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SCHOOL OF GRADUATE STUDIES

**ASSESSMENT OF PROJECT PROCUREMENT MANAGEMENT
PRACTICE IN COMMERCIAL BANK OF ETHIOPIA**

BY

ELLENI ZEWDIE

ADVISOR: Dr. TEMESEGEN BELAYNEH (PhD)

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ST. MARY'S UNIVERSITY
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BY: ELLENI ZEWDIE

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ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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MBA PROGRAM

ASSESSMENT OF PROJECT PROCUREMENT MANAGEMENT
PRACTICE IN COMMERCIAL BANK OF ETHIOPIA

BY: ELLENI ZEWDIE

APPROVED BY THE BOARD OF EXAMINERS

| Name | Signature | Date |
|---------------------------------|------------------|-------------|
| _____ | _____ | _____ |
| ADVISOR | | |
| _____ | _____ | _____ |
| EXAMINER (INTERNAL) | | |
| _____ | _____ | _____ |
| EXAMINER (EXTERNAL) | | |
| _____ | _____ | _____ |
| DEAN OF GRADUATE STUDIES | | |

DECLARATION

I the undersigned, hereby declare that this thesis entitled “**Assessment of Project Procurement Management Practice in Commercial Bank of Ethiopia**” is my original work. This thesis has not been presented for any other university or College for the completion of any degree.

Elleni Zewdie

Signature _____

Date _____

ENDORSEMENT

This MA thesis entitled: “**Assessment of Project Procurement Management Practice in Commercial Bank of Ethiopia**” conducted by Elleni Zewdie has been submitted to St. Mary’s University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor: Dr. Temesegegn Belayneh (PhD)

Signature _____

Date _____

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List of Acronym

- CBE** - *Commercial Bank of Ethiopia*
- SCM** - *Supply chain management*
- MoFED-** *Ministry of Finance and Economic Development*
- PMBOK-** *Project Management Body of Knowledge*
- SPSS** - *Statistical Package for Social Sciences*

Abstract

This study aims to assess project procurement management practice of Commercial Bank of Ethiopia focusing on Building Construction and Maintenance procurement process. The researcher has used descriptive research method and the data collection tool was a closed-end questionnaire. To check the reliability of the questionnaire, a pilot test was conducted and the analysis generated a Cronbach alpha value of 0.935. The sample size of the study was 94 individuals selected through purposive sampling and the response rate was 81.91%. A Questionnaire with 33 items was distributed to employees who are involved in Building Construction and Maintenance procurement practice of the Bank's projects. A simplified project procurement management practice with procurement planning, tender and seller selection process, procurement administration and closing of procurement is assessed. Based on the assessment responses, each process is leveled on defined scale (very high, high, moderate, low and very low). Accordingly, all the procurement process and overall project procurement management practice of the bank shows a moderate level scale. Therefore, the study gave a recommendation on each procurement process based on the findings.

Key word: *Procurement, Project Procurement Management, CBE, PMBOK, Procurement Procedure Manual*

CHAPTER ONE

1 INTRODUCTION

1.1 Background of the Study

Now a day the world is connecting in different ways. One of the connections is the supply-chain relationship. Supply chain management (SCM) is one of the key components of enterprise management and is responsible for balancing demand and supply along the entire value-adding chain (Christopher 2005 cited in Ivanov, D. and Sokolov, Boris V. 2010). A supply chain is basically a group of independent organizations connected together through the products and services that they separately and/or jointly add value on in order to deliver them to the end consumer (Lu, 2011:8). In supply chain management process, we often hear the word purchasing or procurement.

Procurement is a process of acquiring goods or services to fulfill needs. Procurement is a functional group (i.e., a formal entity on the organizational chart) as well as a functional activity (i.e., buying goods and services) (Monczka et al., 2009). According to Waters (2004), it begins when an agency has identified a need and decided on its procurement requirement. However, the procurement process for every need is different. Some procurements are big, others small. Some are complex, while most are routine. Some procurements carry high risks, while others have only minimal or perhaps no risks at all. Some procurement requires a major long-term commitment from both the buyer and the seller, while other commodities are immediately available for purchase in the open market, including on-line or e-commerce buys (Fleming, 2003). As Srivastava (2017) described Procurement is securing the products, raw materials, and services needed by production, distribution and service organizations at the right time, the right price, the right place, the right quality and in the right quantity.

According to Tesfahun (2011), Public procurement in Ethiopia dates back to 1940s. The researcher stated that the report prepared by the Ethiopian Procurement and Property Administration Agency, public procurement was started in 1940 EC and it was established to procure military equipment and supplies for soldiers.

After going through some many process and political revolution, the current public procurement directive was issued by the Ministry of Finance and Economic Development. According to the MoFED (2011), the ministry introduced a Financial Administration Proclamation and Procurement and property Administration Proclamation to respond to national and international changes in the finical system. The ministry further stressed that the introduction of proclamations enables the country to close the gaps that might be observed in the finance, procurement and property management of the nation and to create internationally accepted financial working system. This proclamation defined procurement as obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means.

When referring finance, one of the biggest finance operating organs in Ethiopia is Commercial Bank of Ethiopia. The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942.CBE was legally established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. Currently CBE has more than 1600 branches and 40,000 employees (Commercial Bank of Ethiopia, 2020).

The supply chain management of the Bank follows its Procurement Procedure Manual by adopting public procurement manual prepared by Public Procurement and Property Administration Agency.CBE allocates its central procurement department in Addis Ababa around Vatican Embassy even thought Districts and Branches have their own limit of purchase according to the criteria set on the Procurement Procedure Manual.

To meet its vision that is to become a world-class commercial bank by the year 2025, CBE focused on the construction of different branch in addition to the core banking service.

1.2 Statement of the problem

Procurement comprises all activities and processes involved in acquiring needed goods and services from external parties. This may include everything from office supplies, furniture, and facilities to heavy equipment, consulting services, and testing and training. Properly managing all procurement activities not only keeps business operations running smoothly, it also saves money, time, and resources. Procurement management ensures that all items and services are

properly acquired so that projects and processes can proceed efficiently and successfully. In short, proper procurement management is imperative for avoiding costly delays and errors (Mekdes, 2019).

Accordingly, CBE is trying to achieve its vision on becoming World-Class Commercial Bank in 2025 by providing quality banking service, expanding its accessibility by constructing new buildings (branches) and maintaining the existing building. However, 2019/20 annual performance report (2020) indicated that most of the projects performed in the year were behind the plan that the bank set to accomplish.

Different researcher has conducted a research in the similar topic to assess the procurement process of projects and companies/organization. Though regarding to CBE, few researchers like Freweyni (2019) and Banchamlak (2014) have assessed the effect of procurement management practice on the project performance and purchase practice and its challenges respectively. However, the researcher did not emphasize whether the bank is performing its procurement process according to its procurement procedure manual or standards set by different literatures.

Therefore, this study will try to assess the procurement management practice of organization in accordance with both its procurement manual and also the theoretical aspect of the knowledge area of procurement activities to fill the above stated gap.

1.3 Research Objectives

1.3.1 General Objective

The general objective is to assess the practice of project procurement management in Commercial Bank of Ethiopia.

1.3.2 Specific Objectives

The specific objectives of the study are as follows

- ✓ To describe the existing practice of project procurement management of CBE and assess its current practice in light of the procurement procedure manual of the bank and standards of the knowledge area.

1.4 Research question

- ✓ *What processes are followed by the bank when managing project procurement and how much it aligns with the standards set by the bank and knowledge area?*

1.5 Significance of the study

This study helps to identify which procurement activities lead the construction projects in CBE for schedule delay and poor project quality and forward possible recommendations that needs improvement. In addition, the study will help the planers and policy makers to identify the existing problem of the organization and take action to improve its performance. Furthermore, it will use as a reference for further research on the similar topic.

1.6 Scope of the study

The study is geographically limited to CBE's Facilities Management-Procurement Department which is directly involved in Construction Project procurement process. Thus the results of the study cannot be taken as relevant and applicable to all organization that undertakes Project procurement process. The respondents were employees of CBE who are directly involved in the construction and maintenance project procurement.

1.7 Limitation of the study

The following were the limits that were faced while collecting the data.

- ✓ Unwillingness of the respondents to give response (participate) on the questionnaire.
- ✓ Unavailability of staffs on the office due to field work.
- ✓ Not returning the filled questionnaire on time.

1.8 Organization of the study

This paper is organized in five chapters. The first chapter presents introduction, brief statements on the research problem and the study purpose and the scope and limitation of the study. Chapter two presents review of related literature. Chapter three presents the methodology used to collect and analyze data. Chapter four presents the finding through data presentation, analysis and interpretation of the assessment results. Finally, chapter five presents the summary of the findings, the conclusion and the recommendation given.

CHAPTER TWO

2 REVIEW OF RELATED LITERATURE

2.1 Project and Project Management

2.1.1 Definition of project

A project is a temporary endeavor undertaken to create a unique product, service, or result. The temporary nature of projects indicates a definite beginning and end (PMBOK, 2008). Heagney (2012) citing J.M.Juran defined project as a problem scheduled for solution. This mean the every project is undertaken to solve certain kind of problem. A project is a unique, one-time undertaking; it will never again be done exactly the same way, by the same people, and within the same environment (Heerkens, 2002).

PMBOK (2000) stated Projects are often implemented as a means of achieving an organization's strategic plan. They are critical to the realization of the performing organization's business strategy because projects are a means by which strategy is implemented.

Fleming (2003) citing Ruskin and Estes defined project as a special kind activity. It involves something that is both unique and important and thereby requires unusual attention. It also has boundaries with other activities so that its extent is defined. And it has a beginning and an end and objectives whose accomplishments signal the end.

Projects come in all shapes and sizes. Schwalbe (2017) set the following attributes help to further define a project:

- A project has a unique purpose. Every project should have a well-defined objective. For example, many people hire firms to design and build a new house, but each house, like each person, is unique.
- A project is temporary. A project has a definite beginning and a definite end. For a home construction project, owners usually have a date in mind when they'd like to move into their new home.
- A project drives change and enables value creation. A project is initiated to bring about a change in order to meet a need or desire. Its purpose is to achieve a specific objective

which changes the context (a living situation, in this house project example) from a current state to a more desired or valued future state.

- A project is developed using progressive elaboration or in an iterative fashion. Projects are often defined broadly when they begin, and as time passes, the specific details of the project become clearer. For example, there are many decisions that must be made in planning and building a new house. It works best to draft preliminary plans for owners to approve before more detailed plans are developed.
- A project requires resources, often from various areas. Resources include people, hardware, software, or other assets. Many different types of people, skill sets, and resources are needed to build a home.
- A project should have a primary customer or sponsor. Most projects have many interested parties or stakeholders, but someone must take the primary role of sponsorship. The project sponsor usually provides the direction and funding for the project.
- A project involves uncertainty. Because every project is unique, it is sometimes difficult to define the project's objectives clearly, estimate exactly how long it will take to complete, or determine how much it will cost. External factors also cause uncertainty, such as a supplier going out of business or a project team member needing unplanned time off. Uncertainty is one of the main reasons project management is so challenging, because uncertainty invokes risk.

2.1.2 Definition of Project Management

According to PMBOK (2008), project management is the application of knowledge, skills, tools and techniques to project activities to meet the project requirements. Newton (2015) defined Project management as the discipline of planning, organizing, motivating, and controlling resources to achieve specific goals. The researcher further stressed that the primary challenge of project management is to achieve all of the project goals and objectives while honoring the constraints on scope, time, quality and cost.

Project management is planning, organizing, directing and controlling company resources for a relatively short-term objective that has been established to complete specific goals and objectives. Furthermore, project management utilizes the systems approach to management by

having functional personnel (the vertical hierarchy) assigned to specific project (the horizontal hierarchy) (Kerzner, 2009 cited in Newton, 2015).

Project management is accomplished through the use of the processes such as initiating, planning, executing, controlling and closing (PMBOK, 2000).

2.2 Procurement and Project Procurement Management

2.2.1 Definition of Procurement

Procurement is the term most commonly employed to refer to the purchasing of goods and services for the day-to-day operations of a business. Procurement is an essential part of any organization's ability to function effectively and efficiently (Steven R Leonard, 2000 cited in Nantege, 2011). The adoption of procurement practices by firms is meant to reduce the number of overall discrepancies realized as a result of contract awards, enhance optimal identification of suppliers' opportunities and improve relationships with current firm suppliers. Procurement department undertakes to coordinate the purchasing and supplies of products and services with the intention of enhancing both cost savings and quality procurement that are always conflicting (Wanyonyi & Muturi, 2010).

The current Ethiopia public procurement directive was issued by the Ministry of Finance and Economic Development. According to the MoFED (2011), the ministry introduced a Financial Administration Proclamation and Procurement and property Administration Proclamation to respond to national and international changes in the financial system. The ministry further stressed that the introduction of proclamations enables the country to close the gaps that might be observed in the finance, procurement and property management of the nation and to create internationally accepted financial working system. This proclamation defined procurement as obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means.

2.2.2 Definition of Project Procurement Management

According to PMBOK (2000), Project Procurement Management includes the processes required to acquire goods and services, to attain project scope, from outside the performing organization. In the fourth edition of PMBOK (2008), it further described project procurement management as the process necessary to purchase or acquire products, services or results needed from outside the

project team. The organization can be either the buyer or seller of the products, services, or results of a project. Project procurement management includes the contract management and change control processes required to develop and administer contracts or purchase orders issued by authorized project team member.

2.3 Project Procurement Management Process

The Project Management Body of Knowledge (PMBOK, 2008), breaks Project procurement management into four processes which are procurement planning, conducting procurement, administer procurement and closing procurement. The processes further discussed as follows.

2.3.1 Plan Procurement

Plan procurement is the process of documenting project purchasing decisions, specifying the approach, and identifying potential sellers. It identifies those needs which can best be, or must be, met by acquiring products, services, or results outside of the project organization, versus those project needs which can be accomplished by the project team (PMBOK, 2008). It begins at the start of new project, includes the make or buy analysis, ends with a published Procurement Management Plan (Fleming, 2003). It involves consideration of whether to procure, how to procure, what to procure, how much to procure, and when to procure. Procurement planning should also include consideration of potential sellers, particularly if the buyer wishes to exercise some degree of influence or control over contracting decisions (PMBOK, 2000).

2.3.2 Conduct Procurement

PMBOK (2008) defines conducting procurement as the process of obtaining seller responses, selecting a seller and awarding a contract. In this process, the team will receive bids or proposals and will apply previously defined selection criteria to select one or more sellers who are qualified to perform the work and acceptable as a seller. Also Fleming (2003) describes source selection (conduct procurement) evaluates seller proposals, and ends with the issuance of a contract award to a seller.

2.3.3 Administer Procurement

Administer procurements is the process of managing procurement relationships, monitoring contract performance, and making changes and corrections as needed. Both the buyer and the seller will administer the procurement contract for similar purposes. The Administer

Procurements process ensures that the seller's performance meets procurements and that the buyer performs according to the terms of the legal contract (PMBOK, 2008).

2.3.4 Close Procurement

Close procurement is the process of completing each project procurement. It supports the close project or phase process, since it involves verification that all work and deliverables were acceptable. The close procurement process also involves administrative activities such as finalizing open claims, updating records to reflect final results and archiving such information for future use (PMBOK, 2008).

2.4 Construction procurement system

The procurement of construction project is vast in scope because it involves the gathering and organizing of myriads of separate individuals, firms and companies to design, manage and build construction products such as houses, office buildings, shopping complex, roads, bridges etc. for specific clients or "customers". Procurement comes the word procure which literally means "to obtain by care or effort"; "to bring about" and "to acquire". System is about "organized method, approach, technique, process or procedure". In this context, project procurement is very much concerned with the organized methods or process and procedure of obtaining or acquiring a construction product such as a house, shopping complex or road and jetty. It also involves arranging and coordinating people to achieve prescribed goals or objectives (Rashid et al., 2006).

The researcher further stated the introduction of different "fast-tracking" project procurement systems is the attempt by the industry to provide better deal to its clients or customers, who are increasingly insisting for "better value for money" from their projects in term of cost, time and quality. The different project procurement systems present different methods, process and procedure of designing and construction of projects for the client. These different systems also prescribe the variation of the organizational structure of the project teams in term of role, responsibility and authority.

The following are categories of project procurement systems classified by Perry cited in Mastermann (1992) based on the relationship and critical interaction between design and construction responsibilities.

- 1) Separated and Cooperative System

- 2) Integrated system
- 3) Management Oriented System

2.4.1 Separated and cooperative System

Under this system, the responsibilities of designing and construction of the project are separated and are carried out by different independent organizations namely the designers and contractors. It is sometimes called linear or sequential contracting system or multiple responsibilities contracting approach. It is a system where the project development activities that start from feasibility study, preliminary design, documentation to construction and hand over, are carried out sequentially one after another. Traditionally, the complete working drawings or design has to be prepared by the designers before tender and construction activities can take place. It is sub-divided into 2 sub-categories – Traditional System and Variants of the Traditional Systems. The Variant System is further sub-divided into (i) Sequential Method, and (ii) Accelerated Method (Rashid et al., 2006).

According to Mastermann (1992), this category of procurement systems is the separation of the responsibility for the design of the project from that of its construction. Even where variants of the basic system allow co-operation between the contractor and the client or his consultants, these two fundamental elements remain as two separate entities. The category contains one main procurement system—the conventional method—and a number of variants of that method. These variants have been restricted to those which are generally accepted as being most widely used in the industry, i.e. negotiation, two-stage selective tendering, continuity contracts, serial contracts and cost-reimbursable contracts.

2.4.2 Integrated Procurement System

This category of procurement systems incorporates all of those methods of managing the design and construction of a project where these two basic elements are integrated and become the responsibility of one organization, usually a contractor (Mastermann, 1992).

Both responsibilities are contracted out to a single contracting organization. It is also called a parallel or single responsibility procurement system whereby the client will only need to deal with a single organization for both the designing and constructing the proposed project. In this case, the contractor will have to engage and be responsible for design and construction teams

(Rashid et al, 2006). This category is sub-divided into 2 sub-categories – Design and Build and Variants of the Design and Build. The Variant System is further sub-divided into (i) Package Deal, (ii) Turkey Method and (iii) Develop and Construct.

2.4.3 Management Oriented Procurement System

It is a system that gives greater emphasis on the management and integration of the design and construction of projects. Under this system, the management of the design and construction a project is contracted out to a contractor who acts as a management consultant on behalf of the client. The construction itself is commissioned to many “specialist” or subcontractors who enter into contract with either the management contractor or the client. This procurement approach that was introduced based on the conception that a builder or contractor has more expertise to manage the design and construction of a project. As management consultant, the appointed contractor does not itself, carry out the design or construction of the project. Its main responsibility is to manage the design and construction by the design consultants and the many specialist contractors, respectively (Rashid et al, 2006). This category is sub-divided into 3 sub-categories –Management Contracting, Construction management and Design and manages.

2.5 Procurement process in CBE

CBE had amended its Procurement manual in 2009 E.C. by adopting public procurement manual prepared by Public Procurement and Property Administration Agency. The CBE Procurement Manual defines procurement as obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means.

Even though all the District Branches possess procurement in their perspective limits, the major procurement process is centralized in Addis Ababa, Facility Management Office. As the Bank follows a separate and cooperative construction procurement system, the Bank used to process its procurement on single Building Construction Administration department. This department was further divided into Design sub process, Building Maintenance sub process and Construction Administration sub process. The Design branch undertook procurement management process of new buildings to be constructed. As the name indicated the Building Maintenance sub process engaged in procurement activities to maintain existing Bank's buildings. The Construction Administration sub process; its main role was to administrate the construction process of new building and maintenance of the existing ones. However, when there is a need of staffs in

departments, one who was on Design department, can be shifted to Construction Administration department or vice-versa. This cross-section work environment developed stiffness to track the performance of the individual sub departments. Thus, three years ago the Bank has implemented a new structure to track the performance of the department and cross checking of work between departments. In addition, the structure was developed by considering the user organs needs which is to deliver the requests on the right time, right quantity, right quality and right price.

2.5.1 Purchase Methods used in CBE

There are different types of purchase. Some purchases are big, others small. Some are complex, while most are routine. Some procurements carry high risks, while others have only minimal or perhaps no risks at all. Some procurement requires a major long-term commitment from both the buyer and the seller, while other commodities are immediately available for purchase in the open market, including on-line or e-commerce buys (Fleming, 2003).

As per its Procurement Procedure Manual (2009), the bank uses seven major types of purchase methods to procure.

1. Open Tender

In this purchase type, there are two types of purchase process: Local/National and International. For local purchase, the bank set a purchase limit up to 500,000,000.00 (Five Hundred Million Birr) while it allows purchasing internationally from 5,000,000.00 (Five Million Birr).

2. Restricted Tender

This purchase method limits to purchase a product from 600,000.00 (Eight Hundred Thousand Birr) up to 4,000,000.00 (Four Million Birr).

3. Request for Quotation/ Proforma

In this purchase method the limit fixed for purchases up to 500,000.00 (Five Hundred Thousand Birr)

4. Direct Purchase

5. Request for proposal

6. Two Stage Tender

7. Long Term Frame Agreement Purchase

2.5.2 Procurement process steps

On Procurement Manual (2009), the bank set the following step to be followed when conducting procurement activities:

2.5.2.1 Need recognition

Although CBE make procurement centrally, needs are collected from all branch offices. However for new construction project and branch openings, a Business development office will conduct a market assessment and select an area with high money transaction. Finally all the collected needs with justification will send to strategy management office for approval for fiscal year.

2.5.2.2 Verification of Purchase requisition

In this stage all the submitted purchase requests will be evaluated by the Ad-hoc Committee. Banchamlak (2014) stated that the committee assesses the request for under-or-over request and in the specific period to complete the evaluation.

Once a request is evaluated by the ad hoc committee, it forwarded to the process committee and the committee evaluates and forwards the request with the necessary budget to the board of directors for final decision and procurement process. The time elapsed for the approved planned annual requests only left 3 month for the process of procurement and delivery (Banchamlak, 2014, p.9).

2.5.2.3 Approval of Annual Action Plan

After approval of the requests, the approved Goods, works, Consultancy Services and other Services will communicate for the respective branches and procurement office for the next process.

The Facility management office will purchase all Goods, works, Consultancy Services and other Services that are above the limit of Districts and Branches. The office has three purchase units: the sourcing unit, the evaluation unit and the contract administration unit.

Sourcing unit has the responsibility to prepare the annual action plan for approved requests. The annual action plan report contains description of the purchases, budget amount, type of purchase method and contract type, time frame for the purchase, the user (requestor) organ name and the committee whom responsible for purchase approval. Then the prepared annual action plan will be approved by purchase approving committee-one.

2.5.2.4 Technical Specification and approval of Bid Document

After annual action plan is approved, the entire sourcing unit will prepare a technical specification for the intended purchase. MoEFD (2011) states that the technical specifications and descriptions laying down the characteristics of the goods, works, or services to be procured shall be prepared for the purpose of providing a correct and complete description of the object of procurement and for the purpose of creating conditions of fair and open competition between all candidates. The technical specifications shall clearly describe the public body's requirements with respect to quality, performance, safety and where necessary dimensions, symbols, terminology, packaging, marking and labeling or the processes and methods of production and requirements relating to conformity assessment procedures.

Then the prepared specification and bidding document will present for the respective committee for approval. In this procurement department, there are three committee groups with approval power limits.

- ✓ Purchase Approving Committee - One has the power to approve a purchase with budget amounting 30,000,000.00 (Thirty Million Birr) and above for goods, Consultancy services and other services while 10,000,000.00 (Ten Million Birr) and above for Construction Work.
- ✓ Purchase Approving Committee - Two has the power to approve a purchase with budget amounting from 5,000,000.00 (Five Million Birr) and above but not more than 30,000,000.00 (Thirty Million Birr) for goods, Consultancy services and other services while from 5,000,000.00 (Five Million Birr) and above but not more than 10,000,000.00 (Ten Million Birr) for Construction Work.
- ✓ Purchase Approving Committee - Three has the power to approve a purchase with budget amounting from 200,000.00 (Two Hundred Thousand Birr) and above but not more than

5,000,000.00 (Five Million Birr) for all goods, work, Consultancy services and other services purchase.

In addition to this, the V/president, Directors, Managers and Team Leaders have their own purchase power to an amount less than the above stated committee limit.

2.5.2.5 Invitation of bidders

Once the bidding document is approved, the next stage will be inviting of bidders to participate on the required purchase. The invitation will announce in two National Newspaper, on the CBE Official website, facebook and Mobtender. The time allowed for the preparation of bids is in accordance of the purchase method and complexity of the purchase set on the procedure.

2.5.2.6 Evaluation and Awarding

In this stage, Bidders who are interested to participate in the bid will submit their proposal on the specified time which is stated on the bid invitation. Then the respective committee or ad-hoc committee will open the technical proposal of all bidders. However, bid proposal which did not submit at the specified time frame and fulfill the pre –request will automatically reject from bid process. After all bidding documents are opened, the committee requests the evaluation team to evaluate and submit a report of bidder result. Bidders who score 85 and above for Goods and works and 88 and above for consultancy will be qualified for Financial opening.

The financial evaluation will be evaluated by dividing the proposed offer of the bidder by its technical score. A bidder with a least value will announce as a winner and award letter will be given by stating the quantity to be purchase, delivery period and amount of the purchase.

2.5.2.7 Administration of procurement

After award letter given to the winner, the sourcing team will prepare a contract document in accordance with the bid document. After that, the Bank and the winner will sign the contract. However, before the two bodies came to the contract signing stage, the CBE legal service will check the prepare contract is correct in face of Ethiopian law and the CBE procedure. On the other hand, the winner will take a draft contract document and check all the terms and conditions are correct.

Then the signed contract will be forwarded to the contract administration team for follow up. The Construction teams are separate for Goods and Work. When there is a need for contract amending, the procurement procedure allows amending a contract; however, the amendment shall be in the best interest of the bank and the amendment shall not give special treatment for the supplier compared to the other bidders.

2.5.2.8 Closing of purchase

The contract administration team will be the one who closes the purchase. The team will check all the quantity and quality of the product is aligned with the technical specification and delivered on the specified period.

2.6 Empirical Research review

Generally, project delay and cost overrun begins when planning and conducting the procurement. There are different studies which are conducted by different scholars regarding project procurement activities and related issues. In the construction industry, causes of delays and cost overrun are results of inefficient procurement processes (Sweis et al, 2008 cited in Mwandobo, 2013). This section provides various studies undertaken within and outside Ethiopia especially in Africa in relation to the topic under study.

2.6.1 Studies in Africa

A research by Nantege (2011), on procurement management and financial performance of banks in Uganda, case study: Fina Bank Uganda Limited, the main challenges identified as being faced in the management of procurement included; delays in decision making; lack of skilled and technical procurement personnel; lack of buffer stocks and restocking levels; improper records management; delivery failures by suppliers, non-independence of the procurement committee; absence of prequalified suppliers, limited commitment from top managers, ever-increasing prices; and hardships in identifying reliable suppliers among others.

Another study from Rwanda by Kabega et al. (2016) on the effect of procurement practice on the performance of public projects in Rwanda revealed that contract administration factors, legal team consultation, finance factors, delivery date factors, and quality of materials consideration while designing procurement contracts helped the project to be well managed.

Kafle, M. et al. (2018) a research undertaken on Effects of procurement process on project execution in a project management company in Cape Town, South Africa found that lack of training of the entire project team, corruption, favoritism, fraud and delays from suppliers are the major causes of poor procurement.

2.6.2 Studies in Ethiopia

A research conducted by Gebremedhin (2017) with topic of Project procurement practice at Yara Dallol BV, Dallol Potash Project showed that there is a procurement plan and a Standard operational procedure for all purchases. However, the researcher found that there is a poor monitoring and controlling and closing undertaken with regard to the procurement practice being applied as to what was planned.

In Ethiopian airlines a research conducted by Ali (2019) found that there is a well-defined, organized procurement policy in place that is used to procure any goods and services required by the project operating unit and by procurement or material management division. Apparently, the finding of the research revealed that minimal consideration given on some of the common project procurement conducting, monitoring, controlling and closing stages.

On other research, Fikremariam (2017) with the topic of Procurement management practice in the Bank of Abyssinia showed that project schedule were not taken into account when preparing the procurement plan which adversely affects the project delivery time. In addition to this the research revealed that there is poor procurement administration practice to evaluate and monitor the vendor performance.

Another study by Goitom (2016), on assessment of procurement planning practice and its implementation: the case of United Nations Development Programme (UNDP), Ethiopia County Office revealed that the procurement implementation of the company is negatively affected to large extent possibly by lack of procurement plan at early stage of the project.

2.7 Conceptual Framework

The following conceptual frame work has been developed for the purpose of the study based on the literature review. The frame work shows the four process of project procurement management which includes:

1. **Plan Procurements:** The process of documenting project purchasing decision, specifying the approach and identifying potential sellers.
2. **Conduct procurements:** The process of obtaining seller responses, selecting a seller and awarding contract
3. **Administer Procurements:** The process of managing procurements relationships, monitoring contract performance and making changes and correction as needed
4. **Close procurements:** The process of completing each project procurements.

CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design and Approach

A research design is a broad plan that states objectives of research project and provides the guidelines what is to be done to realize those objectives. In this research, the main objective is to assess the practice of project procurement management in Commercial Bank of Ethiopia. To realize this objective, the study set a specific objective to describe the existing practice of the bank and assess the practice in light of the bank's procurement procedure and the knowledge area.

To undertake this study, a descriptive research design was adopted. Descriptive research design is typically concerned with describing the characteristics of a phenomenon. It can be used for the purpose of estimates of the proportions of a population that have these characteristics (Cooper & Schindler, 2014).

According to Creswell (2003) the decision of what method a researcher employs depend on (a) the research problem, (b) the researcher's experience, (c) the reporting audience, (d) whether the researcher wants to specify the kind of information to be collected or let it arise from the data being collected, and (e) whether data to be collected is numeric or text. In this research, a quantitative research approach which number is used to explain the finding. Quantitative research is an approach for testing objective theories by examining the relation-ship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures (Creswell, 2003).

3.2 Type and Source of Data

To get relevant information, the study has employed a primary and secondary source of data. While the primary source of data gathered through closed end questionnaire, the secondary data were collected from a literature review like books, articles, journals and other researcher papers.

3.3 Target Population

According to Bryman and Bell (2011), population is basically the universe of units from which the sample is to be selected. The term 'units' is employed because it is not necessarily people

who are being sampled—the researcher may want to sample from a universe of nations, cities, regions, firms, etc. Thus, ‘population’ has a much broader meaning than the everyday use of the term, whereby it tends to be associated with a nation’s entire population. Therefore, for this study, the target population were employees of CBE Facilities Management Department particularly who are involved in building construction and maintenance projects.

3.4 Sampling Techniques and Sampling Size

3.4.1 Sampling Techniques

The target population of the sampling contains different teams with different field of discipline so that it would be better to select groups who have a relevant experience and knowledge on the study topic. As a result, the researcher used purposive sampling technique. This sampling technique is appropriate for this particular case study because as Saunder (2009) stated purposive or judgmental type of sampling is used when working with small number of sample and it enables to use judgment to select cases that will best enable to answer the research question and to meet objective of the study.

3.5 Sample Size

Sample size determination is the technique of electing the number of observations to include in a sample. According to research scholars, sample shouldn't be too large to be economical and shouldn't be too small to keep validity of findings. In this study, from the total population of CBE employees in construction procurement department, 94 respondents who are directly involving in procurement were sampled.

3.6 Data Collection Tools

Primary data was gathered through questionnaire which was prepared and administered based on literature review related to the subject of the study. The reviewed literatures were made to develop an insight on project procurement management process on which the questionnaires are designed and used as tool to collect data. A five point Likert questionnaire was used to measure the level of agreement or disagreement. Likert scale is good in measuring attitude of respondents.

3.7 Method of Data Analysis

Analysis of primary data collected through close ended questionnaires was analyzed using descriptive statistics software SPSS version 20 to present the data in frequency, percentage, means and standard deviations.

To rate the level of response towards the questionnaire, the researcher modified and used the percentage scale used in other researcher (Sajeda, 2011) and it is shown as follow:

- 90-100% is a very high degree
- 80-89.99% is a high degree.
- 70-79.9% is a moderate degree.
- 60-69.9% is a low degree.
- less than 59.9% is very low degree.

3.8 Validity and Reliability

The research used reliable sources such as published books, articles written by different authors in the area of the study. Close-ended questionnaires were developed and checked against the literature review as bench mark in order to generate a valid and comparable response. The internal consistency and reliability of Linkert scale questionnaire was checked by Cronbach-Alpha test coefficient using SPSS software. To check the reliability of the questionnaire, a pilot test was conducted and 18 respondents gave their response. As shown in the table below the Cronbach's alpha for each item is presented.

Table 3. 8 Reliability statistics

| Items | Cronbach's Alpha | Number of items | Overall Cronbach's Alpha |
|---------------------------|------------------|-----------------|--------------------------|
| Planning Procurement | 0.857 | 12 | 0.935 |
| Conducting Procurement | 0.824 | 11 | |
| Administering Procurement | 0.818 | 8 | |
| Closing Procurement | 0.634 | 2 | |

3.9 Ethical Issues

The study was conducted by adhering to the research ethics. This was assured by clearly stating the purpose of the study to the respondents and the response obtained from the respondents is used only for the purpose of the study and it will be kept confidential.

CHAPTER FOUR

4 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the data analysis of the study data and discussion of the result obtained through closed ended questionnaire which was distributed among staffs of Commercial Bank of Ethiopia who are engaged in building construction procurement management processes. The data were analyzed using descriptive statistics. The research question is answered by presenting and discussing the results obtained from the data analysis.

4.1 Response Rate

The questionnaires were distributed for 94 CBE employees that were selected to take part in the study. From the total of 94 questionnaires distributed 77 of the questionnaire response were collected. Thus, the response rate was 81.91% which was considered significant to draw conclusions about the entire population of CBE's Building Construction Procurement Process Department.

4.2 Demographic Information of the respondents

This section consists of the demographic information of the respondents which consists of gender, age, educational level, over all year of work experience, year of experience in procurement activities and current involvement in procurement process. The response of the respondents and interpretation are presented under here.

Table 4. 2 Demographic Information of the respondents

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|----------------------|-----------|---------|---------------|--------------------|
| Gender | Male | 46 | 59.7 | 59.7 | 59.7 |
| | Female | 31 | 40.3 | 40.3 | 100.0 |
| | Total | 77 | 100.0 | 100.0 | |
| Age distribution | 25-30 years | 47 | 61.0 | 61.0 | 61.0 |
| | 31-35 years | 18 | 23.4 | 23.4 | 84.4 |
| | 36-40years | 6 | 7.8 | 7.8 | 92.2 |
| | 41 years and above | 6 | 7.8 | 7.8 | 100.0 |
| | Total | 77 | 100.0 | 100.0 | |
| Educational Level | Degree | 57 | 74.0 | 74.0 | 74.0 |
| | MSc/MA | 20 | 26.0 | 26.0 | 100.0 |
| | Total | 77 | 100.0 | 100.0 | |
| Work Experience | 2-<4 years | 26 | 33.8 | 33.8 | 33.8 |
| | 4-<6 years | 17 | 22.1 | 22.1 | 55.8 |
| | 6-,8 years | 11 | 14.3 | 14.3 | 70.1 |
| | 8 years and above | 23 | 29.9 | 29.9 | 100.0 |
| | Total | 77 | 100.0 | 100.0 | |
| Work experience in procurement activities | 2-<4 years | 39 | 50.6 | 50.6 | 50.6 |
| | 4-<6 years | 23 | 29.9 | 29.9 | 80.5 |
| | 6-<8 years | 12 | 15.6 | 15.6 | 96.1 |
| | 8 years and above | 3 | 3.9 | 3.9 | 100.0 |
| | Total | 77 | 100.0 | 100.0 | |
| Current involvement | Planning | 12 | 15.6 | 15.6 | 15.6 |
| | Conducting/procuring | 26 | 33.8 | 33.8 | 49.4 |
| | Administrating | 39 | 50.6 | 50.6 | 100.0 |
| | Total | 77 | 100.0 | 100.0 | |

Source: Own survey, 2021

As can be seen in the above table, 59.7% of the respondents are Male while 40.3% of the respondents are Female. This indicates that there is fair gender distribution in the company. Regarding on the age of the respondents, 61.0% of the respondents were between 25-30 years, 23.4% were between 31-35 years, 7.8% were between 36-40 years and 41 years and above respectively. This result shows that, most of the respondents were adult and energetic employees.

In other words, most of the employees are belonging to the productive age group. Looking at Educational Level of the respondents, 74% of the respondents hold first degree education and the remaining 26% of the respondents have second degree (MSc/MA). This implies that information was collected from respondents who have wider academic knowledge area.

Regarding on working experience in the organization, 33.8% of the respondents have been working in the organization for 2 - <4 years, 22.1% of the respondents have 4-< 6 years, 14.3% of the respondents have 6-< 8 years and 29.9% of the respondents have 8 years and above working experience. Therefore, the majority of the respondents (66.2%) have been working 4 years and above in the organization.

Regarding experience on the organization procurement activity, 50.6% of the respondents have been participating on procurement activities for 2 - < 4 years, 29.9% of the respondents for 4 - < 6 years, 15.6% of the respondents for 6 - < 8 years and 3.9% of the respondents for 8 years and above. To interpret this analysis further the researcher conducted crosstabs analysis between year of experience in the organization and year of experience on organization procurement activities.

From the table below, it can be understand that 33.8% of the respondents have 2 – <4 years of work experience on the organization and at the same time on procurement activities. This is because the respondents have joined the organization after the new organization structure was implemented. The remaining 16.8% out of 50.6% of the respondents have worked on procurement process as the department in general called Building Construction Administration. Thus, 16.8% indicates their experience after a new structure implemented. The rest 45.5% of the respondents having 4 years and above experience on the organization and on procurement activities stated their experience before and after the new structure. Thus, it can be conclude that most of the respondents have an experience on the construction procurement activities.

4.3 Project Procurement Management Practice

In order to assess the practice of Project procurement management in CBE, the researcher calculated, means, standard deviation, percentages and level for each items and finally calculate average value and level for each process to draw a conclusion.

4.3.1 Planning Procurement

Table 4.3. 1 Descriptive Statistics of Planning Procurement

| | N | Mean | Std. Deviation | %age | Level |
|--|----|-------------|----------------|--------------|-----------------|
| Need assessment is done on time. | 77 | 3.51 | 1.00 | 70.13 | Moderate |
| A scope of statement is prepared to provide information about project needs and strategies that must be considered during procurement planning. | 77 | 3.74 | .91 | 74.81 | Moderate |
| Project Requirements with contractual and legal implications that may include health, safety, security, performance, environmental, insurance, licenses and permits are considered when planning for procurement | 77 | 3.48 | .98 | 69.61 | Low |
| The risk register includes risk-related information such as the identified risks, risk owners, and risk responses are considered in planning procurement | 77 | 2.95 | 1.07 | 58.96 | Very Low |
| Considers Activity Resource Requirement (information on specific needs such as people, equipment or location). | 77 | 3.70 | 1.08 | 74.03 | Moderate |
| Project schedule that contains information on required timelines or mandated deliverable dates are well stated. | 77 | 3.88 | .81 | 77.66 | Moderate |
| Cost estimates developed by the procuring activity are used to evaluate the reasonableness of the bid or seller offer. | 77 | 4.04 | .79 | 80.78 | High Degree |
| Budget is planned by considering the prepared cost estimation. | 77 | 3.42 | 1.29 | 68.31 | Low |
| Formal procurement policies, procedures and guidelines are available for planning. | 77 | 3.79 | 1.13 | 75.84 | Moderate |
| Consideration of Make or Buy analysis | 77 | 3.22 | .88 | 64.42 | Low |
| Consideration of Expert Judgment | 77 | 3.43 | .88 | 68.57 | Low |
| Contract type considered in procurement planning | 77 | 3.64 | .71 | 72.73 | Moderate |
| Total Score/Average | | 3.57 | 0.96 | 71.32 | Moderate |

Source: Own survey, 2021

Table 4.3.1 shows that the total score of Project procurement planning achieved a mean of 3.57 and percentage of 71.32% which indicates a moderate level of Project procurement planning.

According to the above results, the planning phase of project procurement should be carefully monitor otherwise it has a high probability of changing its level to Low Level. Particularly,

project requirements, risk registration, budget planning, make or buy analysis and expert judgment show marginal value of low level in planning procurement phase. Hence, the Bank has to make changes in these points to elevate the level.

4.3.2 Conducting Procurement

Table 4.3. 2 Descriptive Statistics of Conducting Procurement

| | N | Mean | Std. Deviation | %age | Level |
|--|----|-------------|----------------|--------------|------------------|
| There is well defined formal evaluation review process in the procurement procedure. | 77 | 4.06 | .86 | 81.30 | High Degree |
| Bids are advertized on newspaper or other medias. | 77 | 4.62 | .56 | 92.47 | Very High Degree |
| Bidder conference is conducted prior to submittal bid or proposal | 77 | 3.42 | 1.12 | 68.31 | Low |
| A clear evaluation criterion is developed for rating | 77 | 4.32 | .70 | 86.49 | High Degree |
| The selection criteria considers past performance of the seller | 77 | 4.06 | 1.03 | 81.30 | High Degree |
| The selection criteria considers Financial Capability | 77 | 4.29 | .79 | 85.71 | High Degree |
| The selection criteria considers Technical Capability | 77 | 4.43 | .66 | 88.57 | High Degree |
| Considers independent estimation or cost estimation by outside professional estimator to serve as benchmark on proposed offer. | 77 | 2.73 | 1.32 | 54.55 | Very Low |
| Expert judgments are used in evaluating vendors | 77 | 3.25 | 1.39 | 64.94 | Low |
| Negotiation is made with seller prior to signing the contact to reach mutual agreement. | 77 | 4.09 | .80 | 81.82 | High Degree |
| After seller selection process complete, a procurement contract is awarded to the selected seller. | 77 | 4.53 | .58 | 90.65 | Very High Degree |
| Total Score/Average | | 3.98 | 0.89 | 79.65 | Moderate |

Source: Own survey, 2021

Table 4.3.2 shows that the total score of Project procurement conducting or bidding and seller selection process achieved a mean of 3.98 and percentage of 79.65% which indicates a moderate level of Project procurement conducting/tendering.

According to the above results, most of the conducting phases of project procurement shows a high degree level which implies there is a good procurement management on tendering process. However, while Bidder conference and expert judgments on selecting vendors shows low level

value, independent estimation or cost estimation by outside professional estimator as benchmark on proposed offer shows very low level value.

In conducting phase of procurement, the first meeting of the buyer and seller under take by preparing a pre-bid conference. This meeting will help the buyer and the seller to have a common understanding on the requirement of the project (technical and contractual requirements). It further assists the buyer to incorporate an amendment into the tender document.

In constructing a building, it requires different types of discipline. When a buyer set a selection criteria and evaluation the proposed document by seller, it is important to involve different professional having different discipline to get a better outcome on the project. But involving one or few professional on the project might omit important elements to incorporate or includes unrelated criteria on the tender document or select a vendor who could not achieve the project objectives.

Individual estimation or cost estimation by outside professional estimator assist a buyer to evaluate the vendor offer. A significant difference between the cost estimation and seller offer can be an indication that the seller did not understand the scope of the project. This may lead to poor project performance in quality and incurring high project cost. Thus, action must be taken to develop these three very important issues.

4.3.3 Administering Procurement

Table 4.3. 3 Descriptive Statistics of Administering Procurement

| | N | Mean | Std. Deviation | %age | Level |
|---|----|------|----------------|-------|----------|
| Performance report is prepared to get information about how effectively the seller is achieving the contractual objectives. | 77 | 3.84 | .81 | 76.88 | Moderate |
| Regular review is made to evaluate seller's performance progress. | 77 | 3.70 | .93 | 74.03 | Moderate |
| Work performance including quality standard, cost incurred or committed and payments is well administered | 77 | 3.78 | .97 | 75.58 | Moderate |
| Procurement contract can be amended at any time by mutual consent and negotiation between buyer and seller. | 77 | 3.40 | 1.05 | 68.05 | Low |

| | | | | | |
|--|----|-------------|-------------|--------------|-----------------|
| Inspections and audits are conducted during execution of the project. | 77 | 3.64 | .87 | 72.73 | Moderate |
| All payment are made and documented in strict accordance with the terms of the contract. | 77 | 4.09 | .75 | 81.82 | High Degree |
| Claims and disputes are well administered. | 77 | 3.36 | 1.20 | 67.27 | Low |
| Contracts and procurement documents are well recorded. | 77 | 3.90 | .94 | 77.92 | Moderate |
| Total Score/Average | | 3.71 | 0.94 | 74.29 | Moderate |

Source: Own survey, 2021

Table 4.3.3 shows that the total score of project procurement administration process achieved a mean of 3.71 and a percentage of 74.29 which indicates a moderate level of procurement administration.

As can be seen from the table values, Procurement Contract Amendment and administration of claims and disputes shows low level value. These two issues are interconnected to each other on many projects. On seller's side, change request on the contract document like variation order, amendment on project time schedule and project cost are raised frequently. On the buyer's side, most of the time it is unusual to amend the contract document unless there is a change on project plan. Even when both parties agreed on amending the contract document, it might not always beneficial to both the seller and the buyer. Thus, change requests shall be administered according to change control terms of the contract and claims and disputes shall be settled by negotiation before involving third party.

In addition to the above issues, the percentage of regular review on the performance the seller and inspection and audit of projects indicates more attention needed on administering the procurement. As most of the time not monitor the progress of the seller results on project delay and incurred additional cost on the project, not inspecting and auditing the executed work to verify its compliance with the contract may affect the quality of the project.

4.3.4 Closing Procurement

Table 4.3. 4 Descriptive Statistics of Closing Procurement

| | N | Mean | Std. Deviation | %age | Level |
|---|----|-------------|----------------|--------------|-----------------|
| Formal written notice is given for seller that deliverables have been accepted or rejected. | 77 | 4.22 | .72 | 84.42 | High Degree |
| Lessons learned documentation is developed for the project file to improve future procurements. | 77 | 2.95 | 1.38 | 58.96 | Very Low |
| Total Score/Average | | 3.58 | 1.05 | 71.69 | Moderate |

Source: Own survey, 2021

Table 4.3.4 shows that the total score of the procurement closure achieved a mean of 3.58 and a percentage of 71.69% which indicates a marginally moderate level of procurement closing process.

The procurement closing process is the final stage of the project management process which also involves administrative activity like finalizing open claims, updating records to reflect final results and archiving such information for future use. As an indication of closing of the contract a formal written notice on acceptance or rejection of deliverables will be given to the seller. On other special cases, early termination of a contract result from a mutual agreement of both parties might takes place.

When looking at the above result, it shows that lesson learned from the project procurement process is low which indicates factors that have effect on the project procurement success or failure are not being used as an input on the preceding procurement.

4.4 Overall project procurement Management practice

The table below summarizes the results of the reality of Project Procurement Management practice.

Table 4. 4 Summary on overall project procurement Management Practice on CBE

| Items | N | Mean | Std. Deviation | %age | Level |
|------------------|----|------|----------------|-------|----------|
| Plan Procurement | 77 | 3.57 | 0.96 | 71.32 | Moderate |

| | | | | | |
|----------------------------|----|-------------|-------------|--------------|-----------------|
| Conduct Procurement | 77 | 3.98 | 0.89 | 79.65 | Moderate |
| Administer Procurement | 77 | 3.71 | 0.94 | 74.29 | Moderate |
| Close Procurement | 77 | 3.58 | 1.05 | 71.69 | Moderate |
| Total Score/Average | | 3.71 | 0.96 | 74.24 | Moderate |

Source: Own survey, 2021

Table 4.4 shows that the total score of project procurement management practice achieved a mean of 3.71 and a percentage of 74.24 which indicates a moderate level of project procurement management in CBE- Facilities Management related to Building Construction Procurement.

4.5 Discussion of Results

In general the result shows that the project procurement management practice related to Building Construction is at verge of failure. The result on procurement planning practice revealed that project requirements with contractual and legal implications, risk register, Budgeting, make or buy analysis and involvement of expert judgments scores a low level of rate. When comparing these findings with the literature review it indicates that the bank has lack of considering major activities while planning procurement. According to PMBOK (2008), these activities shall be taken as an input while preparing the procurement plan. In addition to this the current procurement procedure manual of the bank states that the bank shall check whether the required need can be fulfilled by outsourcing or make the product by its own project teams and involve experts when the purchase requirement is not fully known by the project team and needs a special expertise.

On conducting procurement, the respondents agreed that most of the activities are done while selecting a supplier. However, there is a lack of bidder conference, independent estimation or cost estimation by outside professional estimator consideration and involvement of experts on the bidding process. According to the procurement manual of the bank, when the bank believes there is a need of bid conference on the bid document or bid amendment (if any), it can invite bidders and record a meeting minute for reference. PMBOK (2000) also states that bidder conferences are used to ensure that all prospective sellers have a clear, common understanding of the procurement (technical requirements, contract requirement, etc.). Responses to questions may be

incorporated into the procurement documents as amendments. In addition to this, the bank procurement manual demand to evaluate the seller's offer with respect to the prepare cost estimation and approved budget. However, the finding indicates that there is poor practice of seller's offer evaluation process. PMBOK (2008) states that significant difference in cost estimation can be indication that the procurement statement of work was deficient, ambiguous, and/or that the prospective sellers either misunderstood or failed to respond fully to the procurement statement of work. This situation may further affect the quality of the project.

Regarding to expert judgment, the bank procedure allows involving experts on selecting vendor. The evaluation proposal may be accomplished by a multi-discipline review team with expertise in each of the areas covered by the procurement documents and proposed contract (PMBOK, 2008).

The bank's procurement administration practice scores moderate level even though the finding indicates that there is poor administration on claims and disputes and the bank is not flexible on amending contracts. When there is a need of contract amending, the procurement procedure allows amending a contract however the amendment shall be in best interest of the bank and the amendment shall not give special treatment for the supplier compare to the other bidders. According to PMBOK (2008), contracts can be amended at any time prior to contract closure by mutual consent, in accordance with the change control terms of the contract. Such amendments may not always be equally beneficial to both the seller and the buyer. In claims and dispute administration, the knowledge area suggests if the parties themselves do not resolve a claim, it may have to be handled in accordance with alternative dispute resolution typically following procedures established in the contract.

On closing procurement, one of the important things is that documentation of lesson learned while procuring a product or service. The finding indicates that the bank lacks developing lesson learned documentation for future improvement of projects. The bank suggests in its procurement manual that all finding or lesson learned should be documented and forwarded to planning department to amend the previous practice. Lessons learned, what has been experienced, and process improvement recommendation should be developed for the project file to improve future procurements (PMBOK, 2008).

CHAPTER FIVE

5 SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter of the research highlights summary of findings; draws a conclusion in terms of the result and give recommendation that will help to improve project procurement management practice of Commercial Bank of Ethiopia specific to Building Construction.

5.1 Summary of findings

The study is carried out by setting a target to assess the project procurement management practice on Commercial Bank of Ethiopia specifically on Building Construction and Maintenance procurements. To achieve the target, the researcher places a specific objective to describe the existing practice of project procurement management of CBE and assess its current practice in light of the procurement procedure manual of the bank and standards of the knowledge area. Based on the Literature review, closed-end questionnaires were developed and distribute for 94 sample size bank's employees who are currently working on Building Construction and Maintenance procurement activities. From the total distributed questionnaires, 77 (81.91%) respondents returned a filled questionnaire which was considered significant to draw conclusions. Each item of the respondent data was analyzed using the five-point-scale, "Likert scale", with mean value, standard deviation and percentage. The average mean for the project procurement practice in planning, conducting, administering and closing was 3.57, 3.98, 3.71 and 3.58 with moderate level respectively. Even though the process score a moderate level of rate, some procurement activities are not performed according to the bank's procurement procedure manual and standards set by the knowledge area. Finally based on the analysis result, conclusion and recommendation is made.

5.2 Conclusion

As the main objective of the study is to assess the practice of project procurement management in Commercial Bank of Ethiopia, the following conclusions were drawn based on the findings of the research.

In planning procurement process, project requirements with contractual and legal implication and risk register are not taken into account. This implies that project requirements are not fully known by project manager and project performer and actions are not set to mitigate the project

risks of probability of occurrence and their impacts. In addition to this budget planning, make or buy analysis and expert judgment are not considered on procurement planning. Not performing make-or- buy analysis affects the project cost which is the organization may outsource the project while make may spend less money than buying and vice versa. Looking at budgeting, cost estimation by individual or expert is not considered to set the project budget amount. This implies that there is budget deficit or surplus of budget used for a project which can be used for other purpose. Also not considering expert judgment refers that there is unnecessary or useful elements are considered or missed respectively while planning the project procurement.

In conducting procurement or tendering process, there is less practice of bid meetings with sellers prior to submission of bid proposal. This refers that bidders are propose their offer with fully knowing the project requirement and sometimes the buyer and seller agree on terms which do not have any importance on the project. Bid meeting helps the buyer and the seller to have a common understanding on the requirement of the project (technical and contractual requirements). The other thing is that there is less consideration of independent estimation or cost estimation by outside professional estimator as a benchmark to evaluate the seller offer. This refers to as long as the seller's offer is not greater than the planed budget, a seller will be awarded. In addition to this, expert judgment is not incorporate when selecting a seller which leads to selecting wrong vendor for the project. Thus, involving experts may save the organization from loss.

Regarding procurement administration, the bank is not flexible on amending the contract document. This can be conclude by the bank believing on amending a contract will affect the bank in losing its benefit in terms of time, cost, scope or quality. Also claims and disputes are not well administered which leads to project terminations.

Regarding procurement closing, the bank notifies the seller whether the project deliverables are accepted or not. However, there is no a proper documentation of lesson learned from the procurement process which can be helpful for future procurement. This implies that the bank is making the same mistake over and over while procuring.

5.3 Recommendations

First by looking at the overall project procurement management practice result, it is recommended that the bank shall set strict and clear methodology and checklist to perform the procurement for each process. Secondly, based on the findings and conclusions on each process the following recommendations are forwarded.

Planning Procurement

- The bank shall carefully identify the project requirements like what and how the project affect the environment, health impact of the project on living organisms, what contractual and legal documentation is needed to proceed the procurement, etc.
- The bank shall identify and well register the identified risk with its probability of occurrence and impact, action to be taken and risk owner.
- In project budgeting, the bank shall individually estimate or use a proper estimation from outside professional estimation to set the procurement budget.
- The bank shall conduct make or buy analysis to determine whether the project will be outsourced or can be performed by the bank's employees. The information obtained from the analysis enables to make a cost benefit decision for the advantage of the bank.
- The bank shall use expert judgment as input for the identification and planning of the procurement as well as on selecting vendor.

Conduct procurement (Bidding and Seller Selection process)

- On tendering process, pre meeting conference shall be facilitated that gives a chance for prospective vendors to have common understanding of the procurement requirement and enables to clarify any questions they might raise and incorporate the responses into the procurement documents as amendments.
- The bank shall carefully prepare its own independent estimate or use outside professional estimator estimation as a benchmark to evaluate vendors offer. The estimation will help the bank knowhow realistic the offer is and whether accepting or rejecting the offer will benefits the bank.

Administer Procurement

- The bank shall be flexible on amending the contract document by mutual agreement of both parties. Because some amendments may benefit not only the seller, also the buyer will be benefited. So the bank shall look for opportunities that benefit.
- Most project terminations are results of not properly administering claims and disputes. To solve any disagreement, the bank shall facilitate a meeting to discuss on the issues with the seller. If the issue will not solve, a mediator shall be involved to help both parties on agreeable point.

Close Procurement

- The bank had constructed and maintained and is constructing and maintaining so many building. As a result a lesson learned on one project can be used as an input for another project to improve its performance. So the bank shall develop a culture of documenting a lesson learned from a project for betterment of future project procurement performance.

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APPENDIX



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTER OF ART IN PROJECT MANAGEMENT**

Dear Respondents:

My name is Elleni Zewdie; I am a MA student in Project Management at St. Mary's University. As part of my MA requirement, I am doing project work: "Project procurement practice in case of Commercial Bank of Ethiopia.

I kindly request you to participate in this research study by completing the attached questionnaire. In order to ensure that all information will remain confidential please do not include your name on the questionnaire. Also I sincerely request you to respond to the questions as honestly as possible and return the completed questionnaires. Knowing that your time is valuable please, take few minutes of your time to complete the questionnaire.

In case of any question please contact me via hohole2928@gmail.com/+251-911-47-82-52

Thank you in advance for your cooperation.

Questionnaire

Instruction and General Information

Instruction

- Please put tick mark (√) on your choice.
- Only choose one option for given question.
- No need to mention your name.

Part I includes demographic information of respondents and Part II includes closed ended questions.

Part I. Demographic Information

1. Gender: Male Female
2. Age: 25-30 years 31-35 years 36-40 years 41years and above
3. Level of Education: Diploma Degree MSc/MA Other
Please specify _____
4. Years of work experience:
2- < 4 years 4 - <6 years 6 - < 8 years 8 years and above
5. For how many years have you worked on construction procurement activity?
2- < 4 years 4 - < 6 years 6 - < 8 years 8 years and above
6. In which project procurement process did you involve?
Planning Conducting/ procuring Administrating

Part II. Please indicate the extent to which you agree or disagree with the following statements which most accurately reflects your opinion.

Likert scale: 1 - Strongly Disagree 2 – Disagree 3 – Neutral
4 – Agree 5 – Strongly Agree

| 1. Plan Procurement | | | | | | |
|-------------------------------|--|----------|----------|----------|----------|----------|
| | Indicator | 1 | 2 | 3 | 4 | 5 |
| 1 | Need assessment is done on time. | | | | | |
| 2 | A scope of statement is prepared to provide information about project needs and strategies that must be considered during procurement planning. | | | | | |
| 3 | Project Requirements with contractual and legal implications that may include health, safety, security, performance, environmental, insurance, licenses and permits are considered when planning for procurement | | | | | |
| 4 | The risk register includes risk-related information such as the identified risks, risk owners, and risk responses are considered in planning procurement | | | | | |
| 5 | Considers Activity Resource Requirement (information on specific needs such as people, equipment or location). | | | | | |
| 6 | Project schedule that contains information o required timelines or mandated deliverable dates are well stated. | | | | | |
| 7 | Cost estimates developed by the procuring activity are used to evaluate the reasonableness of the bid or seller offer. | | | | | |
| 8 | Budget is planned by considering the prepared cost estimation. | | | | | |
| 9 | Formal procurement policies, procedures and guidelines are available for planning. | | | | | |
| 10 | The following tools and techniques are used while preparing procurement plan: | | | | | |
| | ✓ Make-or-buy analysis | | | | | |
| | ✓ Expert Judgment | | | | | |
| | ✓ Contract type | | | | | |
| 2. Conduct Procurement | | | | | | |
| | Indicator | | | | | |
| 11 | There is well defined formal evaluation review process in the procurement procedure. | | | | | |
| 12 | Bids are advertized on newspaper or other medias. | | | | | |
| 13 | Bidder conference is conducted prior to submittal bid or proposal to ensure all prospective sellers have clear and common understanding of the procurement. | | | | | |

| | | | | | | |
|----------------------------------|--|--|--|--|--|--|
| 14 | A clear evaluation criterion is developed to rate or score vendor proposals. | | | | | |
| 15 | The selection criteria considers the following elements other than price: | | | | | |
| | • past performance of the seller | | | | | |
| | • Financial Capability | | | | | |
| 16 | Considers independent estimation or cost estimation by outside professional estimator to serve as benchmark on proposed offer. | | | | | |
| 17 | Expert judgments are used in evaluating vendors. | | | | | |
| 18 | Negotiation is made with seller prior to signing the contract to reach mutual agreement. | | | | | |
| 19 | After seller selection process complete, a procurement contract is awarded to the selected seller. | | | | | |
| 3. Administer Procurement | | | | | | |
| | Indicator | | | | | |
| 20 | Performance report is prepared to get information about how effectively the seller is achieving the contractual objectives. | | | | | |
| 21 | Regular review is made to evaluate seller's performance progress. | | | | | |
| 22 | Work performance including quality standard, cost incurred or committed and payments is well administered. | | | | | |
| 23 | Procurement contract can be amended at any time by mutual consent and negotiation between buyer and seller. | | | | | |
| 24 | Inspections and audits are conducted during execution of the project. | | | | | |
| 25 | All payment are made and documented in strict accordance with the terms of the contract. | | | | | |
| 26 | Claims and disputes are well administered. | | | | | |
| 27 | Contracts and procurement documents are well recorded. | | | | | |
| 4. Close Procurements | | | | | | |
| | Indicator | | | | | |
| 28 | Formal written notice is given for buyer that deliverables have been accepted or rejected. | | | | | |
| 29 | Lessons learned documentation is developed for the project file to improve future procurements. | | | | | |

