

**ST. MARY'S UNIVERSITY COLLEGE
BUSINESS FACULTY
DEPARTMENT OF MANAGEMENT**

**AN ASSESSMENT OF PROCUREMENT DEPARTMENT
PERFORMANCE
IN NATIONAL BANK OF ETHIOPIA**

**BY:
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**JUNE 2010
SMUC
ADDIS ABABA**

**AN ASSESSMENT OF PROCUREMENT DEPARTMENT
PERFORMANCE
IN NATIONAL BANK OF ETHIOPIA**

**A SENIOR ESSAY SUBMITTED TO THE
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CHAPTER ONE

Introduction

1.1 Background of the Study

Every organization has its own objectives whether the organization is profit making or not. The inputs of the organization are processed and the outputs are produced. The outputs may be goods or services. To do so the organizations perform different activities. These include Procurement, Production, Marketing, and Finance etc. The procurement activity has its background with the formation of early governments. Today, it is widely used by the armed forces to define one of several supply functions involved in logistics activities. Governments define procurement as the entire process by which all classes of resources (people, material, facilities and services) for a particular objective are obtained. (Cebi Ferhab, 2007.5)

The procurement activity is concerned with the function of delivering out resources. It is a pro-active function involved in management of the inputs to the organization and as a key element in all organization in which a large amount of money spend on procurement. So, effective procurement can contribute significantly for the success of organization.

1.2 Background of National Bank of Ethiopia

National Bank of Ethiopia is the outgrowth of the State Bank of Ethiopia, which was established in August 1941 entrusted with tasks of both Central as well as Commercial Banks. Understanding the important of a Central Bank, then Government established the National Bank of

Ethiopia (NBE) as a Central Bank of the Country. This Central Bank began its operation by 1964 following the enactment of the Monetary and Banking Proclamation No.206 of 1963 which clearly demarcated the rules and conduct of Commercial and Central Banking activities.

National Bank of Ethiopia (NBE) constructed with 13 departments that are structured with 6 directorates. National Bank of Ethiopia (NBE) constitutes about 600 employees.

As stated in procurement and contract administration manual of the National Bank of Ethiopia (NBE) procurement department is responsible for the procure supplies out services needed at the organization and purchased items that can not be handled by the central stationery store, consolidated procurement plans by taking into account the efficiency and economic advantages of large procurement packages and periodically prepare consolidated procurement reports for the top management of the organization/Bank.

Procurement Department is more crucial and sophisticated from other department. As procurement determines or affects the overall performance of the organization, needs special attention.

1.3 Statement of the Problem

The procurement department of National Bank of Ethiopia is responsible for the management of input contract and all procurement activities.

In National Bank of Ethiopia all procurement activities include procurement of goods like vehicles, computers, office equipments, office furniture, and janitorial services. These procured goods and services are distributed to the beneficiary user departments as required. Therefore,

the efficient performance of these activities has a great role for the success of the organization.

The following are some of the problems that might affect the organization if the procurement department is not properly managed.

User's departments complain on materials/goods delivered about the performance of right quality, and delivery of time.

National Bank of Ethiopia purchase goods and services based on Ministry of Finance Procedures. This procedure takes long period of time as a result procurements are delayed, hence there need be reconsideration of the compatibility of the procedure.

Finally, in regard to the quality of goods purchased, some time's goods purchased by the purchaser's is less quality product, contributing to the lack of smooth operation of the organization.

1.4. Research questions

This study attempts to answers for the following basic questions that are related to procurement Department performance practice.

- How appropriate is the procurement procedure (manual)
- Does the department's suppliers performance measurement criteria appropriate?
- How appropriate the materials in terms of quality, quantity, timing etc.

1.5. Objective of the study

1.5.1. General Objective

The general objective of the study is assess procurement Department performance practice in National Bank of Ethiopia (NBE) and to recommend on the ways to improve the existing procurement practice of the organization (NBE).

1.5.2 Specific objectives

The specific objectives of the study are:

- Identify factors that affect fast delivery of purchase goods to the beneficiary.
- Identify and evaluating the procurement procedures implemented in the organization (NBE).
- Identify & evaluate the suppliers' performance measurement criteria.
- Proposing ways of improving the department performance.

1.6. Significance of the study

The study is believed to have the following importance:-

- It will cite the area of problems in the procurement department that needs special attention to improve the service.

Moreover, the study would contribute information for other researchers to under take further research in the area.

1.7. Delimitation /scope of the study

The study covers areas related to procurement process & practices of the organization. It incorporates procurement Department performance in NBE, Head Office only.

1.8. Research design and methodology

1.8.1. Research Design

A descriptive research method is used in carrying out this study because it pictures the current situation in the organization and shows accurately the characteristics of a particular situation. Moreover, it helps the researcher to gather several kinds of data related to the subject under study.

1.8.2. Population and sampling technique.

The student researcher interview about 3 officials from procurement department by using purposive & sampling method. Because the concerned department for procurement performance practices is procurement department. Moreover, stratified sampling method was applied for employees and the proportionate stratified sampling used because it gives equal opportunity to select. The total population is 600 employees with in six directorates. Therefore, 120 (20% of the total population) was taken as a sample.

Sample size

Stratum	Population of each stratum	Sample size (20% Pop)
Bank Modernization & External Relations Directorate	18	4
Banking & Foreign Exchange Directorate	222	44
Economic Research & Monetary Policy Directorate	45	9
Finance & Information Systems directorate	35	7
Human Resource and Administrative services Directorate	214	43
Supervision Directorate	66	13
T o t a l	600	120
Total Sample		120

1.8.3. Types and Sources of data

In the study, primary and secondary data collection methods were used so as to collect relevant data for the study underway.

Primary data were collected from the employee and directorate of the organization. The secondary source, manuals reports, documents and other related materials are used carefully

1.8.4. Methods of data collection

In order to collect relevant data for this study, procurement Department performance practices procedures, and rules regulation of the organization are examined properly. Beside, first hand information was gathered through questionnaire and interview from procurement department and the directorate respectively.

Secondary data are data which had already been gathered by some one else and processed for some other purpose. The document review mainly covers the organization's written policies & procedures, procurement reports. The organization's procurement policy directive, procurement procedure manual and other related documents are used in the research. Different literatures shown by book and internet are also used to familiarize the procurement performance practices in National Bank of Ethiopia (NBE).

1.8.5. Data Analysis method

In order to analyze and interpret the finding, the student researchers used percentage and tabulation form. Finally, the task of interpreting of the results are carried out.

1.9. Limitation of the Study

Research work requires available of sufficient time, money and other researches above all time is the major resource affecting the research work. In addition, the willingness of the concerned organization representatives to give adequate information were another limitation of the work. Furthermore, peoples reluctance to fill the questionnaire and also lack of domestic research on the area.

1.10. Organization of the study

The study consisted of four chapters. Chapter one would deal with background of the study, statement of the problem, research questions, objective and significance of the study, delimitation /scope of the study, definition of terms and research design and methodology.

Chapter two would contain the review of the related literature and then presentation and analysis of the data would be discussed in chapter three. Finally, the paper would end up with summary, conclusions and recommendations of the study in the fourth chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Procurement management refers to all activities required to manage supplies relationships. Purchasing management is focused on structuring and continuously improving purchasing processes within the organization and between the organization and its suppliers. Weele (2000: 17).

Perhaps the most interesting and challenging of supply management is the development and management of the organization's supply chain is responsible for ensuring that the right materials, services, and technology are purchased from the right source, at the right time, in the right quality. (Dobler (1996:13).

2.2 Procurement Process

The fundamental goal of the procurement or purchasing function is to acquire optimum quality and quantity of materials and services and for the company in a timely manner, and at the reasonable cost. This also means that the sale is not only when the items may be needed in future along with the necessary parts, services or even training in few cases. These all should be facilitated by the purchasing or procurement function. Altekar: (2005: 21)

The events in the procurement process are the basis for suppliers performance evaluation and measurement. According to (Weele, 2000: 14) 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 assure proper delivery.

Sonmez (2006: 4) also proposes that the procurement process begins with the realization of the need for a supplier; determination and formulation of decision criteria; pre-qualification (initial screening and drawing up a short list of potential suppliers from a large list); final supplier selection; and the monitoring of the supplies elected (i.e. continuous evaluation and assessment). As (Weel 2000: 14) 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 to establish an agreement;
- Placing the order with the selected supplier,
- Monitoring and control of the order (exploiting),
- Follow up and evaluation (settling claim, keeping product and supplier files up to date, supplier rating and supplier ranking).

In actual practice, procurement originates with the reorganization of a definite need by some one in the organization. When the need originates, it is essential to have an accurate description/ specification of the need. As weele (2000: 52-55) indicated the technical properties and characteristics of the product as well as the activities to be performed by the supplier. When drawing up the specifications, the practical feasibility and the cost have to be visibly estimated and taken as a reference point at the time of bid evaluation purchasing should have the right to question specifications and to suggest substitutes that will do the same Job, and it has the responsibility to bring these alternatives to the attention of the user.

Leenders et al. (2002: 43) confirmed that, "purchasing/supply should be the expert in knowing, or determining, which supplier has the capability to provide the needed goods or services and how to analyze supplier reliability." In getting qualified and reliable suppliers, the process of procurement Department performance practice at different stages starting from the need assessment up to contract close up is important.

There fore after identifying the goods or services to be procured, it is necessary to get information from which suppliers (local or foreign) the company could purchase it.

As described in diverse literatures, supplier identification and selection is the next step in the procurement process hold after the need originates for the goods and serviced to be procured. After the requirements have been defined and described in the specifications, the buyer start to explore market (local or foreign) decide which procurement method to use, and identify potential suppliers that could supply the required goods and/services.

The type of evaluation required to determine supplier capability varies with the nature, complexity, and dollar value of the purchase to be made Dobler et al (1984: 119). For complex, high dollar value of purchases, additional evaluation steps are necessary. As Dobler et al (1984: 119) discussed, these steps can include visits to the plants of carefully selected suppliers, followed as necessary, by even more detailed analyses of the most promising suppliers managerial and service capabilities.

Sonmez (2006: 5) devined supplier selection as the process of finding the suppliers being able to provide the buyer with the right quality goods and /or services at the right price, at the right qualities and at the right time.

Cebi and Baprakear (2000: 395) affirm that "supplier selection process has gained importance recently. Since most of the firms have been spending considerable amount of their revenues on purchasing selection and management of the right supplier is the key to obtaining the desired level of quality on time and at the right price, the necessary level of technical support, and the desired level of service".

Other than negotiation for the actual price, source selection is unquestionably purchasing & most vital function. It is the buyer's knowledge as to who can furnish the item to be proceed that initiates the inquiry. A request for quotation may be initiated formally in writing or phone or personal visit. According to PREETIOBEROI (2001: 22) suppliers selection. Factors to be consider in suppliers selection and evaluation must include the following.

- Quality factors. These include 1) consistent ability to meet specifications, 2) technical capability (including research) 3) performances and 4) life expectancy.
- Cost factors. There include 1) total cost of using product 2) price 3) price stability 4) freight 5) financial stability, and ability to remain competitive and profitable.

Procurement steps:-

Procurement life cycle in modern businesses usually consists of seven steps:-

- Information gathering:- If the potential customer does not already have an established relationship with sales/marketing functions of suppliers of needed products 5 services (P/S), it is necessary to search for suppliers who can satisfy the requirements,
- Supplier contact:- when one or more suitable suppliers have been identified requests for quotation (RFQ), requests for

proposals (RFP), requests for Information (RFI) or requests for tender (RFT) may be advertised, or direct contact may be made with the suppliers.

- ❖ Background review:- reforms for product/services quality are consulted and any requirements for follow up services including installation, maintenance and warranty are investigated. Samples of the p/s being considered may be examined or trails under taken.
- ❖ Negotiation:- Negotiations are under taken, and price, availability, and customization possibilities are established. Delivery scheduled are negotiated, and a contrast to acquire the p/s is completed
- Fulfillment: - supplier preparation, expediting, shipment, delivery, and payment for the p/s is completed, based on contract terms. Installation and training may also be included.
- Consumption, maintenance and disposal:- During this phases the organization evaluates the performance of the p/s and any accompanying service support as they are consumed.
- Renewal: - When the p/s has been consumed and/or disposed of the contract expires or the material or service is to be re-ordered, company experience with the p/s is reviewed. If the p/s is to be re-ordered, the organization determines whether to concenter other suppliers or to continue with the some supplier (<http://en.Wikipedia.Org/wiki/procurement>).
- According to Dobler et al. (1984: 95), (...selecting capable suppliers is one of purchasing managers most important responsibilities of the supplier is selected, then completeive pricing, reliable quality, on time delivery, good technical

service, and other goals of good purchasing are more likely to be achieved than if only a mediocre supplier were selected." Buyers must take six important supplier-oriented actions in order to satisfy goods of good purchasing.

These are:-

- a) developing and maintaining a viable supplier base
- b) addressing the appropriate strategic and tactical issues,
- c) ensuring that potential suppliers are carefully evaluated and that they the potential to be satisfactory supply partners in the futures.
- d) managing the selected supplier to ensure timely deliver of the required quality at the right price .

Negotiation is one of the tools used in supplier Identification and selection.

Weel (2000: 281) confirms that planning and preparing for negotiation should start long before the actual negotiation takes place. As Burt et al. (2003: 458) stated, ninety percent or more of the time involved in a successful negotiation is invested in preparation for the actual face-to-face discussions.

As Dobler et al (1984: 214) suggest, the objectives of negotiation require discussing and investigating of every arena of negotiable concern at the presence of both parties-considering short term and long-term performance. The initiating 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 understanding about the items to be purchased. But it is essential to have a general knowledge of what is being purchased, the specification provided in the bidding document and what the supplier proposes, the production or service process involved, and any other issue that will affect quality, time lines of performances, and cost of production (Burt et al. 2003: 458). The negotiating team should search current price and/or of the items to be purchased before sitting for negotiation. As Weel (2000: 281) discussed, if the supplier is a new one, detail examination about the supplier capability and performance in other related sectors is important. In other hand, if the supplier is an existing one that has relation with the buyer before, it is necessary to analyze past deliveries have there been problems in the past with the supplier (e.g. law delivery reliability, quality defects, unexpected price increases).

2.3 Concepts of procurement performance practice

Procurement management is concerned with the acquisition of suppliers' goods and services, in order to contribute to the administrative and strategic objectives of the organization. In practices, purchasing managers have to respond creatively to internal customers' need on the one hand and to maintain a mutually profitable relationship with suppliers on the other Fung (1999: 362).

According to lenders et al (2002: 243), "... purchasing performance evaluation can lead to better decision making since it identifies variance from planned results; these variance can be analyzed to determine their cause and action can be taken to prevent their occurrence in the future".

As discussed in diverse literatures, internal performances 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, response to clarification requests given to prospective bidders at the timely bid floating, bid opening and evaluation processes and the way of negotiations held with the suppliers. According to Weel (2000: 241). "...mostly managers evaluate purchasing operations primarily on parameters such as order backlog, purchasing administration lead-time, number of orders issued number of requests for quotations issued, and adherence to existing procedures".

Leenders et al (2002: 243) 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 feedback.

2.4 Supplier procurement Department performance

According to Lasch and Janker (2005: 409) the objective of the procurement process must be the harmonization of internal processes of buyer and suppliers in order to avoid a waste of resources with in the logistics chain. To build up and maintain such strong relationships with capable suppliers, introducing and implementing supplier performance evaluation and measurement 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 supply 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 a company's own competitive position suppliers performance measures:

- Provide all parties with an indication of contract performance and progress.
- Communicate to the supplies the aspects of it performance that are important to the buying organization.
- Establish bench marks 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 chain on a factual basis.

According Cebi and Bayraktar (2003: 397), the criteria which may influence supplier evaluation include:

- Logistics criterion: delivery lead-time, supply lots, flexibility in changing the order and delivery in good condition.
- Technologic criterion: capacity to meet the demand involvement to formulating a new product or developing the current products improvement effort in their products and processes, etc., and problem solving capability.
- Business criterion: reputation and position in the sector, financial strength and management skills and compatibility.
- Relationship criterion: easy communication, past experience and sales representative compliance.

The growing role of suppliers in the company's business chain increases the need for objective assessment of performance (Weele; 2000: 269). During the process of evaluating bids submitted by suppliers, the Procurement manager should contact. Gathering information from outside sources also assist in the overall evaluation picture of supplier's performance. The variety of information required about the performance of the supplier, specification details, delivery and previous prices can be

taken from a database if recorded properly. Supporting the procurement and the supply process through automation is very important.

When conforming the importance of having supplier performance evaluation and measurement, Gordon, (p1) state, " ...companies that evaluate their supply base find they have better visibility into supplier performance, uncover and remove hidden cost drivers, reduce risk, increase competitive advantage by reducing order cycle times and inventory, gain insight on how to best leverage their supply base, and align practices between themselves and their suppliers.

In any case, supplier performance evaluation and measurement has to be a done especially of strategic purchases because they have their own effect on the objective and functional strategies of the organization and there is also cost incurred for this purpose, Kumar et al. (2005: 152) affirms that measurement of procurement performance will enable competitive advantage and provide framework for continuous improvement of the organization.

Many elementary discussions of procurement principles address the "Five Rights" of purchasing. These are actually five criteria to be considered in procurement decisions and form the basis for the vendor selection problem. The criteria or "rights" are: the right price, the right place the right time, the right quantity, and the right quantity. In addition to these five rights, now days, companies are possibly looking the supplier's service responsiveness; the supplier's 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 supplier is globalize and has rich experience.

Teng and Jaramillo (2005: 508) stated that supplier performance measurement matrix structure can b described in five major clusters: (1)

Quality (2) Delivery / on-time delivery and delivery reliability, (3) cost, (4) Flexibility and (5) Reliability. Shin, et al. (1999: 318) when discussing on this issue, he states that academicians and procurement practitioners agree on the need of excellence in supply management (supplier performance measurement, supply chain management, and supplier selection) and such excellence results in better quality, on-time delivery, and channel performance.

Leenders et al. (2002: 260) affirms that price/cost is one of the most important elements in the purchasing decision. Cost performance measures relate to the direct financial impact of a supplier's performance and can include price, payment terms, shipping charges, savings from process improvements, and so forth. The buyer must constantly and systematically gather information about the price/cost of the goods it is going to purchase so that to make the decision process transparent and open. In this approach, in addition to a willingness to accept a fair price, a good supplier will agree with the buyer to a long term commitment. Long term commitment and relationships allow both the buyer and supplier to entertain cost reduction efforts through development and implementation of improved methods, value analysis and engineering as well as technological innovations.

As diverse literatures discussed, quality performance measures relate to the conformance of a product or service to requirements and can include rejection rates warranty claims, technology used to improve products and services, and other metrics related to the durability, reliability, and consistency of product or service. Delivery performance measures also relate to supplier's ability to support the organization's scheduling requirements and can include 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 so forth. Each performance measure that the organization ultimately selects should be specific and measurable. For example, on-time delivery is specific (a delivery is either made by a certain date or it is not) and it is measurable (a delivery was 3 days late).

2.4.1 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 vendor selection and also supplier performance evaluation and measurement methods are known as the categorical plan, the weighted point and the cost-ratio plans Humphreys, Mak and Yeung (1998: 176) and Humphreys, Mak and McIvor (1998: 29) citing Dobler et al. (1984: Leenders et al.: 2002 Timmerman, Zenz, and Burt et al.:492).

Vokurka et al.(1996: 111) asserted that the categorical plan, the weighted point and the cost-ratio plans are traditional approaches and there are other computer programs which imitate the behavior of human experts who are solving Task Team Leader real-world problems associated with a particular domain of knowledge. According to Tenga and Jaramilo (2005: 505), gaining necessary knowledge for a systematic evaluation of all potential suppliers and selecting the most suitable suppliers is critical for companies.

2.4.2 Categorical method

The categorical plan is one of the approaches to supplier selection and performance evaluation. As Vokurka et al. (1996: 111) asserted, the categorical plan involves categorizing each supplier's performance, or expected performance, in specific areas defined by a list of relevant performance variable. Teng and Jaramilo (2005:

505) 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 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 evaluator's list of factors. The selection criteria may or may not be reconciled with in the group. Before the group meet, each member will categorize suppliers against the criteria they developed using simple scale such as preferred, satisfactory or unsatisfactory. The group then meets to discuss their findings, attempt to reconcile difference and to choose a preferred vendor.

The categorical plan is easy to administer and has been reported by many firm to be very effective (Burt et al. (2003: 492). The advantages of this approach are 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 the relative importance of each criterion. According to Teng and Jaramilo (2005: 505), the categorical plan method requires very experienced buyers with good memory and personal judgment.

2.4.3 Weighted point method

The most frequently used method of evaluation is the weighted point method (Humphreys, Mak and McIvor (1998: 29) Teng and Jaramilo (2005: 505; and Vokurka et al. (1996: 112). As Burt et

al. (2003: 494) confirmed, " ...the weighted-plan method is extremely flexible, since it can accommodate any number of evaluation factors that are important in any specific case. "Weighted average supplier scorecard 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 measure are assigned a lower weight. Each weight is multiplied by its corresponding score, called a "raw score", to produce a weighted score for that performance measure. The weighted scores for the individual performance measures are then added to produce a total score. Suppliers can be ranked from best to worst by creating a list of suppliers and their total scores, then sorting it from highest score to lowest score.

According to Teng and Jaramilo (2005: 505), when using the weighted point method, the input for estimating the weights should come from the members of cross functional teams, not just from the buyers or the purchasing department. The two most common methods used for criteria selection and weighting of factors is either expert opinion or the Delphi technique.

The primary advantage of the weighted point plan is that it is more objective than the categorical approach and yet can be adapted 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 disadvantages 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

following hypothetical table (Table 2.1) illustrates how to use the weighted point plan in evaluating a single supplier.

Table 2.1 - Sample Weighted Point Plan

Sample Weighted Point Plan								
Vendor Name: ABC Company								
Criteria	Excellent	Good	Satisfactory	Fair	Poor	N/A	Wight	Total
	5	4	3	2	1	0		
Quality	X						0.25	1.25
Cost			X				0.25	0.75
Delivery on time		X					0.25	1.00
Training					X		0.05	0.05
After sales support		X					0.10	0.40
Communication systems			X				0.10	0.30
Total weight							1.00	3.75

Adopted from (Burt, et al. 2003)

The following is another illustration (Table 2.2) taken from the book: World Class Supply Management: The key to Supply Chain Management (Burt, et al. 2003: 494).

Table 2.2 - Basic performance factor

Weight	Factor	Measurement Formula
50%	Quality Performance	100% - Percentage of Rejects
25%	Service Performance	100% - 7% 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 rejected 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

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

Adopted from (Burt, et al. 2003)

2.4.4 Cost ration method

The cost ratio approach is more complicated technique to evaluating suppliers Teng and Jaramilo (2005: 505). As Vokurka et al. (1996: 111) 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 a cost ratio which expresses the cost as a percentage of the total value o 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 no widely used in industry and is complex,

requiring a comprehensive cost-accounting 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 unit.

2.4.5. Dimensional analysis method

As Humphreys, Mak and Yeung (1998: 178) and Humphreys, Mak and Mclvor (1998: 30) asserted, dimensional analysis combines several criteria of different dimensions and relative importance into a single dimensionless entity. 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 in the supply chain relationship. The dimensional analysis model provided 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.

According to Vokurka et al. (1996: 107), in just in time purchasing, the single most important step in the process is the selection of suppliers. When this approach is applied to measuring supplier performance the different dimensions such as price, quality, delivery and service could be taken into consideration. But the objective has to be to find the best supplier, not the lowest price or the shortest delivery.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The study population size is 120 which is a total population of department of NBE. Questionnaires were distributed to 120 employees and 72 are collected. On the other side, interview questions were also held with 3 procurement officers in the organization namely, chief procurement officers, senior & junior officers.

As literatures discussed, procurement in many organizations fails to maximize its contribution for a number of reasons, one of which is the fact that the full value it brings to an organization is not always understood, and therefore it is not sufficiently aligned to the requirements of the key stakeholders in the organization. Procurement has traditionally been seen as an operational or transactional activity. While the operational and transactional processes are visibly important, these days the strategic role of procurement is becoming understood. In order to address the problems related to the supplies performance measurement practice, different techniques of collecting data were adopted. Data collected using these techniques are presented as follows

3.1 Demographic Profile

Collecting data through questionnaire survey, the researcher was able to collect information from employees and higher bodies using questionnaire & interview. Accordingly, the general demographic profile of respondents is summarized as follows:

Table 1. Characteristics of the study population

No	Item	Respondent	
		No	Percentage
1	Sex		
	a) Male	54	75
	b) Female	18	25
Total		72	100
2	Age		
	a) Under 25	8	11.10
	b) 26-35	26	36.11
	c) 36-45	23	31.95
	d) Above 46	15	20.84
Total		72	100
3	Work Experience		
	Less than a year	3	4.20
	1 to 3 years	21	29.20
	4 to 6 years	8	11.10
	7 to 10 years	9	12.50
	More than 10 years	31	43.00
Total		72	100
4	Educational Level		
	12 Complete	0	0
	College/University Diploma	15	20.84
	1 st degree	50	69.44
	Above 1 st degree	7	9.72
Total		72	100

Source: Compiled from questionnaire

The profile of respondents in terms of sex, age, work experience & education level is presented in table 1 show that 54 employees that is 75% of the study population are males and 18 that is 25% are females. Regarding age 26(36.11%) are between 26-35 years old. 23(31.9%) of the respondents are with in the range of 36-45years, 15(20.84%) are above 45 years. Finally 8(11.10%) of them are 46 and above years of age. This implies that the majority of respondents are youngsters who are productive and have ambitious desire to satisfy their multi needs.

Item No. 3 of table 1 exhibits the educational background of respondents accordingly 50(69.44%) had 1st degree. Majority that is 15(20.84%) have college diploma. On the other hand, 7(9.72%) of them are 2nd degree holders. This shows that majority of employees had sufficient educational background and academic maturity so, as to provide sufficient information for this research. Table 1 of Item 4 shows 31(43%) of respondents have more than 10 years of service, 21(29.2%) of them had an experience in between 1 to 3 years. Besides, 9(12.5%) had 7 to 10 years of experience and 3(4.2%) have less than a year. Only 8(11.10%) served in the organization from 4 to 6 years. Hence, the organization held employees who had almost all levels of experience in the organization. Therefore, it was possible to get all level of information about procurement evaluation performance practices from employees of different experience.

3.2 Analysis of major Findings

Table 2 Central Procurement Plan & Process

No	Item		
1	Central procurements prepare its annual semi-annual, quarterly procurement plan and schedule and communicate it to suppliers before hand?		
		Respondents	
		No	Percentage
	a. Strongly agree	2	2.78%
	b. Agree	9	12.5%
	c. Neutral	5	6.95%
	d. Disagree	28	38.89%
	e. Strongly disagree	28	38.89%
	Total	72	100
2	Procurement staff understands the Process and benefits of supply management and the importance of monitoring supplier performance?		
	a. Strongly agree	1	1.38
	b. Agree	19	26.39
	c. Neutral	14	19.45
	d. Disagree	31	43.06
	e. Strongly disagree	7	9.27
	Total	72	100

Source: Compiled from questionnaire

As the study results shows in table 2, 56(77.78%) of the respondents disagree & strongly disagree and 11(15.28%) agree, & Strongly agree. And also 15 (6.95%) respondents kept neutral about the issue.

This indicate central procurements does not prepares its annual semi-annual, quarterly procurement plan, schedule and don't communicates it to suppliers before hand. This shows that most of the respondents said the central procurement unit in NBE has no effective formal procurement planning process that drives organizational priorities and action. Moreover; the central procurement unit does not prepare its annual, semi annual and quarterly procurement plan and schedule.

On the other hand, 20(27.77%) of respondents agree/strongly agree that the procurement staff understands the process and benefits of supply management and the importance of monitoring supplier performance but 38(52.33%) strongly disagree/disagree about it. 14 (19.45%) respondents kept neutral about the issue.

Table 3 Respondents Opinions on Procedure & relations with key suppliers'

No	Item	Respondents	
		No	Percentage
1	Procurement office has clearly set procedures in dealing with contractual agreement?		
	a. Strongly agree	1	1.38
	b. Agree	18	25
	c. Neutral	28	38.38
	d. Disagree	21	29.2
	e. Strongly agree	4	5.56
Total		72	100
2	Procurement office establishes appropriate and effective level of relationships with key suppliers		
	a. Strongly agree	1	1.4
	b. Agree	31	43.06
	c. Neutral	5	6.94
	d. Disagree	27	37.5
	e. Strongly disagree	8	11.11
Total		72	100

Source: Compiled for questionnaire

As the study shows in table 3 19(26.38%) of the respondents agree/strongly agree that procurement office has clearly set contractual agreements. While 25(34.76%) respondents disagree/strongly disagree about the issue & the remaining 38.88% of respondents are neutral.

On the other hand, 44.46% of respondents agree/strongly agree that procurement office establishes appropriate and effective level of relationship with key supplies& 48.61% disagree/strongly disagree about this issue. 5(6.94%) of respondents kept neutral about the issue. This implies that there is poor relationship with key supplier but according to the Lasc Janker theory the procurement process must be the harmonization of internal process of buyer and suppliers to avoid a waste of resource within the logistic chain.

Table 4 Delivery Schedule and Invitation of Tender

No	Item	Respondents	
		No	Percentage
1	Procurement office makes aware user department the changes made on the delivery schedule?		
	a. Strongly agree	7	9.72%
	b. Agree	11	15.3%
	c. Neutral	6	8.33%
	d. Disagree	23	31.94%
	e. Strongly disagree	25	34.72%
	Total	72	100
2	Procurement uses contract conditions effectively in the invitation of Tender to ensure compliance with user's requirements?		
	a. Strongly agree	7	9.72
	b. Agree	11	15.3
	c. Neutral	25	34.72
	d. Disagree	23	31.94
	e. Strongly disagree	6	8.33
	Total	72	100

Source: Compiled from questionnaire

As the study shows in table 4, 66.66% of the respondents disagree/strongly disagree with the issue that the procurement office makes the user department aware the changes made on the delivery schedule. The analysis implies that procurement office does not communicate about changes made on the delivery schedule. This affects the procurement performance.

Similarly, 40.27% of respondents disagree/strongly disagree the effective use of contract agreement in the invitation of tender to ensure compliance with user's requirement while 18 (25.02%) agree & strongly agree, also 34.72 kept neutral on the matter. This implies that the procurement office not perform its duties as per the requirement of user department which affects user department or the organization as whole to achieve its organization objective. However, since majority of respondents are kept neutral, it indicates that users do not understand about the performance of suppliers and its benefits.

Table 5 User Department's Requirement and Specification

No	Item	Respondents	
		No	Percentage
1	User departments have understanding of their requirements and provide specifications on time?		
	a. Strongly disagree	4	5.56
	b. Disagree	30	41.7
	c. Neutral	20	27.68
	d. Agree	13	18.05
	e. Strongly agree	5	6.96
	Total	72	100
2	User departments fully participate when purchased items are inspected at the supplier's site or at NBE warehouse?		
	a. Strongly agree	6	8.30
	b. Agree	17	23.6
	c. neutral	13	18.05
	d. Disagree	14	19.45
	e. Strongly disagree	22	30.55
	Total	72	100

Source: Complained from questionnaire

The study results in table 5 shows that 34(47.26%) of the respondents dis- agree and strongly disagree about the issue. Only 18 (25%) of the respondents understand their requirement & provide specification on time. This shows that most of the user departments have no aware about procurement performance procedure. Which may affect the procurement Department performance as well as the working process of the organization.

On the other hand 23(31.90%) of respondents agree/strongly agree that user departments fully participate when purchased item are inspected at the supplier's site or at NBE warehouse while 36(50%) disagree/strongly disagree on it. And also 13(18.05%) of respondents kept neutral about the issue. This is indicate more of user departments not identify defects earlier receive the requested item.

Table 6 Suppliers' Performance and Lead Time

No	Item	Respondents	
		No	Percentage
1	User departments prepare and submit reports of suppliers' performance before the warranty period expires		
	a. Strongly Disagree	2	2.8
	b. Disagree	27	37.5
	c. Neutral	32	44.40
	d. Agree	8	11.10
	e. Strongly agree	3	4.2
Total		72	100
2	Is there a short lead-time to investigate and evaluate potential sources of suppliers		
	a. Strongly agree	6	8.30
	b. Agree	29	40.25
	c. Neutral	22	30.55
	d. Disagree	12	16.65
	e. Strongly disagree	3	4.15
Total		72	100

Source; Compiled from questionnaire

As the study results shows in table 6,27(37.5%) of the respondents disagree that user departments does not prepare and submit reports of supplier's performance before the warranty period expires while the other 44.4% are neutral and 11.10% agree on the point. 2.8% of respondents strongly disagree and another 4.2 are strongly agree on the issue. This implies that user department's weakness on preparing reports.

On the other hand, 48% of the respondents agree/strongly agree on the issue that there is a short lead time to investigate and evaluate potential sources of suppliers while the other 30.55% & 15(20.79%) neutral, & disagree/strongly disagree in the presence of short-lead-time to investigate and evaluate potential sources of suppliers. This implies that there is no short period between order & receipts unless the user departments have sufficient stock. This condition may affect the working process of the organization.

Table 7 Supplier's Performance & Procurement Criteria

No	Item	Respondents	
		No	Percentage
1	The number of suppliers offering product & service that meet NBE's specification requirement is increasing from time to time		
	a. Strongly agree	8	11
	b. Agree	12	17
	c. Neutral	22	30.5
	d. Disagree	24	33.2
	e. Strongly disagree	6	8.3
Total		72	100
2	Procurement has set clearly defined metrics/criteria that are used in measuring procurement performance.		
	a. disagree	6	8
	b. Strongly disagree	29	40
	c. neutral	21	30
	d. agree	4	5.5
	e. strongly agree	12	16.5
Total		72	100

Source: Compiled from questionnaire

The study information indicated in table 7 show that, 20 (28%) of respondents agree/strongly agree that the products supplies produce or the service they render meets the requirements. While the rest 22(30.5%) are neutral and 30 (41.5%) disagree and strongly disagree. This implies the number of suppliers capable of official as per the requirement is getting down.

On the other hand, 35 (48%) of the respondents disagree/strongly disagree. This shows that procurement has not set clearly defined metrics/criteria that are used in measuring supplier's performance and 16 (22%) respondents agree/strongly agree, and 2 (30%) of respondents are neutral. This issue implies that, there is no clearly defined metrics/criteria for measuring procurement department performance.

Table 8 procurement system & Development of Key Suppliers

No	Item	Respondents	
		No	Percentage
1	Procurement has developed a formal system to track the performance of the suppliers it deals with		
	a. Strongly agree	1	1.4
	b. Agree	19	26.4
	c. Neutral	24	33.33
	d. Disagree	25	34.6
	e. Strongly agree	3	4.15
	Total	72	100
2	Procurements has developed list of key suppliers and potential bidders or offer for particular types of products and/or services		
	a. Strongly agree	1	1.38
	b. Agree	19	26.39
	c. Neutral	-	19.45
	d. Disagree	31	43.06
	e. Strongly disagree	7	9.27
	Total	72	100

Source: Complained from questionnaire

On the other hand, 20(27.77%) of the respondents agree/disagree that procurements has developed list of key suppliers, and the others 14(19.45%) kept neutral about the issue. And the rest 38(52.33%) of the respondents disagree/strongly disagree that procurement department doesn't developed list of key suppliers.

The study shown on table 8 shows that 28 (38.75%) of the respondents disagree and strongly disagree with the development of formal system to track the performance of supplier it deal with, the remaining 20 (27.8%) agree/strongly agree, on the issue.

This implies procurement has not developed selection criteria/matrix for potential bidders. On the other hand the study shows cost implication with related ordering cost carrying cost and loading & unloading cost.

Table 9 Contracts design and measurement of supplier's performance

No	Item	Respondents	
		No	Percentage
1	Contracts with suppliers are designed with improvement and benefit sharing		
	a. Strongly disagree	8	11.11
	b. Disagree	27	37.5
	c. Neutral	5	6.94
	d. Agree	31	43.05
	e. Strongly agree	1	1.4
	Total	72	100
2	NBE has set criteria/Metrics that are used in measuring supplier's performance before contract signing, at the time of contract execution and the time of contract termination		
	a. Strongly agree	5	6.94
	b. Agree	13	18.06
	c. Neutral	20	27.8
	d. Disagree	30	41.7
	e. Strongly disagree	4	5.6
	Total	72	100

Source: Compiled from questionnaire

As data shows from table 9 31(43.05%) of the respondents agree that the contracts with suppliers are designed with practically in mind to promote continuous improvement and benefit sharing. The rest 6.94% of respondents are neutral and 37.5% of respondents disagree with the issue.

Moreover, 34(47.3%) of respondents disagree/strongly disagree on the point that while 27.8% are neutral on the issue. This shows that the organization no understand the importance of evaluation and measuring supplier performance especially before, during and offer supply arrangement.

Table 10 Delay of Required Material

No	Items	Respondents	
		No	%
1	Have you every faced any delay of required materials?		
	a. Yes	48	66.7%
	b. No	11	15%
	c. I don't know	13	18%
Total		72	100
2	Response for the delay of materials		
	a. Because of delay in purchasing procedure.	40	55.5%
	b. Because of lengthy process of the store system.	13	18
	c. No response	19	26.4
Total		72	100

As discussed in the literature review delivery of goods at the right time is very important for good performance of procurement from collected data 48 (66.7%) of the respondents responded that they face delay of delivery of materials to them & 11(15.7%) "No" and 13(18%) didn't give any response for the request. However we can see majority (66.7%) of the respondent argue that there was a delay of delivery materials.

Among the respondents who faced delay of delivery of purchased goods, 55.5% argue that the main reason for delay of delivery is procurement procedure 18% argue that the main reason for delay of delivery length of procurement process the rest 26.4% kept neutral about the issue.

Table 11. Quality Evaluation of Goods

No	Items	Respondents	
		No	%
1	How do you evaluate the quality of the goods purchased		
	a. poor	6	8.00
	b. Very poor	24	33.30
	c. Very good	10	13.85
	d. Good	9	12.5
	e. No response	23	31.95
	Total	72	100
2	Reasons for poor quality of good		
	a. Lack of specification	2	2.7
	b. Procurement guideline focus on low price	64	88.9
	c. No Responses	6	8.5
	Total	72	100

Form the collected data that the majority of the respondents i.e 64(88.9%) of the respondents indicated that the reason for poor procurement guidelines focus on low price.

As we observed from table 11, 40 (55.15%) of respondents response poor/very poor about the issue. And also 23 (31.95%) of respondents response neutral about the issue. This implies quality of good purchased very poor.

Table 12. Quality Improvement Mechanism

No	Items	Respondents	
		No	%
1	What should be done to improve the quality of goods to be purchased?		
	a. Specify the required quality for quotation & select quality product what ever its prices	12	16.7
	b. Specify the required quality on request for quotation & select quality product with reasonable price	38	52.8
	c. Compare the quality of the offers & their relative price	13	18.1
	d. No response	9	12.5
Total		72	100
2	When you request the goods to be purchased, do you properly specify the required specification		
	a. Yes	29	40.3
	b. No	21	29.2
	c. No Response	22	30.5
Total		72	100

According to the respondents, 38(52.8%) agreed that goods to be purchased must be specified & bought with reasonable price. 13(18.1%) response that quality of the offers and their relative price must be compared. From data collected 16.7% of respondents response what every if price needs quality products, and 12.5% of respondents kept neutral.

The observation shows that what ever the price quality purchased of goods, provide efficiency for the organization.

As we observe from the table 12 above, 29(40.3%) of the respondents replied Yes about required specification while 21(29.2%) No and 22(30.5%) didn't give any response for the issue, they have been asked generally the response imply that users specify required specification.

3.3 Analysis of interview Result

Question of procurement Department performance practice was forwarded to three respondents. Accordingly, the respondents responded "No" about the issue. The justification they gave for this is that there is no any procurement performance measurement practice. But if incase the supplier is defaulter repeatedly; there is a practice of a keeping the supplier in the defaulters list that make it not to participate in other bids.

As interviewee indicated/answered that there is no suppliers performance measurement, under can not say any thing, but to give more clarification in related to defaulters list, it is the procurement committee that endorse the suppliers default practice.

→ Interviewee agree that the problems of not having poor quality goods & services or price goods, it is better to have knowledge based procurements.

As the interviewee replied, *the bank must facilitate the procurement process to be more effective. One of the efficiency & effective method recommended is creating suppliers database and computerizing the process. Currently, the bank is on the way of computerization as per the recommendation of BPR.*

In the *gathered from different managers, shows that the following points are the role of managers in suppliers performance evaluation.*

- Provision of guidance & direction
- Establishment of utilities & methodology
- Planning & organizing
- Place appropriate controlling system
- Overview of the system
- Ensure effectiveness of the evaluation
- Monitoring & evaluation

The respondents indicated that the bank has pre existing database that has been created previously. Additional of the respondents commented that the data base requires to be updated.

On the other hand *respondents also agree that procurement practice don't meet bank's requirement, but only few suppliers are capable of meeting the bank's requirements.*

CHAPTER FOUR

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The ultimate objective of this study focuses on procurement Department performance practices, a case study on national Bank of Ethiopia (NBE). In order to achieve this objective, related literatures were reviewed, and interview was held with the procurement office chief officers and officers and a questionnaire was distributed to the sample respondents.

The data obtained were presented using percentage and summarized as shown below. Moreover, based on the summary, conclusions are drawn and recommendations are forwarded.

4.1. Summary

The following are the summary of the major findings of the data interpreted and analyzed above:

- ❖ Majority 56(77.78%) of the respondents replied that procurements office doesn't prepare its annual semi-annual, quarterly procurement plan and schedule and communicate it to suppliers before hand.
- ❖ It is revealed from the response of great majority of the respondents procurement staff not understands the process and benefits of supply management and the importance of monitoring supplier performance.
- ❖ The majority of respondents replied (3.8.8%) has neutral about the procurement office not set clearly procedures in dealing with contractual claims. And also majority of respondents response (48.60%) that procurement office relationship with key suppliers has very poor.

- ❖ Regarding the awareness of the change made on the delivery of schedule to user's department majority of respondent (66.66%) implies negative.
- ❖ The majority of respondents (40.27%) responded that [procurement office doesn't use contract conditions effectively in the invitation of tender to ensure compliance with user's requirement effectively and the rest (34.72%) respondents kept neutral.
- ❖ Majority of respondents (50%) responses that user departments have not understood about specification.
- ❖ Regarding the fully participate about the inspection of purchased items in warehouse by user's 36(50%) of respondents response no participation. And the rest (44.4%) kept neutral about the issue.
- ❖ Majority of respondent responded that a short leading time help to investigate and evaluate potential source of suppliers.
- ❖ Majority of respondents responded about supplier's performance and procurement criteria, there is no clear criteria /matrix.
- ❖ According to respondents argue procurement hasn't developed a formal system to track the performance of the suppliers and has not developed list of bidders.
- ❖ From the analysis 43.05% of the respondents agree that if contracts with suppliers are designed with improvement and bandits sharing better performance.
- ❖ Concerning set criteria/matrix that are used in measuring procurement performance before contract signing, at the time of contract execution and the time of contract termination 47.3% of respondents confirm that doesn't exists formal criteria /matrix in the organizations.

- ❖ Among respondents (66.7%) of believe that there is delay of materials and 55.5% of respondents confirm that the main reason for delay of delivery is procurement procedure.
- ❖ About performance the quality of goods purchased 55.15% of the respondents confirm that there is poor quality. The reason of low quality implies 88.9% of the respondents confirm the poor quality of goods purchased lack of procurement guidelines focus on low price.
- ❖ Improvement of quality mechanism goods to be purchased 52.8% of the respondents confirms that quality product with reasonable price.
- ❖ Analysis of interview reveled that there are some problems in the suppliers' performance measurement practice in the organizations. And also interview confirm that not suppliers' performance measurement criteria/matrix in the organization.
- ❖ Accordingly interviewee agrees that there is complaint from users department about poor quality purchased.

4.2. Conclusions

From the analysis can conclude that the procurement Department performance practice of national Bank of Ethiopia is poor and the possible factors that contribute for the delay of delivery of purchased of materials to the organization. On the other hand lack of prompt communication between potential suppliers contribute for delay of delivery beyond the schedule:

- The analysis show in the organization the performance of delivery efficiencies of purchased goods are delayed.

- The performance of procurement of right quality procure materials are low. From this we can conclude that the organizations give concern for the implementation of supplier's performance measurement criteria /matrix.
- That the main reason for the delay of delivery of purchased materials to the organization in length procurement procedure. This indicates that lengthy procurement procedure does affect the efficiency of procurement practice of the organizations.
- The main reason for the procurement of low quality goods in the procurement guideline focus on the lower price.
- To improve the quality of goods to be purchased the organizations specify the required quality on request for quotation and select quality product with reasonable price of the procurement office compare the quality of the offers and their relative price.
- The procurement policy and procedure manual does not indicate how to measure procurement performance at the time of executing and closing a contract. And also procurement policy and procedure manual does not indicate, how to expedite and review the procurement performance what criteria/matrix to use at the time of evaluating procurement performance and want 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 procurement performance, supplier qualification procedure and supplier relationships.
- The finding indicates that procurement office does not prepare its annual, semi-annual and quarterly procurement plan and schedule. It also does not communicate its procurement calendar

to suppliers. And there is no an organized supplier data base that could be used for recording suppliers performance.

- There is no contract administration unit separately that expenditures and monitors contract performance.
- Specification of the goods to be purchased is vital in buyer supplier relation. Most of the problems arising between organizations and suppliers are due to the absence of understandable technical specifications.
- How ever in National Bank of Ethiopia (NBE), the number of qualified and experienced procurement staff and their competency level is not that much, high.

4.3. Recommendations

The following remedial solutions are suggested to solve the problem:

- In order to design and implement a strong procurement Department performance practice system, National Bank of Ethiopia (NBE) has to critically investigate the procurement system and take actions that improve it.
- In order to reduce user departments complaints associated with length procurement performance procedures, NBE should take measures that enable it to minimize adverse administration and management practices. To this end, it should rationalize existing procurement performance processes, introduce automated system and software for supplier evaluation, create efficient procedures, training and advice the procurements staff to avoid undesirable practices and take corrective measures against such practices.
- It is necessary to establish a contract administration office within the procurement department. It is necessary to develop supplier's

data base and monitor procurement performance to ensure that it meets all requirements in accordance with the contract.

- The procurement performance report prepared should be distributed for management so that to take action timely.
- The evaluation criteria should be sufficiently detailed to enable the evaluating team to assess the relative strengths and weaknesses of each potential supplier and establish indicators against which to measure the performance of the selected supplier.
- User departments should undoubtedly specify the goods and services to be procured.
- In NBE case quality, delivery performance is very important as procurement Department performance practice criteria.
- User department should ensure that s supplier has fulfill all the obligations stated in the purchase order before the procurement office release retention of release the supplier from commitments based on the contract.
- Generally, the findings of this study will have some practical implication for the management of the NBE in solving the prevailing problems it has with suppliers. It is based on understanding of such root causes and application of suitable procurement Department performance measures that current deficiencies seem in procurement will be improved.
- To improve the procurement Department performance system of National Bank of Ethiopia (NBE), the existing role of the procurement office should include the tasks of supplier performance evaluation and measurement and contract administration. For implementing such activities, top management should give attention to change the existing structure and states of

the procurement performance management. Besides to this, the resources required should be feeling filed 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 performance procedures, in the writing of technical specification, development of procurement performance practice and methodology, negotiation and other related topics.

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