wants to see her concept through to completion.

Additionally, each suggestion negates the others. The issue is in forming a personal bond and becoming friends with staff members rather than overseeing and guiding them.

Giving advice is acceptable while making recommendations is OK, but attempting to dominate carelessly and ignoring the gravity it is unreasonable to wish to govern carelessly and to shirk your job.

Workers become perplexed about which decision to actually adopt.

Procurement most strategic failure N°7

Before deciding of centralising a procurement process and regrouping companies that will be a part of purchasing process especially internationally, we should examine the background of each company included within the EIG.

One of the dangerous mistakes occurred while purchasing through the EIG, **is the rejection received from international insurances and the suppliers due to the novelty of the EIG**, so the insurances don't have any old records, which tend to send straightforward to cancel the

possibility of paying through a normal bank transfer. So, we are talking about paying in advance and ahead of schedule.

Another threatening mistake is, one of the companies included in the group of interest EIG has bad records or has a problem of non-paying taxes to the government:

Several purchasing acts were rejected due to the old scandals of a company existing in the group.

Again, and for example: even though and after all the efforts done to get to be accepted; 24 containers were detained at the Moroccan customs for 2 months due to the name registered of one of the companies of the EIG, that mentioned a red flag on the customs system for tax evasion , a total amount of 600 Million Dirhams, then the Moroccan customs confiscated the 24 containers, which customs will destroy or sell anything it seizes unless we go to court.

Centralized Purchasing Disadvantages in most cases

- **Standard Procedure May Cause Receiving Delay**

Receiving necessary items may be delayed when policy and procedure are still being developed. Receiving delays may occur even after these procedures are put in place because of how long it takes to follow the regular procedure.

- **Wrong Buying is Possible**

Certain requirements of individual objects might not always be satisfactorily addressed. It could indicate that there is a mismatch in some cases between the ones purchasing the item and those who actually need it. When this occurs, the procurement division could buy products that don't satisfy the requesters' needs and they become useless for the requesters.

- **Procurement Expertise May Not Be Matched to Company Needs**

  When a company's purchasing department is centralized, there's always a chance that the employees acquiring all of the different kinds of goods the business requires to function properly may not be purchasing specialists. In this instance, it's possible that the document staff isn't purchasing the goods and services necessary for the business to succeed.

- **May Adversely Impact Employee Morale**

Giving workers the freedom to purchase what they need when they need it—as long as it fits within a predetermined budget—helps to improve morale. They could grow irritated at having to depend on someone else to get the supplies they require to conduct their tasks well if they are unable to make independent decisions about their purchases in compliance with centralized policies.

- **Where Centralized Purchasing May Not Make Sense**

While centralized purchasing has many benefits for businesses, there are some circumstances in which it isn't the best option.

You won't gain from centralizing everything in a single procurement department if every business unit or location has different needs. If your company possesses:

• Limited to minimal supplier overlap

• Has a distinct concentration of buy categories; for instance, one business unit prioritizes services over materials in its spending.

• Since every business unit has its own profit and loss, consolidation is challenging.

Then it makes sense to continue using a decentralized purchasing approach.

The proficiency of your procurement team and the usefulness of the purchasing handbook are essential components of a successful centralized purchasing approach. The document that specifies the rules and guidelines that anyone making purchases must abide by is our purchasing manual. All of your approved policy statements are included, and it will address any frequently asked questions.

Because many purchasing managers find the purchase handbook limiting, its production could become a point of contention. You can reduce the likelihood of disagreement while you create the procedures and the handbook by doing the following:

• Clearly outlining the purchasing authority

• Making the connections with other departments clear

• Seeking input from stakeholders and team members in order to prepare the purchasing manual and policies.

maintaining a separation between these and permanent policies and processes. As the company expands and changes, certain buying practices.

There will be frequent changes to key procurement practices as the organization develops and grows. For instance, we might need to update the list of vendors you want people to use in the handbook if new or better vendors emerge with contracts that are more advantageous for the company and others.

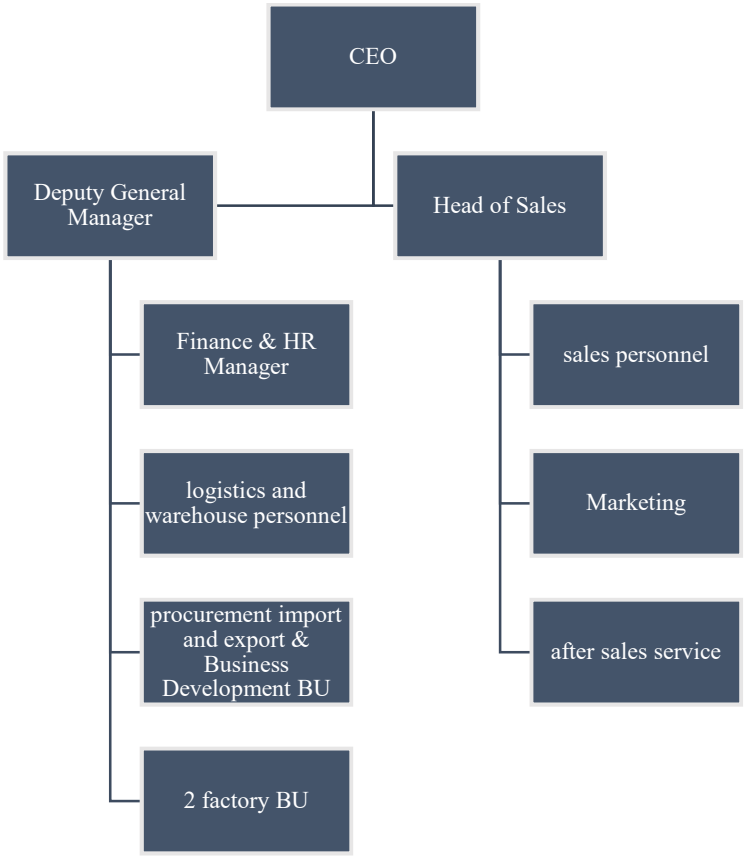
One of the most crucial resources for effectively managing an organization's purchasing department is the purchasing manual. The purchase guidebook is nevertheless helpful even if our organization is small and doesn't have a sophisticated purchasing department.

Employees in the purchasing department should ideally have knowledge of the goods and services the company needs to operate. Naturally, procurement knowledge in and of itself is beneficial, but if it is unrelated to the sector, We might observe a rise in the frequency of incorrect purchases.

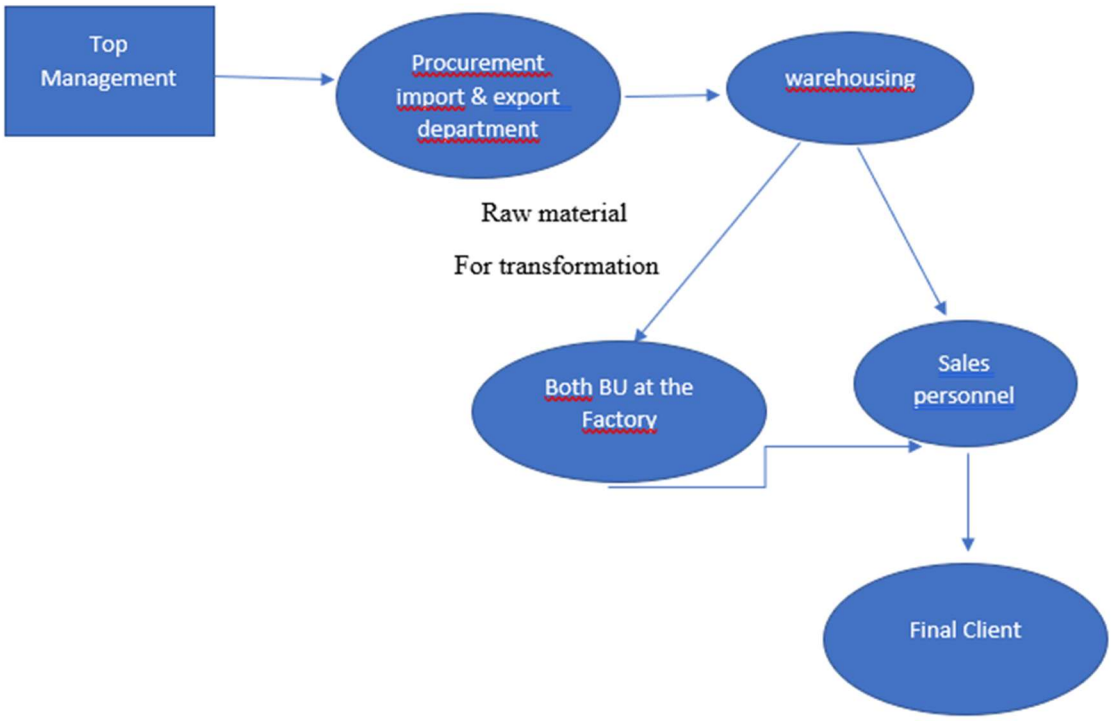
Third study case Company name BUROPA

Buropa is a company that offers a diversified and complementary range of products, which covers the education sector, office and fine arts through international brands that it represents exclusively in Morocco, Buropa has also developed its own labels and makes its grand re-entry in 2022 in the world of industrialization "Made in Morocco" also opening the door to the export market. It is identified by our young target in full growth. With different ranges, Buropa enjoys a positioning on sectors with high profitability and maintains a large distribution network with a territorial mesh covering most of Morocco.

Organizational Chart of BUROPA



The procurement and Purchasing Model of BUROPA



The advantages of standard traditional procurement process of BUROPA

The process of purchasing at BUROPA, is very traditional and Top Management Look at it as a clerical function. The purchasing acts are recurring. Repeated acts and a buying don't even need a department since the suppliers are used to export to BUROPA. However, there is no organizational structure within Buropa.

The company is extremely ruined due to different reasons related to decision makers within.

The Deputy General Manager	The head of sales	The head of Marketing
• A very young person in her twenties and has only 5 years experience in collection department as a calling agent with no high college degree • Lack of effective management skills • decreased productivity • can't provide guidance • aggressive towards workers • struggle to set clear goals • she manages warehouse's personnel • she manages the accounting department • she manages the cash and salaries • she manages the purchase orders	• A second decision maker who is leading also the company • 60 years old lady with 20 plus years working at the same company with no high college degree • she manages all the cash received from clients and non-traceable funds. • she recruites several family members to work in key positions (the agent who deposits cash at the bank, the head of warehouse personnel, etc..) • she manages and the controles the transactions and relationships with the suppliers • she manages the purchase orders	• A third co-decision maker at the company with no high college degree • a young person • Never attending (very seldom when we get to meet her) • she handles Marketing, graphic designers, communication, export, any interior fittings works or projects • represent the company abroad • she manages the cash for workshops

That was the first time for me to witness such an organizational chart.

My observations regarding BUROPA:

- Even if it is about a company with a good background, but unfortunately, I predict its bankruptcy in few coming years

- A company has very serious issues regarding financial difficulties, because of its penetration to the industrialization and its lagging to reach goals and couldn't (keep up even with workers 'salaries.
- Lack of training
- Lack of communication
- Attending a weekly meeting with the CEO where the CEO gets to see only fake positive outcomes that are not true
- Huge rate of corruption
- Being emotional instead of strategic
- Narrow thinking
- Lack of any image of developments
- Huge gap of communication between the decision makers and managers of different departments
- Huge rate of resignations (unless you are a part of the decision makers circle)
- Several problems related to lack of payments
- Paying salaries not at the end of each month but a fortnight later.
- Serious problems with customs due to lack of payment at the time due. (lot of warehousing fees and demurrage fees and penalties paid to customs in Morocco because of overdue and delayed payment (the import department is in the middle of the issue, they can't continue the process of receiving containers because of the overdue payment)
- The corruption of the decision makers is influencing and impacting the corruption of their circle
- No respect toward the company at all
- Negative energy and vibes which impact badly the co-workers
- Lack of assessing risks
- The set up of an ERP to trace all the inputs and outputs is very new to the company (6 months old, the data is not complete yet)

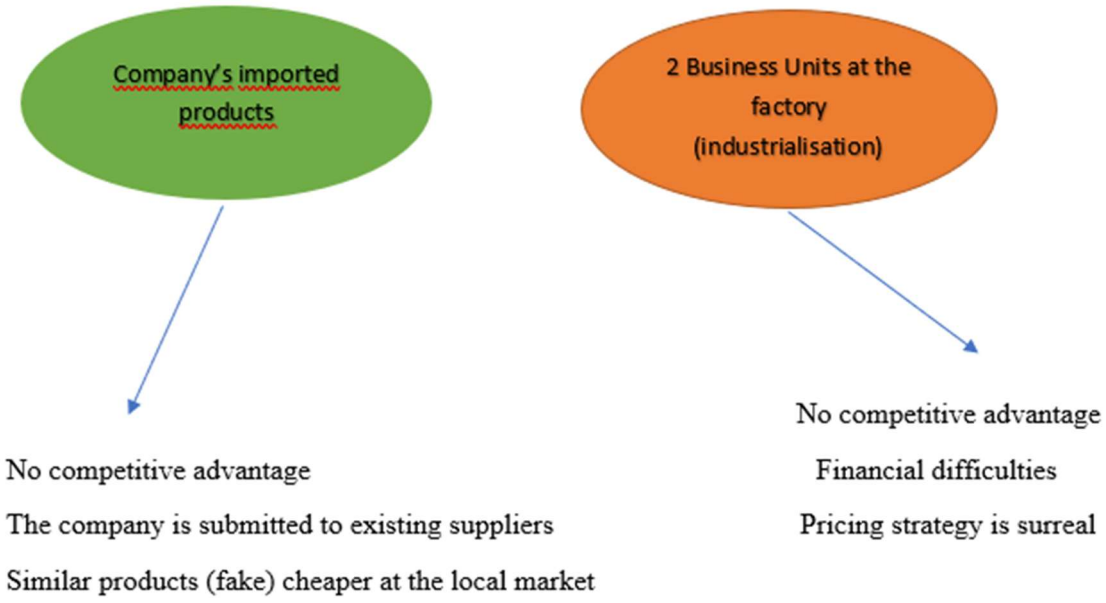
Procurement department inside BUROPA

The Procurement Business Unit where the percentage of work is highly effective. The Procurement Business Unit tasks are the following:

Tasks carried out within the Procurement Department

- Researching and evaluating suppliers (sourcing)
- signing contracts with the existing suppliers and the new one
- review and restructure the strategy of supplier relatishionship management
- define annual purchasing strategy and policy
- Representing the company and Moroccan Industry at foreign trade shows
- Managing business development with plant managers
- Implementing negotiating strategies
- creating business development workshops with sales department and Define potential products that can be developed into other flagship products, transform an existing foreign product into a Moroccan one.
- permanent local benchmarking and international
- forecasting the procurement trends
- Anticipate risks linked to import and export operations, in parallel with customs.
- Optimization of logistical aspects (stock monitoring: quantity, availability, cost, etc.)
- Cost Analysis
- Manage contingencies
- Monitor stock levels and place orders if necessary
- Monitoring the ERP (including input data and output data)

The competitive advantage of BUROPA



Comparison between the aforementioned companies

1st case : Achemina

- Decentralized procurement center
- Highly effective an ERP tool SAGE x3.
- No corruption at all
- a very well managed procurement strategy
- One leader and open to a working together environment
- a very educated top management and open to learning and development
- a very high sales figures
- competitive advantage: the procurement center is very structered and decentralization of procurement helps having more budget and insurance trust

2nd case: EIG Boughaze

- Centralized procurement center
- Not effective data and a very weak ERP
- High percentage of corruption
- too many decision makers
- no college degrees for Top Management
- Not open to traninigs
- medium sales figures
- High rate of tax evasion and fiscal frauds
- Lot of Black intraceable money, no transparency

3rd Case : BUROPA

- Traditional procurement department
- New to the ERP (the tool installed is not effective at all)
- High percentage of Corruption
- too many decision makers
- no college degrees at the top management level
- high financial difficulties

The Problem of Black money or what we call in Moroccan companies "L'argent Noir" or paying in Cash.

The purpose of the aforementioned procedure of payment, is not to be detected and traceable on the ERP system (one of the reasons why Moroccan companies refuse to install an IT tool like ERPs to trace all transactions)

Companies in Morocco: cash payment, the cap risks multiplying unpaid bills[9]

The scope of cash payments is being tightened. The tax deduction ceiling for expenses paid in cash has been lowered to 5,000 MAD incl. tax per day and per supplier, capped at 50,000 MAD incl. tax per month and per supplier.

The measure is aimed at combating fraudulent practices whereby invoices are split up to avoid having to pay by cheque.

In fact, payment by cheque is compulsory for invoices over 10,000 MAD incl. tax. Some operators were multiplying invoices around 9,000 MAD incl. tax to avoid the legal ceiling. Tax inspectors are keeping a close eye on this artifice in taxpayers' tax returns. The tightening of cash payment conditions is not without collateral victims.

The tightening of cash payment conditions is not without collateral victims.

"This measure will deprive suppliers of their most solvent customers and accentuate the risk of non-payment due to the multiplication of payments by cheque or commercial paper. You'll have to think twice before accepting payment by cheque", warns a business leader and member of the CGEM.

For the operator, until the problem of wooden cheques is resolved, retailers will continue to demand payment in cash. The only secure means of payment for them.

For the business leader, the prevalence of cash payment is also explained by the low rate of bank use and the absence of an effective law on payment deadlines.

Before the 2019 Finance Act came into force, expenses paid in cash could be deducted from taxable income up to 100,000 MAD per month and per supplier. Expenses must be paid by non-

[9] https://www.ufecasablanca.com/single-post/2019/02/23/entreprise-maroc-r%C3%A8glement-en-esp%C3%A8ces-le-plafonnement-risque-de-multiplier-les-impay%C3%A9s

endorsable crossed cheque, commercial paper, electronic means of payment, bank transfer, set-off via a claim against the same duly documented person.

Otherwise, no deduction is possible for corporation tax, personal income tax or VAT. Expenses include the purchase of goods for resale in the same condition as received, the purchase of materials and supplies, operating expenses, work and other services.

Depreciation allowances for fixed assets paid in cash are not deductible from taxable income.

Because of the particularities of the agricultural sector, the legislator has excluded sales of live animals and unprocessed products from this provision. On the other hand, transactions between merchants remain subject to the cash settlement cap, which obviously applies to transactions initiated since the start of 2019.

Some accountants suggest that the government should draw up a list of sectors where cash payments of up to 200,000 MAD could be tolerated, such as agriculture, where cash is the rule. But one sector where cash should definitely be banned is real estate.

Some properties are sold for hundreds of millions of Dirhams, without limit. Not to mention the loss of revenue for the Treasury. Yet no one questions the origin and traceability of these funds. Yet many transactions are used for money laundering.

With regard to cash payments, the 2019 Finance Act has introduced some adjustments to the 0.25% stamp duty on transactions settled in cash.

Medicines and fuels are now exempt from this duty. Stamp duty exemptions also apply to non-trading professionals and those who do not keep accounts. The legislator has taken account of the social nature and specific features of certain activities.

Source: www.leconomiste.com

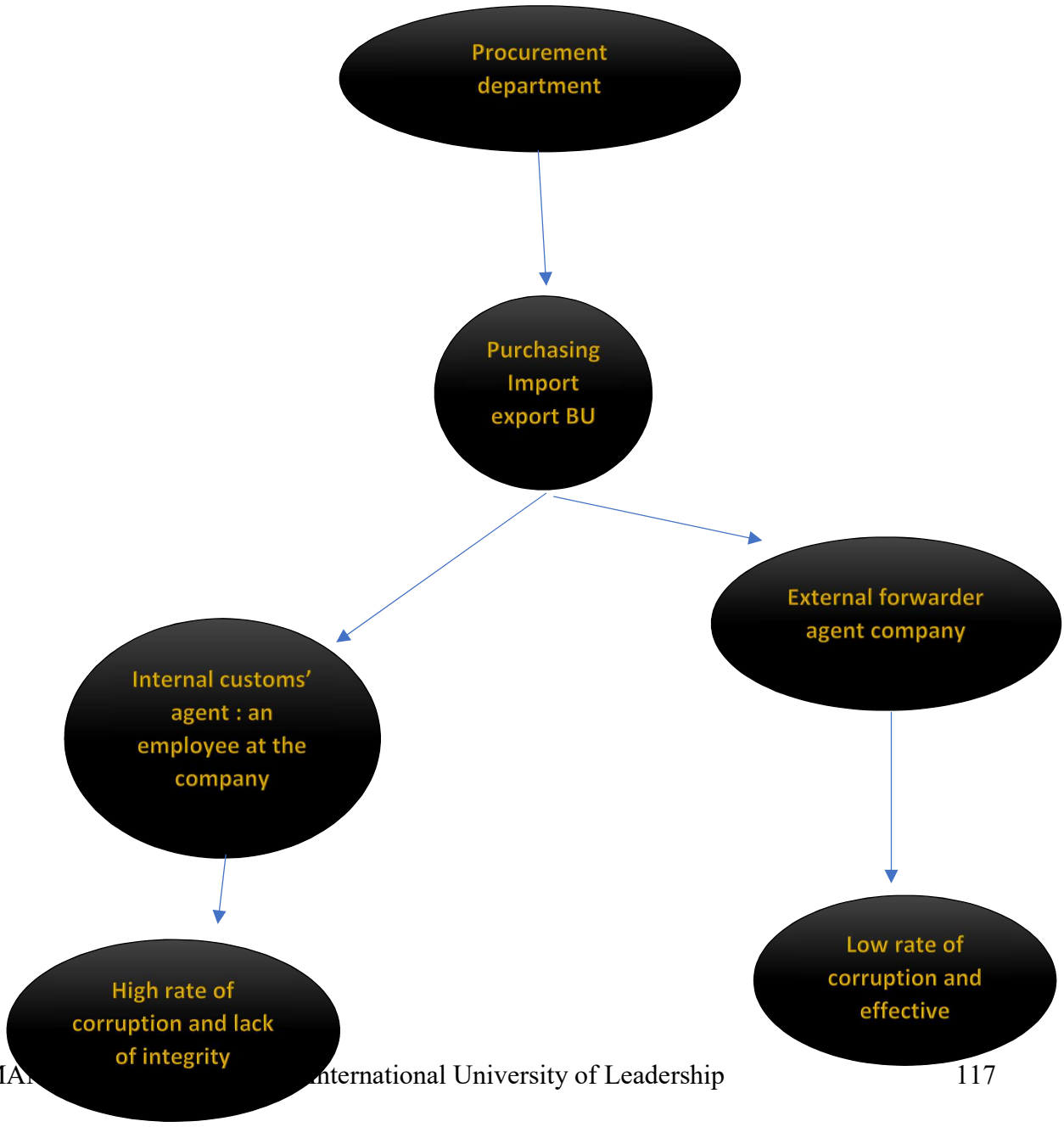
The second study case: EIG Boughaze is using lot of fraudulent fiscal procedures, indeed, I have lived that experience, when I had to release the containers from Moroccan customs and the Moroccan customs ceased the said containers on account of tax evasion. They had to pay more than 600 million MAD.

The implemented solutions were not to pay the taxes but to bribe an agent within the Moroccan national tax department. And the Accountant did it while not solving the root of the issue.

That way I did receive my containers.

The corruption within the Customs' Administrations in Morocco

The model of customs' agents in the companies in Morocco



Difference between an internal agent and an external one.

Internal customs' agent

- Timeline to starting the procedures of releasing containers or trucks from the customs is high
- Doesn't have too much connexions
- Doesn't network
- Always asking for cash budget for briberies in order to continue the procedures otherwise the company can't have its bought goods
- No stress released from the department or from the top management
- Doesn't work on holidays thus if the containers arrive at a certain holidays time , the company will pay additional fees
- the containers and goods could be registered for inspection at anytime and laboratory (added extra fees)

An external forwarder

- choosing a forwarder that masters your industy for years
- too many connexion and networking within the customs admonistrations
- they follow the same process followed per years (smooth functioning)
- No cash asked for bribery (never)
- the company doesn't have to pay its invoice until due time
- no stress at all
- the company could have an agreement for one inspection in a trimester
- offers strategic help and advices
- cost reduced

Unfortunately, the customs in Morocco is very corrupted but using an external forwarder is very helpful.

Customs and the port are the main places where corruption is institutionalized in Morocco. The port of Casablanca is a veritable institutional condensation of the various sectors of national life considered to be highly prone to corruption.

In this instance, efforts by customs, as represented by the Customs Office, to fight corruption have yielded no results. Conversely, their impact has been to magnify the phenomenon, as every anti-corruption framework put in place in the port has ultimately reduced to a link in the corruption chain.

The port of Casablanca, which I would rather describe to as "A Harbour Company," is made up of a number of saprophytic actors and "informal" auxiliary agents that the customs officials maintain segmented alliance links with, which tend to institutionalize and perpetuate corruption in specific ways.

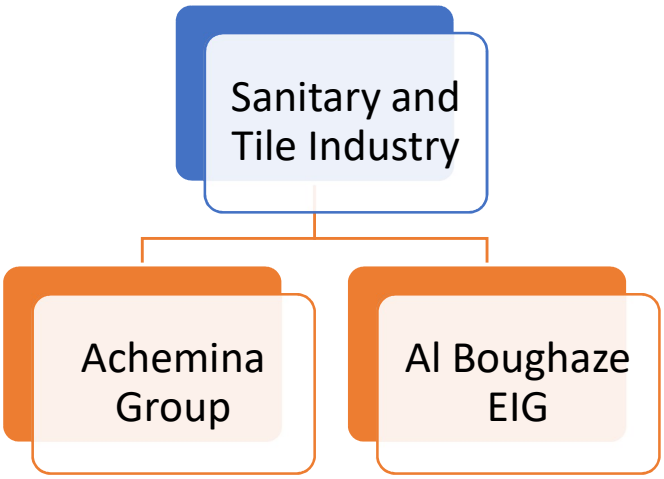
Competitive Analysis

Competitive Analysis of the 3 aforementioned study cases (2 are from the same industry and one is different however the three have a procurement & purchasing import and export departments)

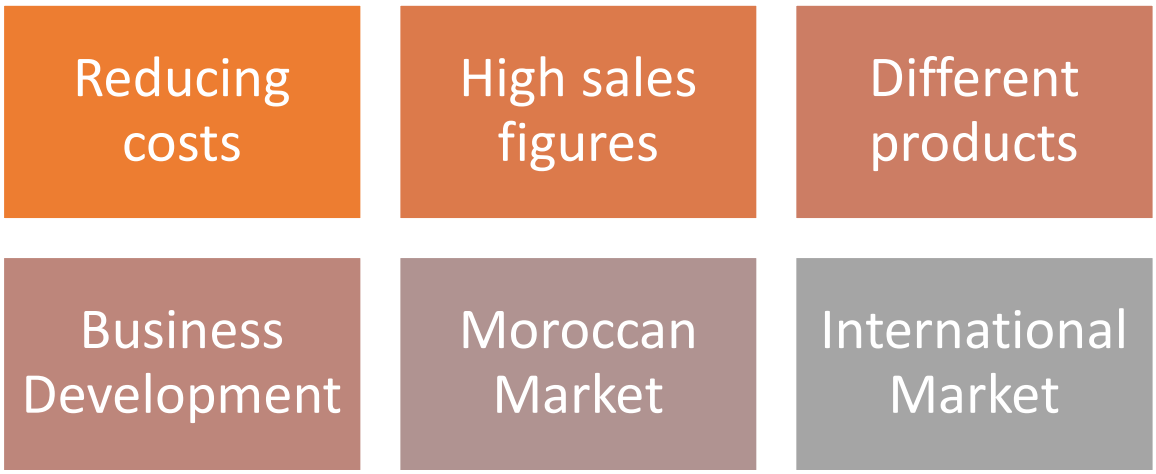
The new Entrepreneur needs to study an efficient analysis and deep benchmarking of its industry.

DIRECT vs INDIRECT Analysis

- DIRECT – similar products and services:



- INDIRECT – solving same problem for same target market with a different product or service



Competitive Factors

What makes a customer in Morocco or elsewhere choose one solution over another?

- Price – cheaper
- Service – faster, personalized, convenient Quality - lasts longer, stylish, tastes better

At most, we can only compete on 2 out of the 3.

Unfair Advantage

• Deep topic expertise;

• One incredibly hard thing (the Google algorithm);

• Authority (an established name in the market);

• Dream Team (skilled workforce and prior startup success);

• Disruptive, unique solution or product

• Capacity to grow and function much more effectively

The key to cost reduction that entrepreneurs need to understand is:

What is Cost Reduction?

The practice of identifying and cutting costs related to operating a firm is known as cost reduction. Lowering overall operating expenses without sacrificing quality or adversely affecting other parts of the organization is the aim of cost reduction. (very significant)

A company's long-term survival and profitability depend on its ability to reduce costs. The entrepreneur can boost his earnings and reinvest the money he makes from cutting expenses into other business ventures or using it to cut prices and boost competitiveness.

• Distinguishing Between Good and Bad Expenses

When making business decisions, one must take into account both good and unfavorable costs.

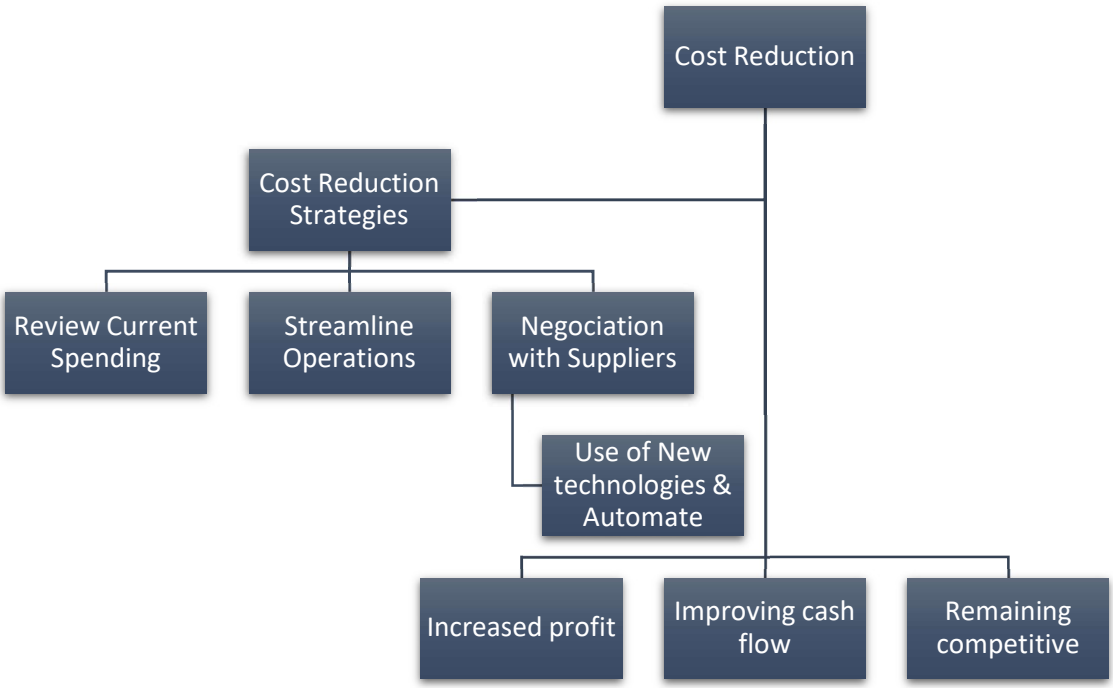
Good costs are those that would enable the business owner to make money or reduce expenses. For example: Purchasing new machinery could be a worthwhile expenditure if it boosts output. Hiring more employees could also be a wise investment if it enhances customer service.

On the other hand, bad costs are those that don't improve the bottom line. They can even wind up causing financial losses for the company. For instance, if the cost of maintaining older equipment is more than the cost of buying new equipment, then maintaining such equipment may also be a negative investment.

It is crucial to thoroughly weigh all expenses before making any choices. Always give good costs precedence over poor costs.

- The Advantages of Cutting Costs

There are numerous possible advantages to cost reduction, such as increased competitiveness, cash flow, and profitability. When implemented properly, cost-cutting measures can enhance or preserve profitability while also helping to raise standards of quality and service.



- **Strategies for Cutting Costs**

Businesses employ a range of techniques to cut expenses. Frequently employed strategies encompass evaluating present expenditures, optimizing procedures, bargaining with vendors, and leveraging technology to mechanize duties. Enhancing productivity and cutting waste are further ways to cut costs.

- **Examine Current Expenses**

By identifying discretionary spending, reviewing current spending patterns can assist businesses in cutting costs. Examples include reducing the amount spent on advertising and doing away with pointless travel.

- **Make Operations More Efficient**

Reducing redundancy and streamlining corporate operations is a popular way to cut costs. The adoption of new technologies and process enhancements are frequently effective ways to achieve this. For instance, an organization with an e-commerce website could be able to leverage automation technologies to improve order fulfillment.

- **Bargaining with Vendors**

Renegotiating contracts with vendors, suppliers, and service providers is an additional strategy to save expenses associated with procurement. This can entail anything from contract renegotiation to using bulk discounts. Purchasing personnel, office supplies, and raw materials at a lower cost are a few examples. An organization might free up funds to invest in other areas of the business by negotiating better terms with suppliers.

- **Making Use of Technology and Data**

Data and technology can also be used by businesses to cut costs. For instance, data analytics can assist businesses in determining areas where they are overspending or where efficiency gains from operational adjustments might be realized. Adoption of software and cloud-based services can also assist companies in cutting infrastructure expenses.

- **Automation**

Automating as many procedures as you can is another way to cut costs. Utilizing software can increase production and efficiency.

Software can replace labor-intensive, manual operations and increase productivity and efficiency. One way to cut down on the amount of time spent making quotes is to automate the process of pricing quotes and product setup using software called Configure Price Quote.

When trying to save costs, an entrepreneur must keep in mind that quality and service shouldn't be sacrificed in the process. Cutting expenses should be done in a way that keeps the company able to meet its commitments and satisfy customers. In light of this, attempts to reduce costs should concentrate on locating and cutting out expenditure that is not necessary for the organization to run its activities.

PS: For aspiring business owners: How are cost reductions calculated?

Cost reduction can be calculated in a number of ways. One typical technique Comparing the price of products or services before and after a modification has been made is one popular technique. The overall cost, the unit cost, or the marginal cost can all be examined to achieve this.[10]

Comparing an item's or service's price to that of a comparable good or service is an additional strategy. This can be achieved by examining the cost structure or the price elasticity of demand.

Competitive Analysis: Direct (same industry)

	products	Product quality	Segments covered	Sales after services	trust	Customers feedbacks	Sales points	stability	Vision/Mission
Competitor1 Achemina	Tiles 80% Sanitary wares 20%	High	50% in Morocco Especially in Tiles	High quality	100%	Positive	4	Yes	Very Clear
Competitor2 EIG	Tiles 50% Sanitary wares 50% (local production)	High	30% in Morocco especially in Sanitary wares	Low Quality	60%	Negative	7	No	Not Clear
Self-Entrepreneurship Rate yourself									

[10] https://en.wikipedia.org/wiki/Marginal_cost

Other Features of comparison of the competitive analysis can be used

	Competitor1 Achemina	Competitor2 EIG Boughaze	Yourself New Entrepreneur
Price	Similar to the Market	Higher than the Market	
Quality	High	Medium high	
Image	High	Low especially with high potential Customers	
warranties	Existing	None	
Location	Casablanca- Rabat- Fes- Kenitra	Casablanca (2), Marrakech, Tangier, Tetouan, Saudi Arabia,	
Sales Distribution	Reaching All Morocco	Not reaching all zones of the market in Morocco	
Security and Safety	Existing especially at the warehouses	None	
Warehouses	4	1	
Size weight	SME	A company and 2 factories	
Sales Revenue	100% High	50 % of its competitor	

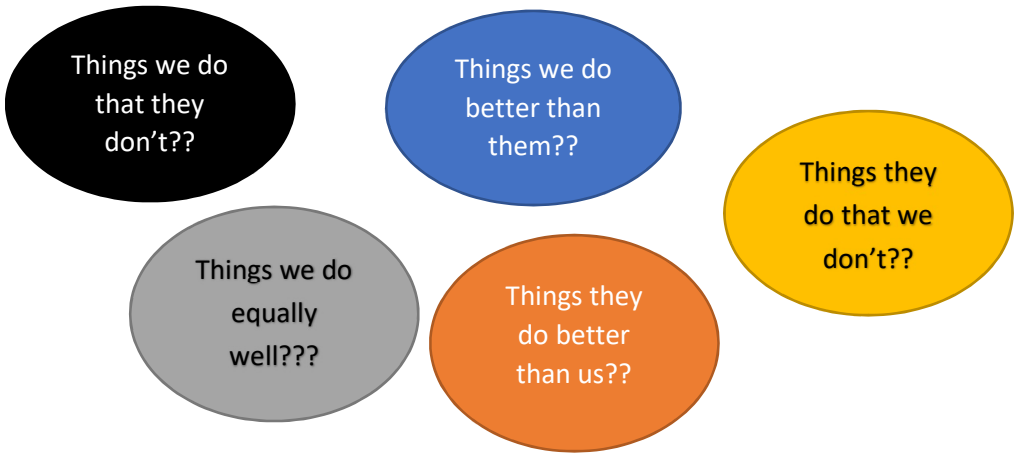
Where can an Entrepreneur find info:

- Customer Discovery interviews
- Competitors' Advertising
- Competitors' Sales Brochure
- Newspapers/Magazines
- Competitors' or comparison Websites
- Online sites that rate products/services
- Your business and professional network

Other

- Research competitors that no longer are in business
- Research matrix will be messy; matrix for investment pitches are summaries of strongest competitors with most important features

The Entrepreneurs need to be able to answer very simple questions such as the following:



Competitive analysis template

	Of some importance to buyers	Of moderate importance to buyers	Of high importance to buyers
Things we do that they don't	Why are you doing these?	This category gives you the ammunition to win your run-of-the-mill customers	Anything that goes in here probably commands a premium and is your secret weapon to ultimately dominate. The stuff in here is the reason your company ultimately gets acquired.
Things we do better than them		This category is hard to articulate in your product marketing.	Your competitors have probably identified a lot of features that customers value highly, but maybe you have some secret sauce that makes it better.
Things we do equally well		Features that go in here are like "table stakes" to play in the market you're after	Features that go in here are like "table stakes" to play in the market you're after
Things they do better than us	This is stuff you got carried away doing, and yet came up shorter than your competition, but that doesn't matter anyways	A lot of times, stuff will naturally move from here upwards as you refine your product.	This category should be the focus of your product roadmap efforts.
Things they do that we don't	This is normally legacy stuff that your competitors wasted time on doing	There are many reasons for stuff to be here. Some are good for you (because the market is changing and your competitors didn't realize), some is bad for you (you thought it was unimportant so you didn't build it)	You are clearly at a disadvantage when your buyers value something here, so steer away from product proposition and center on service or relationship.

Ratio analysis helps also investors and entrepreneurs to compare companies' financial performance

Ratio analysis is a very useful technique that entrepreneurs can use to compare the financial performance of various organizations. We have a national website in Morocco where anyone can pay online and obtain a financial statement and balance sheet of any company in the country (I personally have an account and use it frequently to monitor our position in the local market and research the sales revenue of our competitors).

Ratio analysis can shed light on the relative financial health and prospects of several companies. Data on profitability, liquidity, earnings, extended viability, and other topics can be obtained from it. When choosing which companies to invest in, the outcomes of these comparisons may help make decisions more powerfully.

It's critical that entrepreneurs comprehend that they cannot obtain a trustworthy assessment of a company's present performance or likelihood of future financial success from a single ratio from a single business. To make investing decisions, examine financial data from several companies that interest you using a range of ratios.

Financial ratios can be divided into five categories:

• Ratios of profitability, such as return on equity and net profit margin

• Ratios of liquidity (such as working capital)

• Leverage or debt ratios, such as the debt-to-asset and debt-to-equity ratios

• Ratios used in operations (such as inventory turnover)

• Market ratios (such EPS, or earnings per share)

The net profit margin and return on asset ratios are two important metrics used by entrepreneurs.

• Margin of Net Profit

Investors use net profit margin, often known as the bottom line or just profit margin, as a ratio to assess how profitable different businesses are in the same industry. It calculates the amount of net profit from sales (gross profit less expenses). It is computed by dividing net income by revenues for a business.

• The ratio of return on assets

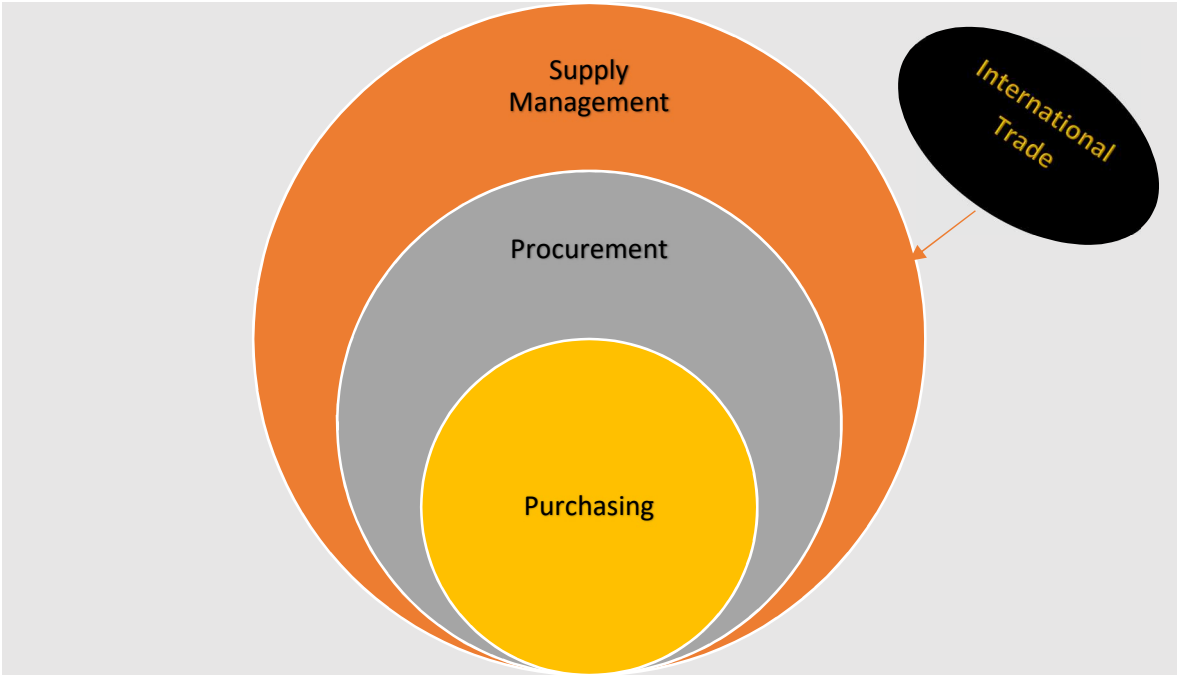
can assist you in assessing how well a business uses its resources to turn a profit. Each dirham of assets generates more profit the higher the ratio. It is computed by dividing total assets by net income.

Compare businesses that are not only in the same industry but also have comparable product kinds, operating years, and locations. These elements may influence the bottom line.

Creating a Procurement Center of Excellence for Analytics inside a company and learning to adopt an Entrepreneurial approach to purchasing (especially international trade).

An entrepreneur should start by choosing companies in their industry. Restrict this to companies that employ similar products, inventory management systems, locations, and operating hours. Compare the same financial ratios for each after that. Instead of concentrating on a solitary year-end picture, consider adopting a comprehensive perspective on the performance over the course of time.

As was said in the opening of the thesis, purchasing activities are a component of the procurement process. And a component of supply management is the procurement process. Therefore, supply management is a skill that entrepreneurs must master.



Whether an entrepreneur manages a tiny online store or a manufacturing company, they must constantly enhance customer satisfaction and save waste in order to remain competitive. Although supply chain management is commonly thought of as a fancy term for logistics, it really encompasses much more than just ensuring that goods are delivered from point A to point B. The entrepreneur must take supply chain management more seriously going forward if they are committed to growing their company and increasing productivity.

Ensuring quality is crucial for both production and distribution. As an entrepreneur, you can enhance the quality over time if you can monitor it at various points. By including checkpoints in your supply chain, you can find and fix flaws in your supply chain by implementing checkpoints. This implies that your clients will consistently receive the highest caliber goods or services, and you won't need to shell out cash for outside audits to figure out where your profits vanish.

• Contentment of the Client

You can keep track of all materials and give your clients the most recent information if you keep track of when an item is received or when a new procedure is initiated. Customers will receive a product that has undergone many checks and follow-ups, reducing the number of quality-related complaints. Your supply chain design must take consumer happiness into consideration. Everything will work to your advantage, from cutting waste to preserving a consistent quality.

Everything will enhance the final product and the experience for your clients.

• Lower Operational Costs

You may increase your profitability by upholding quality standards and cutting down on waste in terms of materials, resources, and time. You may provide your clients with greater value for less money by keeping track of and managing your spending. Your supply chain can save costs on replacements, returns, and labor-intensive independent checks if quality checks are implemented.

• Better Approach

Developing a superior long-term strategy will be made easier with the aid of a supply chain management. You can concentrate on the important things and avoid micromanaging the many phases of the supply of goods or services. You can determine earnings more accurately if you can forecast supply schedules and production costs.

You can more accurately estimate earnings and make ongoing adjustments to boost your revenue if you can forecast delivery dates and production costs. You may stay competitive no matter what industry you're in or where you live (Morocco or abroad) by developing a plan that is centered on developing corporate assets.

Whether you provide services to other businesses or operate a wholesale operation, maintaining and enhancing your supply chain will help you become more profitable. You can enhance your talent and resource management while raising your client satisfaction and retention rates. Learning supply chain management will assist your business and you as a professional in a number of ways. You can create procedures to improve the efficiency and smooth operation of processes.

Based on my ten years of experience in the field, where I have witnessed the most perplexing situations that I have dealt with, my thesis aims to assist the Entrepreneur in understanding the fundamentals of procurement, purchasing both locally and internationally (international trade), and to provide him or her with the ideal model to implement by outlining the ideal course of strategy and tactics within the supply management. Ultimately, we would have an Entrepreneur with a handbook of structured purchasing and the International Trade Process.

The suggested Business Model of an accurate procurement center

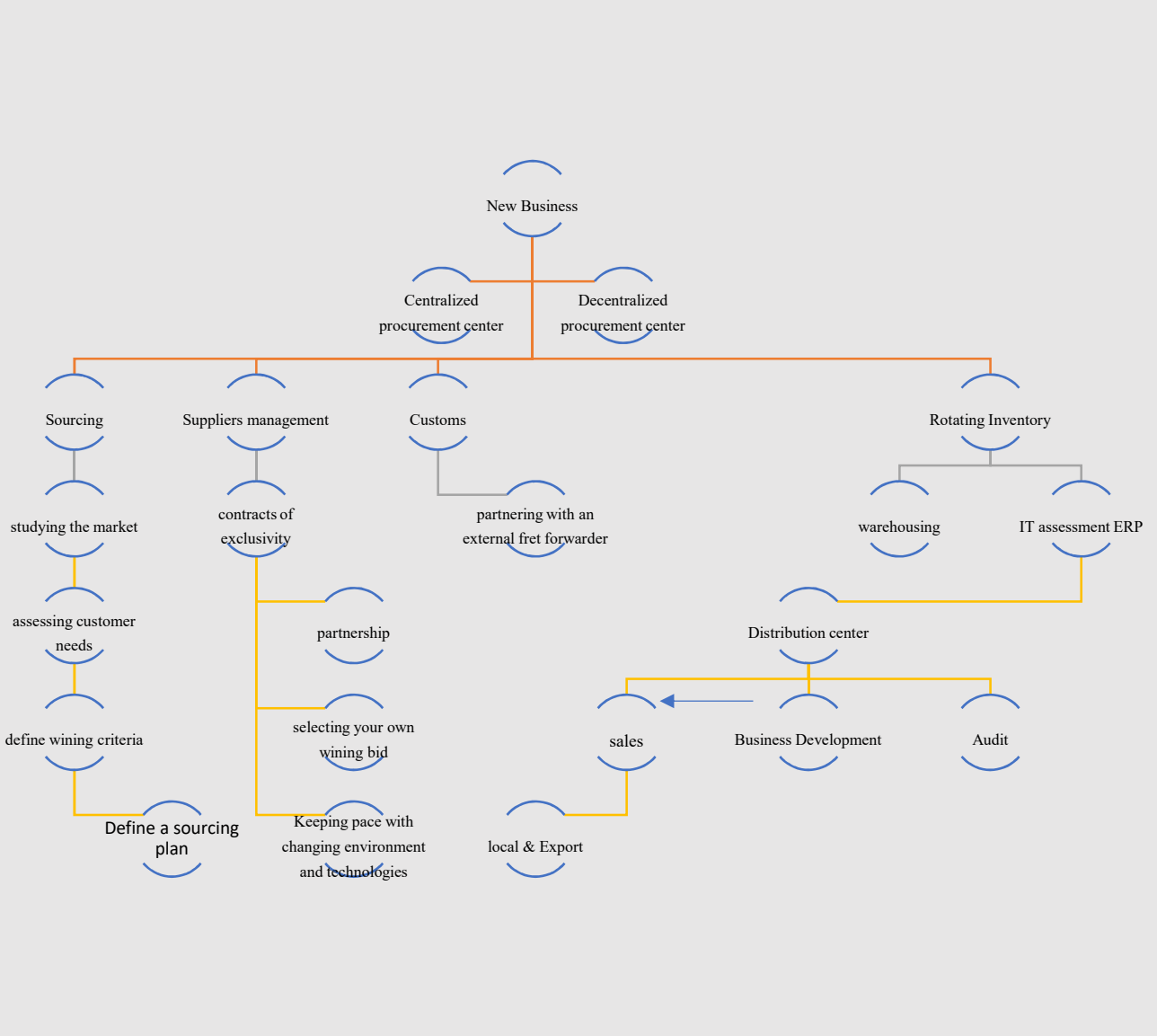


Figure 15: procurement business model suggested

Handbook of the aforementioned Process breakdown

Summarized to 10 essential stages

1. Type of procurement
    - If you choose to have Centralized: better not be an EIG (more governmental organizations), if one company has tax issues or black listed within the customs or international insurances, the whole group won't have access to any international trade.
    - Decentralized would be better option for you, because you will have 4 or 5 purchasing units (companies) and each company will have a maximum insurance coverage (when you start the International Trade import and Export, the worldwide insurances will offer you a limit coverage for each company and you can regroup the purchase even from one supplier to get a higher tripled or quadrupled limited amount)

2. Sourcing:
    - Studying the Local Market to check what your competitors are buying (benchmarking) and how much is the price so you take into account the margin profit and assessing the market efficiently by using many tools even a competitive one
    - Studying the international Market for the same industry
    - New technologies to include such us a prepaid Tchat Gpt
    - The easiest way to find a foreign supplier from certain countries is through online platforms (not a random website)
    - Another way to help is through the economic missions offered by the commercial divisions of embassies located within your country
    - You can also find a trust worthy agent

3. Suppliers Management:
    - Always seal a contract of exclusivity (you the only one within your region who can have a specified product)

For instance, even if a local competitor decides to purchase from China, a similar product of yours but low cost one and penetrated into your local market, you could literally seize their containers at the customs and burn it.

- The contract will have you to buy greater quantities in order to set some law and duties
- A contract must have an End of Year Bonus
- You must have your own brand with intellectual property rights
- Always start with an incoterm of Exworks , which means Shipping using the designation of Ex Works (EXW) indicates the seller has a responsibility to make sure the buyer can access and pick up the cargo at their place of business. Transportation costs and associated risks are no longer a burden for the seller under the EXW option, and this favors the shipper.

  Better you choose the Forwarder and have a partnership with your forwarder (trust, less costs, etc...)
- Always calculating the estimated price cost before signing the proforma invoice (and calculate a pricing offer and margin profit that should be appropriate to the Market, not higher than the market, not lower than the price of the Market, always in tandem with the Market Price)

				TC				
Expenses	Amount	Total m2	Cost/m³/DH	Cost/TC/DH				invoice amount
Fret & change								
Customs taxes								Tc
Transit								
MCA								
weighing								
local transportation			#DIV/0!	#DIV/0!		Elements	Quantity m³	
additional expenses						sales price average	0,00	
warehousing						average cost	0,00	
demurrage						Analysis Result	0,00	
Laboratories								
Total Expenses								
								F
Cost/TC/DH				Rate DUM	10,48			
Reference from invoice	DIMension	Qty	price / EUR	price/DHS	STOCK valuation	Customs per ARTICLE	extra expenses per ARTICLE	price cost TTC
					-	#DIV/0!	#DIV/0!	#DIV/0!
					-	#DIV/0!	#DIV/0!	#DIV/0!
					-	#DIV/0!	#DIV/0!	#DIV/0!
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TOTAL		-			-	#DIV/0!	#DIV/0!	
							average turn over	#DIV/0!

- Keeping pace with the changing environment: Great example is COVID crisis, everything changed in the process of procurement.
- Never choose a “Letter of Credit” as a payment method
- Always choose a payment” by transfer”
- Always choose a payment deadline starting from 100 days to 120 days due.

4. Customs
   - Having a partnership with a freight forwarder and transit office is the best thing you could do after studying the prices and comparing them to the Market
   - An External Freight forwarder is better than an Internal one (you could have a custom key)
   - An Internal one is a call for waste of time and corruption

5. Rotating inventory
- Rotating inventory keep the business updated and ready for the new entering goods

6. Including an IT System
- If your desire is to have a perfect follow-up of your inputs and outputs, you need to implement an ERP at least the sage 1000.

7. Distribution center
- If you choose a centralized procurement process, you need to have one company that sells and distribute

8. Business Development
- Is the think tank lab that you would have within your organization in order reduce cost

- Instead of purchasing a finished product, you can buy raw material or half finished and transform it by yourself (you could get government funding for switching from a 100% importer to a manufacturer and exporter)

9. Sales

- Sales could be local and could be export
- Sales personnel need to gather information about competitors,
- The information is escalated to you and studied by the whole team (type of product, price, packaging, etc...)
- The sales team need to be involved in the procurement process

10. Audit

- An audit is crucial as it provides credibility to a set of financial statements and gives the Entrepreneur confidence that the accounts are true and fair. It can also help to improve a company's internal controls and systems.
- Have an audit cabinet to accompany you.

International trade practices handbook for a potential Entrepreneur (Buyer and Exporter seller)

Risk is present in all economic activities, but it frequently takes on new dimensions in the context of international trade. Unlike within a single nation, common laws are rarely applicable while transacting internationally. Rather, the parties' endeavors are supported by established trade practices and norms.

Understanding these accepted standards and confirming that the promises in each specific contract adhere to them is essential for successful commercial operations. For this reason, before beginning the deal, the seller must have made an accurate risk assessment.

However, there are times when a case's conditions are so clear-cut that it hardly qualifies as a risk assessment, while in other circumstances a comprehensive risk assessment is required.

It is a given that every new transaction will involve some degree of disagreement between the parties over a number of issues, not the least of which is the terms of payment. This makes sense because minimizing the risks involved as well as the cost of payment and transaction finance is the primary purpose of these terms for both the seller and the buyer.

Different forms of trade risk

There are always potential drawbacks in trying to categorize such a general concept as trade risks which could have so many different forms and shapes, but it also has great illustrational advantages, particularly when they also coincide with commonly used business expressions.

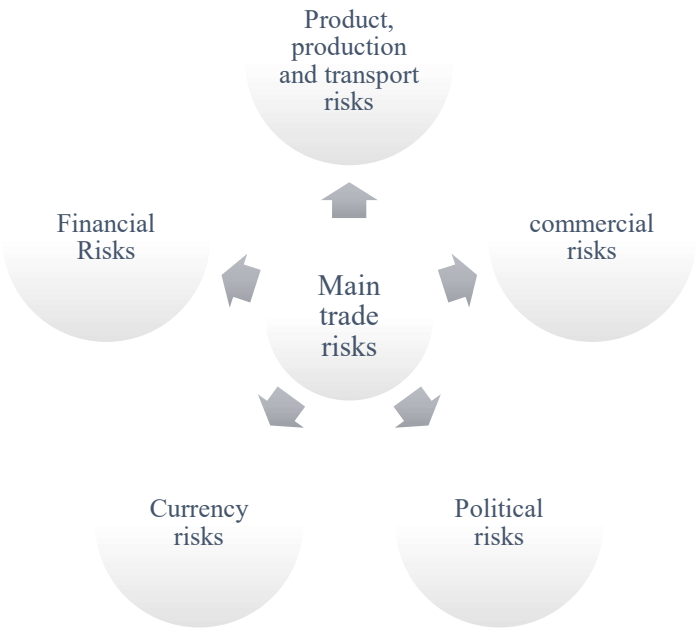


Figure 16: Different forms of risk in international Trade

It goes without saying that all of these risks are not often present in a single transaction. A sale to a Norwegian customer, for instance, would just include a straightforward commercial risk for the buyer, but delivering a specialized equipment to Indonesia requires a different kind of risk assessment.

In broad strokes, the responsibilities assumed by the seller are closely related to the risk structure. In certain circumstances, such as when the transaction also entails assembly, installation, testing, or maintenance responsibilities, the assessment must take into account a number of additional factors. However, in most cases, it may be made relatively simple as a commercial risk alone.

Even if the assessment of risk is largely subjective, it is nevertheless critical for both parties to have solid knowledge of these topics in order to conduct an accurate and insightful risk assessment. The issue of how to mitigate these risks through the contract's conditions of payment, any additional restrictions, and, if necessary, additional credit risk insurance or guarantees, only comes up after that.

However, it should be noted that most export credit insurance that the seller purchased as extra security may be compromised or rendered null and void if the seller was unable to satisfy the terms of the contract. This is an additional explanation. This is one more reason why it is crucial that the seller's responsibilities are always closely tied to the buyer's under the terms of the contract. If not, the seller can find themselves in a riskier situation than they had anticipated when they signed the contract.

The ultimate determination of whether the contract is secure enough to be entered into must be made once all required assessments have been completed. The worst case scenario is discovering after the contract is signed that there are hazards involved that the seller was not aware

Terms of delivery and terms of payment that the Entrepreneur should know

The International Chamber of Commerce (ICC) publishes Incoterms (International Commercial Terms), which serve as standard guidelines for interpreting the most widely used commercial terms in international trade. Since these guidelines are now widely accepted globally, it is best to stay away from any additional vague trading terminology that could likewise have diverse connotations for businesses in other nations.

The primary goal of the regulations is to outline the obligations of both the seller and the buyer, as well as how each Incoterm, as specified in the sales contract, should be handled in terms of delivery, risks, and expenses. Who should, for instance, plan and cover the cost of freight, other transportation expenses, insurance, duties, and taxes? These characteristics are frequently called the crucial points in international of at the time of signing. Often, it is too late to implement equitable adjustments at that point. In international trade, these features—which specify when risk is transferred from the seller to the buyer and how the associated expenses should be divided between the parties—are frequently referred to as the important points.

There are 11 terms on the list of known Incoterms, divided into two categories:

- The ones that apply to every kind of transportation:

EXW: EX WORKS (specified delivery location)

FCA: FREE CARRIER (delivery location specified)

CPT: CARRIAGE PAID TO (specified destination place)

CIP: PAYING FOR INSURANCE AND CARRIAGE TO (... specified destination)

Delivered at the designated terminal at the port or destination.

DAP stands for DELIVERED AT PLACE (specified destination).

DDP: DELIVERED DUTY PAID at the specified location

- The ones that are exclusive to inland and marine canal transportation:

FAS: FREE ALONGSIDE SHIP (shipping port name).

FOB: FREE ON BOARD (shipping point name)

CFR: PRICES AND FREIGHT (specified destination port)

CIF stands for COST, INSURANCE, AND FREIGHT (specified destination port).

From the seller's point of view, the following factors should be taken into consideration when determining the appropriate terms of delivery:

● the buyer and the nature of the goods;

● standard practice, if any, in the buyer's country or any regulations set by the authorities of that country to benefit their own transport or insurance industry;

● procedures, where the seller should avoid terms of delivery that are dependent on obtaining import licenses or clearance of goods to countries they cannot properly judge;

● the competitive environment, in which the seller must assess the terms in light of the risks involved after the buyer frequently recommends their ideal conditions of delivery

Product risks

Risks associated with products are those that the seller must inevitably assume as a necessary component of their agreement. First, there is the product itself, or the delivery that was agreed upon; this could include agreed-upon maintenance or service duties or performance warranties with specific terms.

There are numerous instances where the performance of the provided goods has decreased due to novel and unforeseen working conditions in the buyer's nation. It could be carelessness with regard to operating guidelines or limitations, reckless handling or inadequate upkeep, as well as environmental or climate-related harm.

These kinds of issues could very well result in disagreements between the parties after the contract is signed and raise the overall cost of the delivery. It is imperative that the seller drafts the contract, and particularly the conditions of payment, so that any modifications that result from the buyer's activities or otherwise originate inside their nation, will inherently entail payment or commensurate adjustments to the seller's obligations. This might be expressed in terms of money, previously set deadlines, or both.

Naturally, these risks increase in complexity when dealing with larger and more complex contracts or entire projects. These are sometimes finished over longer timeframes and involve a far greater variety of interconnected commitments between the business parties, frequently involving not just the buyer and seller but also other parties in the but also frequently involving political and commercial interests in the buyer's nation.

Manufacturing risks

Certain aspects of the actual manufacturing process may also be included in the concept of product risk. This risk manifests itself far too often when the product is customized or has special requirements. If the sale cannot be completed in these circumstances, there is frequently no other easily available buyer; in that case, the seller must bear the expense of any necessary adjustments, assuming that is even an option.

Due to the unique nature of these products, risks of this kind might arise as early as the product planning stage yet are frequently challenging to address at that point. However, there are additional hazards involved for the buyer, However, they also come with unique dangers for

the customer, who frequently has to commit to payments up front but does not have product security until the device is delivered and installed.

The terms of payment are frequently broken down into instalment payments for the production and delivery stages, along with distinct guarantees, to protect the interests of both parties and cover the risks as they arise throughout the transaction.

Cargo insurance and transport risks

The majority of Moroccan businesses who import goods from overseas do not purchase cargo insurance.

From an overall risk standpoint, consideration should be given to both the product and the actual physical transfer of the products from the seller to the buyer, taking into account factors like the product's characteristics, the size of the delivery, the customer and their nation, and the actual route of transportation.

With the exception of minor and inexpensive deliveries, the majority of commodities involved in international trade are protected by cargo insurance, which offers protection against physical loss or damage while in transit via land, sea, or air, or by a combination of these means of transportation.

The agreed terms of delivery, which are established by the pertinent Incoterms as previously mentioned, dictate who is responsible for setting up the insurance. The crucial moment in transportation, when the buyer assumes the risk instead of the seller, is likewise described by these terms. Any point between a designated location at the seller's location (Ex Works) and a defined location at the buyer's location (Delivered Duty Paid, DDP) can be that point. It is also determined by that particular important moment whether the buyer or the seller is responsible for making insurance arrangements.

The possible risk that the buyer will arrange insurance in accordance with some of the delivery requirements is another component of risk coverage that the seller needs to be especially mindful of. Should a term of delivery such as FOB (... specified port of shipping) be selected, and the buyer neglects to insure in a suitable and agreed manner, the products can reach the destination damaged and with insufficient insurance coverage.

In the event that the terms of payment permit payment subsequent to delivery, the seller bears the risk of receiving defective, uninsured, and unpaid-for items at the destination. A seller's

agreement to conditions of payment that did not cover the actual commercial risk is clearly the cause of this issue, but separate seller's interest contingency insurance could have, in most situations, removed the insurance risk.

There are essentially three options available to the seller for insuring the cargo: either through an open insurance policy that covers the majority of shipments made within the seller's basic trade as prearranged with the insurer, or through a specific insurance policy that covers individual shipments as needed or shipments that don't fit the open policy's defined parameters.

The open policy, which is often evaluated annually and has a 30- to 60-day termination option in the event that circumstances significantly worsen, is by far the most popular in international trade. The least expensive option is the open cover, which also has clear administrative benefits and will guarantee that each and every cargo is truly covered by the policy.

Seller's interest contingency insurance is the third fundamental type of cargo insurance. It is typically only provided as an add-on to an open policy or as a core component of a particular policy, and it is normally provided on an undisclosed basis from the buyer's perspective. This insurance covers the possibility that the buyer will be unable or unwilling to pay for business or political reasons, such as failing to produce a valid import licence, or that the goods will arrive at their destination in a damaged state and they will refuse to accept them (even if the risk was on their part according to the terms of delivery).

In these circumstances, the insurance covers the actual loss or damage to the products; however, it does not insure against the buyer's credit risk (commercial or political), which must be covered by the terms of payment in addition to any other agreements.

In addition to these three fundamental methods of cargo goods insurance, an insurance company or insurance broker may occasionally issue a Cover Note as proof of insurance in lieu of or in advance of specific insurance policies or certificates.

The seller needs to be aware that cargo insurance is a specialty business, and that the terms and conditions of coverage might change depending on the type of products being delivered, the route taken, and the form of transportation, , which is a primary factor in the popularity of open policy cover in global trade. The policy, however, normally excludes loss or damage due to willful misconduct or insufficient, inappropriate, or inadequate packing or container stowage by the assured party. Standard risk management procedures, however, will always be

applicable: new and adverse conditions and/or additional risks must be reported or approved by the insurer.

One can purchase cargo insurance directly from an insurance provider or, more frequently these days, straight from the forwarding agent or transporting business that is handling the goods. Using independent cargo insurance brokers is also rather widespread in some nations. These brokers may be better equipped to choose the most affordable insurance plan depending on particular circumstances or the trade arrangement in each unique instance.

Purchaser risks, or commercial risks

Often referred to as purchaser risk, commercial risk is the possibility that the buyer would file for bankruptcy or experience some other circumstance that prevents them from carrying out their end of the bargain. While the buyer's financial responsibilities may come to mind initially, it also covers all other obligations of the buyer as stipulated in the contract that are required in order for the seller to fulfill their obligations.Therefore, how does the seller assess the buyer's capacity to fulfill their obligations?

A good picture of potential buyers can be obtained quite easily in the majority of developed nations by looking at their published accounts or by requesting an independent company credit report, which is a more dependable method of handling hazards related to customers. Additionally, this will frequently provide far more detailed information on the buyer and their company than just a few chosen economic statistics from which the seller is frequently unable to make any firm judgments.

Credit data

While export trade may play a significant role in a company's future expansion, doing business internationally has a number of hazards. In a little over ten years, there have been significant changes in the business sector. Due to their enormous collection of data about customers and their behavior, businesses and their performance, and various markets and their ongoing changes, the global providers of credit information have emerged as a crucial source of knowledge and expertise in today's business environment. The seller is better equipped to address each customer's unique demands and situations the more they comprehend their clients.

The vendor may find that credit information by itself helps attract new clients and establish, maintain, and grow enduring connections with existing ones. As a result, it's essential for

determining how an export transaction will be structured and, specifically, what conditions of payment will be used. In certain situations, the data may be delivered quickly, affordably, and uniformly online; in other situations, a more thorough profile is needed.

The company's registered information may influence the business information, and evaluating its contents can occasionally be challenging. Its actual level of modernity will also frequently be questioned, especially when interacting with clients from less developed industrialized nations.

Advice on credit management for successful exports

1. Be wary of believing anything you read on a company's website or phone directory entry because dishonest businesspeople might "buy" visibility to scam suppliers.

2. Trade or bank recommendations should not be accepted, since no business will refer a supplier to a person who will negatively reference them.

3. Don't be scared to poke around for answers, review the most recent financial statements, and look for proof that the business is making a profit.

4. If the business employs an invoice discounter or credible factor, don't give up since this is an increasingly popular way to get financing.

5. Rather than depending solely on your gut feeling about a prospective client's trustworthiness, get an unbiased risk assessment from a recognized credit reference organization with global reach.

6. Don't be scared to request upfront payment, in full or in part. A credit limit is not a given for new clients; rather, it is an incentive for timely payments.

7. If a consumer pays their first payment on time and in full, don't jump to raise their credit limit (particularly after COVID Pandemic)

Political dangers

Political risk

Also known as nation risk, is commonly described as the possibility that a separate business transaction would not be completed in accordance with the terms of the contract because of actions taken by the buyer's own government or any other foreign government.

The buyer's duties to the seller under the terms of the contract are contingent on the state of affairs in their home country or along the route of transportation to that country, regardless of how trustworthy they may be in carrying out their half of the bargain and making payments in local currency.

In reality, though, it could be challenging to distinguish between political and commercial risk since local government actions, such as political decisions, also have an impact on the local company's capacity to uphold the contract. For instance, some nations may alter their import levies, currency rules, or tax laws—often immediately—which could jeopardize the terms of agreements that have already been made.

Common policies aimed at promoting local industry and conserving foreign currency include import limits and other laws.

These activities all have the same detrimental effects on the transaction and the buyer's ability to fulfill their end of the bargain, even merely in terms of the risks involved.

From a wider angle, political risk can be categorized into several underlying causes, including:

- political,
- social,
- and economic stability.

Risks to finances

In reality, there is some degree of financial risk involved in every foreign commerce transaction. The seller must assess how different terms of payment might affect liquidity during the transaction's various phases until payment, as well as how this should be financed, because purchasing, production, and transportation all add financial burdens to the transaction. Additionally, there is an additional financial risk if the sale is not settled as planned.

who do not share the transaction's risks and are paid in accordance with separate agreements, the risk is increased, and it is increased further in the event that the seller is required to grant a supplier credit for a shorter or longer duration. This financial risk factor becomes much more evident in larger and more sophisticated deals. Obtaining bankable collateral for the growing demand for financing and guarantees may be one of the seller's biggest challenges.

In the event of unanticipated circumstances and delays until final payment, the seller may remain financially vulnerable even after manufacturing and delivery.

There are less opportunities for the seller to point to a specific violation of contract on the part of the buyer when the buyer and seller interact in a way that makes it challenging to pinpoint the precise reason for the payment delay. However, if the seller paid sufficient attention to the terms of payment while creating the sales contract, it is more probable that any delays will be able to be explained in accordance with the contract's stipulations.

Such delays may occur for a variety of reasons, including late issuance of a letter of credit, late modifications to the goods' specifications, delayed vessel arrival, traffic jams in the port, and modifications to the transportation route, to mention a few.

Additionally, longer and subsequently more expensive transit routes tend to raise the true danger. The ultimate payment to the seller will not be paid as planned in accordance with the contract due to bureaucratic delays in many nations and banking system delays.

In addition to standard overdrafts during production and delivery, the duration of credit that the seller would be required to provide as a condition of the sale also influences the requirement for financing. If this is the case, the financial risk rises in proportion to the ongoing political and/or commercial risk.

In conclusion, before beginning any business, the entrepreneur should gain a better understanding of the hazards associated with foreign trading.

The several hazards that an entrepreneur must evaluate are summarized in the figure below.

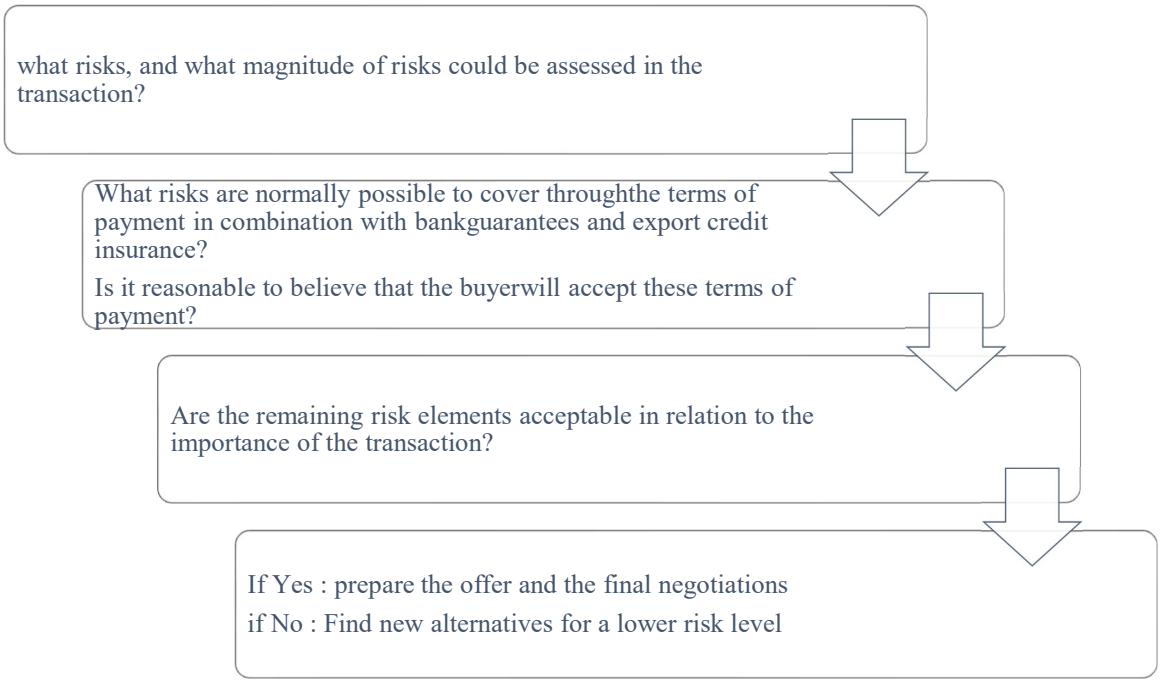


Figure 15: Risk assessment summary

Different methods of payment

The mode of payment establishes the terms of payment and the responsibilities of the buyer and seller about the exchange of money. But the payment method also impacts the banks' involvement in that settlement, either directly or indirectly.

Various classifications of payment methods exist based on their intended use. This is frequently predicated on the business element as viewed from the exporter's security point of view. Then, the following basic payment methods, whether used in Morocco or abroad, could be listed in security order:

- payment in full before delivery;
- Documentary collection;
- bank transfer (per open account trading rules);
- letter of credit (L/C);

The salient features of the responsibilities that the seller and the customer must fulfill in each scenario are displayed in Table 4. In actuality, things are frequently a little more complicated, especially when it comes to the several options available for documentary payment methods. Although there are differences in handling complexity, execution speed, and cost and charge levels, the most crucial aspect is the level of security that each offers.

Bank fees and additional expenses

The role that the banks will play in the payment execution process largely determines the expenses of the various options. Additional fees that may be related to the payment inadvertently.

The role of commercial parties			The role of banks		
Method of payment	**Seller's obligations**	**Buyer's obligations**	**Money transfer**	**Document handling**	**Payment guarantee**
Bank transfer[1]	Sending an invoice to the buyer after delivery	Arranging for payment according to the invoice	X		
Payment by cheque[1]	Same as above	Arranging for a cheque to be sent to the seller	X		
Documentary collection	After delivery, having the agreed documents sent to the buyer's bank	Pay/accept at the bank against the documents presented	X	X	
Letter of credit	After delivery, presenting conforming documents to the bank	To have the letter of credit issued according to contract	X	X	X

[1] Bank transfers and bank cheques are often referred to as 'clean payments', in comparison with documentary payments (collections and letters of credit).

Table 4: Summary of different payment method

Often, agreeing to pay the bank fees in each country is the wisest course of action for both parties; nevertheless, any agreement should be specified in the sales contract. As each participant would have a direct incentive in negotiating these prices with their local bank, such an agreement would likely lower the transaction's overall expenses. Bank fees in one's own nation are simpler to compute and, although there may be just a slight difference in fees between banks there, bigger sums are frequently negotiable.

Bank fees are frequently separated into the following categories:

- Standard costs for designated services are typically billed at a flat rate;
- payment fees, which are typically assessed as a percentage of the total amount paid or as a flat fee

- handling charges, which are assessed as a percentage of the transaction's underlying value;
- risk commissions, which include the issuance of guarantees and credit letter confirmations; these are typically assessed as a percentage of the total amount at a rate determined by the estimated risk and the duration of the transaction.

It is simple to receive comprehensive fee schedules that are applicable to all major banks in each nation by contacting them directly or visiting their websites. However, it should be noted that fees, charges, and commissions are frequently negotiated for larger transactions.

Remittance from a bank to another bank

The majority of trade deals are based on what are known as "open account" payment arrangements, especially in regional international trade. This means that the buyer is expected to pay in accordance with the terms of the sales contract and the seller's subsequent invoice, and the seller delivers goods or services to the buyer without receiving payment in cash, a bill of exchange, or any other legally binding and enforceable undertaking at the time of delivery. As a result, the open account comprises a type of brief but agreed-upon credit given to the buyer, which is typically only confirmed by the invoice and the payment date indicated therein, together with copies of the pertinent shipping or delivery documents attesting to the shipment and date of shipment.

The simplest and most popular method of payment is a standard bank transfer where the terms of the agreement are based on open account terms and the seller does not obtain any further security for the buyer's payment obligations. After receiving the seller's invoice, the buyer just needs to provide their bank instructions to transfer the funds to the seller's designated bank a few days prior to the due date. This can be done through a separate collection account that the seller may have at a bank in the buyer's country, or it can be done straight to the seller's account at a bank in their country (which is the most typical option).

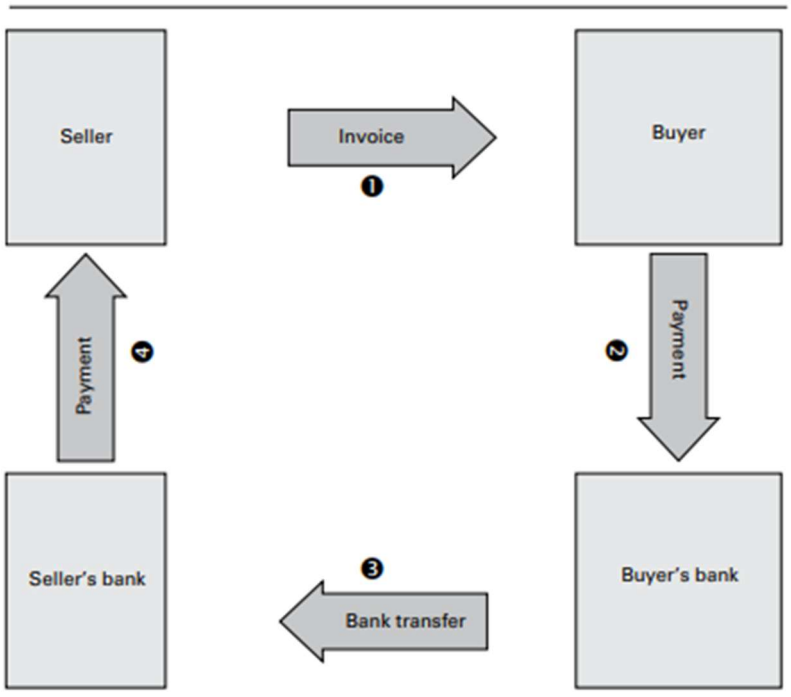


Figure 16: Bank Transfer

The SWIFT system

These days, the majority of bank transfers are handled by the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system, an internal bank network that facilitates international payments and messages. More than 10,000 financial institutions from more than 200 countries participate in this system. Members of this network collectively own it, and together they have developed an extremely efficient, safe, and inexpensive internal messaging and payment system.

The implementation of SWIFT has resulted in significantly speedier completion of financial transfers between nations and banks. Following entry into the system by the buyer's bank, the instructions are typically available for the seller the following day or, based on local standards, two banking days later at the seller's preferred bank.

Express payments made through SWIFT are handled even quicker but at a greater cost in case of urgency.

Payment postponements related to bank transactions

The commercial parties are ultimately responsible for accurate and timely payment, as the banks' primary job in relation to bank transfers is to act as a mediator. The onus of providing accurate payment instructions to the buyer's bank rests with them, however this duty typically doesn't materialize until the seller has performed all of the contractually required deliveries.

Payment delays occur frequently, not only with purchasers from other nations but also with individual buyers. Occasionally, non-acceptance of delivery or other related claims may be the cause, but in these situations, a continuing conversation between the parties should have been created in these situations, and the seller should be expected to be fully aware of the circumstances and the reason for the payment delay. Occasionally, the cause may be non-acceptance of delivery or other connected claims. But occasionally, the seller might not be aware of any such disagreements about payment with the buyer and yet not have gotten the money on time. There could be a variety of reasons for this.

- Delaying local payments may be standard procedure in some nations or businesses, and international payments are handled similarly.
- It may be desirable or necessary for the buyer to postpone all payments, including payments to international suppliers, due to bank credit constraints or other restrictions.
- Payment conditions for suppliers are frequently open account, meaning there is no bill of exchange or other such document. These payments could be less important than other debts.
- To increase liquidity, the buyer can prefer a self-liquidated agreement and to hold off on making the payment until after their customer has paid them.

Delaying the exchange of local currency for the currency to be transferred to the seller may benefit the buyer financially. Larger companies frequently have internal payment systems that allow for batch payments to be made at specific times each month.

In the worst situation, the buyer's liquidity or solvency issues, or, if relevant, the buyer's nation, may be the cause of the delay.

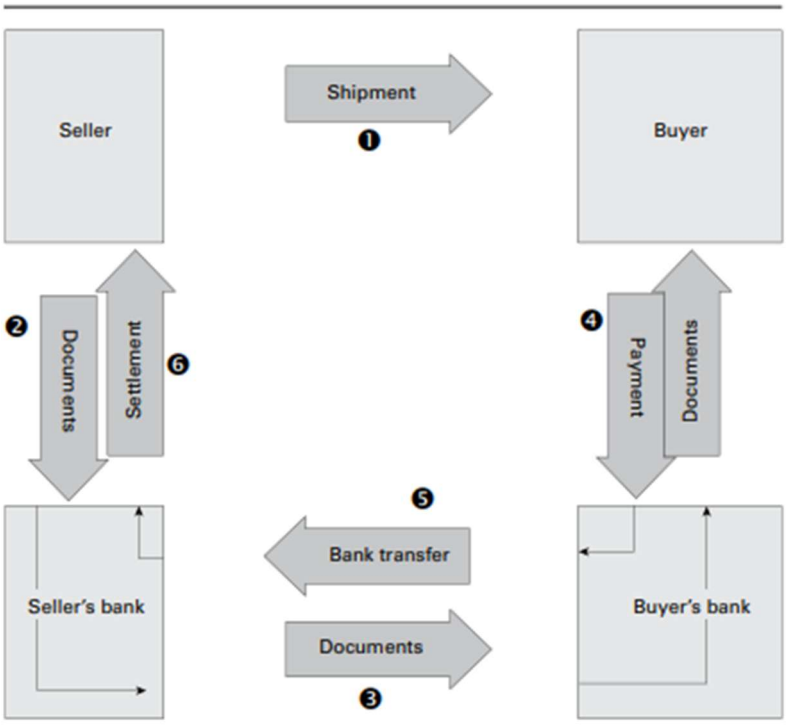
Compilation of documentaries

Documentary collection, sometimes known as bank collection, is a payment technique in which the buyer and seller's banks cooperate by sending documents to the buyer in exchange for money or fulfillment of another duty, like accepting an attached draft or bill of exchange. (Typically, a draft is utilized prior to being accepted by the drawee, at which point it becomes a legally binding debt instrument, and a bill of exchange follows.) This payment method's foundation is that before the buyer can take custody of the documents, they must either pay or accept the draft.

In the context of document collection, the banks' only duty is to show the buyer the documents; they bear no obligation to honor them. The collection is a demand made against the buyer by a collection bank at their residence, frequently their own bank, but it does not include a guarantee on behalf of the banks, which merely operate at the seller's request. When compared to trading on open account payment terms, it is generally a more secure option for the seller, although not always, as the example below illustrates.

Usually, the collections are split into two primary categories:

- Documents against payment (D/P): this is a situation when the buyer is notified by the seller's bank that the documents have arrived and they need to pay the specified sum.
- Papers against acceptance (D/A) refers to a situation in which the buyer is asked to accept a term draft, or bill of exchange, in lieu of payment, together with the papers. By turning over the documents against a bill of exchange rather than accepting cash, the seller's risk decreases and they become more reliant on the buyer's future ability to pay the bill. Additionally, the seller forfeits the benefit of maintaining ownership over the documentation pertaining to the products.



1–2. The first step in the collection procedure normally comes after shipment, when the seller is preparing the documents which, together with their instructions, are sent to their bank.
3. The bank checks the seller's instructions and that they conform with the enclosed documents. They are then sent to the collection bank chosen by the buyer, together with the seller's instructions.
4. The buyer is advised about the collection. Before payment/acceptance, they have the right to inspect the documents – that they are all included as agreed with the seller and that they appear to conform to the agreed terms. If so, the buyer is expected to pay or accept the enclosed draft and receives the documents.
5–6. Payment is transferred to the seller's bank and thereafter to the seller as per instructions. In the case of acceptance, the bill of exchange (the accepted draft)

Figure 17: Documentary collection

Documentary collection and control of goods

This payment option has the general benefit of letting the buyer see the associated documentation prior to acceptance or payment, as well as informing them when the products have been dispatched. However, the practical value for the seller of this control over the documents depends on the documents involved (usually the transport documents), as demonstrated when comparing the two scenarios below. From the seller's perspective, the documents are not placed at the buyer's disposal until they have paid for or accepted the enclosed draft (bill of exchange).

Scenario 1: The products are being shipped by air to the buyer, who will be able to pick them up when they arrive, provided the necessary air waybill is presented. Usually, the products will have reached the buyer's location far earlier than the bank receives the paperwork.

Scenario 2: The products are shipped by sea to the same buyer, who is unable to access them until the relevant shipping documentation, the bill of lading, is produced. The bill of lading is one of the documents that the bank is currently collecting.

The mode of transportation and the very different types of shipping paperwork involved are the primary distinctions between the two instances. Like a rail waybill or a forwarding agency certificate of receipt (FCR), an air waybill is just an airline company-issued receipt for goods for transportation. A multimodal transport document, which is also a receipt of goods but not a document of title to the commodities, is occasionally used to allow combined shipment by at least two different forms of transport.

A bill of lading is a separate contract with the shipping firm that includes the title to the goods in addition to being a statement that the goods have been put onto the ship. Under a bill of lading, the buyer cannot access the goods unless they have this document in their possession. This needs to be managed differently if different transport documents are used and the seller wants to keep possession of the items until the buyer honors the paperwork that are shown at the bank. The items could be forwarded, for instance, to a consignee other than the buyer, such the collecting bank (if it consents), or else to the forwarding agent's agent at the destination.

In many countries, it is illegal or problematic to attach restriction clauses regarding the transfer of the goods, forward agent receipts or freight bills to parties other than the buyer, or both. The seller should obtain prior authorization from the bank or shipping agent before proceeding in this manner.

Credit letter

A bank guarantee granted by a bank at the request of the buyer in favor of the seller (usually through an advising bank) and payment at sight or at a later time contingent on the presentation of documents meeting predetermined terms and conditions are combined to form a letter of credit (L/C).

- "Complying presentation," which clarifies that the documents submitted must comply with the terms and conditions of the L/C;
- "honour," which permits three options for payment upon the presentation of compliant documents: - at sight; - by deferred payment; or - by acceptance of a bill of exchange (drafted).

Generally, unless directed differently, the seller receives the L/C advice from a different bank (the advising bank) but without engagement from that bank.

The advising bank, which is often based in the seller's nation, has the responsibility of exercising due diligence in verifying the legitimacy of the L/C and providing the seller with advice in accordance with its directives.

For the seller, the L/C offers numerous benefits. Payment is certain, and there are the advising bank is often based in the nation of the sale, and it has the responsibility to exercise reasonable caution in verifying the legitimacy of the L/C and providing the seller with advice in line with its directives.

The seller benefits greatly from the L/C. If the seller is able to fulfill all of the terms and circumstances outlined in the L/C, payment is assured and worries about the buyer's capacity to pay or about any other limitations or challenges that may exist or occur in the buyer's nation are reduced.

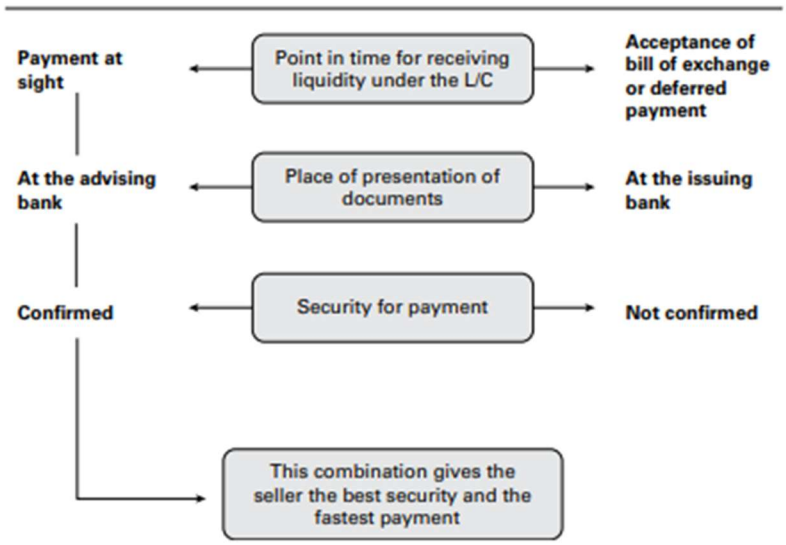
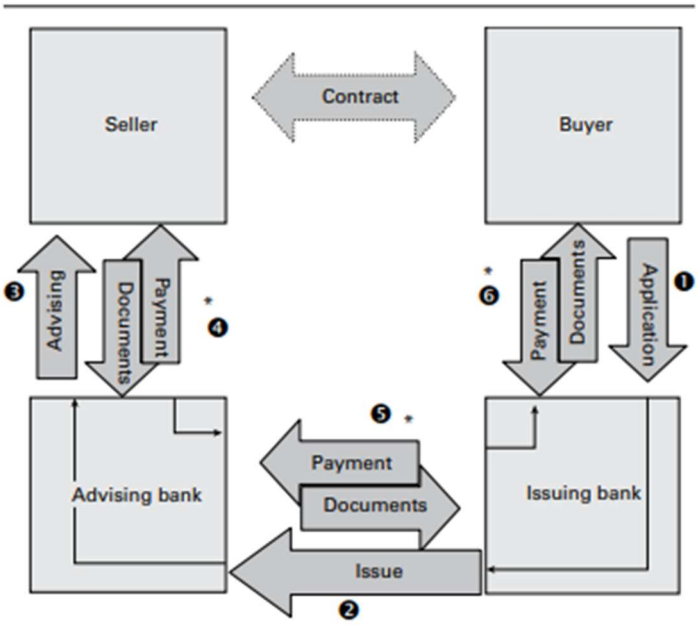


Figure 18: Key aspects of Letter of Credit



* Payment could also alternatively be acceptance or deferred payment, depending on the stipulations in the L/C.

1. After signing the contract, it is up to the buyer to take the first step by applying to their bank (the bank referred to as the issuing bank in the terms of payment) to issue the agreed L/C.
2. The issuing bank must process a formal credit approval of the application and check that local permissions, import licences or currency approvals, if needed, have been granted. When all formalities and procedures have been dealt with (this may take time), the L/C is issued, hopefully as stipulated in the terms of payment, and forwarded to the selected advising bank.
3. Upon arrival of the L/C from the issuing bank – by letter or mostly nowadays as a SWIFT message – the advising bank will assess its contents and determine where it should be made payable (honoured). If the advising bank is instructed to add its confirmation, this involves a separate credit decision in this bank, after which the seller is notified of the L/C and its details, including information about where it is to be honoured for payment, acceptance or deferred payment, and whether it has been confirmed by the advising bank.

Figure 19: Letter of Credit

Conclusion

Entrepreneur mind-set meant for Procurement professionals.

"A company has no value in and of itself. It only has value to the degree that it is an effective allocator of resources to create products and services that are of greater value than the cost of inputs. This thing we call profit should just mean over time that the value of the outputs is worth more than the inputs." - Elon Musk CEO Tesla Motors

Procurement professionals require a variety of behavioral skills, including the ability to communicate with others, be innovative, take risks, and possess commercial acumen or entrepreneurial spirit.

Over time, beginning in the middle of the 1980s, changes in procurement occurred. The global sourcing initiative of Many companies "Especially global ones" has been essential in fostering the development of procurement function maturity and capability.

Since then, the procurement function has changed from emphasizing the understanding that cost reductions are now the primary factor influencing ongoing company expansion.

There aren't many chances left to work on sourcing, category management, and expenditure analysis after 20 years of investing in procurement reform. The expectation is that as the business and supplier performance increase, procurement value addition will be measured.

The next stage of procurement transformation has advanced quickly, and it calls for the procurement department to produce better outcomes to meet a company's financial metrics. Procurement experts are required to possess not only subjective knowledge but also strong communication skills, business acumen, risk-taking abilities, excellent collaboration skills, market-generating abilities, innovation, and the ability to build strong networks.

The procurement function is currently operating under extreme pressure from factors such as competitive pressure, market dynamics, cost and value proposition, and extremely demanding internal and external customers. As a result, it's critical that every function learn the

fundamentals of cross-functional deliverables in order to respond and work together more effectively.

You become more responsible by approaching your procurement company with the perspective of a business owner after learning from past mistakes. The main tool for encouraging entrepreneurial thinking in your head is the following characters. Without a doubt, business is eager to have strong, business-minded individuals.

Employees with an entrepreneurial mindset have been noted to have a strong sense of commitment and love for their work. They are merely astute, creative, and driven to achieve. Some of the characters are listed below for easy reference:

They handle energy.

b) They are able to manage danger.

c) They encourage taking chances.

d) Because they are makers, it is hard to put them in a box.

e) Rather than lingering and discussing it, they take action.

f) Micromanagement does not apply to them.

g) They have a strict focus on outcomes.

h) They get the ability to multitask.

Industry best practices are applied with the goal of becoming as lean as possible. For example, simplification and value addition focus on both upstream and downstream activities. Designing a more robust process requires manufacturing quality verification. To maintain quality control over the service or product, mistake proofing is necessary. The needs of both internal and external customers are met by planning prior to execution or production. Dead stock, which costs money, can be avoided with the aid of inventory control. Correcting the first time increases process efficiency and prevents rework, also referred to as nonvalue-added activities. Similarly, each role within a company has a specific goal to accomplish.

Business acumen:

It is the capacity to combine multiple aspects to determine the optimal course of action in a particular situation when making complete business decisions. Increasing a procurement professional's business understanding is beneficial for all levels, not just those in leadership roles.

It entails having a solid grasp of all the elements that propel profitability, cash flow, supplier markets, business divisions, and the business environment as a whole

Focus, problem-solving abilities, ongoing education, active listening to consumers and their values, business development, market insights, strategic thinking and mindset, cash flow and focused are a few examples of qualities related to business acumen.

You are aware of the many requirements and levels that are connected to what procurement specialists are looking for in terms of developing business acumen. Self-evaluation strikes you to always work hard to get to the next level and helps you comprehend where you are at.

References

- My personal experience in this field (10 years)

- Books:

  - Negotiation for Procurement and Supply Chain Professionals: A Proven Approach for Negotiations with Suppliers 3rd Edition
    by Jonathan O'Brien (Author)

Provides a step-by-step approach to delivering winning negotiations and getting game-changing results. It provides purchasers and supply chain managers with the necessary tools and tactics for a detailed, planned approach to negotiation

  - Supply Chain Risk Management: How to Design and Manage Resilient Supply Chains 4th Edition
    by John Manners-Bell (Author)

Offering crucial insight from a management perspective, this updated 4th edition offers new guidance on the effects of the Covid-19 pandemic, supply-chain bottlenecks and evolving geo-political risk

  - Purchasing and Supply Chain Management 7th Edition

by Robert M. Monczka (Author), Robert B. Handfield (Author), Larry C. Giunipero (Author), James L. Patterson (Author)s.

This edition draws from the authors' extensive first-hand experiences and relationships with executives and practitioners worldwide to highlight critical developments in the field. You examine recent advancements in supply chain fraud management, artificial intelligence, analytics, procurement automation and robotic process automation. New content also discusses supply chain fraud management and mitigation, emerging technology in real-time supply chain control towers, use of blockchain and the creation of Centers of Excellence.

- The Procurement and Supply Manager's Desk Reference 2nd Edition
  by Fred Sollish (Author), John Semanik (Author)

Filled with everything every organization needs to know about the key roles and responsibilities of a procurement professional. Presented logically to match the flow of the procurement and sourcing functions, the book is filled with practical aids such as step-by-step guides to each segment of the process, as well as checklists and customizable forms.

- Entrepreneurial Finance: Finance and Business Strategies for the Serious Entrepreneur Second (2nd) Edition By Steven Rogers Paperback – December 14, 2009

  by Steven Rogers (Author)

Steven Rogers covers all the major topics—from writing a growth business plan and compiling and understanding financial statements to making a company profitable, valuing a company, and raising additional venture capital.

- Purchasing and Supply Chain Management: Strategies and Realities 1st Edition
  by Michael Quayle (Author)

Purchasing and Supply Chain Management: Strategies and Realities illustrates how organizations worldwide can apply strategies for supply chain implementation. This book shows readers how to develop a supply chain strategy and implementation plan and use it to gain an advantage in the 21st century competitive marketplace.

- Journals, Magazines and business management reviews:

- Journal of Purchasing and Supply Management
  journal homepage: www.elsevier.com/locate/pursu

Notes and Debates

Purchasing process models: Inspiration for teaching purchasing and supply management

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- Journal of Purchasing and Supply Management
  journal homepage: www.elsevier.com/locate/pursu

Purchasing and supply management as a multidisciplinary research field: Unity in diversity?

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- Proceedings of the 7th International Conference on Economic Management and Green Development DOI: 10.54254/2754-1169/31/20231534

Language Art in Business Negotiations of Transnational Trade

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- Computer Science & IT Research Journal, Volume 4, Issue 3, December 2023

Harnessing Blockchain For Sustainable Procurement: Opportunities And Challenges

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1- Independent Researcher, Nigeria
2- Cocharis Motors Ltd, Nigeria
3- Revville Technology Limited, Lagos, Nigeria
4- Independent Researcher, Maryland, USA
5- AP Moller Maersk, Nigeria
6- University of Pretoria, South Africa

- Proceedings of the 7th International Conference on Economic Management and Green Development
  DOI: 10.54254/2754-1169/30/20231434

Business Negotiation Strategies for Manufacturing Industries in Trade Activities

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*Spend Analysis and Compliance

ChatGPT can frequently analyze expenditures across suppliers to generate insights on cost reduction, process improvements, and renegotiation opportunities. This provides data-backed input for procurement decisions.

The AI can also maintain and validate supplier compliance records, ethics filings, and codes of conduct. It further generates audit reports to verify compliance, minimizing procurement risks.

*Supplier Relationship Management

To improve supplier relationships, ChatGPT can leverage its conversational abilities to interact with suppliers and resolve conflicts through a solutions-focused approach.

The AI can also conduct satisfaction surveys and analyze results to highlight relationship pain points. By providing such insights, ChatGPT enables procurement to pinpoint areas for enhancing cooperation.

- Occupational fraud 2022.

  A report to the nations.

  https://legacy.acfe.com/report-to-the-nations/2022/

Appendix

(Purchasing Journals for reading)

Journal of Purchasing and Supply Management

Journal homepage: www.elsevier.com/locate/pursu

1. Purchasing process models: Inspiration for teaching purchasing and supply management
2. Purchasing and supply management as a multidisciplinary research field: Unity in diversity?