

WEDNESDAY: 23 April 2025. Afternoon Paper.

Time Allowed: 3 hours.

Read the case study below and answer the questions that follow. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

SOURCING FROM CHINA

The expansion of small and micro-enterprises (SMEs) in Kenya and across Africa has led to an increasing trend of sourcing goods and services from China. This movement, which shows no signs of slowing down, has been driven by economic and strategic factors that entrepreneurs carefully consider before making business decisions. A study conducted in Nairobi involving over 150 business owners provides key insights into the motivations and implications of sourcing from China.

The study revealed that 75% of the surveyed business owners travelled to China at least once a year to establish linkages with manufacturing firms and secure direct sourcing of goods. Other motivations included exploring business opportunities, experiencing Chinese culture, analysing modern business technologies and understanding different business formats that could be adapted locally. However, these business owners also recognised significant management challenges, particularly the need to understand Chinese cultural norms, business etiquette and negotiation practices. Businesses may struggle with contract negotiations, payment structures and supply chain coordination without such knowledge.

While sourcing from China presents lucrative opportunities, it also comes with substantial hidden costs that impact the final price of goods. The study identified additional expenses, including shipping costs ranging from 10-15% of the unit price, warranty and product return costs between 4-7% and tracking and coordination expenses of 1-3%. Furthermore, an estimated 10,000 containers from China fall overboard annually, increasing risks for businesses relying on maritime trade. Other challenges include weak enforcement of intellectual property rights, exposing businesses to counterfeit products and patent infringements and fluctuating labour costs affecting production expenses.

Recognising these challenges and the growing reliance on Chinese imports, the Kenyan government has proposed a comprehensive study to assess the impact of sourcing from China on SMEs. This research aims to compare 2,500 registered business owners who actively source from China with those who rely on local or alternative international suppliers. The study will evaluate key performance indicators such as profitability, operational efficiency, business sustainability and long-term competitiveness.

The government plans to hire a research consultant to conduct the analysis to ensure the study's credibility. The research will employ various methodologies to determine the economic and strategic implications of sourcing from China, including surveys, in-depth interviews and financial assessments. The findings will be crucial in shaping trade policies, regulations and support mechanisms to assist SMEs in international trade.

(Disclaimer: This case study is solely for educational and examination purposes and does not reflect the position of KISEB)



QUESTION ONE

- (a) Appraise **FIVE** benefits the research consultant would gain from evaluating the reliability of scholarly material. (10 marks)
 - (b) Propose **FIVE** key factors the research consultant should consider when developing an appropriate research topic. (5 marks)
 - (c) Describe **FIVE** steps the research consultant may follow to determine a valid sample of business owners. (10 marks)
- (Total: 25 marks)**

QUESTION TWO

- (a) Examine **FIVE** methods to ensure compliance with ethical requirements when conducting this research. (10 marks)
 - (b) Give **FIVE** justifications for choosing a mixed-methods research design as the most appropriate approach for studying the effects of international sourcing on SME performance. (10 marks)
 - (c) Propose **FIVE** sampling techniques the consultant may use to ensure a representative and comprehensive analysis. (5 marks)
- (Total: 25 marks)**

QUESTION THREE

- (a) Suggest **FIVE** ways SMEs can utilise research findings to make data-driven decisions about international sourcing. (10 marks)
 - (b) Develop a conceptual framework for a research study examining the relationship between supply chain strategies and business performance among SMEs sourcing from China. (10 marks)
 - (c) Suggest **FIVE** limitations of using mail questionnaires for the study. (5 marks)
- (Total: 25 marks)**

QUESTION FOUR

- (a) Describe **FIVE** key components of a well-structured research report that should be included in this study. (5 marks)
 - (b) Demonstrate how the **FIVE** types of research scales can be used in this study. (10 marks)
 - (c) Summarise **FIVE** effective ways the research consultant can communicate findings to policymakers and business stakeholders. (10 marks)
- (Total: 25 marks)**
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