

# **St. Mary's University College**

**Business Faculty  
Department of Management**

**ASSESSMENT OF CHALLENGES AND  
EFFECTS OF SUPPLY CHAIN OF COFFEE IN  
THE CASE OF OROMIA COFFEE FARMERS  
COOPERATIVE UNION**

**BY  
MIHRETU MULISA**

**February, 2012**

**SMUC**

**ADDIS ABABA**

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COOPERATIVE UNION**

**A SENIOR RESEARCH SUBMITTED TO THE  
DEPARTMENT OF MANAGEMENT.  
BUSINESS FACULTY  
ST. MARY'S UNIVERSITY COLLEGE**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF BACHELOR OF ART IN  
MANAGEMENT**

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# **Acknowledgments**

First of all praise to the Almighty God for giving me strength to accomplish this senior research. In addition to this, I would like to give special thanks to my devoted advisor Biruk G/Michael. that he has helped me so much, it gives me a great pleasure to acknowledge my colleague and best friend Habte Hundesa for his incredible support on the process of conducting this research. W/ro Nekemt and Ato Zekarias are the one who take the lion share credit on providing remarkable and relevant document.

I am grateful to all of you, and to all people and friend who supported me in ideas and many situations. God bless you all.

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# **ABBREVIATIONS**

*OCFCU:* Oromia Coffee Farmers Cooperatives Union

*SCM:* Supply Chain Management



# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Background of the Study**

Marketing is the creative management function which promotes trade and employment by assessing consumer needs and initiating research and development to meet them. It coordinates the resources production and distribution of goods and services and determined and directs the nature and scale of the total efforts required to sale maximum production to the ultimate user (Pillai & Bagavathi, 2005:107).

Marketing and innovations are the two basic functions of all businesses. The world is dynamic, change is permanent. Change is the essence of life. Changing a business on the basis of requirements of customers, new products, new methods etc is more important than running a business more efficiently. The behavior and demand of customers keep on changing, taking this into consideration, in order to maintain a market share successfully; one should adopt the changing preferences, changing styles, changing fashions, etc. A market share of a firm is the source of information to the top management for taking decision on operation. The information is the basis on which decisions will be taken by the management.

A market share generates revenue to firms. It is a way through which a firm fulfills its motives. Development of market share is possible in local and world market. Generally speaking, market share leaders make more money than their lamer competitors. They enjoy scale economies and higher brand recognition. There is a bandwagon effect, and first time buyers have more confidence in choosing the company's products.

One of the core variables for the significant dominance of a company is having a sustainable supply chain with, its suppliers.

Oromia Coffee Farmers Cooperative Union (OCFCU) Ltd. is owned by democratically organized coffee farmer's cooperatives in the region of Oromia, one of the largest regional states in Ethiopia.

OCFCU is established on June 1, 1999 by 34 coffee cooperative societies representing 22,691 members. It has now grown to 197 cooperative societies representing 194,586 farmer households. The union and its member cooperative societies got 60 pulperies, 26 hulleries and 75 warehouses. Annual coffee production potential is 234,970 tones, cultivated on 313,613 ha.

OCFCU has got ten years of coffee export experience to USA, Europe, Japan, Australia, Jeddah and Canada. It also has got certifications and traceability for:

- ☞ Organic certified coffees,
- ☞ Fair trade certified coffees,
- ☞ Organic and fair trade certified coffees,
- ☞ Conventional coffees with traceability to the cooperative level,

The union is established with the objective of:

- ☞ Improving farmers' income by selling their coffee for better prices,
- ☞ To improve and maintain the qualities, productivity and sustainability of coffee production,
- ☞ To enable farmers' negotiation power for better price and stabilize the local market,
- ☞ To assist coffee communicates in providing social services such as schools, health centers and clean water etc . . .

Hence, for a union established with such objectives needs to upgrade and maintain the sustainability of the inflow of coffee so as to fulfill the achievement of the objectives in the export market.

## **1.2. Statement of the Problem**

As it is mentioned earlier in the introduction, a market share is used as a way for generation of revenue, as well as being helpful in fulfilling a firm's motive, not to forget being a source of information for decision making. Some market leaders have made fortunes in a high growth market of the industries they are engaged in. Once a market accepts some firm's brand as the standard, that firm begins to enjoy increasing volume and returns.

Therefore, OCFCU, to increase its volume and returns, creates enabling environment for primary cooperatives affiliated to the union to increase the volume of coffee for export in such a way that::

- ☞ By providing credit for working capital,
- ☞ By giving training to farmers on coffee quality, management,
- ☞ By assisting in maintenance of coffee industries,
- ☞ By giving credit for new coffee washing stations,

In the area of capacity building:

- ☞ Accomplish the ongoing construction and establishment of its own one coffee processing, cleaning and grading plant and one warehouse of 5000 Mt capacity in Addis Ababa.
- ☞ It is restructuring and widening its organizational structure to enable it handling the increasing volume of activities.

The main challenge in accomplishing these activities is inadequate supply of coffee to the union from its member cooperatives to meet the demand of export market.

There are about 197 primary cooperatives affiliated to the union an expected to deliver both washed and sundered coffee adequately to the union for export market. However, because of the following limitations they could not supply coffee production as it has to be:

- ☞ Inadequate working capital,
- ☞ Management problem of primary cooperatives,
- ☞ Unable to be cost effective in coffee purchase process and handling,
- ☞ Aging of coffee industries which have been owned by cooperatives for the last 30 years. As a result they incur high cost of maintenance with high down hours as well as working under capacity.

### **1.3. Research Questions**

This research has tried to answer the following basic research questions:-

- ☞ What are the main challenges of coffee supply chain?
- ☞ Which area of the value chain is mainly influenced?
- ☞ Does the union have convenient strategies designed for the implementation of the solutions?
- ☞ What is recommended for a long lasting & consistent supply chain attainment?

## **1.4. Objective of the Study**

### **1.4.1. General Objective**

The general objective of this research was to assess the major challenges of OCFCU'S coffee supply chain so as to get rid of them to increase the coffee volume and to ensure its sustainability.

### **1.4.2. Specific Objectives**

The specific objectives of this research were:-

- ☞ To identify sources of problems that affect the supply chain of coffee,
- ☞ To examine the area of value chains,
- ☞ To identify convenient strategies for implementation of solutions,
- ☞ To give recommendation for sustainable supply chain.

## **1.5. Significance of the Study**

This research was conducted with the assumption of contributing the following importance:-

- ☞ The union will benefit from this study through identifying the challenges of the supply input coffee and having a breakthrough for further (better) performance in the export market,
- ☞ The primary cooperatives will benefit from this study by using the given solutions and recommendations to mitigate the bottlenecks of coffee process and supply.

☞ This research paper can be useful for other researchers in being a reference for further studies.

☞ It can be an experience for the student researchers as well as encouragement for conducting further studies.

## **1.6. Scope (Delimitation) of the Study**

The research have been undertaken only at the union's bureau (the head office) located specifically around Dukem, where the targeted respondents were occupied. In terms of time, the research was designed to be concluded within four to five months. It has specifically focused on the challenges and effects concerned with the supply chain in which the flow of coffee from the suppliers to the union is maintained.

## **1.7. Research Design and Methodology**

### **1.7.1. Research Design**

A descriptive research design was employed for the purpose of undertaking the study, using quantitative and qualitative research method with structured questionnaires forwarded to the response options that have been predetermined.

### **1.7.2. Population & Sampling Technique**

Depending on the location of the different divisions & departments in the organizational structure i.e. some of the departments are located where the primary cooperatives exist around different areas in the region of Oromia while the rest are located in the head office at Dukem. Therefore, the research was conducted at the different departments which

consist 20 staff members located at the head office. Hence, all staff members were taken as a population for the study, and census was used.

## **Sampling Technique**

Since the population is small in size and few in number, i.e. the population under study was staff members and the departments at the head office that consist a sum of 20 individuals. A simple random sampling technique has been used for the collection of data and questionnaires were forwarded to all the 20 staff members taken as sample.

### **1.7.3 Types of Data Used**

For the effectiveness of the study, both primary and secondary data have been used. The primary data were gathered from predetermined respondents from the union. In addition to this secondary data from books, magazines, research papers, and brochures have been collected.

### **1.7.4 Method of Data Collection**

The data for this study were collected mainly using questionnaires. The questionnaires were distributed to some departments located only at the head office. Questionnaires obtaining both open ended & with alternatives were forwarded to the respondents.

### **1.7.5 Method of Data Analysis**

The data gathered are analyzed in quantitative approach. The analysis is done by using a tabular form for interpreting the data in quantitative manner. In addition to this the numbers in the tables are further interpreted in words.

## **1.8 Limitations of the study**

This Research paper faced some difficulties during the time of the study. The head office being located outside Addis Ababa made it difficult for the collection of data because of its distance & inconvenient transportation which affected the research in terms of time & finance. On top of this some departments being scattered around the different regions of Oromia made them difficult to reach, so the study was conducted only at the head office.

In addition to these, the top managers of the union could not be reached due to their continuous trip to abroad. Therefore it is unable to conduct interview for additional data collection.

## **1.9 Organization of the Study**

The organization of the research is categorized in four groups or chapters. The first chapter is all about the introduction part i.e. the background of the study, methodology of the study, scope of the study and objective of the study. The second chapter states review of the related literature, the third chapter is about the analysis and interpretation of the data gathered. The fourth and the final chapter is dealing with summarizing, making conclusions and suggesting recommendations.



## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 What is supply chain?**

A supply chain consists of all parties involved, directly or indirectly. In fulfilling a customer request, the supply chain not only includes the manufacture and suppliers, but also transporters, ware houses, retailers, and customers themselves within each organization. The supply chain includes all functions involved in receiving and filling a customer request. These functions include, but are not limited to, new product development, marketing operations, finance, and customer service. A supply chain is dynamic and involves the constant flow of information, product, and funds between different stages (Chopra and Meindl, 2006: 4).

The primary purpose for the existence of any supply chain is to satisfy customer needs in the process of generating profits for itself. Supply chain activities begin with a customer order and end when a satisfied customer who has paid for his or her purchase. The term supply chain conjures up images of product or supply moving from suppliers to manufactures to distributors to retailers to customers along a chain. It is important to visualize information, funds, and product flows along both directions of this chain (Chopra and Meindl, 2006: 4).

The supply chain encompasses all activities associated with the flow of the transformation of goods from the raw materials stage (extraction), through to the end user as well as the associated information flow both up and down the supply chain.

## **2.2 Supply Chain Management.**

Supply chain management (SCM) is the integration of the above activities through improved supply chain relationships, to achieve a sustainable competitive advantage. If we consider an individual firm within the context of this definition, we must include both its upstream supplier network and its downstream distribution channel. In this definition, the supply chain includes the management of information systems, sourcing and procurement, production scheduling, order processing, inventory management, warehousing, customer service, and after-market disposition of packaging and materials. The supplier network consists of all organizations that provide inputs, either directly or indirectly, to the focal firm (Chopra and Meindl, 2006: 5).

The beginning of a supply chain inevitably can be traced back to “Mother Earth”, that is, the ultimate original source of all materials that flow through the chain, e.g. iron ore, coal, petroleum, wood, etc.). Supply chains are essentially a series of linked suppliers and customers; every customer is in turn a supplier to the next downstream organization until a finished product reaches the ultimate end user.

It is important to note that from the focal firm’s perspective, the supply chain includes internal functions, upstream suppliers, and downstream customers. A firm’s internal functions include the different processes used in transforming the inputs provided by the supplier network (Handfield & Nichols, 2006: 15).

Supply chain management was a phrase first coined to describe the range of activities coordinated by an organization to procure and manage supply. Initially the term referred to an internal focus bounded by a single organization & how they sourced and procured supply, managed their internal inventory and moved goods on to their customers. The original focus was later extended to examine not simply the internal management of chain. It was recognized that this was inadequate and that the reality in managing

supplies meant that supply chains extended beyond the purchasing organization and into the suppliers and their supplier's supplier. Additionally it is recognized that the organization may have a customer who has other customers where their suppliers are incorporated into other products or bounded in a particular way to provide to a different product (Hines, 2004: 70).

Why is managing a supply chain seen as important? First, customers have so much choice nowadays from an enormous field of competitors that delay in supply means delays for the customers who probably are not willing to wait when they can obtain the same or similar substitute product elsewhere. Second, perhaps when we realize that the average retailer's balance sheet has inventories worth over 50% of the total value of assets it brings the issue into focus. Third, the average manufacturing company spends over 50% of every sale on raw material, components and maintenance repair operations purchase, and then it becomes crystal clear why managing a supply chain is so significant (Hines, 2004: 70).

## **2.3 The Objective of a Supply Chain**

The objective of every supply chain is to maximize the overall values generated. The value a supply chain generates is the difference between what the final product is worth to the customer and the effort the supply chain expends in filling the customer's request. For most commercial supply chains, value will be strongly correlated with supply chain profitability, the difference between the revenue generated from the customer and the overall cost across the supply chain. Supply chain profitability is the total profit to be shared across all supply chain stages. The higher the supply chain profitability, the more successful the supply chain would be. Success should be measured in terms of supply chain profitability and not in terms of the profits at an individual stage.

Having defined the success of a supply chain in terms of supply chain profitability, the next logical step is to look for sources of revenue and cost. For any supply chain, there is only one source of revenue: the customer. All flows of information, product or funds generate costs within the supply chain. Thus, the appropriate management of these flows is a key to supply chain success. Supply chain management involves the management of flows between and among stages in a supply chain to maximize total supply chain profitability.

The objective of a supply chain should be to maximize the overall value generated. The value a supply chain generates is the difference between what the final product is worth to the customer and the costs the supply chain incurs in filling the custom's request (Chopra and Mendel, 2007: 5).

## **2.4 Decision Phases in a Supply Chain**

Successful supply chain management requires many decisions relating to the flow of information, product, and funds. These decisions fall into three categories or phases, depending on the frequency of each decision and the time frame over which a decision phase has an impact.

**Supply chain strategy or design:** During this phase, a company decides how to structure the supply chain over the next several years. It decides what the chain's configuration will be, how resources will be allocated. And what processes each stage will perform, strategic decisions made by companies include the location and capacities of production and warehousing facilities, the products to be manufactured or stored at various locations, the modes of transportation to be made available along different shipping legs, and the type of information system to be utilized. A firm must ensure that the supply chain configuration supports its strategic objectives during this phase.

Decisions regarding the location and capacity of manufacturing facilities, warehouse, and supply sources are all supply chain design or strategic decisions. Supply chain design decisions are typically made for the long term (a matter of Years) and are very expensive to alter on short notice. Consequently, when companies make these decisions, they take into account uncertainty in anticipated market conditions over the next few years (Chopra and Meindl, 2006: 6).

**Supply chain planning:** for decision made during this phase, the time frame considered is a quarter to a year. Therefore, the supply chain's configuration determined in the strategic phase is fixed. This configuration establishes constraints within which planning must be done. Companies start the planning phase with a forecast for the coming year (or a comparable time frame) of demand in different markets. Planning includes decisions regarding which markets will be supplied from which locations, the subcontracting of manufacturing, the inventory policies to be followed, and the timing and size of marketing promotions. Companies in the planning phase try to incorporate any flexibility built into the supply chain in the design phase and exploit it to optimize performance. As a result of the planning phase; companies define a set of operating policies that govern short-term operations (Chopra and Meindl, 2006: 6).

**Supply chain operation:** The time horizon here is weekly or daily, and during this phase companies make decisions regarding individual customer orders. At the operational level, supply chain configuration is considered fixed and planning policies are already defined. The goal of supply chain operations is to handle incoming customer orders in the best possible manner, During this phase, firms allocate inventory or production to individual order met a data that an order is to be filled, generate pick lists at a warehouse, allocate an order to a particular shipping mode and shipment, set delivery schedules of trucks, and place replenishment orders. Because operational decisions are being made in the short term (minutes, hours, or days), there is less uncertainty about demand

information. Given the constraints established by the configuration and planning policies, the goal during the operation phase is to exploit the reduction of uncertainty and optimize performance.

The design, planning and operation of a supply chain have a strong impact on overall profitability and success (Chopra and Meindl, 2006: 7).

## **2.5 Supply chain strategies**

A supply chain strategy determines the nature of procurement of raw materials, transition to provide the service, and distribution of the product to the customer, along with any follow-up service from a value chain perspective. Supply chain strategy specifies what operations distribution and service will try to do particularly well. Additionally, in each company, strategies will also be devised for finance, accounting, information technology, and human resources.

Supply chain strategy includes what many traditionally call supplier strategy, operations strategy, and logistics strategy. Decisions regarding inventory, transportation, operating facilities, and information flows in the supply chain are all part of supply chain strategy.

The value chain emphasizes the close relationship between all the functional strategies within a company. Each function is crucial if a company is to profitably satisfy customer needs. Thus, the various functional strategies cannot be formulated in isolation. They are closely intertwined and much fit and supports each other if a company is to succeed (Chopra and Meindl, 2006: 29).

## **2.6 Supply Chain Relationship**

Of the primary activities associated with supply chain management, relationship management is perhaps the most fragile and tenuous, and is therefore the most susceptible to breaking down. A poor relationship with any link in the supply chain can have disastrous consequences for all other supply chain members. For example, an undependable source of parts can virtually cripple a plant, leading to inflated lead times and results in problems across the chain, all the way to the final customer.

To avoid such problems, organizations must develop a better understanding of their processes, as well as their suppliers' quality and delivery performance in order to find better ways to serve their customers. To ensure that this occurs, communication links with suppliers must be established and utilized on a regular basis. In short, supply chain relationships are probably one of the most important management interfaces within the entire supply chain (Handfield & Nichols, 2006: 67).

Nevertheless, many organizations continue to view suppliers (and even customers!) as adversaries who are not to be trusted and with whom long term relationships should be avoided. This model is reflected in the typical procurement and logistics function found in many organizations. In many cases, materials management is considered a separate "solo" activity, and personnel have little or no process communication with other internal functions, suppliers, or customers. Many of these individuals want to maintain the status quo, are protective of their "turf" and focus on individual transactions rather than on establishing and maintaining an ongoing set of supply relationships. Finally, most purchasing and logistics departments have a manufacturing and supply orientation, with almost no input into critical new-product design, pipeline inventory reduction, quality improvement, information systems, or process reengineering initiatives. Buyers and

distribution managers in many purchasing organizations choose suppliers and carriers on the basis of one criterion only-price.(Note that this criterion does not include other factors that account for the “total cost”, but rather reflects only the bottom-line price, which includes both the supplier’s/carrier’s cost and profit.) As such, suppliers/carriers are often played off against one another, are dropped on a moment’s notice, and are chosen from a large pool on an order-by-order basis (Handfield & Nichols, 2006: 68).

An increasing number of organizations are attempting to develop closer relationships with their major suppliers, and even their suppliers’ suppliers. Given the dependency of firms on supplier performance, some organizations are adopting strategies that can help foster improvement, including greater information sharing between parties and the visible presence of “Co-destiny” relationships. The latter refers to the commitment of time. In such cases, the focal firm makes a set of long-term strategic decisions focusing on improved supplier/carrier relationships. As the degree of trust between the purchasing firm and its suppliers becomes firmly entrenched, a smoother flow of both materials and information between the organizations within the supply chain occurs.

The contrary scenario, observed in many situations, is one in which the focal firm generally distrusts its suppliers, provides “shaky” schedules, and maintains high levels of inventory to safeguard against the possibility of being crossed. Such adversarial supply chain strategies do not consider the long term. It is surprising that given the benefits observed from establishing closer buyer-supplier relationships, many supply chain managers continue to adopt an adversarial, open-market view of suppliers (Handfield & Nichols, 2006: 69).



A key element of improved supplier relationships is the presence of an objective performance measurement system, which is used to ensure that both parties are operating according to expectations and are meeting stated objectives. In addition, parties must emphasize clear objectives, expectations, and potential sources of conflict up front in order to facilitate communication and joint problem solving. As a result of this communication trust between buyers and suppliers begins to grow, leading to further improvements (Handfield & Nichols, 2006: 70).

At the other end of the spectrum, power in a broad array of channels has market place, the manufacture and the intermediaries must be nimble and quick or face the prospect of losing market share. To effectively implement integrated supply chain management, however, a relationship based on mutual benefits and trust must exist. This means that downstream buyers must also be good “customers”. Major customers must provide supply partners with the information they need to be responsive, deliver on time, and meet performance expectations. The improvement of supply chain relationships occurs through a great deal of communication and problem-solving activities between organizations are also beginning to hold supply chain, that meet on a regular basis. Such councils can provide top materials management executives with directives and insights regarding changes in policies, information systems and standards, and other suggestions that can effectively remove costs from the supply chain and eliminate non-value-added processes (Handfield & Nichols, 2006: 70).

As the level of communication between customers and suppliers increases, parties often witness greater informal information sharing. Managers and engineers from supplying organizations may be invited to customer facilities to encourage a dialogue leading to improvements in the supplying process. Firms may share different types of production and forecasting data, including product-level and part-level material requirements planning schedules. Companies may even begin to share cost data in order to identify

non-value added drivers (such as rework, scrap, excess inventory, etc.), which could be reduced through joint efforts (Handfield & Nichols, 2006: 72)

## **2.7 Coordination**

Supply chain coordination improves if all stages of the chain take actions that together increase total supply chain profits. Supply chain coordination requires each stage of the supply chain to take in to account the impact its actions have on other stages.

A lack of coordination occurs either because information moving between stages is delayed and distorted. Different stages of supply chain may have conflicting objectives if each stage has a different owner. As a result, each stage tries to maximize its own profits, resulting in actions that often diminish total supply chain profits (Chopra and Meindl, 2007: 497).

Each stages of the supply chain, in trying to optimize its local objective, takes action that end up hurting the performance of the entire supply chain. Lack of coordination also results in information distortion occurs within the supply chain (Chopra and Meindl, 2007: 525).

A key obstacle to coordination in the supply chain is misaligned incentives that result in deferent stages optimizing local objectives instead of total supply chain profits. Other obstacle include lack of information sharing, operational inefficiencies leading to a large replenishment lead times and large lots, sales force incentives that encourage forward buying, promotions that encourage forward buying and a lack of trust that makes any effort toward coordination difficult. (Chopra and Meindl, 2007: 525).

Managers can help achieve coordination in the supply chain by aligning and incentives across different functions and stages of the supply chain. Other actions that managers can take to achieve coordination include sharing of sales information and collaborative forecasting and planning, implementation of a single point control of replenishment,

improving operations to reduce lead time lot sizes and other strategies that limit forward buying and building of trust and strategic partnership within the supply chain (Chopra and Meindl, 2007: 525).

## **2.8 Partnership and trust within supply chain**

A trust-based relationship between two stages of a supply chain includes dependability of the two stages, and the ability the each stage to make a leap of faith. Trust involves a belief that each stage is interested in the others' welfare and will not take actions without considering their impact on the other stages. Cooperation and trust within the supply chain help improve performance for the following reasons.

1. When stages trust each other, they are more likely to take the other party's objective into consideration when making decisions.
2. Action-oriented managerial levers to achieve coordination become easier to implement. Sharing of information is natural between parties that trust each other. Similarly, operational improvements are easier to implement.
3. An increase in supply chain productivity results, either by elimination of duplicated effort or by allocating effort to the appropriate stage.
4. A greater sharing of detailed sales and production information results. This sharing allows the supply chain to coordinate production and distribution decisions. As a result, the supply chain is better able to match supply and demand, resulting in better coordination (Chopra and Meindl, 2007, 511).

## **2.9 Supplier Development & Evaluation**

Supplier development is any activity undertaken by a purchaser to improve a supplier performance and or capabilities to meet the purchaser's short and long term supply needs. Organizations rely on a variety of activities to improve supplier performance, including sharing technology, providing incentives to suppliers for improved performances, instigating competition among suppliers through activities such as training (Monczka and Trent and Robert, 2005: 283).

Direct involvement of personnel is undoubtedly the most challenging of supplier development. Not only must internal management must and employees be convinced that investing company resources in a supplier is a worthwhile risk, but the supplier must also be convinced it is in their best interest to accept direction and assistance. Even if a mutual understanding of the importance of supplier development is reached, there is still the matter of making it happen. Effective supplier development requires the commitment of financial, capital and human resources, skilled personnel, sharing of timely and accurate information between the purchaser and supplier, and timely performance measurement (Monczka and Trent and Robert, 2005: 283).

Supplier Evaluation is very important to monitor & asses the supplier's overall performance. The purpose is to enhance the relationship and thereby control performance (Burt, Starling and Dobler. 2004: 492).

## **2.10 Value Chain**

A Value chain is a linear map of the way in which value is added by means of a process from raw materials to finished delivered products (including services after delivery (Lyson and Farrington, 2004: 101).

Value chain analysis is concerned with detailed examination of each subsystem in a supply chain & every activity within these subsystems with a view to delivering maximum value at the last possible total cost here by enhancing value throughout the entire chain (Lyson and Farrington, 2004: 106).

A cost advantage can also be gained by reconfiguring the value chain, so that it is significantly different from those of competitors. Such reconfigured chains can drive from differing production processes automation, direct instead of indirect sales, new material or distribution channels and shifting the location facilities relative to suppliers & customers (Lyson and Farrington, 2004: 107).

A firm differentiates itself from its competitors when it provides something unique that is valuable to buyers beyond simply offering a new price. A differentiation advantage can be obtained either by enhancing the sources of uniqueness or reconfiguring the value chain (Lyson and Farrington, 2004: 108).

## **2.11 Challenges Facing Supply Chain Managers**

The integrated management of information and materials across the supply chain offers the benefits of increasing the value-added by supply chain members, reducing waster, reducing cost, and improving customer satisfaction. However, deploying and managing this strategy is a challenging and significant task.

The process of implementing an integrated supply chain has been shown to be very difficult. In many cases, problems occur in the implementation of information systems, such that the appropriate information is not available to the people who need it. In other cases, the information is available, but supply chain members are reluctant to share it, due to a lack of trust and a fear that the information will be revealed to competitors.

Inventory management is no less difficult. Although inventory systems are continuously improving, the need for expediting late shipments never seems to disappear entirely. There are always delays in shipments for a variety of reasons: slowdowns resulting from customs crossing international borders, adverse weather patterns, poor communication, and of course, simple human error, are inevitable. With the double-edged sword of lower inventory levels and increasing demand for improvements in fill rates and on-time delivery, the management of inventory throughout a supply chain becomes an increasingly complex and demanding task. Finally, establishing trust between parties in a supply chain is perhaps the greatest challenge. Legal experts may produce reams of contractual agreements that fail to work when parties inevitably have a conflict. Conflict management in inter organizational relationships is becoming increasingly difficult to manage. Having broken the fragile bond of trust, it becomes more difficult to repair, and some supply chain relationships eventually buckle under the strain.

The challenge of integrating information requirements and inventory flows across multiple tiers of supply and customers is proving to be immense (Handfield & Nichols, 2006: 12)

A company should have ability to find a balance between responsiveness and efficiency that best matches the needs of the customer. In deciding where these balances should be located on the responsive spectrum, companies face many obstacles.

On one hand these obstacles have made it much more difficult for companies to create the idea balance. On the other hand, they have afforded companies increased opportunities for improving supply chain management. Managers need a solid understanding of the impact of these obstacles because they are critical to a company's ability to reap the maximum profitability from its supply chain (Chopra and Meindl, 2006: 63).

- **Increasing Variety of Products**

Product proliferation is rampant today. With customers demanding ever more customized products manufactures have responded with mass customization and even segment of one market. Products that were formerly quite generic are now custom made for a specific consumer .The increase in product variety complicated the supply chain by making forecasting and meeting demand much more difficult. Increased variety tends to raise uncertainty, frequently results in increased cost and decreased responsiveness within the supply chain.

- **Decreasing Product Lifecycles**

In addition to the increasing variety of product types, the life cycle of products has been shrinking. Today there are products whose life cycle can be measured in months compared to the old standard of years. These are not just niche products, either. This decrease in product life cycles makes the job of achieving strategic fit more difficult as the supply chain must constantly adapt to manufacture and deliver new products in addition to coping with these products' demand uncertainty. Shorter life cycles increase uncertainty while reducing the window of opportunity with in which the supply chain can achieve fit. Increased uncertainty combined with a smaller window of opportunity has put additional pressure on supply chains to coordinate and create a good match between supply and demand (Chopra and Meindl, 2006: 64).

- **Increasingly Demanding Customers**

Customers are constantly demanding improvements in delivery lead times, cost and product performance. If they do not receive these standard price increases-not due to a rise in demand or any other factor, but simply because raising prices was the way business was done. Now, one repeatedly sees companies that cannot force through any price increases without losing market share. Today's customers are demanding faster fulfillment, better quality, and better performing products for the same price they paid years ago. This tremendous growth in customer demands (not necessarily demand) means that the supply chain must provide more just to maintain its business (Chopra and Meindl, 2006: 65).

- **Globalization**

Over the last few decades, governments around the world have loosened trade restrictions, which have resulted in a dramatic trend toward increased global trade. This increase in globalization has had two main impacts on the supply chain. It adds stress to the chain because facilities within the chain are farther apart, making coordination much more difficult.

The second impact of globalization on the supply chain is increase in competition. If there were not many companies offering to satisfy customer's needs, then individual companies could take more time firms aggressively pursuing their competitors' business. This competitive situation makes supply chain performance, a key to maintaining and growing sales while also putting more strain on supply chain and thus forcing them to make their trade-offs even more precisely.



- **Difficulty Executing New Strategies**

Creating a successful supply chain strategy is not easy. Once a good strategy is formulated, however, actually executing the strategy can be even more difficult. Companies have figured it out the difficulty other firms have had is in executing that strategy. Many highly talented employees at all levels of an organization are necessary to make a supply chain strategy successful. Hence, one should keep in mind that skillful execution of a strategy can be as important as the strategy itself.

All of the obstacles discussed earlier making it more difficult for companies to achieve strategic fit by creating the proper balance between responsiveness and efficiency in the supply chain. These obstacles also represent a tremendous opportunity in terms of untapped improvement within the supply chain. The increasing impact of these obstacles has led to supply chain management becoming a major factor in the success or failure of firms (Chopra and Meindl, 2006: 66).

## **2.12 Sustainable Supply Chain**

As companies increasingly move their supply basis to emerging economies, they may be exposed to increasing risk of supply disruptions. Such disruptions could be the result of natural disasters, but could also be a result of suppliers going out of business or changing their line of business. As emerging economies are going through rapid changes in their socioeconomic development, the risks of such disruptions underestimated. This is especially the case when we are talking about emerging economies in underdeveloped countries. By now emerging economies such as Africa are still going through significant political and social transformations. Sourcing from these countries could pose a significant risk in the form of stability and sustainability of supply (L.Lee and Y.Lee, 2007: 392).

In industries requiring raw materials that come from natural resources – mining and agriculture for example, many companies do not have a choice but to source from the emerging economies endowed with such resources. In such situations, we need to pay attention to the dimensions of sustainability of supply as a business objective in managing the supply chain. Efficiency in cost and time is simply not sufficient. To assure supply in the long term, the key is that we must invest in the suppliers, giving them assistance and incentives, so that they could be successful in their business, and hence, be sustainable suppliers. Otherwise the cost of not having sufficient supply in the long run, or the cost of having to develop new supply sources could be excessive (L.Lee and Y.Lee, 2007: 392).

To build a sustainable supply chain, companies should help to enable their suppliers to have equitable returns in their business, be sound global citizens of the environment, and have employees whose welfare is improving over time. Hence, building sustainable supply chain would also be a company to be socially responsible (L.Lee and Y.Lee, 2007: 392).

## CHAPTER THREE

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

To find out the main sources of the challenges of coffee supply, questionnaires were prepared & distributed to 20 staff members of various departments who have connection with the coffee suppliers. Among the distributed questionnaires, 12 were completed & returned. Based on these data the following analysis & interpretation is made.

#### 3.1 Background of Respondents

No	Items	No. of Respondents	Percentage distribution
1	Sex Distribution		
	A. Male	6	50%
	B. Female	6	50%
	<b>Total</b>	<b>12</b>	<b>100%</b>
2	Age Distribution		
	A. 20-25	0	0%
	B. 26-30	5	41.7%
	C. Above 30	7	58.3%
	<b>Total</b>	<b>12</b>	<b>100%</b>
3	Level of Education		
	A. Certificate	0	0
	B. Diploma	2	16.7%
	C. Degree	10	83.3%
	D. Other	0	0
	<b>Total</b>	<b>12</b>	<b>100%</b>
4	Year of Service in the Union		
	A. One Years	1	8.3%
	B. Two Years	3	25%
	C. Three Years	0	0
	D. More	8	66.7%
	<b>Total</b>	<b>12</b>	<b>100%</b>

- Item 1 of table 3.1 describes the sex distribution of the respondents i.e. 6 (50%) of them are male and the rest 6 (50%) are female, from these we can see that sex of the respondents is evenly distributed.
- Item 2 of table 3.1 Shows the age distribution of the population i.e. of the total respondents, 5(41.7%) of them aged from 26-30 years where as the rest 7(58.3%) are above 30 years. From this we can understand that all of the respondents are mature enough to give appropriate and valuable answers for the questions forwarded.
- Item 3 of Table 3.1 tries to show the educational level of the respondents. Accordingly, 2(16.7%) of them are diploma holders, and the majority i.e. 10 (83.3%) of them have their first degree. Therefore, as indicated, most of the respondents could have adequate know how regarding to supply chain in terms of their relations with their suppliers.
- Item 4 of table 3.1 identifies the respondents year of service in the union. Hence, only 1 (8.3%) of them worked for one year, 3 (25%) of them worked for two years and the rest and majority of them i.e. 8 (66.7%) worked more than three years, as some of these respondents specifically indicated on the questioner, the year of their service goes from 4 up to 8 years. From these, we can understand that majority of the respondents have longer experience that they would have sufficient know how about their working environment as well as their interaction with the coffee suppliers.

**Table 3.2 Relationship and Coordination.**

<b>No</b>	<b>Items</b>	<b>No. of Respondents</b>	<b>Percentage distribution</b>
1	Degree of level of interaction		
	A. Limited up to Primary cooperatives only	8	66.7%
	B. Goes up to Individual farmers	4	33.3%
	<b>Total</b>	<b>12</b>	<b>100%</b>
2	Rate of communication		
	A. Very close	7	58.3%
	B. Moderate	5	41.7%
	C. Poor	-	-
	D. Other	-	-
	<b>Total</b>	<b>12</b>	<b>100%</b>
3	Existence of Adequate Information		
	A. Yes	11	91.7%
	B. No	1	8.3%
	C. Other	-	-
	<b>Total</b>	<b>12</b>	<b>100%</b>

- Item 1 of table 3.2 shows the extent of interaction of the union with its suppliers. As shown in the table, majority of the respondents i.e. 8 (66.7%) of them indicated the interaction or communication is limited up to the primary cooperatives and the rest 4 (33.3%) said, it goes up to the individual farmers. This shows a poor relationship of the union with the suppliers overall with regard to the importance and positive impact of close relationship.
- Item 2 of table 3.2 tries to indicate the rate of communication in terms of closeness of the union with its suppliers. As a result, 7(58.3%) of the respondents believe the union is very close to its suppliers, whereas, the rest 5 (41.7%) of them believe the closeness of the union with its suppliers is moderate.

In this case, it can be clearly seen that the closeness of the union to the suppliers is not enough in which level of information distortion may increase.

- Item 3 of table 3.2 tries to show whether there is existence of sharing of adequate information between the union and its suppliers or not. Accordingly majority of the respondents i.e. 11 (91.7%) of them responded that there is sharing of adequate information and only one 1(8.3%) respondent said there is no sharing of adequate information. On top of this, this person tried to specify that the primary cooperatives do not get enough information about the price of coffee sales, as a reason for his response.

According to this, there might be adequate information exchange between the union and the supplier, but if this exchange of information doesn't include crucial information like price of coffee sales, it might cripple the overall relationship.

**Table 3.3 Supplier Development.**

<b>No</b>	<b>Items</b>	<b>No. of Respondents</b>	<b>Percentage distribution</b>
1	Is there any supplier development activity? A. Yes B. No C. I Don't Know	11 - 1	91.7% - 8.3%
	<b>Total</b>	<b>12</b>	<b>100%</b>
2	Is there any problem in implementing the supplier development activities? A. Yes B. No C. Other	9 3 -	75% 25% -
	<b>Total</b>	<b>12</b>	<b>100%</b>
3	Is there problem in management body of the primary cooperatives? A. Yes B. No C. I don't Know	8 3 1	66.7% 25% 8.3%
	<b>Total</b>	<b>12</b>	<b>100%</b>
4	If your answer is <b>yes</b> for question no. 3, are there any activities to overcome management problems in primary cooperatives? A. Yes B. No C. I don't Know	6 - 2	50% - 16.7%
	<b>Total</b>	<b>8</b>	<b>66.7%</b>
<b>N.B</b> the rest i.e. 4 (33.3%) answered “No” and “I don't know” for item 3			

- Item 1 of table 3.3 shows that whether there is a supplies development activity is undertaken by the union or not. Hence, majority of the respondents i.e. 11 (91.7%) confirmed the existence of the mentioned activity where as 1 (8.3%) respondent don't know whether there is an activity or not.

Moreover, the respondents tried to specify the activities performed by the union in accordance with an open ended question for warded to them. Therefore accordingly, they mentioned that the union performs activities such as training on quality, fair trade and organic production, assists in establishing of coffee washing factories and providing capacity building such as health center & school.

- Item 2 of table 3.3 identifies if there is a problem in implementing supplier development activities. In this case 9 (75%) of the respondents confirmed the existence of a problem and the rest 3(25%) responded that there is no problem.

This indicates, there have to be jobs to be done to mitigate this problem. Otherwise, designing activities only, if they are not implemented, are a waste of time.

- Item 3 of table 3.3 tries to identify whether there is a problem in management bodies of the primary cooperatives. Therefore 8(66.7%) of the respondents said there is a problem. 3(25%) of them answered a problem does not exist in the management of the primary cooperatives and 1(8.3%) respondent doesn't know whether there is problem or not.

This shows that the union must do a great deal of job towards supplier development. Otherwise, if these problems are not prevented as soon as possible, it endangers supply of coffee.



- Item 4 of table 3.3 tries to find out if there is any activity performed by the union to overcome these management problems in primary cooperatives. 6(50%) of the respondents assured the existence of some activities performed by the union and 2(16.7%) of them don't know whether the union performs an activity to overcome the problem or not.

From this we can understand the union is making a move to overcome the problems. But still implementation is the key.

**Table 3.4 Supplier Evaluation**

<b>No</b>	<b>Items</b>	<b>No. of Respondents</b>	<b>Percentage distribution</b>
1	Is there any strategy towards supplier evaluation?		
	A. Yes	8	66.7%
	A. No	-	-
	B. I don't know	4	33.3%
	<b>Total</b>	<b>12</b>	<b>100%</b>
2	Benchmark for supplier Evaluation		
	A competitors	1	8.3%
	A. Past experience	4	33.3%
	B. Other	3	25%
	C. I don't know	4	33.3%
	<b>Total</b>	<b>12</b>	<b>100%</b>
3	Do you think supplier evaluation support adequate coffee supply?		
	A. Yes	7	58.3%
	B. No	-	-
	C. I don't know	5	41.7%
	<b>Total</b>	<b>12</b>	<b>100%</b>
4	Is there challenge that put effect on supplier Evaluation?		
	A. Yes	6	50%
	B. No	1	8.3%
	C. I don't know	5	41.7%
		<b>Total</b>	<b>12</b>

- Item 1 of table 3.4 shows if there are any formulated strategies towards supplies evaluation so accordingly 8(66.7%) respondents confined the existence of strategies where as the remaining 4(33.3%) of the respondents don't know about the existence of any strategy towards supplier evaluation.

From this, we can understand that the union is doing on encouraging job that supplier evaluation is a key to enhance relationship & there by control performance.

- Item 2 of table 3.4 emphasizes on the benchmarks used by the union towards supplies evaluation and for this 1(8.3%) respondents indicated that competitor are taken as a benchmark, 4(33.3%) of the respondents indicated the union uses its past experiences as a benchmark, 3(25%) of them indicated there benchmarks. And the remaining 4(33.3%) don't know what kind of benchmarks the union uses towards supplies evaluation.

Evaluating suppliers using benchmarks from different dimensions helps the improvement of suppliers in many aspects & increase their knowledge & make them up to date.

- Item 3 of table 3.4 tries to see whether supplier evaluation performed by the union support adequate coffee supply or not. Based on this 7(58.3%) respondents assured that supplier evaluation has a positive effect on adequate coffee supply and the remaining 5(41.7%) don't know the impact.

It's obvious that supplier evaluation support adequate coffee supply. The important thing is that whether the union has the right strategy or not.

- Item 4 of table 3.4 tires to find out if there exist challenges that put effect on supplier evaluation according to this 6(50%) of the respondents confirmed the existence of challenges, 1(8.3%) respondent believes there is no challenge and 5(41.7%) of them don't know whether there is a challenge or not.

In addition to this some of the respondents tired to specify that there are lack of education and professional skills as well as finance problems as their reason or the existence of challenges.

**Table 3.5 Mainly Influenced Value chains**

No	Items	No. of Respondents	Percentage distribution
1	Which Value chain performs biggest takes?		
	A Individual farmers	-	-
	B Primary cooperatives	2	16.7%
	C The union	2	16.7%
	A. All of them	8	66.6%
	<b>Total</b>	<b>12</b>	<b>100%</b>
2	Which value chain is mainly influenced?		
	A. Individual farmers	3	25%
	B. Primary cooperatives	2	16.7%
	C. The union	2	16.7%
	D. All of them	5	41.6%
	<b>Total</b>	<b>12</b>	<b>100%</b>

- Item 1 of table 3.5 tries to indicate, which one of the value chains performs biggest task and based on this 2(16.7%) respondents indicated the primary cooperatives perform bigger task and another 2(16.7%) respondents answered the union is the one who plays the bigger role but majority of the respondents i.e. 8(66.6) indicated that all of the value chains specified (i.e. the individual farmers, the primary cooperatives and the union ) perform equally. This shows that, value added in the different stages of the value chains is equally significant that each value chains are dependent to one another.
- Item 2 of table 3.5 tries to sort out which of the value chains is mainly influenced and according to this 3(25%) of the respondents believes the individual farmers are the ones that are mainly influenced 2(16.7%) said primary cooperatives are mainly influenced, and another 2(16.7) respondents think the union is mainly influenced but the majority i.e. 5(41.6%) believes all the value chains are equally influenced.

From this, we can see that on a single value chain cannot be sorted out as an influential one due to the balanced significant of all stages and being affected by one another.

- And finally the respondents were forwarded an open ended question so that they can suggest a general idea regarding the overcoming of the challenges of supply, depending on this some of them suggested the followings
  - ✚ For lack of professionals or skilled manpower appropriate training should be forwarded.
  - ✚ Capacity building should be done by government and other supporting agencies.
  - ✚ Distributing productive seeds of coffee.
  - ✚ For the individual farmers to increase their coffee production a job needs to be done with the concerned body.

## CHAPTER FOUR

### SUMMARY, CONCLUSION & RECOMMENDATION

#### 4.1. Summary

This research emphasized on identifying the challenges & effects of coffee supply in the case of Oromia coffee farmers cooperatives union, which was conducted at the head office of the union located at Dukem. Descriptive research method was used, where the data collected were interpreted & analyzed in quantitative & qualitative way. The data for the analysis purpose were collected through structured questionnaire, distributed to employees of the union.

All of the targeted respondents are holders of Degree & Diploma and all aged above 25 years. After the analysis and interpretation of the data given by of the respondents, it can be summarized as follows.

- The union's communication with the coffee suppliers is limited with the primary cooperatives (its immediate suppliers) in most cases, and goes up to the individual farmers (its immediate suppliers, suppliers) in few cases.
- In connection with this, the union and the suppliers are not that much close to each other in some conditions.
- Mostly there exist much information exchange between the union & the suppliers but some significant information like the price of coffee sales is delayed or disrupted.
- The union has designed various activities for the development of performances of the suppliers, but it seems there are a problem in executing these activities due to lack of finance & professional and skilled person.

- As the respondents indicated, there is a problem in the management body of the primary cooperatives as one of the challenges that affect supply of coffee.
- The union has some strategies that have been formulated to resolve the problems in the management bodies of the primary cooperatives.
- The union has strategies for the evaluation of its suppliers, and uses various benchmarks for the purpose of undertaking supplier evaluation like past experience, other competitors and international standards.
- Most of the respondents believe that the supplier evaluation strategy that the union uses is appropriate in terms of increasing supply of coffee.
- Although the supplier evaluation strategy supports adequate coffee supply, it faces some challenges on its fulfillment.
- The core value chains in the supply chain i.e. the individual farmers, the primary cooperatives & the union have equal significant role and equally influenced in the supply process.

## 4.2. Conclusion

Based on the above summary the student researcher concluded the following:-

- According to the general characteristics & background of the respondent, it can be concluded that:-
  - ✚ Tasks of the union are undertaken by both types of sexes, and seeing at their ages, they can surely be considered as mature enough and very active in terms of accomplishing their duties and responsibilities.
  - ✚ Majority of the respondents, being degree holders and some being diploma holders, their educational background make them well qualified for their job, additionally their long lasted year of service in the union make them well experienced and familiar with the tasks in their jobs as well as with the interaction of the union with its suppliers.

- As most of the respondents indicated, the extent of interaction of the union with its suppliers is limited to the primary cooperatives, which is not enough. But as few respondents indicated, there might be some occasions that the union's interaction may go up to the individual farmers, but this again is not satisfactory.
- More than half of the respondents indicated that, the union makes closed communication with its suppliers, this is encouraging, but still some respondents believe that the union is not close enough to its suppliers as it should be, rather it has a moderate closeness which shows there are still jobs that have to be done.
- Openness of the union to share adequate information with the suppliers is very encouraging, but still there are some complains, such as the union does not forward information about the price of coffee sales. This intern shadows the openness of the union to the suppliers, because such information regarding the price of coffee is very crucial for the primary cooperatives as well as the individual farmers.
- As indicated in the analysis, there are various supplier development activities performed by the union. This is very vital activity to achieve adequate coffee supply. Nevertheless, the respondents also mentioned there are problems in implementing this activates in action. In this case, activities without implementation are left only as ideas. This hinders the development of suppliers.
- There are some problems mentioned in the management bodies of the primary cooperatives (immediate suppliers of the union). Hence, if these problems could not be tackled as much as possible, the consequence might be disastrous. On the other hand, some respondents indicated that there are activities per formed by the



union to overcome these problems, this is very encouraging if the activities happen to be implemented in action.

- As many of the respondents indicated that the union undertakes strategies to evaluate supplier's performances, this is a very important thing to do, especially for the development of suppliers. In connection with this, it is seen that the union used various benchmarks for supplier evaluation strategy. In this case, in many occasions, the union uses past experiences or performances as benchmarks for evaluation. In some occasions, it uses international standards and in very rare occasions it takes its competitors as a benchmark. Therefore, considering various dimensions to evaluate suppliers can be taken as strength.
- It has been observed that the supplier evaluation strategies have put positive impact on achievement of coffee supply.
- However, there are still challenges that affect the supplier evaluation strategies. This can collapse all the positive activities that have been done, unless or otherwise the union takes immediate action to overcome these challenges.
- Assessing the areas of value chains, it's has been discovered that, in general, all the value chains i.e. the individual farmers, the primary cooperatives, and the union equally play significant role in the supply process as well as are being influenced equally.
- Few but sound suggestions are forwarded by the respondents as a solution for overall challenges of coffee supply, such as; appropriate training, capacity building and distribution of productive coffee seeds.

### 4.3. Recommendation

The main objective of this paper is to sort out the challenges & effects of coffee supply in OCFCU and here by to recommend the possible ideas to overcome these challenges. Hence, depending on what have been analyzed & concluded, the following recommendations are forwarded.

- A poor relationship with any link in the supply chain can have disastrous consequences; therefore, the union must develop closer relationship and better understanding with its suppliers as well as its suppliers' suppliers.
- The union must increase the level of communication with the suppliers so as to ensure that both parties are operating as expectations and are meeting stated objectives.
- A delayed and or distorted information results in lack of coordination & trust. So, the union should develop sharing of accurate & duly information so as to achieve coordination become easier to implement as well as greater sharing of detailed sales information's which allows the supply chain to coordinate operational decisions.
- For the union, to formulate its supplier development strategy move effectively, it should make commitment of financial & human resources, skilled personnel and sharing of timely and accurate information.
- To build a sustainable supply chain, the union should invest in the suppliers, giving them incentives and assistance such as training & evaluation.
- The union should bind partnership in the company of the suppliers with trust. A trust based relationship enables:
  - Adequate sharing of information
  - Help them to consider each other's objective at the time of making decisions.

- Increase in supply chain productivity.
- Monitoring and assessing supplier's overall performance is very essential. Hence, to enhance relationship & control performance, the union should have a focus on formulating appropriate strategies for evaluation.
- A value chain emphasizes the close relationship between all the functional strategies within a company. Thus, each value chains cannot operate in isolation. It's crucial for the union & its suppliers to support each if the union is to succeed.
- The union should be able to resolve the problems that occur in the management body of the suppliers as well as in inter organizational relationships that would eventually broke trust.
- The union has formulated different strategies for such cases like supplier development & evaluation. However, actually executing these strategies is being difficult. Hence, it should take responsibility to make these strategies being executed because execution of a strategy can be as important as the strategy itself.

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# Appendices

# **Appendix A**

## **St. Mary's University College**

### **Faculty of Business**

#### **Management Department**

This questionnaire is prepared by a student of St. Mary's University College, management department first degree graduate in order to fulfill his senior research paper. The main purpose of this questionnaire is to sort out the main challenges as well as the effects of supply of coffee so that the possible solutions for these challenges can be identified. Thank you for your cooperation.

**Instructions how to fill the questionnaire-**

- For the questions you think the answer is correct please put an underline or circle the letter of among the options.
- If needed you can choose more than one answer.
- For the open ended questions and for questions that need more detailed answers, you can write your ideas and comments on the space provided.

#### **I. General characteristics of respondents**

1. Gender: - Male..... Female.....
2. Age A. 20-25 B. 25-30 C. Above 30
3. What is your educational level?  
A. Certificate B. Diploma C. Degree D. Other, please specify.....
4. How many years have you been giving services in the union?  
A. One B. Two C. Three D. More, please specify.....

## **II. Questions about relationship and coordination**

5. Up to what degree the level of communication goes b/n the union of the suppliers
- A. Limited up to the primary cooperatives
  - B. Goes up to the individual farmers
6. How do you rate the level of communication b/n the union the coffee suppliers (the primary cooperatives &/or the individual farmers)?
- A. Very dose
  - B. Moderate
  - C. Poor
  - D. Other
7. Do you believe there is the existence of sharing of adequate information b/n the union & the coffee suppliant?
- A. Yes
  - B. No
  - C. other
8. If your answer is No for the above equation why do you think it is?
- 

## **III. Questions about supplier development and evaluation**

9. Is there is any suppler development activity undertaken by the union to increase the coffee suppliers performance?
- A. Yes
  - B. No.
  - C. I don't know
10. If you answer is yes for the above equation what kind of activities are undertaken by the union?
- 

11. Is there any problem in implementing these activates in action?

A. Yes      B. No      C. other

12. Do you believe there is problem in the management body of the primary cooperatives?

A. Yes      B. No      C. I don't know

13. If the answer is yes for the above question, is there any activity performed by the union to overcome these management problems?

- A. Yes      B. No      C. I don't Know

14. Do the top managers undertake any appropriate strategies towards supplier evaluation?

- A. Yes      B. No      C. I don't know

15. What kind of benchmark is used at the time of evaluation?

- A. Competitors      B. Past experience      C. Other, please specify.....

16. Do you think this approach support adequate coffee supply?

- A. Yes      B. No      C. I don't know

17. Are there any challenges that put effect on supplier evaluation activities?

- A. Yes      B. No

18. Of the following value chains, which one do you think perform bigger task in the coffee supply process?

- A. Individuals farmers      B. the union      C. Primary cooperatives      D. all

19. Of the above value chains, which one is mainly influenced?

- A. The coffee farmers      B. The union      C. Primary cooperatives      D. all

20. Do you have any suggestions to overcome these challenges?

- A. Yes      B. No

21. If your answer is yes, what is your suggestion?

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# Appendix B

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(ASSESSMENT OF CHALLENGES AND EFFECTS OF SUPPLY CHAIN OF COFFEE IN THE CASE  
OF OROMIA COFFEE FARMERS COOPERATIVES UNION)

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➤ .....

➤ .....  
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## 1. ....

1. .. -- .. -----

2. ... -- . 20-25      . 25-30      . . 30 ...

3. ....

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4. .... ?

. 1...      . 2...      . 3...      . . . . .

## 2- .....

5. .... ?

. ....





20. .... ?

. . . . .

21. .... 22 .. ..... ?

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## DECLARATION

I, the undersigned, declare that this senior essay is my original work; prepared under the guidance of Ato Biruk G/Michael All sources of materials used for the manuscript have been duly acknowledged.

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Signature: \_\_\_\_\_

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Date of Submission: - February 14, 2012

## **SUBMISSION APPROVAL SHEET**

This senior research paper has been submitted to the Department of Management in partial fulfillment for the requirement of BA Degree in Management with my approval as an advisor.

Name: Ato Biruk G/Michael

Signature: \_\_\_\_\_

Date

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