



**ST.MARY'S UNIVERSITY SCHOOL OF
GRADUATE STUDIES**

**AN ASSESSMENT OF PROCUREMENT PRACTICE IN
ETHIOTELECOM**

BY

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JULY 2019

ADDIS ABABA ,ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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ETHIOPIA**

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ST. MARY'S UNIVERSITY
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Getachew Habtamu. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

Name

St. Mary's University, Addis Ababa

Signature

July, 2019

ENDORESEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Dr. Getachew Habtamu

St. Mary's University, Addis Ababa July, 2019

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List of Acronyms

SIM Card: Subscriber Identity Module Card

CDMA: Code Division Multiplex Access

EVDO: Evolution Data Optimization

IT equipment's: Information Technology equipment

MoFED - Ministry of Finance and Economic Development

FDRE - Federal Democratic Republic of Ethiopia

SPSS - Statistical Package for Social Science

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Abstract

The aim of this study was to assess foreign procurement practices in ethiotelecom. The issues studied include identify the merits and drawbacks of the purchasing policy, guidelines and manual, examining foreign purchasing and assess their importance and related challenges and make viable recommendations to improve foreign purchasing practices.

To this end, the researcher has collected data from primary sources using questionnaires, interview and referred secondary sources including the procurement manuals other documents related to purchasing in ethiotelecom. In addition, secondary sources also have helped the data collection. Methodologically, this study was designed to be descriptive. The major findings of the study indicate that the international procurement practice is not well performed by End-users, Procurement staff, suppliers and stakeholders of ethiotelecom foreign Procurement who are participating directly or indirectly in the foreign procurement of the company.

The researcher recommended to the Management of the department and specially sourcing department to create opportunities for appropriate training, to create long term strategic supplier relationship for strategic items through establishing a suppliers list registration system , create win-win and smooth relationship with suppliers, end users, suppliers and the stakeholders using awareness creation events, and to enhance feasible and efficient procurement process which save time and resource substantially.

Key Word; Foreign Procurement

CHAPTER ONE

INTRODUCTION

This chapter consists of a background of the study, statement of the problem, research questions, objectives of the study, significance of the study, and scope of the study.

1.1 Background of the study

Procurement encompasses the whole process of acquiring property and/or services. According to Waters (2004), it begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters, 2004)

The seemingly independent relationship between the organization and organizations within the supply chain becomes ever more interdependent. Generally, the supply chain management in any organization is influenced by strategic challenges that have long term or overall impact on the architecture and management of the supply chain varying from time to time. Business dimensions in the market, technology, resource and time are the major challenges of the supply chain.

Purchasing is one of the major activities of all organizations to function and run. Purchasing function covers the sourcing end of supply chain management interfacing with the delivery end of the suppliers, while the classical definition of purchasing is 'to obtain materials and/or services of the right quality in the right quantity from the right source, deliver them to the right place at the right price.' Alijan, (1975). Purchasing is one of the major activities of all organizations to function and run. A significant amount of budget is spent on the purchase of material and services to accomplish and support the organization's goal. Organizations use different system and policy to maximize efficiency and minimize the risks and cost of purchase. The word procurement is used interchangeably but it has a broader sense. Alijan, (1973)

Traditionally, purchasing can be seen as a process of buying that obtains materials with the right quality and quantity from the right source to the right place at the right price Aljian, (1975); Lysons and Farrington, (2006). It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, Procurement also extends to the ultimate disposal of property at the end of its useful life Waters, (2004). The purchasing framework presents business practitioners with robust and well-tested ways of evaluating what they are doing, using indicators based on the exchange and managerial aspects of purchasing practices. The measures used are general enough to have relevance across the range of the said practices. This framework can provide a helpful reference point to draw together thinking and existing purchasing practices. Additionally, purchasing practices drastically have been transformed in recent years by factors such as the increasing exposure of supply chains to risks, the development, and adoption of information technologies, and growing attention of organizations to ethical practices Baily, et al., (2005).

“Procurement” as defined by the Ethiopian Public Procurement and Property Administration Manual, MoFED, (2011), is obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means;

The introduction of telecommunication service in Ethiopia dated back to 1884 seventeen years after the invention of telephone technology in the world. It was Minilik II, king of Ethiopia who introduced telephone technology to the country with an installation of 477km long telephone and telegram lines from Harar to Addis Ababa.

Ethio telecom was managed, on a management contract arrangement from 2010 to 2013 June, by France Télécom, and was required to comply with Ethiopian Government orders. The government said it outsourced the management as ETC was not able to meet the demands of the fast-growing country to implement state-of-the-art processes, to develop reliable network infrastructures and to provide the best quality of services to our Customers.

Ethio telecom procurement manual defines its purchasing activity as the acquisition of goods and/or services at the best possible price, in the right quality and quantity, at the right time, in the right place and from the right source for the direct benefit or use of the company. It involves the fulfillment of different goods and service requirements by identifying potential suppliers/partners, evaluating & selecting the right supplier/partner, and awarding a contract to the qualified supplier/partner. The scope of purchasing activities comprises Purchase Order Request, Tendering, technical and commercial evaluation, Negotiation, and contract award. Any purchase request shall be initiated in the following specialized units so that the different items purchased in the company mainly classified into five units:

1. **Commercial Unit:** Domain-specific purchases from Enterprise, Marketing and others, such items Voucher Card, SIM Card, Internet Capacity, CDMA _SIM Card, Handset, EVIDO, and others
2. **Network Unit:** Network purchase such as Network equipment's, Various Spare parts, Service Level Agreement
3. **IS Unit:** IS purchases such as IT equipment's, Computers, Laptops, Servers, Switch and related and Service Level Agreement
4. **Facility and fleet:** Purchases such as Stationery items, Stock items, Office Furniture, Fuel, Vehicle Spare Parts, cleaning service, office renting, messenger service and other related.
5. **Building and professional units:** purchases such as civil works and professional training.

Based on this idea, the researcher wants to investigate the purchasing activities of ethio telecom.

1.2 Statement of the problem

According to Federal Democratic Republic of Ethiopia (FDRE, 2009), compliance is the key to the attainment of the objectives of the procurement such as transparency, competition, value for money, accountability and the efficient use of state resources. On the other hand, non-compliance with procurement laws is considered as a major hindrance to the effectiveness of the laws Baily, et al., (2005).

Since the material is the lifeblood of every organization, purchasing takes significant accountability for the **right** flow of material. However, due to the incompetent process, a number of troubles happen in the area of procurement especially, the integrity of the professional, the **quality** of the procured items, the competence of the professional, Besides, procurement is one the exposed area for corruption in alliance with Land distribution and administration, the Customs Administration and private to private business Ethiopia, Country Procurement Assessment Report by World Bank (2002, p 10).

Likewise, many stakeholders complain about the process of procurement. The preliminary investigation revealed that there are various instances of items purchased don't match with items requested (wrong quality) and a number of procured items are found in the stockyard of the firm with small or no service year.

Therefore, this paper intends to examine the foreign procurement practice of ethio telecom guided by the following research questions

1.3 Research Questions

- To what extent is the purchasing process practiced in Ethio telecom effective in realizing the procurement goals?
- Do the procurement employees of Ethio Telecom possess the required skills to effectively implement the purchasing process?
- What are the ethical standard, internal control, and perception of the stakeholder towards the department?

1.4 General objective

The general objective of the study is to assess foreign procurement practices of ethio telecom and to come up with a better recommendation for improving procurement practices of the company.

1.4.1 Specific Objectives

- To identify the stakeholder in the procurement process with their power and responsibility in making step by step decision
- Determining the competency of the procurement staff and the department workflow proficiency
- To measure the performance of the department in relation to procuring the right quality, quantity, time, source, and price
- Examining the procurement methods in relation to the practical situation
- To examine the contract, specification, negotiation and their effectiveness
- To assess the procurement process, ethical standard, control and the perception of the stakeholder towards the procurement unit.

1.5 Significance of the Study

The intention of this study is to contribute to the existing body of knowledge about assessment foreign procurement practices, to maximize the contribution of the procurement function of ethio telecom to the corporate objective. Moreover, the research's recommendation may help to improve overall foreign procurement practices, this can have an immense advantage for different stakeholders; for the managers to make corrective actions and review the practices, for researchers to serve as a facilitator for further detail investigations, and particularly the study will contribute a lot to enhance the organizational performance of ethio telecom.

1.6 Scope of the Study

Procurement encompasses the whole process of acquiring property and/or services, and also extends to the ultimate disposal of property at the end of its useful life. Though it will be important to include all these areas because of infeasibility from resource and time perspectives, the focus of this study was only an assessment of foreign procurement practices survey on ethio telecom, In doing so, the researcher bounded to the sourcing and supply division in headquarter

of the Company at Addis Ababa because of most of goods and services are bought centrally.

1.7 Operational Definition of Terms

Foreign/International Procurement: - is the process of obtaining a product/goods and services, which is available in market or markets, access to which involves crossing international boundaries Branch (2009)

End Users/Requesting Units: - are end users or requesting units and staffs of the ethiotelecom who are requesting and using the goods to be procured.

Purchase Request: is a formal written request by user division to initiate the sourcing department to issue purchase order or inter an agreement with supplier/Partner

Purchase Order: is an order that requires validation of Ethio telecom authorized body's signature/stamp and gives permission to a supplier/Partner to provide deliverables.

Services: mean any object of procurement other than works, goods and consultancy services such as maintenance, security, janitorial, electricity, telecommunication, and water supply services

Sourcing: Is a process that covers understanding of ET's deliverables.

User division: User division is a division that specializes in standardizing deliverables, accessing and aggregating Ethio telecom needs

1.8 Organization of the Research Report

This paper is organized in five chapters. The first chapter presents introduction, brief statements on the research problem and the study purpose and the scope and limitation of the study. Chapter two presents review of related literature. Chapter three of the paper describes

the research design and methodology to be used in the study. The results and discussion is presented in fourth Chapter. Data analysis and explanation is the theme of the study paper and it is included in this chapter. Chapter five of the paper also draws major findings, conclusion and possible recommendations. This will be followed by questionnaires and bibliography (references)

CHAPTER TWO: LITERATURE REVIEW

This chapter presents the literature review for the research area; points related to purchasing activities are discussed. Definitions of purchasing management are presented which is the base for the study onwards. In addition to this, purchasing process is provided.

2.1 Definitions and concepts

Van Weele (2006) define an organization's purchasing activity as the decision-making process by which formal organizations establish the need for products, identify, evaluate and choose among alternative brands and suppliers.

When we analyze the buying process we have to take into consideration what the procurement function includes. It is really important to have a clear definition and, by doing so, to understand the role of the sourcing in the procurement function. As we can see from Van Weele (2006) sourcing is in the tactical part of the purchasing and procurement process.

According to Van Weele (2006) the purchasing function covers activities aimed at determining the purchasing specifications based upon fitness for use, selecting the best possible supplier and developing procedures and routines to be able to do so, preparing and conducting negotiations with suppliers in order to establish an agreement and to write up the legal contract, placing the order with the selected supplier or to develop efficient purchase order and handling routines, monitoring and control of the order to secure supply (expediting), follow up and evaluation.

In order to understand these activities of the sourcing process it is better to offer the reader this clear explanation from Van Weele (2006):

- Determining the purchasing specifications (in terms of required quality and quantities) of the goods and services that need to be bought. In the case of the case company we have to keep in mind that goods and service are bought for a third party; the business customer for his stores.
- Selecting the best possible supplier and developing procedures and routines.

- Preparing and conducting negotiations with the supplier in order to establish an agreement and to write up the legal contract.
- Placing the order with selected supplier and develop efficient purchase order routines.
- Monitoring and control of the order secure supply.
- Follow up and evaluation (supplier rating and ranking).

Van Weele defines this activity “expediting” as following up on a purchase order to make sure that the supplier is going to perform as it has confirmed through his purchase order confirmation.

As stated from these first definitions the purchasing function does not include the responsibility for the materials requirements planning, materials scheduling, inventory management, incoming inspection and quality control.

The purchasing process is used to identify user requirements, evaluate the user needs effectively and efficiently, identify suppliers who can meet that need, develop agreements with those suppliers, develop the ordering mechanism, ensure payment occurs promptly, ascertain that the need was effectively met, and drive continuous improvement. In every step of this process, managers are challenged to ensure that internal users are satisfied both with process and the outcome, Baily, et al., (2005).

2.2 The role and the scope of purchasing

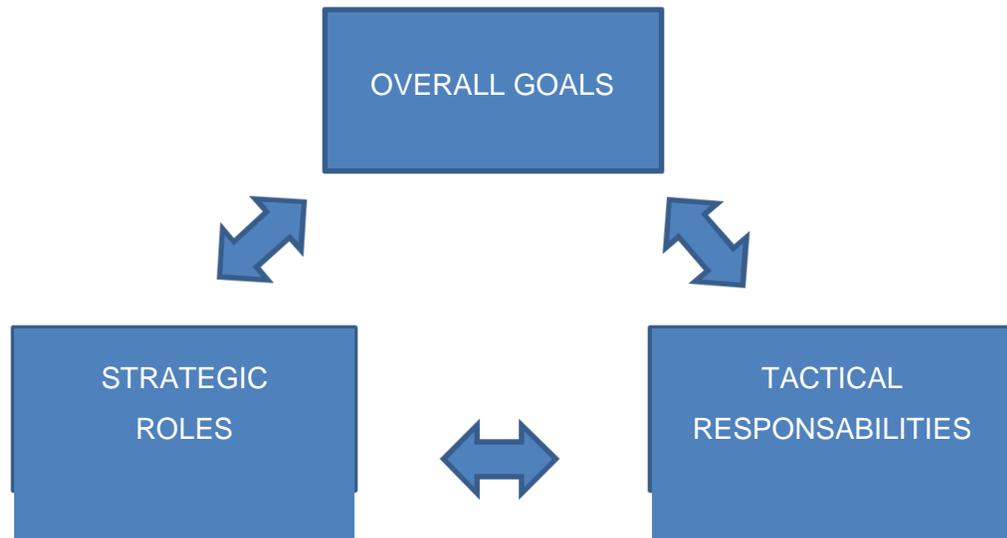


Figure 1. The purchasing's role adapted from Baily, et al., (1994).

To understand the role and responsibilities of the purchasing it starts with the primary objectives. According to Monczka et al. (2008) they are divided in three categories:

- i. Overall goals
- ii. Tactical responsibilities
- iii. Strategic roles

Overall goals include: supply continuity, manage purchasing process, supply base management, engage Stakeholders, and develop sourcing strategies.

Tactical responsibilities include: forecast and plan requirements requisitioning, supplier identification and selection, control/PO preparation, receipt and inspection, invoice settlement and payment, records maintenance, measuring supplier performance, improving P2P (procure-to-pay) process.

Strategic roles include: demand management, commodity strategies, contract management, cost management, procure management, procure to pay improvement, supplier relationship management.

Monczka et al. (2008) states that purchasing management has limited resources available to manage the purchasing process and must continuously work toward improved utilization of these resources. Limited resources include employees, working within the department, budgeted funds, time, information, and knowledge. Organizations are therefore constantly looking for people who have develop skills necessary to deal with the wide variety of tasks faced by purchasing.

In the past the 'dogma' for every buyer was to acquire the right quality of material, at the right time, in the right quantity, from the right source, at the right price. This simple statement does not take into consideration some measurable objectives and how the business environment has changed in our opinion. Furthermore it does not take into consideration the customers' needs as the primary source of information for the buyers.

The following broad statements about the overall purchasing objectives are suggested by Peter Baily (2005):

- To supply the organization with a flow of materials and services to meet its needs.
- To ensure continuity of supply by maintaining effective relationships with existing sources and by developing other sources of supply either as alternatives or meet emerging or planned needs.
- To buy efficiently and wisely, obtaining by any ethical means the best value for every pound spent.
- To maintain sound co-operative relationships with other departments, providing information and advice as necessary to ensure the effective operation of the organization as a whole.
- To develop staff, policies, procedures and organization to ensure the achievement of these objectives.

In addition, we share some even more specific objectives from Baily that also sourcing managers have to keep in mind:

- To select the best suppliers in the market.
- To help generate the effective development of the new products.
- To protect the company's cost structure.
- To maintain the correct quality/value balance.

- To monitor supply market trends.
- To negotiate effectively in order to work with suppliers who will seek mutual benefit through economically superior performance.
- To adopt environmentally responsible supply management.

Colin Coulson and Thomas (2008) lists the importance of the purchasing strategy by dividing companies between winners and losers accordingly to their approaches. We believe it is a smart approach for the reader to understand the role of the procurement inside organizations.

Losers tend to view purchasing as an administrative activity of relatively low status that is sometimes a source of both management and quality problems. For winners purchasing is a source of competitive advantage. They work with their suppliers to reduce costs, innovate, and improve quality or speed up deliveries. Involving purchasing and preferred suppliers earlier in the new product development process can often reduce the time required to bring new products to market by a quarter or more. Colin Coulson and Thomas, (2008).

Nowadays the purchasing function is becoming more and more strategic for the success of the company. The purchasing function has gained great importance in the supply chain management due to factors such as globalization, increased value added in supply, and accelerated technological change. Baily, et al., (1994).

Innovation plays also a strong role in the purchasing function. The pace of change has quickened over the years. Organizations must be able to develop new practice and products quickly and effectively. This turn requires significant improvements in the internal interface between purchasing on the one hand and production, marketing, finance and so on the other, as well as with external suppliers and customers. Purchasing must be prepared to help and initiate new ideas and developments, Peter B and et al, (2005).

In order to develop strategic sourcing the traditional purchasing function cannot cope with new the requirements and a fast paced supply chain. The role of purchasing has changed its nature. Old perception is based on the idea that purchasing is concerned with simple exchanges, with buyer and seller interacting with each other on arm's length basis. The underlying interest of the buyer in this rather simple scenario is to acquire as much resource as possible for as little money as it is necessary to pay, Peter B and et al, (2005).

Purchasing in its broadest sense is increasingly recognized as a strategic issue, since in-sourcing and outsourcing decisions have a crucial influence on an organization's success Carr and Pearson, (2002).

According to the author Peter Baily a new way to add value in the supply chain, and more precisely in the purchasing process, is to develop mutual supplier-buyer relationships, where the benefits of doing business together arise from ideas of sharing as well as exchanging.

The steps in the process may vary in different organizations, depending on the nature of the purchased item. New items may require more time upfront whereas repeat items usually already have approved sources. The purchasing process can be divided into two parts: the pre-order and post-order process. We present in the picture below the pre-order process which it is useful for this research C. Scott et al., (2011).

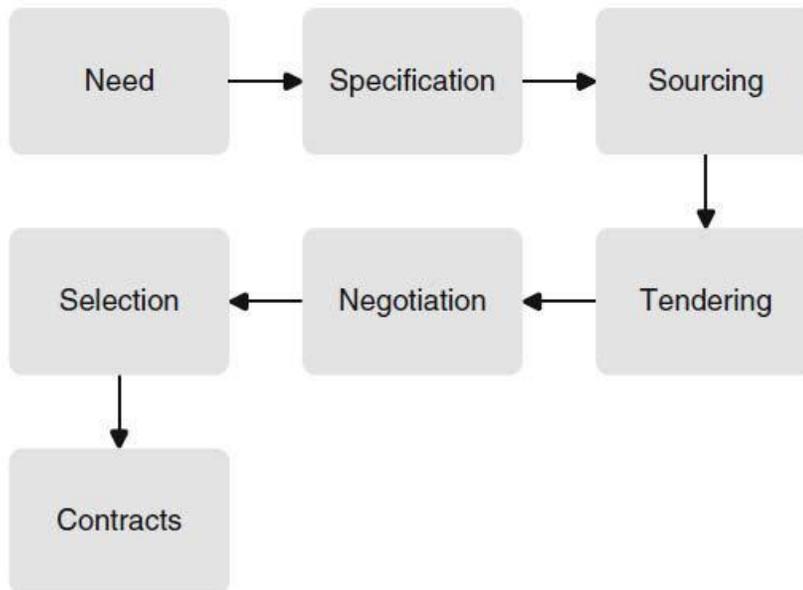


Figure 2. (Source). The Pre-order process C. Scott et al., (2011).

2.3. Public procurement

Public procurement is the process of the acquisition, usually by means of a contractual arrangement after public competition, of goods, services, works and other supplies by the public entity. The public procurement process spans the whole life cycle from initial conception and definition of the needs through to the end of the useful life of an asset or the end of a contract. The Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011). Then again, Baily and et al (2005) identified proposals for the public [procurement] sector includes; Seeking to develop world class professional procurement staff, Seeking to introduce best practice in terms of whole-life cost savings, highest standard benchmarking, Co-operative relationship with contractors and supplies within the constraints of competition, the promotion of continuous improvement (Kaizen) .

2.4. International Purchasing.

Thai,(2009 International Purchasing is the process of obtaining goods or Services, which is available in a market or markets, access to which involves crossing international boundaries. Such international sourcing is desirable to enable the company to be managed in a competitive manner and operate successfully in a global market.

By continuing his description Branch states that, the prime rationale of adopting an international purchasing strategy rather than using an indigenous supplier is, to enhance the value –added benefit of the product or service to consumer. Overall, the decision is tied to the product life cycle: it may be a price factor, quality, technology, availability, innovation, standards, design or fashion. Hence, global sourcing is not simply a buying function; it is the process of obtaining products /services in line with consumer needs and technology, thereby enhancing the attraction, the profile, the quality or the value-added benefit.

2.5. Domestic versus International Purchasing.

Thai. (2009) states International purchasing relates to commercial purchase transaction between a buyer and a supplier located in a different country. This type of purchase is typically more complex than a domestic purchase. Organizations must contend with longer material pipelines,

increased rules and regulations, currency fluctuation, customs requirements, and host of other variables such as language and time.

International purchasing refers to the utilization of global resources: searching for a bargain with the highest quality from all over the world. From the aspect of supply-chain management, international purchasing requires companies to set up a global manufacturing chain in order to make rational purchasing plan and acquire the high-quality goods with a rational price. As Sollish & Somanik, (2005).in contrast to domestic purchasing, the international mode is characterized by increased scope of purchasing, increased in risks, decrease purchase price, the need for systematic criterion in supplier selection, and stable purchasing channels.

2.6. Procurement Methods

The Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (MoFED 2011) by quoting Proclamation Article 33: defines six methods of public procurement these are bidding, two stage bidding, request for quotation, and request for proposal, restricted bidding, and direct procurement.

As this research is mainly focused on the first method or the Bidding method, this method is described below.

The Federal Negarit Gazeta (2005) states that except as otherwise provided in this Proclamation, the procuring entity shall use open bidding as the preferred procedure of procurement. Even though it is common that each method has its own advantage and drawback, the Ethiopian government prefers the bid way of purchasing especially; open bidding way to perceive the advantage gained by such method.

Bidding (Tendering)

According to Lysons and Farrington (2006) a purchasing procedure whereby potential suppliers are invited to make a firm and unequivocal offer of the price and terms on which they will supply specified goods or services, which, on acceptance, shall be the basis of a subsequent contract. Alternatively, Lewis (2005) elaborate as a formal written offer to undertake work or provide services for a stated price is called tender

2.6.1 Types of bid

According to Lysons and Farrington (2006,) tender are alienated in to the following ways:

2.6.1.1 Open Tender: Prospective supplier are invited to compete for a contract advertised in the press or on the internet-the lowest tender generally being accepted, although the advertisers usually state that they are not bound to accept the lowest or any tender. Similarly, the Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011) sates that all interested firm's bidders are given adequate notification of contract requirements and all eligible bidders are given an equal opportunity to submit a tender. The public body must give sufficient public notification of bidding opportunities to potential bidders to determine their interest and prepare bid documents.

2.6.1.2 Selective Tender: Tenders invited from supplier on an approved list that have been previously vetted regarding their competence and financial standing.

Serial Tenders: Prospective suppliers are requested on either an open or a selective basis tender for an initial scheme on the basis that, subject to satisfactory performance and unforeseen financial contingencies, a program of work will be given to the successful contractor, the rates and prices for the first job being the basis for the rest program.

2.6.1.3 Negotiated tender: a tender is negotiated with only one supplier so that competition is eliminated. This type of contract is usual. In case of local authority, it would require the waiving of standard order.

Thus, generally the Ethiopian government adopts only the two methods of tendering; open and restricted/selected Tendering

2.7. Specification of Goods

Specifications must be distinguished from standard and code of practice. According to Lysons and Farrington (2006) Specification defied in three statements as it is a statement of the attributes of product or service, a statement of requirements and a statement of needs to be satisfied by the procurement of external resources. A standard is a specification intended for

recurrent use. Standards differ from specifications in that, while every standard is a specification, not every specification is a standard. Codes of practice are less specific than formal standards and provide guidance on the best accepted practice in relation to engineering and construction and for operation such as installation, maintenance and service provision.

On the other hand, Dobler and Burt (1997) elaborate how standardization reduces costs as the use of standards permits a firm to purchase fewer items, in larger quantities and at lower prices. Thus, fewer items are processed and stocked. This reduces purchasing, receiving, inspection and payment cost. Stocking fewer items makes controlling inventories easier and less costly. Consequently, the purchase of standardized materials saves money in four ways: lower price, lower processing costs, lower inventory, carrying cost, and fewer quality problems. Conversely, the use of non-standard items, commonly referred to as “specials” almost always assures a firm of higher total acquisition and carrying cost.

Baily and et al (2005) articulate two approaches to specification: performance and conformance. Performance specification is that a clear indication of the purpose, function, application and performance expected of the supplied material or service is communicated, and the supplier is allowed or encouraged to provide an appropriate product. Conformance specifications are where the buying organization lays down clear and unambiguous requirements that must be met. The specification is of the product, not the application. Specification is also used as one means of comparison. As per Sollish & Somanik, (2005). For many firms, prices are traditionally being the dimension that suppliers have been compared on. There are many other supplier characteristics such as specification.

Sources of specification data Sollish & Somanik, (2005). There are three major sources from which specifications may be derived:

1. Individual standards: it requires extensive consultation among users, engineering, purchasing, quality control, suppliers, marketing, and possibly, ultimate consumers. This means the task is likely to be arduous and expensive.
2. Standard specifications: these have been developed as a result of a great deal of experience and study by both governmental and non-governmental agencies, and substantial effort has been expended in promoting them.
3. Governmental standard: [it is just] to be sure that product purchased meet government requirement.

2.8. Evaluation of potential source

Sollish & Somanik, (2005).elaborate how to evaluate the source in the evaluation of potential source attempt to answer two key questions

1. Is this vendor capable of supplying the purchaser's requirements satisfactorily in both the short and long term?
2. Is this vendor motivate to supply these requirements in the way that purchaser expects in the short and long term?

The first question can be largely answered on a technical basis. The second probes the human side. On the other hand Baily and et al (2005) supplier can be assessed with the following parameter

Past performance: - it is used for supplier selection when items are bought in large quantities form several supplies. Buyers use this information not only to give more business to better suppliers, and to phase out inadequate suppliers, but also to urge weak suppliers to improve their performance.

Reputation: - experienced buyers build up a lot of market knowledge, which they add to by talking to colleagues, sales representatives and buyers in other organization.

Visit and appraisal: - it involves a visit to the supplier in order to make an assessment of quality capability, quality control staff, purchasing staff or an interdepartmental team may take the visit.

Third party certification: -Third party certification is the term used for visit and appraisals made by some independent body-neither the first party, or buyer, nor the second party, or seller-the results of which are then published or made available to clients or subscribers in the form of a certificate of quality assessment.

Evaluation of sample product: -it is the delivery of satisfactory goods by the supplier and their acceptance by the customer, thus completing the transaction once payment has been made.

2.9. Negotiation

Negotiation is an occasion where one or more representatives of two or more parties interact in an explicit attempt to reach a jointly acceptable position on one or more divisive issues about which they would like to agree Lysons and Farrington (2006).

As public agencies enter into an increasing number of contracts with private and non-profit Organizations, negotiation skills have become increasingly important for procurement officials and program managers.

Negotiations are applied in a variety of settings and experiences. They are valued when agreement needs to be reached on issues where there is a divergence of opinion among affected parties. The goal of an effective or successful negotiation should always be a result that is fair, based on objective standards, and one that is concluded amicably and efficiently.

Conversely, The Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development Public Procurement and Property Administration Agency (2011) negotiations shall include discussions of the TOR, the approach and methodology, organization and staffing, work plan and the public body's inputs. Special attention shall be paid to defining clearly the inputs and facilities offered by the public body. The negotiations shall not significantly alter the original TOR otherwise the integrity of the negotiations, the content and findings of the technical evaluation report, may be questioned.

2.10. Contract Administration

According to Dobler et,al (1997) purchasing must monitor supplier progress closely depends on the lead time, complexity and urgency of order. At the time of purchase order or contract is awarded, the buyer should decide whether routine or special attention is appropriate. Similarly, The Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development Public Procurement and Property Administration Agency (2011) Effective management of contracts is essential to ensure that the objectives of the procurement process are achieved and that all contractual obligations and activities are completed efficiently by both parties to the contract. The Procurement Unit must ensure that routine monitoring of all current contracts is maintained so that swift remedial measures can be taken when problems arise, or preventative action taken when problems are foreseen.

As per Lysons and Farrington (2006) to be legally enforceable, a contract must satisfy the following essentials;

Intention: - both parties must intend to enter into a legal relationship

Agreement: -in dispute, the court must be satisfied that the contracting parties had reached a firm agreement and were not still negotiating.

Form: - certain exceptional types of agreement are only valid if made in a particular way, such as in writing.

Definite terms: - there will be no contract if it is not possible to determine what has been agreed between the parties.

Legality: - some agreement, such as contracts to defraud or immoral contract, such as agreement to fix prices or regulate supplies, while not illegal are void under the competition acts, unless the parties can prove to the restrictive practices court that their agreement is beneficial in the public interest.

Additionally, Federal, Public Procurement Directive (2010) public bodies have to ensure that the performance of a procurement contract is completed with the terms and conditions of such contract being complied with and other transactions incidental to such contract being finalized.

The Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development Public Procurement and Property Administration Agency (2011) Contract amendment may become necessary as a result of the application of price variations specified in the contract, the resolution of disputes, additional or reduced requirements by the public body, agreements to extend the time schedule, or from accepted increases or decreases in prices. The contract may allow the public body to modify contract values by a pre-determined percentage when this is in the public interest and essential for the work of the public body.

3 The theoretical framework

3.1 The purchasing process

We begin our theoretical framework analysis by giving the reader a large view of the procurement function, definitions and role.

3.2.1 Definitions and concepts

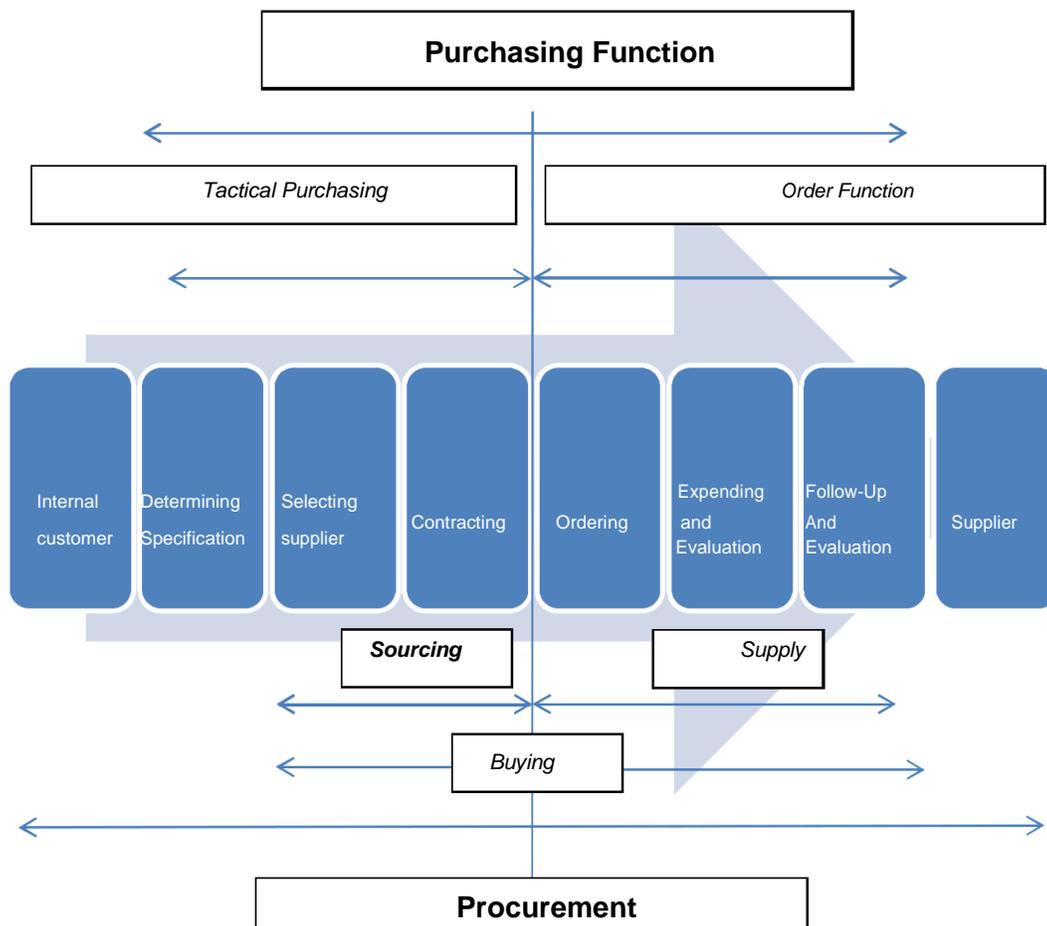


Figure 3. The purchasing process model and some related concepts, Weele (2006)

Webster and Wind (1972) define an organization's purchasing activity as the decision making process by which formal organizations establish the need for products, identify, evaluate and choose among alternative brands and suppliers. When we analyze the buying process we have to take in to consideration what the procurement function includes. It is really important to have a

clear definition and, by doing so, to understand the role of the sourcing in the procurement function. As we can see from Van Weele (2006) sourcing is in the tactical part of the purchasing and procurement process.

According to Van Weele (2006) the purchasing function covers activities aimed at determining the purchasing specifications based upon fitness for use, selecting the best possible supplier and developing procedures and routines to be able to do so, preparing and conducting negotiations with suppliers in order to establish an agreement and to write up the legal contract, placing the order with the selected supplier or to develop efficient purchase order and handling routines, monitoring and control of the order to secure supply (expediting), follow up and evaluation.

As we read this definition and analysis figure number 3 we can see one important point: all of these activities are closely interrelated. In this thesis we will focus on the most critical sourcing's phases such as determining the specification, supplier selection and contracting.

In order to understand these activities of the sourcing process it is better to offer the reader this clear explanation from Van Weele (2006):

- Determining the purchasing specifications (in terms of required quality and quantities) of the goods and services that need to be bought. In the case of the case company we have to keep in mind that goods and service are bought for a third party; the business customer for his stores.
- Selecting the best possible supplier and developing procedures and routines.
- Preparing and conducting negotiations with the supplier in order to establish an agreement and to write up the legal contract.
- Placing the order with selected supplier and develop efficient purchase order routines.
- Monitoring and control of the order secure supply.
- Follow up and evaluation (supplier rating and ranking).

Van Weele defines this activity “expediting” as following up on a purchase order to make sure that the supplier is going to perform as it has confirmed through his purchase order confirmation. There are three types of expediting: routines status check, advanced status check and field expediting.

The purchasing process is used to identify user requirements, evaluate the user needs effectively and efficiently, identify suppliers who can meet that need, develop agreements with those suppliers, develop the ordering mechanism, ensure payment occurs promptly, ascertain that the need was effectively met, and drive continuous improvement. In every step of this process, managers are challenged to ensure that internal users are satisfied both with process and the outcome. Robert Monczka, Robert B.Handfield, et,al, (2011).

4. Conceptual Framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study

The supply chain division of the company is responsible for Procurement of Goods and Services both from the local and international markets requested by the end users

There are various categories of goods and services procured in the supply chain division having different levels of importance and budget implication. The major goods categories which are currently purchased under foreign procurement are SIM cards, Voucher card and services and Network items.

Majority of the procurement budget is allocated to this good according to preliminary information gathering done by the researcher.

Effective procurement requires the utilization of sound business practices that maximize value to the organization through the acquisition of goods and services. This follows the old adage that the purchasing department's role is to deliver the right material or service in the right amount to the right place at the right time and at the right price Sollish & Somanik, (2005).

As mentioned earlier more budget is allocated and being spent on foreign procurement. This implies the logistics capability of the company for the Goods mentioned above is depend on the international supply market. In order to maintain this capability sustainable in internal and external development of skilled labor, the international procurement practice must be efficient and effective. It needs an exceled procurement procedure, systems and guidelines to fulfill the demand of goods and services of End User with right quality, with right quantity, from right

supplier at the right time. As this research was planned and the researcher tries to look for previous studies on this specific and similar title and area of study few are found.

4.1. Studies in Ethiopia

Yonas (2014) conducted a study on procurement process of Addis Ababa Water and Sewerage Authority. The study used descriptive research design and quantitative and qualitative data analysis. The findings of the study showed that the authority has no any procurement strategy and policy. As a result, the researcher recommended that senior managers should protect the department staff from the misperceptions of the procurement department and assist the department to avoid the corruption process with little adverse effect. The department with the involvement of the senior manager should revise the procurement process and evade the unnecessary stage and bureaucratic steps to make the organization material flow effective. Moreover, the internal controlling system should be revised to be more in effect

Yirga (2011) conducted a study on public procurement reforms in Ethiopia. The objectives of the study were giving a better insight about the challenges and prospects of the public procurement system and assess the nature and system of public procurement practices and the underlying factors that hinder public procurement activities in Ethiopia. The study was designed as descriptive unstructured interviews have been conducted with different stakeholders. In addition, the researcher uses different secondary data. Consequently, the results of this study showed that a significant achievement has been made in reforming the Federal Government's procurement system. Recommendations in the study are suggested including strengthening the capacity of the Public Procurement Agency's workforce, making the legislation more comprehensive; work with different stakeholders like the civil society organizations and the media on insuring transparency and combating corruption.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the methodological approach which will apply in the thesis and it will give insight into data collection methods, the main sources of information, data analysis.

3.1 Research Approach

Kothari (2004), “Quantitative research is based on the measurement of quantity or amount and applicable to phenomena that can be expressed in terms of quantity”. Qualitative research is fundamentally interpretive; this means that the researcher an interpretation of the data. This includes developing description of an individual setting, analyzing data for themes or categories, and finally making an interpretation or drawing conclusions about its meaning. This study used a mixed approach that is combination of qualitative and quantitative approach.

3.2 Research Design

The research design of the study employed a mixed research method in which both quantitative and qualitative data are used. A research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information. A research design provides a framework or plan of action for the research Kothari, (2004).Mainly mixed approach is used to provide strength that offset the weakness of both quantitative and qualitative research, since the main purpose of the study to make an assessment on the purchasing practices in ethio telecom, the descriptive design is appropriate to this study. Descriptive research is aimed simply at describing phenomena and is not particularly concerned with understanding why a behavior is the way it is, Adams &et al (2007).

3.3 Data sources and Data Collection Instruments

In order to achieve the study objectives the researcher has used both primary and secondary data.

3.3.1 Primary data source.

To get the required information and data for this study, Primary data were collected through well-structured questionnaire, interview and observation were used. It includes close ended

questions. This instrument of data collection is quite popular, particularly in case of big enquiries Kothari, (2004).

3.3.2 Secondary Data Source

The secondary data were collected from the company's work processes, Company's reports, policies, procedures, forms, other documents and also from different literatures on the area.

3.4 Population

The target population of this research were consisted those individuals who are working in Sourcing Department. Based on the company's headcount report as of May, 2019 it has 95 Permanent employees in Sourcing Department at head quarter of the company with four hierarchical levels i.e., 1 Director, 5 managers, 7 Supervisors & 82 Staffs. The first two levels are classified as management group whereas the last two levels are categorized as non-management group.

3.5 Sampling Procedure

3.5.1 Sampling Size

The sample size was 76 respondents out of a target population of 95 sourcing and supply division. To determine the sample size, a formula of Yamane (1997) was used. The researcher has used this formula to calculate the sample sizes and meet the 95% confidence level. The formula to find the sample size is:

$$n = \frac{N}{1 + (N * e^2)}$$

Where;

N= population size

e= Tolerance at desired level of confidence, take 0.05 at 95% confidence level n= sample size.

How the formula is used is shown below

$$n = \frac{95}{(1 + (95 * 0.05 * 0.05))}$$

$$n = 76$$

3.5.2 Sampling Technique

For the purpose of this study, the sampling technique preferred to use a purposive sampling method from non-probability technique to gather data both from questionnaires and interview. Purposive sampling is selected based on the knowledge of the population and the purpose of the study. The subjects are selected based on some characteristics, Kothari, (2004). For the purpose of this study, the out of the total population of the company which fulfills the research purpose is at headquarter, the sample draw from headquarter from the whole sourcing and facility employee, it is because the headquarter it has a great experience in the area of procurement practices most of the goods and services of telecommunication purchases. The number of employees relevant to the research objectives is 95 who work in four sections. 100% of the subject i.e. 95 is taken from the sourcing and facility division. Out of which 89 (94%) are staffed and 6 (6%) are members of the division at different managerial levels. Therefore, the choice of Purposive sampling, sometimes referred as judgmental by the researcher enabled to have adequate representation of all groups can be ensured.

3.6 Data Collection Instrument

In advance prepared semi- structured interview and structured questioner has been ready in English. After official permission was secured from concerned officials, interview and or questioner was conducted in order to collect the required data from respondents in a face to face interview sessions arranged with the schedules of the respondents. Secondary data was also collected from reports, manuals.

3.7 Data Analysis and presentation

The data analysis is managed in a proper and systematic manner of the research methods. This is done using qualitative and quantitative data analysis technique. The data collected was checked by the researcher on daily bases for incompleteness or inconsistency. For incompleteness or inconsistency corrections has been made by returning back to the respondent's, data entry was managed using predesigned worksheets to minimize error during entry. Data has checked for validity and reliability. The worksheet is created using the data type and size. Statistical packages of data analysis tools also used in to get the required analysis results for the study and the result presents using tables, charts and appropriate data presentation tools.

3.7.1 Qualitative Analysis

The qualitative data generated from the study guide were categorized in themes in accordance with research objectives and reported in narrative form along with the quantitative presentation. The qualitative data has been used to reinforce the quantitative data.

3.7.2 Quantitative Analysis

Quantitative data analyzed through the use of frequency distribution and mean scores. These analyses were used to address specific objectives with the help of Statistical Package for Social Science (SPSS 20) the findings were presented in the form of percentages, frequency distribution tables, bar charts, and pie charts. The data were summarized according to the study's specific objectives.

3.8 Validity and Reliability test

Reliability and validity address issues about the quality of the data and appropriation of the methods used in carrying out the research.

3.8.1 Validity test

Validity refers to the extent to which an instrument measures what is supposed to measure. Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable Joppe (2000). The content of validity of the data collection instrument was determined through discussing the research instrument with the researcher experts in the field of study

especially the researcher's supervisor. The valuable comments, corrections, suggestions given by the research experts assisted the validation of the instrument

3.8.2 Reliability test

Reliability refers to the consistence, stability, or dependability of the data. A reliable measurement is one that if repeated a second time gives the same results as it did the first time. If the results are different, then the measurement is unreliable Mugenda (2008). To measure the reliability of the data collection instruments, an internal consistency technique using Cronbach's alpha was used Mugenda (2008). Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalization .An alpha coefficient of 0.75 or higher indicated that the gathered data are reliable as they have a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population Mugenda (2008). As shown in table 3.1 the overall Cronbach's alphas coefficients for expected scale item are 0.81. Therefore, the expected scales used in this study demonstrate high reliability. The following Table shows the SPSS result of the Cronbach Alpha

Table 3.1 Reliability statistics of the instrument

Cronbach's Alpha	No. Of Items
0.81	76

Source – Own Survey data 2019

3.9 Ethical consideration

Data collection has been undertaken after permission is obtained from the concerned body. Study participants will be asked for verbal consent before being asked for any information and written and informed verbal consent were obtained from every study participant. The objectives of the study will be explained for every participant and they were asked to give information only after they give their consent. No person obliged to participate in the study without his/her consent. The information provided by each respondent will be kept confidential. Study subjects will be fully authorized to withdraw from the study at any time of their involvement. Interview

of study subjects has been made in a way to maintain their privacy. Moreover, any information that can be perceived as spoiling the goodwill and the reputation of the company under study is will not include the report of the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

The objective of this chapter is to presents, analyzes, and interprets the data obtained from the primary and secondary data sources. The primary data was obtained from the questionnaire and interview which is designed to collect the necessary data to answer the research questions from the respondents who are directly related to the international procurement process.

For the purpose of this study, data were collected through questionnaires and semi-structured interviews, and the next step was to analyze the collected data and to present the results.

The questionnaires were distributed to 71 respondents, purposively selected who have jobs directly related to foreign procurement Out of 71 questionnaires distributed, 60 questionnaires were returned completed, making the response rate 84.5 % and interview was conducted to each five section managers of focused respondents who directly participate in the process of international procurement,

Table 4.1: Demographic characteristic of respondents

Item Description	Category	Frequency	Percentage
Gender	Male	39	65 %
	Female	21	35 %
	Total	60	100 %
Age	20-29	55.4	55.4 %
	30-39	41.5	41.5 %
	40-49	3.1	3.1 %
	Total		100 %
Position	N-5	47	79 %
	Specialist	9	15 %
	N-4	6	6 %
	Total		100 %
Working Experience	Under 2 years	4	4 %
	3 to 5 years	15	15 %
	6 to 10 years	29	29 %
	11 to 15 years	9	9 %
	Over 15 years	5	5 %
	Total		100 %

Table 4-1 shows the summary of respondents demographic factors accordingly, Item 1 of the table indicates out of the gender allocation of the sample of respondents from the sourcing department employees which the research was conducted. As depicted in **table 4-1** 65% were male, while the remaining 35% comprised of female respondents. This implies that there is a gender disparity showed in the company.

Item-2 of the table Concerning age status, 55.4% of the employees are between the age of 20 and 29, and the other 41.5% are between 30 and 39. Furthermore, 3.1% of the employees are at the age of 40 or above, This indicates that the department is staffed with young and energetic employees. In other words, most of the employees are belonging to the productive age group.

Item-3 of the table is regarding the sample of respondents from the sourcing department employees which the research was conducted. As depicted in table 4-1 79% were N5, 15% were comprised of Specialist N-4 and 6 % were supervisor (N-4) respondents.

Item-4 of the table regarding the working experience or service year of the respondents in the organization .it indicates that 4 % of the respondents have been working in the organization for under 2 years, 15 % for 3 to 5 years, 29 % have been working 6 to 10 years, 9 % have been working 11 to 15 years and 5 % over 15 years. Therefore, the majority of the respondents have been working 6 to 10 years in the organization, so, this is significant for the soundness of the data that is provided by the respondents since those who have stayed more in the organization know more about it and one can safely assume they could provide precise information.

Frequency Distribution of Overall purchasing process of the department

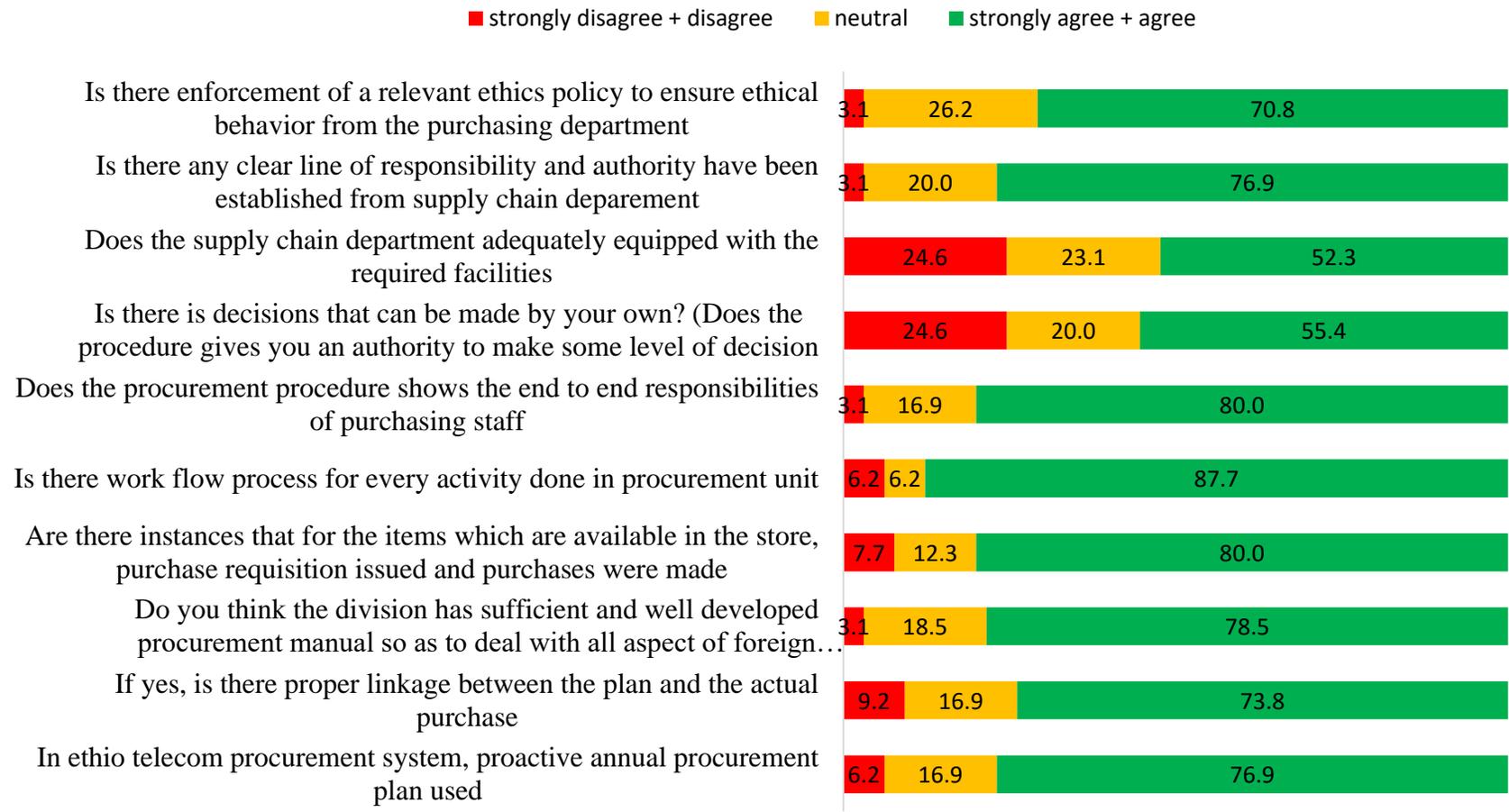


Figure 4.1 Frequency Distribution of Overall purchasing process of the department

The above figure shows that 80 up to 87.7% of the respondents strongly agree that there instances that for the items which are available in the store, purchase requisition issued and purchases were made and workflow process for every activity done in

procurement unit as well as the procurement procedure shows the end to end responsibilities of purchasing staff. However, respondents' strongly disagree + disagree on decisions that can be made on your own? (Does the procedure gives you an authority to make some level of decision and the department adequately equipped with the required facilities. They were represented by 24.6 % respectively.

On this result of study tried to see if there is an association with age and Work experience.¹Mostly, the result has no significant correlation with age because the p-value is greater than 0.05. Whereas, it has a weak downhill (negative) linear relation with education level. This means that when the participant's level of education increases and the of Overall purchasing process of the department reamining constant

Table 4.2 Spearman correlation test on Overall purchasing process of the department against age and work experience

		Overall purchasing process of the department (aggregate mean)
Age on scale	Correlation Coefficient	.203
	Sig. (2-tailed)	.105
	N	65
Ranking order Work experience	Correlation Coefficient	.159
	Sig. (2-tailed)	.207
	N	65

¹ *The analysis made as per the Spearman correlation requirement, the dependent variable is in scale measurement, the independent variable age on scale measurement and education level in ranking order format*

Table - 4.3: Frequency Distribution of Performance Assessment of the Purchasing Department

Frequency Distribution of Performance Assessment of the Purchasing Department	strongly disagree	disagree	neutral	agree	strongly agree	Total	strongly disagree + disagree	neutral	strongly agree + agree
There is a proper linkage between the organization mission, vision, strategic objectives and values with your department strategic objective	0	1.5	24.6	46.2	27.7	100.0	1.5	24.6	73.8
Purchasing management is perceived as a systematic process of improving organizational performance	1.5	4.6	7.7	60.0	26.2	100.0	6.2	7.7	86.2
The department has clear goals and objectives	3.1	3.1	18.5	49.2	26.2	100.0	6.2	18.5	75.4
There are job descriptions for purchasing staff members, including qualifications required	6.2	3.1	12.3	52.3	26.2	100.0	9.2	12.3	78.5
Does the management evaluate your performance based on the FIVE RIGHTS of purchasing? (right quality, right quantity, the right price, right time and right source)	4.6	12.3	27.7	47.7	7.7	100.0	16.9	27.7	55.4
The procurement unit regularly conducts market surveys to update their knowledge of usual sources and prices for the required products	9.2	23.1	27.7	33.8	6.2	100.0	32.3	27.7	40.0
There are incentives to encourage efficient and prompt purchases	23.1	29.2	15.4	26.2	6.2	100.0	52.3	15.4	32.3
Average	6.8	11.0	19.1	45.1	18.0	100.0	17.8	19.1	63.1

Table 4.3 above indicates the performance Assessment of the Purchasing department. Accordingly respondents strongly agree and agree by 73.8 % up to 86.2 % that there is a proper linkage between the company strategic objectives with division aims, assumed that the division has clear goals and objectives and a well-stated job descriptions for purchasing staff members, including qualifications, however most respondents assumed that the department has no made regular market surveys to bring up-to-date their knowledge of usual sources and prices for the required products and service and there are no incentives to encourage efficient and prompt purchases by 32.3 and 52.3 % respectively The procurement strategy should be aligned with the corporate strategy and its objectives. This will ensure that the efficient procurement methods are also defined in the corporate strategy which will help with measuring and monitoring the effectiveness of procurement (Monczka, 2008). Regarding the performance measures Patrick Kakwezi and Sonny Nyeko also concluded that organizations with established performance measures for their procedures, processes, and plans experience lower customer dissatisfaction and employee turnover than those which do not have. This can be done by establishing clear rules and procedures within the procurement processes.

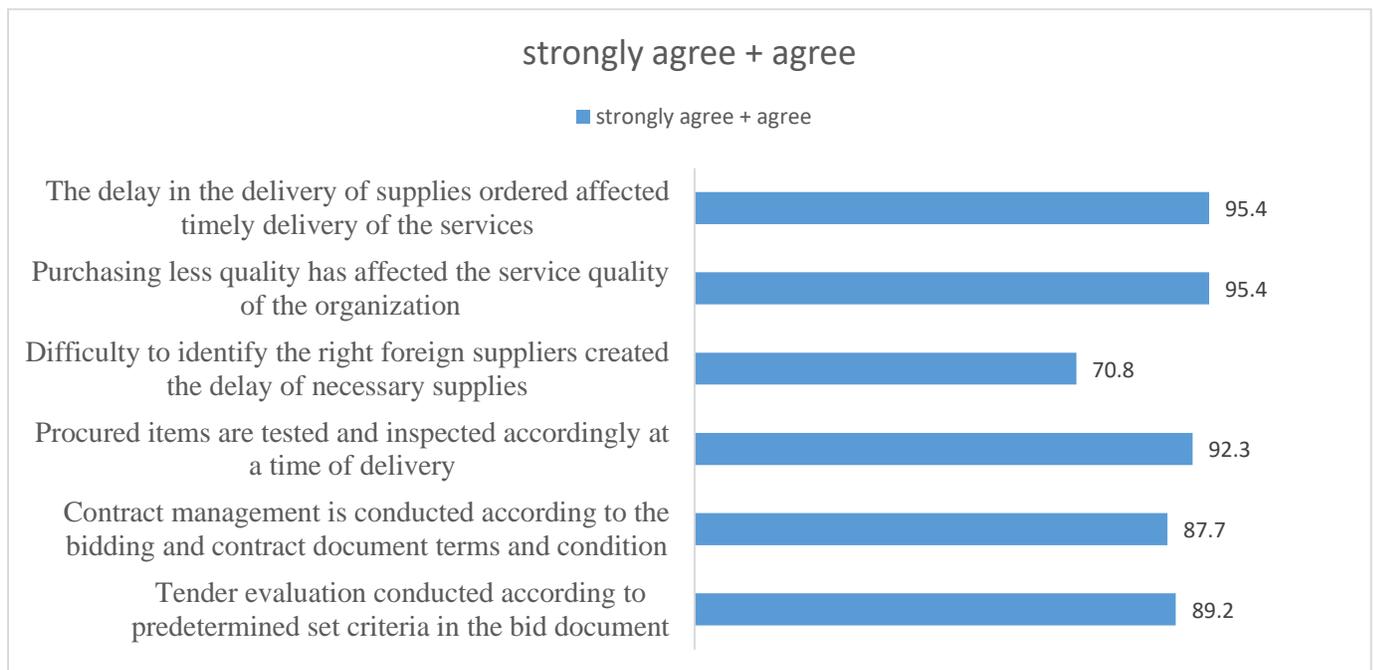
Similarly result of study tried to see if there is an association with position and Work experience² Particularly, the result has no significant correlation with age because the p-value is greater than 0.05. Whereas, it has a weak downhill (negative) linear relation with position and a moderate downhill (negative) respectively. This means that when the employee level of position and work experience increases and the performance assessment of the purchasing department decrease on a very low level and vice versa. The details is providing below table.

² *The analysis made as per the Spearman correlation requirement, the dependent variable is in scale measurement, the independent variable position on scale measurement and work experience level in ranking order format*

Table 4.4: Spearman correlation test on Performance Assessment of the Purchasing Department

		Performance Assessment of the Purchasing Department (aggregate mean)
Position on scale	Correlation Coefficient	-.347**
	Sig. (2-tailed)	.005
	N	65
Ranking order work experience	Correlation Coefficient	-.419**
	Sig. (2-tailed)	.001
	N	65

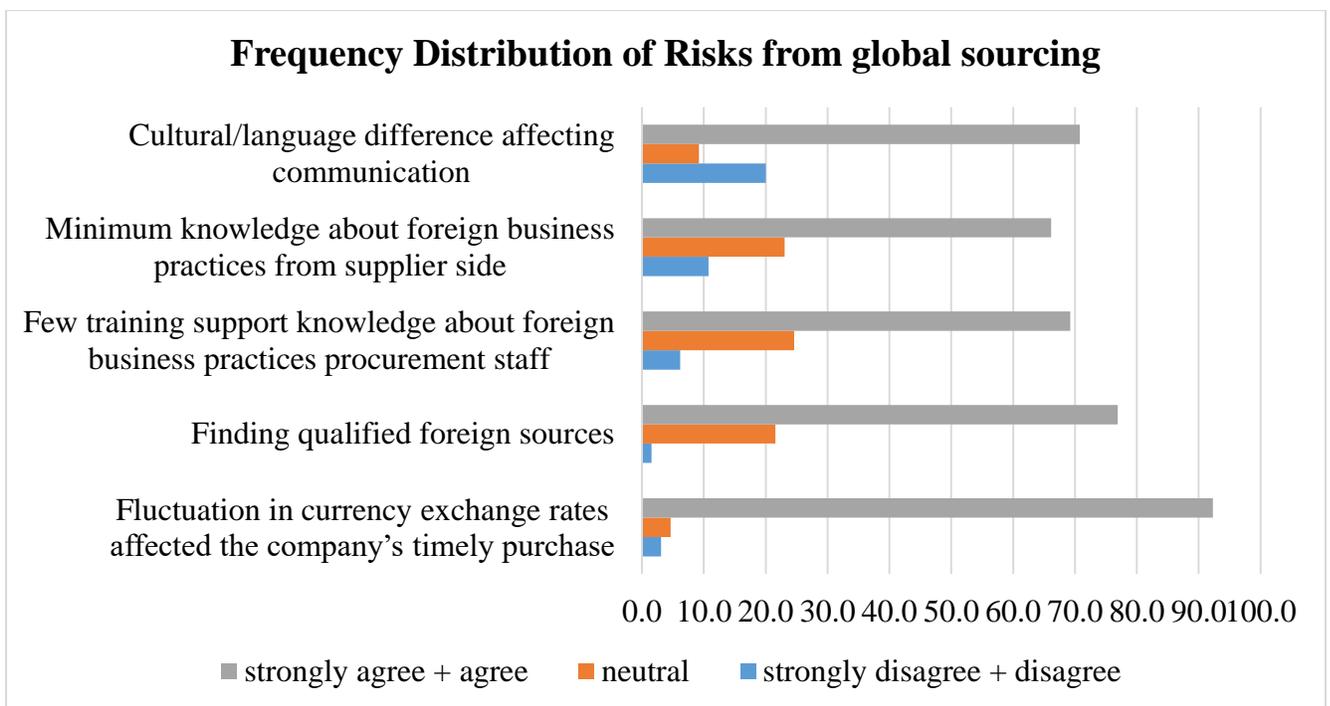
Figure 4.2 Frequency Distribution of purchasing policy procedure



As indicated on **figure 4.2**, the majority of respondents which accounts with the highest 95.4 %, 92.3 and 70.8% in the least replied that delay in delivery of well-affected in time provision of the service, lesser quality has affected the service, difficult to identify the right foreign supplier

respectively. however the majority of respondents strongly agree by 97.3 %, 87.7% and 89.2 %also stated that Procured items are tested and inspected accordingly at a time of delivery, Contract management is conducted according to the bidding and contract document terms and condition and tender evaluation conducted according to predetermined set criteria of bid document correspondingly.

Figure - 4.3: Frequency Distribution of Risks from global sourcing



As indicated in **figure 4.3** the analysis the focus is on global sourcing risks that affect the implementation of international procurement of ethiotelecom. And, based on the questionnaire the magnitude of the global sourcing challenges or risks that affect the international procurement practice of ethiotelecom is analyzed.

As **figure 4.3** illustrates above that from the total respondent's 27.7% of the respondents strongly agreed that fluctuation in currency exchange rates to 64.6% to a moderate extent meanwhile their collective score is at large extent by 92.3%, finding qualified foreign sources is affecting the organization to a small and a very small extent by 43.1 % and 33.8% respectively. On the other

hand, 69.2 % of the respondents agreed that lack of training supported knowledge about foreign procurement from procurement staff influences the practice. Lack of knowledge about foreign business practices from the supplier's side responded by the respondents 66.2% to a moderate extent, Regarding cultural/language differences, between countries, economic respectively affects the global procurement system of ethiotelecom to a moderate extent.

Among the global sourcing risks a lack of knowledge about foreign business practices from procurement staff and cultural/language differences respectively has a very moderate extent effect in the international procurement practice of ethiotelecom. It can be understood that the main challenges from global sourcing risks which are affecting the global procurement practice of ethiotelecom are finding qualified foreign sources, fluctuation in currency exchange rates, Though, among the global sourcing risks lack of knowledge about foreign business practices from supplier side, deficiency of responsiveness about foreign business practices from procurement staff and cultural/language difference has little effect on the global procurement process of ethiotelecom Procurement practices.

Table - 4.4: Frequency Distribution of Role of User Department

Frequency Distribution of Role of User Department	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total	Strongly disagree + disagree	Neutral	strongly agree + agree
User department understanding of Purchasing policy and procedure	6.2	30.8	23.1	35.4	4.6	100.0	36.9	23.1	40.0
User department knows whom to contact in the purchasing department to resolve purchasing issues	0.0	24.6	20.0	35.4	20.0	100.0	24.6	20.0	55.4
User department have enough knowledge to prepare a procurement plane and cost estimation	13.8	21.5	33.8	21.5	9.2	100.0	35.4	33.8	30.8
The user departments requisition is prepared with clear requirements or product specification	21.5	27.7	21.5	26.2	3.1	100.0	49.2	21.5	29.2
The team member technical knowledge regarding Goods/services for which he/she is assigned to purchase in collaboration with the purchaser	10.8	24.6	12.3	44.6	7.7	100.0	35.4	12.3	52.3
Cooperate with the purchasing department if there is a discrepancy in goods delivered	0.0	13.8	23.1	60.0	3.1	100.0	13.8	23.1	63.1
The responsiveness of ethio telecom's user departments in accelerating foreign procurement activities	15.4	10.8	35.4	36.9	1.5	100.0	26.2	35.4	38.5
Average	9.7	22.0	24.2	37.1	7.0	100.0	31.6	24.2	44.2

As shown in the **table 4.4** above, 8 items were used to measure the level of agreement on the user department role in the purchasing process. Accordingly, the group average value of users role from the purchasing staff perspective is 31.3%, which is interpreted as a user play a very poor role in the purchasing process. Specifically, related to the User department understanding of purchasing policy

and procedure 40% and the user departments requisition or product specification 49.2 %, a clear indication of problems reflected in the purchasing process such as formulation of the vendor-specific product. Meanwhile, there is a high cooperativeness with the purchasing department if there is a discrepancy in goods delivered by 60%. Arij Jan van Weele indicates that Product specifications should be stated in objective terms; they should not reflect a preference for a certain supplier. Every industrial buyer should, therefore, be alert that in technical drawing and specifications no reference is made of certain supplier product-code, or specific brand or product names. Despite the overall fact regarding the user role in the purchasing process it is revealed they have a good collaboration with the purchasing team during the bidding process which only reflects individual willingness and cooperation with the purchasing staff.

The result was tested by spearman correlation against the respondent position and work experience .even though the result has no significant correlation with work experience; it has with the position level of respondents. The correlation is a moderate downhill (negative) linear relationship. This shows that the study has a weak inverse relationship with position level. The details are provided below.

Table 4.5: Spearman correlation test on Performance Assessment of the Purchasing Department

		Performance Assessment of the Purchasing Department (aggregate mean)
Position on scale	Correlation Coefficient	-.471**
	Sig. (2-tailed)	.000
	N	65
Ranking order work experience	Correlation Coefficient	-.142
	Sig. (2-tailed)	.259
	N	65

4.2 Major Findings from Interview Responded by supply chain sourcing department managers

Knowing that the foreign procurement is a vast and highly complex activity compared to local procurement activities, ethiotelecom has developed sourcing procedure that support & facilitate the execution of foreign procurement activities. Having this, the researchers have developed interview questions & interviewed the five respective domain sourcing managers: about the main problems in the foreign procurement process from the end user side, the main problems in the foreign procurement process from your staff and organization, reflection on global sourcing challenges affect ethiotelecom and if so, to what extent, reflection on suppliers regarding supplying goods and services according to the contract? If no what are the reasons in your opinion and reflection on stakeholders about the well performing on the procurement process? If no what are the challenges?

4.2.1 What are the main problems in the foreign procurement process from your staff and your organization?

As respondents responded, the organization lacks adequate and well-trained manpower. Further, the organization has some efficiency problems starting with tender preparation until goods and services are received, and the contract is closed. E-procurement and marketing research was not practiced in facilitating international procurement practice. Besides due to the open bid process in every foreign procurement there is no supplier's list register. Equipping staff with the required skills to come up with the dynamics of foreign purchases. Interviewees also noted that lack of training module specific to purchasing staff makes the enhancement of skills to put in to practice. The manager's concern aligned with user department response to purchasing staff skills against the department requirement and their technical knowledge of goods/service that might procure in their respective domain. According to Gelderman and Van Weele (2005), the argument there is a broad consensus today than ever that procurement professionals require a variety of skills for making effective decisions, that is, skills necessary to plan; a monitor; implement; foster relevant relationships and management of risks. This implies the inefficiency of the purchasing

department in attaining its basic functions. The weakness of interdepartmental integration is also mentioned as a major problem for the department.

4.2.2 Do you think global sourcing challenges affect your organization and if so what extent?

A majority of the respondents responded the finding can conclude that the foreign procurement of ethiotelecom were affected by global sourcing challenges such as difference in legal systems, fluctuation in foreign currency, political and environmental changes, availability of right suppliers and sources, lack of adequate knowledge about international business practices from procurement staff, lack of logistic support for dangerous goods, were the major challenges affecting the organization in foreign procurement practice.

4.2.3 Do you think your suppliers are supplying goods and services according to the contract? If no what are the reasons in your opinion?

Almost all cross-examined managers responded to the level of performance from the supplier's side in on-time delivery, requesting repetitive reasons on payment and specification of items supplying quality products much to be desired.

4.2.4 Do you think your stakeholders are well performing on the procurement process? If no what are the challenges?

As all the responses from the respondents that from bank side it took a long time to get foreign currency, Dalliance on a commodity team assignment, allocating of expertise and swift response on clarification request and final goods inspection work .from supplier side dalliance on-time delivery of goods which is got caught them in liquidation damage penalty.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

Based on the data presented and analyzed in the earlier chapter, the study used primary data using questionnaires, interviews and secondary data reviewing including ethiotelecom procurement manuals finding from both sources revealed that the foreign practice of ethiotelecom has gaps and inefficiency Thus, presents conclusions, major findings of the study, and recommendations based on the findings as follows, the researcher also recommends the study for further studies.

5.1 Summary of the Major Findings

To gather information for the paper, primary sources including structured questionnaires, interviews and observations were used, and also secondary sources including procurement, manuals, and reports were revised. Both the primary and secondary sources revealed that international procurement practice has faced lots of challenges that impact its efficiency and effectiveness.

As Thorough analysis of the foreign purchasing practice summarized and revealed the major challenges encountered. The major findings are summarized as:

- ❖ Quality of purchased items is not only limited to fulfilling the specification, but it also meant lasting long serving the intended purpose. The principle of procurement securing the 5R's, i.e., the right quality, right quantity, right sourcing, right price, and the right timing, could not be ensured in the real practice for it is not possible to recognize or ensure by almost all levels of decision makers. The director of the sourcing and supply department stated that ethiotelecom had challenges of ensuring the quality of purchased items which is directly related to the specification initial set for the items which were not clear. In addition, specifications become unclear when the specification submitted by the requesting unit is either too long, complex or to vender specified with inadequate information and biased to specific products.
- ❖ There is no training to procurement staff that develops awareness about the global procurement practice and activities in order to update themselves in all matters.
- ❖ End Users organizational structure isn't conducive in getting responses on time. The experts and professionals are found in different locations and departments. As a result, End Users

response to clarifications requests is more often weak. Inspecting for delivered goods and services is presented late.

- ❖ Like the survey, the result depicts that, ethio telecom's procurement staffs have no adequate knowledge in all respective areas with respect to the company's sourcing procedure and technical knowledge for the respective procured goods. This implies that there is an indication of the knowledge gap in these areas that need to be properly addressed by the company. In addition, ethio telecom's procurement staff did not possess satisfactory negotiation and communication skill to effectively deal with suppliers.
- ❖ The survey result reveals that the company's procurement staffs teamwork spirit and cooperation moderately cohesive which warrants some sort of improvement; as foreign procurement activities need high teamwork and cooperation among staffs for the efficient undertakings of foreign procurement activities
- ❖ According to the finding, it is common many suppliers ask technical clarification requests after award and contract signature. They also delay in presenting of performance bond after award notification and signing of a contract
- ❖ To the extent, delivered goods and services are not according to the contract in the functionality and quality of the goods.

5.2. Conclusion

- ✚ Procurement planning is one of the most important steps in the any procurement cycle. The procurement plan is expected to list all the requirements that are under the responsibility of a particular procurement entity and that are expected to be procured over a period of time the organization, where the study was conducted procurement plan is not fully prepared and the plan is failed short to be presented based on the standard and on appropriate time.
- ✚ A precise specification of the physical characteristics, quality, or desired outcomes of a commodity to be procured should be formulated as accurately and precisely, which a supplier must be able to produce or deliver to be considered for award of a contract the study revealed that there is a problem in preparing clarified and complete specifications
- ✚ This study found that process of procurement starts from need identification where users submit their input for the procurement plan. The acquisition unit supply through ad or request

for quotation supported the results show during need identification there is problem of request for particular item even though the material is in store and that the purchase need does not reach to purchasing department on time.

- ✚ As the survey result portrays that, ethiotelecom's procurement staffs have no adequate knowledge in all respective areas with respect to company's sourcing procedure and technical knowledge for the respective procured goods. This implies that, there is an indication of knowledge gap on these areas that need to be properly addressed by the company. In addition, ethiotelecom's procurement staffs did not possess satisfactory negotiation and communication skill to effectively deal with suppliers.
- ✚ According to the result the policy and procedure of procurement process lacks clarity so as to indicate the end-to-end responsibilities of purchasing staffs and management.
- ✚ The result of the finding indicates that there is little evidence of a proper forecasting process that would help procurement personnel to plan purchases. The absence of a forecast leads to high inventories and logistics costs and increases the risk of obsolescence

5.3. Recommendations

In order to alleviate the problems that were identified by the study, the following recommendations were forwarded

- **Creating opportunities for acceptable coaching and capability building programs to procurement employees and user professionals.**

So as to maximize final user's performance in making ready well outlined and up-to-date procurement specifications, preparation of annual acquisition requisition on time and on the planned manner, conducting receiving, inspecting, making coaching opportunities and capability maximization programs is important. If adequate and acceptable coaching is given to the procurement employees and end Users, the bargaining power of the sourcing department are raised. The training shall specialize in world procurement practices and procedures per international trade practices.

The training program ought to be continuous considering technological and environmental changes.

➤ **High stress ought to incline to technical specification preparation by end users.**

If a good /service to be procured well given from the start a lot of time value and energy are reduced. Requesting units and therefore the acquisition team has got to provide attention to specifications of products to be bought. The procurement units should consult technical persons to review the requests and therefore the specifications before forwarding the approved request to the sourcing department.

➤ **The operational procurement employees ought to build up from a distinct field of study.**

As per the finding, most of the acquisition employee's personnel were business graduates and that they are less knowledgeable technical matters of refined product to be procured. so as to assist in developing well-organized acquisition specifications, to create sound technical evaluations and to handle completely different clarification request simply and timely, the research worker recommends the sourcing department ought to build its operational employees from completely different field of study like from technology study space, communication fields therefore on.

Given that the commodity team purchasing mechanism is used, a synergy of company's working units should take place through organizing formal training and or workshops for those target groups to create awareness on purchasing department objective, procedure and department's role towards the achievement of the overall company's objective.

➤ **Establishing long term mutually benefiting relationship with reliable suppliers**

By getting into an agreement (master frame agreement /MFA) over one year so as to avoid the suppliers' intent of providing less quality things, cheating on quality purchases and delayed deliveries.

Finally, as this analysis failed to absolutely address all areas of the company's procurement practice, the researcher suggest that any research must be conducted specially associated with the position of buying unit as a set of sourcing management therefore on gain the specified value from the general chain and to explore additional insight so as to recommend possible areas of improvement required to put in place by the company's management to reinforce the effectiveness of foreign procurement performance.

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APPENDIX I



ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES SCHOOL OF BUSINESS

Questionnaire to be filled by: Employees and Managers of the Sourcing Department, ethio telecom

Dear Respondents

My name is Biniyam Seifu and the questionnaire is designed by a graduate student from St. Mary's University to conduct a study in partial fulfillment of a master's degree program in General Business Administration. As part of the requirement for the award of the degree, I am expected to undertake a research study on Assessment of foreign procurement Practices and challenges the case of ethio telecom. I'm therefore, seeking your assistance to fill the questionnaires attached. The attached questionnaire will take about twenty minutes to complete. Please kindly answer all the questions.

The outcome of this study will enhance knowledge on analysis of Assessment of foreign procurement Practices and challenges in ethio telecom. Participation in this study is voluntary, and all who participate will remain anonymous. Your name is not needed. All information offered will be treated confidentially, and the results will be presented in such a way that no individuals may be recognized.

Thank you in advance for the available information you are sharing and the precious time you are going to spend for this purpose

General Instruction

1. Please indicate your response by circling the numbers in the column using the following rating scale (Likert Scale) on the answer that best reflects your view.
2. Please be notified that 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

Part I – Demographic Information

1. Gender:

- (A) Male (B) Female

2. Age

- (A) Less than 20 (B) 20-29 (C) 30-39 (D) 40- 49 (E) 50 and above

3. Educational Background:

- (A) Certificate (B) College Diploma (C)BA/BSc
(D) Masters (E) Above

4. Work Experience:

- (A) Under 2 years (B) 3 to 5 years (C) 6 to 10 years
(D) 11 to 15 years (E) over 15 years

5. Position

- (A) Staff (N-5) (B) Specialist (N-4)
(C) Supervisor (N-4) (D) Manager (N-3)

If any other Please specify_____

Part 2 Overall purchasing process of the department

#	STATEMENT	SCALE				
		1	2	3	4	5
2.1	In ethio telecom procurement system, proactive annual procurement plan used	1	2	3	4	5
2.2	Is there proper linkage between the plan and the actual purchase	1	2	3	4	5
2.3	Do you think the division has sufficient and well developed procurement manual so as to deal with all aspect of foreign procurement process	1	2	3	4	5
2.4	Are there instances that for the items which are available in the store, purchase requisition issued and purchases were made	1	2	3	4	5
2.5	Is there work flow process for every activity done in procurement unit	1	2	3	4	5
2.6	Does the procurement procedure shows the end to end responsibilities of purchasing staff	1	2	3	4	5
2.7	Is there is decisions that can be made by your own? (Does the procedure gives you an authority to make some level of decision	1	2	3	4	5
2.8	Does the supply chain department adequately equipped with the required facilities	1	2	3	4	5
2.9	Is there any clear line of responsibility and authority have been established from supply chain department	1	2	3	4	5
2.10	Is there enforcement of a relevant ethics policy to ensure ethical behavior from the purchasing department	1	2	3	4	5

Part 3 Performance Assessment of the Purchasing Department

Note: Performance Assessment is conducted with the interaction of employee and supervisor for evaluating the extent to which the desired behavior and results are met during the specific period of performance review.

1 = Strongly Disagree 4 = Agree 2 = Disagree 5 = Strongly Agree 3 = Neutral

#	STATEMENT	SCALE				
		1	2	3	4	5
3.1	There is proper linkage between the organization mission, vision, strategic objectives and values with your department strategic	1	2	3	4	5

#	STATEMENT	SCALE				
	objective					
3.2	Purchasing management is perceived as systematic process of improving organizational performance	1	2	3	4	5
3.3	The department has clear goals and objectives	1	2	3	4	5
3.4	There are job descriptions for purchasing staff members, including qualifications required	1	2	3	4	5
3.5	The management evaluates your performance based on the FIVE RIGHTS of purchasing? (right quality, right quantity, right price, right time and right source)	1	2	3	4	5
3.6	The procurement unit regularly conducts market surveys to update their knowledge of usual sources and prices for the required products	1	2	3	4	5
3.7	There are incentives to encourage efficient and prompt purchases	1	2	3	4	5

Part 4 purchasing policy procedure

To what extent do you agree procurement procedure influence procurement performance in the organization?

1 = Strongly Disagree 4 = Agree 2 = Disagree 5 = Strongly Agree 3 = Neutral

#	STATEMENT	SCALE				
4.1	Tender evaluation conducted according to predetermined set criteria in the bid document	1	2	3	4	5
4.2	Contract management is conducted according to the bidding and contract document terms and condition	1	2	3	4	5
4.3	Procured items are tested and inspected accordingly at a time of delivery	1	2	3	4	5
4.4	Difficulty to identify the right foreign suppliers created the delay of necessary supplies	1	2	3	4	5
4.5	Purchasing less quality has affected the service quality of the	1	2	3	4	5

#	STATEMENT	SCALE				
	organization					
4.6	The delay in the delivery of supplies ordered affected timely delivery of the services	1	2	3	4	5

Part 5 Risks from global sourcing

To what extent the following global sourcing challenges affect the implementation of international procurement of your organization?

1 = Strongly Disagree 4 = Agree 2 = Disagree 5 = Strongly Agree 3 = Neutral

#	STATEMENT	SCALE				
5.1	Fluctuation in currency exchange rates affected the company's timely purchase	1	2	3	4	5
5.2	Finding qualified foreign sources	1	2	3	4	5
5.3	Few training support knowledge about foreign business practices procurement staff	1	2	3	4	5
5.4	Minimum knowledge about foreign business practices from supplier side	1	2	3	4	5
5.5	Cultural/language difference affecting communication	1	2	3	4	5

Part 6 Role of User Department

1 = Strongly Disagree 4 = Agree 2 = Disagree 5 = Strongly Agree 3 = Neutral

#	STATEMENT	SCALE				
6.1	User department understanding of Purchasing policy and procedure	1	2	3	4	5
6.2	User department knows whom to contact in purchasing department to resolve purchasing issues	1	2	3	4	5
6.3	User department have enough knowledge to prepare a procurement plane and cost estimation	1	2	3	4	5
6.4	The user departments requisition is prepared with clear requirements or product specification	1	2	3	4	5
6.5	The team member technical knowledge regarding Goods/services for which he/she is assigned to purchase in collaboration with the purchaser	1	2	3	4	5
6.6	Cooperate with the purchasing department if there is a discrepancy in goods delivered	1	2	3	4	5
6.7	The responsiveness of ethio telecom's user departments in accelerating foreign procurement activities	1	2	3	4	5

APPENDIX II

Interview question to managers of Supply Chain division

It includes Supply Chain division Director, technical sourcing- 1 manager and technical sourcing- 2 manager, contract and negotiation manager and Suppliers relation manager.

1. What are the main problems in the foreign procurement process from the end user side?
2. What are the main problems in the foreign procurement process from your staff and your organization?
3. Do you think global sourcing challenges affect your organization and if to what extent?
4. Do you think your suppliers are supplying goods and services according to the contract? If no what are the reasons on your opinion?
5. Do you think your stakeholders are well performing on the procurement process? If no what are the challenges?