



**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE**

**DEPARTMENT OF LOGISTICS & SUPPLY CHAIN MANAGEMENT**

**Challenges of Strategic Sourcing and Contract Administration:  
The Case of Ethiopian Airlines Group**

**By**

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**A Research thesis submitted to the Graduate School of Addis Ababa University, School of  
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Logistics and Supply Chain Management Program**

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**June, 2019**

**Addis Ababa, Ethiopia**

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## DECLARATION

I hereby declare that the thesis entitled: **challenge of Strategic Sourcing and contract administration– A Case Study of Ethiopian Airlines** which is submitted by me for the partial fulfillment for the award of masters of business in Logistics and Supply chain program at Addis Ababa university, School of commerce is my own original work and has not been submitted earlier either to Addis Ababa university or to any other institution for the fulfillment of the requirement for any course of study.

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## CERTIFICATE

This is to certify that this thesis is prepared by **Limenih Gashaw** - a student of Master of Business Logistics and Supply Chain Program had been working under my supervision and guidance for his project entitled: **Challenge of Strategic Sourcing and Contract Administration – A Case Study on Ethiopian Airlines Group**. He is submitting his genuine and original work in complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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## **ABSTRACT**

*Strategic sourcing and procurement is a critical challenge faced by many firms involved in the latest innovation of supply chain management. Organizations are operating in an environment characterized by countless economic and political disruptions to their sources of supplies and services. In order to survive in this turbulent market place, these organizations must continually monitor their competitive position as well as their internally controllable processes- especially the procurement process. The purpose of this paper is to critically investigate the challenge of Strategic Sourcing and Contract Administration in the case of Ethiopian Airlines Group. Descriptive research design was used in this study. The study found out that Strategic Sourcing and Contract Administration face many challenges which limit from sourcing strategically out of the operational level such as lack of Human Resource and resource, supplier source and selection difficulties, lack of proper planning and forecasting, lack of understanding on total cost of ownership, complicated logistics, volatile economic and political environment, different standards and requirements between countries, supplier development difficulties, cultural and lingual difference, currency fluctuation, and contract management challenges which finally cause project delay, cost saving plan short fall and firefighting working environment. Future research can investigate further strategic sourcing challenges by increasing the size of population in the supply chain management such as including personnel from suppliers' side, logistics management section, buying section, end user and technical support section with additional variables like obtaining the information from more suppliers, optimizing and systemizing the global sourcing process and supplier base, and keeping more long-term win-win strategic relationship with suppliers within the global scope.*

**Keywords:** *Strategic Sourcing challenges, Sourcing Strategically, out of the operational level.*

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## List of Acronym

3PL	Third Party Logistics
AHP	Analytical Hierarchy Process
AOG	Aircraft On Ground
CFO	Chief Financial Officer
CFU	Currency Fluctuation
CLD	Cultural and Language Difference
CML	Complicated Logistics
CMT	Contract Management
DIR	Director
ET	Ethiopian
ETG	Ethiopian Airlines Group
GP	General Purchase
IPO	International Purchasing Office
ISO	International Organizations for Standards
JIT	Just In Time
MC	Maintenance Cost
MD	Managing Director
MOQ	Minimum Order Quantity
MPW	Human Resource and Resource
MRO	Maintenance Repair Overhaul
OBM	Office of Management and Budget
OEM	Original Equipment Manufacturer
P&SCM	Procurement and Supply Chain Management
SDT	Supplier Development
SOP	Standard Operating Procedure
SRM	Supplier Relationship Management
SSP	Strategic Sourcing Performance
SSS	Supplier Source and Selection
TCE	Transaction Cost Economics
TCW	Total Cost of Ownership
US	United States
VEP	Volatile Economic and Political Environment

## **Chapter One**

### **Introduction**

#### **1.1.Back ground of the study**

This chapter starts through providing general background information on strategic sourcing and its challenge in airline industry. Secondly, it goes through discussing the statement of the problem along with brief description of the research gap and the basic research question of the study. Additionally, objective of the study, scope of the study, limitation of the study and significance of the study are also part of this chapter.

The aviation industry implemented strategic sourcing since 1980s that comprises concepts of strategic purchasing, supplier development, information sharing with suppliers and inter-functional integration of purchasing. Strategic sourcing is defined as a critical challenge of designing and managing supply networks in line with the organizations operational and performance objectives (Chiang et al. 2011).

Decisions around strategic sourcing cannot only be based on operational level, such as cost, quality, and delivery. It has to incorporate a strategic level and capabilities evaluation of suppliers, such as highlighting quality management practices, long-term quality output, supplier's strength, process capabilities, management practices, cost reduction at the same time as increasing profit, design and development capabilities (Talluri. S and Narasimhan, 2004; Rendon, 2005; Giunipero et al. 2006). Because of the expanded competition, strategic sourcing need to consider the total cost of ownership, company's growth and profit making and comparing different alternative partners (Faes. W. and Matthyssens. P., 2009).

When conducting a plan for strategic sourcing there are some aspects to consider, such as technology, quality, availability, cost and fulfillment (Van Weele. A.J.V., 2010). Rendon, (2005) sees the strategic sourcing process as a step in the procurement process that incorporate the identification and selection of the supplier whose costs, qualities, technologies, timeliness, dependability, and service best meet the organization's needs. The suppliers should preferably be strategic and can be seen as means to help develop competitive advantage and work beyond a simple purchasing agreement (Handfield et al., 2009). If focus is on selecting strategic supplier, there is an enhanced chance of supplier integration (Koufteros et al., 2012).

For purposes of this paper, Strategic Sourcing defined as “The process of evaluating and determining long-term supply requirements, finding sources to fulfill those needs, selecting the best suppliers to provide the services, negotiating the purchase agreements and managing the suppliers' performance”. Focuses on developing the most effective relationships with the right suppliers, to ensure that the right price is paid and that lifetime product costs are minimized and decisions around strategic sourcing cannot only be based on operational level, such as cost, quality, and delivery. It has to incorporate a strategic level and capabilities evaluation of suppliers, such as highlighting quality management practices, long-term quality output, supplier’s strength, process capabilities, management practices, cost reduction at the same time as increasing profit, design and development capabilities in order to support of an organization’s strategic objectives (Talluri. S and Narasimhan, 2004; Rendon, 2005; Giunipero et al. 2006).

However, strategic sourcing and procurement is a critical challenge area faced by many firms involved in the latest innovation of supply chain management. Organizations operating in an environment characterized by countless economic and political disruptions to their sources of supplies and services (Burt *et al*, 2003).

Therefore, the purpose of this study is to investigate the internal and external challenges of strategic sourcing and contract administration which limits from sourcing strategically and effective contract administration out of the operational level in airline industry in the case of Ethiopian Airlines Group.

## **1.2. Background of the Organization**

Ethiopian Airlines is the flag carrier of Ethiopia. During the past seven decades, Ethiopian has become one of the continent's leading carriers, unrivalled in Africa for efficiency and operational success, turning profits for almost all the years of its existence. Operating at the forefront of technology, the airline has also become one of Ethiopia's major industries and a veritable institution in Africa. It commands a lion's share of the pan African network including the daily and double daily east-west flight across the continent. Ethiopian currently serves more than 116 international and 21 domestic destinations operating more than 105 newest and youngest airplanes.

Ethiopian Airlines spend Multi – Million dollar on the acquisition of different aircraft and non-aircraft related goods and services every year and making it the largest and most complex purchasing organization in Ethiopia.

Over the years, the procurement function of the company has remained passive in regard to the acquisition of high value aircraft and non-aircraft goods and services, an attribute that case long cycle times, unaligned logistics system, poor buyer-supplier relationships and also high costs of purchased goods. This continuing problem forced the company to implement an independent strategic sourcing department. January, 2015 the company formed an independent strategic sourcing department in looking for creative ways to reduce costs, assure and improve the quality of the final product, long term supplier relation, and achieve a faster time to market. Until the establishment of the sourcing department, Ethiopian Airlines procurement activities were taking place under the buying section in a traditional way. The current procurement organizational structure of the company is as follows:

- All corporate functions which are Strategic Sourcing Technical and Non-Technical, General Purchase (GP), Logistics Management and warehouse & Inventory management organized under Director Procurement and supply chain management (P&SCM). Director P&SCM reports to the chief financial officer (CFO).
- Catering purchasing sections established under Catering production departments and business units which are under Ground Service Managing director (MD ET ground service). These sections have dual reporting responsibility. They functionally report to Dir. P&SCM and administratively report to the business unit they are aligned to. Director P&SCM will be responsible to ensure that purchasing transactions are performed according to company policies and procedures and monitor the corporate objectives are met with regard to Training, Coaching will also be managed by the director.
- Tactical Purchasing sections established under each major maintenance departments and business units which are under MRO Managing director (MD ETG MRO). These sections have dual reporting responsibility. They functionally report to Dir. P&SCM and administratively report to the business unit they are aligned to. Director P&SCM will be responsible to ensure that purchasing transactions are performed according to company policies and procedures and monitor the corporate objectives are met with regard to Training, Coaching will also be managed by the director.

### **1.3. Statement of the Problem**

The challenge of demand for quality service and upcoming competitions for most of the firms has realized the need for quality service delivery and efficiency. Sourcing plays a key role in ensuring this and becomes a competitive advantage area in today's business, therefore there is a need for firms to ensure that they don't only source but source strategically and administer their contractual agreement efficiently.

Since the beginning of 1980s, the world airline industry has become to operate more globally. Significant changes in the global business characteristics led high level of competency. Therefore, airline companies are forced to develop their own strategic sourcing and contract management plan to build up variation in lead times to handle the pressure on keeping inventories lean and to be more responsive for operational requirements and meet strategic objectives.

However, strategic sourcing and procurement is a critical challenge area faced by many firms involved in the latest innovation of supply chain management. Organizations operating in an environment characterized by countless economic and political disruptions to their sources of supplies and services (Burt *et al*, 2003).

In Ethiopian Airlines strategic sourcing and contract administration failure to deliver quality products or services on-time to the internal customers of the section causes dissatisfaction on its customers and affects operation of the company and may be the cause for Aircraft on ground at the end. Most of these problems occur due to the challenges that exist through the environment and supply chain management activity of the company.

Strategic sourcing non-technical receives repeated complaint from internal customers on on-time completion of projects, shortfall on monthly cost saving target, on timely contract review and negotiation of existing contract. And also, the company motto "Get the job done by any means" made the work of the section to be firefighting and only for the operational purpose (December, 2018 Monthly report of Strategic sourcing non-technical).

Therefore, the purpose of this study is to investigate the challenges of strategic sourcing and contract administration practice which limits from sourcing strategically and effective contract administration out of the operational level in airline industry in the case of Ethiopian Airlines Group.

## **1.4. Research Questions**

1. What are the major challenges of strategic sourcing and contract administration which restricts from sourcing strategically in the case of Ethiopian Airlines Group?
2. What are the causes of strategic sourcing and contract administration project delay in the case company?
3. What are the causes of strategic sourcing activity being firefighting and only for the operational level in the case company?
4. What are the causes of strategic sourcing cost saving plan shortfall in the case company?

## **1.5. Objective of the study**

### **1.5.1. General objectives**

This study aims to identify the challenges facing strategic sourcing and contract administration activities that limits the firm from ensuring quality and efficient service delivery with low cost of ownership in the case of Ethiopian Airlines Group.

### ***1.5.2. Specific objectives***

1. To Identify the major challenges facing strategic sourcing and contract administration activity in the case of Ethiopian Airlines Group.
2. To identify the causes for strategic sourcing and contract administration projects delay in the case company.
3. To identify the causes that strategic sourcing activity being firefighting and only for the operational level in the case company.
4. To identify the cause that leads to strategic sourcing cost saving plan shortfall in the case company.

## **1.6. Significance of the study**

Since strategic sourcing is an important aspect in today's firms, for organizations to achieve competitive advantage and study was not conducted before on its challenge; Ethiopian Airlines will be benefited from the study to overcome the strategic sourcing and contract administration challenges to incorporate strategic level and capability evaluation such as quality management practices, long-term quality output, supplier's strength, process capabilities, management practices, cost reduction at the same time as increasing profit, design and development capabilities and timely contract review along with negotiation which lead to reduces total cost of ownership in the airline industry.

The study also can be a basis of further studies that will be conducted on strategic sourcing and supply chain management especially for aviation industry with specific importance on strategic sourcing and contract administration in Ethiopian Airlines Group. Lastly, this study can help policy makers to consider the challenges and recommended solutions.

## **1.7.Limitation of the Study**

The main limitation of the study includes:

- ✓ As the researcher aims to investigate the challenges towards the strategic sourcing and contract administration section simply need to use census survey for strategic sourcing section personnel only and ignore the supply chain personnel in the data collection process which was small population size and limit the source of information.
- ✓ Some qualitative data were depending on respondent's individual judgment towards the sourcing activities of ETG which restricts the finding of the research.
- ✓ As the researcher is part of the case study population a bias may be created on analysis and interpretation of the study.
- ✓ Lack of organized resource in the company and negligence of the respondents to fill the questionnaire were some of the limitation while conducting the research.

### **1.8. Scope of the study**

The study is delimited on Ethiopian Airlines and assesses the strategic sourcing and contract administration challenges involved during the undertaking of strategic sourcing and contract administration process.

The research carried out in Ethiopian Airlines headquarter (Bole International Airport), specifically at Procurement and supply chain department (P&CSM) and also limited target area in Strategic Sourcing Non-Technical section in year 2019.

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

Considering the research objectives, the first chapter introduces the research topic, the scope and objective of the study. The second chapter offers comprehensive literature review on strategic sourcing concept and on its implementation challenge and also review literature related to the Airline industry. The third chapter illustrates the design of the research methods and the fourth chapter concentrates on data presentation and analysis. The last chapter presents the conclusion and recommendations on the overall study based on the analysis of data collected.

## Chapter Two

### Review of Literature

#### 2. General Concept of Strategic Sourcing

The concept of strategic sourcing originated in the private sector in the 1980s/1990s. But, many companies don't employ a robust, comprehensive strategic sourcing process that leverages cross-functional teams within their organization. Many definition of strategic sourcing given by different scholars is nearly the same. Sometimes, when professionals define Strategic Sourcing they limit the scope and therefore the impact of a Strategic Sourcing initiative. However, Strategic Sourcing can go well beyond cutting costs. It can have a profound impact on a company's financials and can strongly influence the purchasing and procurement processes. (Rudzki, *et al.*,2005)

There are some misconceptions on strategic sourcing. The below table shows what really strategic sourcing is and is not.

<b>Common Misconceptions and Reality about Strategic Sourcing</b>	
Common Misconceptions about Strategic Sourcing	What Strategic Sourcing Really Is
Strategic Sourcing = Sole Sourcing	Strategic sourcing initiatives often result in multiple awards.
Strategic sourcing means buying the cheapest product, regardless of quality.	Maintaining or enhancing quality is a key component of most strategic sourcing engagements.
Strategic sourcing is about changing suppliers.	A strategic sourcing initiative will sometimes, if not often, result in using the same supplier.
Small, local and/or diverse businesses always lose out when contracts are strategically sourced.	Socio-economic policies will often dictate these suppliers be included in strategic sourcing activities.
Strategic sourcing is a one-size-fits-all approach to procurement.	Strategic sourcing methodology anticipates and provides for unique circumstances and challenges.
Strategic sourcing is about strong-arming suppliers.	Strategic sourcing is about understanding the marketplace, the category and the supplier community in order to obtain best value.
Strategic sourcing is a one-time project.	Strategic sourcing involves continuous improvement over the life cycle of many contract iterations.

Table2.1, Common Misconceptions and Reality about Strategic Sourcing (Robert M. *et al.*, 2009).

## **2.1. Source of Potential suppliers**

Purchasers rely on various sources of information when identifying potential sources of supply. The degree to which a buyer must search for information or the effort put forth toward the search is a function of several variables, including how well existing suppliers can satisfy cost, quality, or other performance variables. The strategic importance or technical complexity of the purchase requirement also influences the intensity of the search. The following sections discuss various resources that may be good sources of information when seeking to identify potential supply sources. (Robert M. *et al.*, 2009).

### **Current Suppliers**

A major source of information is current or existing suppliers. Buyers often look to existing suppliers to satisfy a new purchase requirement. The advantage of this approach is that the purchaser does not have to add and maintain an additional supplier. Also, the buyer can do business with an already familiar supplier, which may limit the time and resources required to evaluate a new supplier's capabilities. On the negative side, using existing suppliers, reduce the advantage of getting new potential supplier with a least minimum total cost of ownership. For this reason, most organizations are continuously seeking new sources of supply and are expanding this search to include suppliers from around the world.

### **Sales Representatives**

All purchasers receive sales and marketing information from sales representatives. These contacts can prove to be a valuable source of information about potential sources. Even if an immediate need does not exist for a supplier's services, the buyer can file the information for future reference.

### **Information Databases**

Some companies maintain databases of suppliers that are capable of supporting an industry or product line. Maintaining a supplier database is particularly important in industries where technology changes rapidly. The database may contain information on current products, the supplier's future technology roadmap, process capability ratios, and past performance. Databases of potential supply sources are also available for purchase from external parties. These can be especially valuable when searching for foreign sources of supply (Dr. Dawei Lu & Ventus, 2011).

## **Experience**

Experienced purchasing personnel usually have strong knowledge about potential suppliers. A buyer may have worked within an industry over many years and may be familiar with the suppliers, perhaps including international suppliers. One argument against rotating buyers too frequently between product lines or types of purchases is that a buyer may lose the expertise built up over the years. Experience and knowledge become valuable because few purchasing organizations have developed an intelligence database about suppliers.

## **Trade Journals**

Most industries have a group or council that publishes a trade journal or magazine that routinely presents articles about different companies. These articles often focus on a company's technical or innovative development of a material, component, product, process, or service. Suppliers also use trade journals to advertise their products or services (Dr. Dawei Lu & Ventus, 2011).

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## **Trade Directories**

Almost all industries publish directories of companies that produce items or provide services within an industry. Such directories can be a valuable source of initial information for a buyer who is not familiar with an industry or its suppliers.

## **Trade Shows**

Trade shows may be an effective way to gain exposure to a large number of suppliers at one time. Buyers attending trade shows can gather information about potential suppliers while also evaluating the latest technological developments. Many contacts are initiated between industrial buyers and sellers at trade shows.

## **Second-Party or Indirect Information**

This source of information includes a wide range of contacts not directly part of the purchaser's organization. A buyer can gather information from other suppliers, such as knowledge about a noncompetition that might be valuable. Other buyers are another second-party information source. Attendees at meetings of the Institute for Supply Management can develop informal networks that provide information about potential supply sources (Dr. Dawei Lu & Ventus, 2011).

## **Internal Sources**

Many larger companies divide the organization into units, each with a separate purchasing operation. Sharing information across units can occur through informal meetings, strategy development sessions, purchasing newsletters, or the development of a comprehensive database containing information about potential supply sources. Internal sources, even those from diverse business units, can provide a great deal of information about potential supply sources.

## **Internet Searches**

Buyers are increasingly using the Internet to help locate potential sources that might qualify for further evaluation. Sellers are increasingly using the Internet as an important part of their direct marketing efforts. After collecting information about potential supply sources, the purchasing manager must begin to sift through and consolidate the information. This can be a huge task, depending on the number of suppliers and the information obtained (Dr. Dawei Lu & Ventus, 2011).

### **2.2.Sourcing Strategy Alternatives**

Once the list of potential and current suppliers is put into a database, it is further refined considering the type of supplier a firm may wish to deal with based on the initial sourcing strategy. Major sourcing alternatives include whether to purchase from manufacturer or distributor; local or national or international source, small or large supplier, and multiple or single supplier for the item, commodity, or service (Robert M. *et al.*, 2009).

### **Manufacturer vs. Distributor**

The choice of buying directly from the manufacturer versus from a distributor is usually based on four criteria, the size of the purchase, the manufacturer's policies regarding direct sales, the storage space available at the purchaser's facility, and the extent of services required. Economically speaking, if all else is equal, the lowest unit price will be available from the OEM. The distributor buys from the OEM and resells, therefore incurring a transaction cost, and it must make a profit.

Despite the exchange cost, recent trends have increased the role of distributors in providing the purchaser a low-cost solution. First, many OEMs can't handle or choose not to handle the large volume of transactions required to sell directly. Second, buyers are requiring more services from

their suppliers and distributors have stepped in to fill this need. Vendor Managed Inventory is a program that distributors market to manage their customer's inventory for them. Several organizations are using integrated supply, where a distributor is awarded a longer-term contract. Integrated suppliers are given access to the purchaser's demand data and are expected to maintain certain levels of inventory and customer service on the contracted items (Dr. Dawei Lu & Ventus, 2011).

### **Local or National or International Suppliers**

International and national suppliers may be able to offer the best price and superior technical service. Alternatively, local suppliers are more responsive to the buying firm's changing needs and can economically make frequent smaller deliveries. The popularity of JIT and quick-replenishment systems favor using more local suppliers. Local suppliers also allow the buying firm to build a degree of community goodwill through enhancing local economic activity. International suppliers provide opportunities to attain dramatic price savings. These savings must be evaluated against the additional inventory, communication, and logistics costs (Dr. Dawei Lu & Ventus, 2011).

### **Large or Small Suppliers**

All suppliers were at one time small suppliers. Growth over time is due to providing superior price, quality, and service compared to their competitors. Many purchasers prefer to focus on "capability to do the job" regardless of size. Size does become a factor when one firm decides to leverage its purchases from one or a few suppliers. This leveraging means that the supplier must have wide variety in its product or service offerings as well as the ability to service multiple geographic locations. Often the buying firm does not want the seller to become dependent on its business.

### **Multiple or Single Sourcing**

Once the number of suppliers is reduced to those qualified, a decision on the optimal number of suppliers in the supply base needs to be made. Certainly there is a trend to reduce the number of suppliers. Although single sourcing provides optimum leverage and power over the supplier, multiple sourcing provides improved assurance of supply.

### **2.3. Supplier evaluation and selection process**

The result of this information gathering is that, depending upon the item under consideration, a purchaser may have many potential sources from which to choose. Unfortunately, the performance capabilities of suppliers vary widely. Limited resources also preclude an in-depth evaluation of all potential supply sources. Purchasers often perform a first cut or preliminary evaluation of potential suppliers to narrow the list before conducting an in-depth formal evaluation. Several criteria may support the narrowing of the supplier list. The purchaser may be used Financial risk analysis, evaluation of supplier performance and evaluation of supplier provided information as preliminary screening of suppliers. (Robert M. *et al.*, 2009).

#### **Determine the Method of Supplier Evaluation and Selection**

Once an initial cut has eliminated suppliers that are not capable, the buyer or commodity team must decide how to evaluate the remaining suppliers, which may appear to be equally qualified. This requires a finer level of evaluation detail than that used in the initial process. There are a number of ways to evaluate and select suppliers from the remaining companies in the pool. These include evaluating supplier provided information, conducting supplier visits, and using preferred supplier lists.

#### **Evaluation from Supplier-Provided Information**

Buyers often receive and evaluate detailed information directly from potential suppliers for the purpose of awarding a purchase contract. This information may come from requests for quotes or requests for proposals. Not too long ago buyers made almost all purchase decisions using this method. In recent years, however, many organizations have adopted a more direct and in-depth approach to evaluating potential suppliers. Increasingly, companies are also requesting that suppliers provide a detailed cost breakdown of their quoted price in the response to a request for quote, including details on labor, materials, overhead, and profit (Dr. Dawei Lu & Ventus, 2011).

#### **Supplier Visits**

A team of cross-functional experts may visit potential suppliers. The next section discusses the criteria often used by cross-functional teams during supplier visits. Although many sources exist to discover information about a potential supplier, visiting the actual facility provides the most complete way to ensure an accurate assessment of the supplier. Site visits are expensive and

require buyer time in travel and information collection. The purchaser needs to be alert and gather all necessary information while being sensitive to the supplier's limitations on restricted information.

<b><i>Key Evaluation Criteria to Be Noted During a Supplier Visit</i></b>	
Management capability	Employee capability
Total quality management	Names and contact information of key decision makers
Technical capability	Personnel relations
Operations and scheduling capability	E-Systems capabilities
Financial strength	Technological sophistication and efficiency of the equipment
ISO certifications	Types of inventory systems
Caliber of the supervision and inspection personnel	Nature of the receiving, storeroom, and shipping areas
Evidence of good management and housekeeping practices	Quality control philosophy
Environmental practices	Employee contract expiration dates

Table 2.2, Key Evaluation Criteria to Be Noted During a Supplier Visit (Robert M. *et al.*, 2009).

### **Use of Preferred Suppliers**

Increasingly, purchasers are rewarding their best suppliers by creating preferred supplier lists, which can simplify the supplier evaluation and selection process. A preferred supplier is one that consistently meets stringent performance criteria. A buyer can refer to the purchasing database to determine if there is a current supplier that can satisfy the purchase requirement. This eliminates the need to perform a time consuming evaluation. Buyers can also use a preferred supplier list as an incentive to improve the performance of existing suppliers. Only the best suppliers should receive placement on a preferred supplier list.

### **Select Supplier and Reach Agreement**

The final step of the evaluation and selection process is to select the supplier(s) and reach a contract agreement. The activities associated with this step can vary widely depending on the purchase item under consideration. For routine items, this may simply require notifying and awarding a basic purchase contract to a supplier. For a major purchase, the process can become

more complex. The buyer and seller may have to conduct detailed negotiations to agree upon the specific details of a purchase agreement.

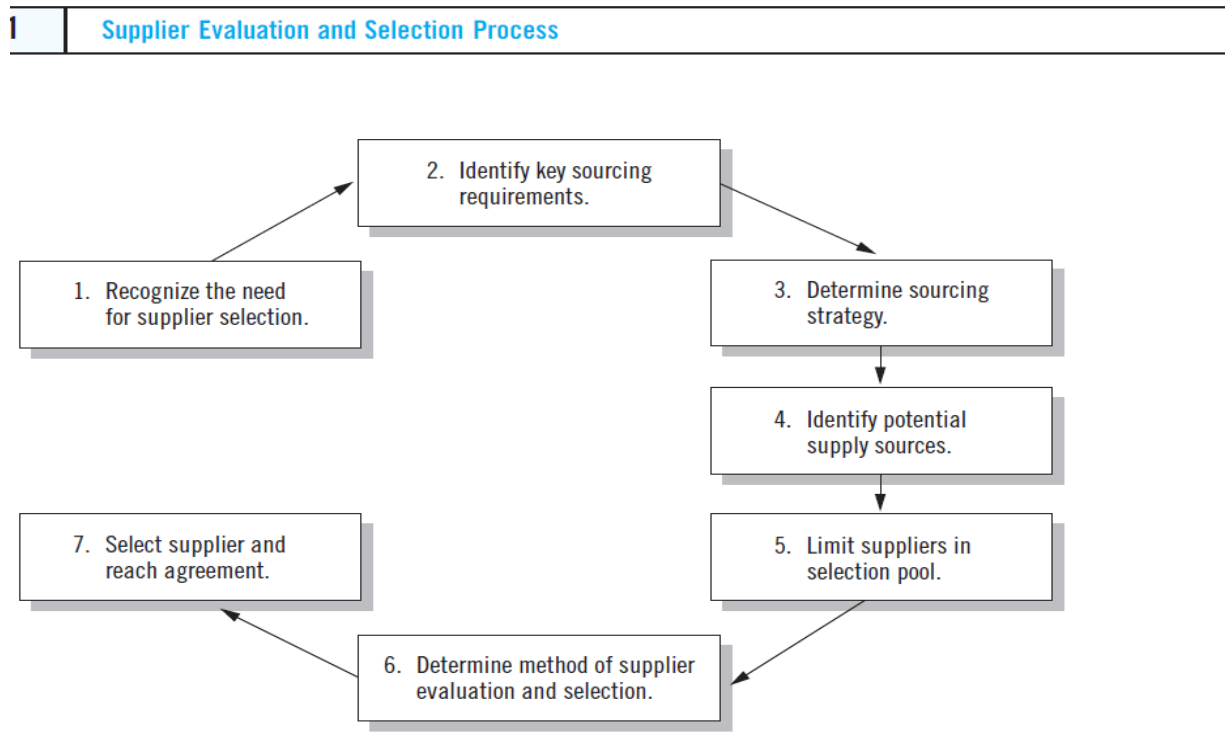


Fig1, summary of supplier evaluation and selection process (Robert M. *et al.*, 2009).

## 2.4. Challenges of Strategic Sourcing

Companies with little or no international experience often face obstacles or barriers when beginning strategic sourcing. These barriers include lack of knowledge and skills concerning strategic sourcing, resistance to change, longer lead times, different business customs, language, and culture; and currency fluctuations (Chunnan Jiang and Yue Tian, 2009).

### 2.4.1. Lack of Skilled Human Resource and Resource

Pertaining to the intricacies of sourcing inhibits a company from considering strategic sourcing. These shortcomings include a basic lack of knowledge about potential sources of supply, or a lack of familiarity with the additional documentation required for international purchasing.

### 2.4.2. Lack of Understanding for Total Cost of Ownership

A supply chain executive can be tempted to take sourcing decisions based on invoice price as it's easy to calculate and less complicated. But when different variables come into play that affects

the total cost of ownership such as freight cost, inventory cost, installation cost, maintenance cost, MOQ's, trade barriers and duties the calculation becomes complex. Since cost is not the only factor to consider, it makes strategic sourcing far more complicated.

#### **2.4.3. Cultural and lingual difference**

Cultural issues in global sourcing are manageable, but it still should be recognized as a concern that must be dealt with (Cook. T, 2006). Perfect global sourcing management requires that mutual respect must be shown to the people, language, and culture of the countries where a company operates. It is meaningful to take the time to learn basic information about the special culture and possibly learn some basic language skills, at least how to say "Hello," "Thank you" and so on. The capability to successfully cooperate on a personal level with foreign businesses will go a long way in developing a win-win working relationship, which is helpful to maximize the possibility for reaching successful global sourcing processes.

However, language barriers always threaten cultural communication and even technology transfer in global sourcing. Although many suppliers from developing countries have technical staff and sales people with English skill, difficulties still arise when they need to interact with Western experts to discuss professional technical issues. Main personnel of suppliers in developing countries do not always have sufficient command of English or of other Western languages to engage in lengthy, detailed exchanges. Using translators is one option, but they often do not have the technical background to address industry specifics. The risk of misunderstanding and communication impasse cannot be underestimated in global sourcing (Accenture, 2007).

#### **2.4.4. Complicated logistics**

In global sourcing, international management of logistics is definitely a necessary and crucial procedure. Logistics in global sourcing refers to plenty of additional problems such as transportation delays, border-crossing procedures and longer inventory management (Boyce, 1999; Bradley, Thomas, Gooley, & Cook. T, 1998). Moreover, lack of holistic logistics knowledge in low-cost developing countries would trouble the procurement executives when implementing global sourcing. Nowadays, logistics management has dramatically improved in the developed countries. On the other hand, less-developed country suppliers are short of experience with the most advanced approaches and are usually unfamiliar with high-standard

requirements, such as sequence deliveries combined with Just-In-Time; electronic data interchange communications and vendor-managed inventory solutions (Cho & Kang, 2001).

In addition, low-grade infrastructure of logistics in developing countries influences the efficiency of global sourcing. We can take an example, if a company plans to purchase products from China, they have to consider the logistics capability in China. To be more specific, they must face the problem of inland transport. The roads in China are not yet as developed by European or American standards. This is because transportation infrastructure did not develop at the same pace as international trading. Besides, some unqualified vehicles and drivers also cause problems of logistics. Although these troubles are being mitigated, they do have an effect on supply chain performance of enterprises sourcing from every point in China.

#### **2.4.5. Volatile economic and political environment**

Local and regional economic environment can be a primary risk factor for global sourcing. Due to the cheap-labor and other factors, developing countries may be experiencing uncertain economic situation (Cook. T, 2006). A pronounced financial crisis happened in 1999 leading to a decline in almost every Asian economy and currency decreased sharply over one weekend. Plenty of banks and companies went bankrupt in Asian countries. Even as late as 2006, although many Asian countries have seen their economies revived, some still have not totally recovered.

Many European and American companies were financially stricken by this horrible occurrence. Many U.S. companies are not willing to invest in an overseas factory in Latin American and Africa because of the uncertainty of local economic environment (Cook. T, 2006). Therefore, many strong enterprises engage experts to inspect local economies where they plan to source. The economic risks are more severe for the medium and small companies; they must find reliable way to cover this risk.

There are also some problems caused by political factors in global sourcing. For instance, events in the Middle East and North African show that local politics can dominate how companies set up commercial relationship with the companies in these countries (Cook. T, 2006). According the study of Thomas A. Cook. T, there are more than 50 countries around the world where the political environment is not conducive to deals with local businesses.

#### **2.4.6. Fluctuation of currency exchange rate**

In global sourcing, the money has to be moved between domestic countries and foreign partners. Stability of currency enables the international trade to be easier while instability makes it more complex and introduces risk. If trade amounts to tens of millions of dollars, a 0.5% deviation of exchange rate could affect the effectiveness of global sourcing strategy and profitability of the whole supply chain. Moreover, 4% deviation could result in a disastrous end (Cook. T, 2006).

For large multinational companies, they usually have specific personnel in the financial departments who are in charge of collecting and managing the information on currency valuations. But for the small companies planning to carry out global sourcing, normally they do not have the specific financial experts, but they still must set up an internal management system or outsource the work in order to predict and hedge against currency fluctuations. But from another side, if the companies can make wise use of the risk from currency fluctuation, sometimes experienced companies can put themselves in a beneficial position by managing currency correctly. Hence, the opposition of risk from currency fluctuation is also present when discussing currency problems.

#### **2.4.7. Different standards and regulations**

Due to the various phases of industrialization in different countries, industrial standards vary among different countries in the world. Therefore, evaluating the situations and clarifying the differences are highly important and necessary before the companies share designs with their suppliers who may use different technical standards. Once again, misunderstanding may filter into the scenario (Accenture, 2007). But actually, it takes an inordinate amount of time for the suppliers to understand complicated explanations of required industrial standards, which may be self-explanatory in the buyer's country. Although many international business organizations are striving to unitize different standards in order to facilitate international cooperation, existing industrial standards which are not synchronized with international standards or expectations still can cause costly troubles and even the failure of global sourcing.

In addition to the different standards, the special regulations promulgated by governments also influence global sourcing directly and indirectly and often make it complicated. The main regulations impacting global sourcing are tariffs and quotas (Sowinski, 1999). Non-tariff restrictions including complicated documentation requirements for border-crossing processes, and many kinds of international trade bills are also difficult challenges which the buyers from

abroad have to face (Cho & Kang, 2001). Governments make use of tariffs and quotas for two purposes: first, to earn revenue; second, to make foreign goods costly in order to protect national products. The latter is becoming more important nowadays (Jeannot & Hennessey, 1995). Several restrictions indicated by international trade bills are examples of protectionism as well. These protectionism regulations are interrupting the improvement of global sourcing processes.

#### **2.4.8. Supplier selection and evaluation complexity**

How to handle global sourcing effectively and efficiently are additional challenges. Supplier selection is a vital aspect in the performance of global sourcing implementation. Unlike dealing with domestic suppliers, the costs involved in identifying, selecting, and evaluating foreign suppliers can be prohibitive. Supplier selection and evaluation have an important role in the supply chain process and are crucial to the success of a manufacturing firm (Hartley & Choi, 1996).

There are several supplier selection methods which persist in the contemporary business world. Supplier selection is a fundamental decision that a buyer makes and also a very critical one. The process of selecting a group of competent suppliers for important materials, which can potentially impact the firm's competitive advantage, is a complex one and should be based on multiple criteria. Factors that firms should consider while selecting suppliers suggested by Wisner in 2005 are Product and process technologies, Willingness to share technologies and information, Quality, Cost, Reliability, Order system and cycle time, Capacity, Communication capability, Location and Service (Wisner, Leong, & Tan, 2005).

Different companies have different criteria based on their products, price offered, quality, on-time delivery, after-sales services, response to order change, supplier location and suppliers financial status, etc. (Ting & Cho, 2008). After determining which criteria should be involved in the selection process, choosing a method to calculate or evaluate right suppliers is a complex one. For supplier selection method, AHP (Analytical Hierarchy Process) is a popular approach used for solving problems which have multiple criteria. This method is applied by a number of researchers and practitioners.

It is a widely-used technique which has attained much attention as this process deals with both quantitative and qualitative criteria. It will provide the decision makers with a way to structure this complicated process in the form of a hierarchy which includes three levels of stages: goal,

dimensions and criteria (Narasimhan, 1983; Barbarosoglu & Yazgac, 1997; Nydick & Hill, 1992). After establishing a list of attributes to be used in the evaluation process, this method seeks to assess the suppliers' performance by applying the labels "good," "fair," and "poor." A chosen supplier is the one who receives the most "good" ratings. „Cost-ratio method (Timmerman, 1986) “ is another method used in selecting suppliers. By this method, the total cost related to quality, delivery, and service are calculated and expressed as a proportion of the total firm's purchase price.

The supplier selected to by decision makers is one that can provide the lowest cost. There are numerous other methods that a firm must consider and combine to determine the standards by which suppliers are selected. How many suppliers to use for each purchased item is another challenge for the purchasing manager. Theoretically, firms should use a single source or as few as possible to enable the development of close relationships with the best suppliers. However, by increasing reliance on one supplier, the firm increases its risk that poor supplier performance will result in plant shutdowns or poor quality finished products.

#### **2.4.9. Strategic Sourcing for Competitive Advantage**

According to the study that has been stated by Rieple & Helm (2008); the airline sector can be taken into consideration as segments depending on scope, scale, and type of operation. The concentration in that point is major international, full-service, legacy airlines which are close to comparing within the customer segments.

Five principal conditions exist within Transaction Cost economics (TCE) which is also known as new institutional economics. As regards the outside suppliers' information, opportunism is seen a potential risk of sequestration regarding to key assets. There becomes a statement which is asset specificity that refers to the level concerned with which asset is valuable within a specific transaction. In other words, interaction with opportunism takes place at an important level.

Frequency of use implies that transactions carried out only very infrequently do not need to be undertaken within an organization's hierarchy. Bounded rationality refers to the degree of difficulty in forming transactional contracts because of the limitations of managers' knowledge and perceptions. Environmental uncertainty increases the problems arising from bounded rationality. These five dimensions interact to predict whether an activity is most efficiently carried out in-house or outsourced.

Assessing the relative costs or strategic benefits of strategic sourcing in the airline industry is therefore likely to be challenging. Nevertheless, TCE provides an attractive perspective in order to assess changes in airline industry, and while it is definite that the industry is moving to a networked structure, in which hierarchical management is not higher seen to be the best method of executing business structure, the condition of whether this occurred in the position with estimator theory suggests scope for survey.

## **2.5. Contract Management**

The purpose of contract management is to ensure that all parties to the contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and providing value for money. It also protects the rights of the parties and ensures required performance when circumstances change. Contract management includes monitoring and documenting performance. Depending on the organization and goods or services procured, daily/regular monitoring of the contract may be primarily the responsibility of the requisitioner.

The stages of contract management are intended to ensure that the parties work together to achieve the objectives of the contract. Contract management is based on the idea that the contract is an agreement, a partnership with rights and obligations that must be met by both sides to achieve the goal. Contract management is aimed not at finding fault, but rather at identifying problems and finding solutions together with all contracting parties involved.

Once the contract has been awarded, the responsible procurement officer, or the requisitioner, monitors performance, collects information, and measures actual contract achievement. This is essential for effective control. The resources devoted to these tasks, and the techniques used to perform them, will depend on the nature of the contract work, the size and complexity of the contract, and the resources available.

A sound contract management of a project revolves around control of cost, time, quality and resources. Cost control means the execution and completion of the project within the agreed time schedule; quality control means execution of the project in conformance with technical requirement and specification; resource control refers to the management resources personnel, equipment, and supplies. (CIPS, 2007).

## 2.6. Future Global Sourcing Trends

Globalization is a continuous journey of development and improvement. Foremost in this journey is the need to develop or obtain supply management skill sets that encourage evaluating the supply network from a worldwide perspective. Other developments include the need to agree on global performance measures and to establish integrated systems between worldwide units and with suppliers. Doing this requires the continued development and refinement of integrated and coordinated global sourcing strategies across the functional organization. Greater integration between marketing, engineering, and sourcing groups should occur as firms evolve toward higher globalization levels. We also expect a trend toward doing business with suppliers that have global capabilities.

In addition, the focus of global sourcing will shift from part (i.e., component) sourcing to subsystems, systems, and services. Cost reduction pressures will also result in continued sourcing in low-cost emerging supply markets, such as China and Eastern Europe. Although very attractive from a price standpoint, these markets have hidden costs that must be identified. The ability to manage these changes will begin to separate leading companies from average firms.

Companies that produce and sell worldwide should no longer view global sourcing as an emerging approach to sourcing. The pursuit of a competitive advantage requires the development of global processes and strategies that become an integral part of a firm's supply management efforts. Understanding the critical differences between international purchasing and integrated global sourcing is essential before managers can begin to realize the benefits that this complex approach to sourcing potentially offers. (Robert M. *et al.*, 2009).

## 2.7. Conceptual framework of the study

The chart below shows the relationship of variables challenges of strategic sourcing and contract administration are dependent variable and the benefits of overcoming the challenge are independent variable.

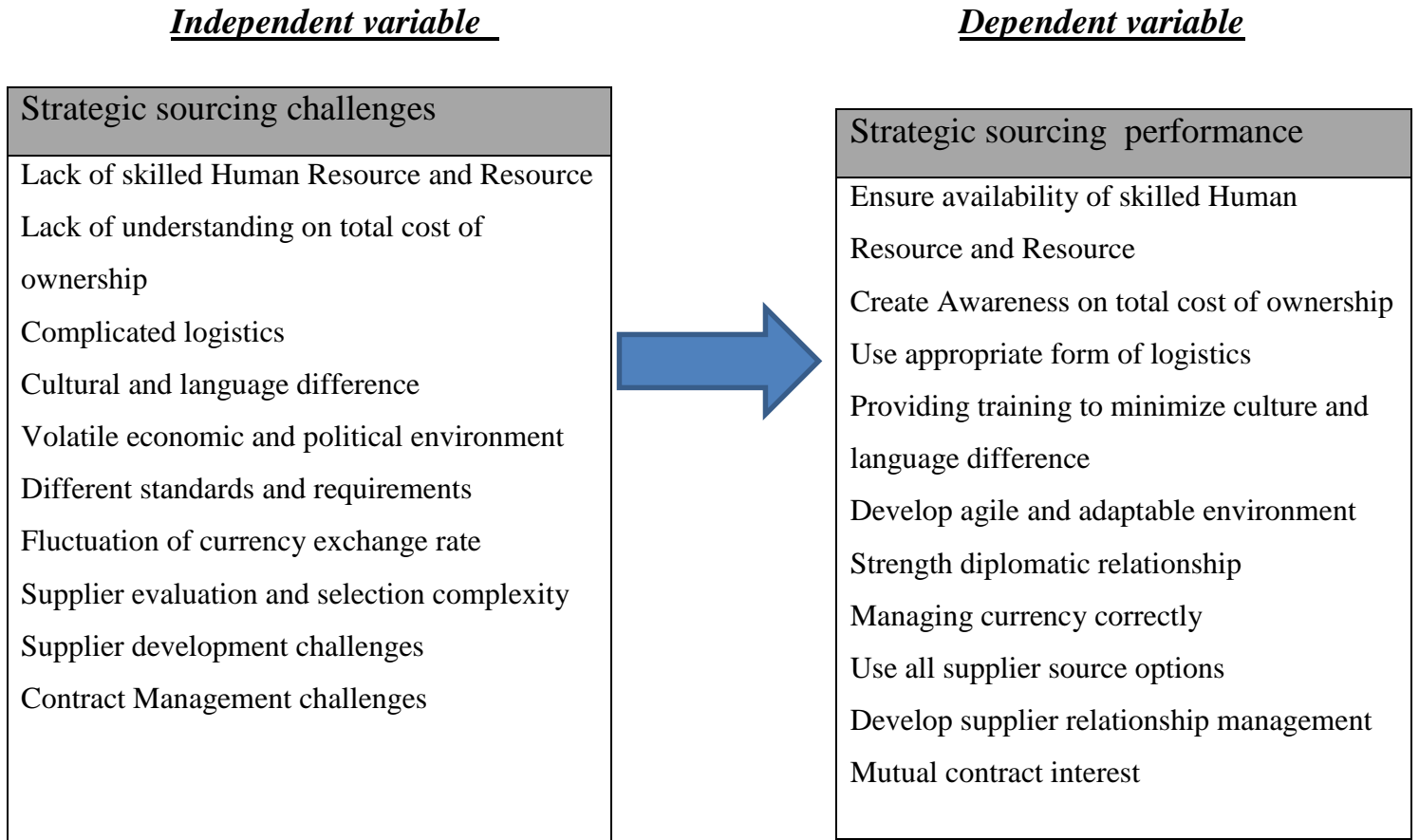


Fig2, Conceptual framework developed by Robert M. *et al.*, 2009 and modified by the researcher.

## Chapter Three

### Research Design and Methodology

In this chapter the researcher described different methods and approaches explained by different authors. After giving the theoretical demonstration of each part of the method, the researcher explains why and how these approaches used over the other to conduct this research.

#### 3.1. Research Approach

The purpose of this study is to analyze the challenge of strategic sourcing and contract administration in Ethiopian Airlines Group. After reviewing literature and identifying the challenges faced during implementation of strategic sourcing stated in theory, it is necessary to reveal practical challenges in reality. Therefore, the two basic approaches in social sciences research are qualitative and quantitative orientation. However, the literature suggests a growing interest in a mixed approach following on from the argument that 'one is used to strengthen the other.

Bryman and Bell (2007) defines that quantitative research is a distinctive research strategy that emphasizes quantification in the collection and analysis of data. It can be described as entailing the collection of numerical data and as exhibiting a view of the relationship between theory and research, in which the purpose is the testing of said theories. The goal of the quantitative method is to add to the body of knowledge through building formal theory which explains the phenomenon (Bryman & Bell, 2007). In qualitative research, a large amount of information and data is often gathered, in many cases a surplus of information is collected (Hardy & Bryman, 2004). Qualitative research work is being performed when data that is not expressed in numbers is gathered, interpreted and analyzed. Qualitative research offers the opportunity to carefully communicate with and capture the experience of the interviewed participants, while a quantitative research requires standardized measures and is often expressed in form of numbers to verify and test facts (Berkeley, 2005; Patton, 2002).

In this study, both qualitative and quantitative method used to capture a more holistic, complete and contextual view of a phenomenon. The former is used to describe qualitative data whereas the later used to make statistical analysis. The qualitative data analysis helps to identify and better understand the main challenge of strategic sourcing and contract administration in the case

company and to give a suggestion regarding the measures that taken to improve the current challenges of strategic sourcing in the company. This study combined published statistical data reports, secondary data, was used as the selected quantitative method, and an exploratory case study and semi-structured interviews used as the selected qualitative method.

### **3.2. Research Design**

Descriptive research design has used in this study. Under this stage, the study fulfills the objectives of descriptive research by getting an in-depth knowledge of strategic sourcing and contract administration current problems and challenges within Ethiopian airline and implementation of these variables in the challenges of strategic sourcing and contract administration.

### **3.3. Source and Procedure of Data Collection**

The research used both secondary and primary source of data along with the study. Even though, it might be difficult to have the access of a well-organized secondary data in relation to the challenge of strategic sourcing and contract administration in the case company, the researcher reviewed different reports made on the topics for the purpose of balanced score card evaluation, monthly report, annual report and carefully looked through the standard operating procedure (SOP) of the strategic sourcing section. Also referred books and previous studies made on logistics management by considering the potential limitation of the secondary source of data, the researcher used the below mentioned primary source of data to grant a more reliable information.

**Questionnaires:** both close ended and open ended questions on strategic sourcing and contract administration was developed and distributed for all population of strategic sourcing staffs to conduct this study.

**Interview:** semi-structured interview was arranged with the two managers of strategic sourcing section. Most of the interview questions was organized based on the information gathered from the questioners so that to have an in-depth understanding of the participants' opinion and perceptions. Also the researcher believes very essential information was obtained from this process which help to develop realistic recommendation at the end of the study.

### **3.4. Population of the Study**

The population on focus in this study comprised of the employees of Ethiopian Airlines from strategic sourcing and contract administration technical and non-technical section which is a total of 20 employees including the two managers per the information obtained from human resource management.

**Census Survey:** The researcher aims to investigate the challenges and problems facing during sourcing officer perform strategic sourcing and contract administration activity. As a result, the researcher believes only strategic sourcing technical and non-technical personnel have in-depth knowledge on strategic sourcing concept as well as the challenge encountered during performing their sourcing activity.

Including other personnel in the supply chain may neglect the strategic sourcing concept and leads to operational support activity as all are working in the operation area. In addition, the operational personnel may have no detail knowledge regarding the challenges facing on strategic sourcing and contract administration area as they are not the direct person that the challenge faced. Hence, the researcher believes conducting census survey on employees working in strategic sourcing and contract administration well fit to achieve the objective of the study. Therefore, employees working in strategic sourcing and contract administration section are taken as a total population of this study which is a total of 18 personnel and the questioner distributed to each employee.

### **3.5. Data Analysis**

The collected data was organized, classified, coded and encoded into a computer. The variety of information collected from questionnaires being tallied and tabulated. Then, it was analyzed using SPSS software to calculate percentages and to produce tables. Correlation analysis have used to know the relationship of variables and strategic sourcing performance. The qualitative data gathered using the interview and observation then interpreted and presented in a narrative form to substantiate the analysis following each table. After analyzing the data, the findings were summarized and then appropriate conclusion drawn with possible recommendations.

### **3.6. Validity**

The research question was developed by Chunnan Jiang and Yue Tian, (2009) for their master's thesis on Problems and Challenges of Global Sourcing and modified by the researcher for this thesis to align for the topic Challenges of Strategic Sourcing and Contract Administration in the case of Ethiopian Airlines Group.

## Chapter Four

### Data analysis, Results and Discussion

The assessment of this study is based on the census survey of 18 respondents from all strategic sourcing employees of the company. The researcher was able to collect all distributed questionnaires and there are no uncollected questionnaires. In addition, an interview was conducted for the two Managers of strategic sourcing technical and non-technical to strengthen the result. The findings of the study were presented to answer the leading research questions. The results are categorized accordingly to various strategic sourcing challenges and issues dealt with the study. Data collected through questioners were organized in a tabular form and analyzed using percentage and mean scores.

#### 4. Demographic Information of respondents

<b>Respondents Gender Composition</b>		<b>Frequency</b>	<b>Percent</b>
Male		11	61.1
Female		7	38.9
Total		18	100
<b>Respondents Age Status</b>			
18-25		1	5.6
26-35		16	88.9
36-45		1	5.6
Total		18	100
<b>Respondents Current Department</b>			
P&SCM		18	100.0
<b>Respondents Level of Education</b>			
Degree		18	100
<b>Respondents Current Position</b>			
Sourcing officer		1	5.6
Sr. Sourcing officer I		1	5.6
Sr. sourcing officer II		15	83.3
SS Expert		1	5.6
Total		18	100
<b>Respondents Experience in ETG</b>			
Less than five years		14	77.8
Five to ten years		3	16.7
Above fifteen years		1	5.6
Total		18	100

Table 4.1, Demographic Information of respondents

According to Table 4.1, majority of the respondents were male as shown by 61.1% while 38.9% were female. The findings show that the strategic sourcing and contract administration section were dominated by the male gender.

Table 4.1 shows that, majority of the respondents 16(88.9%) were between 26-35 years old, 1(5.6%) were between 18-25 years old and 1(5.6%) were above 36-45 years old. The findings show that the strategic sourcing and contract administration section were dominated by adults.

Table 4.1 shows that, all respondents 18(100%) were from P&SCM department specifically strategic sourcing professional as census survey used for the research. This shows that the respondents were well experienced on the subject and could respond to the questionnaire.

Table 4.1 shows that, majority of the respondents 15(83%) were Sr. sourcing officer II, 1(5.6%) were Sr. Sourcing officer I, 1(5.6%) were Sourcing officer and 1(5.6%) Strategic Sourcing Expert. The findings show that the strategic sourcing and contract administration staffs are more experienced and dominated by Sr. sourcing officer II.

Table 4.1 shows that, all employees 18(100%) were degree holders. This shows that the respondents were well educated and could respond to the questionnaire as well easily prone to the changes in the strategic sourcing and contract administration to satisfy the customer request on time.

Table 4.1 shows that, 14(77.8%) who were the majority had worked with the company for less than five years, 3(16.8%) had worked with the company between 5 to 10 years, 1(5.6%) had worked with the company above 15 years. The results show that the respondents had less experience on the strategic sourcing activity due to the time of service as shown above but most of the respondents were in the final position of the company which is Sr. sourcing officer II.

#### **4.2. Data Findings on major research Variables**

The research questionnaire covered different variables that were expected to explain the objective of the research. In doing so, respondents were asked appropriate questions to assess their respective opinion towards the variables considered regarding the Challenge of strategic sourcing and Contract Administration in Ethiopian Airlines Group. The ten independent variables used in this study are Lack of Human Resource and Resource, Lack of understanding on Total Cost of Ownership, Currency fluctuation, Complicated logistics, Volatile Economic and

Political Environment, Different Standards and Requirements, Cultural and Lingual difference, Supplier Source and Selection difficulties, Supplier Development and Contract Management.

The respondents were requested to indicate how these ten variables challenge strategic sourcing effectiveness in a Likert scale and to reply for open ended questions. The range was ‘Strongly Agree’ equivalent to 5, ‘Agree’ (4), ‘Neutral’ (3), ‘Disagree’ (2) and ‘Strongly Disagree’ (1).

#### 4.2.1. Findings on Human Resource and Resource related challenges (MRC)

Q1. Strategic sourcing and contract administration section has reasonable number of staffs				
Extent of agreement	Frequency	Percent	Mean	St. Deviation
Strongly disagree	7	38.9	1.89	0.832
Disagree	6	33.3		
Neutral	5	27.8		
Total	18	100.0		
Q2. Strategic sourcing staffs has enough knowledge about sourcing and SCM activity				
Extent of agreement	Frequency	Percent	Mean	St. Deviation
Disagree	2	11.1	3.83	.985
Neutral	4	22.2		
Agree	7	38.9		
Strongly Agree	5	27.8		
Total	18	100.0		
Q3. Higher Management in ETG has enough knowledge about sourcing concept and its importance to achieve the company strategic objective				
Extent of agreement	Frequency	Percent	Mean	St. Deviation
Strongly disagree	1	5.6	3.28	.826
Disagree	1	5.6		
Neutral	8	44.4		
Agree	8	44.4		
Total	18	100.0		
Q4. Ethiopian higher management pay attention for strategic sourcing section to support and achieve the strategic objective of the company by providing adequate resource and assistance				
Extent of agreement	Frequency	Percent	Mean	St. Deviation
Strongly disagree	2	11.1	2.72	.752
Disagree	2	11.1		
Neutral	13	72.2		
Agree	1	5.6		
Total	18	100.0		
Q5 ETG has advanced technology to perform strategic sourcing activities and supported by systems to enhance sourcing and contract administration efficiency				
Extent of agreement	Frequency	Percent	Mean	St. Deviation
Strongly disagree	3	16.7	2.44	1.097
Disagree	8	44.4		

Neutral	4	22.2		
Agree	2	11.1		
Strongly agree	1	5.6		
Total	18	100.0		
<b>Q6. Systems or technologies in ETG are user friendly and easy to learn</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. Deviation
Strongly disagree	1	5.6	3.33	1.029
Disagree	2	11.1		
Neutral	7	38.9		
Agree	6	33.3		
Strongly agree	2	11.1		
Total	18	100.0		
<b>Q7. Systems in ETG are flexible and suitable for staffs</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. Deviation
Strongly disagree	1	5.6	2.94	.998
Disagree	5	27.8		
Neutral	7	38.9		
Agree	4	22.2		
Strongly agree	1	5.6		
Total	18	100.0		
<b>Q8. Strategic sourcing staffs use E-sourcing to obtain potential source of supply and to perform their strategic sourcing and contract administration activity</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly disagree	3	16.7	3.17	1.465
Disagree	4	22.2		
Neutral	2	11.1		
Agree	5	27.8		
Strongly agree	4	22.2		
Total	18	100.0		
<b>Q9. Strategic sourcing staffs have enough resource and Resource to perform their task effectively</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly disagree	3	16.7	2.22	.878
Disagree	10	55.6		
Neutral	3	16.7		
Agree	2	11.1		
Total	18	100.0		
<b>Q10. Strategic sourcing employees are satisfied by their assignments and working environment</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly disagree	2	11.1	2.72	1.074
Disagree	6	33.3		
Neutral	6	33.3		
Agree	3	16.7		
Strongly agree	1	5.6		
Total	18	100.0		

Table 4.7, Findings on Human Resource and Resource (Source Questioner March, 2019)

On Q1 of Human Resource and resource availability, respondents were requested to express their level of agreement on the availability of reasonable number of staffs on the current strategic sourcing and contract administration section. And hence 7(38.9%) of the respondents were strongly disagree, 6(33.33%) of the respondents were disagree, and 5(27.8%) of the respondents were neutral. This finding shows that 72.23% of the respondents were disagree on the availability of reasonable number of staffs on the current strategic sourcing and contract administration section. this shows the section has Human Resource shortage to carry out the required assignments and led to project delay, firefighting work and cost saving shortfall.

On Q2 of Human Resource and resource availability, respondents were requested to express their level of agreement about strategic sourcing and supply chain management knowledge and skill of the current strategic sourcing and contract administration staff and 7(38.9%) of the respondents were agreed, 5(27.8%) were strongly agreed, 2(11.1%) disagree and 4(22.2%) were neutral. This shows that 66.7% of the respondents were agreed on the strategic sourcing and supply chain knowledge and skill of the current strategic sourcing staff. This shows strategic sourcing staff has detail knowledge and skill about strategic sourcing and supply chain management activity.

On Q3 of Human Resource and resource availability, respondents were requested to express their level of agreement on the skill and knowledge of the higher management on the strategic sourcing concepts and its importance to achieve the strategic objective of the company. 8(44.4%) of the respondents were agreed, 8(44.4%) were neutral, 1(5.6%) were disagree and 1(5.6%) were strongly disagree. This shows that 44.4% of the respondents were agreed on the management knowledge and understanding of strategic sourcing concept to achieve the strategic objective and the finding shows higher management have good understanding and knowledge about strategic sourcing concept and its role to achieve the strategic objective of the company.

On Q4 of Human Resource and resource availability, respondents were requested to express their level of agreement on the attention and support of Ethiopian higher management to strategic sourcing section and their commitment to provide adequate resource and assistance to achieve and support the strategic objective of the company. 13(72.2%) of the respondents were neutral, 2(11.1%) were disagree and 2(11.1%) were strongly disagree. This shows that 22.2% of the respondents were disagree and no one was agreed on the management support and commitment

to provide adequate resource and assistance for strategic sourcing section. The finding shows the support and attention of the higher management for strategic sourcing section in providing adequate resource and assistance is too low.

On Q5 of Human Resource and resource availability, the respondents were requested to express their level of agreement on the availability of advanced technology to perform strategic sourcing activities and supported by systems to enhance sourcing and contract administration efficiency. 8(44.4%) of the respondents were disagreed, 3(16.7%) were strongly disagreed 4(22.2%) were neutral, 2(11.1%) were agreed and 1(5.6%) were strongly agreed. This shows that 61.1% of the respondents were disagreed on the availability of advanced technology and the finding shows strategic sourcing section has lack of advance technology and system to support and enhance the sourcing activity by system led to strategic sourcing and contract administration inefficiencies.

On Q6 of Human Resource and resource availability, respondents were requested to express their level of agreement on the ease to learn and friendly to use of the system and technology that ETG currently used. 7(38.9%) of the respondents were neutral, 6(33.3%) were agree, 2(11.1%) were strongly agree, 2(11.1%) were disagree and 1(5.6%) were strongly disagreeing. This shows that 44.4% of the respondents were agreed on the ease to learn and friendly to use of the system and technology that ETG currently used to support its sourcing and contract administration activity and the finding shows system and technology that ETG currently used is user friendly and easy to learn.

On Q7 of Human Resource and resource availability, respondents were requested to express their level of agreement on the flexibility and suitability of the technology and system that ETG used. 7(38.9%) of the respondents were neutral, 5(27.8%) were disagree, 1(5.6%) were strongly disagree, 4(22.2) were agreed and 1(5.6%) were strongly agreed. This shows 33.4% were disagreed on the system flexibility and the finding shows the system used in ETG is not flexible and rigged to use per the user interest.

On Q8 of Human Resource and resource availability, respondents were requested to express their level of agreement on the degree of Strategic sourcing staffs E-sourcing usage to obtain potential source of supply and perform their strategic sourcing and contract administration activity. 5(27.8%) of the respondents were agreed, 4(22.2%) were strongly agreed, 4(22.2%) were neutral, 4(22.2%) were disagreed and 3(16.7%) were strongly disagreed. This shows 50% of the

respondents were agreed on the E-sourcing usage to obtain potential suppliers and the finding shows strategic sourcing staffs use E-sourcing to obtain potential source of supply and perform their sourcing and contract administration activity.

On Q9 of Human Resource and resource availability, respondents were requested to express their level of agreement on the availability of enough resource and facility to perform their task effectively. 10(55.6%) of the respondents were disagree, 3(16.7%) were strongly disagree, 3(16.7%) were neutral and 2(11.1) were agreed. This shows 72.3% of the respondents were disagreed on the availability resources and facility and the finding shows that the availability of resources and facilities to strategic sourcing section is very low led to strategic sourcing inefficiency such as project delay, cost saving plan shortfall and to be firefighting work only for the operational support.

On Q10 of Human Resource and resource availability, respondents were requested to express their level of agreement on the degree of strategic sourcing staff satisfaction on their assignments and working environment. 6(33.3%) of the respondents were neutral, 6(33.3%) were disagree, 2(11.1%) were strongly disagree, 3(16.7%) were agreed and 1(5.6%) were strongly disagree. This shows 44.4% of the respondents were disagreed on the staff satisfaction by their assignment and working environment and the finding shows strategic sourcing staffs are not satisfied on their assignment as well as on the working environment led to negligence on their work and strategic sourcing inefficiency such as project delay, cost saving plan shortfall and firefighting work only for the operational support.

Generally, the average mean and standard deviation of the total number of the respondents in the Human Resource and resource availability in the strategic sourcing and contract administration represents 2.85 and 0.994 respectively. It shows the majority respondents disagreement on the Human Resource and resource and the challenge identified in Human Resource and resource are shortage of Human Resource, lack of higher management commitment to provide adequate resource and support, lack of advanced technology and system to support the sourcing activity, rigidity of systems, lack of resource and facility and low employee satisfaction by their assignment and working environment.

#### 4.2.2. Findings on Total cost of ownership related challenges

Q1. ETG takes other related cost under consideration besides invoice price while performing supplier evaluation				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	2	11.1	3.78	1.003
Neutral	5	27.8		
Agree	6	33.3		
Strongly Agree	5	27.8		
Total	18	100.0		
Q2. Internal user section needs and request SS to work on all low value products and got support from higher management				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.44	1.199
Disagree	3	16.7		
Neutral	5	27.8		
Agree	5	27.8		
Strongly Agree	4	22.2		
Total	18	100.0		
Q3. ETG higher management intervene on SS activity to be focused on price than quality				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	5	27.8	3.17	0.924
Neutral	6	33.3		
Agree	6	33.3		
Strongly Agree	1	5.6		
Total	18	100.0		
Q4. Strategic sourcing evaluations of suppliers consider money value of payment term and other invisible costs				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	2	11.1	4.00	.970
Neutral	2	11.1		
Agree	8	44.4		
Strongly Agree	6	33.3		
Total	18	100.0		
Q5. Ethiopian looks for low cost regions to achieve its cost saving plan				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	4.00	1.029
Disagree	1	5.6		
Agree	11	61.1		
Strongly Agree	5	27.8		
Total	18	100.0		
Q6. Strategic sourcing staffs perform spend analysis of the company and prioritize to work on high value goods and service				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	3.44	1.294

Disagree	2	11.1		
Neutral	4	22.2		
Agree	6	33.3		
Strongly Agree	4	22.2		
Total	18	100.0		
Q7. Strategic sourcing manager challenges the request of low value goods and one time purchase work to be handled by the operational buyer				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	3	16.7	2.72	1.127
Disagree	4	22.2		
Neutral	7	38.9		
Agree	3	16.7		
Strongly Agree	1	5.6		
Total	18	100.0		

Table 4.8, Findings on Total Cost of Ownership (Source Questioner March, 2019)

On Q1 of total cost of ownership, respondents were requested to express their level of agreement on the extent that ETG takes other related cost under consideration besides invoice price while performing supplier evaluation. 6(33.3%) of the respondents were agreed, 5(27.8%) were strongly agreed, 5(27.8%) were neutral and 2(11.1%) were disagree. This shows 61.1% of the respondents were agreed on the extent that ETG considers other invisible costs besides invoice price when performing supplier evaluation and the finding shows strategic sourcing team considers total cost of ownership and give attention for other related invisible costs when performing supplier evaluation besides the invoice price.

On Q2 of total cost of ownership, respondents were requested to express their level of agreement on the extent that Internal user section needs and request SS to work on all low value products and got support from higher management. 5(27.8%) of the respondents were agreed, 4(22.2%) were strongly agreed, 5(27.8) were neutral, 3(16.7%) were disagreed and 1(5.6%) were strongly disagreed. This shows 50% of the respondents were agreed that internal user section need and request Strategic sourcing staff to work on all low value products and get support from the higher management and the finding shows strategic sourcing staff works on low value goods and spent their time on areas that have no cost saving and significant role to support the company strategic objective and led to cost saving plan shortfall, project delay by creating workload and also makes the sections work to be firefighting only for the operational support.

On Q3 of total cost of ownership, respondents were requested to express their level of agreement on the extent that ETG higher management intervene on SS activity to be focused on price than

quality. 6(33.3%) of the respondents were agreed, 1(5.6%) were strongly agreed, 6(33.3) were neutral and 5(27.8%) were disagreed. This shows 38.9% of the respondents were agreed on the management interest of price than quality and the finding shows ETG higher management intervenes on strategic sourcing section to focus on price than quality led to the strategic sourcing team for rework and project delay.

On Q4 of total cost of ownership, respondents were requested to express their level of agreement on the extent that Strategic sourcing evaluations of suppliers consider money value of payment term and other invisible costs. 8(44.4%) of the respondents were agreed, 6(33.3%) were strongly agreed, 2(11.1%) were neutral and 2(11.1%) were disagreed. This shows 77.7% of the respondents were agreed that strategic sourcing evaluation consider money value of payment term and other related invisible costs and the finding shows strategic sourcing team considered money value of payment term and other invisible costs when doing strategic sourcing evaluation.

On Q5 of total cost of ownership, respondents were requested to express their level of agreement on the extent that strategic sourcing team looks for low cost regions. 11(61.1%) of the respondents were agreed, 5(27.8%) were strongly agreed, 1(5.6%) were disagreed and 1(5.6%) were strongly disagree. This shows that 88.9% of the respondents were agreed that strategic sourcing team looks for low cost region when performing strategic sourcing activities and the finding shows strategic sourcing team considered low cost region to achieve its cost saving plan.

On Q6 of total cost of ownership, respondents were requested to express their level of agreement on the extent that Strategic sourcing staffs perform spend analysis of the company and prioritize to work on high value goods and service. 6(33.3%) of the respondents were agreed, 4(22.2%) were strongly agreed, 4(22.2%) were neutral 2(11.1%) were disagreed and 2(11.1%) were strongly disagree. This shows 55.5% of the respondents were agreed that strategic sourcing team perform spend analysis and prioritize to work on high value goods and services to meet cost saving plan and to support the strategic objective of the company.

On Q7 of total cost of ownership, respondents were requested to express their level of agreement on the extent that strategic sourcing manager challenges the request of low value goods and one time purchase work to be handled by the operational buyer. 7(38.9%) of the respondents were neutral, 4(22.2%) were disagreed, 3(16.7%) were strongly disagree 3(16.7%) were agreed and 1(5.6%) were strongly agreed. This shows 38.9% of the respondents were disagreed on the

strategic sourcing manager effort to challenge the request of low value and one time purchase work to be handled by the operational buyer and the finding shows strategic sourcing manger didn't challenge the request of low value goods and one time purchase work to be handled by the operational buyer and the finding shows strategic sourcing team handle low value and one time purchase work that creates workload that led to project delay, cost saving plan shortfall and the section's work to be firefighting.

Generally, the average mean and standard deviation of the total number of the respondents in the total cost of ownership related challenges represent 3.5 and 1.078 respectively. It shows the majority respondents agreement on the total cost of ownership and the challenge identified are strategic sourcing staffs forced to work on low value goods and one-time purchase, strategic sourcing team insisted to focus on price than quality and the strategic sourcing manager did not tackle the low value and one time purchase request to be handled by the operational buyer.

#### 4.2.3. Findings on Complicated logistics related challenges

Q1. ETG utilizes third party logistics (3PL) when you purchase materials from other countries				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	3.78	1.215
Disagree	1	5.6		
Agree	11	61.1		
Strongly Agree	4	22.2		
Total	18	100.0		
Q2. Ethiopian face the challenge of logistics problems when you do global sourcing				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	1	5.6	3.94	.873
Neutral	4	22.2		
Agree	8	44.4		
Strongly Agree	5	27.8		
Total	18	100.0		

Table 4.9, Findings on Complicated Logistics (Source Questioner March, 2019)

On Q1 of complicated logistics, respondents were requested to express their level of agreement on ETG utilizes third party logistics (3PL) or not when you purchase materials from other countries. 11(61.1%) of the respondents were agreed 4(22.2%) were strongly agreed, 2(11.1%) were strongly disagree and 1(5.6%) were disagreed. This shows 83.3% of the respondents were agreed that ETG utilize third party logistics when buying materials from abroad and the finding shows ETG utilize third party logistics when buying materials from other countries. This led to inefficiency in handling materials and on time delivery.

On Q2 of complicated logistics, respondents were requested to express their level of agreement on the logistics challenge Ethiopian face when doing global sourcing. 8(44.4%) of the respondents were agreed 5(27.8%) were strongly agreed, 4(22.2%) were neutral and 1(5.6%) were disagreed. This shows 72.2% of the respondents agreed on the logistics challenge when doing global sourcing and the finding shows ETG face the challenge of logistics problem when doing global sourcing which led to delay in delivery and forced strategic sourcing staff for project rework.

Generally, the average mean and standard deviation of the total number of the respondents in the logistics related challenges represent 3.86 and 1.044 respectively. It shows the majority respondents agreement on the logistics related challenge and the challenges identified is inefficiency in handling materials and delayed delivery as ETG utilize third party logistics.

#### 4.2.4. Findings on Cultural and lingual difference challenges

Q1. Employees working in strategic sourcing section have enough communication skill to pursue vendors				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Neutral	2	11.1	4.11	0.583
Agree	12	66.7		
Strongly Agree	4	22.2		
Total	18	100.0		
Q2. The cultural issue between you and the potential vender led to instability of the relationship				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	2.78	1.060
Disagree	6	33.3		
Neutral	4	22.2		
Agree	6	33.3		
Total	18	100.0		
Q3. Miscommunication with a foreign supplier ever led to a conflict with that supplier				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	2.94	1.162
Disagree	7	38.9		
Neutral	4	22.2		
Agree	4	22.2		
Strongly Agree	2	11.1		
Total	18	100.0		

Table 4.10, Findings on Cultural and Language Difference (Source Questioner March, 2019)

On Q1 of Cultural and lingual difference, respondents were requested to express their level of agreement on the strategic sourcing employees' communication skill to pursue vendors.

12(66.7%) of the respondents were agreed, 4(22.2%) were strongly agreed and 2(11.1%) were neutral. This shows 88.9% of the respondents were agreed on the strategic sourcing employees' communication skill to peruse vendors and the finding shows strategic sourcing staffs have enough communication skill to pursue vendors.

On Q2 of Cultural and lingual difference, respondents were requested to express their level of agreement on the cultural issue between strategic sourcing staff and the potential vender which led to instability of the relationship. 6(33.3%) of the respondents were disagreed, 2(11.1%) were strongly disagree, 4(22.2%) were neutral, and 6(33.3%) were agreed. This shows 44.4% of the respondents were disagreed on the cultural issue between strategic sourcing staff and potential vender which led to instability of the relationship and the finding shows strategic sourcing staffs have no cultural issue which led to instability of the relationship with their vendor.

On Q3 of Cultural and lingual difference, respondents were requested to express their level of agreement on miscommunication with a foreign supplier ever led to a conflict with that supplier. 7(38.9%) of the respondents were disagreed, 1(5.6%) were strongly disagree, 4(22.2%) were neutral, 4(22.2%) were agreed and 2(11.1%) were strongly agreed. This shows 44.5% of the respondents were disagreed on miscommunication with a foreign supplier ever led to a conflict with that supplier and the finding shows miscommunication with a foreign supplier not led to a conflict with that supplier.

Generally, the average mean and standard deviation of the total number of the respondents in the cultural and lingual difference represent 3.28 and 0.935 respectively. It shows the majority of respondents' agreement on cultural and lingual difference and the result shows the cultural and language difference challenge has not significant impact on the strategic sourcing efficiency.

#### 4.2.5. Findings Volatile economic and political environment challenges

Q1. Political environment Sanction-Terrorism-Foreign government regulations are currently affects the strategic sourcing efficiency				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	2.94	1.162
Disagree	5	27.8		
Neutral	4	22.2		
Agree	6	33.3		
Strongly Agree	1	5.6		
Total	18	100.0		
Q2. Timely Market inflation is one of the challenges of strategic sourcing and contract administration				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	4.02	1.162
Disagree	1	5.6		
Neutral	2	11.1		
Agree	6	33.3		
Strongly Agree	8	44.4		
Total	18	100.0		
Q3. When there is market inflation strategic sourcing team should perform market analysis				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Neutral	1	5.6	4.33	.594
Agree	10	55.6		
Strongly Agree	7	38.9		
Total	18	100.0		
Q4. Diplomatic relationship of countries affects strategic sourcing activities				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.50	1.043
Disagree	2	11.1		
Neutral	4	22.2		
Agree	9	50.0		
Strongly Agree	2	11.1		
Total	18	100.0		

Table 4.11, Findings on Volatile Economic and Political Environment (Source Questioner March, 2019)

On Q1 of volatile political environment, respondents were requested to express their level of agreement how Political Environment such as Sanction, Terrorism, Foreign government regulations currently affects the strategic sourcing efficiency. 5(27.8%) of the respondents were disagreed, 2(11.1%) were strongly disagreed, 4(22.2%) were neutral, 6(33.3%) were agreed and 1(5.6%) were strongly agreed. This shows that 38.9% of the respondents agreed and 38.9% of the respondents also disagreed on the request and the finding shows Political Environment Such

as Sanction, Terrorism, Foreign government regulations has its own effect on strategic sourcing efficiency.

On Q2 of volatile political environment, respondents were requested to express their level of agreement that repetitive market inflation is one challenge of strategic sourcing or not. 8(44.4%) of the respondents were strongly agreed, 6(33.3%) were agreed, 2(11.1%) were neutral, 1(5.6%) were disagreed and 1(5.6%) were strongly disagreed. This shows 77.7% of respondents were agreed that repetitive market inflation is one challenge of strategic sourcing and the finding shows repetitive market inflation is one of the challenges of strategic sourcing which led to rework.

On Q3 of volatile political environment, respondents were requested to express their level of agreement on strategic sourcing team should perform market analysis when there is market inflation. 10(55.6%) of the respondents were agreed, 7(38.9%) were strongly agreed and 1(5.6%) were neutral. This shows 94.5% of the respondents agreed that strategic sourcing perform market analysis when there is market inflation and the finding shows strategic sourcing team should perform market analysis when there is market inflation which creates work load as the market fluctuation is within very short time.

On Q4 of volatile political environment, respondents were requested to express their level of agreement on the extent that diplomatic relationship of countries affect strategic sourcing activities. 9(50%) of the respondents were agreed, 2(11.1%) were strongly agreed, 4(22.2%) were neutral, 2(11.1%) were disagreed and 1(5.6%) were strongly disagreed. This shows 61.1% of the respondents were agreed that diplomatic relationship affects the strategic sourcing activity.

Generally, the average mean and standard deviation of the total number of the respondents in the volatile economic and political environment represent 3.70 and 0.990 respectively. It shows the majority of respondents' agreement on volatile economic and political environment and the challenges identified are dynamic market and diplomatic relationship of countries.

4.2.6. Findings on Currency fluctuation related challenges

Q1. Fluctuation in currency exchange rate suffers strategic sourcing team in ETG when doing global sourcing				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.39	1.145
Disagree	3	16.7		
Neutral	5	27.8		
Agree	6	33.3		
Strongly Agree	3	16.7		
Total	18	100.0		
Q2. Exchange rate fluctuation forced you to change a preferred vendor				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	2.94	1.211
Disagree	5	27.8		
Neutral	5	27.8		
Agree	4	22.2		
Strongly Agree	2	11.1		
Total	18	100.0		

Table 4.12, Findings on Currency Fluctuation (Source Questioner March, 2019)

On Q1 of currency fluctuation, respondents were requested to express their level of agreement on the extent that fluctuation in currency exchange rate suffers strategic sourcing team in ETG when doing global sourcing. 6(33.3%) of the respondents were agreed, 3(16.7%) were strongly agreed, 5(27.8%) were neutral, 3(16.7%) were disagreed and 1(5.6%) were strongly disagree. This shows 50% of the respondents were agreed on the request and the finding shows currency fluctuation is one challenge of strategic sourcing efficiency.

On Q2 of currency fluctuation, respondents were requested to express their level of agreement on the extent that exchange rate fluctuation forced you to change a preferred vendor. 5(27.8%) of the respondents were neutral, 5(27.8%) were disagreed, 2(11.1%) were strongly disagreed, 4(22.2%) were agreed and 2(11.1%) were strongly agreed. This shows 38.9% of the respondents were disagreed on the request and the finding shows currency fluctuation is not a factor to change a preferable supplier even if it is one challenge of strategic sourcing efficiency.

Generally, the average mean and standard deviation of the total number of the respondents in the currency fluctuation represents 3.16 and 1.178 respectively. It shows the majority of respondents' agreement on currency fluctuation and the challenges identified is even if currency fluctuation contributes to strategic sourcing inefficiency it is not a major challenge which led to change a preferable vendor.

#### 4.2.7. Findings on Different standards and requirements related challenges

Q1. Standards between different countries affect the processes of strategic sourcing in ETG				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	1	5.6	4	.840
Neutral	3	16.7		
Agree	9	50.0		
Strongly Agree	5	27.8		
Total	18	100.0		
Q2. Ethiopian management Bureaucracy affects strategic sourcing effectiveness				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	2	11.1	3.67	.970
Neutral	6	33.3		
Agree	6	33.3		
Strongly Agree	4	22.2		
Total	18	100.0		
Q3. Ethiopian procurement Policy allows strategic sourcing to deal with distributors				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	3.28	1.274
Disagree	4	22.2		
Neutral	1	5.6		
Agree	9	50.0		
Strongly Agree	2	11.1		
Total	18	100.0		
Q4. Regulations such as customs duties affect the processes of global sourcing in your company				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	3.39	1.195
Disagree	2	11.1		
Neutral	3	16.7		
Agree	9	50.0		
Strongly Agree	2	11.1		
Total	18	100.0		

Table 4.13, Findings on Different Standards and Requirements (Source Questioner March, 2019)

On Q1 of different standards and requirements, respondents were requested to express their level of agreement on the extent that standards between different countries affect the processes of strategic sourcing in ET. 9(50%) of the respondents were agreed, 5(27.8%) were strongly agreed, 3(16.7%) were neutral and 1(5.6%) were disagree. This shows 77.8% of the respondents were agreed on the request and the finding shows Standards between different countries affect the processes of strategic sourcing efficiency.

On Q2 of different standards and requirements, respondents were requested to express their level of agreement on the extent that Ethiopian management bureaucracy affects strategic sourcing

effectiveness. 6(33.3%) of the respondents were agreed, 4(22.2%) were strongly agreed, 6(33.3%) were neutral and 2(11.1%) were disagree. This shows 55.5% of the respondents agreed on the request and the finding shows Ethiopian management bureaucracy affects strategic sourcing efficiency.

On Q3 of different standards and requirements, respondents were requested to express their level of agreement on the extent that Ethiopian procurement policy allows strategic sourcing to deal with distributors. 9(50%) of the respondents were agreed, 2(11.1%) were strongly agreed, 1(5.6%) were neutral, 4(22.2%) were disagree and 2(11.1%) were strongly disagree. This shows 61.1% of the respondents were agreed on the request and the finding shows Ethiopian procurement policy allows strategic sourcing to deal with distributors.

On Q4 of different standards and requirements, respondents were requested to express their level of agreement on the extent that regulations such as customs duties affect the processes of global sourcing in ET. 9(50%) of the respondents were agreed, 2(11.1%) were strongly agreed, 3(16.7%) were neutral, 2(11.1%) were disagree and 2(11.1%) were strongly disagree. This shows 61.1% of the respondents were agreed on the request and the finding shows regulations such as customs duties affect the processes of global sourcing in ET.

Generally, the average mean and standard deviation of the total number of the respondents in the different standards and requirements of countries represent 3.58 and 1.070 respectively. It shows the majority of respondents' agreement on different standards and requirements of countries and the challenge identified are customs duties, management bureaucracy and different standards and regulation between countries are some of the challenge for strategic sourcing efficiency.

#### 4.2.8. Findings on Supplier source and selection challenges

Q1. Finding a qualified source of supply is one challenge of strategic sourcing and contract administration section				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	1	5.6	4.11	.832
Neutral	2	11.1		
Agree	9	50.0		
Strongly Agree	6	33.3		
Total	18	100.0		
Q2. Strategic sourcing conduct an audit/facility visit of a potential vendor overseas				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	3.22	1.353
Disagree	4	22.2		

Neutral	4	22.2		
Agree	4	22.2		
Strongly Agree	4	22.2		
Total	18	100.0		
<b>Q3. Strategic sourcing employees get necessary and adequate information from the internal user and technical support team on time</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	4	22.2	2.61	1.145
Disagree	4	22.2		
Neutral	5	27.8		
Agree	5	27.8		
Total	18	100.0		
<b>Q4. Strategic sourcing team attends trade shows exhibition and develop supplier database</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	8	44.4	2.22	1.309
Disagree	3	16.7		
Neutral	2	11.1		
Agree	5	27.8		
Total	18	100.0		
<b>Q5. Strategic sourcing team has enough access to source suppliers</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	4	22.2	2.72	1.320
Disagree	5	27.8		
Neutral	2	11.1		
Agree	6	33.3		
Strongly Agree	1	5.6		
Total	18	100.0		
<b>Q6. Strategic sourcing team has standard supplier selection criteria</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.50	1.200
Disagree	4	22.2		
Neutral	1	5.6		
Agree	9	50.0		
Strongly Agree	3	16.7		
Total	18	100.0		
<b>Q7. Strategic sourcing team develop evaluation criteria before the supplier submit their proposal</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	4.28	1.074
Neutral	2	11.1		
Agree	5	27.8		
Strongly Agree	10	55.6		
Total	18	100.0		

Table 4.14, Findings On Supplier Source and Selection (Source Questioner March, 2019)

On Q1 of supplier source and selection, respondents were requested to express their level of agreement on the difficulties for finding a qualified source of supply. 9(50%) of the respondents were agreed, 6(33.3%) were strongly agreed, 2(11.1%) were neutral and 1(5.6%) were disagree. This shows 83.3% of the respondents were agreed on the request and the finding shows finding a qualified source of supply is one challenge of strategic sourcing and contract administration efficiency.

On Q2 of supplier source and selection, respondents were requested to express their level of agreement on the extent that Strategic sourcing conduct an audit/facility visit of a potential vendor overseas. 4(22.2%) of the respondents were agreed, 4(22.2%) were strongly agreed, 4(22.2%) were neutral, 4(22.2%) were disagree and 2(11.1%) were strongly disagree. This shows, 44.4% of the respondents agreed on the request and the finding shows strategic sourcing conduct an audit/facility visit of a potential vendor overseas.

On Q3 of supplier source and selection, respondents were requested to express their level of agreement on the extent that strategic sourcing employees get necessary and adequate information from the internal user and technical support team on time. 5(27.8%) of the respondents were agreed, 5(27.8%) were neutral, 4(22.2%) were disagree and 4(22.2%) were strongly disagree. This shows 44.4% of the respondents agreed on the request and the finding shows strategic sourcing employees did not get necessary and adequate information from the internal user and technical support team on time which led to project delay.

On Q4 of supplier source and selection, respondents were requested to express their level of agreement on the extent that strategic sourcing team attends trade shows, exhibition and develop supplier database. 8(44.4%) of the respondents were strongly disagreed, 3(16.7%) were disagree, 2(11.1%) were neutral, 5(27.8%) were agreed. This shows 61.1% of the respondents were disagreed on the request and the finding shows strategic sourcing team did not attend trade shows and exhibitions to develop supplier database.

On Q5 of supplier source and selection, respondents were requested to express their level of agreement on the access availability of strategic sourcing team to source suppliers. 4(22.2%) of the respondents were strongly disagreed, 5(27.8%) were disagreed, 2(11.1%) were neutral, 6(33.3%) were agreed and 1(5.6%) were strongly agreed. This shows 50% of the respondents

were disagreed on the request and the finding shows strategic sourcing team has no enough access to source suppliers.

On Q6 of supplier source and selection, respondents were requested to express their level of agreement on availability of strategic sourcing team standard supplier selection criteria. 9(50%) of the respondents were agreed, 3(16.7%) were strongly agreed, 1(5.6%) were neutral, 4(22.2%) were disagree and 1(5.6%) were strongly disagree. This shows 66.7% of the respondents were agreed on the request and the finding shows strategic sourcing team has standard supplier selection criteria.

On Q7 of supplier source and selection, respondents were requested to express their level of agreement whether strategic sourcing team develop evaluation criteria before the supplier submit their proposal or not. 10(55.6%) of the respondents were strongly agreed, 5(27.8%) were agreed, 2(11.1%) were neutral and 1(5.6%) were strongly disagree. This shows 83.4% of the respondents were agreed on the request and the finding shows strategic sourcing team develop evaluation criteria before the supplier submitted their proposal.

Generally, the average mean and standard deviation of the total number of the respondents in the supplier source and selection represent 3.24 and 1.176 respectively. It shows the majority of the respondents' agreement on supplier source and selection difficulties and the challenge identified are finding a qualified source of supply, lack of supplier database, lack of adequate information from the internal user and technical support team, lack of access to source supplier and employees did not attend trade shows and exhibitions to develop supplier database.

#### 4.2.9. Findings on Supplier development related challenges

Q1. Ethiopian higher managements encourage collaboration with suppliers and ensure strategic sourcing staffs to do so				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	1	5.6	3.83	.786
Neutral	4	22.2		
Agree	10	55.6		
Strongly Agree	3	16.7		
Total	18	100.0		
Q2. The supply chain integration of Ethiopian is strong and keen to discuss, to collaborate, as well as to share information from the upper stream to the downstream				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.11	.963

Disagree	4	22.2		
Neutral	5	27.8		
Agree	8	44.4		
Total	18	100.0		
Q3. Ethiopian executives are focused on long term partnership strategy and work on supplier development considering the long run neglecting the time being price advantage				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	3.11	1.183
Disagree	4	22.2		
Neutral	3	16.7		
Agree	8	44.4		
Strongly Agree	1	5.6		
Total	18	100.0		
Q4. Strategic sourcing staffs are not requested to work on one-time purchased items with low value				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	5	27.8	2.61	1.243
Disagree	3	16.7		
Neutral	4	22.2		
Agree	6	33.3		
Total	18	100.0		
Q5. Ethiopian higher managements encourage strategic sourcing officers to develop long term partnership with suppliers and focus on supplier development				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.11	1.079
Disagree	5	27.8		
Neutral	4	22.2		
Agree	7	38.9		
Strongly Agree	1	5.6		
Total	18	100.0		

Table 4.15, Findings on Supplier Development (Source Questioner March, 2019)

On Q1 of supplier development, respondents were requested to express their level of agreement whether Ethiopian higher managements encourage collaboration with suppliers and ensure strategic sourcing staffs to do so or not. 10(55.6%) of the respondents were agreed, 3(16.7%) were strongly agreed, 4(22.2%) were neutral and 1(5.6%) were disagree. This shows 72.3% of the respondents were agreed on the request and the finding shows Ethiopian higher managements encourage collaboration with suppliers and ensure strategic sourcing staffs to do so

On Q2 of supplier development, respondents were requested to express their level of agreement whether the supply chain integration of Ethiopian is strong and keen to discuss, to collaborate, as well as to share information from the upper stream to the downstream or not. 8(44.4%) of the

respondents were agreed, 5(27.8%) were neutral, 4(22.2%) were disagree and 1(5.6%) were strongly disagreed. This shows 44.4% of the respondents agreed on the request and the finding shows the supply chain integration of Ethiopian is strong, keen to discuss, to collaborate as well as to share information from the upper stream to the downstream.

On Q3 of supplier development, respondents were requested to express their level of agreement whether Ethiopian executives are focused on long term partnership strategy and work on supplier development considering the long run neglecting the time being price advantage or not. 8(44.4%) of the respondents were agreed, 1(5.6%) were strongly agreed, 3(16.7%) were neutral, 4(22.2%) were disagree and 2(11.1%) were strongly disagreed. This shows 50% of the respondents were agreed on the request and the finding shows Ethiopian executives are focused on long term partnership strategy and work on supplier development considering the long run neglecting the time being price advantage.

On Q4 of supplier development, respondents were requested to express their level of agreement whether strategic sourcing staffs are not requested to work on one-time purchased items with low value or not. 5(27.8%) of the respondents were strongly disagreed, 3(16.7%) were disagreed, 4(22.2%) were neutral and 6(33.3%) were agreed. This shows 44.5% of the respondents were disagreed on the request and the finding shows Strategic sourcing staffs are requested to work on one-time purchased items with low value which is the case for project delay, cost saving plan shortfall and firefighting work only for the operational level.

On Q5 of supplier development, respondents were requested to express their level of agreement whether Ethiopian higher managements encourage strategic sourcing officers to develop long term partnership with suppliers and focus on supplier development. 7(38.9%) of the respondents were agreed, 1(5.6%) were strongly agreed, 4(22.2%) were neutral, 5(27.8%) were disagreed and 1(5.6%) were strongly disagreed. This shows 44.5% of the respondents were agreed on the request and the finding shows Ethiopian higher managements encourage strategic sourcing officers to develop long term partnership with suppliers and focus on supplier development.

Generally, the average mean and standard deviation of the total number of the respondents in the supplier development represent 3.15 and 1.051 respectively. It shows the majority of respondents' agreement on supplier development and the result identified Ethiopian focused on long term partnership and keen to discuss, to collaborate as well as to share information from the

upper stream to the downstream. This shows strategic sourcing and contract administration do not consider supplier development as a main challenge.

#### 4.2.10. Findings on Contract management challenges

Q1. Most of the suppliers are interested to work with Ethiopian Airlines Group				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Neutral	4	22.2	4.06	.725
Agree	9	50.0		
Strongly Agree	5	27.8		
Total	18	100.0		
Q2. All Suppliers are interested to execute contractual agreement with Ethiopian Airlines Group				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.33	1.138
Disagree	3	16.7		
Neutral	6	33.3		
Agree	5	27.8		
Strongly Agree	3	16.7		
Total	18	100.0		
Q.3 Ethiopian experience Win- Win (mutual) contract agreement practice				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.56	1.149
Disagree	3	16.7		
Neutral	2	11.1		
Agree	9	50.0		
Strongly Agree	3	16.7		
Total	18	100.0		
Q4. The process to execute contract and administer is moderate				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	3.11	1.079
Disagree	3	16.7		
Neutral	4	22.2		
Agree	9	50.0		
Total	18	100.0		
Q5. ET reviews contracts every six months and negotiate for further discount				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Strongly Disagree	2	11.1	2.61	1.092
Disagree	8	44.4		
Neutral	4	22.2		
Agree	3	16.7		
Strongly Agree	1	5.6		
Total	18	100.0		
Q6. Vendors keep the agreed price per the contract terms				
Extent of agreement	Frequency	Percent	Mean	St. deviation
Disagree	4	22.2	3.56	1.097

Neutral	4	22.2		
Agree	6	33.3		
Strongly Agree	4	22.2		
Total	18	100.0		
<b>Q7. ET have matured Standard contract agreement</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Strongly Disagree	1	5.6	3.44	1.097
Disagree	3	16.7		
Neutral	3	16.7		
Agree	9	50.0		
Strongly Agree	2	11.1		
Total	18	100.0		
<b>Q8. ET follows appropriate method of Dispute settlement with contracted suppliers</b>				
<b>Extent of agreement</b>	Frequency	Percent	Mean	St. deviation
Disagree	2	11.1	3.67	.840
Neutral	4	22.2		
Agree	10	55.6		
Strongly Agree	2	11.1		
Total	18	100.0		

Table 4.16, Findings on Contract Management (Source Questioner March, 2019)

On Q1 of contract management, respondents were requested to express their level of agreement whether the suppliers are interested to work with Ethiopian Airlines Group or not. 4(22.2%) of the respondents were neutral, (50%) were agreed and 5(27.8%) were strongly agreed. This shows 50% of the respondents were agreed on the request and the finding shows most of the suppliers are interested to work with Ethiopian Airlines Group.

On Q2 of contract management, respondents were requested to express their level of agreement whether all suppliers are interested to execute contractual agreement with Ethiopian Airlines Group or not. 6(33.3%) of respondents were neutral, 5(27.8%) were agreed, 3(16.7%) were strongly agreed, 3(16.7%) were disagreed and 1(5.6%) were strongly disagreed. This shows 44.5% of the respondents were agreed on the request and the finding shows all Suppliers are interested to execute contractual agreement with Ethiopian Airlines Group.

On Q3 of contract management, respondents were requested to express their level of agreement whether Ethiopian Experience Win- Win (mutual) contract agreement practice or not. 9(50%) of the respondents were agreed, 3(16.7%) were strongly agreed, 2(11.1%) were neutral, 3(16.7%) were disagreed and 1(5.6%) were strongly disagreed. This shows 66.7% of the respondents were agreed on the request and the finding shows Ethiopian Experience Win- Win (mutual) contract agreement practice.

On Q4 of contract management, respondents were requested to express their level of agreement whether Ethiopian process to execute contract and administer is moderate or not. 9(50%) of the respondents were agreed, 4(22.2%) were neutral, 3(16.7%) were disagreed and 2(11.1%) were strongly disagreed. This shows 50% of the respondents were agreed on the request and the finding shows the process to execute contract and administer is moderate.

On Q5 of contract management, respondents were requested to express their level of agreement whether ET reviews contracts every six months and negotiate for further discount or not. 8(44.4%) of the respondents were disagreed, 2(11.1%) were strongly disagreed, 4(22.2%) were neutral, 3(16.7%) were agreed and 1(5.6%) were strongly agreed. This shows 55.5% of the respondents were disagreed on the request and the finding shows ET did not negotiate and review contracts every six months for further discount.

On Q6 of contract management, respondents were requested to express their level of agreement whether vendors keep the agreed price per the contract terms or not. 6(33.3%) of the respondents were agreed, 4(22.2%) were strongly agreed, 4(22.2%) were neutral and 4(22.2%) were disagreed. This shows 55.5% of the respondents were agreed on the request and the finding shows vendors keep the agreed price per the contract terms.

On Q7 of contract management, respondents were requested to express their level of agreement whether ET have matured standard contract agreement or not. 9(50%) of the respondents were agreed, 2(11.1%) were strongly agreed, 3(16.7%) were neutral, 3(16.7%) were disagreed and 1(5.6%). This shows 61.1% of the respondents were agreed on the request and the finding shows ET have matured standard contract agreement.

On Q8 of contract management, respondents were requested to express their level of agreement whether ET follows appropriate method of Dispute settlement with contracted suppliers or not. 10(55.6%) of the respondents were agreed, 2(11.1%) were strongly agreed, 4(22.2%) were neutral and 2(11.1%) were disagreed. This shows 66.7% of the respondents were agreed on the request and the finding shows ET follows appropriate method of dispute settlement with contracted suppliers.

Generally, the average mean and standard deviation of the total number of the respondents in the contract management represent 3.42 and 1.027 respectively. It shows the majority of the

respondents' agreement on the contract management and the findings identified is ET did not negotiate and review contracts every six months for further discount due to high workload.

In the analysis above the mean and standard deviation is used to measure each questioner items are in the acceptable range or not. Thus the acceptable range for the mean is 1.5-4 and for standard deviation is 0.25-2.

Finally, the respondents were requested to rank the challenges of strategic sourcing and contract administration from the highest to the lowest and the below result was obtained. When the mean of the respondent increase the rank of the challenge decrease due to the average of the large number.

<b>Strategic sourcing Challenges</b>	<b>Rank</b>	<b>Mean of respondents rank</b>
Finding a qualified source of supply	1	3.39
Improper planning and forecasting	2	3.56
Lack of supplier development	3	5.50
Just in time requirement	4	5.61
Lack of understanding on total cost of ownership	5	6.33
Lack of knowledge about foreign business practice	6	6.39
Complicated logistics in global sourcing	7	6.44
Fluctuation in currency exchange rate	8	6.72
Lack of knowledge on customs duties and requirements	9	6.83
Cultural and language difference	10	7.83
Nationalistic attitude	11	8.89
Volatile economic and political and	12	9.72

Table 4.17, Rank of strategic sourcing challenges

A spear's man correlation coefficient is named after Charles Spearman is a non-parametric measure of statistical correspondence between variables(Devid,2003).

Spearman Correlation											
	MPW	TCW	CML	CLD	VEP	CFU	DSR	SSS	SDT	CMT	SSP
MPW	1.000	.285	.263	.194	.155	.101	.390	.181	.380	.069	.040
		.002	.002	.041	.039	.001	.010	.003	.019	.006	.004
		18	18	18	18	18	18	18	18	18	18
TCW		1.000	.021	.043	.405	.118	.037	.244	.718	.551	.014
			.033	.006	.005	.041	.003	.028	.001	.018	.005
			18	18	18	18	18	18	18	18	18
CML			1.000	.401	.243	.374	.226	.054	.288	.268	.385
				.009	.031	.026	.006	.033	.047	.002	.015
				18	18	18	18	18	18	18	18
CLD				1.000	.478	.575	.266	.325	.398	.398	.597
					.045	.013	.006	.008	.002	.002	.009
					18	18	18	18	18	18	18
VEP					1.000	.449	.273	.178	.126	.263	.598
						.002	.022	.049	.019	.031	.009
						18	18	18	18	18	18
CFU						1.000	.266	.039	.374	.717**	.740**
							.006	.007	.006	.001	.000
							18	18	18	18	18
DSR							1.000	.262	.129	.283	.012
								.004	.009	.004	.004
								18	18	18	18
SSS								1.000	.252	.464	.325
									.034	.050	.009
									18	18	18
SDT									1.000	.558	.302
										.016	.022
										18	18
CMT										1.000	.596**
											.009
											18

\*\*Correlation is significant at the 0.01 level (2-tailed)

\*\* Correlation is significant at the 0.05 level (2-tailed)

Table 4.18, Correlation Coefficient of the Model

- ❖ There was a significant positive correlation between Human Resource and resource availability and strategic sourcing performance with a correlation coefficient of 0.04.
- ❖ There was a significant positive relationship between understanding of total cost of ownership and strategic sourcing performance with correlation coefficient 0.14.

- ❖ There was a significant positive relationship between complicated logistics and strategic sourcing performance with correlation coefficient 0.385.
- ❖ There was a significant positive relationship between cultural and language difference and strategic sourcing performance with correlation coefficient 0.597.
- ❖ There was a significant positive relationship between volatile economic and political situation and strategic sourcing performance with correlation coefficient 0.598,
- ❖ There was a significant positive relationship between currency fluctuation and strategic sourcing performance with correlation coefficient 0.74,
- ❖ There was a significant positive relationship between different standards and regulations of countries and strategic sourcing performance with a correlation coefficient 0.012,
- ❖ There was a significant positive relationship between supplier source and selection difficulties and strategic sourcing performance with correlation coefficient 0.325,
- ❖ There was a significant positive relationship between supplier development and strategic sourcing performance with correlation coefficient 0.222 and there was a significant positive relationship between contract management and strategic sourcing performance with correlation coefficient 0.596 at a significance level of  $p \leq 0.05$ .

Generally, all the strategic sourcing challenges have a positive relationship with significance important of less than 0.05 degree of error. The researcher argues that all the stated variables have positive relationship with strategic sourcing performance with a positive coefficient and significance importance. Therefore, the impact of one of the challenge of strategic sourcing and contract administration variable has significant impact on the strategic sourcing and contract administration efficiency in Ethiopian Airlines Group.

## **Chapter Five**

### **Summery, Conclusions and Recommendations**

#### **5.1. Major findings**

The final chapter highlights the summery of findings, conclusion drawn and recommendations have been provided as per the findings of the study to identify the challenges of strategic sourcing and contract administration and to suggest improvement areas to improve the strategic sourcing efficiency at Ethiopian Airlines Group.

The major purpose of the study is to identify the major challenges in the strategic sourcing and contract administration activities of Ethiopian Airlines Group in the areas of Human Resource and resource, understanding on total cost of ownership, complicated logistics in global sourcing, currency fluctuation in global sourcing, volatile economic and political environment, different standards and requirements, cultural and lingual difference, supplier source and selection difficulties, supplier development difficulties and contract management challenges.

The broad research questions relating to the challenges of strategic sourcing and contract administration on its efficiency was conducted and the findings were analyzed so as to draw conclusions. The study found out that strategic sourcing has many challenges which limit from sourcing strategically out of the operational level. The study established that strategic sourcing was affected by below various factors.

##### **5.1.1. Human Resource and resource challenges**

In the analysis 72.23% of the respondents show their disagreement on the Human Resource and resource availability of strategic sourcing and contract administration section and the challenge identified are shortage of Human Resource , Some of the staffs' qualification is other than the sourcing and procurement processes, lack of higher management commitment to provide adequate resource and support, lack of advanced technology and system to support the sourcing activity, rigidity of systems, lack of adequate resource and facility, internet restricted and limitation to access any info or data web based, management interference on strategic sourcing section to handle low value and one time purchase goods or services, low employee satisfaction by their assignment and working environment and sometimes skill gabs observed on strategic sourcing personnel to create and think out of the box.

### **5.1.2. Lack of understanding on Total cost of ownership challenges**

In the quantitative analysis 61.1% of the respondents show their agreement on the total cost of ownership understanding. However, from the qualitative data obtained by the interview they forced to work on low value goods or services and onetime purchases and also insisted to focus on price than quality. This also shows that, strategic sourcing manager did not tackle the low value and one time purchase request to be handled by the operational buyer. Due to this, the sections faced monthly cost saving plan shortfall and the work becomes firefighting to support the daily operation.

### **5.1.3. Complicated logistics challenges**

In the logistics related challenge of strategic sourcing and contract administration the challenge identified are inefficiency in handling materials, delayed delivery, difficulties in handling shipments from airports in which Ethiopian Airlines does not fly, most logistics companies are not willing to provide quotation for handling AOG and oversized shipment and forwarders are not willing to keep the logistics cost they provide at the time of evaluation till completion of the project.

Another outcome we can see is ETG utilize 3PL which shows immaturity in the development of a global sourcing strategy. In a company that is employing global sourcing effectively, logistics should be coordinated and managed by an in-house team. (Chunnan Jiang and Yue Tian, 2009)

### **5.1.4. Cultural and language difference challenges**

Cultural issues are not serious challenge for strategic sourcing and contract administration of Ethiopian. They normally deal with other countries with an open-minded attitude of learning and appreciating cultural differences. Therefore, even if there are some cultural conflicts, they always accept it and show respect for other cultures. It is an appropriate way to facilitate cooperation in global sourcing.

Another factor influencing global sourcing to some extent is language, the communication media as dealing through phone requires different skill than dealing through email.

#### **5.1.5. Volatile economic and political environment challenges**

In the volatile economic and political environment of strategic sourcing and contract administration the challenges identified are dynamic market, and diplomatic relationship of countries.

#### **5.1.6. Currency fluctuation challenges**

Currency fluctuation is not serious challenge of strategic sourcing and contract administration effectiveness. Even if, currency fluctuation contributes to strategic sourcing inefficiency it is not a major challenge which led to change a preferable vendor.

#### **5.1.7. Different standards and requirement of countries challenges**

In the different standards and requirements of countries of strategic sourcing and contract administration the challenge identified are lack of understanding on customs, duties, management bureaucracy and different standards and regulation between countries are some of the challenge for strategic sourcing efficiency.

#### **5.1.8. Supplier source and selection challenges**

Supplier source and selection difficulties is a great challenge of strategic sourcing and contract administration. The challenge identified are difficulty in finding a qualified source of supply, lack of proper planning and forecasting, lack of supplier database, lack of adequate information from the internal user and technical support team, lack of access to source supplier, Geographical location of supplier to visit and make a better market assessment to know the exact markup during selection and employees did not attend trade shows and exhibitions to develop supplier database.

#### **5.1.9. Supplier development challenges**

In the supplier development of strategic sourcing and contract administration the findings identified is vendor sometimes discouraged by ETG as ETG did not release the payment per the agreement.

### **5.1.10. Contract management challenges**

In the contract management activity of strategic sourcing and contract administration the findings identified is ETG did not negotiate and review contracts every six months for further discount due to high workload and did not release payment per agreed time frame.

## **5.2. Conclusions**

1. The research concluded that the major challenges are lack of Human Resource and resource, supplier source and selection difficulties, lack of proper planning and forecasting, complicated logistics in global sourcing, lack of understanding on total cost of ownership, volatile economic and political environment, different standards and requirements between countries, supplier development difficulties, cultural and lingual difference, currency fluctuation in global sourcing, and contract management challenges.
2. The research concludes that there is a delay in most of the projects. The main reasons were lack of reasonable number of Human Resource, lack of proper project planning and way of handling such as user section limitation on the preparation of the specification, evaluation result delay by the technical team, shortage of adequate resource and facility, the technical team assigned from the user and support section have their main duty and consider the strategic sourcing project evaluation as additional duty. As a result, they did not avail the strategic sourcing projects evaluation and technical speciation on time, lack of commitment and support from higher management.
3. The research concludes that the sections work becomes firefighting due to the Human Resource limitation, technical evaluation delay by the user section, lack of adequate resource and facility, spending time on low value goods and services, lack of commitment of each employee to do different things at a time, coordination and communication is less from the airline industry expectation the work becomes firefighting and doing operational things instead of thinking and doing strategically.
4. The research concluded that Strategic Sourcing sometimes faced cost saving plan shortfall. The main reasons were doing operational things other than doing the planned spend analysis sourcing, strategic sourcing staffs did not negotiate contracted items due to the urgency of the projects and the workload they have, management interference to work on all low value and

one time purchase goods/ services to support the daily operation, lack of management commitment to avail the necessary facility and resource support and due to the firefighting operational works. Furthermore, the research concludes that failure to see things in 360 degrees and sometimes exaggerated plan are some of the causes for cost saving plan shortfall.

The below table illustrates the comparison between western companies different strategic sourcing challenges ranking by Salleh and Mohammad, (2006) and the Ethiopian strategic sourcing challenges ranking result.

Western companies Global sourcing challenge	ETG Strategic sourcing Challenges	Challenge Ranking
Fluctuation of currency	Supplier selection difficulties	1
Supplier selection difficulties	Improper planning and forecasting	2
Complicated logistics	Lack of supplier development	3
Cultural and language difference	Just in time requirement	4
Nationalistic attitude	Lack of understanding on total cost of ownership	5
Volatile economic and political environment	Lack of knowledge about foreign business practice	6
	Complicated logistics	7
	Fluctuation of currency	8
	Lack of knowledge on customs duties and requirements	9
	Cultural and language difference	10
	Nationalistic attitude	11
	Volatile economic and political and	12

Table5.1, Different strategic sourcing challenges ranking of western countries and Ethiopian

As shown in the above table ETG faced internal and external challenges besides the challenge that western companies faced during performing Global sourcing such as improper planning and forecasting, lack of supplier development, lack understanding on total cost of ownership, lack of knowledge about foreign business and customs.

### 5.3. Recommendations

From the finding originating from this study, the followings are the researcher's recommendations that Ethiopian Airlines has to adhere in order to alleviate strategic sourcing and contract administration challenges and to maximize the benefits obtained from strategic sourcing and contract administration:

1. The study found out the number of Human Resource in strategic sourcing section is not reasonable in comparison with the sections assignment and also skill gaps are observed on the staff. The company needs to empower and include additional Human Resource capable both mechanical and professional, by providing continues international trainings.
2. The research found out one of the cause for strategic project delays and cost saving plan shortfall is due to lack of proper planning from internal user section. The company need to ensure proper planning and allocating reasonable time for each project before requesting strategic sourcing section to handle the subject.
3. The study found out the sections work becomes firefighting due to the Human Resource and resource shortage, due to the improper planning and forecasting and suggest to include additional Human Resource, avail necessary facilities and resource and also to include the technical personnel in the sourcing section who develop specification and doing evaluation and present to the internal end user for final decision. Which requires restructuring by including composition of capable staffs from technical team to prevent firefighting sourcing's and project delay.
4. The study founds out finding a qualified source is the major challenge for strategic sourcing effectiveness. This is due to the failure of having supplier relationship management (SRM) and the company need to develop supplier relationship management (SRM) to have reliable supplier and sourcing capacity should be improved by doing international market assessment physically since electronically web sourcing has limitations and most of the suppliers are not respond the request. In addition, the company need to allow employees to participate on trade shows and exhibitions.
5. The research concluded that Strategic Sourcing sometimes faced Cost Saving plan shortfall. The recommended solution for this again additional Human Resource requirement and enhance the commitment of each staff to doing parallel works and seeing things in 360 degrees round out of the box by providing the necessary facilities and resource. Also,

higher management should approach the strategic sourcing employees' and need to increase their satisfaction rate as it has its own impact on the strategic sourcing and contract management efficiency.

6. The study found out that there is a bridge unlinked between the end user, technical support section, the operational buyer and strategic sourcing section in supporting the strategic sourcing activities by providing proper planning, adequate information, support and on time technical evaluation. Because of this gap, strategic sourcing projects become delayed, firefighting, not worthy and are not strategic items. Inversely, items that need strategic agreements and items that require spend analysis are not done yet. Team work is important to bridge this gap and for betterment of strategic sourcing efficiency.

Finally, this study is mainly focused on challenges towards strategic sourcing performance and use census survey only for the strategic sourcing personnel excluding other personnel in the supply chain management. Therefore, future research can investigate further strategic sourcing challenges by increasing the size of population in the supply chain management such as suppliers, logistics management section, buying section, end user and technical support section with additional variables like obtaining the information from more suppliers, optimizing and systemizing the global sourcing process and supplier base, and keeping more long-term win-win strategic relationship with suppliers within the global scope.

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**APPENDIX 1**  
**QUESTIONER ON CHALLENGES OF STRATEGIC SOURCING AND CONTRACT**  
**ADMINISTRATION**

This research is conducted as part of the partial fulfillment of Masters of Arts Degree in Logistics and supply chain management. To ensure the success of the research I would like to seek your support and cooperation in answering the questionnaire by providing your honest and most accurate responses.

The information that you give in this questionnaire will be used for academic purpose only and will be kept confidential. The findings from this questionnaire will be reported only in aggregate level and anonymity of individuals that respond to this questionnaire is guaranteed.

This research focuses on investigating and identifying the challenges and gaps of strategic sourcing and contract administration practice in Ethiopian Airlines Group.

Thank you in advance for your time and cooperation!

*Note:* No need to write your name

Please tick (✓) on your best choice on the space provided

**Part A: Demographic related Information**

1. Gender: Male  Female
2. Age: 18-25  26-35  36-45  above 45 years
3. Department \_\_\_\_\_
4. Current Position \_\_\_\_\_
5. Level of education
  - a) Certificate
  - b) Degree
  - c) Diploma
  - d) Masters
  - e) Other (please specify) \_\_\_\_\_
6. How long have you worked with Ethiopian Airlines
  - a) Less than 5 years
  - b) 5-10 years
  - c) 10-15 years
  - d) Above 15 year

## Part B: General Questions about Strategic sourcing and Purchase

1. Which of the following practically handled by strategic sourcing personnel?
  - a) Capital items with estimate budget 1million
  - b) Capital items Even below 1million estimate budget
  - c) Items with repetitive purchase
  - d) One-time purchase including low value goods and services
  - e) All
2. What sourcing method does strategic sourcing section use?
  - a) Single sourcing
  - b) Dual sourcing
  - c) Multiple sourcing
3. Who creates strategic sourcing project delay? *Several answers possible.*
  - a) User section didn't request project works within reasonable time
  - b) Lack of proper planning and forecasting of the user section
  - c) Lack of on time response and support from user and technical section during specification development and Technical evaluation
  - d) In efficiency and improper handling of Strategic sourcing staff
4. What are the motives behind strategic sourcing strategies in ET? *Several answers possible.*
  - a) Reduce costs
  - b) Improve quality
  - c) Long term relationship
  - d) Supplier development
5. What are the **relationships** between your company and your suppliers? *Several answers possible.*
  - a) Just for one-time Purchase
  - b) Sister company
  - c) Long term relationship
  - d) Short term relationship

6. What factors does ET preferably consider when choosing suppliers? *Several answers possible.*

- a) Low Price
- b) High Quality
- c) Delivery performance
- d) After sales Service
- e) Strategic long term partnership
- f) High Technology

7. What are the causes for strategic sourcing cost saving plan shortfall? *Several answers possible.*

- a) Extremely stretched plan
- b) Lack of skill and resource
- c) Due to strategic sourcing work load the staff focus on project completion than cost saving and not prioritize cost saving areas
- d) The projects handled are low values and difficult to expect cost saving
- e) No cost saving plan shortfall

8. Do you check regularly and Negotiate strategic sourcing signed agreements before their expiry date?

- A) Yes
- B) No

9. Does ET evaluate and monitor supplier's performance?

- A) Yes
- B) No

10. If the answer for the above is yes, please, describe the evaluation criteria's and who perform supplier evaluation and monitor their performance?

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<b>1. Human Resource and resource</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
11. Strategic sourcing and contract administration section has reasonable number of staffs.	1	2	3	4	5
12. Strategic sourcing staffs has enough knowledge about strategic sourcing and supply chain management activity.					
13. Higher managements in ET has enough Knowledge about strategic sourcing concepts and its importance to achieve the company strategic objectives.					
14. Ethiopian higher management pay attention for strategic sourcing section to support and achieve the strategic objective of the company by providing adequate resource and assistance					
15. ET has advanced technology to perform strategic sourcing activities and supported by systems to enhance sourcing and contract administration efficiency.					
16. Systems or technologies in ET are user friendly and easy to learn.					
17. Systems in ET are flexible and suitable for staffs.					
18. Strategic sourcing staffs use E-sourcing to obtain potential source of supply and to perform their strategic sourcing and contract administration activity.					
19. Strategic sourcing staffs have enough resource and facility to perform their task effectively.					
20. Strategic sourcing employees are satisfied by their assignments and working environment.					

**Anything you want to explain more**

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<b>2. Total cost of ownership</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
21. Ethiopian takes other related costs under consideration besides invoice price while performing supplier evaluation.					
22. User section needs and request strategic sourcing to work on all low valued products and got support from higher managements.					
23. Ethiopian higher management intervene on strategic sourcing activity to be focused on price than quality					
24. Strategic sourcing evaluation of suppliers consider money value of payment term and other invisible costs.					
25. Ethiopian looks for low cost regions to achieve its cost saving plan.					
26. Strategic sourcing staffs perform spend analysis of the company and prioritize to work on high value goods and service.					
27. Strategic sourcing manager challenges the request of low value goods and one time purchase work to be handled by the operational buyer.					

**Anything you want to explain more**

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<b>3. Complicated logistics in global sourcing</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
28. ET utilize third party logistics (3PL) when you purchase materials from other countries.					
29. Ethiopian face the challenge of logistics problems when you do global sourcing					

**Additional Related questions**

30. If you face the challenge of logistics problems when you do global sourcing what kinds of logistics problem have you faced before? If you had, please clarify here.

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<b>4. Cultural and language difference</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
31. Employees working in strategic sourcing section have enough communication skill to pursue vendors.					
32. The cultural issue between you and the potential vender led to instability of the relationship					
33. Miscommunication with a foreign supplier ever led to a conflict with that supplier					

**Anything you want to explain more**

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<b>5. Volatile economic and political environment</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
34. Political environment Sanction-Terrorism-Foreign government regulations are currently affects the strategic sourcing efficiency.					
35. Timely Market inflation is one of the challenge of strategic sourcing and contract administration.					
36. When there is market inflation strategic sourcing team should perform market analysis.					
37. Diplomatic relationship of countries affects strategic sourcing activities.					

**Anything you want to explain more**

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<b>6. Currency fluctuation</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
38. Fluctuation in currency exchange rate suffers strategic sourcing team in ET when doing global sourcing.					
39. Exchange rate fluctuation forced you to change a preferred vendor					

**Anything you want to explain more**

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<b>7. Different standards and requirements</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
40. Standards between different countries affect the processes of strategic sourcing in ET.					
41. Ethiopian management Bureaucracy affects strategic sourcing effectiveness.					
42. Ethiopian procurement Policy allows strategic sourcing to deal with distributors.					
43. Regulations such as customs duties affect the processes of global sourcing in your company					

**Anything you want to explain more**

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<b>8. Supplier source and selection</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
44. Finding a qualified source of supply is one challenge of strategic sourcing and contract administration section.					
45. Strategic sourcing conduct an audit/facility visit of a potential vendor overseas.					
46. Strategic sourcing employees get necessary and adequate information from the internal user and technical support team on time.					
47. Strategic sourcing team attends trade shows exhibition and develop supplier database					
48. Strategic sourcing team has enough access to source suppliers					
49. Strategic sourcing team has standard supplier selection criteria					
50. Strategic sourcing team develop evaluation criteria before the supplier submit their proposal					

**Anything you want to explain more**

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<b>9. Supplier development</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
51. Ethiopian higher managements encourage collaboration with suppliers and ensure strategic sourcing staffs to do so.					
52. The supply chain integration of Ethiopian is strong and keen to discuss, to collaborate, as well as to share information from the upper stream to the downstream.					
53. Ethiopian executives are focused on long term partnership strategy and work on supplier development considering the long run neglecting the time being price advantage.					
54. Strategic sourcing staffs are not requested to work on one-time purchased items with low value.					
55. Ethiopian higher managements encourage strategic sourcing officers to develop long term partnership with suppliers and focus on supplier development.					

**Anything you want to explain more**

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<b>10. Contract management</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
56. Most of the suppliers are interested to work with Ethiopian airlines group.					
57. All Suppliers are interested to execute contractual agreement with Ethiopian airlines group.					
58. Ethiopian experience Win- Win (mutual) contract agreement practice.					
59. The process to execute contract and administer is moderate					
60. ET reviews contracts every six months and negotiate for further discount					
61. Vendors keep the agreed price per the contract terms					
62. ET have matured Standard contract agreement					
63. ET follows appropriate method of Dispute settlement with contracted suppliers.					

**Anything you want to explain more**

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64. Which **challenge** you think affects more when you do strategic sourcing. Please rank from higher to lower.

- A. Fluctuation in currency exchange rates
  - B. Finding qualified sources of supply
  - C. Just in time sourcing requirement
  - D. Logistics support for longer supply lines
  - E. Lack of knowledge about duty/custom requirements
  - F. Lack of knowledge about foreign business practices
  - G. Culture/language difference affecting communication
  - H. Nationalistic attitudes and behavior
  - I. Understanding the political environment
  - J. Lack of proper planning and forecasting
  - K. Lack of supplier development
  - L. Lack of understanding on total cost of ownership
  - M. Others, please specify
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65. Which are the most important **competitive factors** in your industry? Please rank from higher to lower.

- A. Cost
  - B. Quality
  - C. Flexibility
  - D. Customer retention/ service
  - E. Innovation
  - F. Technology
  - G. Time/speed
  - H. Long term relationship
  - I. Others (please specify)
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**Thank you very much for answering this questionnaire!**

**APPENDIX 2**  
**Interview questions**

1. What is the main objective and the motives behind strategic sourcing formulation?

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2. What factors does ET preferably consider when choosing suppliers?

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3. Do you think strategic sourcing section is sourcing *strategically* to support the strategic objective? Briefly explain.

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4. Do you think strategic sourcing section faced challenges which limits from sourcing strategically? If yes, please mention some of them and explain briefly with recommended solutions?

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5. Do you think strategic sourcing is forced to support the operational activity instead of supporting the strategic level objective by performing spend analysis and Deep Market research? If yeas, please mention some of the forces with recommended solutions.

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6. Do you think there is strategic sourcing projects delay? If yes? What are the cause of delay and suggestions to alleviate those challenge?

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7. Do you agree that the work of strategic sourcing team becomes firefighting? If yes, what would be the Causes with recommended solution?

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8. Did strategic sourcing faced cost saving plan shortfall? If yes, please explain the cause and recommended solutions.

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9. What are the challenges in getting strategic items from the markets and how strategic sourcing division is attempting it?

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10. Do you think strategic sourcing section has skilled and reasonable number of staffs?

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11. Finally, what are the main challenges that ET should consider and take immediate corrective action with recommended solutions?

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**Thank you very much for answering this questionnaire!**