

**ASSESSMENT OF SUPPLIER PERFORMANCE  
EVALUATION PRACTICE: THE CASE OF  
ETHIO TELECOM**

**BY**

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

Materials are one of the resource inputs that organizations and peoples use other than the human, Financial and information resources to achieve their objectives. Managing these material resources in an organization is different from other resources. Hence, materials management is a process of planning, organizing, coordinating, directing and controlling the acquisition, Maintain and controlling of the activities related to materials, (Ernst and Young; 2005).

Material management involves the following major activities they are forecasting and planning materials demand, procurement, receiving, Inspecting and storing inventory control, production control, waste reduction and surplus management, value analysis, materials accounting, materials counting, materials requirement planning (MRP) materials handling and transportation, (Humphreys Paul, 1998).

Among the above listed material management activities procurement is the backbone or major activity. It involves the inflow of material and services and outflow of money. As procurement determines or affects the overall performance of the organization special attention has to be given to this activity.

Efficient and modern communication system is a vital tool to support the development of a country. Researches made in different periods documented the importance of telecommunication as infrastructures for economic and social development. It was early in 1894 that modern telecommunication service in Ethiopia was introduced. Ethiopia was among the first to use the service of telecommunication infrastructure (Ethio telecom procurement procedures manual 2008).

Even though the telecommunication service in Ethiopia lasted more than a century, its growth lay far behind in comparative to the developed countries performance. The under development of this sub-sector is manifested by:

- Very large amount of demand for the service, which is not satisfied
- Poor service quality
- Limited territorial coverage
- Long waiting time

Telecommunications are costs are falling and the variety of options available for new and innovative services like mobile telephone, internet, Tele medicine, Tele working and other services are increasing. To introduce these new technological services and for smooth flow of operation, Procurement has the responsibility to acquire the right quality, of materials at the right time with the right price from the right supplier (Ethiopian telecommunication manual, 2007).

## **1.2 Statement of the Problem**

Different measures and actions were taken by Ethio telecom management to improve the centralized procurement system of the cooperation through business process reengineering (BPR). However, the improvements resulting from Ethio telecom BPR is limited and have a problem on deliver cost effective purchases.

Due to absence of formal supplier performance evaluation in Ethio telecom there are shortcoming seen. (For example, suppliers with poor past performance remain eligible to bid in tender the corporation advertises and there is no possibility to take correcting action. This was also indicated the reengineering process at the time of procurement problem assessment, procurement policy and procedures. According to document review held by the



student researcher shows that the procurement process of the cooperation lacks their bases for conducting performance evaluation and measurement because the following are not well specified (manual preparation of ETC, 2008).

- Lack of the standard for selecting suppliers and measuring their performance including price, quality and delivery performance.
- Lack of reasonable timing for selecting potential suppliers. Contractors and consultant on the basis of their ability to meet the specified requirement of the corporation.
- Absence of strong contract administration and monitoring system.

### **1.3 Basic Research Questions**

In line with the stated problem the researcher will answer the following basic research questions.

- What does the standard for selecting supplier's performance?
- What does the reasonability of time for selecting potential suppliers, contractors and consultancy looks like?
- What does the strength of contract administration and monitoring system look like?

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

#### **1.4.1 General Objective**

The main objective of the study is to analysis and get an over pictures on the supplier performance evaluation and measurement process and practices of Ethio telecom.

#### **1.4.2 Specific Objectives**

- To assess whether there is a standard for selecting suppliers and measuring their performance including price quality and delivery performance.
- To indicate the significance of reasonable time management to undertake trustworthy bidding process.

- To assess the office follow-ups and control on regarding to the suppliers capacity and their supply.

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

The finding of this study will provide possible remedies to Ethio telecom by indicating problems that hindered to make procurement process effectively.

This study contributes by identifying and indicating core problems that the corporation ought to give attention. So, specification the study contributes:

- In indicating the significance of developing standard measurement and evaluation strategy for better achievement.
- In indicating the significance of appropriate time management in order to make bidding process result.

### **1.6. Delimitation of the Study**

As observed from different literatures supply management function of an organization include supplier selection, evaluation and measuring supplier performance and encouraging supply chain management with in this core process of procurement, the study narrows its scope to focus on the supplier performance evaluation and measurement practices. In general the scope of the study is to identify the supplier's performance measurement process relative to ETC.

### **1.7. Research Design & Methodology**

#### **1.7.1 Research Design**

Among different types of research methods the student researcher chooses the descriptive research method. The justification behind why the researcher selects the descriptive method is that; by the time when the paper finalized, it will provide an idea about the practice of procurement on Ethiopia Telecommunications Corporation.

#### **1.7.2. Population and sampling techniques**

As the study is designed to assess supplier performance in Ethio telecom, Ethio telecom is a large organization with a huge number of employees. These employees are organized in six departments.

The total population sizes are 100 employees only in the procurement department of ETC. The researcher was selected as a sample respondent 30 employees. All these employees are a direct relation in the procurement department of the corporation.

#### **1.7.2.1 SAMPLING TECHNIQUES**

The student researcher uses simple random sampling techniques because to give the respondents an equal chance.

#### **1.7.3 Type of data to be collected**

On this research paper the student researcher uses the primary data as well as the secondary data. Why are these two data types included in the research is because the primary data are the data that come from the respondent of the research population and it is used to evaluate the performance of the organization's activity with the theory specified. Coming to the secondary data, it is used to support the research paper with different scholars' theories.

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

The student researcher uses the questionnaires and interview data gathering method for the staff members of the procurement department. There will be a questionnaire. Interview conducted through the head of department. The researcher will use a closed-ended question because it is easier for respondents to answer. The questionnaire being the main instrument of data collection, interview is also the other way by which the research is going to be enriched.

#### **1.7.5. Data Analysis Method**

From the descriptive and inferential data analysis method descriptive data analysis will be used. For the reason that the data that is collected by the student researcher have no characteristics of massiveness the tabulating types from the dispersive analysis method will be the form how the student researcher summarizes.

### **1.8. Limitation of the Study**

The problem might limit the effectiveness of the research that it would have given if they do not exist. The problem included:

- Lack of adequate and organized secondary data.
- Time constraint
- Money constraint

### **1.9. Organization of the Study**

The research is organized in to four chapters. The first chapter is the introduction part this include the background of the study, statement of the problem, objective of the study and significance of the study, reaserch design and methodology, Delimitation of the study and organization of the study. The second chapter review of related literature. The third chapter data presentation and analysis detail. The fourth chapter the final summary, conclution and recommendation discuss.

## **CHAPTER TWO**

### **Review of related LITERATURE**

#### **2.1. Introduction**

Purchasing management is focused on structuring and continuously improving purchasing process with in the organization and between the organization and its suppliers. The procurement process has traditionally include slow manual procedures and even slower systematic processes for handling procurement transactions. In recent years organizations are becoming more discerning about strategic procurement decisions that need to be made and how they respond to the multitude of pressures and influences. (Phillips, paw and piotrowicz, April 2006, citing hawking etal)

#### **2.2. Procurement Process**

The events in the procurements process are the basis for supplier's performance evaluation and measurement. According to van weeled, (2002) the procurement process involves determining the need identification and selection of supplier arriving at a proper price specifying contract terms and conditions issuing the contract or order and follow up to ensure proper delivery as van weeled, (2002) indicated the procurement function includes.

- Determining the specification (in terms of required quality and quantities) of the goods and services that need to be bought
- Selecting the most suitable supplier
- Preparing and conducting negotiations with the supplier in order on establish an agreement
- Placing the order with the selected supplier
- Monitoring and control of the order (expediting)
- Follow up and evaluation (keeping product and supplier files up to date supplier rating and supplier ranking. In actual practice any procurement originates with the recognition of definite need by some one in the organization when the need originates it is essential to have an accurate description or specification of the need. As van weele, (2000) indicated

the technical specification prepared by the respective department describes the technical properties and characteristics of the product as well as the activities to be performed by the supplier.

Leenders et al, (2002) confirmed that “purchasing/supply should be the expert in knowing at determine which supplier has the capability to provide the needed goods or service and how to analyze supplier reliability “In getting qualified and reliable suppliers the process of suppliers performance evaluation and measurement at different stages starting from the need assessment up to contract close up is important therefore after identifying the goods or service to be procured, it is necessary to get information from which suppliers (local or foreign) the company called purchase it,

“Supplier identification and selection” is the next step in the procurement process held after the need originates for the goods and services to be produced after the requirements have been defined and described in the specifications the buyer starts to explore market (local or foreign) decide which procurement method to use and identify potential suppliers that could supply the required goods and or services “ the type of evaluation required to determine supplier capability varies with the nature complexity high dollar value of purchases in additional evaluation steps are necessary. (Dobbler et al, 1984) these steps can include visits to the plants of carefully selected suppliers followed as necessary by even more detailed analysis of the most promising suppliers monitoring and service capabilities.

According to Dobbler et al, (1984) “selecting capable suppliers is one of purchasing managers most important responsibilities If the supplier is selected, then competitive pricing reliable quality, on time delivery, good technical service, and other goals of good purchasing are more likely to be achieved than if any a mediocre supplier were selected buyers must take four important supplier oriented actions in order to satisfy goals of good purchasing. These are

- a. Developing and maintain a viable supplier base.
- b. Addressing the appropriate strategic and tactical issues
- c. Ensuring that potential suppliers are carefully evaluated and that they have the potential to be satisfaction supply partners in the future
- d. Managing the selected supplier to ensure timely delivery of the required quality the right price.

Negotiations are one of the tools used in supplier identification and selection. As Van weele, (2000) confirms that planning and preparing for negotiation should start long before the actual negotiation should start long before the actual negotiation takes place.

As doblers etal, (1984) suggests, the objectives of negotiation require discussing and investigating of every area of negotiable concern at the presence of both parties considering short term and long term performance. The negotiating team must have a technical understanding of the item or service to be purchased and analyze the relative bargaining positions of both parties. The negotiating team does not need to have thorough technical understanding about the items to be purchased. But it is essential to have a general knowledge of what is being purchased, the specifications provided in the bidding document and what the supplier propose, the production or service process involved and any other issue that will affect quality, timeliness of performance and cost of production.

### **2.3. Evaluation Events**

Procurement management is concerned with the acquisition of supplier's goods and services in order to contribute to the administration and strategic objectives of the organization. In practice, purchasing managers have to respond creativity to internal customers need on one hand and to maintain a mutually profitable relationship with supplier on the other (fung, 2002).

As discussed in diverse literatures internal performance are one of the most important aspects that firms must incorporate into their strategic processes when managing their procurement overall system. The internal performance include the processes in technical specification preparation purchasing method selection bid document preparation response to clarification requests given to prospective bidders at the time of bid floating, bid opening, evaluation processes and the way of negotiations held with the suppliers. According to van weele, (2000) mostly managers evaluate purchasing operations primarily an parameters such as order backlog purchasing administration lead time no of orders issued no of requests for quotations issued and adherence to existing procedures.

Leenders et al, (2002) also confirmed that purchasing is not an isolated function purchasing performance is a result of many activities which due to their intangible character are difficult to evaluate “Because of this performance evaluation in the procurement process should include the external out comes and start at the time of supplier identification and selection receiving of goods and services which include user feed back.

## **2.4. Supplier performance Evaluation and Measurement Process**

According to lash and Junker, (2005) the objective of the procurement process must be the harmonization of internal process of buyer and suppliers in order to avoid a waste of resources with in the logistic chain to build up and maintain such strong relationships with capable suppliers introducing and implementing supplier performance evaluation and measurements system is an essential tool.

Evaluating and measuring suppliers performance is important especially when procuring goods and services for which there is a high relative expenditure and/or difficult to secure suppliers performance should be evaluated and measured before during and after the establishment of supply arrangements



evaluating and measuring suppliers performance is critical to ensuring a well functioning supply chain and to promoting companies own competitive position, (cebiand bayraktar (2003).

### **Supplier performance measures**

- Provide all parties with an indication of contract performance and progress
- Communicate to the supplier the aspect of its performance that are important to the buying organization
- Establish benchmarks for performance that both parties understand and which can be measured.
- Provide early indication of potential contract management issues and root causes.
- Provide a means of comparing supplier chains on a factual basis

According to cebiand bayraktar, (2003) the criteria which may influence supplier evaluation include.

- Logistic criterion delivery lead time supply lots flexibility in changing the order and delivery in good condition.
- Technological criteria capacity to meet the demand involvement to formulating anew product or developing the current products improvement efforts in their products and processes etc and problem solving capability.
- Business criteria reputation and position in the sector financial strength and management skills and compatibility.
- Relation ship criteria easy communication post experience and sales representative's competence.

Gathering information from outside sources also assist in the overall evaluation picture of suppliers performance the variety of information required about the performance of the supplier specification details delivery

and previous price can be taken from a data base if recorded properly supporting the procurement and the supply process through automation is very important Aberdeen group (2000)

The Aberdeen group, (2002) report states that supplier performance measurement result held at different levels of contract can help companies to avert product quality problems service delays and cost averseness be driving preventative and corrective measures betake they became problems.

In any case supplier performance evaluation and measurement has to be a done especially for strategic purchase because they have their own effect on the objectives and functional strategies of the corporation and there is also cost incurred for this purpose the measurement of procurement performance will enable competitive advantage and provide a frame work for continuous improvement of the organization

Many elementary discussions of procurement principles address the five right of purchasing these are actually five criteria to be considered in procurement decisions and form the basis for the vender selection problem the criteria or rights are the right price ,the right place, the right time, the right quantity and the right quality. In addition to these five rights, now day's companies are possibly looking the supplier's service responsiveness the supplier technology and level of innovation the supplier's operational compatibility the strategic fit with the supplier the company's importance to the supplier and the extent to which the suppliers is globalize and his rich experience.

Tang and Jaramillo, (2005) stated that supplier performance measurement matrix structure can be described in five major clusters (1 quality, (2) delivery, on time delivery and delivery reliability (3) cost (4) flexibility and (5) reliability.

Leenders et al, (2002) affirms that price/cost is one of the most important elements in the purchasing decision cost performance measures related to the direct financial impact of a suppliers performance and can include price, payment terms shipping charges saving form process improvements and so faith the buyer must constantly and systematically gather information about the price/cost of the goods it is going to purchases so that to make the decision process transparent and open In this approach in addition to abidingness to accept offer price a good supplier will agree with the buyer to a long term commitment and relationships allow both buyer and supplier to entertain cost reduction efforts through development and implementation of improved methods value analysis and engineering as well as technological innovations.

Deliver performance measures also relate to a suppliers ability to support the organizations scheduling requirements and conclude on time delivery of goods on time completion of services stock availability or anything related to the cycle time between order and receipt besides to these service performance measures relate to the interaction between the buyer and seller and can include responsiveness resolution of problems technology used to provide customer service and soother.

## **2.5. Supplier Evaluation and Measurement Methodologies**

There are a number of methodologies which have been developed to assist in evaluating and measuring prospective suppliers. The three most common and well understood under selection and also supplier performance evaluation and measurement methods are known as the categorical method, the weighted method and the cost ratio method.

Vokurk et al (1996) asserted that the categorical method the weighted point method and the cost ratio method can be as follows

### **2.5.1 Categorical method**

The categorical method is one of the approaches to supplier selection and performance evaluation. As Vokurk et al, (1996) asserted the categorical method involves categorizing each supplier's performance or expected performance in specific areas defined by a list of relevant performance variables. Teng and Jaramillo, (2005) propose that when buyers use this model they are able to monitor the performance of suppliers in different product categories. Under the categorical method each member of the purchasing team and those represented from the users and other technical departments develop their own list of significant selection factors then each supplier is evaluated against each evaluation list of factors the selection criteria may not be reconciled within the group before the group meets each member will categorize suppliers against the criteria they developed using a simple scale such as preferred satisfactory or unsatisfactory the group then meets to discuss their findings attempts to reconcile different and to choose a preferred vendor. The advantage of this approach is that it is simple to use easy to administer very flexible and adaptable to multiple situations and application. The primary disadvantage is that it is a highly subjective method and as a consequence it is difficult to track which elements of the process are more or less effective. In addition the process is mainly intuitive and it does not define the relative importance of each criteria.

### **2.5.2. Weighted point method**

The most frequently used method of evaluation is the weighted point method the weighted point method is extremely flexible since it can accommodate any number of evaluation factors that are important in any specific case weighted average supplier score cards are characterized by the fact that not all performance measures are considered of equal importance A "weight" is assigned to each performance measure where the more important performance measures are assigned a higher weight and the less

important performance measures are assigned a lower weight each weight is multiplied by its corresponding score called a low score to produce a weighted score for that performance measure the weighted score for the individual performance measures are then added to produce a total score suppliers can be ranked from best to worst by clearing a list of suppliers and their total scales then setting it from highest score to lowest score.

The primary advantage of the weighted point plan is that it is more objective than the categorical approach and yet can be adopted to multiple situations and applications it is extremely flexible and possible to accommodate any number of evaluation factors that are important in any specific case the primary disadvantage are that it takes more time and energy to initially develop the model also given that there are multiple ways in which any

given total score can be derived users should be engaged in frank and open discussion about how difference in vendors were determined. The following hypothetical table illustrates how to use the weighted point method in evaluating to a single supplier.

**Table 2.1 sample weighted point plan**

<b>Sample weighted point plan</b>								
<b>Vendor Name ABC company</b>								
<b>Criteria</b>	<b>Excellent</b>	<b>Good</b>	<b>Good approach</b>	<b>Fair</b>	<b>Poor</b>	<b>N/A</b>	<b>Weight</b>	<b>Total</b>
	5	4	3	2	1	0		
Quality	x						0.25	1.25
Cost			X				0.25	0.75
Delivery an time		X					0.25	1.00
Training					x		0.25	0.05
After sales		X					0.10	0.40
Communication system			X				0.10	0.30
<b>Total Weight</b>							<b>1.00</b>	<b>3.75</b>

Adopted form Burt et al, (2003)

The following is another illustration (Table 2.2) taken from the back world class supply management Burt et al, (2003)

**Table 2.2 Basic performance faster**

<b>Weight</b>	<b>Factors</b>	<b>Measurement formula</b>
50%	Availability performance	100% percentage of Rejects
25%	Service Performance	100% -7T for each failure
25%	Price performance	Lowest price offered price actual paid

Adopted from Burt et al, (2003)

Assume that supplier a performed as follows in the previous year 5% of its items were ejected for quality reasons three unsatisfactory split shipments were received and A's price was \$ 100 per unit compared with the lowest offer of \$ 90/unit Table 2.3 summarizes the total performance calculation for supplier A.

**Table 2.3 illustrative application of the weighted point plan**

<b>Factor</b>	<b>Weight</b>	<b>Actual performance</b>	<b>Performance evaluation</b>
Quality Performance	50%	5% rejects	$50 \times (1.00 - 0.05) 47.50$
Service Performance	25%	3 failures	$25 \times (100 - (0.07 \times 3)) 19.75$
Price Performance	25%	\$ 100	$25 \times (\$90 / \$100) 22.50$
Overall evaluation			89.75

Adopted from Burt et al, (2003)

### **2.5.3 Cost ratio method**

The cost ration approach is more complicated technical to evaluating suppliers (Teng and Jaramillo 2005). As lenders et al, (1996) discussed "...the cost ratio method evaluates supplier performance using the tools of standard cost analysis Based on this method the internal costs associated with quality delivery and service are converted to cost ratio which empresses the cost as a percentage of the total value of the purchase the cost ratio computed provides a

measure of the cost of each factor as a percentage of total purchases for each potential supplier. The cost ratio approach is not widely used in industry and is incomplete requiring a comprehensive cost system which is usually only found in large companies. The approach like the weighted point method also has the disadvantage that performance measures cost ratios are artificially expressed in the same units.

#### **2.5.4 Dimensional analysis method**

As Humphreys, Mak, and Young, (1998) and Humphreys, Mak, and Mover (1999) asserted dimensional analysis combines several criteria of different dimensions and relative importance into a single dimensionless sanity. The dimensional analysis approach gives the buyer and supplier an overall picture as to how each organization is performing and assists in identifying those criteria which are causing problems and assists in identifying those criteria with the supply chain relationship. The dimensional analysis model provides a number of distinct advantages than the categorical plan, the weighted point and the cost ratio plans for evaluating potential just in time (JIT) suppliers.

## **CHAPTER THREE**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **3.1. Introduction**

This chapter presents analysis and interprets the data collected through questionnaire and interview. The following presentation and analysis is based on responses through questionnaire filled by the employees and interviews conducted with department head.

#### **3.2. Status of questionnaire**

Distributed	Returned		Not returned	
Number	Number	percentage	Number	percentage
30	24	80	6	20

Source: Own survey, 2011.

From the distributed 30 questionnaires 24 were returned and 6 were not returned, there for data analysis and interpretation was discussed based on 24 questionnaires and all questionnaires interpreted as follows.

#### **3.5. Demographic profile**

In collecting data through questionnaire survey, collect response from 24 employees which are from procurement department of the corporation. The general Demographic profile of respondents is summarized as follows.



## General Information

### 3.5.1. Gender

**Table 1 Gender distribution of the respondent**

Item	Response	Respondent	
		Frequency	Percentage
Sex	Male	19	79.17
	Female	5	20.83
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011.

The above table shows that out of the total population 79.17% are male and 20.83% are female.

Traditionally, the major player of the population are males and the collected data shows that, the number of female compared to males are low but that match this could be attributed to different reasons such as culture, the awareness level, the number of educated females in the country, etc...

### 3.5.2. Age

Table 2: age distribution of the sample respondents

Item	Response	Frequency	%
Age	Under 25	4	16.7
	25-35	14	58.3
	36-45	6	25
	Above 45	-	-
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011.

From the respondents answer in the above table, the respondents age group is interpreted as follows 16.7% under 25 years, majority of respondent 58.3% between 25-35 years, and 25% between 36-45 years and there is no respondent above 45 years old.

### 3.5.3. working experience

Table 3: work experience of the sample respondents

Item	Response	Respondent	
		Frequency	%
Work experience	Less than a year	5	20.8
	1-3 years	7	29.2
	3 to 5 years	2	8.3
	5 to 10 years	10	41.2
	More than 10 years	-	-
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011.

Working long time in an industry and or an organization creates loyalty to the employees and also specialized in the field of interest. Saying that most of workers stayed long time will create high efficiency and finally great profit for the corporation. So the above table shows that most of workers of the corporation we stayed long time in the corporation

### 3.3.4. Educational Background

**Table 4. Educational level of respondents**

<b>Item</b>	<b>Response</b>	<b>Respondent</b>	
		<b>Frequency</b>	<b>%</b>
Educational level	12 Complete	3	12.5
	College/University/Diploma	6	25
	1 <sup>st</sup> Degree	11	45.9
	Above 1 <sup>st</sup> Degree	4	16.6
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

An organization with highly educated individual can easily gain reputation and good image top are away for further development as it shown in the table 4, 12.5% 12 complete, 25% Diploma, 45.9% 1<sup>st</sup> Degree, 16.6% above 1<sup>st</sup> degree. Therefore, from surveyed employees most of the players of the company are educated.

### 3.4. Analysis of Basic Research Questions

To make the analysis simple and understandable, questions with the same type of answers analyzed together as follows

#### 3.4.1. General Assessment

**Table 5, preparation and communication practice of procurement plan and schedule.**

Item	Response	Respondents	
		Frequency	%
Central procurement Prepared it's Annual Semi-Annual, Quartererly, Procurement Plan and Schedule communicated it to suppliers before hand	Strongly Agree	2	8.3
	Agree	3	12.5
	Neutral	7	29.2
	Disagree	11	45.9
	Strongly disagree	1	4.1
	<b>TOTAL</b>	<b>24</b>	<b>100</b>

Source own suvey, 2011

According to the above table5, 2(8.3%) of the respondents are strongly agree with the preparation and communication practice 3(12.5%) of the respondents are agree with the preparation and communication practice. 7(29.2%) are neutral with the preparation and communication practice. 11(45.9%) are disagree with the preparation and communication practice and the remaining 1(4.1%) of the respondents are strongly disagree with the preparation and communication practice

**3.4.2. Table 6, process and benefit of supply management and its importance**

Item	Response	Respondents	
		Frequency	%
Procurement staff understands the process and benefits of supply management and the importance of monitoring supplier performance	Strongly agree	2	8.3
	Agree	6	25
	Neutral	10	41.7
	Disagree	4	16.7
	Strongly disagree	2	8.3
	<b>TOTAL</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

According to the above table 6, indicates that 2(8.3%) strongly agree, with the process and benefits of supply management. 6(25%) agree, with the process and benefits of supply management. 10(41.7%) majority of respondents are neutral, with the process and benefit of supply management. 4(16.7%) disagree with the process and supply management the rest 2(8.3%) strongly disagree with the process and benefit of supply management.

**3.4.3. Table 7 Procurement plays a key role in supporting the corporate strategic plan**

Item	Response	Respondent	
		Frequency	%
Every one in the Procurement department knows and understand their role as well as recognize that their performance plays a key role in supporting the corporate strategic plan	Strongly agree	3	12.5
	Agree	9	37.5
	neutral	11	45.9
	Disagree	1	4.1
	Strongly disagree	-	-
	<b>TOTAL</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

As can be seen on the above table7, 3(12.5%) of the respondents are strongly agree with procurement plays a key role in supporting the corporate strategic plan. 9(37.5%) agree, 11(45.9%) respondents neutral, the remaining 1(4.1%) of the respondents are disagree.

**3.4.4. Table 8, procurement office clear negotiating and plan**

<b>Item</b>	<b>Response</b>	<b>Respondents</b>	
		<b>frequency</b>	<b>%</b>
Procurement office sets clear negotiating and plans in advance to insure valuable benefits to the corporation will be achieves improved supplier performance	Strongly Agree	1	4.1
	Agree	5	20.8
	Neutral	7	29.7
	Disagree	11	45.9
	Strongly Disagree	-	-
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

As can be observed the above table8, 5(20.8%) of the respondents response agree with the statement of their clear negotiating and plan achieving improved supplier performance of 7(29.2%) said it is neutral with clear negotiating and plan. 1(4.1%) strongly agree, under clear negotiating and plan. 11(45.9%) said it is disagree, with the procurement office sets clear negotiating and plan

**3.4.5. Table 9, contractual claim**

<b>Item</b>	<b>Response</b>	<b>Respondents</b>	
		<b>frequency</b>	<b>%</b>
Procurement Office has clearly set procedure in dealing with contractual claims	Strongly Agree		
	Agree	5	20.9
	Neutral	6	25
	Disagree	12	50
	Strongly Disagree	1	4.1
	<b>Total</b>		<b>100</b>

Source own survey, 2011

As it shown the above table9, 12(50%) of the majority of respondents response disagree under the procurement office has clearly set procedure in dealing with contractual claims, 6(25%) of the respondent neutral, 5(20.9%) agree and the remaining 1(4.1%) of the respondent's said that strongly disagree.



### 3.4.6. Table 10 Relationship with key supplier

Item	Response	Respondents	
		frequency	%
Procurement Office establishes appropriate and effective level of relationships with key suppliers	Strongly Agree	2	8.3
	Agree	3	12.6
	Neutral	6	25
	Disagree	12	50
	Strongly Disagree	1	4.1
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

As can be seen on the above table 10, as it shown, that 12(50%) of the majority respondent's are disagree about the procurement department are effective level of relationships with key suppliers 2(8.3%) of the respondents are strongly agree, under the relationship with key supplier 6(25%) of respondents neutral, about relationship with key supplier. 3(12.6%) of the respondent agree and finally 1(4.1%) of the respondents Saied strongly disagree.

**3.4.7. Table 11 strategic business unit of the procurement office**

Item	RESPONS	Respondents	
		perfor mance	%
SBU Managers have an understanding of the central Procurement system of ethio telecom	Strongly Agree	2	8.5
	Agree	3	12.5
	Neutral	7	29.2
	Disagree	12	50
	Strongly Disagree		
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

As it shown in the above table11, 12(50%) of the majority of respondents replied that disagree under the strategic business Unit. 7(29.2%) of the respondents neutral the strategic business unit. The rest 2(8.3 %) and 3(12.5%) said that agree and strongly agree, about the strategic business unit the researcher believe that there no a successful strategic business unit of the central procurement of ethio-telecom.

### 3.4.8. Table 12, supply chain management

Item	Response	Respondents	
		No	%
Procurement Office is aware of the supply chain management, it's importance and it's impact, on the procurement activity	strongly agree		
	Agree	6	25
	Neutral	13	54.1
	Disagree	3	12.6
	Strongly Disagree	2	8.3
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

According to the sample respondent of procurement department of ethio-telecom 6(25%) of the respondents said that agree, about the supply chain management. 2(8.3%) of the respondents are strongly disagree.3 (12.6%) of respondent disagree. The majority of respondents 13(54.1%) are neutral with the supply chain management.

**3.4.9. Table 13, evaluate potential source of supply.**

Item	Response	Respondents	
		No	%
There, is short lead time to investigate and evaluate potential source of supply	Strongly Agree	4	16.6
	Agree	5	20.8
	Neutral	10	41.7
	Disagree	3	12.6
	Strongly Disagree	2	8.3
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

As we can see from the table 9, 4(16.6%) are strongly agree, 5(20.8%) of the respondent agree, 10(41.7%) are neutral, 3(12.6%) of the respondents are disagree, and the rest 2(8.3%) of the respondent are strongly agree. According, to the above statement 10(41.7%) of majority of the respondent response that neutral under the potential source of supply.

**3.4.10. Table 14, delivery schedule.**

Item	Response	Respondents	
		No	%
Procurement Office aware user department the charge made on the delivery schedule	Strongly Agree	3	12.6
	Agree	2	8.3
	Neutral	4	16.6
	Disagree	15	62.5
	Strongly Disagree		
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey,2011

As it present the above table 14, 15(62.5%), majority of respondents replies that disagree under the changes made on delivery schedule. 3(12.6%) and 4(16.6%) of the respondents on the other hand strongly agree and neutral. The rest 2(8.3%) of the respondent said that agree respectively. From the response one can conclude that the majority of the Procurement Office is not fully satisfied on the delivery schedule.

**3.4.11. Table 15, procurement uses contract condition.**

Item	Response	Respondents	
		Frequency	%
Procurement uses contract conditions effectively in the invitation to tender to ensure compliance with user requirement	Strongly agree	1	4.1
	Agree	6	25
	neutral	12	50
	Disagree	2	8.3
	Strongly disagree	3	12.6
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own sutvey,2011

According to the sample respondents of ethio telecom of Procurement department 12(50%) majority of the respondents said that neutral, under the contract condition of procurement office of ethio-telecom on the other hand 6(25%) of the respondent said that agree, 2(8.3%) are disagree, the remaining 1(4.1%) and 3(12.6%) of the respondents response strongly agree and strongly disagree.

**3.4.12. Table 16, in sufficient attention to the time of bid examination.**

Item	Response	Respondents	
		Frequency	%
There is insufficient attention to the screening of supply at the time of bid examination	Strongly Agree	3	12.6
	Agree	4	16.6
	Neutral	6	25
	Disagree	10	41.7
	Strongly Disagree	1	4.1
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey,2011

According to the above table16, 10(41.7%), of the respondents said that disagree, with the screening of suppliers at the time of bid evaluation 6(25%), of the respondent neutral, with the screening of suppliers at the time of bid evaluation.3 (12.6%), implies that strongly agree, the remaining 4(16.6%), and 1(4.1%), of the respondent are agree and strongly disagree.

**3.4.13. Table 17, procurement staffs have the experience and skill in supply management.**

<b>Questions</b>	<b>Response</b>	<b>Respondents</b>	
		<b>No</b>	<b>%</b>
Strategic Business Units Procurement staffs have the experience and skill in procurement and supply management	Strongly Agree		
	Agree	6	25
	Neutral	3	12.6
	Disagree	1	4.1
	Strongly Disagree	14	58.3
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

The above table 17, indicates that 14(58.3%) majority of the respondents strongly disagree, with the experience and skill in supply management. 3(12.6%) are neutral, with the experience and skill in supply management 1(4.1%) disagree, the remaining 6(25%) of the respondent are strongly disagree with the screening of supply management.

**3.4.14. Table 18, procurement has clearly defined metrics**

Item	Response	Respondents	
		frequency	%
Procurement has clearly defined metrics/criteria that are used in measuring supplier	Strongly Agree	1	4.1
	Agree	5	20.8
	Neutral	7	29.3
	Disagree	10	41.7
	Strongly Disagree	1	4.1
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

The above table18, presents about 1(4.1%) of the respondents are strongly agree, with the procurement has clearly defined metrics that are used in measuring supplier. 5(20.8%) agree, with procurement has clearly defined metrics.7 (29.3%) of the respondents neutral, with the procurement has clearly defined metrics 10(41.7%) of the respondents are disagree, the remaining 1(4.1%) of the respondent are strongly disagree with the procurement has clearly defined metrics that are used in measuring supplier.



### 3.5 Supply market assessment and evaluation system.

#### 3.5.1. Table 19, the technology products supplier produce and services.

Item	Response	Respondents	
		No	%
The technology products suppliers produce or services they render is changing through time and is difficult to easily follow up and identify suppliers	Strongly Agree		
	Agree	5	20.8
	Neutral	8	33.4
	Disagree	7	29.2
	Strongly Disagree	4	16.6
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

The above table19, indicated that 5(20.8%) of the respondents said that agree, 8(33.4%) are majority of respondents reply that in the technology product are neutral. In addition the study finding shows that 7(29.2%) of respondents stated that they are not agree. The rest 4(16.6%) of the respondent said that strongly agree.

**3.5.2. Table 20, the number supplier products and services.**

Item	Response	Respondents	
		Frequency	%
The number of suppliers offering products or services which meet to ethio-telecom specification requirement is increasing from time to time	Strongly Agree	1	4.1
	Agree	6	25
	Neutral	9	37.6
	Disagree	4	16.6
	Strongly Disagree	4	16.6
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

As can be seen the above table20, indicates that 1(4.1%) of the respondents said that strongly agree, with the number of supplier products and services. 6(25%) of the respondents implied that agree, 9(37.6%) of the respondent implies that neutral, the remaining 4(16.6%) and 4(16.6%) of the respondents said that disagree and strongly disagree.

According to the above statement the majority of respondents 9(37.6%) are neutral under the number of suppliers offering products and service.

**3.5.3. Table 21, procurement work force had best market place for products and services.**

<b>Item</b>	<b>Response</b>	<b>Respondents</b>	
		<b>No</b>	<b>%</b>
Procurement work force, had the knowledge of best market place for products/service requested	Strongly Agree	5	20.8
	Agree	10	41.7
	Neutral	6	25
	Disagree	3	12.5
	Strongly Disagree	-	-
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

As shown the above table 21, replied that 5(20.8%) of respondents said that strongly agree, 10(41.7%) of respondents are agree, 6(25%) replied that neutral the remaining 3(12.5%) of the respondents are disagree from this survey we can see that majority of respondents replied that agree under the best market place of product and or/service, so the organization has to do more in this regard.

**3.5.4. Table 22, an organized system for monitoring performance standard.**

<b>Questions</b>	<b>Response</b>	<b>Responde nt</b>	
		<b>No</b>	<b>%</b>
Procurement has developed an organized system for monitoring how well those performance standard are met	Strongly Agree	6	25
	Agree	8	33.4
	Neutral	4	16.6
	Disagree	2	8.4
	Strongly Disagree	4	16.6
	<b>Total</b>	<b>24</b>	<b>100</b>

Source own survey, 2011

The above table22, indicate that 6(25%) of respondents disagree with the monitoring system of the corporation. 8(33.4%) respondents agree, with the monitoring system 4(16.6) respondents neutral, with the monitoring system. the remaining 2(8.4%) and 4(16.6%) of the respondents are disagree and strongly disagree, about the procurement has developed an organized system.

## **CHAPTER FOUR**

### **SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION**

#### **4.1 Summary of finding**

This study focuses on the case of supplier performance evaluation and measurement practices of ethio telecom. The study strives to determine the existence of supplier evaluation and measurement system and its performance.

Document reviews and questionnaire survey were applied to collect information from staff members. In addition an extensive literature review was conducted.

The conclusion and recommendations indicate that the corporation supports the procurement and supply activities through automation. Ethio telecom should develop and implement strong contract administration and monitoring system. This corporation should design and implement a supplier performance evaluation and measurement system and set criteria that are to be used in the process of supplier performance evaluation and measurement. Ethio telcom organizes a contract administration unit that actively engages in the evaluation process. The management should promote the importance of measuring supplier's performance.

- The next Articles present the major finding of the research paper.
- In this research paper 19(79.17%) of male employees as well as 5(20.83%) of female are included
- Coming across the age of the employees, 4(16.7%) of them are under 25 age, 14(58.5%) of them are age between 25 and 35, the rest 6(25%) of the employees are age between 36 and 45.
- The working experience of the employees are 5(20.8%) are less than a year, 7(29.2%) have experience of between 1 and 3 years, 2(8.3%) of the employee have between 3 to 5 years the rest 10(41.2%) are experienced more than five years.

- Coming across the educational background of the employees 3(12.5%) are 12 completed, 6(25%) are college diploma holders, 11(45.9%) are 1<sup>st</sup> degree holders the rest 4(16.6%) are above first degree.

The study findings indicate that there is lack of an organized supplier performance evaluation and measurement system. There is no an organized reasonable time management for selecting potential supplier. Delays in evaluating bid due to the absence of planning, poor technical specification and consequent clarification process vague evaluation criteria, unclear bidding documents and lack of professional competence in evaluation committee generate complaints and make decision more difficult which often causes re-bidding and future delays.

- Procurement Prepare it's annual, semi-annual and quarterly procurement plan and schedule. So, at least 50%of Respondents feeling disagree/ dissatisfied it means almost-half of the procurement department employees are not well equipped with procurement plan and schedule, so the organization
- 67 % of Respondents are not agree about the procurement staff understands the process & benefits of supply management & the importance of monitoring supplier performance, it means the organization are not a clear understanding of monitoring supplier performance.
- Contractual claim is one of the important factors; in the study that majority of the sample respondents disagree with the contractual claim.
- Most of respondent reveals that disagree with procurement offices establishes appropriate and effective level of r/ship with key suppliers. At least 50%of respondents are not sufficient with in supplier relation in procurement office

- 79.50% respondents feeling were not satisfied ( strongly disagree with the strategic business unites
- Although, delivery performance is one of the supplier performance measurement matrix structure, it shows in the study that majority of the sample respondents
- (79.1%), of the respondents are not fully satisfied in the delivery schedule.

## 4.2 Conclusions

Ethio telecom have some aspects of the current central procurement organizational structure that should be retained, others that must be refreshed and still others that should be added there were improvement seen since the new procurement policy and procedure manual of Ethio telecom issued in October, 2004. There is revised procurement structure and procurement process. All bids are received in a separated bid receiving box/room and the opening procedure is also transparent. All prospective bidders receive the same information at the time regarding the floated bids. Transparency is maintained by advising all bidding suppliers with out discriminating them and announcing of who was awarded the contract and allowing unsuccessful bidders the opportunity to be told why their bid was unacceptable.

- The procurement policy and procedure manual currently in force does not directly indicate how to measure suppliers' performance at the time of executing and closing a contract. Even if the manual has provision regarding contract administration and review of contract performance, it does not indicate how to expedite and review the supplier's performance, what criteria/metrics to use at the time of evaluating supplier's performance, and what tools and software to use to capture suppliers data. Such things are not consistently considered and there are no detail guidelines covering professional practice including contracting procedures. Measurement of supplier's performance supplier qualification procedures and supplier relationships.
- In Ethio telecom bid evaluation takes much more time than expected. There are bid evaluations that takes a year and above. Such problems are occurring because there is lack of standard for bid evaluation and evaluations are done based on the knowledge and understand of the evaluation committee member assigned. Delays in evaluation of bids



generate complains and make decisions more difficult, which often causes re-bidding and further delays.

Undertaking procurement successfully includes well-managed procurement process with timely consideration given to arrange of issues. All this requires a good practical understanding of the procurement process, the market place-legal aspects and great deal of procurement professionalism. It is therefore important that the individual and the team involved in such a process are capable, competent and professional. However in Ethio Telecom the number of qualified and experienced procurement staff and their competency level is not that much high. Those experienced procurement staff also leave the corporation after working for certain years.

### **4.3 Recommendations**

- To improve the procurement system of Ethio Telecom the existing role of the central procurement shows included the task of supplier performance evaluation and measurement and contract administration. For implementing such activities, top management should give attention to change the existing structure and status of the procurement management. Beside to this the resource required should be fulfilled and employees should be motivated and provided the necessary continuous training in order to adapt to the strategic tasks required. The training should be a continuous process and focus in procurement procedures, in the writing of technical specification, development of evaluation criteria and methodology, negotiation, and other related topics in commercial law.
- In order to design and implement a strong supplier performance evaluation and measurement system, Ethio telecom has to critically investigate the existing procurement system and take action that improve it. This study recommends the following points. Even if some of them exist in the current procurement process.
- With the existing trends of the corporation, purchases the procurement department should consist of teams of experts that deal on improving the overall system and be responsible for carrying out various functions consistently around both goods and professional service such structure provides the team of experts to deliver male professional procurement leadership and supports procurements role as a strategic partner in accomplishing the corporation's mission, rather than a means at carrying out day to day transactions.
- It is necessary to establish a contract Administration office within the Procurement Department; it is also advisable if the contract

Administration office is separate from the foreign and local procurement Divisions.

- It is important to revise the corporation's bid and contract documents so that the process and procedure should be fair to all bidders and followed consistently. The preliminary criteria should be standard as per the type of purchase and communicated to the suppliers in the bid documents.
- The evaluation criteria should be sufficiently detailed to enable the evaluating team to assess the relative strength and weakness of each potential supplier and establishing indicators against which to measure the performance of the selected supplier.
- The department should undoubtedly specify the goods and services to be procured. The specification should contain an understandable, concise, logical and accurate description of what is being procured. This will help potential suppliers and those who will be involved in evaluating bids and making the procurement decision.
- Quality, cost/price, delivery, financial capability and stability, contract management capability, process and technological capability and other related issues should be considered in evaluating the performance of suppliers. Past performance of suppliers should be taken into consideration when evaluating bids. Technical and commercial evaluation teams should be given such data timely so that they can consider it at the time of evaluation. Quality, delivery and service performance are very important as supplier performance evaluation and measurement criteria. Delivery performance has to be given a higher weight next to quality because suppliers mostly fail to deliver on time as agreed in the contract signed.

- Generally, the finding of this study will have some practical implication for the management of the corporation in solving the prevailing problems it has with supplier. It is based on understanding of such root causes and application of suitable supplier's performance measures that current deficiencies seen in procurement will be improved strategic rather than merely operational method are required if corporation aims to be serious about solving the above mentioned problems and the challenges of procurement processes.

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## **Declaration**

I, the understand, declare that this senior essay is my original work;  
prepared under the guidance of (Ato Merga Mekuria)

Name \_\_\_\_\_

Signature \_\_\_\_\_

Place of submission \_\_\_\_\_

Date of submission \_\_\_\_\_

## **Submission approval**

This senior paper has been submitted to the department of management in  
partial fulfillment for the required of BA Degree in management with my  
approval as an advisor.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date of submission \_\_\_\_\_