



**ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE  
GRADUATE PROGRAM**

**ASSESSING THE STRATEGIC SOURCING PRACTICE:  
THE CASE OF MINISTRY OF AGRICULTURE, FDRE**

**BY  
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## **Declaration**

**I, the under signed, declare that this thesis entitled ‘*Assessing the Strategic Sourcing Practice: the case of Ministry of Agriculture*, is my original work and to the best of my knowledge has not been presented for a degree by any other person, and that all the sources of materials used for the thesis have been duly acknowledged.**

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This is to certify that the thesis carried out by *Kinfu Bekabil* on the topic entitled: “*Assessing the Strategic Sourcing Practice: the case of Ministry of Agriculture*” is his original work and is suitable for submission for the award of Master of Art Degree in Logistics and Supply Chain Management.

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This is to certify that the thesis carried out by Kinfu Bekabil, entitled '*Assessing the Strategic Sourcing Practice: the case of Ministry of Agriculture*' submitted in partial fulfillment of the requirements of the Degree of Master of Art in Logistics and Supply Chain Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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| <b>Table of content</b>                                | <b>Page</b> |
|--|-------------|
| <i>Table of content</i> .....                          | iv          |
| <i>List of Tables</i> .....                            | vi          |
| <i>List of Figure</i> .....                            | vi          |
| Acknowledgement.....                                   | vii         |
| ACRONYMS AND ABBREVIATIONS .....                       | viii        |
| <i>Abstract</i> .....                                  | ix          |
| CHAPTER ONE .....                                      | 1           |
| INTRODUCTION .....                                     | 1           |
| 1.1 Background of the Study .....                      | 1           |
| 1.2 Statement of the Problem .....                     | 3           |
| 1.3 Research Questions .....                           | 4           |
| 1.4 Objective of the research .....                    | 4           |
| 1.4.1 General Objective .....                          | 4           |
| 1.4.2 Specific Objectives .....                        | 4           |
| 1.5 Significance of the Study .....                    | 5           |
| 1.6 Scope of the study .....                           | 5           |
| 1.7 Limitation of the study .....                      | 6           |
| 1.8 Definitions of Key Concepts & Terms .....          | 6           |
| 1.9 Organization of the Study.....                     | 7           |
| CHAPTER TWO .....                                      | 8           |
| REVIEW OF RELATED LITERATURE .....                     | 8           |
| 2.1. Introduction .....                                | 8           |
| 2.2 Theoretical Literature Review .....                | 8           |
| 2.2.1 Strategic Sourcing.....                          | 8           |
| 2.2.2 Benefits of Strategic Sourcing .....             | 11          |
| 2.2.3 Supplier management .....                        | 14          |
| 2.2.4 Supplier Long-term Orientation .....             | 15          |
| 2.2.5 Stakeholders Communication.....                  | 16          |
| 2.2.6 Effective Sourcing/procurement plan .....        | 17          |
| 2.2.7 Inter Departmental Integration.....              | 17          |
| 2.2.8 Contract Management.....                         | 19          |
| 2.3 Empirical Literature Review .....                  | 20          |
| 2.3.1. Studies in Ethiopia .....                       | 20          |
| 2.3.2. Similar studies in other countries.....         | 22          |
| 2.4 Conceptual framework .....                         | 24          |
| 2.5 Literature gap .....                               | 25          |
| CHAPTER THREE.....                                     | 26          |
| RESEARCH DESIGN AND METHODOLOGY .....                  | 26          |
| 3.1 Introduction .....                                 | 26          |
| 3.2 Description of the Study Area and population ..... | 26          |
| 3.3 Research Approach.....                             | 27          |
| 3.4 The Research Design.....                           | 27          |
| 3.5 Sample and Sampling Procedures .....               | 28          |

|  |    |
|--|----|
| 3.6 Source and Types of Data .....   | 29 |
| 3.7 Data Collection Method and Procedure .....   | 29 |
| 3.8 Data Analysis Method .....   | 30 |
| 3.9 Validity and Reliability of the instrument .....   | 31 |
| 3.10 Research ethics .....   | 33 |
| CHAPTER FOUR.....  | 34 |
| RESULTS, ANALYSIS, AND INTERPRETATION .....  | 34 |
| 4.1 Introduction .....   | 34 |
| 4.2 Demographic Characteristics .....  | 34 |
| 4.2.1 Gender of Respondents.....   | 34 |
| 4.2.2 Age of Respondents.....  | 35 |
| 4.2.3 Educational Background.....  | 35 |
| 4.2.4 Work Experience in the Organization of the Respondents .....   | 36 |
| 4.2.5 Directorates/departments which the Respondent Works.....   | 36 |
| 4.2.6 Position of the Respondents.....   | 37 |
| 4.3 Descriptive Statistics Data Analysis.....  | 37 |
| 4.3.1 Sourcing/Procurement Planning and its Practice in MoA .....  | 38 |
| 4.3.2 Supplier Management Practice of the Ministry .....   | 41 |
| 4.3.3 Procurement cooperation among internal stakeholders/user departments in<br>implementing sourcing process ..... | 45 |
| 4.3.4 Contract Management Practice of MoA .....  | 48 |
| CHAPTER FIVE.....  | 51 |
| SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....  | 51 |
| 5.1 Summary of Major Findings .....  | 51 |
| 5.1.1 Sourcing/procurement planning and its habit in MoA.....  | 51 |
| 5.1.2 Supplier management practice of the ministry .....   | 52 |
| 5.1.3 Procurement cooperation among internal stakeholders/user departments in<br>implementing sourcing process ..... | 52 |
| 5.1.4 Contract management practice of MoA.....   | 53 |
| 5.2 Conclusions .....  | 53 |
| 5.3 Recommendations .....  | 55 |
| 5.4 Limitation and Suggestions for Future Studies .....  | 57 |
| REFERENCES.....  | 58 |
| APPENDIX 1: QUESTIONNAIRE FOR PARTICIPANTS OF THE SURVEY .....   | 60 |
| APPENDIX 2: Interview questions .....  | 65 |
| APPENDIX 3: Reliability variance results .....   | 66 |

| <b><i>List of Tables</i></b>  | <b><i>Page</i></b> |
|---|--------------------|
| Table 1 Summary of samples taken from each section/department.....                              | 29                 |
| Table 2 Research instrument reliability measurement.....  | 32                 |
| Table 3 Ages of Respondents .....   | 35                 |
| Table 4 Educational Qualification .....   | 36                 |
| Table 5 The Directorate which the respondent works .....  | 37                 |
| Table 6 Respondents position in the company .....   | 37                 |
| Table 7 Sourcing/procurement planning and its practice in MoA (N = 81) .....                    | 39                 |
| Table 8 Frequency distribution based on additional questions for procurement planning .....     | 40                 |
| Table 9 Extent of supplier management practice of the ministry (N = 81) .....                   | 42                 |
| Table 10 Frequency distribution of additional questions for supplier management.....            | 44                 |
| Table 11 Procurement cooperation among internal stakeholders/user departments (N = 81) .....    | 45                 |
| Table 12 Frequency distribution on additional questions for interdepartmental integration ..... | 48                 |
| Table 13 Contract management practice of MoA (N = 81) .....                                     | 49                 |
| Table 14 Frequency distribution for additional questions on contract management .....           | 50                 |

| <b><i>List of Figure</i></b>                   | <b><i>Page</i></b> |
|--|--------------------|
| Figure 1 Conceptual Framework Model .....      | 25                 |
| Figure 2 Gender Representation by number ..... | 35                 |
| Figure 3 Educational Background .....          | 36                 |

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## **ACRONYMS AND ABBREVIATIONS**

PPA - Public Procurement Agency

MoA - Ministry of Agriculture

RBT- Resource Based Theory

SCM - Supply Chain Management

PO - purchase Order

SBD – Standard Bid Document

SPSS – Statistical Package for Social Science

## ***Abstract***

*Strategic sourcing is a very crucial part of Supply Chain Management Process. This research was conducted to analyze the level of strategic sourcing practice (measured in terms of effective procurement Planning, supplier development and management, stakeholders/user departments integration, and contract management), which is one part of strategic planning in Ministry of Agriculture. A descriptive research design was used to achieve the purpose of the study. From the total population of 205 a sample of 81 respondents were selected by employing stratified random sampling technique. Questionnaire was used as the formal instrument of data collection. In addition to that interview was made for some selected respondents. A total of 81 questionnaires were distributed and all of them were filled and returned to make the response rate of 100 percent. These samples were drawn from the total population using stratified random sampling techniques. Moreover, the data gathering tools for this research were questionnaire, interview and document analysis. Data collected using these instruments were analyzed using descriptive statistics. Finally, the study revealed that there was low strategic sourcing practice (measured in terms of Effective Procurement Planning, Supplier Development, user department integration and effective contract management). And also it suggested that the level of strategic sourcing practices needs improvement in terms of effective and timely planning, using supplier management efficiently, by integrating user departments with procurement unit and strengthen contract management procedures in the case of Ministry of Agriculture as perceived from evaluation of the respondents reply.*

***Key phrases and words:*** *Strategy, Sourcing, Strategic Sourcing, procurement planning, contract management, supplier management, and inter departmental integration*

# **CHAPTER ONE**

## **INTRODUCTION**

In this study efforts were made to assess the practices and challenges of strategic sourcing in MoA. The study also reviewed the practice of the procurement units, procurement methods, and the limitations in implementing the procurement regulation in MoA. This chapter deals with the problem and its approach of strategic sourcing practice. Generally it deals with the background of the study, statement of the problem, basic research questions, and objectives of the study, scope/delimitation of the study and significance of the study.

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

Sourcing is an approach to supply chain management that formalizes the way information is gathered and used so that an organization can leverage its consolidated purchasing power to find the best possible values in the marketplace. It is one of the major activities of all organizations to function properly and run sourcing activities properly. Sourcing consumes more than 60% of the company's budget according to 2016/17 annual report of Ministry of Agriculture. There has been a transformation in the sourcing functions certainly over the last decade in the ministry. Strategic sourcing requires analysis of what an organization buys, from whom, at what price and at what volume. Sourcing function covers the sourcing end of supply chain management interfacing with the delivery end of the suppliers, while the classical definition of procurement is 'to obtain materials and/or services of the right quality in the right quantity from the right source, deliver them to the right place at the right price'(Alijan,1973: 1-3). Significant amount of budget is spent on sourcing of materials and services to accomplish and support the organization's goal. Organizations use different system and policy to maximize the efficiency and minimize the risks and cost of sourcing. Companies that don't have a strategic sourcing plan are setting themselves up for failure.

One of the important activities in any organization today pertains to source materials and services that it requires in order to convert raw material into finished products that are useful for the customers. Sourcing has become strategic on two counts; *operational and economic*. Operationally there is a growing importance of sourcing due to several developments. An analysis of the cost structure of manufactured goods over the last ten years reveals that increasingly organizations spend more on materials and purchased components and services. This puts a special emphasis on procurement and sourcing. Further there is a significant

change in the partner relationships. From an era of “independence” between the supplier and the buyer, companies have transformed into an era of “mutual dependence” and even further into a “state of interdependence”. The increasing cost pressure that organizations face translate directly into reducing the input cost of materials and components even while increasing the quality and performance of these components. Clearly these operational considerations have pushed the importance of strategic sourcing in organizations.

While sourcing products is pretty straightforward, there are external risks that should be mitigated. In layman’s terms “it is not having all our eggs in one basket”. This is where companies should have a clear strategy and goals, instead of ordering products from local distributors or agents just because it’s easier. Strategic sourcing is what importers are using more and more. Instead of owning factories or designs the flexibility of original equipment manufacturing is where most modern retailers are going to. This is where the strategic part of sourcing comes from. Instead of owning a factory, a design, or machinery and tools, the company does cooperation with a factory. In a way, the companies can implement the “internationalization marketing strategy” in the sourcing strategy, explained by Svend Hollensen. This way companies can minimize risk while maximizing flexibility (Hollensen 2014).

Every business has its own sourcing process in order to conduct procurement or purchasing of items or service. One of the biggest Ethiopian Governmental organizations spending huge budget on sourcing every year, is Ministry of Agriculture (MoA). MoA is one of the largest governmental organizations having 9 regional Bureau under it. MoA allocates huge budget and processes sourcing centrally through the department of Procurement Directorate. All central and regional offices plan budget for sourcing and MoA processes it centrally at the Procurement Directorate of the ministry.

The supply chain management of the MoA follows the specific Ethiopian Government sourcing directive, manual and guideline prepared by Public Procurement and Property Administration Agency (MoFED, 2011). This department was responsible to procure and distribute materials such as capital equipment, agricultural machineries, vehicles, fertilizer, improved seed and many other items.

This proposal is tried to assess the strategic sourcing practice of MoA and has explore challenges by focusing on the most critical items since they have important implication on the budget and on the operation of the MoA to attain its objective.

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

Sourcing plays a key role for the attainment of organizational objectives by providing right quality of inputs for users at the right time and cost. Sourcing strategies must be implemented for organizations to reduce the total cost of sourcing materials, goods and services, while maintaining high levels of quality, delivery and technology (Tyndall et al., 1998). This can be achieved by developing different sourcing strategies to meet the specific needs of customers' requirement (McIvor, et al, (2000; 2001), and developing partnership with suppliers to provide a stable supply with good quality and low cost (Krause,etal., 1998). To ensure sustainable supply of goods and services, while maintaining highly quality and reasonable prices, every organization has to be strategically source from right suppliers; this can be achieved through evaluation and selection of suppliers.

According to World Bank report (2011) only about a one third of managers participate in advocating for structured sourcing practices, which is what you would expect someone managing the supply chain to do. Just 20% claim to be communicating use of business insights in enhancing procurement practices; only 17% could even tell in what segment procurement practices fall in their companies (Hayton, 2010). The effect of this is that very few organizations have been able to add value, efficiency and effectiveness through proper procurement as different models have shown how procurement process has a link to improved organizational performance (DTI, 2012). Therefore, the purpose of this study was to assess the strategic sourcing practice which is measured in terms of effective procurement planning, supplier development and long-term relationship, contract management and coordination of user departments in the case of Ministry of Agriculture.

In this regard the researcher was examine the gaps of strategic sourcing practice in MoA and tried to find a research paper related to strategic sourcing in Ministry of Agriculture which is conducted by different researchers on the organization and country level. This research intends to identify the main gaps of sourcing practice for the ministry in the form of strategic

sourcing planning, supplier development, contract management and cooperation between stakeholders or user departments to perform effective sourcing models.

Therefore, to assess the level of strategic sourcing practice, the fact that the researcher had carry on such kind of research through: investigating the current strategic sourcing practice based on pre-sourcing and post sourcing process so that the researcher can avail conclusion and recommendations for future proper usage of resource for achievement of the goal and dependable strategic sourcing practice.

### **1.3 Research Questions**

The study will address the following researchable questions:

- ✓ How does sourcing/procurement planning support strategic sourcing practice to improve the efficiency of the MoA?
- ✓ How is the level of supplier management practice in relation to strategic sourcing process in MoA?
- ✓ How is the level of user departments/internal stakeholders' integration for effective strategic sourcing in MoA?
- ✓ What is the level of contract management practice for effective strategic sourcing in MoA?
- ✓ How does the level of strategic sourcing practice look like in Ministry of Agriculture?

This research was assessed the key issues and processes that need to be addressed to make a successful transition from traditional sourcing trend to a strategic sourcing practice while increasing the knowledge in a procurement field.

### **1.4 Objective of the research**

#### **1.4.1 General Objective**

The general objective of this study is to assess the strategic sourcing practice in the case of Ministry of Agriculture.

#### **1.4.2 Specific Objectives**

On the basis of the above general objective, this research paper derives the following specific objectives which are:

1. To assess the level of sourcing/procurement planning in MoA to support the strategic sourcing process.
2. To assess the level of supplier management process for effective strategic sourcing in MoA.
3. To assess the level of inter departmental integration for effective strategic sourcing process in MoA.
4. To assess the level of contract management practice for effective strategic sourcing process in MoA.
5. To assess the level of strategic sourcing practice in Ministry of Agriculture.

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

This study wishes to enhance the existing body of literature by contemplating the areas of the literature that have not yet been examined or considered and incorporating these factors into the current study. It identifies the status of strategic sourcing practice on Ministry of Agriculture and forward recommendations for effective sourcing strategy. The study is essential for company leaders and managers since most company's spending on procurement of goods and services. This study also benefit MoA procurement managers in understanding how sourcing if properly done can immensely cut down on organizational cost, hence improving the overall organizational performance.

### **1.6 Scope of the study**

Strategic sourcing encompasses the whole process of acquiring property and/or services, and also extends to the ultimate disposal of property at the end of its useful life. Though it will be important to include all these areas, but from resource and time perspectives, the focus of this study was only assessment of the strategic sourcing practices in Ministry of Agriculture. Strategic sourcing practice is a vast area; conducting research the whole system in Ministry of Agriculture is unmanageable in terms of time and cost and we will focus on sourcing departments.

The study also geographically limited to the federal procurement and property administration department of MoA due to time and cost constraint. Not only limited to the MoA, the research is also not covered all the 9 regional MoA bureaus due to geographical diverse and reaching all of them is impossible for the researcher.

Therefore, the study does not attempt all regional agricultural bureaus and not gave emphasis on different MoA sector offices, and post contract performance evaluations and other supply chain functions. The results of the study also limited only to examine the level of strategic sourcing practice implementation, gap identification and recommendation of improvement areas in strategic sourcing practice of MoA.

### **1.7 Limitation of the study**

This study will cover the topic of strategic sourcing practice on Ministry of Agriculture procurement performance. The limitation of the study is that there is an issue that the lack of available literature and secondary data in the ministry and validity of the data collected from the respondents will be not perfect because of the respondent's knowledge gap regarding strategic sourcing. Furthermore, due to limitation of finance and time, only the federal sectors were considered. Even though these effects have occurred, the extent to which the objectives of the study could be reached.

### **1.8 Definitions of Key Concepts & Terms**

- **Sourcing:** is researching the market for potential input sources, securing the continuity of these sources, searching for alternative sources and keeping the relevant knowledge up to date (Vollman, Berry, and Whybark, 2004).
- **Strategic Sourcing:** is an institutional sourcing planning, integrating, supplier management process and contract management practice that continuously improves and re-evaluates the sourcing activities of the company.
- **Traditional Purchasing:** Involved requisition, soliciting bids, purchase order, shipping advice, invoice and payment, a process that was transactional in nature, or clerical in function (Timothy, 2001).
- **Procurement:** is the overarching function that describes the activities and processes to acquire goods and services. It also means the act of obtaining or buying goods and service. (FDRE, PPA Directive, 2010).
- **Logistics:** Is the planning, control and execution of the procurement to and takes over after the product has been purchased which includes moving the product from the supplier's facilities to the buyer's facilities (Business Dictionary, 2016.)

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

The study is organized into five chapters. The first chapter is the introduction of the study. Related literature deals with reviewed in the second chapter. The third chapter gives an explanation on research design and methodology. Presentation, analysis and interpretation of data are shown in the fourth chapter. The fifth chapter summarizes and concludes findings of the study. In addition, the fifth chapter presents recommendations based on the findings of the study.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Introduction**

The efficiency and effectiveness of an organization is determined by the management and giving due consideration for every function of the firm's core activities in particular the function dealing with strategic sourcing and supply system has paramount importance. Most organizations have spent a huge amount of their annual budget for sourcing of goods and service. Due to this fact, sourcing is common activity in all types of business enterprise but according to different researchers it is not delivered strategically. It is imperative that these activities are made following a strategic, uniform, systematic, efficient and cost effective procedure, in accordance with existing capacity, system and documents of the organization to attain the intended objective.

This chapter will review the general literature on strategic sourcing practice, the process, impact & the challenges on the strategic sourcing practices. The purpose of this chapter is also to present a literature review on strategic sourcing practice and process. I examine strategic sourcing as well as its practice and application in the Ministry of Agriculture. Additionally, I discuss the benefits, opportunities, best practices, and challenges of strategic sourcing practices of the company.

#### **2.2 Theoretical Literature Review**

##### **2.2.1 Strategic Sourcing**

Strategic sourcing is defined as the process of planning, stakeholders integration, contract management, supplier development and implementing highly important purchasing in an effort to meet a firm's goals (Carr and Smeltzer, 2000; Carr and Pearson, 1999 and 2002). A number of articles address the need for purchasing to assume a more strategic role (Carr and Smeltzer, 2000; Carter and Narasimhan, 1994, 1996a, and 1996b; Ellram and Carr, 1994; Narasimhan and Das, 1999; and Pearson and Gritzmacher, 1990). A strategic sourcing function is viewed by top management as an important resource of the firm. From a theoretical perspective, a firm's resources can be used to support its capabilities so the firm can achieve a competitive advantage (Carr and Pearson, 2002; and Reck and Long, 1988). The strategic sourcing is involved in the firm's strategic planning process and purchasing is treated as an equal to other major functions in the firm (Freeman and Cavinato, 1990).

At a macro level, a strategic use of purchasing requires a purchasing manager to monitor the company's environment, forecast changes in that environment, share relevant information with suppliers and colleagues in other functions, and identify the company's competitive advantages and disadvantages relative to its suppliers.

At a micro level, strategic purchasing involves the identification of critical materials, the evaluation of possible supply disruptions for each of them, and the development of contingency plans for all identifiable supply problems (Burt and Soukup, 1985). In order to compete effectively in the world market, a company must have a network of competent suppliers. Supplier assessment and selection is designed to create and maintain such a network and to improve various supplier capabilities that are necessary for the buying organization to meet its increasing competitive challenges.

A firm's ability to produce a quality product at a reasonable cost and in a timely manner is heavily influenced by its suppliers' capabilities, and supplier performance is considered one of the determining factors for the company's success (Krause, Scannell, and Calantone, 2000; Krause, 1997; Tan, Lyman, and Wisner, 2002; Monczka, Trent, and Callahan, 1994; Tan, Handfield, and Krause, 1998; Choi and Hartley, 1996; Shin, Collier, and Wilson, 2000; and Davis, 1993). Consequently, without a competent supplier network, a firm's ability to compete effectively in the market can be hampered significantly. There are several key reasons why suppliers are becoming increasingly critical to the competitive success of different firms. First, manufacturers are beginning to focus on their core competences (Prahalad and Hamel, 1990) and areas of technical expertise (i.e. firms concentrating on what they do best).

An emphasis on internal competences requires greater reliance on external suppliers to support directly non-core requirement. Second, developing effective supply base management strategies can help counter the competitive pressures brought about by intense worldwide competition. To remain globally competitive, firms must receive competitive performance advantages from their suppliers that match or exceed the advantages that suppliers provide to leading foreign competitors. Third, suppliers can support directly a firm's ability to innovate in the critical areas of product and process technology. As organizations continue to seek performance improvements, they are reorganizing their

supplier base and managing it as an extension of the firm's business system (Vonderembse and Tracey, 1999; Trent and Monczka, 1998; and Morgan and Monczka, 1996). Given that over 50% of the cost of goods sold worldwide is derived from purchased materials, supplier selection is an important strategic decision and serves as a source of competitive advantage (Simpson, Siguaw, and White, 2002).

Strategic Sourcing is an organized and collaborative approach to leveraging targeted spends across locations with select suppliers that are best suited to create knowledge and value in the customer-supplier interface. Since the last decade of years, public organizations have developed a long-term view of adding value to their sourcing process and have adopted a new ways of contracting (Claassen, van Weele, & van Raaij, 2008). Strategic sourcing is organized since some type of methodology or process is needed; it is collaborative since one essential requirement for any successful strategic sourcing effort is that of getting functional elements other than procurement involved in the decision making and evaluation process.

Different literatures suggested that buyers, regardless of whether they are buying goods or services or works, need to add value or achieve an expected outcome with their procurement (Boykin, 2005; Eldridge & Palmer, 2009; Heaviside & Price, 2001). They have become aware that sourcing has a strategic responsibility that can play a pivotal role in public expenditure management, improving of good governance, enhancing of economic development and commercial integration between and within countries. For achieving the above listed and other organizational objectives more efficiently and effectively, public organizations have started to use strategic sourcing for their procurement process (Martin, 2007). The Strategic Sourcing process requires an organized approach or method that allows a supply chain function to systematically work on spend areas or processes that can result in cost saving benefits.

The origin of strategic sourcing is going back to Japan in the 1960s. When the Japanese economy started to rebound after World War II, competition increased, and the Japanese government began to procure a greater complexity of goods and services (Dieges, Shaw, & Meyer, 2010). Companies found it necessary to reduce costs while maintaining quality products and services; therefore, they overhauled their strategic sourcing practices, specifically changing how they developed contractual relationships with suppliers (Dieges et

al., 2010). Different countries adopt this strategy for their sourcing process to have a better value of their inputs.

Strategic sourcing is a vital mechanism for reducing waste and promoting efficient and effective spending in sourcing. Strategic sourcing allows commercial and government agencies to optimize performance, minimize price, increase achievement of socio-economic acquisition goals, evaluate total life-cycle management costs, improve vendor access to business opportunities, and otherwise increase the value of money spent (OMB, 2005). Strategic sourcing is a critical process that once implemented allows products and services to be procured more effectively.

Strategic sourcing is vital to a company's bottom line. According to Pennino (2014), "heads of sourcing and supply chain are becoming as prevalent and as vital in the preservation and the performance of a company's bottom line as chief technical officers". Strategic sourcing provides companies with spend leverage and more efficient processes; it also provides speed and transparency in supplier relationships. Companies that best optimize their spend patterns will create sustainable savings for the years ahead (Pennino, 2014).

Strategic sourcing leads to cost savings by capitalizing on economies of scale to leverage buying power. It leads to more efficient practices by consolidating requirements, aggregating and standardizing demand, and utilizing fewer contracts to procure products and services agency-wide. Strategic sourcing allows for better control of purchasing processes while also reducing transaction costs. Opportunities for strategic sourcing exist when there are suppliers with multiple contracts, or when multiple divisions have contracts with the same contractors or same products, among other scenarios. Strategic sourcing lowers transaction, production, and delivery costs by leveraging buying power. Despite the realized benefits, it took a considerable amount of time for strategic sourcing principles to be implemented in the Ministry of Agriculture.

### **2.2.2 Benefits of Strategic Sourcing**

Strategic sourcing is one of the key methods that purchasing departments are using to lower costs and improved quality. Strategic sourcing leads to cost savings through leveraging buying power, taking advantage of economies of scale, and reducing transaction costs (Moore, Cook, Grammich, & Lindenblatt, 2004). The Public Procurement Agency of Ethiopia

(PPA) annual report (2017) indicated that, millions of dollars can be saved annually by using strategic sourcing, but stakeholders of MoA lack of commitment towards it has led to savior results.

Strategic sourcing increases efficiency because it provides visibility into spending habits, creates commodity expertise, enables employees to make more informed decisions, and minimizes complexity for end-users. Strategic sourcing also improves vendor performance in that it increases the clarity of requirements, encourages innovative solutions, improves contract structures, and improves vendor ability to achieve performance goals.

Strategic sourcing is the process of developing channels of supply at the lowest total cost, not just the lowest purchase price. It expands upon traditional purchasing activities to embrace all activities within the procurement cycle, from specification to receipt and payment of goods and services. Although strategic sourcing focuses primarily on reducing costs, its foundation is building longer term, win-win relationships with key suppliers to give buyers a competitive advantage. The nature of the relationship underscores the success of strategic sourcing initiatives. It is critical that both buyer and supplier work together and share information to identify opportunities that will significantly increase savings over time.

Strategic sourcing in MoA acquisitions includes suppliers with multiple contracts, products or services with many suppliers, and multiple independent buying offices (Moore et al., 2004). Potential performance improvement opportunities include varied or poor quality and delivery, long wait times, little information sharing or supplier innovation, and few multiyear contracts (Moore et al., 2004).

Another opportunity exists to exploit the use of strategic sourcing when customers are buying products or services from the same company using multiple contracts. Each contract involves transaction costs, with each additional contract reducing the ability to capitalize on economies of scale (Moore et al., 2004). High purchasing costs occur when many buyers in the same agency make similar purchases. Lower transaction costs, greater efficiencies, and substantial economies of scale can be achieved through strategic sourcing (Moore et al., 2004).

The principal objective of strategic sourcing is to reduce uncertainty and to improve flexibility to better handle supply, demand, and competitiveness uncertainties (Gargeya, 2012). The best

practices identified in strategic sourcing include cross-functional teams, management and customer buy-in, market intelligence, and commodity categories. The potential positive results of strategic sourcing can be achieved with leadership, shared data, and a focus on strategic categories. In regard to accessing strategic sourcing, companies had to make structural changes with top leadership support and establish commodity managers to be better able to leverage their buying power to achieve savings through strategic sourcing. Companies generally agreed that the principles were important to achieve successful acquisition outcomes which is maintaining spends visibility, centralizing procurement, developing category strategies, focusing on total cost of ownership, and regularly reviewing strategies and tactics.

The principles outlined enables companies to identify and share information on spending and increase market knowledge about suppliers to gain more insight into their procurement environments. This knowledge helps companies make more informed spending decisions. Companies could centralize procurement decisions by aligning, prioritizing, and integrating procurement functions within the organization. Without a centralized process, different parts of the organization could unknowingly buy the same products or services. This centralization does not mean centralizing the procurement activity, but centralizing the procurement knowledge so there is an open flow of communication across the organization. The development of sourcing strategies and supplier relationships must be done using a strategic, cross-functional approach (Moore et al., 2004). This is also asserted that cross-functional commodity teams should be established to access and analyzes information regularly to integrate strategic sourcing. Banfield (1999) explained that cross-functional teams should be assembled to represent areas of expertise from all corporate functions. Rendon (2005) suggested that the team, consisting of functional representatives with a stake in the acquisition, should be educated in requirements.

The transformation from traditional purchasing methods to a strategic sourcing focus requires three fundamental philosophies that drive the strategic elements and also the infrastructure required to support the procurement process. These include: Focus on the total delivered value, not the purchase price, collaborative approach to dealing with suppliers, rather than oversight and focus on enhancing profitability, rather than cost savings.

Both the supplier and purchaser gain an advantage: they can both leverage core competencies to focus on increasing market share and improving market position. The move from purchasing to strategic sourcing developed amid the far-reaching market changes during the 1980s. New production models based on just-in-time delivery and total quality management—as well as outsourcing, commoditization and globalization—had a profound impact on the way goods should be sourced, and on the relationship between suppliers and customers. Companies that wished to remain competitive had to shift their focus from a narrow transaction-based view of purchasing to a wider, more strategic view of how the supply chain could be configured to achieve broader corporate goals.

It is quite obvious that the way in which activities are perceived is very important for the way in which companies are dealt with and how strategic sourcing is implemented. Seen from this perspective, the company's sourcing practice is therefore no longer the responsibility of the buying function alone, but rather it is to be seen as a general management task (V. Freytg & Mikkelsen, 2007). This becomes evident through the challenges attached to companies' sourcing although V. Freytg & Mikkelsen, (2007), have defined the managerial challenges as broad and narrow, contracts drawings, supplier selection process are as much important as value creation process and organizations ability of handling internal and external tasks and relations.

Lysons and Farrington (2006), defines strategic sourcing as “concerned with the top-level, longer term decision relating to high – profit, high supply risk item and low-profit, high supply risk bottleneck product and service”. Strategic sourcing activities include analyzing expertise performance, management willingness and market assessment. The main challenger in the strategic sourcing activities will be rolled out about top monument. Without the top management participation to practice strategic sourcing, it is meaningless. From the theoretical perspective, strategic sourcing is viewed by top management as an important resource of a company which can be utilized to develop or support the firm's effectiveness (Shook, Adamsdavi, Christopher and Craighead, 2009). In the case of MoA, top management has little idea about strategic sourcing benefits to support the sourcing department to enhance the emergence of following it by the procurement department.

### **2.2.3 Supplier management**

Supplier management is defined as any effort of a buying firm working with its supplier(s)

to increase the performance and/or capabilities of the supplier(s) and meet the buying firm's short- and/or long-term supply needs as well as promote on-going improvements that are intended to benefit both buyer and supplier(s) (Wagner, 2011, Ahmed, and Hendry, 2012). The objective of supplier development is generally twofold from the buyer's perspective: firstly, to reduce cost, improve quality, and streamline delivery; and, secondly, to educate suppliers in a systematic process to keep driving continuous improvement; alternatively it has been conceived as one of the most important choices that could be employed by buying firms to manage problems buying firms may experience in their supply networks, such as underperformance of current suppliers, failure of current suppliers to support buying firms' strategic growth or unavailability of capable suppliers (Ahmed, and Hendry,

The SCM literature has also stressed on the significance of supplier development in supporting a firm's operations strategy by ensuring that suppliers' performance and capabilities meet the needs of the buying firm (Humphreys, Li and Chanc, 2004). Regarding the pertinent initiatives of supplier development, the extant literature have indicated that buying firms typically improve suppliers' performance and capabilities by setting supplier performance goals, providing the supplier with training, providing the supplier with equipment, technological support and even investments, exchanging personnel between the two organizations, evaluating supplier performance, recognizing supplier progress in the form of rewards, conducting visits to supplier's sites to assess its process and collaborations with supplier in materials improvement, (Krause, Robert, Hand field, and Tyler, 2007; Humphreys *et al.*, 2004; Sanchez-Rodriguez, 2009).

#### **2.2.4 Supplier Long-term Orientation**

Long-term orientation in the context of buyer-supplier relationship can be defined as the tendency to stick on relationships for a relatively longer period between a firm and its suppliers (Prajogo *et al.*, 2012). According to (Paulraj and Chen 2005) long-term orientation focuses on initiatives that enhance superior relational characteristics between supply chain members and create a win-win situation for the buyer and its suppliers instead of adversarial relationships. Firms with short-term orientation rely on the efficiencies of market exchanges to maximize their gains in a transaction, whereas firms in a long-term orientation rely on relational exchange to maximize their gains over a serious of transactions (Ganesan, 1994).

Through close relationships with suppliers, buyers are more willing to share risk and reward, encourage mutual planning and problem-solving efforts, and maintain the relationships over a longer period of time (Li *et al.*, 2007; Chen *et al.*, 2004).

It has been also claimed that in the context of supply chain management effective supplier relationships in the sense of creating long-term relationships with key suppliers helps firms achieve superior performance by reducing cost, improving quality, and enhancing customer responsiveness or flexibility (De Toni *et al.*, 1994 on Prajogo *et al.*, 2012). Moreover, by building up on the results of prior studies, (Chen *et al.*, 2004) suggested that present day competitiveness has brought about a marked evolution in supply management where the achievement of superior performance in terms of cost, quality and flexibility (customer responsiveness) is increasingly dependent on long-term relationship with suppliers. Long-term orientation is “operationalized by items tapping the extent to which the buying firm: (a) expects its relationships with key suppliers to last a long time; (b) works closely with key suppliers to improve product quality; and (c) views the suppliers as an extension of the company; in turn (d) suppliers see their relationship with the buying firm as a long-term alliance (Krause and Ellram, 1997; Shin *et al.*, 2000).

### **2.2.5 Stakeholders Communication**

Information sharing/exchange is the extent to which a firm shares a variety of relevant, accurate, complete and confidential ideas, plans and procedures with its supply chain partners in a timely manner (Cao *et al.*, 2009; Simatupang and Sridharan, 2004). Information sharing has been described as the heart, lifeblood, nerve center, essential ingredient or foundation of supply chain collaboration (Cao *et al.*, 2009). Supply chain partners who exchange information regularly are able to work as a single entity and can understand the needs of the other partner better and, hence, can respond to market change quicker (Li *et al.*, 2006). By building up on the findings of prior studies, Li *et al.* (2006) suggested that simplified material flow, including streamlining and making highly visible all information flow throughout the chain, is the key to an integrated and effective supply chain.

Communication becomes crucial in these turbulent economic times as it drives the firm into becoming a collaborative structure (Krishnapriya, and Rupashree, 2014). It has been revealed that buyer and supplier strategic information flows positively impact the

relationship-specific performance of both sharing and receiving parties, among which delivery time, quality and flexibility are prevalent (Klein and Rai, 2009). However, to realize the streamlining effect of information, the information shall be more proprietary, tacit and holistic than the data traded in arm's length relationship, given the fact that levels of information sharing as well as quality and relevance of information shared become critical aspects in deciding success in collaborative efforts in buyer-supplier relationships (Krishnapriya, and Rupashree, 2014; Cao *et al.*, 2009).

### **2.2.6 Effective Sourcing/procurement plan**

According to Baily, *et.al*, (2005), procurement plan is derived from the plans which have been formulated and should allow for subsequent comparison, evaluation and control of the efforts made to meet the company's objectives. In addition to that budget should be prepared in relation to relevant financial projections and overall company estimates with regards to e.g. return on investment. A multi- year procurement plans may be prepared and integrated into the medium term budgetary expenditure framework. The benefits of good planning include: better alignment of procurement activities to strategic objectives, improved quality analysis for recommending a course of action, justifying the project is worth doing, testing that implementation is realistic and achievable, detecting the potential impacts and pitfalls before starting knowing the sustainability of service or product design and delivery. An effective procurement plan provides an organized means whereby time and money are saved. It also provides a framework to that guides the achievement of tasks and duties (Langford, 2010, Kakabadse, 2005).

### **2.2.7 Inter Departmental Integration**

Paul D Cousins and Robert Spekmen, (1999) studied on Strategic Supply and the Management of Inter and Intra organizational Relationships in U.K. Their objectives were to explore how, why and to what purchasing is evolving. The authors found that the main reasons for entering into collaboration were primarily for cost reduction purposes, then delivery and quality improvements followed by supply base reduction strategies. They noted that concepts such as improved time-to-market, joint product development; co-design and outsourcing were ranked at the bottom end of the scale. This would indicate that the main reason for entering into long-term relationships was to gain instant cost advantage. They further explained that skill set for purchasing personnel who work in strategic relationship

management tends to focus more on process skills such as team based working, interpersonal communication, commercial awareness, negotiation and analytical skills. These types of skills are much closer aligned to those used for 'obligational' contractual arrangements. They also noted that, as opposed to the traditional purchasing content skill set of product knowledge, tactical negotiation and brinkmanship, which focus much more on the Arms- Length contractual arrangement model, are also essential.

They also suggested that purchasing people take courses in negotiations, rarely, do they learn about teams, managing virtual networks or even have insight into relationship management. To view procurement as essential to managing enterprise wide thinking where suppliers contribute value that is leveraged to achieve competitive advantage for the entire supply chain is becoming a reality. Strategic supply implies that supply chain wide skills, expertise and capabilities are brought to bear by the full set of supply chain partners. They are united in the belief that by working collaboratively they will accomplish goals that they could not otherwise have achieved. Procurement should and must play a central role in the process. They further noted that strategic supply is an extremely interesting area of management, however, it tends to be much unexplored, and also purchasing professionals are often reluctant to take on this type of role. At the same time senior management also has been resistant to cast procurement in a strategic light.

The study which was conducted by Tan, Lyman, and Wisner (2002) stated that many leading firms in the USA have adopted an integrated strategic approach to purchasing and logistics management known as supply chain management. With regard to knowledge and skill he also noted that, company's procurement staffs have no adequate knowledge in all respective areas with respect to company's sourcing procedure and technical knowledge for the respective procured goods. He further explained that, company's procurement staffs did not possess satisfactory negotiation and communication skill to effectively deal with suppliers. Regarding the knowledge of the stakeholder who directly involving the sourcing activities, he described that, company's other supporting work units which closely work with the division of procurement unit (i.e. Finance division, Legal division and user division) are still lacking clear orientation about procedure duties & responsibilities procurement unit, and the role that supply department plays toward the achievement of company's objective.

### **2.2.8 Contract Management**

Hutchison *et al.* (2009) defined a contract as an agreement entered in to voluntarily by two or more parties with an intention to create legally enforceable obligation(s). A contract entails voluntary promises between competent parties to do or not to do something which is enforceable by law. A contract may obligate a contracting party before receiving anything from the other side or even after calling the deal off; for example, after the supplier acknowledges the receipt of the purchase order, he is liable to deliver materials based on the delivery terms agreed. The same applies to all parties after contract closures in confidentiality issues where the parties agree not to disclose confidential matters for number of years after the contract closure.

Contract management is a systematic practice for creation, execution, compliance, and analysis of business contracts in order to maximize operational performance, reduce costs, and minimize risks time. One of the key objects of contract management is to obtain goods or services as agreed in the contract and achieve the best value for money through balancing costs against risks and proactively managing the relationship. It also aims at continuous improvement in performance over the contract life time.

Contract management can be interpreted as category management, contract administration and contracting processes (Knoester, 2005). While category management is about managing the contracting processes initiation, contract management is addressed by Knoester (2005) who speaks of contract management as the management of the engagement administration of all term agreements by which means a contract is closed. He stressed that this is the contract management process for ensuring that the right information is in the right place at the right time, to support the whole of the contracting process. In project disciplines, this can be achieved by distributing contract information to all primary project stakeholders to determine and assess an optimal supply base. The contracting process is the third interpretation of contract management and is where contract realization is managed. This process is connected to both the category management process and the contract administration process. Contracting processes are initiated by category management and are from there supported by the contract administration process. This administration process is necessary during the whole contracting process in order to assure quality, efficiency and effectiveness (Angelov, 2005).

## **2.3 Empirical Literature Review**

In this section, the researcher reviewed empirical studies touching on strategic sourcing practice of organizations.

### **2.3.1. Studies in Ethiopia**

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

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

Getnet (2014) in his paper on procurement reform in Ethiopia to identify factors leading to effective procurement implementation in the country with particular reference to Amhara Regional Bureaus and other government institutions found in Bahir Dar town. The data had been analyzed using multiple linear regression method. The findings indicate that familiarity in public procurement rules and regulations, transparency in public procurement

processes, ethics in public procurement and efficiency in public procurement processes have a positive and statistically significant impact on effective public procurement implementation. The accountability in public procurement, though have positive associations with effective public procurement implementation, did not have a significant impact on effective public procurement implementation. Gizachew (n.d) conducted a study on how public procurement is actually practiced in terms of efficiency, accountability and transparency. The findings of the study suggested that the level of efficiency, accountability and transparency observed in public procurement was low, although the legal and institutional frameworks including detailed procedures of public procurements are more or less laid down. The researcher recommend that African countries in general and Ethiopia in particular to (1) recognize the importance of continuously ensuring efficiency, accountability and transparency in strategic sourcing through establishing procurement monitoring and evaluation unit; (2) improve the level of compliance with best standards; (3) assure the cooperation of all stakeholders through taking the initiative and the leadership; (4) undertake complete procurement transformation through business process reengineering and change management; (5) aggressively implement human capacity development programs through training, system development and changing ethical behaviors.

According to the ministry of agriculture 2017/18 annual report, sourcing of fertilizer, improved seed, agricultural machineries (to transform agriculture to mechanization), small scale irrigation, different pest side chemicals, and different types of office consumable materials cost over 60% of the annual budget. Not only that the way how sourcing strategy was very primitive which sacrifices huge amount of budget by dalliance of agricultural imputes and low quality products. Since the absence of the implementation of timely and effective agricultural policy and strategic sourcing, the agricultural sector is influencing the overall economic performances in Ethiopia. The achievements so far obtained by implementing the agriculture development led industrialization policy and strategies were very slow and not benefit for rural population.

The PPA found that some agencies saved about 20% their budget by employing strategic sourcing (PPA, 2017). Although the results show the benefits of strategic sourcing, the MoA ascertained that the government does not fully employ strategic sourcing methods as it should. Across MoA, little progress has been made to better incorporate strategic sourcing in higher-

spend categories such as in accusation of mechanization in the help of different donors. Great efficiencies can be achieved through strategic sourcing, especially with the broad scope and volume of government procurement. Strategic sourcing lends itself to greater results when it is applied to all facets of acquisitions.

### **2.3.2. Similar studies in other countries**

Musnzikwa (2013) conducted a study on strategic sourcing system and challenges in developing countries: the case of Zimbabwe with the objectives to provide an overview of the procurement system challenges in developing countries identified a number of challenges in public procurement that included delays in decision making, corruption, political interference, incompetence, and a high level of corruption activities in the public procurement. The researcher recommends that professional procurement practices must be adopted in public institutions for the benefit of the country.

Kusi.et.al. (2014) conducted a study on assessment of procurement policy implementation in educational sector with the objective to review the key principles, accountability and structure of budgeting system in Thailand. Descriptive survey design was adopted in the study. The findings of the study proved that Takoradi Polytechnic uses the Ghana Public Procurement Act 663/2003 in its procurement of goods, works and services from suppliers through the established procurement unit of the institution. However, there were some major challenges such as excessive bureaucracy, cumbersome documentation processing, inadequate storage facilities and others; and it is incumbent on the public procurement authority to intervene to curtail some of the challenges even as the polytechnic performs certain internal interventions to counter such challenges in the procurement cycle.

Murray (2014) studied on improving the validity of procurement argue that the fundamental difference between private and public procurement, that of politicians, has been largely overlooked in public procurement strategy and management research. The research was based on a critical literature review of public procurement strategy and management literature, examining the methodologies used and roles of politicians. The findings suggest that there was an in-built bias through over reliance on procurement managers as the key respondents, tendency to focus on private sector procurement research attributes and questions, and a tendency to focus on operational as opposed to strategic public procurement

decision making.

Amemba *et.al* (2015) on identifying the challenges facing strategic sourcing performance in the Kenyan public sector study found that the most prevalent challenges in the public procurement process are the selection of the most suitable procurement methods, with appropriate justifications and record keeping. The paper recommend that public procurement performance in Kenya can only be improved through review of existing legislations to encourage extensive use of technology in the management of the procurement process, fostering of long term buyer- supplier relations and stakeholder involvement through trainings and sensitization on practicing ethical behavior when conducting procurements.

Gormly (2014) studied what are the challenges to sustainable procurement in commercial semi-state bodies in Ireland? provided the first complete insight into the use of sustainable procurement in Irish commercial semi-state bodies. It explores the extent and type of use of sustainable procurement plus identifies and examines the challenges to its use. A deductive approach is utilized to determine the barriers. The research findings show that sustainable procurement is being practiced in the majority of the commercial semi-state bodies.

Shaw (2010) assessed the City of Austin's procurement process and programs based on a practical ideal type framework developed through a literature review methodology for this study includes document analysis and structured interviews. The results of the case study revealed that quality ideal type model. He recommended that the department should establish a comprehensive process and performance measure to gauge the quality of their individual procurement products and the city of Austin should re-evaluate its current monitoring practices and work with departments to identify where the deviations in process occur.

The analysis of government procurement in the frame of principal agent theory Zheng-Qiang (2008) this paper uses the model of the principal-agent to analyze government procurement activity, and proposes some countermeasures to improve principal-agent in government procurement. The researcher found out the principal-agent dysfunction problem in the government procurement has three causes-asymmetric information, incomplete contracts, and opportunism in the supervision of consignors. The researcher recommend that according to the analysis of principal-agency model, problems can be resolved by the

following three counter measures: executing the government procurement laws strictly, building effective accountability mechanism, building perfect supervision mechanism.

Krisztina Antal-Pomázi(n.d.) in the study public procurement as auction theoretical models and practical problems showed how the theory of optimal auctions can be applied to modeling public procurement. The findings of auction theory can be applied to model public procurement, and takes a closer look at two practical problems, choice of the optimal type of procedure, and withdrawal from contracts. From this it was concluded that from a social viewpoint, it would be desirable for contracting authorities to be granted greater freedom in their choice of procedure types.

## **2.4 Conceptual framework**

The use of developing conceptual framework in real-world settings will provide useful information for the management of Strategic Sourcing decisions and subsequent design of the post-contract stage of Strategic Sourcing. The key factors explain more precisely what will be considered during the management of strategic sourcing process in terms of their impacts. The use of the conceptual framework will be therefore increase the possibility of reaching a successful outcome of the strategic sourcing process. The researcher will capture the essence of the Strategic Sourcing process for receiving a successful outcome from a relationship perspective. As a result, the conceptual framework will be a fruitful tool in future empirical research studies. The sense of conceptual framework can provide useful and important insights on how different factors influence the degree of successful outcome of the Strategic Sourcing process.

It illustrates the interaction between independent variables and the dependent variable in the study. In this study, the independent variables are; supplier relationship management, sourcing/procurement planning, cooperation among user departments and effective contract management system; while the dependent variable is effective strategic sourcing practice. The conceptual framework is a combined modification of the conceptual frameworks developed by prior studies (i.e. Sanchez-Rodriguez, 2009; Prajogo, 2011; Chen *et al.*, 2004). It is illustrated by the following diagram.

Afera Muluadam (2014) conducted his research on internal supply chain performance analysis of enterprises, Addis Ababa, Ethiopia. He also noted that the overall supply chain performance of enterprises which is not operating in a manner that satisfied the current need of the internal customers. He suggested that to establish both internal and external integration through Service Level Agreement (SAL) with suppliers and Organizational Level Agreement (OLA) with internal stakeholders. He further recommended that companies should work with its suppliers to increase inward materials quality, to minimize procurement cost, to influence suppliers in setting prices, to minimize the rate of defect.

### Diagram of conceptual framework



Figure 1 Conceptual Framework Model

Source: Adapted from Sanchez-Rodriguez, 2009; Prajogo, 2012

### 2.5 Literature gap

Although the literature sees the concept of strategic sourcing practice in depth it has missed to see the development of strategic sourcing practice with in the organization and the phases or stages sourcing must go through before it can truly become strategic in nature and contribute to organizational strategy.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

This section describes the methodology which is the theoretical analysis of the methods proposed for the research. It contains details about the setting of the study, the study design, source of data and details about data collection and analysis. This chapter mainly presents the methodology employed for the study. It presents a concise description of the descriptive study that was used. It explains the research design, population, sample as well as the sampling procedure adopted to achieve the objectives of study. It describes the research instrument used, validity and the reliability of the instrument, data collection procedures, and how the data was collected and analyzed. The study was aimed on assessing the strategic sourcing practice of Ministry of Agriculture.

#### **3.2 Description of the Study Area and population**

Ministry of Agriculture is the service giving Government Company in Ethiopia and wholly owned by Federal Democratic Republic of Ethiopia. The Head Quarter of the company is located around CMC Road Gurd Shola, Bole Sub-city. The study area for this research was on MoA- Procurement department including all user departments in the ministry, and other stakeholders in the area of agriculture. Since the company is engaged in providing different types of services to the rural areas, its contribution to the speedy growth of the country's economy is paramount. To address the level of expectation, providing goods, services and works at the right time, from the right source, at the right quality and price, to the right place is highly crucial. Therefore, the researcher intended to examine a Sourcing Department function which is engaged in sourcing of goods and service from local and international market, specifically to assess the Strategic Sourcing Practice, process of implementation, identifying gaps and recommends areas which need improvement in the ministry.

The target population for this research is 205 staffs in the Ministry of Agriculture Procurement Directorate as well as the procurement user departments of the ministry. It includes 10 directors and case team leaders, 30 procurement specialists, 165 specialists from

user departments. It is not including regions, which is limited to federal rather than reaching all nine regional agricultural bureaus because of time and money constraints.

### **3.3 Research Approach**

This research used a **mixed (which is quantitative and qualitative)** approach. Both types are intended to explicitly describe and analyze the strategic sourcing practice in MoA with its advantages, impacts and major challenges that will impaired its efficiency. Best and Kahn (2006) says research can be qualitative, if it describes events and persons scientifically without the use of numerical data while quantitative research consist of research in which data can be analyzed in terms of numbers. Mixed approach is an approach, which combines both qualitative and quantitative ones. Thus, the study applied mixed approach that is quantitative and qualitative approaches as research methodology. Mixed approach helps to make scrutinize on the existing practice and its challenges of implementing Strategic Sourcing on Ministry of Agriculture Procurement department and user departments, procurement planning, contract management, supplier development and other related issues in detailed manner and to gain a better understanding by obtaining data from different sources, such as interviews and questionnaire which helps to capture diverse ideas about the same issue and assist in cross-checking the results, and consequently helps to increase the validity, reliability of the findings and comforts data analysis.

### **3.4 The Research Design**

Research design is defined as the general plan of how the research questions would be answered. It is the conceptual structure within which research is conducted, and also it constitutes a blue print for the collection, measurement and analysis of data. According to Collis & Hussey, (2009), researches can be classified according to their purposes, processes, logics, and outcomes. Depending on purpose of one research, it can be described as exploratory, descriptive, analytical or predictive. Since the aim of this study is to assess the strategic sourcing practice - the case of Ministry of Agriculture, the researcher has employed **descriptive research design**. Descriptive research has used to describe characteristics of a population or phenomenon to be studied. In descriptive studies, information is collected for the purpose of describing a specific group with no intention of going beyond that group.

### **3.5 Sample and Sampling Procedures**

Sampling can be explained as a specific principle used to select members of population to be included in the study. It has been rightly noted that “because many populations of interest are too large to work with directly, techniques of statistical sampling have been devised to obtain samples taken from larger populations” (Proctor, 2003,).

The researcher used cluster sampling to select the respondents. Since, cluster sampling intends to guarantee that the sample represents specific subgroups. Accordingly, application of cluster sampling method involves dividing population into different subgroups and selecting subjects from each cluster in a proportionate manner.

In relation to this, cluster sampling can be divided into the following two groups: proportionate and disproportionate. Application of proportionate cluster sampling technique involves determining sample size in each cluster in a proportionate manner to the entire population. Therefore, the choice of cluster sampling by the researcher enabled to have adequate representation of all subgroups can be ensured. The sample size was 81 respondents out of a target population of 205 sourcing department and user departments.

For 81 sample respondents questionnaires were distributed and 100% of which are returned. The questioners were distributed to staff, whose job is directly related to the sourcing process, and user departments were filled the questionnaire. Respondents were those staff that involved sourcing in annual procurement planning process and worked in the ministry for at least two years. In-depth interview has done for procurement and property administration directors and case team leaders with procurement department head and selected key informants from the procurement department.

According to Uma Sekarn in Research Method for Business 4<sup>th</sup> Edition, Roscoe (1975) proposed the rules of thumb for determining sample size where sample size larger than 30 and less than 500 is appropriate for most research, and the minimum size of sample should be 30% of population. The total population is 205, which is 10 procurement and property administration directors and case team leaders, 30 federal procurement staff, and 165 user departments from 9 directorates. From this total population 81 has taken as a sample.

**Table 1 Summary of samples taken from each section/department**

| No | Directorates  | Total population | Sample Size | Percentage from the total population |
|----|---|------------------|-------------|--------------------------------------|
| 1  | Procurement   | 30               | 23          | 76.67                                |
| 2  | Finance Directorate   | 27               | 9           | 33.33                                |
| 3  | Property Administration Directorate                         | 24               | 8           | 33.33                                |
| 4  | SLMP (Sustainable Land Management Project)                  | 33               | 11          | 33.33                                |
| 5  | Land Administration Directorate                             | 15               | 5           | 33.33                                |
| 6  | DRDIP (Development Response to Displacement Impact Project) | 16               | 5           | 31.25                                |
| 7  | Soil Directorate  | 15               | 5           | 33.33                                |
| 8  | Natural Resource Management Directorate                     | 18               | 6           | 33.33                                |
| 9  | Audit Service Directorate                                   | 15               | 5           | 33.33                                |
| 10 | ICT Directorate   | 12               | 4           | 33.33                                |
|    | <b>Total</b>  | <b>205</b>       | <b>81</b>   | <b>39.51</b>                         |

*Source: Human Resource Department of MoA*

### **3.6 Source and Types of Data**

The sources of data for this research were primary and secondary data. The primary data were collected from the target population by structured questioner and interview. The secondary data were collected from the documents performed procurements, annual procurement plan and report of procurement directorate, annual plan and report of the ministry public relation and suggestions supplied from different parties of the ministry. In addition to these different books, journals and other different secondary sources related to agricultural resources is used for the source of data.

### **3.7 Data Collection Method and Procedure**

In order to obtain relevant and adequate information, the researcher used to collect primary data from top level managers, procurement specialists, which are the results of questionnaires, and interview as instruments of data collection. The questionnaire consist of both open and closed ended question designed and distributed to the employee to make an

assessment on the existing strategic sourcing practice on organization improvement.

Both structured and un-structured interviews were conducted; because using only one type of interview might leads to less rich data or information. Un-structured interviewing method was used in this study because this method involves direct interaction between the researcher and a respondent and hence, it gives chance to move the conversation in any direction of interest that may come and also used to ask questions which were not included in the structured interview in case new questions raised as ideas emerge through the process. Generally interview was held with directors' and case team leaders' of MoA sourcing staffs, believing that they have deep and relevant information about the issues.

In-depth interviews can be defined as a qualitative research technique which involves “conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation” (Boyce and Neale, 2006, p.3). Accordingly, the researcher used all forms of interview (i.e.; structured, semi-structured and unstructured) to have a detailed information about the subject matter.

The data collection instruments were designed in such a way that data were captured both quantitatively and qualitatively. Based on this, two types of instruments were employed in this research,

- a. Self-administered questionnaires for federal staff which has 49 questions. 39 questions are close ended and 10 questions are open ended, which assess, the users opinions towards the sourcing practice of MoA in different factors that affect the strategic sourcing practice and its impact and challenges in the MoA.
- b. A semi structured interview for **10** respondents to guide who are used to frame the in-depth interview with procurement director (who is directly responsible to the sourcing activities) and all case team leaders and project coordinators (9 in number), selected from procurement department who are involved in the procurement process from the total procurement department and project coordinators involved in the sourcing process.

### **3.8 Data Analysis Method**

According to Marshall and Ross man (1999), data analysis is the process of bringing order,

structure and interpretation to the mass of collected data. It involves the coding, editing and cleaning of data in preparation for processing. The completed questionnaires were received, checked for completeness and edited for correctness. Descriptive statistics was used to analyze the data in this study with SPSS as the main tool for data analysis and presentation. The researcher organized the respondents' profiles in the areas of their sex, age, educational status, work experiences and their position/responsibilities. The respondents' profiles were tabulated in the form of mean and percentages. To examine the level of respondents consent on the strategic sourcing practice implementation and widen their choices, the five points ranging from strongly disagree to strongly agree was used.

### **Qualitative Analysis**

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

### **Quantitative Analysis**

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

## **3.9 Validity and Reliability of the instrument**

### **Validity**

Validity of an instrument is how accurate the instrument is in obtaining the data it intends to collect (Mugenda & Mugenda, 2003). Validity indicates the degree to which the instrument measures what it is supposed to measure (Kothari, 2004). To ensure precision, relevance and content validity of the instrument, the questionnaire was subjected to critical evaluation by the researcher and the procurement director. Discussions were held with peers and experts in procurement department, who will went through the instruments to evaluate if it contained representative sample.

## Reliability Test

To measure the consistency of the scores obtained, and how consistent they were for each individual from one administration of an instrument to another and from one set of items to another, the study used Cronbach's alpha (a measure of the internal consistency of the questionnaire items) using data from all the respondents. Separate reliability tests for each of the variables were computed. The key statistic in interpreting the reliability of the scale was the alpha listed under the reliability co-efficient section at the end of the output. The value of coefficient alpha ranges from zero (no internal consistency) to one (complete internal consistency); accordingly, the alpha coefficient for the thirty nine items were 0.943, suggesting that the items have relatively high internal consistency. (Note that a reliability coefficient of 0.70 or higher is considered "acceptable" in most social science research situations). Hair *et al.* (2007) mentioned that the rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly inter-correlated. The measurement scales for the variables in this study were based on a 5-point Likert scale ranging from "strongly agree" to "Strongly dis-agree".

The researcher compiled and adapted the research instruments after reviewing literature and consulting experts in the field. The researcher is confidential on the software which is used and the data collection method which is triangulated (using more than one sources of data or data collection method) was help to improve the validity and reliability of the results.

Table 2 Research instrument reliability measurement

| Reliability Statistics for all variables |  |            |
|--|--|------------|
| Cronbach's Alpha                         | Cronbach's Alpha Based on Standardized Items | N of Items |
| .943                                     | .944   | 39         |

| Variables  | N of Items | Cronbach's Alpha if Item Deleted |
|--|------------|----------------------------------|
| Sourcing/Procurement planning habit of MoA         | 12         | .918                             |
| Supplier management practice of MoA                | 10         | .897                             |
| User departments integration with procurement unit | 7          | .881                             |
| Contract management practice of MoA                | 10         | .907                             |

Source: Survey result 2019

### **3.10 Research ethics**

This research project was conducted with full compliance of research ethics norms, and more specifically the codes and practices established in the research ethics and policy. The research involved participants, commencing with a face-to-face survey of the proprietors of each of the respondents. As principal investigator I have taken more responsibility to explain, in appropriate detail, what the research is about to participants. Every research participant was given adequate information that outlines the purpose of the study, which is undertaking and financing the study, and how it is disseminated and used.

Data collection was undertaken after permission is obtained from the concerned body, MoA Procurement Directorate. Study participants were asked for verbal consent before being asked for any information and informed verbal consent were obtained from every study participant. Objectives of the study were explained for every participant and they were asked to give information only after they give their consent. No person obliged to participate to the study without his/her consent. The information provided by each respondent will be kept confidential. Study subjects will be fully authorized to withdraw from the study at any time of their involvement. Interview of study subjects has been made in a way to maintain their privacy. Moreover, any information that can be perceived as spoiling the goodwill and the reputation of the company under study is not included in the report of the study.

## **CHAPTER FOUR**

### **RESULTS, ANALYSIS, AND INTERPRETATION**

#### **4.1 Introduction**

This chapter presents the data gathered through questionnaires, interviews and from secondary sources that included published materials like report and manuals of sourcing and procedure of Ministry of Agriculture websites, research findings, policy documents and other research findings. The aim of the study was to assess Strategic Sourcing implementation practice in Ministry of Agriculture. The questionnaires were collected from employees of Ministry of Agriculture Sourcing department who occupy different position and different user departments who participate in sourcing planning and tender proposal evaluation. While the interviews were conducted with directors of MoA sourcing department project coordinators and selected procurement specialists. The findings are presented in this chapter mainly in the form of tables, pie-charts, percentages, frequency distributions, mean and standard deviations. A total of 81 questionnaires were issued and all were returned. This represented a response rate of 100% and this response rate was considered abundant for data to be analyzed and interpreted.

#### **4.2 Demographic Characteristics**

Under this section, the analysis focused on examination of the targeted sample members/respondents personal and professional profiles. Analyzing the respondents profile provides an insight whether or not the collected data is gathered from a group of people who has an adequate knowledge or subject.

##### **4.2.1 Gender of Respondents**

During selection of respondents, consideration of gender balance has a significant value; and it may help genuine responses. Therefore, taking in to account this, it was tried to include both male and female participants who are currently working in MoA. As the figure 2 indicates below, that 44 were males while 37 were females.

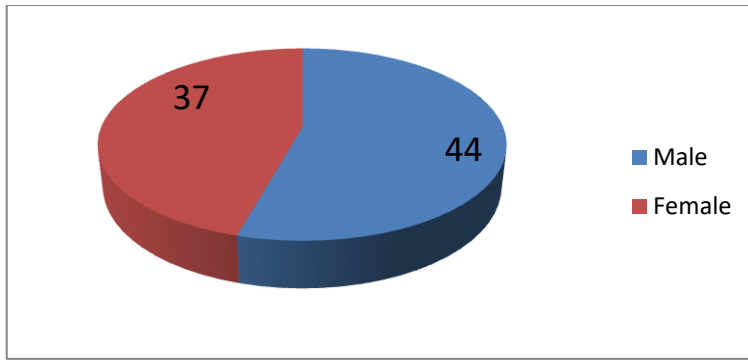


Figure 2 Gender Representation by number

#### 4.2.2 Age of Respondents

As it can be seen from table 3, only 1.2% of the respondents are below 25 years old, 64.2% are between the ages of 25 – 35 years, 18.5% are between the ages of 36 – 45 years and 16% of the respondents are above the age of 45. Hence, out of the 81 respondents which are received and analyzed, most of them are above 25 years and are more productive. This can help to understand that the collected data is a representative of the productive group of the company.

**Table 3 Ages of Respondents**

| Range of Age  | Frequency | Percent |
|---------------|-----------|---------|
| below 25      | 1         | 1.2     |
| From 25 to 35 | 52        | 64.2    |
| From 36 to 45 | 15        | 18.5    |
| Above 45      | 13        | 16.0    |
| Total         | 81        | 100.0   |

**Source: Survey result 2019**

#### 4.2.3 Educational Background

In addition, the subjects who were taken in this study have different educational background. As Table 4 shows, majority (72.8%) of the respondents working in the company had degree while 23.5% were postgraduate, only 3.7% had diploma. This indicates that majority of respondents who are working in the organization had 1<sup>st</sup> and 2<sup>nd</sup> degree and they were conversant with the study.

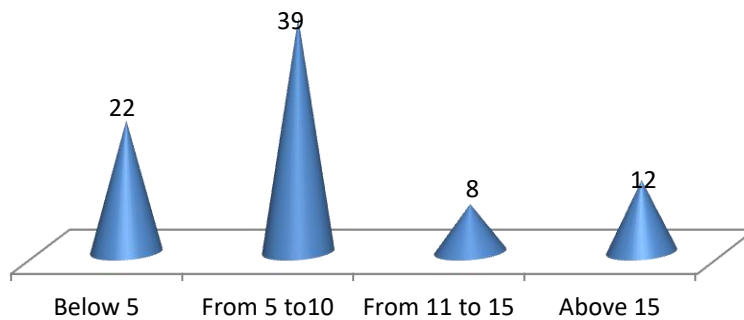
**Table 4 Educational Qualification**

| Education | Frequency | Percent |
|-----------|-----------|---------|
| Diploma   | 3         | 3.7     |
| Degree    | 59        | 72.8    |
| Masters   | 19        | 23.5    |
| Total     | 81        | 100.0   |

*Source: Survey result 2019*

**4.2.4 Work Experience in the Organization of the Respondents**

Working environment is taken as the other school that many people gain better skills and experience; and having good experience helps to perform better in the area they are engaged in ; taking this in to consideration, working experience of participants in this organization was identified. As figure 3 below depicts, 27.4% of the respondents have been working below 5 years; however, majority (48.1%) of the respondents have for 5-10 year experience. The other 9.9% of the respondents have been working 11-15 years, whereas 14.8% of them have stayed in this organization above 15 years. From this, we can say that majority of the respondents have better experience in the study area and it was believed that the information they gave would be valuable to answer the objectives set in this study.



**Figure 3 Educational Background**

**4.2.5 Directorates/departments which the Respondent Works**

Table 5 indicates majority (28.4%) of the respondents have worked in procurement directorate which is directly related to the research focus area. The other 13.6% are in Sustainable Land Management Project (SLMP) which and they are currently engaging in the procurement of different consultancy services. Respondents from finance directorate were constitutes 11.1%. The remaining 46.9% respondents were from seven

directorates/user departments who are participating in specification /ToR preparation, bid evaluation and contract management practices. This shows that, the respondents were adequately represented based on their current work position.

**Table 5 The Directorate which the respondent works**

| Directorates        | Frequency | Percent |
|---------------------|-----------|---------|
| Procurement         | 23        | 28.4    |
| Finance             | 9         | 11.1    |
| Property            | 8         | 9.9     |
| SLMP                | 11        | 13.6    |
| Land Administration | 5         | 6.2     |
| DRDIP               | 5         | 6.2     |
| Soil                | 5         | 6.2     |
| Natural Resource    | 6         | 7.4     |
| Audit               | 5         | 6.2     |
| ICT                 | 4         | 4.9     |
| Total               | 81        | 100.0   |

*Source: Survey result 2019*

#### 4.2.6 Position of the Respondents

The finding below indicates that majority of the respondents (87.7%) were specialists/officers which are directly or indirectly involved in sourcing activities. From the total respondents 4.9% are directors and 7.4% are case team leaders. This shows that the respondents were adequately represented based on their current position since the top and middle level staff were responded in the research and therefore that the results will be well representative.

**Table 6 Respondents position in the company**

| Positions          | Frequency | Percent |
|--------------------|-----------|---------|
| Director           | 4         | 4.9     |
| Case team leader   | 6         | 7.4     |
| Specialist/Officer | 71        | 87.7    |
| Total              | 81        | 100.0   |

*Source: Survey result 2019*

#### 4.3 Descriptive Statistics Data Analysis

In this section descriptive data analysis has used to determine the extent of Ministry of Agriculture strategic sourcing practice. Accordingly the respondents were asked to select one of the alternatives, which represent MoA strategic sourcing practices in view of

sourcing/procurement planning and its habit in MoA, supplier management practice of the ministry, procurement cooperation among internal stakeholders/user departments in implementing sourcing process and contract management practice of MoA. From the questions arranged in five point Likert scale method, where, 1 is “Strongly disagree”, 2 is “Disagree”, 3 is “Neutral”, 4 is “Agree” and 5 is “Strongly agree”. In addition to this two alternative questions (yes, no), open ended questions and interview had provided for the respondents.

#### **4.3.1 Sourcing/Procurement Planning and its Practice in MoA**

Procurement planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way. Basheka, (2008) in his findings concludes that planning is a process that consists of many steps and the bottom line is that planning is not concerned with future decisions but rather with the future impact of decisions made today.

The result of the current survey on MoA indicates that the degree of agreement ranged from 1 to 5 by respondents in all criteria of procurement/sourcing planning. Procurement plans therefore influence strategic sourcing in the sense that they provide focused and efficient utilization of available resources, help in budgeting and planning with adequate provision of funds due to procurement plans, for performance assurance.

The respondents were asked to describe, Ministry of Agriculture practice on sourcing/procurement planning habit in relation to strategic sourcing practice of the ministry. Planning is the first step in performing sourcing and respondents were asked to respond based on the level of their company habit of procurement planning.

**Table 7 Sourcing/procurement planning and its practice in MoA (N = 81)**

| Procurement Planning Practice   | Mean        | Std. Deviation |
|---|-------------|----------------|
| There is an annual sourcing/procurement plan in the ministry.   | 3.75        | .845           |
| Overall sourcing/procurement activities are delivered based on procurement plan in MoA.                                     | 3.43        | .879           |
| Procurement specialists are involved in sourcing planning   | 3.67        | .880           |
| Sourcing goals are well understood throughout the entire organization   | 3.17        | .997           |
| Management team follow the planned activities instead of forcing the procurement directorate to do without plan             | 3.22        | 1.095          |
| Procurement team has a power/capacity to reject the user department's request when it is without plan.                      | 2.91        | 1.153          |
| MoA has adequate and qualified technical experts who have the ability to optimize the sourcing planning system as required. | 3.28        | .778           |
| The Procurement Endorsing Committee approves according to the planned activities.   | 3.27        | .949           |
| Resources are procured according to planed lead time.   | 2.96        | .843           |
| Items are planned in a packages based on their behavior   | 3.31        | .816           |
| Procurement plans are prepared based on allocated budget.   | 3.56        | .908           |
| There is a good habit of sourcing/procurement planning in MoA   | 3.14        | 1.034          |
| <b>Cumulative mean</b>  | <b>3.31</b> |                |

*Source: Survey result 2019*

As it can be seen from the above table, table 7, the mean for sourcing/procurement planning and its habit in MoA has ranges from 2.91 to 3.75 out of 5. The cumulative average of the respondents is 3.31 and it is near to 'neutral' which values 3. It indicates that the procurement team has not a power/capacity to reject the user department's request when it is requested without plan (mean value 2.91). In addition, as mean value (2.96) indicates, there is a delay procuring resources according to the planed lead time. On the other hand, the procurement planning habit (mean value 3.75) and procurement specialists' involvement in the planning process (mean value 3.67) were found in a good condition.

Generally, the sourcing/procurement planning and its habit of MoA is not as strong as it is required: thus, it needs improvement. In addition, sourcing goals are not well understood throughout the entire organization (individual mean value 3.17), management team does not follow the planned procurement activities (individual mean 3.22), and procurement team has not a power/capacity to reject the user department's request when it is without plan (mean

value 2.91). According to the respondents' information, there is not adequate qualified technical experts who have the ability to optimize the sourcing planning system as required (mean value 3.28) and the Procurement Endorsing Committee does not approve according to the planned activities in MoA (3.27). Resources are not procured according to planned lead time and items are not planned in a packages based on their behavior. Finally, the overall sourcing/procurement planning practice of MoA is not as good as the required level.

In line with this, the additional two alternative questions (yes, no), open ended and interview questions result were also included to crosses check the above findings of the likert scale results.

**Table 8 Frequency distribution based on additional questions for procurement planning**

| No  | Sourcing/procurement planning and its habit in MoA  |    |         |       |    |
|-----|---|----|---------|-------|----|
|     | Frequency   |    |         |       |    |
|     | Yes   | No | Missing | Total |    |
| 1.A | Do you think strategic sourcing is functionally fit with the company's strategy, plans, requirements and processes? | 54 | 25      | 2     | 81 |

*Source: Survey result 2019*

From the table 8 above, it is observed that the respondents do not feel comfort about the strategic sourcing practice of the ministry in terms of planning. Even though, there is a good understanding about sourcing/procurement planning practice in the ministry (54 respondents respond positive) there is still weakness in using sourcing planning properly according to the reflection of open ended questions. Procurement plan has not prepared timely during the beginning of the budget year and its implementation practice is not as planned lead time, quality and cost.

In addition, interviews made with procurement director, project coordinators, and case team leaders and with selected specialists who are directly responsible in procurement process. During the interview most of the respondents felt that appropriate proactive planning and setting target should adopted in order to sustain the implementation of strategic sourcing, and they observed lack of improvement concerning sourcing implementation process after commencement of procurement planning in procurement department. They also

recommended that to boost strategic sourcing implementation process, measurement data sources should be clearly stated, performance progress should be monitored periodically before formal evaluation, the top management approval of tender evaluation and signing of contract should be further reviewed to reduce delay.

According to the procurement director response, user departments do not have adequate knowledge about procurement planning system and the evaluations processes of their tender. Even though MoA doesn't procure any item without procurement plan, top management always forces the procurement department to include procurable items at any time when they are needed. This makes the performance of the sourcing department become very low and delivery time and quality become low due to rash procurement.

The responses from department heads to the question related to procurement plan and need identification and specification preparation indicated how problems occur. As they said the problem arises from failure of forecasting or planning. The respondents further explained that responsible bodies do not identify the procurement needs based on the annual physical plan and its further association with the performance problem. They also put their worries about the technical team: as the respondents' assumption the technical team do not have adequate knowledge and experience to prepare specification in accordance with the requirements. As most of the respondents said one of the major problems in the area is planning is not done in advance before procurement request is raised. Besides, they argued that most of purchasing requests are not described in terms of specification and this has created a problem in obtaining the required goods and materials.

#### **4.3.2 Supplier Management Practice of the Ministry**

Concerning Ministry of Agriculture supplier management practice in terms of long term relationship in some critical sourcing activities and the ministry's provision to its suppliers to improve the supplier relationship and the practice of accepting the feedback, the results found from the respondents were analyzed and presented as follows.

**Table 9 Extent of supplier management practice of the ministry (N = 81)**

| Supplier management practice   | Mean        | Std. Deviation |
|--|-------------|----------------|
| MoA believes that managing supplier relationships is one of the most important components of the strategic sourcing process. | 3.10        | .982           |
| Sufficient information is available in MoA about potential suppliers.  | 3.10        | .831           |
| Suppliers are categorized into groups based on their performance for strategic long-term partnerships.                       | 2.86        | .862           |
| MoA established monitoring guideline for supplier's performance measurement after the closure of each contract.              | 2.67        | 1.061          |
| MoA gives an opportunity for suppliers to give feedback about existing sourcing process.                                     | 2.95        | 1.048          |
| MoA makes improvements according to supplier's feedback  | 2.73        | 1.000          |
| MoA mostly evaluate bids to communicate suppliers timely before bid validity date.   | 3.12        | .967           |
| MoA has a directive/manual for compliant management process  | 2.99        | 1.230          |
| There is a supplier list in the ministry for the different sourcing activities.  | 3.11        | .837           |
| MoA gives equal opportunity for all suppliers  | 3.46        | .949           |
| <b>Cumulative mean</b>   | <b>3.01</b> |                |

*Source: Survey result 2019*

As it is seen from table 9, the cumulative mean value for all variables under supplier management practice, is 3.01 out of the possible high score of 5, and which shows that, it is 'neutral, based on the standards given to respondents. The group mean score (3.01) demonstrates that, suppliers management practice has been poorly managed and probably one of the most ignored parts of strategic sourcing effort. Building strategic relationship with a limited number of key suppliers is the right thing to do. But, the sourcing attempt goes through a very detailed and difficult process of vendor selection, but the importance of this step is to gain the significant savings from continuous development and innovation that was established earlier in the process.

The practice of MoA that managing supplier relationship is one of the most important components of the strategic sourcing process and availability of sufficient information in MoA about potential suppliers is 3.1 mean values each which is neutral as per the given standard. The response for question 'suppliers are categorized into groups based on their performance for strategic long-term partnerships' is 2.86 mean value which is disagreeing for the ministry. The establishment of monitoring guideline for supplier's performance

measurement after the closure of contracts mean value is 2.67 which very low. Suppliers does not given opportunity to give feedback about existing sourcing practice (mean value 2.95) and the ministry does not made corrections based on suppliers feedback (mean value 2.73). This shows that the ministry does not believe on the suppliers' contribution on improvement of ministry effective sourcing practice. There is low compliant management practice and the establishment of its guideline is not satisfactory (mean value 2.99). Supplier list should be one of the tools for the procurement team in any organization. But in the case of MoA, it is not comprehensive and its supporting capacity is not agreed by respondents (mean value 3.11).

Subsequently, participants were asked whether an existing database supports to categorize and classify suppliers/partners by commodity type or not. The response of most participants were negative, and they further described that MoA should develop practicable policy and procedure to acquire suppliers/partners, but, supplier management is not satisfactory and some critical activities like supplier performance review, suppliers satisfaction survey, suppliers list recording program and supplier monitoring guideline are not implemented yet. Most of the respondents are put their opinion as MoA has never taken suppliers' input to change company practice or processes. Some respondents also noted that MoA doesn't have a good suppliers' database profile. The other question passed to respondents was whether there is guideline for the development and implementation of maintaining long term partnership with suppliers or not. Most of them replied that a guideline/process to evaluate, select and recognize suppliers for long-term partnership is not developed yet, so that it is not implemented. According to Smeltzer *et al*, (1999) strategic sourcing is an integrated business process comprised of strategic sourcing planning and management of suppliers. He added that, by properly managing the suppliers, long term relationship, loyalty and trust can be developed, ultimately, the suppliers would provide high quality items, products or services.

The researcher also attempted to support the above findings by referring company's related documents. Accordingly, the ministry describes in its 2017/18 annual report, "long term relationship with suppliers and quality product delivery for some critical items is mandatory". However, all the potential suppliers, regardless of types of goods and services

have been selected through open tendering process, which leads to long tendering time, most of the time this leads to engaging with new and unreliable suppliers. According to Favre & Brooks (2002), on-going assessment on the performance of suppliers will make firms able to appropriately manage their future relationship with the suppliers, follow-up compliance with the contracts; recognize and fix problems with products or delivery, and collect the necessary information that will be required when a contract approaches for renewal. As mentioned earlier, despite the importance of supplier management in entire supply chain process for the delivery of quality products and for delivering goods and services in required lead time, Ministry of Agriculture has a weak supplier management practice.

As per the additional two alternative (yes, no) questions, interview and open ended questions delivered from the procurement director, case team leaders and project coordinators, there is no any guideline to manage suppliers and to follow how contracts will be properly managed. Because of this, workers always face many challenges like new supplier relationship, delay in delivery of inputs, and poor quality delivery. They explain the intense problem that, it was made many contract amendments processes and the final cost of the contract becomes high. The organization is forced to pay high variation. Top management does not support for the supplier long term development.

**Table 10 Frequency distribution of additional questions for supplier management**

| Supplier management practice of the ministry |   |     |    |         |       |
|--|---|-----|----|---------|-------|
| No   | Description   | Yes | No | Missing | Total |
| 2A   | Do you think that the existing sourcing system helps in categorizing supplier based on their performance? | 32  | 46 | 3       | 81    |
| 2B   | Is there a guideline for the long – term partnership with successful suppliers?                           | 25  | 50 | 6       | 81    |

*Source: Survey result 2019*

As table 10 above, the positive (yes) response of the question ‘Do you think that the existing sourcing system helps in categorizing supplier based on their performance?’ is 32 and for question ‘Is there a guideline for the long term partnership with successful suppliers?’ is 25 from the total respondents. This indicates that supplier management practice of the ministry is poor. As discussed in the above sections the supplier management practice of the ministry

needs improvement. Therefore, the existing sourcing system does not help in categorizing supplier based on their performance to continue with the good performed supplier.

#### 4.3.3 Procurement cooperation among internal stakeholders/user departments in implementing sourcing process

This section of the study discusses about the interdepartmental integration practice with procurement department in Ministry of Agriculture in terms of awareness creation for the user departments, user departments follow up and involvement in procurements activities before and after contracts, preparation of effective and valuable specifications by user department, sourcing departments gather feedback from user departments and using it for effective implementation of procurement and the level satisfaction of user departments on the overall procurement activities of the ministry. Depending on the findings from the respondents, the following analysis has been made.

**Table 11 Procurement cooperation among internal stakeholders/user departments (N = 81)**

| Internal stakeholders/ user departments integration   | Mean        | Std. Deviation |
|---|-------------|----------------|
| MoA provides awareness creation sessions to all stakeholders on sourcing processes including strategic sourcing methodology | 2.81        | .853           |
| User departments follow procurement processes after issuance of their request.  | 3.40        | .683           |
| User departments support the sourcing/procurement department by bid proposal evaluation and quality assurance               | 3.38        | .930           |
| User departments are eager to assure quality procured goods or services   | 3.40        | .918           |
| Requesters from user departments send request with comprehensive specification to Sourcing Department.                      | 3.33        | .949           |
| Sourcing Department gather feedback from user departments on the existing sourcing process                                  | 2.94        | .927           |
| User departments are satisfied on sourcing activities.  | 2.95        | .879           |
| <b>Cumulative mean</b>  | <b>3.17</b> |                |

*Source: Survey result 2019*

Table 11 shows that, the group mean value of the cooperation among user departments and procurement departments in relation to implementation of strategic sourcing process is (3.17), which tends to be somewhat needs improvement. The less score (2.81) of the item “Awareness creation secession to all stakeholders on sourcing documents including strategic sourcing processes”, shows that all stakeholders have not been trained sufficiently and have

no common idea about strategic sourcing process. With respect to awareness creation and providing adequate training, sourcing directive of Public Procurement Agency under Part II “Duties and Responsibilities of heads of Public bodies” clearly stated that stakeholders shall be given orientation of the sourcing policy and procedure manual by sourcing unit before undergoing any sourcing activity. It also stated that ‘Individuals and units of sourcing departments shall strictly follow the Sourcing Policy and Procedure in performing their duty’.

The researcher observed that sourcing units were not provided with awareness creation and adequate training. The training is not given to those who have direct involvement in sourcing activities. Without clear understanding of the sourcing policy, procedure and strategic sourcing process, it is difficult to expect more from end users and user departments. The above table reveals that the mean value (3.40) of “User departments follow procurement processes after issuance of their request”, tells us that user departments doesn’t strictly follow their requests after issuance of their request. In the above table the mean value (3.33) of “user departments send request with comprehensive specification to Sourcing Department” tells us that user department lacks product knowledge or they are careless for their request. Lysons and Gillingham, (2003), confirmed that, procurement personnel as well as users should be knowledgeable about specifications so as to be able to secure value for money for their employers and play their role of intermediaries between the user and the suppliers.

Incomplete specification might result on long tendering process and misleads suppliers and creates difficulties to prepare their proposals. In addition to that, procurement team also cannot establish fact based criteria which enable them to evaluate the proposals properly. Providing training and awareness creation on sourcing documents to all concerned body is pre requisite to involve in sourcing activities; without this, it may be difficult to achieve the intended objectives of the sourcing. According to Carr & Pearson, (1999), the procurement can only be interpreted as a strategic function if it has an integrative role in the business unit’s strategic planning process. Unless all user departments understand the company’s objective and work together to the same goal, it is challenging to realize it.

In order to identify the problem and take corrective actions, sourcing department has to

gather feedbacks from its internal and external stakeholders and has to use it to fill its gap when appropriate. However, as the above table shows that an individual mean value of (2.94) the involvement action of sourcing department in gathering feedback from user departments on the existing sourcing process is very weak. This indicates that the engagement of sourcing department in gathering feedbacks from all internal and external stakeholders about its processes and activities needs serious improvement if the company have the intention to improve its performance on the area.

Sound strategic sourcing process is the development of internal relationships that lead to understanding among the various divisions or departments within the organization. According to Zenz (1994), 'no other function involves more contact with and reliance upon other departments than strategic sourcing processes. He further noted that, sourcing process decisions and actions influence other units such as marketing, accounting, inspection, engineering, logistics etc. and that to be effective, strategic sourcing process must have the respect and cooperation of all the above mentioned divisions and units or departments and be able to interact in all management decisions about materials cost and controls. Some of them stated that, though it is not satisfactory, the attitude of users has been changing somewhat and annual plan preparation has shown progress, but still a lot has to be done. The sourcing processes require unity with all stakeholders and work collaboratively and then accomplish goals that they could not otherwise have achieved. Sourcing Department should and must play a central role in this regard.

Because of that user departments are not satisfied on overall sourcing activities. On the other hand, the main objective of the sourcing department should be to satisfy its customers/user departments to attain the overall company goal. However, as it is indicated in the above table mean value (2.95) of, "user departments are satisfied on sourcing activities", shows user departments are not satisfied in the procured sources delivery time or quality of materials. The main objective of the sourcing department should be to satisfy its customers/user departments to attain the overall company goal. Therefore, it needs integration between sourcing department and user departments in overall process of sourcing activities in the ministry.

As far as the area concerned, additional two option (yes,/ no) answer and open ended questions were provided to the respondents

**Table 12 Frequency distribution on additional questions for interdepartmental integration**

| Procurement cooperation among internal stakeholders/User departments in implementing sourcing process |  |     |    |         |       |
|---|--|-----|----|---------|-------|
| No  |  | Yes | No | Missing | Total |
| 3A  | Do you believe that user departments aggregate end users' needs?                       | 40  | 37 | 4       | 81    |
| 3B  | Do you think that top level management mostly acknowledges the user department's need? | 34  | 41 | 6       | 81    |

*Source: Survey Result 2019*

As the table depicts, the interdepartmental integration with the procurement directorate is likely poor. 40 of the respondents said that user department's aggregate procurement request by incorporating end users' needs; the other 37 of the respondents didn't agree with this idea. Concerning top level management acknowledgement the user department's need, 34 of the respondents confirmed that the top level management acknowledgement. On the other hand, 41 said 'no'; it means these respondents do not confirm the acknowledgement users department needs. This shows that, the integration between user departments, top level management and procurement directorate needs improvement.

Based on the interview with procurement director, the user departments are not collaborative in preparing procurement planning, specification/ToR preparation, bid evaluation and quality assurance of procured items. According to the director explanation, this should improve and without integration the required goal will not attained. On the other hand, project coordinators blame the procurement unit in delay of delivery of materials, low quality delivery and rejection of additional requests without plan. This makes low performance of project deliverables due to slow procurement. Generally, this shows that there is low integration between user departments and procurement unit.

#### **4.3.4 Contract Management Practice of MoA**

The respondents were asked to describe Ministry of Agriculture contract management practice in terms of assigning contract management team for each contract, awareness creation about contract management, the sourcing unit experience of contract management, approval of contracts by top management, the support of legal department in approving managing of contracts, supplier relationship with the ministry during contracts, contract performance assessment and contract amendment systems. Contract management is one of the key

elements of strategic sourcing practice in the ministry. Depending on the findings from the respondents, the following analysis has been conducted.

**Table 13 Contract management practice of MoA (N = 81)**

| Contract Management Practice  | Mean        | Std. Deviation |
|---|-------------|----------------|
| Sourcing department assigns contract management team for the ministry.                | 2.77        | 1.217          |
| The ministry has made awareness creation about contract management for its staff.     | 2.78        | .822           |
| <b>Sourcing units has adequate experience on contract management.</b>                 | 3.06        | .885           |
| There is a fast contract approval system in the ministry by top level management.     | 2.69        | .970           |
| Legal department give support the sourcing department on contract management process. | 2.38        | 1.220          |
| Suppliers have adequate time to deliver after contract.                               | 3.09        | .990           |
| Payments are effected as per the contract timely.                                     | 3.00        | .851           |
| There is Contract Management Manual for the ministry.                                 | 2.49        | 1.256          |
| There is a contract performance assessment procedure.                                 | 2.72        | .925           |
| There is adequate contract amendment/variation management system in the ministry.     | 2.96        | .872           |
| <b>Cumulative mean</b>  | <b>2.79</b> |                |

*Source: Survey result 2019*

As it is seen from the table 13, the cumulative mean value of all variables under contract management practice of MoA is 2.79, which show Ministry of Agriculture is very low contract management practice. According to Matiwas (2013), once contracts are in place, vendor performance against these contracts must be measured and managed. Because companies are narrowing down their base of suppliers, the performance of each supplier that is chosen becomes more important. A particular supplier may be the only source of whole category of products that a company needs and if it is not meeting its contractual obligations, the activities that depend on those products will suffer.

A sound contract management practice revolves around experience of contract management team, proper placement of articles in the contract which should be supported by legal department of the company, proper contract amendment system and proper cost and quality control system. Cost control means proper completion of contracts with in agreed contract schedule, cost and quality. It should be controlled and the contract should in conformance with technical requirements and specifications.

In the above table, respondents replied that Ministry of Agriculture contract management practice is poor and needs improvement. It has low support from legal department during

contract development and approval as the mean value (2.38) indicated. In addition, the mean value (2.77) of assigning contract management team for the ministry depicted that there is a weak practice in the area which needs more work and commitment. As the individual mean value (2.69) shows in the ministry there is poor contract approval system by the top management.

The open ended question and interview responses supported the above mentioned weakness of the ministry. The respondents said that there is no team assigned for contract management separately and every contract is managed individually, no guideline for contract management process and the contract performance assessment procedure is very weak.

**Table 14 Frequency distribution for additional questions on contract management**

| No | Contract management practice of MoA   | Yes | No | Missing | Total |
|----|---|-----|----|---------|-------|
| 4A | Do you think that contract management practices are fully accepted by all internal stakeholders as part of their everyday work? | 26  | 51 | 4       | 81    |

*Source: Survey result 2019*

According to the above table 14, the contract management practice of the ministry is poor. Only 26 of the respondents agree on ‘the contract management practices are fully accepted by all internal stakeholders as part of their everyday work.’ This shows that, the ministry contract management practice needs improvement.

Based on the open ended and interview questions, the respondents reply that the contract management practice of the ministry is not supported by the legal department and top management. There is no any separate contract management team in the ministry and the capacity of managing different contracts by procurement specialists is low. Specially managing consultancy service contracts need skillful specialists that trained in the subject area.

Accordingly, the ministry pays additional costs , up to 50% of the original contract, due to delay of contracts in the form of variation. Contract amendment is the usual activity in the ministry. The required materials did not deliver timely and in accordance with required quality and the planned activities become delayed or canceled at all.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This study aims to examine the level of strategic sourcing practice in the case of Ministry of Agriculture. To accomplish the objectives of the research, the research applied descriptive approach and both quantitative and qualitative data were collected through structured questionnaire and open ended question. To triangulate the findings, interview was conducted with directors and case team leaders. Thus, this chapter deals with the summary of major findings, conclusions and recommendations of the assessment of strategic sourcing practice of Ministry of Agriculture

#### 5.1 Summary of Major Findings

Based on the questionnaire, open ended questions and interview, the following major findings are retrieved from the data presented in this section.

##### 5.1.1 Sourcing/procurement planning and its habit in MoA

- ❖ The individual mean value for ‘there is an annual sourcing/procurement plan in the ministry’ is **3.75** which seem agreeing that the ministry has annual procurement plan. But, the individual mean for ‘resources are procured according to planed lead time’ is **2.96** which were below the neutral value. It shows even though there is a procurement plan, its practicality is under question.
- ❖ As the finding indicated, the capacity/power of Procurement team to reject the user department’s request when it is without plan’ is very low as the response mean vale (2.91) which is below the neutral value.
- ❖ As the result in chapter four indicates, sourcing goals are not well understood throughout the entire organization which have individual mean of **3.17** that approaches to neutral in the alternatives. One of the factor of this is that management team does not strictly follow up the planned activities instead of forcing the procurement directorate to do without plan (individual mean **3.22**).
- ❖ In general, the habit of sourcing/procurement planning in MoA is not that much strong (mean **3.14**) and the overall cumulative mean is **3.3**, which is below agreed value provided to respondents from 5 alternatives.

### **5.1.2 Supplier management practice of the ministry**

- ❖ ‘MoA believes that managing supplier relationships is one of the most important components of the strategic sourcing process, and ‘sufficient information is available in MoA about potential suppliers’; however **3.10** mean value shows that attention has not given for supplier development.
- ❖ The individual mean **2.86** indicates that categorizing suppliers into groups based on their performance for strategic long-term partnerships is below expected, and for ‘MoA established monitoring guideline for supplier’s performance measurement after the closure of each contract’ has also weak practice as the mean value **2.67** indicates which means it is given very low consideration of supplier management practice.
- ❖ MoA gave less opportunity for suppliers to give feedback (individual mean **2.95**) and it doesn’t adjust itself to making improvement based on feedback. The result indicates this situation (individual mean **2.73**); the main cause for this is likely managing supplier without guideline (mean value **2.99**).
- ❖ The cumulative mean for supplier management in MoA is 3.01 which is neutral value and not strong and indicates that the ministry has more activities to do to cop up with the situation.
- ❖ Based on the interview made with procurement director, suppliers are not managed properly and the ministry face challenges with new suppliers for each contracts and this demands high costs, delay of delivery and low quality delivery.

### **5.1.3 Procurement cooperation among internal stakeholders/user departments in implementing sourcing process**

- ❖ The individual mean for ‘MoA provides awareness creation sessions to all stakeholders on sourcing processes including strategic sourcing methodology’ is **2.81** that shows low understanding about sourcing processes.
- ❖ User departments follow up of procurement processes after issuance of their request is **3.4** mean values and user departments support the sourcing/procurement department by bid proposal evaluation and quality assurance mean value is **3.38**. This shows the integration between sourcing units and user departments is not strong.
- ❖ Requesters from user departments send request with comprehensive specification to Sourcing Department has **3.33** mean values and the level of gathering feedback from user departments on the existing sourcing process has **2.94** mean values. It is a weak

integration between the user department and sourcing units.

- ❖ The satisfaction level of user departments on the sourcing system is **2.95** which is below the neutral value of respondents. The cumulative value of interdepartmental integration is 3.17 which are below 'agree' value.
- ❖ Based on the open ended and interview questions, the integration between user departments and sourcing units is not strong.

#### **5.1.4 Contract management practice of MoA**

- ❖ As the mean value (**2.77**) tells us assigning contract management team in sourcing department for the ministry' is below expected, and it shows contracts are managed by individual procurement specialists. In addition to that the legal department support for contract management has (**2.38** mean values) is practically very low.
- ❖ In addition to this, there is no fast contract approval system in the ministry by top level management as the result reveals (**2.69**). In other words, top management does not give emphasis for the procurement unit. Absence of contract management manual for the ministry (mean value **2.49**) is the other problem to implement effective contract management process.
- ❖ The contract performance assessment practice, contract amendment procedure and its management are not satisfactory (mean value of **2.72** and **2.96** respectively).
- ❖ The cumulative mean of the ministry contract management practice is 2.79; this indicates that it is likely to say the ministry is inefficient for effective implementation of its objectives.

## **5.2 Conclusions**

The composite mean scores of the scales of the variables, namely sourcing/procurement planning habit of MoA, inter departmental integration, supplier management, and contract management revealed that the respondents perceive that Ministry of Agriculture exerted relatively low efforts towards the improvement of these variables. Based on this the following conclusion has drawn.

- ❖ According to the respondents, based on questionnaire and interview, the implementation process of strategic sourcing by the Ministry of Agriculture is not that much strong and need improvement.
- ❖ The sourcing/procurement habit of the ministry is not strong. It is

participatory with the procurement specialists to be implemented by them. But, user departments and top level management are not forecast in advance to plan all the required procurements instead of requesting now and then.

- ❖ The interdepartmental integration between the user departments and procurement directorate is weak. There is no strong communication and relay each another. The user departments complain for the delay and low quality delivery, while the procurement departments blame user departments for their specification and unplanned request.
- ❖ Supplier development/management in the ministry is very weak. Top level management does not allow a procurement specialists direct communication with suppliers, no updated supplier list, no means of accepting supplier feedback and improvement based on the feedback. Generally the focus on suppliers as a major partner is weak.
- ❖ The contract management practice of the ministry is not that much as required. The ministry procure huge amount of resources and it needs a strong contract management process, but it is not. Contracts are frequently revised and it makes delay delivery of inputs. On the other hand, when contracts are not managed properly the cost of items becomes high. There is not contract management team in the ministry to handle contracts. The legal department does not give support for the contract development and dispute resolution process.
- ❖ Top level management does not give emphasis for the procurement system and contract administration procedures. They simply blame the delivery time, quality and cost. They do not know the overall efficiency of the company is based on the effective sourcing process.
- ❖ Endorsing committee is assigned by the minister from top level management to endorse different procurement activities. But, they have not had adequate knowledge about procurement procedures. Because of this delay of approving of procurement is a habit in the ministry.
- ❖ All concerned stockholders about sourcing are not trained about strategic sourcing process, sourcing directives and procedures. Because of this the effectiveness of sourcing activities becomes low.

### 5.3 Recommendations

Based on the major findings and conclusions of the study the following recommendations were forwarded:

- ❖ Sourcing/Procurement plan is important because it lists all requirements expected to be procured over a period of time and, it enhances the transparency and predictability of the procurement process. The procuring entity must plan, manage and fully document the process to acquire goods, works and services, and submit the plan to concerned party.
- ❖ Ministry of Agriculture is required to review its existing contract management practices and make the necessary modifications in order to benefit from the performance improvements in terms of improved quality, swift delivery time, reduced cost of goods, and volume & mix flexibility of goods and satisfaction of internal customers.
- ❖ Ministry of Agriculture Procurement Directorate should ensure that they should manage suppliers properly, who supply strategic items, in order to insure that they are assured of delivery of goods and services and commitment by suppliers. The study further recommends that procurement should take advantage of long term relationship especially with those suppliers who supply critical items (like fertilizer, improved seed, agricultural machineries) in order to advantage of delivery time, quality and cost.
- ❖ The level of sourcing practices at the disposal of MoA is rated as low. This implies that MoA need to work on its sourcing practices in order to implement it strategically. Moreover, strengthening of its long-term oriented relationship with key suppliers would also be suggested along with creating the platform to work with few strong suppliers by promoting a closer partnership oriented approaches.
- ❖ MoA shall give special emphasis in improving communication and information sharing with their key supplier, on the one hand, and promoting long-term orientation by engaging in long-term contractual agreements with key suppliers, collaborating with key suppliers to improve their quality in the long-run and instilling confidence in suppliers by investing in relationship specific assets, on the other.

- ❖ Moreover, given the fact that the different dimensions of strategic sourcing practice have a varying strength of relationship with the individual measures of operational performance (for instance, supplier development has relatively strong relationship with quality, long-term- relationship with minimum cost of materials, information sharing and effective procurement planning with on-time delivery), particular emphasis shall be given to the improvement of the dimension/s that would have the strongest relationship with the performance measure of special interest by MoA.
- ❖ Ministry of Agriculture should ensure that a strong and reliable contract management system to implement its strategic sourcing process efficiency. Without proper contract management process its objective does not attained.
- ❖ Sourcing policy and procedure lack clarity and conflicts each other which hinders proper implementation of the strategic sourcing processes. There should be a clear guideline for the sourcing process and how to manage contract to finalize each contract with in the initial agreement without any amendment.
- ❖ Sourcing and user team has not been armed with well-organized trainings, benchmarking, and experience sharing, on the job trainings and by obtaining different skills such as related to the area which helps the team to build its capacity and develop confidence. Based on this, top level management should give emphasis for capacitating for the effective implementation of sourcing process.
- ❖ User department and requester units do not give emphasis for sourcing functions; lack forecasting skill, have no adequate knowledge to establish complete specification, and to consolidated and categorized annual need of goods, services and works. This demonstrates that, at company level, forecasting and planning lack focus, in today's ever changing environment, MoA needs to be proactive rather than reactive.
- ❖ Considering the need for evaluating strategic sourcing practice, Ministry of Agriculture top level management should increase the level of their involvement on giving emphasis for the strategic role of sourcing functions and acknowledging the importance of sourcing/procurement relative to other functions in the ministry by involving skilled procurement professionals and by assigning dedicated endorsing committee.
- ❖ Based on the overall findings of the study, the implementation of the strategic sourcing process in MoA is generally poor. The lack of initiation to properly implement the

strategy has put limitation in terms of achieving its objectives by increasing its cost and delivery time and minimizing its overall implementing efficiency.

#### **5.4 Limitation and Suggestions for Future Studies**

Like many research works, this particular study is also subjected to some limitations. First and for most, this study does not comprehensively capture all aspects of sourcing processes as applicable to strategic sourcing practice, rather it made emphasis in revealing the associations and impact relationships that four strategic sourcing dimensions of MoA. In order to benefit from a comprehensive assessment of the factors that truly assess the strategic sourcing practice of the organization, future studies shall consider with more dimensions of strategic sourcing practice (logistic integration, supplier selection, contract negotiation and administration, outsourcing procedure) that haven't been considered in this particular study as all domains cannot be covered in just one study.

Therefore, future researches can expand the domain of strategic sourcing practices by considering these additional strategic sourcing dimensions and supply chain parties. Moreover, future researches shall be done with multiple organizations, including regional agricultural sections, and with large number of respondents to enhance the research findings.

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**APPENDIX 1: QUESTIONNAIRE FOR PARTICIPANTS OF THE SURVEY**  
**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

**Questionnaire for MoA Procurement Specialists and User Departments**

**Dear Respondents**

I would like to express my earnest appreciation for your generosity time, honest and prompt responses.

**Objective**

This questionnaire is designed to collect data for assessing the strategic sourcing practice in Ministry of Agriculture. The information that you offer me with this questionnaire will be used as a primary data in my research which I am conducting as a partial requirement of MA degree at Addis Ababa University, School of Commerce. Therefore, this research is to be evaluated in terms of its contribution in understanding the level and culture of implementing strategic sourcing practice at Ministry of Agriculture and its contribution to improvements in the area.

**General Instructions**

- ❖ There is no need to write your name
- ❖ In all cases where answer options are available please tick (√) in the appropriate box
- ❖ For question that demands your opinion, please try to honestly describe as per the questions on the space provided.

If you have any question about the questionnaire, please give me call at 0911193610, I would be happy to answer your query. I am grateful for your participation and would like to extend my sincere gratitude. Your genuine attention to this study will help me to achieve my MA degree and will support me to contribute little to assess the level and habit of strategic sourcing practice in the ministry.

**Confidentiality**

I want to assure you that this research is only for academic purpose authorized by Addis Ababa University. No other person will access the data to be collected. In any sort of report I

might publish, but, I will not include any information that makes it possible to identify any respondent. Thank you for your cooperation!!!

**Section 1: Demographic Information**

1. **Sex:** Male  Female
2. Which of the following age categories/describes you?  
 Below 25  From 25 – 35  From 35 – 45  Above 45
3. Number of years you have worked for Ministry of Agriculture (in years):  
 Below 5  From 5 – 10  From 11 - 15  Above 15
4. Educational Qualification:  
 College diploma  First degree  Master’s degree   
 Other (If any) -----
6. **Employee position:** Director  Case team leader  Specialist/Expert
7. **Your directorate -----responsibility/position in your Directorate -----**

**Section 2: Research questionnaires**

Please indicate to what extent you agree or disagree with each of the following statements by putting a check mark (√) in the appropriate column. The item scales are five points:

**1 = strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= strongly agree**

**1. Sourcing/procurement planning and its habit in MoA:**

| No | Issues  | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 1  | There is a annual sourcing/procurement plan in the ministry.  |   |   |   |   |   |
| 2  | Overall sourcing/procurement activities are delivered based on procurement plan in MoA.                         |   |   |   |   |   |
| 3  | Procurement specialists are involved in sourcing planning.  |   |   |   |   |   |
| 4  | Sourcing goals are well understood throughout the entire organization.  |   |   |   |   |   |
| 5  | Management team follow the planned activities instead of forcing the procurement directorate to do without plan |   |   |   |   |   |

|    |   |  |  |  |  |  |
|----|---|--|--|--|--|--|
| 6  | Procurement team has a power/capacity to reject the user department's request when it is without plan.                      |  |  |  |  |  |
| 7  | MoA has adequate and qualified technical experts who have the ability to optimize the sourcing planning system as required. |  |  |  |  |  |
| 8  | The Procurement Endorsing Committee approves according to the planned activities.   |  |  |  |  |  |
| 9  | Resources are procured according to planed lead time.   |  |  |  |  |  |
| 10 | Items are planned in a packages based on their behavior.  |  |  |  |  |  |
| 11 | Procurement plans are prepared based on allocated budget.   |  |  |  |  |  |
| 12 | There is a good habit of sourcing/procurement planning in MoA.  |  |  |  |  |  |

1. Do you think strategic sourcing is functionally fit with the company's strategy, plans, requirements and processes?

a. Yes. B. No. If your answer for question No.1 is 'No', why

-----  
 -----

2. Is there any challenge facing your company concerning the implementation of procurement planned activities? -----

-----

3. How do you view the overall sourcing/procurement planning habit of MoA?-----

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## 2 Suppliers management practice of the ministry

| No | Issues   | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1  | MoA believes that managing supplier relationships is one of the most important components of the strategic sourcing process. |   |   |   |   |   |
| 2  | Sufficient information is available in MoA about potential suppliers.  |   |   |   |   |   |
| 3  | Suppliers are categorized into groups based on their performance for strategic long-term partnerships.                       |   |   |   |   |   |
| 4  | MoA established monitoring guideline for supplier's performance measurement after the closure of each contract.              |   |   |   |   |   |
| 5  | MoA gives an opportunity for suppliers to give feedback about existing sourcing process.                                     |   |   |   |   |   |
| 6  | MoA makes improvements according to supplier's feedback.   |   |   |   |   |   |
| 7  | MoA mostly evaluate bids to communicate suppliers timely before bid validity date.   |   |   |   |   |   |

|    |   |  |  |  |  |  |
|----|---|--|--|--|--|--|
| 8  | MoA has a directive/manual for compliant management process.                    |  |  |  |  |  |
| 9  | There is a supplier list in the ministry for the different sourcing activities. |  |  |  |  |  |
| 10 | MoA gives equal opportunity for all suppliers.                                  |  |  |  |  |  |

1. Do you think that the existing sourcing system helps in categorizing supplier based on their performance?

a. Yes b. No. If your answer for No. 1 is “No” why?

-----  
 -----

2. Is there a guideline for the long – term partnership with successful suppliers?

a. Yes. b. No.

If your answer for the question number 2 is “No”, would you please explain?

-----  
 -----

3. What is your opinion about supplier management/relationship culture in the ministry?

-----  
 -----

**3 Procurement cooperation among internal stakeholders/User departments in implementing sourcing process**

| No | Issues   | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1  | MoA provides awareness creation sessions to all stakeholders on sourcing processes including strategic sourcing methodology. |   |   |   |   |   |
| 2  | User departments follow procurement processes after issuance of their request.   |   |   |   |   |   |
| 3  | User departments support the sourcing/procurement department by bid proposal evaluation and quality assurance.               |   |   |   |   |   |
| 4  | User departments are eager to assure quality procured goods or services.   |   |   |   |   |   |
| 5  | Requesters from user departments send request with comprehensive specification to Sourcing Department.                       |   |   |   |   |   |
| 6  | Sourcing Department gather feedback from user departments on the existing sourcing process.                                  |   |   |   |   |   |
| 7  | User departments are satisfied on sourcing activities.   |   |   |   |   |   |

1. Do you believe that user departments aggregate end users’ needs?

a. Yes b. No. If your answer for No. 1 is” No”, why?

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 -----  
 2. Do you think that top level management mostly acknowledges the user department's need?

a. Yes    b. No.    If your answer for No. 2 is 'No', why?

-----  
 -----

**4. Contract management practice of MoA**

| No | Issues  | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 1  | Sourcing department assigns contract management team for the ministry.                |   |   |   |   |   |
| 2  | The ministry has made awareness creation about contract management for its staff.     |   |   |   |   |   |
| 3  | Sourcing units has adequate experience on contract management.                        |   |   |   |   |   |
| 4  | There is a fast contract approval system in the ministry by top level management.     |   |   |   |   |   |
| 5  | Legal department give support the sourcing department on contract management process. |   |   |   |   |   |
| 6  | Suppliers have adequate time to deliver after contract.                               |   |   |   |   |   |
| 7  | Payments are effected as per the contract timely.                                     |   |   |   |   |   |
| 8  | There is Contract Management Manual for the ministry.                                 |   |   |   |   |   |
| 9  | There is a contract performance assessment procedure.                                 |   |   |   |   |   |
| 10 | There is adequate contract amendment/variation management system in the ministry.     |   |   |   |   |   |

1. Do you think that contract management practices are fully accepted by all internal stakeholders as part of their everyday work?

a. Yes.    b. No.    If your answer is 'No', would you explain how?

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2. How do you see the overall contract management practice of the company?

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**THANK YOU!**

## **APPENDIX 2: Interview questions**

**Addis Ababa University**

**School of Commerce**

**Department Of Logistics and Supply Chain Management**

**Program: MA Degree in LSCM**

### **Interview Questions for managers and case team leaders**

1. How do you evaluate the overall sourcing/procurement planning process and its implementation performance?
2. Are needs identified in advance with adequate specification?
3. How do you evaluate the supplier development process of the ministry?
4. Is the interdepartmental integration is sufficient for you? How?
5. What is the contract management habit of MoA?
6. Is there any contract performance measurement process in the ministry?
7. Is there any procurement directive in the ministry and have you taken training on it?

### APPENDIX 3: Reliability variance results

#### Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .943             | .944   | 39         |

#### Total Variance Explained

| Component | Initial Eigenvalues |               |              | Extraction Sums of Squared Loadings |               |              |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
|           | Total               | % of Variance | Cumulative % | Total                               | % of Variance | Cumulative % |
| 1         | 12.900              | 33.078        | 33.078       | 12.900                              | 33.078        | 33.078       |
| 2         | 3.814               | 9.780         | 42.858       | 3.814                               | 9.780         | 42.858       |
| 3         | 1.998               | 5.124         | 47.982       | 1.998                               | 5.124         | 47.982       |
| 4         | 1.887               | 4.839         | 52.821       | 1.887                               | 4.839         | 52.821       |
| 5         | 1.685               | 4.321         | 57.142       | 1.685                               | 4.321         | 57.142       |
| 6         | 1.608               | 4.122         | 61.264       | 1.608                               | 4.122         | 61.264       |
| 7         | 1.300               | 3.334         | 64.599       | 1.300                               | 3.334         | 64.599       |
| 8         | 1.129               | 2.894         | 67.492       | 1.129                               | 2.894         | 67.492       |
| 9         | 1.093               | 2.803         | 70.296       | 1.093                               | 2.803         | 70.296       |
| 10        | 1.017               | 2.607         | 72.902       | 1.017                               | 2.607         | 72.902       |
| 11        | .879                | 2.255         | 75.157       |                                     |               |              |
| 12        | .838                | 2.148         | 77.305       |                                     |               |              |
| 13        | .738                | 1.893         | 79.198       |                                     |               |              |
| 14        | .692                | 1.773         | 80.971       |                                     |               |              |
| 15        | .631                | 1.617         | 82.588       |                                     |               |              |
| 16        | .616                | 1.580         | 84.168       |                                     |               |              |
| 17        | .549                | 1.408         | 85.576       |                                     |               |              |
| 18        | .536                | 1.373         | 86.950       |                                     |               |              |
| 19        | .502                | 1.287         | 88.237       |                                     |               |              |
| 20        | .480                | 1.231         | 89.468       |                                     |               |              |
| 21        | .438                | 1.123         | 90.591       |                                     |               |              |
| 22        | .389                | .997          | 91.588       |                                     |               |              |
| 23        | .375                | .961          | 92.549       |                                     |               |              |
| 24        | .347                | .889          | 93.438       |                                     |               |              |
| 25        | .308                | .790          | 94.229       |                                     |               |              |
| 26        | .307                | .787          | 95.016       |                                     |               |              |
| 27        | .287                | .735          | 95.751       |                                     |               |              |
| 28        | .252                | .647          | 96.398       |                                     |               |              |

|    |      |      |         |  |  |
|----|------|------|---------|--|--|
| 29 | .222 | .569 | 96.967  |  |  |
| 30 | .217 | .557 | 97.524  |  |  |
| 31 | .196 | .501 | 98.025  |  |  |
| 32 | .175 | .448 | 98.473  |  |  |
| 33 | .142 | .364 | 98.837  |  |  |
| 34 | .131 | .336 | 99.173  |  |  |
| 35 | .102 | .262 | 99.436  |  |  |
| 36 | .086 | .220 | 99.656  |  |  |
| 37 | .058 | .150 | 99.805  |  |  |
| 38 | .040 | .102 | 99.907  |  |  |
| 39 | .036 | .093 | 100.000 |  |  |

Extraction Method: Principal Component Analysis.