

THE ASSESSMENT OF FOREIGN PURCHASE PRACTICES – THE CASE STUDY OF ETHIO TELECOM

BY
TEKLIL BADARGA

A THESIS SUBMITTED TO Addis Ababa UNIVERSITY TO THE FULFILMENTS OF THE DEGREE OF MASTER OF ARTS IN LOGISTICS & SUPPLY CHAIN MANAGEMENT

ADVISOR

MENGISTU BOGALE (PHD)

JUNE, 2017

ADDIS ABABA, ETHIOPIA

THE ASSESSMENT

OF FOREIGN PROCUREENT PRACTICES –

THE CASE STUDY OF ETHIO TELECOM

BY

TEKLIL BADARGA

ADVISOR

MENGISTU BOGALE (PhD)

A THESIS SUBMITTED TO AUSC SCHOOL OF GRADUATE

STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE

DEGREE OF MASTER OF ARTS IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT

MAY, 2017

ADDIS ABABA, ETHIOPIA

THE ASSESSMENT

OF FOREIGN PROCUREMENT PRACTICES –

THE CASE STUDY OF ETHIO TELECOM,

ADDIS ABABA

BY

TEKLIL BADARGA

ADVISOR

MENGISTU BOGALE (PhD)

MAY, 2017

ADDIS ABABA, ETHIOPIA

AAUSC

SCHOOL OF GRADUATE STUDIES

MASTER OF ART IN LSCM

THE ASSESSMENT

OF FOREIGN PROCUREMENT PRACTICES –

THE CASE STUDY OF ETHIO TELECOM

BY

TEKLIL BADARGA

APPROVED BY THE BOARD OF EXAMINERS

1. ---------- ---------- ----------

Dean. Graduate Studies Signature Date

2. ---------- ---------- ----------

Advisor Signature Date

3. ---------- ---------- ---------

External Examiner Signature Date

4 ---------- ---------- ----------

Internal Examiner Signature Date

MAY 2017
ADDIS ABABA, ETHIOPIA

Acknowledgment

My first and utmost thanks go to my advisor Dr Mengistu Bogale, who helped me without reservations throughout till this moment. His guide and constructive comment was very useful to me to develop the paper through time.

Next, I would like to express my sincere gratitude to my beloved wife Adanech Worku, for understanding and support to my children AnaniyaTeklil ,Robelteklil for their patience in giving me time for stud and writing this research ,to my all my staffs colleagues special thanks to my friend H/Micheal Assefa, supports me his personal device brows internet for more than two years without any hesitation, I really than him.

Declaration

I, Teklil Badarga, hereby declare that this study entitled to the Assessment of foreign procurement practices and identifying the current challenges - the case of ethio telecom, Addis Ababa is for the partial fulfillment of the requirements for MA in Arts in LSCM is prepared with my own effort. All information in this study has been obtained and presented in accordance with academic rules and ethical conduct. This study is my original work and has not been presented for a Degree or Master's program in this or in any other University and I have made it independently with the close advice and guidance of my advisor.

Declared by: Teklil Badarga Research Advisor: Mengistu Bogale .(PhD)

Date: ---------- Date: ----------

Signature: ---------- Signature: ----------

JUNE, 2017

TABLE OF CONTENT

CONTENTS

1 CHAPTER ONE INTRODUCTION----------1

1.1 BACK GROUND OF THE STUDY---- ----------1

1.2 STATEMENT OF THE PROBLEM----------4

..1.3. RESEARCH QUESTIONS---------- 6

1.4 OBJECTIVES OF THE STUDY 6

1.4.1 GENERAL OBJECTIVES 6

1.4.2SPECIFIC OBJECTIVES 6

1.5 SIGNIFICANCE OF THE STUDY 7

1.6 SCOPE OF HE STUDY 7

1.7 LIMITATION OF STUDY.....6

1.8 DEFINITIONS OF TERMS.....8

1.9 OGANISATION OF THE STUDY.....9

CHAPTER TWO -RELATED LITRATURE-REVIEW---------- 10

2.1 THEORITICAL LITRATURE 10

2.2 DIFFERENCE BETWEEN DOMESTIC AND INTERNATIONAL PURCHASIN-----11

2.3 SEVEN STEPS STRATEGIC SOURCING PROCESS ----------15

2.3.1 PROFILE SOURCING COMMODITY----------16

2.3.2 DEVELOP SOURCING STRATEGIES AND TACTICS----------18

2.3.3 GENERATING SUPPLIERS PORTIFOLIO----------22

2.3.4 SELECTING THE IMLIMENTATION PATH ----------23

2.3.5 NEGOTIATING AND SELECTING COMPETITIVE SUPPLIERS----------24

2.3.6. INTEGRATING SUPPLIERS INTO OPERATION ----------24

2.3.7 CONTINOUS BENCHMARKING AND IMPROVEMENT ---------- 25

2. INTERDEPARTMENTAL INTEGRATION AND LEADERSHIP INVOLVMENT -------28

2.5 CHALLENGES OF FOREIGN PROCUREMENT IMPLEMETATION ----------29

2.6 EMPIRICAL LITRATURE REVIEW ON STRATEGIC SOURCING /PROCUREMENT/-
----------30

2.7 CONCEPTUAL FRAMEWORK ----------31

CHAPTER THREE -RESEARCH DESIGN AND METHODOLOGY ----------33

3.1 RESEARCH DESIGN ----------33

3.2 TARGET POPULATION, SAMPLE & SAMPLING TECHNIQUE----------33

3.3 TYPES OF DATA ----------35

3.4 METHODS OF DATA COLLECTION ----------35

3.5 ETHICAL CONSIDERATION----------35

3.6 DATA ANALYSIS METHOD ---------- 35

4. CHAPTER FOUR DATA ANALYSIS AND INTERPRETATION ----------36

4.1INTRODUCTION----------36

4.2 DEMOGRAPFIC DESCRIPTION ----------36

4.2.1 GENDER----------36

4.2.2 EDUCATIONAL BACKGROUND ----------37

4.2.3 AGE CLASSIFICATION OF THE RESPONDENTS----------38

4.2.4. POSITION STATUS OF THE RESPONDENTS ----------39

4.2.5. EXPERIENCE OF THE RESPONDENTS----------40

4.3. ANALYSIS AND INTERPRETATION OF THE MAIN RESEARCH ----------41

4.3.1. ANNUAL SUPPLIER EVALUATION PLAN----------41

4.3.2. CONTROL FOREIGN PROCUREMENT EFFICIENCY OF SUPPLIERS----------42

4.4 IMPLEMENTATION OF SOURCING PROCEDURE AND POLICIES----------42

4.5 CHALLENGING FACTORS OF FOREIGN PROCUREMENT ----------43

4.5.1 DELAY OF LETTER OF CREDIT----------44

4.5.2. CURRENCY /FLUCTUATION OF FOREIGN EXCHANGE----------44

4.5.3 LOGISTICS IS ONE OF A CHALLENGE ----------45

4.5.4 QUALITY----------45

4.5.5. CULTURAL DIFFERENCE ----------46

4.5.6 STANDARDIZATION DIFFERENCE AMONG DIFFERENT COUNTRIES---------46

4.5.7. SOURCING OF THE SAME PRODUCTS FROM DIFFERENT SUPPLIERS-----47

4.6. ADDITIONAL FOREIGN PROCUREMENT CHANGING FACTORS----------48

4.7 THE ADVANTAGE OF INTERNAL AND EXTERNAL INTEGRATION----------49

4.7.1. INTEGRATION WITH INTERNAL USERS----------49

4.7.2. STRONG AND SUSTAINABLE SUPPLIER RELATIONSHIP ----------50

4.7.3 SWITCH A PREFERRED SUPPLIER DUE TO PROBLEMS LIKE DEFECT-------5

4.7.4. MISCOMMUNICATION WITH SUPPLIERS THAT LEADS TO CONFLICT-------51

4.7.5. SETTING INTERNATIONAL PROCUREMENT OFFICES ABROAD IS IMPORTANT--52

4.8. CURRENT IMPLEMENTATION OF FOREIGN PROCUREMENT PRACTICES IS COMFORTABLE AND FREE FROM PROBLEMS---------- 53

4.9 OPPORTUNITIES GAINED DURING PROPER IMPLEMENTATION OF FOREIGN PROCUREMENT PROCESSES----------54-55

4.10 KNOWLEDGE OF WORKING DOCUMENTS OF FOREIGN PROCUREMENT--56

4.11 IMPORTANT FACTORS THAT SHOULD BE TAKEN INTO CONSIDERATION IN DECIDING FOREIGN PROCUREMENT ACTIVITIES----------58

4.11. SUPPLIER RELATIONSHIP MANAGEMENT----------60-61

4.12.DATA INTERPRETATION BASED ON CORRELATION AND REGRESSION64-75

5. CHAPTER FIVE SUMMARY, CONCLUSION AND RECOMMENDATION----------76

5.1.2. INTRODUCTION ----------76

5.1.3. THE IMPLEMENTATION OF SOURCING WORKING DOCUMENTS ----------76

5.1. 4 FOREIGN PROCUREMENT CHALLENGES AND BOTTLENECKS ----------77

5.1.5 INITIAL FACTORS THAT SHOULD BE INVESTIGATED IN DECIDING TO SOURCE PRODUCTS FROM IN AN INTERNATIONAL SOURCE ----------78

5.1.6. FOREIGN PROCUREMENT OPPORTUNITIES ----------78

5.2 CONCLUSION---------- 79

5.3 RECOMMENDATION----------80

5.4 SUGGESTION FOR FURTHER STUDIES----------82

TABLES AND FIGURES

2.1 THE KRALJIC PORTFOLIO ----------21

3.1 TARGET POPULATIONS AND SAMPLE ----------34

4.1 GENDER----------36

4.2 EDUCATIONAL BACKGROUND ----------37

4.3 AGE CLASSIFICATION OF THE RESPONDENTS----------38

4.4. POSITION STATUS OF THE RESPONDENTS ----------39

4.5. EXPERIENCE OF THE RESPONDENTS----------40

4.6. ANNUAL SUPPLIER EVALUATION PLAN ---------- ----------41

4.7. CONTROL FOREIGN PURCHASING EFFICIENCY----------42

4.8. IMPLEMENTATION OF SOURCING PROCEDURE AND POLICIES----------42

4.9 CHALLENGING FACTORS OF FOREIGN PROCUREMENT----------43

4.10 DELAY OF LETTER OF CREDIT----------44

4.11. CURRENCY /FLUCTUATION OF FOREIGN EXCHANGE----------44

4.12 LOGISTICS IS ONE OF A CHALLENGE ----------45

4.13 QUALITY----------45

4.14. CULTURAL DIFFERENCE ----------46

4.15 STANDARDIZATION DIFFERENCE AMONG DIFFERENT COUNTRIES----------46

4.16 SOURCING OF THE SAME PRODUCTS FROM DIFFERENT SUPPLIERS------47

4.17 ADDITIONAL FOREIGN PROCUREMENT CHANGING FACTORS----------48

4.18 INTEGRATION WITH INTERNAL USERS----------49

4.19 STRONG AND SUSTAINABLE SUPPLIER RELATIONSHIP----------50

4.20. SWITCH A PREFERRED SUPPLIER DUE TO PROBLEMS LIKE DEFECT-----50

4.21 MISCOMMUNICATION WITH SUPPLIERS THAT LEADS TO CONFLICT-------51

4.22 SETTING INTERNATIONAL PROCUREMENT OFFICES ABROAD IS IMPORTANT----------52

4.23 CURRENT IMPLEMENTATION OF FOREIGN PROCUREMENT PRACTICES IS COMFORTABLE AND FREE OF PROBLEMS----------53

4.24 OPPORTUNITIES GAINED DURING PROPER IMPLEMENTATION OF FOREIGN PROCUREMENT PROCESSES----------54

4.25 DESCRIPTIVE STATISTICS OF OPPORTUNITIES----------55

4.26 KNOWLEDGE OF WORKING DOCUMENTS OF FOREIGN PROCUREMENT--56

4.27. KNOWLEDGE OF WORKING DOCUMENT TABLE 2----------56

4.28. IMPORTANT FACTORS THAT SHOULD BE TAKEN INTO CONSIDERATION IN DECIDING FOREIGN PROCUREMENT ACTIVITIES----------58

4.29 SUPPLIER RELATIONSHIP MANAGEMENT----------60

4.30 SUPPLIER RELATIONSHIP/MANAGEMENT/GROUP & INDIVIDUAL MEAN/ -61

4.30 DATA INTERPRETATION BASED ON CORRELATION AND REGRESSION-----64

4.31 MODEL SUMMARY, ----------65

4.32 MODEL SUMMARY ----------65

4.33.ANOVA TABLE ----------65

4.34 REGRESSION TABLE ----------66

4.35 CORRELATIONS----------68

4.36, 4.37, 4.38, 4.39, 4.40, CORRELATION TABLE, VARIABLES, MODEL SUMMARY, ANOVA TABLE, REGREASSION TABLE ----------69-73

4.42CORRELATIONS TABLES/SUPPLIER RELATIONSHIP WITH FOREIGN PROCUREMENT CHALLENGING FACTOR----------75

ACRONIMS AND ABREVATION

COO- CHIEF OPERATING OFFICER

CFO- CHIEF FINANACE OFFICER

CPO- CHIEF PROCUREMENT OFFICER

RFP- REQUEST FOR PROPOSAL

RFI- REQUEST FOR INFORMATION

TCO- TOTAL COST OF OWNERSHIP

OLA- OPERATIONAL LEVEL AGREEMENT

ET- ETHIO TELEOM

SD- SOURCING DIVISION

Abstract

The purpose of this study was to evaluate and assess the foreign procurement practices of ethio telecom and to identify the gap and challenges observed currently while implementing foreign procurement activities and to recommend improvement areas . In this study both primary and secondary sourcing of data were employed. Primary data was collected through questionnaire (structured and semi-structured) and interviews. Questionnaires were distributed to 110 participants from ethio telecom's Sourcing department managers, supervisors and specialists and user units. Interviews were conducted with 4 Sourcing committee members including ethio telecom Chief Executive Officer (CEO). Secondary data were also extracted from related literature from studies conducted in area, company manuals and reports in the area of the study. Data were analyzed using descriptive statistics (percentage & mean, standard deviation, variance correlation and regression). The descriptive statistical analysis including opinions and

suggestions obtained from open ended and interview questions of the study demonstrated that the seven steps strategic sourcing processes were not been properly implemented. Based on the findings indicated that delay in transit, currency shortage and fluctuation, delay of letter of credit, standardization difference among countries ,were the main bottlenecks that seriously threaten the foreign procurement activities ,other variables were also identified a challenge, like cost, poor supplier relationship management, lack of getting the right suppliers were some of them, based on the findings sourcing of the same product from a number of suppliers were one of the advantages that ethio telecom gained during foreign procurement processes. The result about Suppliers Relation Management showed disagreed and strongly disagreed. This tells us that the one and the major part of foreign procurement process was “Suppliers Relation Management” in ethio telecom have been poorly managed. The other constraint of this study was interdepartmental integration in implementing foreign procurement processes. The results of this variable were also negative which was somewhat disagreeing. The last but not the least constraint of this study was challenges that hinder ethio telecom to implement the seven steps strategic procurement processes. The findings of the research were: procurement function has not been the focus area of the company and not seen as a strategic function., ethio telecom has not been providing competency and skill developing trainings, benchmarking and experience sharing programs in house or from external sources. Finally, from the above findings the research concluded that the seven steps strategic procurement processes have not been implemented in ethio telecom. Thus, to achieve the objectives and to become a world-class company ET has to implement the strategic procurement processes properly and has to find immediate solutions for the above mentioned bottlenecks in cooperation with different stack holders specially banks.

Keywords: Supplier relationship Management, foreign procurement, supply market, bottlenecks.

CHAPTER-ONE

1. INTRODUCTION

This chapter deals with the problem and its approach. And this chapter generally deals with the background of the Study, statement of the problem, basic research questions, and objectives of the study, scope/limitation of the study and significance of the study.

1.1 BACKGROUND OF THE STUDY

As pointed out by Milliken, *et al* (2011), the principal objective of foreign procurement strategy is to effectively handle situations when faced with supply, competitive, and demand uncertainties. They further noted that, it is achieved by developing a set of practices through which certain flexibilities could be obtained to face these uncertainties. Carr and Smeltzer, (1997), said that, foreign procurement enables an organization to identify and select suppliers through strategic long term partnerships, by providing benchmarks, laying emphasis on supplier performance and providing feedback to suppliers. They also noted that, in today's business context organizations compete in a global environment and operate in multiple markets and geographical locations. This is because to reduce costs, to sustain supply of goods and service and works, to improve performance and to achieve an intended goal, every company has to give emphasis to procurement function.

The telecommunications service was introduced in Ethiopia by Emperor Menelik II in 1894 when the construction of the telephone line from Harar to the capital city Addis Ababa, was commenced. Since then the interurban network was continued to expand satisfactorily in all other directions from the capital. Many important centers in the empire were interconnected by lines, thus facilitating long distance communication with the assistants or operators at intermediate stations frequently acting as verbal human repeaters between the distant calling parties. After the establishment, through many years, Ethio telecom take different names given that the objective remains to be engaging in accordance with development policies and priorities of the government in construction, operation, maintenance, expansion and provision of telecommunication services. In 1989 E. C Ethiopian telecommunication corporation formed by the proclamation of 10/1989. A highly visible consequence of the phenomenal developments in the telecommunication sector in Ethiopia is the emergence of the economic growth and the big role of

telecommunication service in the world. From the last fifteen years onwards the telecommunication operator in Ethiopia is experienced tremendous change and nowadays it undertakes multiple network and service expansion (Ethiopian Telecommunication Corporation annual magazine, 2010).

Ehio telecom is born, on 29th November 2010, from this ambition of supporting the steady growth of our country, within the Growth and Transformation Plan (GTP), with ambitious objectives for 2015. The strategic directions of the company are to ensure that the information and communication infrastructure already in place is effectively utilized such that it provides higher qualities of data and communication services. In order to effectively utilize the infrastructure and deliver higher quality services at competitive prices, the telecom company will undergo radical institutional reform such that its institutional capacity shows fundamental changes.

The government has also found it necessary to involve the world-class telecom operator with viable experience of employees and capability in the sector so as to render world standard telecom services and formed a new telecom company of ethio telecom "under the regulation which is issued by the council of ministers pursue to article 5 of the definition of powers and duties of the executive organizations of the Federal Democratic Republic of Ethiopia proclamation No.691/2010 and article 47(a) of the public enterprises proclamation No. 25/1992

November 20, 2003 E.C. Source: (ethio telecom website 2013).

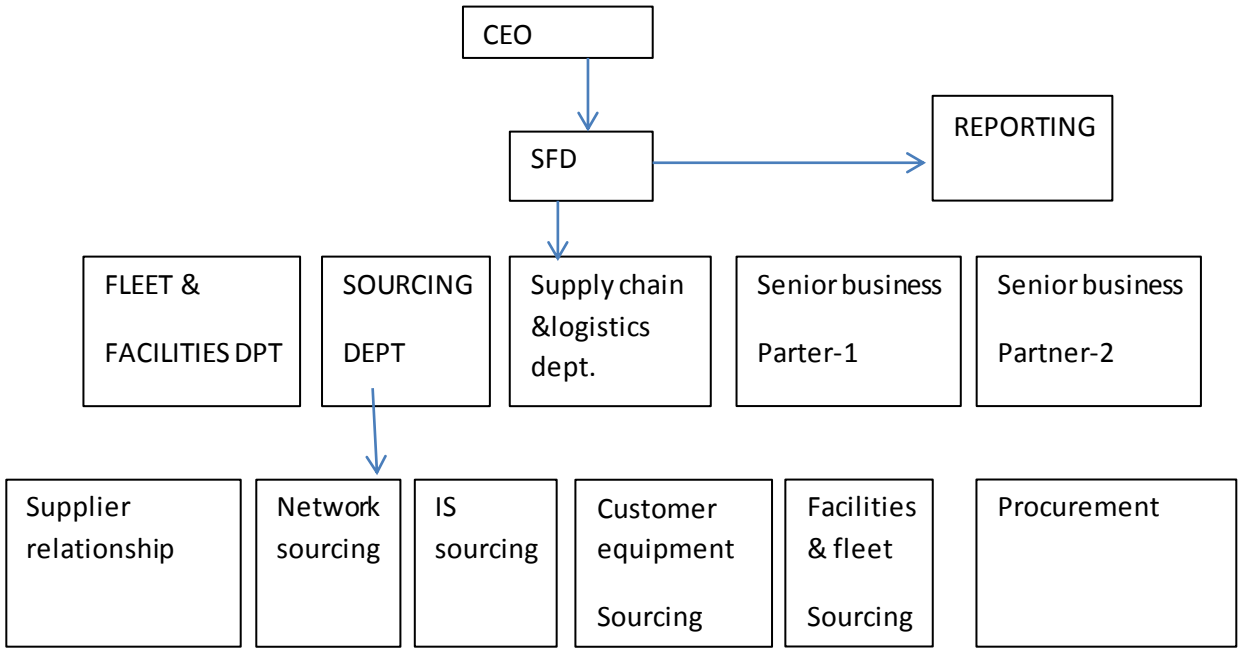
To achieve operational improvements in support of an organization's strategic objectives and the steady growth of the country's economy, ethio telecom re-structured its functions in different Divisions, Departments and Sections. Sourcing and Facilities Division (SFD) is one of biggest support divisions' that is in charge of supplying goods, services and works needed by end users. Sourcing Department is one of the three Departments' which exists in SFD whose objectives are "providing step by step instructions for responsible ethio telecom personnel in Sourcing activities, aligning their decision and duty to the Sourcing policy, and strategies; ensuring Sourcing activities are conducted as per the Sourcing principles stated in the policy; aligning ethio Sourcing with the seven steps sourcing methodology; and creating standardized and uniform practice throughout ethio telecom'. Divisional structure of sourcing and facilities division is depicted on figure below.

In order to satisfy business needs from markets through the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering

solutions to meet pre-determined and agreed business needs, developing the strategic sourcing strategy is a fundamental part of the purchasing and supply management process. Accordingly, ethio telecom deployed seven steps Strategic sourcing methodology which facilitates foreign procurement processes.

To make the strategy practical, policy, procedure and processes were established. Enterprise Resource Planning (ERP) system which makes the process more efficient and effective had also been installed to smooth purchasing and other sourcing strategies.

DIVISIONAL CHART OF SOURCING & FACILITY



Source: Adopted from ethio telecom's organizational structure

If 7 steps Strategic Sourcing process is properly implemented, in conducting foreign purchase in ethio telecom the results will be very visible and ultimately position an organization to achieve a competitive advantage in the marketplace through its suppliers. However, the researcher learned that, from 2007 and 2008 annual performance evaluation and Growth and Transformation Plan (GTP) annual evaluative meetings report, there is supply interruption, less quality of goods, service and works were purchased, delay in transit, selection of supplier problem and the report indicated that there was a logistics problem, delay of evaluation of contracts, currency problem were listed as a challenge in procuring products from international sourcing.

Moreover, the researcher also observed that annual needs of end users have not been

sent an aggregated demand properly to Sourcing Department as per the stated time period in the Sourcing policy, rather purchase requests from different units were sent to Sourcing department in dispersed manner and most of the time open tender launched for all types of goods, services and works without conducting supply market and spend analysis based on the types of goods, services and works need to be purchased. This is opposite to strategic sourcing (procurement) practices of ethio telecom which takes into consideration of the prioritization, value for money, supply risk and the profit impact of supplies in order to bring about not simply efficiency on procuring, but also the realization of company's strategy at an optimal cost is essential. Due to these facts, examining the foreign procurement practices and recommends improvement areas for the future will be the main aim of this research.

.

1.2 STATEMENT OF THE PROBLEM

According to Gelderman *et al*, (2005), procurement strategy is not simply a way to find the best price for a certain product but it has become a decision-making process that can shape the business of an entire organization. They further noted that, over the past four decades, purchasing has evolved from a clerical function in the 1960s, through being an operational activity in the 1980s to the strategic nature in the 1990s. Carr and Smeltzer, (1997), noted that organizations have transformed their purchasing capabilities into competitive advantage, others are still lagging behind. He further noted that, today, proactive firms are expected to control their purchasing operations in an effort to build competitive advantage. In order to get a competitive advantage of any organization, purchasing activities need great attention because it is one the source of company's major cost area, specially foreign procurement is the major cost areas compared local procurement so a coordinated effort is required to make it efficient and effective. Therefore, it is essential that managers should apply different types of strategic procuring processes in conducting foreign purchasing activities of ethio telecom, but these procedures should be tightly related to the overall strategy of the company and to customers' needs. The foreign procurement process by integrating user divisions has been contributing directly to the operating results and profitability of an organization. Fearon *et al* (1997), as cited in Albert Kofi Assiamah (DN), one of the keys to accomplish this is working with key suppliers to help them provide high quality, faster and more

reliable delivery, innovative design, production, distribution and a lower total product or service cost.

Purchasing activities must be implemented for an organization to reduce the total cost of procuring materials, goods and services, while maintaining high levels of quality, delivery and technology (Tyndall *et al.,* 1998). This can be achieved by developing different foreign procurement strategies to meet the specific needs of customers' requirement (Mclvor*, et al,* (2000), and developing partnership with suppliers to provide a stable supply of goods of quality and low cost (Krause, *et al.*1998). To ensure sustainable supply of goods and services, while maintaining high quality and reasonable prices.

Every organization has to be strategically source from fewer suppliers; this can be achieved through thorough evaluation and selection of suppliers. Zenz (1994) argued that, the efficiency of any organization is subject to the availability of component parts and materials purchased in a proper quantity, quality, and price'. For this reason, disappointment in any of the above mentioned reason increases cost and decreases profit and can create economic crisis for the organization.

The importance of skills, knowledge and professionals possessed by an organization cannot be underestimated, especially in these times of a more rapidly changing environment with stiff competition in world markets, more varied customers' demands and rapidly changing technologies. The current foreign purchase cost of the company is very high as the data indicated huge amount of investment is incurred for the international purchase compared to domestic purchase so that foreign purchase should be given prior attention to make it cost effective otherwise it is impossible to be competitive in the market.

By its very nature, procurement is basic & integral part of business management. Why is this fact important? It is impossible for an organization to achieve full potential without successful procurement activity (Dobler, 1990).

1.3. RESEARCH QUESTION

The following questions were raised for further investigation and recommendations are

- How does the current foreign procurement practice of ethio telecom look like?
- How currency and extension of letter of credit affects while conducting foreign purchase in Ethio telecom?
- Challenges faced regarding logistics system of the company in conducting foreign purchase.
- How does the Suppliers Relationship Management practice seems like in ethio telecom and the influence brought due to poor practice
- How does interdepartmental integration look like in relation to the implementation of foreign procurement processes?
- Benefit or challenges gained in the process of foreign procurement activities and the prior decisions that must be consider during the process?
-

1.4 OBJECTIVES OF THE STUDY

1.4.1 GENERAL OBJECTIVE

The Objective of the study is to get the overall picture of foreign purchasing activity of Ethio-Telecom. The study was focus on the current practical performance conducted by Ethio-Telecom regarding foreign procurement and identifying the challenges its impact on the overall practice of the department and other stack holders in the company and to suggest the possible solutions and recommendations for the future.

1.4.2 SPECIFIC OBJECTIVE

Specific objective was to address the problems that affect the cost effectiveness of Ethio telecom.

The specific objectives are stated as follows.

- To assess the current foreign procurement practices of ethio telecom.
- To identified the existing foreign procurement challenging factors in the process.
- To describe how interdepartmental integration and external integration with

suppliers and other stockholders during foreign procurement processes seems like and its advantage gained /loss/ by creating supplier relationship management

- To assess the possible gains obtained by conducting international sourcing and the prior decisions that must be done in the

1.5. SIGNIFICANCE OF THE STUDY

This specific research provides insight to the organization management and decision makers to take corrective measures for the challenges happened in conducting foreign purchasing activities.

Provide information for the users and stack holders about the foreign purchase practices of ethio telecom seems like currently.

It also benefits other researchers to serve as an input or raw material to conduct detailed research and to evaluate the foreign purchase practices made by the company in general.

1.6 SCOPE OF THE STUDY

This study was focused on the investigation of current problems of foreign purchase practice in Ethio-Telecom, which includes the preparation of requirement specification, evaluation of the offer, preparation of the contract agreement and making the contractual agreement, the process of decision making by senior management and the contents of procurement manual.

The study is limited to the central foreign purchasing section found in the procurement section located at head quarter, decentralise local purchase is not the scope of this thesis since the focusing point is assessing the foreign purchase practices of the company.

1.7 LIMITATIONS OF THE STUDY

This research was mainly focused on foreign purchase practices of Ethio telecom by excluding domestic purchase so getting the genuine information is difficult, this was one limitation and contacting the whole target population was another drack back of the research, lack of covering the whole secondary document due to scarcity of time was another limitation of the research, difficulty of collecting the whole questionnaires due to different personal problems of the respondents was a limitation in conducting this research

1.8 DEFINITION OF TERMS & CONCEPTS

Procurement: is the management of the requests/orders, the invoices and purchases delegated in the respect of the sourcing policy of ET and the support of the requesters and the Financial Controllers and the interface with all the players of the process.

Purchase Request: is a formal written request by User Division to initiate the Sourcing Department to issue purchase order or enter an agreement with the supplier/partner

Tendering: is the identification and selection of the best deliverable with the best price among suppliers based on the information gained from the suppliers.

Sourcing: is a process that covers understanding of ET's deliverables and in this aim define the following objectives: Profile Sourcing Commodity, Develop Sourcing Strategies and Tactics, Generate Supplier Portfolio, Request for proposal or Direct Action Plan, Negotiate and select competitive Supplier(s), Integrate Suppliers into Operations and Continuous Benchmarking and improvement.

Commodity team: is a core team and extended (if required) responsible for the analysis of the technical proposal, commercial and services offers provided by supplier partners.

Requester Units: Units those are fully responsible to assess annual need of goods, services and works from end users and that specialized in aggregating, categorizing and sending Purchase

Order Request to Sourcing Department.

Services: mean any object of procurement other than works, products, such as consultancy services, supervision of projects, installation & commissioning/decommissioning, support, maintenance, training, international network connection/carrier service, and other related services.

Works: means all works associated with the construction, reconstruction, demolition, repair or renovation of a building, road or structure, such as site preparation, excavation, installation of equipment and materials, decoration, as well as services incidental to works, if the value of those services does not exceed that of the works themselves and includes turn-key projects.

Purchase Order Request: is a formal written request by user division to initiate the sourcing department to issue purchase order or inter an agreement with supplier/Partner.

End Users: Are those Divisions who ultimately use goods, services and works as

inputs for their consumption, source: ET's sourcing policy document, (2011).

1.10 ORGANIZATION OF THE STUDY

This paper was consisting of five chapters. The first chapter gave an overview of the study focused on its background and highlights of statements of the problem, objective of the study, scope and limitations of the study, significance of the study, definition of terms and methodology of the research used. The second chapter made a brief literature review directly related with the foreign procurement practice wrote by different authors. The third chapter describes the general overview of methodology and design of the research, the forth chapter focused on data analysis and interpretation and indicate the finding of the research in detail. Finally, the fifth chapter showed the Summary, conclusions, suggested recommendation and identified areas for further study.

CHAPTER TWO

2. RELATED LITERATURE REVIEW

2.1 Introduction

This chapter presents literature reviews related to the purpose of this study. The purpose of reviewing the literature is to give insight on strategic sourcing processes. The purposes of reviewing the literature are to establish the conceptual foundation for the study, to define and establish the importance of research question.

2.2 Theoretical review

According to Saunders *et al* (2007), “a literature search “is a systematic search of one or more databases for material on a specific subject”. It gives the researcher an insight to see clearly how the research at hand relates to previous researches.

Information and establish relationships with new customers operating in the local market. At the opposite side of the coin, international sourcing activities might be difficult and Complex due to the need to deal with foreign cultures, thus leading to communication and Language problems with foreign suppliers. Communication and knowledge exchanges might also be impaired by physical distance moreover; the predicted gains in production efficiency might be offset by quality problems, high transportation costs and supply chain uncertainty in terms of logistics and delivery performance (Fawcett, Birou, 1993; Trent and Monczka, 2005; Axelsson 2005).

The search and actual exploitation of such advantages on an international scale implies relevant changes in the organizational configuration of both buyers and suppliers.

Furthermore, there are many things to handle when moving from domestic to international purchasing, longer distances, language and cultural differences, product quality, increased rules and regulations.

Global purchasing literature suffers from a lack of consistency. Not in the least, this is due to the diversity in the terminology and definitions of the central phenomenon: global purchasing in fact, a wide variety of terms has been coined: global sourcing (Kotabe, 1998), international purchasing (Motwani and Ahuja, 2000), worldwide sourcing (Monczka

and Trent, 1992), import sourcing (Swamidass, 1993), offshore sourcing (Frear *et al*., 1992) and international procurement (Scully and Fawcett, 1994), to name a few.

In some papers, these terms have been clearly delineated (e.g. Trent and Monczka, 2002), in others they were used interchangeably (e.g., Rajagopal and Bernard, 1993). In line with Bozarth (1998) and Van Weele (2005), we define global purchasing as the activity of searching and obtaining goods, services and other resources on a possible worldwide scale, to comply with the needs.

2.2.1 Differences between domestic purchasing and international purchasing

Purchasing refers to a process by which an enterprise or organization attempts to acquire materials or products in order to attain their goals.

In the process of purchasing the ownership and possession of goods will be transferred from the seller to the buyer. The activities of purchasing include enquiry of an order, tracking the order, supervising and accounting for an order, receiving goods, and making payment. International purchasing relates to a commercial purchase transaction between a buyer and a supplier located in a different country.

This type of purchase is typically more complex than a domestic purchase. Organizations must contend with longer material pipelines, increased rules and regulations, currency fluctuations, customs requirements, and a host of other variables such as language and time differences (e.g., Trent & Monczka, 2003; Monczka, Trent, & Petersen, 2008).

International purchasing refers to the utilization of global resources; searching for a bargain with the highest quality from all over the world. From the aspect of supply-chain management, international purchasing requires companies to set up a global manufacturing chain in order to make a rational purchasing plan and acquire the high-quality of goods with a rational price.

Besides, it is an effective way to measure and supervise the efficiency of purchasing processes so that it minimizes the total cost of purchasing. With economic globalization, the competition among companies is becoming more and more fierce, which requires all the business to enhance the level of T, Q, C, S (Time of 7 research

and development , Quality of products; Cost control; satisfaction with Service), so that they can operate their business successfully in the market. In contrast to domestic purchasing, the international purchasing mode has the following characteristics (Fan, 2007):

Increased purchasing scope:

Because the scope of purchasing activities extends to the global arena and they no longer just focus on the resources available in one country, they can acquire their resources from all over the world. Therefore, it is more possible for the companies to obtain their ideal resources and products with a rational cost because of the greater abundance of potential vendors.

Increased purchasing risk:

Because international purchasing always involves a series purchases, organizations usually buy the materials or goods on a larger scale, which requires greater monetary transactions. Larger scale transactions are exposed to greater risks due to currency fluctuations. Moreover, the cross-border transaction results in complicated procedures and processes, which exposes the company to lots of additional existing potential risks.((Fan, 2007)

Decreased purchasing price

Because all possible resources from the whole world can be considered, the business can “shop around” to obtain the high-quality goods with a rational price through the mode of comparative cost.

The need for a systematic criterion in supplier selection:

Because the suppliers under the international purchasing come from different parts of the world, they hold various models, standards, and cultures. Hence, it is very significant for businesses to develop systematic and standardized criteria and conditions in order to select a dependable supplier. ((Fan, 2007)

Stable purchasing channels:

A business using global purchasing cooperates with suppliers worldwide because of the concept of supply-chain management. Therefore, the buyer and seller are developing a relationship of strategic cooperation. Hence, this business with an international purchasing strategy forms a relatively stable purchasing channel ((Fan, 2007)

Concept of strategic sourcing in foreign procurement

Strategic purchasing defined by Tzokas *et al* (2007) as the process of planning, implementing, evaluating, and controlling strategic and operating purchasing decisions for directing all activities of the purchasing function towards opportunities consistent with the firm's capabilities to achieve its long-term goal. He further stressed that, strategic purchasing requires the buyer to take a much more proactive role in persuading suppliers to meet their needs or reverse marketing.

Strategic sourcing is an institutional procurement process that continuously improves and re-evaluates the purchasing activities of a company. In the services industry, strategic sourcing refers to a service solution, sometimes called a Strategic Partnership that is specifically customized to meet the client's individual needs. In a production environment, it is often considered one component of supply chain management (Kerrish,chris (2016). Strategic sourcing is the structured and collaborative process of critically analyzing an organization's spending patterns to better leverage its purchasing power, reduce costs, and improve overall performance (Kerrish,Chris (2016))

Strategic sourcing aims at reorganization of sourcing and purchasing activities to support the total supply chain vision to service the ultimate customer. Kocabasoglu, *et al* (2006), noted that strategic sourcing aligns the sourcing operations to support overall organizations strategy and service level. Strategic sourcing aims at identifying and selecting suppliers for long-term partnerships, engages in early involvement of suppliers and supplier development by effectively allocating resources to enhance supplier performance. The key elements of strategic sourcing are data driven decisions, better understanding of spending patterns, leverage buying power/aggregate demand, reduce number of suppliers, drive savings and efficiencies, focus on total cost of ownership, improve quality of goods and services and enhanced relationship with supplier community (National Association of State Procurement Officers website).

Since procuring/sourcing involves inflow of different types of goods and services and out flow of huge amount of money. Those goods and services need to be purchased have to be planned and positioned; to identify key suppliers/partners for each types of categories, supply market analysis has to be conducted. Not only has that, to understand the past, current and future out flow of money, spend pattern analysis of the company also been conducted. These helps top level management by providing vital information about what to buy, where to buy and at what amount to buy. Walter L. Wallace & Yusen L. Xia, (2014), explained that the topics of purchasing, procurement, and strategic sourcing are all receiving significant attention as organizations attempt to improve the overall efficiency and effectiveness of their supply networks. They further pointed out that, a better understanding of where the benefits can be obtained requires a thorough knowledge of some of the similarities, differences, and linkages between purchasing, procurement, and strategic sourcing. Many times these terms are used somewhat interchangeably, which does not allow for clarity or optimization of the buying decision. They see each of the terms as stated here below:

Purchasing is the transactional function or activity of buying needed goods or services. This involves placing and processing purchase orders or requisitions. Prior to these transactional activities are the formal sourcing decision and ultimate selection of the desire source supplier.

Procurement is the management of a broad range of processes that are associated with an organization's desire to obtain the necessary goods and services needed for manufacturing a product, transforming inputs to outputs, or indirectly operating the organization. These processes include activities such as product and service sourcing, supplier selection, pricing and terms negotiation, transaction and contract management, supplier performance management and supplier sustainability issues. Strategic sourcing is a broader, more transformational process, performed at a higher organizational level. Strategic sourcing takes the procurement process further, examining the whole supply network, its linkages, and how they impact procurement and purchasing decisions.

The focus is more on the first level supply network, value creation, risk, and uncertainty in the supply chain and the overall responsiveness and resilience of the supply chain. Finally they stated that, purchasing as an activity and procurement and strategic sourcing as processes. Strategic sourcing is a core activity in purchasing and supply management.

It is a complex commercial process requiring extensive knowledge and competence. It can be defined as satisfying business needs from markets via the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to meet pre-determined and agreed business needs.

Developing the strategic sourcing strategy is a fundamental part of the purchasing and supply management process. Strategic sourcing is a logical process involving the application of tools by skilled, competent and knowledgeable people; however developing and implementing strategic sourcing is a functional process (website of chartered institute of procurement & supply) Strategic sourcing is probably the most significant aspect of characterizing an organization's transformation to supply management. It is also this aspect of supply management which provides some of the most value-added benefits to the organization. As stated by Burt *et al.,* (2003), sourcing is one of the major steps in the procurement process involves the identification and selection of the supplier whose costs, qualities, technologies, timeliness, dependability, and service best meet the organization's needs.

As described by Smeltzer *et al*, (2003), strategic sourcing is an integrated business process comprised of strategic sourcing planning and management of suppliers. According to Krause and Ellram, (1997), it is useful to maintain a long term relationship with suppliers.

In addition, Dobler *et al*, (1996.) pointed out that, management of suppliers includes supplier evaluation and selection, supplier monitoring and supplier development. Spekman *et al*., 1998), also noted that, by properly managing the suppliers' long term relationship, loyalty and trust can be developed. He added that, eventually, the suppliers would provide high quality items, products or services. Doing so creates greater leverage for the user and enhances supplier relationships.

2.3. Seven steps strategic sourcing processes

As noted by Walter L. Wallace & Yusen L. Xia, (2014), strategic sourcing is a broader and more comprehensive process than procurement. They considered a seven-step methodology that details the strategic sourcing process. Generally, the process begins with development of the appropriate strategy, which provides direction for all ongoing organizational efforts. However, the appropriate strategy is influenced by the value discipline of the organization. According to purchasing-procurement-center.com, experience has shown that the 7 step strategic sourcing process developed in 2001 has

stood the test of time and with variations, has become best practice. The main objective of strategic sourcing is to save money but other reasons include improving the acquisition process, supplier performance and minimizing risk (www.purchasing procurement-center.com).

2.3.1. Step 1: Profile sourcing commodity

The first step in the process is the kickoff meeting for the upcoming calendar or fiscal spending year. Essential to the success of this meeting is the establishment of the strategic sourcing committee, which should include, at a minimum, the chief operating officer (COO), chief financial officer (CFO), and if used, the chief procurement officer (CPO) (Walter L. Wallace & Yusen L. Xia, (2014) According to France Telecom's Sourcing university Training manual (June 2010), most of all, step 1 helps to define what the sourcing team is buying.

The key objectives of step 1 are set up commodity team; define commodity scope, identify sourcing constraints, define priorities and organize team work, prepare and manage data collection; and savings. The outputs of this step are extended and accurate data collection and key stakeholder mobilization. As explained by Walter L. Wallace & Yusen L. Xia, (2014), the spend analysis is the first step toward integrating an organization's sourcing strategy with its competitive strategy.

It is this critical step that forces an organization to analyze all the goods and services that are purchased and are forecasted to be purchased in the future by the organization. The second step of the commodity strategy process is an examination of the supply industry to determine the major suppliers of the specific supply or service by market share and geographical region.

According to Walter L. Wallace & Yusen L. Xia, (2014), the agenda of this first step should cover the scope and scale of the products and services that are purchased, an understanding of the requirements and specifications for needed products and services, plus any new sourcing opportunities. They noted that, among the procurement activities discussed in this first step are: Define the current needs; a procurement transaction is usually initiated in response to either a new or existing need with a recommended supplier.

In the case of unacceptable on-time fulfillment or quality issues, there may be a request to change suppliers. In either case, once the need is identified, the procurement process can begin.

The need can be identified by any of a variety of functional areas in the organization. Define and evaluate internal requirements, after the products and services have been identified, some type of measurable specification or set of criteria must represent each requirement. Using this specification, the sourcing professional can communicate the user's needs to qualified, potential suppliers. Define whether to "make or buy" Before outside suppliers are solicited, the purchasing firm must decide whether it will make or buy the product or service.

Today, in an effort to focus on the core competencies of the organization, more and more noncritical components and services are being outsourced. Before being made, such decisions require a complete understanding of the resources, capabilities, and processes available outside the firm. Sustainability and the "triple bottom line" Sustainability planning and a review of where the organization is with its plan should be on the meeting agenda.

Strategic sourcing describes how an organization intends to create and sustain value for its current shareholders. Walter L. Wallace & Yusen L. Xia, (2014), further stated that, the strategic sourcing team must consider the mandates related to the ongoing economic, employee, and environmental viability of the organization. They further stated that, a frequently used definition of strategic spend is the dollar value of the goods and services critical to the mission of the organization. They stated that, this analysis supports an understanding of the amount to be spent by category, supplier type, and internal user and will examine the current sourcing approaches being used by the purchasing team. In addition to the above details, they concluded as, with the appropriate information, this assessment facilitates recommendations for improvements in the overall sourcing process and identifies any potential associated financial benefits that could be contractually obtained

As explained by Carter, (2000), spend analysis is the first step toward integrating an organization's sourcing strategy with its competitive strategy. It is this critical step that

forces an organization to analyze all the goods and services that are purchased and are forecasted to be purchased in the future by the organization. Lasseter, (1998), also noted that, spend analysis involves aggregating total purchases across all organizational divisions both for supplies and services and by supplier. He further noted as, the spend analysis should also reflect the total cost of ownership, not just the purchase price of the supply or service, as well as the various end users throughout the organization.

In addition to details which outlined by Carter, (2000), Lasseter, (1998), Walter L. Wallace & Yusen L. Xia,(2014), also mentioned that, the output of the spend analysis is a complete, documented understanding of the organization's past and future purchases for supplies and services, segregated by users and suppliers. The purpose of Step 1 is to understand companies internal spend for all items and the external market. A clear understanding of both aspects is critical to determining the best sourcing strategy (Step 2) and to having a strong fact base when it comes to negotiations (Step 5). They further noted that, step 1 is one of the most time-consuming steps of the whole process, so it is important to start well in advance of your target for completing a contract. Ordinarily, a category consists of a number of products from similar vendors that can be grouped together in a competitive sourcing exercise.

2.3.2. Step two: Develop sourcing strategies and tactics

Walter L. Wallace & Yusen L. Xia, (2014), argued that, this second step in the strategic sourcing process involves making sure that all the potential sources of supply are identified and viable mechanisms are in place for comparing their capabilities to those of other potential suppliers. They also explained that, as the supply market is being assessed; special attention should be paid to the following issues:

A comprehensive assessment of the supply market will include a thorough market analysis. The supply market might be a highly competitive market with many suppliers, an oligopolistic market with a few suppliers, or a monopolistic market with a single entity supplier. With a clear understanding of the market, procurement professionals will know the number of suppliers in the market, the bargaining power of the buyer and supplier, and which method of purchasing might be most effective.

Whether or not they are currently being used, it is important to identify all possible suppliers that might be able to satisfy the user's needs. With all of today's foreign

services, this can be a daunting task, particularly determining their capacity, process technology, quality, flexibility, and market effectiveness. They also stated that, simplification and standardization are the criteria for improving this step. Also, attention should be given to an understanding of pricing points and opportunities for consolidation of the spend analysis. According to Tyndall, *et al., (*1998), sourcing strategies must be implemented for an organization to reduce the total cost of sourcing materials, goods and services, while maintaining high levels of quality, delivery and technology. Besides, Mclvor, *et al*, (2004), Krause, *et al*,1998), also noted that, reducing total cost of materials, attaining high level of quality, delivery and technology can be achieved by developing different sourcing strategies to meet the specific needs of customers' requirement and developing partnership with suppliers.

According to Robert *et al* (2009), while not always the case, companies often use commodity teams to develop purchasing strategies. Purchasing strategies often apply to commodities general categories of families of purchased items. Developing purchase strategy is to fully understand the purchase requirement relative to the business unit objectives.

This is typically achieved through a strategy segmentation tool known as portfolio analysis. As described by Wu & Barnes, (2011), from the perspective of the purchasing function, it is a relevant approach to consider purchasing portfolio models in order to support decisions regarding establishing different kinds of supplier relationships. Olsen & Ellram, (1997), stated that, the main purpose of portfolio models in purchasing management is being considered to improve the allotment of limited resources. This can be done via a presumably efficient method to recognize which groups of products, suppliers, or relationships necessitate higher level of attention than others. In addition to that, they noted that, in order to devise a tailor-made supply strategy, while maximizing the buying power and at the same time decreasing the supply vulnerability Kraljic (1983) recommends the following approach: The first phase is called classification and aims at differentiating the purchased material.

A company's supply strategy depends on two factors; the importance of purchasing and the complexity of the supply market. The definition of purchasing importance can be made in terms of volume purchased, percentage of the total purchase cost, impact on product quality, impact on profitability etc. The supply market complexity, on the other

hand, is assessed in terms of the number of suppliers, availability, competitive demand, substitution possibilities, logistic aspects, complexity and so forth.

After selecting suitable criteria for both dimensions, all purchased items are evaluated and positioned into one of the quadrants of the Kraljic portfolio model. These quadrants are namely non-critical, leverage, bottleneck and strategic. Each of the quadrants has a separate purchasing approach which requires information of a different kind for developing a suitable supply strategy. Also, the tasks for the four groups are diverse with regards to the differences in purchasing and supply risks (Kraljic, 1983). Strategy should focus on exiting this quadrant through standardization, specification change, adding new suppliers and supplier development

Leverage products • High profit impacts • Larger number of capable • suppliers Medium level visibility • Focus on price & Competitiveness. • Sourcing strategy is standardization, Specification change, adding new Suppliers and supplier development. • Consolidating purchases and reducing the supply base • Strategy should focus on exiting this quadrant through standardization, specification change, adding new suppliers and supplier development	**Strategic product** • High profit impact • High supply risk • High sourcing difficulty • Executive visibility • Items are unique or involve technology • Long-term contracts
Non-critical • Low profit impact • Low supply risk • Low sourcing difficulty • Low level visibility • Standard items and suppliers • Transactional focus • Strategy , minimize effort, transaction costs, and price	**bottleneck** • Low profit impact • suppliers are sole • specifications are no substitutes & unique • Difficult to switch between suppliers • High sourcing difficulty • Strategy should focus on exiting quadrant through standardization, specification change, adding new suppliers and supplier development

Low high

Supply risk

Source: The Kraljic portfolio model (modified form Kraljic, 1983,) Figure: 2.1

Once the commodity has been classified into one of these four categories, those responsible for developing the strategy must closely review the status of the commodity and match it to the objectives of the business unit as a whole. The objective here is to identify problems that the business unit has experienced with the commodity in the past, as well as identify future potential Problems and opportunities such as technology, cost, and quality improvements.

2.3.3. Step 3: Generating suppliers' portfolio

According to France Telecom's Sourcing university Training manual (June 2010),the purpose of step 3 is to build an exhaustive long list with all potential suppliers, to define factual criteria to screen out non relevant suppliers, send the Request for Information and build the medium list of relevant suppliers for Request For Proposal(RFP). As explained by Walter L. Wallace & Yusen L. Xia, (2014), it is important to fully develop a sourcing strategy that defines the dimensions of the process and the steps to be followed. Due diligence is the cornerstone for developing a sourcing strategy. A key aspect of due diligence is the supplier portfolio screening process, which includes initial supplier research and screening, development of a Request For Information (RFI) and a Request For Proposal (RFP), site visits and follow-up discussions, and supplier selection. They further explained the purpose of the RFI as establishing whether or not a supplier has the resources, capabilities, and processes to be considered for a more extensive analysis. They also stated that, RFI will requests information on the company's background, financial stability, the locations of its manufacturing and distribution facilities' locations, markets served its ability to provide R&D support to users, its quality systems, and cultural insight. No pricing information is requested in the RFI.

In addition to RFI, they also stated the purpose of the RFP as gathering information which is relevant to the user company's needs and wants. Here the potential suppliers are asked for specifics on how they would respond to the request. The potential suppliers are requested to detail their manufacturing and distribution facility locations, lead times, capabilities, and grade and quantity pricing associated with fulfilling the required specifications.

2.3.4. Step 4: Selecting the implementation path

As stated on France Telecom's Sourcing university Training manual (June 2010), this step basically begins with an evaluation of the suppliers that successfully passed the Request for Information (RFI) and Request for Proposal (RFP) screening process and concludes with the awarding of a contract. The pools of suppliers that have passed the screening criteria are deemed acceptable to provide the user's needs and wants. It is now possible, based on the prescreening in Step 2 and the final assessment of qualified suppliers in Step 3, to determine which supplier or suppliers can best meet the user's negotiated requirements. If the item or items are fairly standard and there are a sufficient number of potential suppliers, this activity may be accomplished through the use of competitive bidding. Walter L. Wallace & Yusen L. Xia, (2014), stated that the selection of the ultimate supplier is a key. They noted that, the choice of suppliers determines the relationship that will exist between the organization and the supplying firms and the ultimate levels of collaboration, trust, intimacy, procedural justice, and cooperative norms. They further said that, it helps to determine whether the relationship will be a routine partnership or a strategic alliance built over many years Tim Reeve & Bard, (2006) as cited in Philip Lewis Adrian Thornhill, (2007), have stated that, Total Cost of Ownership (TCO) encompasses a broader range of direct, indirect, contingent and less quantifiable costs in purchasing decisions, but does not attempt to consider external social or environmental costs borne by society.

Though there are differences in scope, the principle behind all these terms is the same: evaluating the full range of costs associated with the purchase of a given product or service over its lifetime. In addition to the above statement, they also pointed out that, Total Cost of Ownership is a decision support method or approach linked to "Total Cost Assessment", "Full Cost Accounting" and "Life Cycle Analysis" – other ways of evaluating environmental and financial costs. TCO evaluation examines hidden costs from production to disposal in addition to the acquisition cost. As noted by Steve Parsons, (2006), when properly applied, Total Cost of Ownership (TCO) reflects the full opportunity cost of a decision i.e., of taking one course of action rather than another. Total Cost of Ownership (TCO) reflects not only the initial purchase price of assets, but also the less obvious initial costs of training personnel to use the new assets, the costs of upgrades

over time, maintenance and operating expenses, and net salvage value (negative or positive) of the asset at the end of its life, and other costs www.ethio telecom.et).

2.3.5. Step 5: Negotiating and selecting competitive supplier(s)

As explained on France Telecom's Sourcing university Training manual (June 2010), step 5 is the culminating phase of the sourcing process including one to one negotiations and final recommendation.

The manual further stated outlined the key objectives as: to analyze suppliers' proposals, define negotiation strategy & tactics, negotiate with suppliers, build and validate recommendation and finalize and sign corporate contracts. The key success factors of this step are thorough negotiation preparation, conducting commercial and legal negotiations in parallel and strict control of communication with suppliers. Walter L. Wallace & Yusen L. Xia, (2014), described as, the key components of Step 5 are the finalization of the contractual agreement, planning the transition process (particularly if switching suppliers), and the receipt of the specified products or services. With the receipt of the order under a new contract, the procurement team begins the generation of performance data necessary to establish a vendor evaluation system. Another element of Step 5 is the implementation of a benchmarking system aimed at determining the savings generated by the contracted vender.

2.3.6. Step 6: Integrating suppliers into operations

As described by France Telecom's Sourcing university Training manual (June 2010), step 6 is implementation phase and its objectives are defining implementation plan, communication on sourcing results, set up tracking systems and finalizing contracts at local level. Strategic sourcing involves taking a strategic approach to the selection of suppliers, an approach that is more aligned with the organization's competitive strategy. Strategic sourcing reflects the integration of procurement or sourcing strategy with corporate strategy.

The integration of procurement and corporate strategy is reflective of the transformation of purchasing to supply management. Vonderembse and Tracey,(1999) outlined that, to build more effective relationships with suppliers, organizations are using supplier

selection criteria to strengthen the selection process. They also argued that, purchasing/sourcing managers should focus on a set of supplier selection criteria that evaluates suppliers across multiple dimensions including product quality, product performance, and delivery reliability. Considering effective evaluation and selection of suppliers, they also noted that, it has to be considered as one of the critical responsibilities of purchasing/sourcing managers. The evaluation process often involves the simultaneous consideration of several important supplier performance attributes that include price, delivery lead time, and quality. Ellram & Krause (1994) defined as supplier relationship as: an ongoing relationship between firms which involves a commitment over an extended time period, and mutual sharing of information and the risks and rewards of the relationship. Both the buyer and the supplier in a buyer-supplier partnership are highly committed to the relationship, and a key driving force behind this commitment is a joint goal of mutual benefit. In order to compete effectively in the world market, a company must have a network of competent suppliers. Supplier assessment and selection is designed to create and maintain such a network and to improve various supplier capabilities that are necessary for the buying organization to meet its increasing competitive challenges.

Suppliers can support directly a firm's ability to innovate in the critical areas of product and process technology. To build more effective relationships with suppliers, organizations must use supplier selection criteria to strengthen the selection process. Effective evaluation and selection of suppliers is considered to be one of the critical responsibilities of procurement managers. The evaluation process often involves the simultaneous consideration of several important supplier performance attributes that include price, delivery lead time, and quality.

2.3.7. Step 7: Continuous benchmarking and improvement.

The final step is to update records, including supplier performance scorecards developed in Step 6. Electronic files of the order-related documents are stored. Legal requirements, accounting standards, company policy, and judgment dictate which records are to be kept and for how long. For example, a purchase order is evidence of a contract. It may be retained much longer (normally seven years) than the requisition, which is an internal memorandum (Walter L. Wallace & Yusen L. Xia, (2014) Favre & Brooks, 2002), stated that, on a continuous basis, procurement practitioners must be capable to track the

performance of suppliers, which is a necessary procedure for making future evaluations. They added that, on-going assessment on the performance of suppliers will make firms able to appropriately manage their future relationship with the suppliers, follow-up compliance with the contracts; recognize and fix problems with products or delivery, and collect the necessary information that will be required when a contract approaches for renewal. Peter B*., et al*, (2005), elaborated that: Although research on continuous improvement in foreign procurement activities is limited, it is recognized as an important element in the Total Quality Management (TQM) philosophy.

Total quality in the supply chain would mean that suppliers, as well as customers and our own workforce, would be involved in determining quality. Inspection and supplier assessment are superseded by a shared approach to the elimination of defective work, with the emphasis on prevention rather than detection and cure. As stated by Momme *et al* (2003), some research in foreign purchasing highlights that continuous improvement in foreign procurement is required after implementation of the global sourcing process, so that problems or poor performed areas are allowed for continuous improvement to enhance the foreign procurement process Wu and Chen, (2006),depicted that the goal of continuous improvement is a company-wide focus to improve performance with involvement of all people in the company from top managers to workers. This implies that people management is a crucial factor in continuous improvement. In addition to people management, process improvement in foreign procurement help companies to reduce defect and improve productivity, which in turn improves the purchasing performance. Supplier Relation Management Favre & Brooks, (2002), also explained that, in order to compete effectively in the world market, a company must have a network of competent suppliers. Supplier assessment and selection is designed to create and maintain such a network and to improve various supplier capabilities that are necessary for the buying organization to meet its increasing competitive challenges. They further elaborated that; suppliers can support directly a firm's ability to innovate in the critical areas of product and process technology. They also pointed out that, to build more effective relationships with suppliers, organizations must use supplier selection criteria to strengthen the selection process.

In addition to above points they also stated that, effective evaluation and selection of suppliers is considered to be one of the critical responsibilities of procurement managers. Finally they noted that, the evaluation process often involves the simultaneous consideration of several important supplier performance attributes that include price, delivery lead time, and quality. According to Walter L. Wallace & Yusen L. Xia, (2014), managing supplier relationships is one of the most important components of the procurement process. Over the life span of a contract, the procurement team can drive world-class supply chain practices and sustained total cost of ownership results. Managing a supplier relationship and establishing a supplier scorecard does not begin once the contract is signed. Is begins on purchasing performance results, not goods and services. Such a mindset not only saves time, but also allows your organization to be better aligned with its internal customers. It is for the benefit of our internal customers and meeting their needs that we are focused on performance, rather than just goods, and services.

When supply chain practitioners view their role as procuring goods and services rather than procuring performance results, they are more likely to encounter internal customer frustration and personal job dissatisfaction.

According to Momme and Hvolby, *et al,* (2003), inspection and supplier assessment are superseded by a shared approach to the elimination of defective work, with the emphasis on prevention rather than detection and cure. He also argued that, continuous improvement in foreign procurement activities is required after implementation of foreign purchase activities, so that problems or poor performed areas are allowed for continuous improvement to enhance the procurement activities of the organization. Baily *et al.,* (2005), stated that, with higher expenditures and the increased importance on suppliers, come increasing responsibilities for purchasing.

2.4. Interdepartmental integration and leadership involvement

Carr and Smeltzer.et al, (2008), noted that the functional strategies in the purchasing activity have to be aligned up to the corporate level in order to meet the corporate mission. They further emphasize that the corporate mission and strategic planning are driven by the internal (e.g. resources, core competencies) and external environment (e.g. customers, competitors, suppliers).This implies that the functional strategies are developed in the same environment as the corporate strategies.

As pointed out by Novack and Simco, (1991), purchasing plays an important role between external suppliers and internal organizational customers in creating and delivering value to external customers seeing the business as a supply chain, which firms are interwoven and independent of each other, means that purchasing has become highly complex with strategic importance. The main point according to Carr and Smeltzer *et al*, (2008) is that even though they are in the same environment, each level must be aware of different variables in the environment. The main premise regarding foreign purchase is that the activities of the procurement function should be based on strategies that are in alignment with the corporate strategic plans. The aim here is to support the efforts of the firm in order to accomplish its long term objectives.

The procurement can only be interpreted as a strategic function, if it has an integrative role in the business unit's strategic planning process (Carr & Pearson, 2002). The degree that procurement is being characterized as strategic is highly dependent on how top management views it as an important resource of the firm. There exists several internal factors such as management style; the depth of procurement's other responsibilities, firm's policies and distribution of power, which influence the perception associated with procurement (Ellram & Carr, 1994). The interpretation from this notion is that the purpose of purchasing is to direct the purchasing function towards the corporate's long-term goals, but purchasing has different "variables" to focus on than on corporate level. Thus, for the purchasing function to be strategic, it must be consistent with corporate strategies, but further also emphasize its main domain, for instance to "be most familiar with suppliers' environments that may affect corporate goals (Carr and Smeltzer, 2000).

In addition to interdepartmental integration, Johnson and Leenders, (2004), explained that leadership involvement in foreign procurement activities provides a driving force for employees to participate that in turn achieves the set target. Different from traditional

purchasing that are related to commercial activities between a buyer and a supplier, strategic procuring involves proactively integrating supply-related activities such as materials, processes, designs, technologies, suppliers, engineering and operation location (Tyndall *et al*., 1998). This implies that leadership involvement on foreign procurement activities is crucial to the success of company.

2.5. Challenges of foreign procurement implementation

According to Tzokas *et al* (2007), the evaluation of suppliers is one of the most important roles that should be done in sourcing division. However, a number of shortcomings have been noted in the area of supplier sourcing decisions. These include the following; little attention has been devoted to examining how well suppliers perform on the criteria for supplier sourcing, a lack of comprehension among many suppliers of the attributes that determine buyer decision-making and the importance of these attributes. An organization's profits are to a large extent, determines by how effectively it purchases materials from its suppliers whether it is sourced locally or globally and how these materials are managed by the organization.

International sourcing is a means to reduce costs, increase efficiency, and improve performance; therefore, it will be continue as a critical part of any organization. However, there is still certain challenges exist to implement global sourcing, as well as general principles to develop a global sourcing process. The following are some challenges pointed out by (Matt Oyer, 2015 cited in Office of Management & Budget, NASPO Fact Sheet): outdated systems not designed for procurement often makes data collection and analysis very difficult; Lack of support/buy-in at executive level; Difficulty in calculating savings; Lack of trained resources/human resources; Restrictive laws/rules/policies; Legislative resistance/pushback and Potential adverse impacts on small minority-and female – owned businesses.

2.6 Empirical Literature review on foreign procurement

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

These types of skills are much closer aligned to those used for 'obligational' contractual arrangements. They also noted that, as opposed to the traditional purchasing content skill set of product knowledge, tactical negotiation and brinkmanship, which focus much more on the Arm's Length contractual arrangement model, are also essential.

They also suggested that purchasing people take courses in negotiations, rarely, do they learn about teams, managing virtual networks or even have insight into relationship management. To view procurement as essential to managing enterprise wide thinking where suppliers contribute value that is leveraged to achieve competitive advantage for the entire supply chain is becoming a reality. Strategic supply implies that supply chain wide skills, expertise and capabilities are brought to bear by the full set of supply chain partners. They are united in the belief that by working collaboratively they will accomplish goals that they could not otherwise have achieved.

Procurement should and must play a central role in the process. They further noted that strategic supply is an extremely interesting area of management; however, it tends to be much unexplored, and also purchasing professionals are often reluctant to take on this type of role. At the same time senior management also has been resistant to cast procurement in a strategic light. Thewodros Medhanit (2015) conducted his study on assessment and evaluation of the existing foreign purchasing practice of Ethio telecom, Addis Ababa, Ethiopia. He noted that sourcing seven steps and total cost of ownership are indicated as an example. He further explained that, unlike to the procedure which requires purchasing activity to be done following seven step of sourcing, currently there is no any market assessment activity related to the purchasing process. Likewise based on the procedure even if Total Cost of Ownership (TCO) approach is a base in commercial evaluation, mostly if not fully it is only quoted price that is considered for supplier award.

The study which was conducted by Tan, Lyman, and Wisner (2002) stated that many leading firms in the USA have adopted an integrated strategic approach to purchasing

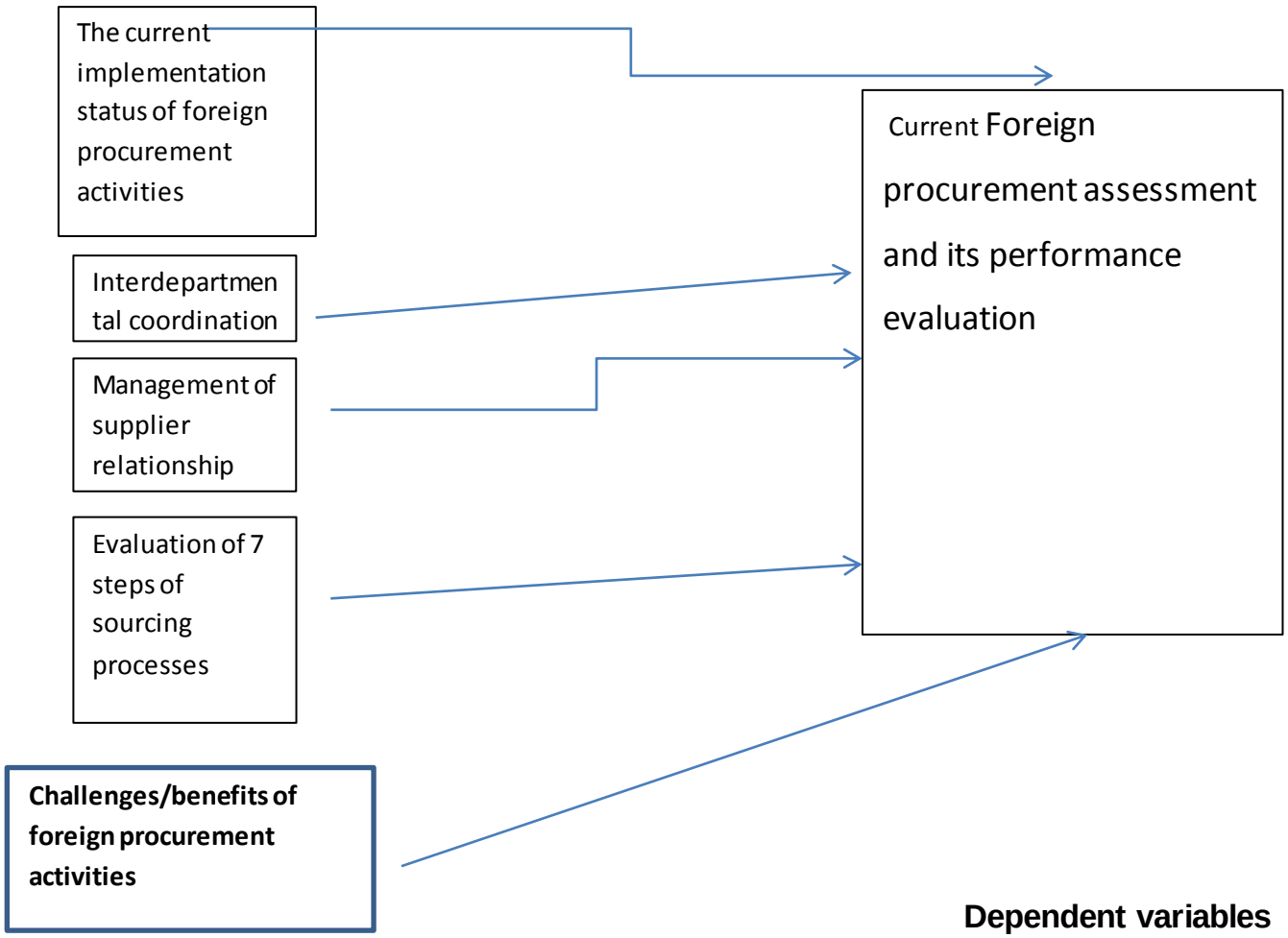
and logistics management known as supply chain management. With regard to knowledge and skill he also noted that, ethio telecom's procurement staffs have no adequate knowledge in all respective areas with respect to company's sourcing procedure and technical knowledge for the respective procured goods. He further explained that, ethio telecom's procurement staffs did not possess satisfactory negotiation and communication skill to effectively deal with suppliers.

Regarding the knowledge of the stakeholder who directly involving the sourcing activities, he described that, ethio telecom's other supporting work units which closely work with the division of procurement unit (i.e. Finance division, Legal division and user division) are still lacking clear orientation about Procedure duties & responsibilities procurement unit, and the role that SFD plays toward the achievement of company's objective. Afera Muluadam (2014) conducted his research on internal supply chain performance analysis of ethio telecom, Addis Ababa, Ethiopia. He also noted that the overall supply chain performance of ethio telecom is not operating in a manner that satisfied the current need of the internal customers.

He suggested that ethio telecom to establish both internal and external integration through Service Level Agreement (SLA) with suppliers and Organizational Level Agreement (OLA) with internal stake holders. He further recommended that ethio telecom should work with its suppliers to increase inward materials quality, to minimize procurement cost, to influence suppliers in setting prices, to minimize the rate of defect.

2.7 Conceptual framework

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



Conceptual Framework of the research

CHAPTER THREE

3. RESERCH DESIGN & METHODOLOGY

3.1. INTRODUCTION

The research design and methodology part depicted what type of research design applied, the number of target population, number of sample size, the techniques used to interpret and analyze the data would be described as follows.

3.2. Research design

The research paper mostly applied qualitative research design and descriptive method is also one method that will be applied in this thesis because descriptive research method is used to describe the existing problem at hand. Since the main source of data for this thesis is obtained through unstructured interview, observation, by distributing questionnaires for the selected sample population so to analyze such data qualitative research method is preferable, primary and secondary data will be analyzed quantitatively also in some amount.

3.3. Target Population, Sample & Sampling Technique

Since the population groups from which samples selected are heterogeneous and from different channel members, probability sampling tools appropriate and generally applied in order to obtain representative data. Stratification method employed to address all strata stakeholders to make the inferences representative of the actual situation that is all channel members.

Target population that selected for the research are sourcing division staffs (97), retail logistics section staffs (10), and central warehouse staffs (20) and user department (19) and sourcing committee who are selected from different divisions (6), so total target population would be around 152, based on this population sample size would be determined by applying scientific method of calculating sample size which is more favorable for this research to get representative figures for the whole population .

Sample size is determined based on the following

Yamane's formula for calculating sample size:

Yamane (1967) suggested another simplified formula for calculation of sample size from

a population which is an alternative to Cochran's formula. According to him, for a 95% confidence level and 0 5 p. =, size of the sample should be

$n = N/1+N(e^2)$

Where, N is the population size and e is the level of precision

Number of population size is given as 152

Sample size that is supposed to be representative for the research will be calculated as

$n = 152/1+152(0.05^2)$

=110 is sample size

Domain		Groups		Total	Sample size quantity targeted for the research
		Management	Supervisors and specialists		
Sourcing committee members		6	0	6	110
Requester units		7	12	19	
Retail logistics, central warehouse staffs		1	28	29	
Sourcing department officers, managers, supervisors & specialists		3	94	97	
Total		17	135	152	

Table 3.1 target population and sample

As stated above, the total target population amounted to be 152 the target population is selected from different departments of the Ethio telecom, and there are different levels which is important to get reliable and valid information for the research, planned to distribute 110 copies of questionnaires and the researcher planned to collect not less than 75% of the questionnaires that means 75% of 110 which is 83 responses would be expected.

3.4 Types of data

Both primary and secondary data used to gather sufficient and relevant information required for the analysis. Interviewing subjects and sending the designed questionnaires to be filled are the primary data sources whereas books and related literatures are secondary sources of data.

3.5. Method of data Collection

The Primary data collected through structured questionnaires, unstructured Interview for selected employees working in purchasing department, observation by the researcher; secondary data collected through using ethio telecom's portals, ethio telecom quality manuals, sourcing procedures, sourcing and supply chain policy of ethio telecom, and strategic and annual plan preparation manuals are some of sources of secondary data

3.6. **Ethical consideration**

In undertaking any research, there is an ethical responsibility to do the work honestly and with integrity (Adams *et al,* 2007). In light of this view, I have treated any information i got from any individual confidentially without disclosing the respondents identity, and I was going to be as open minded as possible and express opinions as they are given and being optimistic as possible.. The literatures consulted in this study are acknowledged appropriately and honestly by describing the sources of any literatures that has been included in this thesis.

3.7 Data analysis Method

The collected data are clearly presented by using tables and charts which have been expressed in the form of frequency, percentage and mean. Then, descriptive analysis

technique has been applied to manipulate the organized data. Meanwhile, SPSS V-20 was used as the main tool to manipulate the data.

Chapter four-

4. DATA ANALYSIS, INTERPRETATION AND FINDINGS

4.1 Introduction

This chapter mainly focus to present the findings obtained by the collected data from the populations, the analysis is started by describing the demographic characteristics of the respondents by tabular form and frequency table, the next analysis and interpretation focus on the main part of the research that is discussing the variables in detail by applying different descriptive and inferential data analysis techniques, like regression and correlation

4.2 demographic descriptions

4.2.1. Gender analysis of the respondents

Table4.1 Gender

		Frequency	Percent
Valid	Male	64	77.10
	Female	19	22.90
	Total	83	100.0

Source-survey report 2017

As the above frequency table indicates ,83 ethio telecom procurement department staffs participated in providing data in the form of filling the questionnaires and providing interview ,64 respondents are male which is 77% of the total respondents ,19 (22.9) of them are female**.**

4.2.2 Educational background of the respondents

Table 4.2

		Frequency	Percent
Valid	Diploma and certificate	6	7.1
	first degree	54	64.3
	Masters and above	13	15.5
	Others	10	11.9
	Total	83	100.0

Education source survey report 2017

The educational background of the respondents in filling the questionnaires indicates 54, 64.3% of them are first degree employees, 16(19%) of the respondents have diploma and certificates, and 13(15.5%) have masters, majority of the respondents have first degree.

4.2.3 Age classification of the participants

Table 4.3

		Frequency	Percent
Valid	below 25	3	3.6
	26-35	36	42.9
	36-45	32	38.1
	46-55	9	10.7
	56 and above	3	3.6
	Total	83	98.8
Total		83	100.0

Age source – survey report 2017

The table above indicates majority of the respondents aged from 26-35 years of age ,36 (42.9%) of the total population ,32 (38.1%) respondents aged from 36-45 years of old, 9 respondents 10.7% of the total population aged from 46-55 years of old, 3(3.6%) of the respondents aged above 56 years old and 3(3.6%) of the respondents aged below 25 years of old.

4.2.4 Positional status of the respondents

Table 4.4 Position

		Frequency	Percent
Valid	middle level management	12	14.3
	supervisor and specialist	49	58.3
	others	23	27.4
	Total	83	100.0

The above table shows the position of the respondents ,based on that 12 (14.3%) are middle level managers, 49 respondents ,58.3% of the total respondents are supervisors and specialists and 23 respondents 27.4% of the respondents are administrative support , clerks ,or technical support staffs.

Experience of the respondents

Table 4.5

		Frequency	Percent
Valid	below 5	16	19.0
	6-10	18	21.4
	11-15	16	19.0
	16-20	22	26.2
	21-25	5	6.0
	26 and above	6	7.1
	Total	83	98.8
Total		83	100.0

Source- survey report 2017

The experience of the respondents indicate that 22 employees 26.2% of the total participants have worked 16-20 years ,have experience of more than 15 years in ethio telecom,18(21.4%) of the respondents have an experience from 6-10 years, 16(19%) of the respondents have an experience of 11-15 years ,similarly there are 16 (19%)respondents have an experience of below 5 years ,5 respondents (6%) of them have an experience 21-25 years, and finally 6(7.1%) of the respondents have worked more than 26 years.

4.3 Analysis of the main research parts based on the responses collected

4.3.1. Foreign procurement challenging factors

annual suppliers evaluation plan

Table 4.6

		Frequency	Percent
Valid	strongly disagree	4	4.8
	disagree	24	28.6
	neutral	11	13.1
	agree	44	52.4
	Total	83	100.0
		83	100.0

Source-survey report-2017

Here the respondents were requested to provide their opinion about performance evaluation of suppliers in annual basis to understand how was their performance seems like ,44(52.4%) of them replied that foreign purchasing department has conducted evaluation of suppliers annually, 24(28.9%) of the respondents have replied that suppliers have been evaluated annually ,4(4.8) of the respondents disagreed strongly about annual performance evaluation of supplier performance annually from this we understood that there is a gap in evaluation of suppliers in annual basis to know their performance like on time delivery, meet quality ,based on this the company continue procuring products from these suppliers without evaluation their performance ,even though majority of the respondents agreed that suppliers have been evaluated annually, almost 28 respondents did not accept the evaluation of suppliers annually, 11(13.1%) respondents responded neutrally, they are not clear about the case

4.3.2. Control foreign procurement efficiency

table 4.7

		Frequency	Percent
Valid	very bad	3	3.6
	Bad	21	25.3
	Neutral	7	8.4
	Good	43	51.8
	very good	9	10.8
	Total	83	100.0

Source-survey report 2017

As we have seen in the above table ,respondents were requested to provide real information whether sourcing department control the efficiency of suppliers to know the cost effectiveness aspect of the department based on this 43respondents 51.8% of the respondents replied that the procurement department has control the efficiency of suppliers to know the right supply of products at the right price , quality and cost ,9 respondents(10.8%) replied they are strongly agreed that suppliers have been controlled their efficiency ,but there are respondents that did not accept control of suppliers efficiency ,21 respondents 25.3% replied procurement department did not control the efficiency of suppliers ,this indicates that there is a gap in controlling the efficiency of suppliers ,3 of them (3.6) strongly disagreed that procurement department did not control the efficiency of suppliers, 7 of the respondents(8.4%) did not know whether suppliers have been controlled their efficiency or not.

4.4 implementation of sourcing procedure and policies

Table 4.8

		Frequency	Percent
	very low	1	1.2
	Low	7	8.4
	neutral	4	4.8
	high	57	68.7
	Very High	14	16.9
	total	83	100

Survey report 2017

Here the respondents were requested to provide their answers for questions the level of implementation of sourcing procedure and policy by procurement department during conducting foreign purchasing activities is important as indicated in the above tables almost all respondents agreed that the proper implementation of procedure and policies of sourcing during conducting foreign purchasing activities is important, 57 (68.7%) replied that it is important to implement the procedure and policies of sourcing department for the right track of foreign procurement activities, 14 (16.9) replied implementing the procedure and policy of the department is very important for the success of foreign procurement activities, only 7(8.4) of respondents replied it is an obstacle for foreign procurement to implement the procedure and policies of the department ,based on their interview answer it creates difficulty to finalize the contract and related activities at the right time.

4.5 CHALLENGING FACTORS OF FOREIGN PROCUREMENT

Table 4.9

		delay of letter of credit	currency	finding qualified suppliers	logistics is one of a challenge	quality	cultural difference	standardization difference among different countries
N	Valid	83	83	83	83	83	83	83
	Missing	0	0	0	0	0	0	0
Mean		4.22	4.30	1.34	3.47	1.23	1.73	3.13
sum.		350	357	111	288	102	144	260

Source survey report 2017

The mean value of the above variables indicated that delay of L/C ,currency, logistics and standardization difference among countries have above average mean ,this means the listed variables are a challenging factor of ethio telecom while conducting global sourcing, but finding qualified suppliers(1.34), quality (1.23), and cultural difference(1.73) indicated that the variables are not as such a challenging factor for the company during performing foreign procurement processes.

4.5.1 Delay of letter of credit

table 4.10

		Frequency	Percent
Valid	strongly disagree	4	4.8
	Disagree	1	1.2
	Neutral	3	3.6
	Agree	40	48.2
	strongly agree	35	42.2
	Total	83	100.0

Source- survey report of 2017

The respondents were requested to provide their opinion about delay of letter of credit is really a challenge of ethio telecom while running foreign procurement activities, based on this majority of the respondents replied letter of credit is one a challenging factor of foreign procurement tasks,40 (48.2%) respondents agreed that letter of credit is a challenging factor of foreign procurement process, 35(42.2%) of respondents strongly agreed that delay of L/C challenge foreign procurement process of Ethio telecom, only 4(4.8%) ,1(1.2%) , and 3(3.6%) respondents replied strongly disagreed, disagreed and neutral to the case.

4.5.2 Currency /fluctuation of foreign exchange/

Table 4.11

		Frequency	Percent
Valid	strongly disagree	4	4.8
	Disagree	3	3.6
	Neutral	1	1.2
	Agree	31	37.3
	strongly agree	44	53.0
	Total	83	100.0

Source- survey report 2017

Here the participants were requested to provide their opinion about obtaining foreign currency is of the challenge of ethio telecom during sourcing products from international

suppliers, based on these ,44 respondents 53% of them strongly agreed, and 31(37.3%) respondents agreed that shortage of foreign currency and its fluctuation is a challenge of procurement department while conducting foreign sourcing.

4.5.3 logistics is one of a challenge

Table 4.12

		Frequency	Percent
Valid	strongly disagree	6	7.2
	Disagree	13	15.7
	Neutral	10	12.0
	Agree	44	53.0
	strongly agree	10	12.0
	Total	83	100.0

Source- survey report 2017

Source –survey report 2017

The respondents were requested to provide their opinion that logistics is one of a challenge of foreign procurement implementation of ethio telecom, 44(53%) strongly agreed and 10(12%) respondents agreed that logistics is a challenge of foreign procurement activities of ethio telecom, products are stayed a long period of time at port, custom clearance system of the company is not technologically supported ,transportation is another obstacle due to poor road infrastructure of the country. 13(15.7%) disagreed ,6 (7.2%) strongly disagreed and 10(12%) respondents replied neutrally.

4.5.4 Quality

Table 4.13

	Frequency	Percent
Yes	64	77.1
No	19	22.9
Total	83	100.0

Source- survey report 2017

Here the respondents were requested to provide their opinion about is there any occasion that suppliers deliver poor quality of products, based on this 64(77%) respondents agreed that there is an occasion that poor quality against the specification products have brought from suppliers this a creates a problem to handover the products unnecessary dialogue and disagreement with suppliers, finally shortage of products have been created.19, 22.9% replied quality is not a problem for ethio telecom.

4.5.5.cultural difference

Table 4.14

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	25	30.1	30.1	30.1
	No	58	69.9	69.9	98.8
	Total	83	100.0	100.0	100.0

Source- survey report 2017

The participants were requested to suggest their opinion about whether cultural issue is a challenge during foreign procurement process of ethio telecom, the response indicates culture does not affect foreign procurement, 58 respondents 69.9% of the total participants said cultural difference among the supplier country and the purchaser country did not matters, 25(30.1%) of respondents replied culture is one a factor that affects foreign procurement process of the company.

4.5.6 standardization difference among different countries

Table 4.15

		Frequency	Percent
Valid	strongly disagree	10	12.0
	Disagree	22	26.5
	Neutral	4	4.8
	Agree	41	49.4
	strongly agree	6	7.2
	Total	83	100.0

Source-survey report 2017

The participants requested to provide their opinion about whether standardization difference among countries affects foreign procurement process of ethio telecom, based on this 41(49.4%) agreed and 6(7.2%) respondents strongly agreed that difference in standardization affects the procurement process of ethio telecom, but 22(26.5%) disagreed, and 10(12%) strongly disagreed that standardization difference don't affect the foreign procurement process of ethio telecom, and 4 (4.8%) responded neutrally.

4.5.7.sourcing of the same products from different suppliers

table 4.16

		Frequency	%
Valid	strongly disagree	4	4.8
	Disagree	1	1.2
	Agree	35	44.6
	strongly agree	41	49.4
	Total	83	

Source survey report 2017

Here the respondents have been requested to reply their opinion about sourcing of similar products from different supplier is advantageous ,majority of them replied that procuring similar products from different suppliers is advantageous for the company ,the same response has been replied in an interview for similar persons ,it is advantageous for the company in terms of protecting scarcity of products ,to keep inventory properly sourcing the same product from different supplier is important ,they informed that the company follows such strategy for all types of purchase ,based on the table above ,41 respondents (49.9%) respondents strongly agreed by the case ,35 (42.2%) respondents agreed by the cases ,only 4(4.8%),1(1.2%), 2(2.4%) respondents strongly disagreed, disagreed and neural for the cases respectively.

4.6. Additional Foreign procurement challenging factors

note **1=strongly disagree,2=gisagree,3= neutral, 4 agree 5 strongly agree**

Table 4.17

Item	1		2		3		4		5	
	No	%	No	%	No	%	No	%	No	%
Fluctuation in currency exchange	4	4.8	3	3.6	1	1.2	31	37.3	44	53
Finding qualified foreign sources			28	33.7			55	66.3		
Just-in-time sourcing requirements	9	10.8	13	15.7	7	8.4	29	34.9	25	30.1
Logistics support for longer supply lines.	2	2.4	7	8.4	6	7.2	39	47	29	34.9
Lack of knowledge about duty/custom requirements	4	4.8	14	16.9	4	4.8	40	48.2	21	25.3
Lack of knowledge about foreign business practices	3	3.6	23	27.7	3	3.6	42	50.6	12	14.5
Culture/language difference affecting communication	4	4.8	28	33.7			36	43.4	15	18.1
Understanding the political environment	7	8.4	35	42.2	3	3.6	25	30.1	13	15.1

Source-survey report 2017

Here the respondents were requested to provide their opinion whether the above listed variables are a challenge for ethio telecom during conducting foreign procurement activities or not ,their response indicates that majority of them are a challenge for the company fluctuation of currency ,finding of qualified supplier, just in time purchasing of products, logistics support for longer supply lines, lack of knowledge about custom duty

requirements ,lack of knowledge about foreign business practices, culture/language difference and political environment ,political issue is not as such a challenge according to the respondents because 35 respondents 42.2% of the total respondents said political environment is not a challenge ,25(30.1%) respondents agree that political environment is still a challenge for ethio telecom foreign procurement tasks.28(33.7%) respondents disagreed culture/language and communication is a challenge ,there is no problem happened due to culture/language problem, but 36(43.4%) respondents agreed that culture/language difference is a challenge for ethio telecom foreign procurement activities.23 respondents (27.7%) of them disagreed lack of knowledge about foreign business practices is not a problem ,but 42(50.6%) of respondents agreed that lack of knowledge is a challenge in foreign procurement activities of ethio telecom, lack of knowledge about custom/duty requirement is another challenging part for ethio telecom foreign procurement activities ,,40 (48.2%) ,agreed and 21 (25.3%) strongly agreed that custom/duty requirement are a challenge for the company.39(47%) agreed and 29 (34.9%) replied that logistics support for longer supply lines is a problem for ethio telecom.55(66.3%) of the respondents replied that getting quailed supplier is a challenge ,28(33.7%) replied that there is no a problem of getting the required suppliers. 29(34.9%) agreed and 25(30.1%) strongly agreed that just in time purchasing is difficult in ethio telecom ,and finally fluctuation of currency is a big a problem ,44(53%) strongly agreed and 31(37.3%) agreed that getting currency at required quantity and time a big challenge for ethio telecom during foreign procuring process, to triangulate this case as the open ended question and interview with top sourcing managers confirmed that foreign currency , letter of credit in bank together with other factors have challenged foreign procurement activities of the company.

4.7 The advantage of internal and external integration

4.7.1 .Integration with internal users

Table 4.18

		Frequency	Percent
	strongly disagree	1	1.2
	Disagree	1	1.2
	Neutral	2	2.4
	Agree	31	37.3
	strongly agree	48	57.8
	Total	83	100.0

Source survey report 2017

Respondents were requested to provide about the importance of internal integration of procurement departments with user departments during conducting foreign purchasing activities. Almost all 48(57.8%) ,agreed strongly about its importance of integration of user departments with procurement departments in sending their aggregated demand to the procurement department at the right time and 31(37.3%) respondents replied that they are agreed ,integration of user department and procurement department is required for the success of the company in terms of cost minimization ,on time delivery of their request and specification ,actively participating of user department with procurement department is important for the smooth running of foreign purchasing activities. Only few of respondents replied against the cases, integration of procurement department with user department is not important for the success of foreign procurement activities, 1 (1.2%), 1(1.2%) and 2 (2.4%) respondents strongly disagreed, disagreed and no opinion respectively.

4.7.2.strong and sustainable supplier relationship

table 4.19

		Frequency	%
Valid	Disagree	2	2.4
	Neutral	1	1.2
	Agree	35	42.2
	strongly agree	45	54.2
	Total	83	100.0

Source survey report -2017

The above table depicts about supplier relationship management,

The respondents were requested to provide their opinion about creating strong supplier relationship is important for the sack of good foreign procurement activities. The table indicates that 45 (54.2%) of respondents strongly agreed that creating strong and sustainable relationship is important for the good running of foreign purchasing activities, 35(42.2%) respondents agreed that creating cooperative relationship is important for success of both parties ,since it creates trust among them ,only 2 (2.4%) replied creating strong relationship with supplier is not necessary ,if there is strong and sustain relationship with suppliers ,the possibility of happening unethical act like corruption is increased ,1(1.2%) respondent replied neutrally.

4.7.3. switch a preferred supplier due to problems like defect

table 4.20

		Frequency	Percent
Valid	Yes	48	57.8
	No	35	42.2
	Total	83	100.0

SOURCE SURVEY REPORT 2017

The respondents were requested to provide their practice about ,switching of suppliers due to supplying product against the specification in terms of quality, quantity ,price or any other issues ,the response indicates that 48(57.8%) of respondents provided that there are a number of occasions procurement department cancelled the agreement of suppliers due to poor performance there are occasions that suppliers perform poorly like

delay without keeping their deadlines, quality issues, delivering wrong products during an interview with sourcing division top managers(Eshibel Mengistu) and Beletu Delamo(Chief acting officer of SD) assured that there are suppliers that act against the contracts ,when such type of occasion happened we immediately disqualify the suppliers and recorded in the black list ,and the sourcing committee decided upon the supplier to bring the right product based on the contract again for the next the supplier totally disqualified from supplying any product for the company.35(42.2%) respondents replied that there is no such circumstances of switching suppliers due to poor performance.

4.7.4 miscommunication with suppliers that leads to conflict

Table 4.21

		Frequency	Percent
Valid	strongly disagree	10	12.0
	Disagree	26	31.3
	Neutral	12	14.5
	Agree	32	38.6
	strongly agree	3	3.6
	Total	83	100.0

Source- survey 2017

The selected persons have been requested whether there is a possibility of miscommunication with foreign suppliers that leads to conflict among them.

As the table above depicted that most of the respondents 26(31.3%),10(12%) strongly disagreed and disagreed respectively ,replied that miscommunication with foreign suppliers is not an issue ,there is no communication gap that leads to conflict there is smooth communication with suppliers ,but 32(38.6%) respondents agreed that there is miscommunication with suppliers that leads to conflict ,the source of conflict provided during an interview with top managers is payment related cases in commercial bank of Ethiopia, when urgent shipment is needed some suppliers couldn't satisfy after they

signed an agreement, but currently this case is not as such a serious problem(based on top sourcing division managers),12(14.5%) respondents replied neutrally ,this may be happened due to lack of properly understanding the question.

4.7.5.setting international procurement offices abroad is important

Table 4.22

		Frequency	Percent
Valid	strongly disagree	26	31.3
	Disagree	35	42.2
	Neutral	5	6.0
	Agree	10	12.0
	strongly agree	7	8.4
	Total	83	100.0

Source survey report 2017

The respondents were requested to reply about opening procurement offices abroad is important for the company, their response shows that setting procurement office abroad is not important ,it exposes the company for unnecessary cost ,35(42.2%) respondents replied opening procurement office abroad to facilitate the purchasing process is not important for ethio telecom at this time ,26(31.3%) of respondents strongly disagreed by the setting of procurement offices abroad ,10(12%) replied setting procurement office abroad is necessary for the company to facilitate foreign purchase by finding the right suppliers that strongly support the company ,7(8.4%) of them strongly agreed by setting the procurement offices abroad, 5(6%) of the respondents act neutrally.

4.8. Current implementation of foreign procurement practices is comfortable and free of problems

Table 4.23

		Frequency	Percent
Valid	stronglydisagree	7	8.4
	Disagree	44	53.0
	Neutral	8	9.6
	Agree	17	20.5
	stronglyagree	7	8.4
	Total	83	100.0

Source –survey report 2017

The respondents were requested to provide their opinions about the current implementation of foreign procurement performance is free from problem, their response showed that the current performance implementation of foreign procurement is not free from any problem ,they assured that the current implementation level has a number of obstacles ,44(53%) of respondents replied that the current implementation status has a number of shortcomings ,7(8.4%) of respondents strongly disagreed that the current implementation is free from problem ,17(20.5%) of respondents assured that the current implementation of foreign procurement activity is free from problem ,7(8.4%) strongly agreed that there is no problem in the implementation of foreign procurement currently.

The following questions were delivered to respondents to provide their opinions for the alternative gains or opportunities by conducting foreign procurement activities.

The following both tables indicates benefits/opportunities gained due to conducting foreign procurement activities in Ethio telecom, 24 respondents (28.9%) replied that access to lower priced goods is an opportunity/benefit gained by conducting foreign procurement activities, based on the response collected from respondents in the case of ethio telecom running foreign procurement activities creates an opportunity/benefits to the company by availing the following opportunities access to higher quality of goods, it is an opportunity to access worldwide technology, the delivery performance is better ,there is

an opportunity to access more suppliers compare to local purchasing ,research indicates that international sourcing is an opportunity to decrease the purchasing costs of a company through applying different negotiation techniques ,but in the case of ethio telecom, there is a gap of calculating whether the international sourcing benefits the company in terms of decreasing costs ,though majority of the respondents accept the theory of applying the mentioned factors properly ,it is clear that an organization gains opportunity of lower priced goods, access to higher technology, but in the case of ethio telecom ,there is a gap of implementation to utilize the mentioned variables.

4.9 **opportunities gained during proper implementation of foreign procurement processes**

Note, 1= not very important,2=not important,3= neutral,4=important,5 very important

Table 4.24

Item	5		4		3		2		1	
	No	%	No	%	no	%	No	%	No	%
Access to lower priced goods	24	28.9	24	28.9	7	8.4	19	22.9	9	10.8
Access to higher quality goods	36	43.4	37	44.6	2	2.4	6	7.2	2	2.4
Access to worldwide technology	36	43.4	42	50.6	1	1.2	3	3.6	1	1.2
Better delivery performance	27	32.5	43	51.8	4	4.8			9	10.8
Increased number of suppliers	39	47	38	45.8	2	2.4	2	2.4	2	2.4

Source-survey report -2017

Majority of the respondents replied that the listed variables are important that ethio telecom foreign procurement gained from foreign procurement processes, access to lower priced goods is not an opportunity based on the respondents, because ethio telecom did not access lower priced goods in foreign procurement processes due to factors like long distance, high tax for imported goods, high transportation cost.

NOTE FPP= FOREIGN PROCUREMENT PROCESSES

Table 4.25 Descriptive Statistics of opportunities gained during FPP

	N	Min	Max	Sum	Mean
access to lower priced goods	83	1	5	284	3.42
access to high quality goods	83	1	5	348	4.19
access to worldwide technology	83	1	5	358	4.31
better delivery performance	83	2	5	337	4.06
increased number of suppliers to purchase the same product	83	1	5	359	4.33
Valid N (list wise)	83				
Grouped mean					4.062

Source survey report 2017

The above table indicated the group mean 4.062 which showed the opportunities that ethio telecom gained during conducting foreign procurement activities poor ,specially access to lower priced goods is not an opportunity that ethio telecom obtained ,needs further clarification, similar to the rest variables like better delivery performance also needs an improvement.

4.10 knowledge of working documents of foreign procurement

The following table indicates descriptive statistics of grouped means about knowledge of working documents that are important in conducting foreign purchasing activities and their implementation status.

Table4.26 Descriptive Statistics

	N	Min	Max	Sum	M
knowledge about foreign procurement	83	1	5	314	3.78
sourcing policy	83	1	5	316	3.81
sourcing procedure	83	1	5	314	3.78
sourcing processes	83	1	5	318	3.83
seven steps sourcing mythologies during foreign procurement	83	1	5	312	3.76
Valid N (list wise)	83				
Grouped mean					3.792

Source survey-2017

Note 1=strongly disagree,2=disagree,3= neutral, 4=agree 5=strongly agree.

Table 4.27

Item	1		2		3		4		5	
	No	%	No	%	no	%	No	%	No	%
Knowledge about foreign procurement	4	4.8	9	10.8			58	69.9	12	14.5
Sourcing policy	4	4.8	8	9.6	1	1.2	57	68.7	13	15.7
Sourcing procedure	5	6	8	9.6			57	68.7	13	15.7
Sourcing processes	5	6	7	8.4	1	1.2	54	65.1	16	19.3
Seven steps sourcing methodologies	7	8.4	6	7.2	3	3.6	51	61.4	16	19.3

Source-survey report -2017

Here the respondents were requested to reply their opinion about the implementation status and knowledge of the working documents to describe, knowledge about foreign procurement, sourcing policy, sourcing procedure, sourcing processes and the seven steps sourcing methodologies. The response indicates that 58 respondents 69.9% of the total population replied that procurement department staffs have knowledge about how foreign purchasing is conducted, 12 respondents 14.5% of them strongly agreed that there is no foreign procurement business knowledge gap, 9 respondents 10.8% them replied negatively there is a knowledge gap in running foreign procurement activities, 4 respondents 4.8% of them replied some foreign procurement staffs do not have enough knowledge about foreign procurement. The next important variable during implementation of foreign procurement is sourcing policy, 57 respondents 68.7% of the total participants replied that there is no problem in implementing sourcing policy of the division during sourcing products abroad ,13 respondents ,15.7% of the total participants strongly agreed sourcing policy is properly implemented during foreign procurement processes.4(4.8%) respondents strongly disagreed that there a gap in implementing sourcing policy during foreign procurement processes, and 8(9.6%) respondents disagreed that there is a gap of implementing sourcing policy while conducting international sourcing. The other variable that is important in implementing foreign procurement is sourcing procedure ,based on the table above 57 respondents 68.7% of the total participants agreed that sourcing procedure of the division is properly implemented during foreign procurement activities, 13 respondents 15.7% of them strongly agreed that sourcing procedure of the division is properly implemented ,only 8 respondents 9.6% of the participants disagreed that there is a gap in implementing sourcing procedures of the division while conducting foreign procurement tasks and 5 respondents 6% of them strongly disagreed that there is a gap of implementing sourcing procedures during foreign procurement activities.54 respondents 65.7% of the participants agreed that sourcing process of the division is properly implementing during running foreign procurement activities ,16 respondents 19.3% of them strongly agreed that sourcing process of the division is properly implementing ,7 respondents 8.4% disagreed that there is a gap of implementing sourcing processes of the division during foreign procurement tasks ,5 respondents 6% of them strongly disagreed that there is a gap of implementing sourcing processes of the division while running foreign procurement activities of the company. The final document required during the implementation process of foreign procurement is sourcing methodologies ,51

respondents 61.4% of the total participants agreed that seven steps sourcing methodologies of the division is properly implemented ,16 respondents 19.3% of the total participants strongly agreed that sourcing methodologies is properly implementing while conducting foreign procurement tasks of ethio telecom, only 7 (8.4%) respondents strongly disagreed and 6(7.2%) of respondents disagreed that there is a gap of implementing sourcing methodologies of the division while in the process of foreign procurement tasks of ethio telecom.

4.11 Important factors that should be taken into consideration in deciding foreign procurement activities

Note 1=not very important,2=not important, 3=neutral, 4=important 5= very important TABLE 4.28

Item	5		4		3		2		1	
	No	%	No	%	No	%	No	%	No	%
Cost savings	37	44.6	24	28.9			15	18.1	7	8.4
Increased quality of procured goods	36	43.4	35	42.2	1	1.2	10	12	1	1.2
Access to more advanced technology, innovative goods	43	51.8	35	42.2	1	1.2	2	2.4	2	2.4
More flexibility concerning supply sources	29	34.9	43	51.8	5	6	5	6	1	1.2
Reducing supply risk	22	26.5	37	44.6	6	7.2	11	13.3	7	8.4
Product only available abroad	21	25.3	24	28.9	5	6	16	19.3	17	20.5
Compliance with import quotas	13	15.7	48	57.8	6	7.2	9	10.8	7	8.4
Sourcing of middle/low tech goods	4	4.8	20	24.1	4	4.8	19	22.9	36	43.4

Source survey 2017

The respondents were requested to provide their opinion about the important factors that

should be evaluated before deciding to procure products from international sources.37(44.6%) of respondents replied that foreign procurement activities should save cost for the company , 24(28.9%) of the respondents replied cost saving is important factor that needs attention,36(43.3%) of the respondents replied increased quality of procured goods is a very important factor that should be given high priority, 35(42.2%) of them replied quality is very important factor ,10 (12%) of respondents quality is not important factor .43 respondents 51.8% of the total respondents replied access to advance technology and innovative is a very important factor that should be taken into consideration in deciding foreign procurement activities, 35 respondents which is 42.2% of them replied that innovative products and technologically advanced matters is important factor in sourcing products from abroad. 43 respondents 51.8% of the total respondents replied flexibility of suppliers in sourcing is important issue that may affect the procurement activities ,29 respondents 34.9% of them replied flexibility is very important factor ,37 respondents 44.6% of the totals replied reducing supply risk is important factor that should be given prior attention during foreign procurement decisions, 22(26.5%) of respondents said supply risk reduction is a very important issue before deciding foreign procurement tasks.24 respondents 28.9% of the total respondents replied deciding to purchase only products available abroad is important to provide market for local producers, 21 respondents 25.3% of them said deciding to procure only products available abroad is very important, but 17 (20.5%) respondents replied only products available abroad is not important factor that gains attention before going to foreign purchase decisions. Another factor that needs to be considering in foreign procurement decision is compliance with import duties. Based on the table above 48 respondents around 57.8% of the total respondents said compliance with import duties is important factors that needs attention wherever a company wants to source any materials from international suppliers, knowing the custom clearance and port related policies of a country is an important logistics factor ,13 (15.7%) replied import duty is a very important factor in the movement of products from origin to destination so knowing the custom clearance roles of the origin country and the destination has its own value to move the purchased products smoothly. The last factor that needs attention is sourcing of middle/low tech goods. 36 respondents 43.4% of the total respondents replied that sourcing of middle/low tech goods is not very important, 19 respondents 22.9% of them replied sourcing of middle/low tech goods is not important factor that needs special

attention during foreign procurement activities, 20 respondents 24.1% of them said sourcing of middle/low tech goods is important factor that requires special attention in deciding to conduct foreign procurement activities.

4.11. Supplier relationship management

Table 4.29 Descriptive Statistics about supplier relationship management

	N	Sum	Mean
managing supplier relationship is very important	83	310	3.73
management support to conduct supply market analysis and suppliers/partners audit	83	286	3.45
sufficient information is available from the market about potential suppliers	83	279	3.36
assessment and evaluation of suppliers to develop long term partnership	83	286	3.45
evaluation of suppliers on regular basis	83	261	3.14
categorized and pooled suppliers based on their performance	83	274	3.30
monitoring and measurement guidelines for suppliers performance	83	241	2.90
gathering feedback and conducting survey from suppliers on the existing sourcing processes	83	256	3.08
Valid N (list wise)	83		
Grouped mean			3.30

NOTE 5, VERY IMPORTANT, 4= IMPORTANT,3= NEUTRAL,2, NOT IMPORTANT,1 NOT VERY IMPORTANT

Supplier relationship management based on percentage **table 4.29**

Item	5		4		3		2		1	
	No	%	No	%	No	%	No	%	No	%
Managing supplier relation is important	7	8.4	8	9.6	1	1.2	51	61.4	16	19.3
Supports from top level management	8	9.6	16	19.3	2	2.4	45	54.2	12	14.5
Adequate information about potential suppliers	4	4.8	20	24.1	9	10.8	42	50.6	8	9.6
Selection & evaluation criteria for long term partnership	6	7.2	18	21.7	4	4.8	43	51.8	12	14.5
Suppliers are evaluated in a regular basis	27	32.5	41	49.4	4	4.8	6	7.2	5	6
Suppliers are categorized/pooled/ based on performance	4	4.8	26	31.3	1	1.2	45	54.2	7	8.4
Monitoring & measurement guidelines after the closure of contract	10	12	33	39.8	1	1.2	33	39.8	6	7.2
Supplier/partner survey for next improvements	10	10.8	27	32.5	1	1.2	36	43.4	9	10.8

Source survey **2017**

From the above table ,the respondents were requested to provide their opinions about supplier relationship management based on the variables listed under it.51 respondents

61.4% of the total respondents agreed that managing supplier relationship is important for the company ,16(19.3%) respondents strongly agreed about the importance of creating good supplier relationship management.45 respondents (54.2%) agreed that top level management provided support to conduct supply market analysis and suppliers/partners audit 12 (14.5%) respondents strongly agreed top level management support ,19(19.3%) disagreed top level management support to conduct supply market analysis and supplier audit. 8 respondents (9.6%) strongly disagreed there is no top level management support to conduct supply market analysis and supplier audit. The third important variable for supplier relationship management is availability of information,42 (50.6%) of the respondents replied that there is sufficient information in the market about potential suppliers ,8 (9.6%) strongly agreed that sufficient information is available in the market about potential suppliers ,but 20 respondents 24.1% of the total respondents disagreed it is impossible to get sufficient information in the market regarding potential suppliers, 9 (10.8%) of the respondents are neutral to the case. The forth issue that delivered to the respondents was about supplier selection and evaluation criteria which is important for long term partnership, based on this 43 (51.8%) of the respondents agreed that ethio telecom has developed supplier selection and evaluation criteria for long term partnership, 12 (14.5%) of respondents strongly agreed about the availability of supplier selection and evaluation criteria important for long term partnership with suppliers , 18(21.7%) respondents disagreed, 6(6.2%) strongly disagreed that the current developed supplier selection and evaluation criteria is not sufficient it lacks clarity ,there are terms which are unclear for both parties ,the same response is provided for open ended questions and an interview with top sourcing managers and sourcing committee ,they provided the document has terms which are ambiguous for both parties during implementation. The fifth important factor to create good supplier relationship management is about evaluation of suppliers regularly in annual basis, here 41(49.4%) of respondents replied that suppliers have not evaluated regularly in annual basis ,there is a gap of supplier evaluation though there is a developed criteria to evaluate ,there is a gap in implementation, 27 (32.5%) strongly disagreed that suppliers have been evaluated their performance at least once a year, only 5 (6%) of the respondents agreed there is a regular supplier evaluation, 4(4.8%) respondents are neutral about the case. The sixth factor that considered as important for supplier relationship management is categorization of suppliers based on their performance, 45 respondents 54.2% from the total

respondents agreed that suppliers are categorized and pooled based on their performance, 7 (8.4%) respondents strongly agreed suppliers are categorized and pooled based on their performance, 26 respondents 31.3% of them replied that suppliers are not categorized and pooled based on performance. The seventh term is about monitoring and measurement guidelines important to measure the performance of suppliers after the closure of every contract, 10(12%) respondents strongly disagreed ,and 33(39.8%) of respondents disagreed there is no established measurement guidelines and monitoring of suppliers performance at the end of the closure of contract, 33(39.8%) of respondents agreed ,and 6 (7.2%) of the respondents strongly agreed there is established monitoring and measurement guideline to evaluate suppliers performance after the closure of every contract.

The last factor that is important for long term supplier relationship management is conducting of marketing survey to improve the existing sourcing process. 36(43.4%) of the respondents replied that ethio telecom conducts market survey and collect feedback from suppliers to improve the existing sourcing process ,9(10.8%) of the respondents strongly agreed that ethio telecom conducts market survey to improve the current sourcing processes ,27(32.5%) respondents did not agree by the conducting market survey and collecting of feedback from suppliers to improve the existing sourcing processes, 10(12%) of the respondents strongly disagreed that ethio telecom did not conduct market survey which is important to improve the existing sourcing process.

NOTE FPD1= FOREIGN PROCUREMENT DECISION

4.12. Data interpretation based on correlation and regression

Table 4.30 Correlations

		supplier relationship management	FPD1	sufficient information is available from the market about potential suppliers
Pearson Correlation	supplier relationship management	1.000	.	-.385
	FPD1	.	1.000	.
	sufficient information is available from the market about potential suppliers	-.385	.	1.000
Sig. (1-tailed)	supplier relationship management	.	.000	.000
	FPD1	.000	.	.000
	sufficient information is available from the market about potential suppliers	.000	.000	.
N	supplier relationship management	83	83	83
	FPD1	83	83	83
	sufficient information is available from the market about potential suppliers	83	83	83

Source survey report 2017

In addition to the above description, here the analysis is extended to show the relationship and their prediction abilities between variables of dependent and independent variables

The above correlation table shows that there is a relation between dependent and independent variables, the dependent variable supplier relationship management is correlated with itself strongly related ,supplier relationship management correlated strongly (1) with independent variables “FPD1,to initial foreign procurement decision

variables ,and dependent variable supplier relationships management negatively correlated at moderate level (-0.385) with independent variable sufficient information is available from the market about potential suppliers, this, indicates if there is good supplier relationship ,no need of searching information in the market.

Table 4.31 Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
	sufficient information is available from the market about potential suppliers	.	Enter

a. Dependent Variable: supplier relationship management

b. All requested variables entered.

Table 4.32 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.385[a]	.148	.138	.429

a. Predictors: (Constant), sufficient information is available from the market about potential suppliers

The above model summary describes the correlation (R) at 0.385 independent variable sufficient information is positively correlated with dependent variable foreign procurement prior decision

Table 4.33 **ANOVA[a]**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.593	1	2.593	14.121	.000[b]
	Residual	14.876	81	.184		
	Total	17.470	82			

Source extracted from SPSS

a. Dependent Variable: supplier relationship management

b. Predictors: (Constant), sufficient information is available from the market about potential suppliers

The ANOVA table for dependent variable supplier relationship management and independent variable sufficient information from the market about potential suppliers indicates the regression equation is explaining statistically significant portion of the variability in the dependent variables.

Table 4.34 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
1 (Constant)	1.845	.152		12.127	.000			
sufficient information is available from the market about potential suppliers	-.162	.043	-.385	-3.758	.000	-.385	-.385	-.385

a. Dependent Variable: supplier relationship management

The equation of regression variable based on the above coefficients is

Y=a+b1x, where y= dependent variable, a= constant, slope, b1==regression coefficient, x independent variable

Y= 1.845+ -0.162x, so if x, independent variable increases by 1

Y=1.845-0.162*1

Y=1.683

A 1%_increase in information from the market about potential suppliers, it is likely that supplier relationship management will not be a challenge to manage.

Based on the above correlation table delay of letter of credit (independent variables), correlate with moderately with (0.373) logistics another independent variable. Fluctuation of currency (independent variable) and delay of letter of credit are correlated strongly .another correlated variables is foreign procurement challenges and bottlenecks(dependent variables) moderately affected by (0.373) and statistically significant variability between dependent and independent variables of sourcing policy and sourcing procedure is moderately correlated with (0.441) and statistically significant by rejecting the null hypothesis(0.000) and accepting the alternative hypothesis of there is a significant relationship between sourcing procedure and foreign procurement challenges.

CORRELATIONAL INTERPRETATION OF VARIABLES Table 4.35

		foreign procurement challenges and bottleneck	knowledge about foreign procurement	sourcing policy	sourcing procedure	sourcing processes	seven steps sourcing methodologies during foreign procurement
Pearson Correlation	foreign procurement challenges and bottlenecks	1.000	-.163	-.373	-.441	-.427	-.339
	knowledge about foreign procurement	-.163	1.000	.522	.447	.405	.341
	sourcing policy	-.373	.522	1.000	.856	.845	.751
	sourcing procedure	-.441	.447	.856	1.000	.955	.886
	sourcing processes	-.427	.405	.845	.955	1.000	.856
	seven steps sourcing methodologies during foreign procurement	-.339	.341	.751	.886	.856	1.000
Sig. (1-tailed)	foreign procurement challenges and bottlenecks	.	.071	.000	.000	.000	.001
	knowledge about foreign procurement	.071	.	.000	.000	.000	.001
	sourcing policy	.000	.000	.	.000	.000	.000
	sourcing procedure	.000	.000	.000	.	.000	.000

	sourcing processes	.000	.000	.000	.000	.	.000
	seven steps sourcing methodologies during foreign procurement	.001	.001	.000	.000	.000	.
	foreign procurement challenges and bottlenecks	83	83	83	83	83	83
	about foreign procurement knowledge	83	83	83	83	83	83
	sourcing policy	83	83	83	83	83	83
	sourcing procedure	83	83	83	83	83	83
	sourcing processes	83	83	83	83	83	83

SOURCE SURVEY REPORT 2017

From the above correlation table it is possible to understand that knowledge about foreign procurement is negatively correlated with foreign procurement challenges (-0.373) at moderately ,if there is knowledge about foreign procurement ,the challenge happened while conducting foreign procurement activities will be decreased in some amount ,since there are other factors that determines in addition to knowledge about foreign practices. Sourcing documents (sourcing policy, sourcing, procedure, sourcing process and seven steps sourcing methodologies) are correlated positively at strong level. If foreign procurement staffs have full knowledge of sourcing process of foreign procurement processes, the probability of knowing other working documents also increases.

VARIABLES THAT ENTERED IN THE REGRESSION

Table 4.36

Model	Variables Entered	Variables Removed	Method
1	knowledge about foreign procuremen t	.	Enter
2	sourcing policy	.	Enter
3	sourcing procedure	.	Enter
4	sourcing processes	.	Enter
5	seven steps sourcing methodologi es during foreign procuremen t	.	Enter

SOURCE SURVEY REPORT 2017

a. Dependent Variable: foreign procurement challenges and bottlenecks

b. All requested variables entered.

The above regression model table indicates list of variables that entered in the SPSS for further prediction of independent variables on dependent variables of foreign procurement challenges.

Table 4.37 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.163[a]	.026	.014	.374
2	.375[b]	.140	.119	.354
3	.443[c]	.196	.166	.344
4	.443[d]	.196	.155	.346
5	.459[e]	.211	.159	.345

a. Predictors: (Constant), knowledge about foreign procurement

b. Predictors: (Constant), knowledge about foreign procurement, sourcing policy

c. Predictors: (Constant), knowledge about foreign procurement, sourcing policy, sourcing procedure

d. Predictors: (Constant), knowledge about foreign procurement, sourcing policy, sourcing procedure, sourcing processes

e. Predictors: (Constant), knowledge about foreign procurement, sourcing policy, sourcing procedure, sourcing processes, seven steps sourcing methodologies during foreign procurement

The above model represents the degree of relationship between the variables of both types/dependent and independent variables/

Table 4.38 **ANOVA** Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.308	1	.308	2.199	.142[b]
	Residual	11.331	81	.140		
	Total	11.639	82			
2	Regression	1.635	2	.818	6.538	.002[c]
	Residual	10.004	80	.125		
	Total	11.639	82			
3	Regression	2.282	3	.761	6.423	.001[d]
	Residual	9.356	79	.118		
	Total	11.639	82			

4	Regression	2.285	4	.571	4.764	.002[e]
	Residual	9.353	78	.120		
	Total	11.639	82			
5	Regression	2.451	5	.490	4.107	.002[f]
	Residual	9.188	77	.119		
	Total	11.639	82			

SOURCE SURVEY REPORT 2017

a. Dependent Variable: foreign procurement challenges and bottlenecks

b. Predictors: (Constant), knowledge about foreign procurement

c. Predictors: (Constant), knowledge about foreign procurement, sourcing policy

d. Predictors: (Constant), knowledge about foreign procurement, sourcing policy, sourcing procedure

e. Predictors: (Constant), knowledge about foreign procurement, sourcing policy, sourcing procedure, sourcing processes

f. Predictors: (Constant), knowledge about foreign procurement, sourcing policy, sourcing procedure, sourcing processes, seven steps sourcing methodologies during foreign procurement

The above ANOVA table indicates the independent variables listed are cable to predict the variability of dependent variable. The variability is statistically significant (0.002) by rejecting the HO hypothesis, it is excluded the rest variables in calculating regression since their statistical significance level is greater than 0.05, their level to predict on dependent variable is very insignificant.

Table 4.39

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.403	.163		8.590	.000
	knowledge about foreign procurement	-.062	.042	-.163	-1.483	.142
2	(Constant)	1.684	.177		9.522	.000
	knowledge about foreign procurement	.017	.046	.044	.364	.716
	sourcing policy	-.152	.047	-.396	-3.258	.002
3	(Constant)	1.748	.174		10.029	.000
	knowledge about foreign procurement	.017	.045	.044	.373	.710

	sourcing policy	-.002	.079	-.006	-.030	.976
	sourcing procedure	-.168	.072	-.456	-2.338	.022
4	(Constant)	1.752	.177		9.885	.000
	knowledge about foreign procurement	.016	.046	.041	.344	.732
	sourcing policy	.000	.081	.001	.006	.996
	sourcing procedure	-.150	.133	-.408	-1.125	.264
	sourcing processes	-.020	.128	-.056	-.158	.875
5	(Constant)	1.728	.178		9.715	.000
	knowledge about foreign procurement	.022	.046	.059	.484	.630
	sourcing policy	.000	.081	.001	.006	.996
	sourcing procedure	-.228	.149	-.620	-1.534	.129
	sourcing processes	-.030	.128	-.082	-.233	.817
	seven steps sourcing methodologies during foreign procurement	.088	.075	.260	1.177	.243

SOURCE –SURVEY REPORT 2017

a.. Dependent Variable: foreign procurement challenges and bottlenecks

Coefficients

The regression equation

Y=a+b1x1+b2x2+e

Y= a-0.152x1+-0.168x2+e

Y=1.403-0.152x1-0.168x2+0.47+0.072

Y= 1.403-

Let x1, x2=1

Y=1.457

The following coefficients indicates to show the prediction of dependent variable initial factors that leads to foreign procurement with independent variable standardization difference among countries, there is relationship between them at moderate, the null hypothesis is rejected(0.003<0.05),so there is a relationship between standard difference and initial decision

Table 4.40 **Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.324	1.177		1.125	.264
	delay of letter of credit	-.145	.205	-.101	-.707	.482
	Currency	.117	.179	.088	.656	.514
	finding qualified suppliers	.245	.317	.086	.774	.442
	logistics is one of a challenge	-.262	.141	-.216	-1.867	.066
	Quality	.062	.353	.019	.176	.861
	cultural difference	.217	.291	.083	.743	.460
	standardization difference among different countries	.368	.122	.335	3.024	.003

a. Dependent Variable: initial factors that leads to foreign procurement decisions

The regression model is shown as

Y= a+bx+e

Y= 1.324+0.368x+0.122 from this it is predicted that a 1% change on standard difference among countries, there is a change on factors of foreign procurement decisions other variables remain constant.

If x be 1, y will be 1.814

Table 4.41 **Correlations**

		foreign procurement challenges and bottlenecks	annual suppliers evaluation plan	control foreign procurement efficiency	integration with internal users	strong and sustainable supplier relationship
Pearson Correlation	foreign procurement challenges and bottlenecks	1.000	-.195	-.022	-.041	.112

	annual suppliers evaluation plan	-.195	1.000	.201	-.167	-.277
	control foreign procurement efficiency	-.022	.201	1.000	.142	.182
	integration with internal users	-.041	-.167	.142	1.000	.370
	strong and sustainable supplier relationship	.112	-.277	.182	.370	1.000
Sig. (1-tailed)	foreign procurement challenges and bottlenecks	.	.039	.423	.356	.157
	annual suppliers evaluation plan	.039	.	.034	.065	.006
control foreign procurement efficiency		.423	.034	.	.100	.050
	integration with internal users	.356	.065	.100	.	.000
	strong and sustainable supplier relationship	.157	.006	.050	.000	.
N	foreign procurement challenges and bottlenecks	83	83	83	83	83
	annual	83	83	83	83	83
	suppliers evaluation plan					
	control foreign procurement efficiency	83	83	83	83	83
	integration with internal users	83	83	83	83	83

strong and sustainable supplier relationship	83	83	83	83	83

SOURCE SURVEY REPORT 2017

From the above correlation table ,it is conclude that there is relation between variables at moderate level ,foreign procurement challenges have positive relation with control foreign procurement efficiency (0.423), strong and sustainable supplier relationship positively correlated with foreign procurement challenges(0.356), annual suppliers evaluation plan negatively correlated with strong and sustainable supplier relationship (-0.277).

Finally integration with internal users is positively correlated with strong and sustainable supplier relationship (0.370), though the strength of their relationship is weak ,it is possible to say that the increase in integration with internal variable there would be an increase on strong and sustainable supplier relationship. The rest variables are very weakly correlated with each other, an increase on one variable, the level of an increase or decrease would be very low.

CHAPTER FIVE
5. SUMMARY, CONCLUSSION, AND RECCOMMENDATION

5.1 INTRODUCTION

In this chapter, major findings are summarized and conclusions based upon the findings are drawn. The chapter also includes recommendations forwarded based on the assumption that they could be solution for problems investigated in the study.

5.2. SUMMARY

The main objective of this research was to assess the foreign procurement activities of ethio telecom seems like, main question addressed to be investigated in this research were

What were the main challenges faced during foreign procurement activities of the company, the supply relationship management of foreign procurement department, the implementation status of foreign procurement activities, and integration of internal users , the initial decisions made before conducting foreign procurement processes were some of the questions have got answers from the research.83 sourcing division staffs were participated during collecting the primary data and 6 sourcing committee members provided interviews important for the paper.

The questionnaires were pilot tested in order to avoid ambiguity. Based upon comments, necessary adjustments were made before distribution. The questionnaires included both close ended questions and a few open ended questions including interviews. A total of 110 respondents were included. From the total 110 respondents, 83 questionnaires were returned. The statistical tools used to analyze the data were frequency, percentage, correlation, and regression in some amount. The following major findings were obtained from this research.

Regarding annual supplier performance evaluation plan of the company, majority of the respondents replied suppliers have evaluated annually ,28 respondents evaluation of suppliers did not conduct regularly, at the same time efficiency of foreign procurement properly controlled by the departments staffs, the finding indicates around 21 respondents replied there is a gap ,since foreign procurement required a high investment, there should be well structured efficiency control mechanism to protect the company from incurring high cost.

5.1.3 The implementation of sourcing working documents

Knowledge about working documents

Knowledge of procurement staffs about foreign purchasing is very important to be competitive enough in international level, based on the findings, knowledge about foreign sourcing correlates with foreign procurement challenges like delay of letter of credit, logistics, compliance with duty and customs .knowledge about foreign procurement practices is negatively correlated with foreign procurement challenges (0.373),sourcing process, procedure and seven steps sourcing methodologies are important document to implement both domestic and international purchases. The group mean of the working documents indicated that 3.79, there is a gap of implementing the working documents, since the problem in working documents, it has in impact on other variables. Supplier relationship management is an important factor for the success of the foreign procurement tasks of ethio telecom; the findings indicated that **(table 4.30)** supplier relationship management has a correlation with sourcing documents, internal integration with user departments, foreign procurement challenges and bottlenecks. The group mean in table 4. 28 Indicates that 3.08 which is below average though the response indicated above (**table 4.30),** majority of them replied that there is good supplier relationship management, but individual mean (table **4.28), (2.9)** the current established monitoring and measurement guidelines to evaluate suppliers after the closure of each contract needs an improvement, and **(3.14)** individual mean evaluation of suppliers regularly without interruption also needs improvement.

5.1. 4 foreign procurement challenges and bottlenecks

Based on the findings listed above there were a number of factors that challenges foreign procurement activities of ethio telecom , delay of letter of credit, fluctuation of currency, quality problem, culture, language ,finding of qualified suppliers , switch of suppliers of suppliers due to defect , logistics, standardization difference among countries , are some of the challenges ,these variables also has a cause/effect relationship with other dependent and independent variables (table 4.41) shows a correlation with supplier management relationships(0.423) and tables 4.10,4.11,4.12,4.13,4.14,4.15,and 4.19 indicates that these variables seriously affects the company needs an intervention of top executives and board directors of ethio telecom, specially currency, delay of letter of credit, logistics, & quality issue are some of the variables that seriously threatens foreign

procurement activities of the company. Findings obtained in an open ended questions and information obtained in an interview with top managers sourcing committee confirmed that in addition to the above mentioned variables, there are other problems like poor communication with internal users in collecting and sending an aggregated demand, goods stay in transit for a long period of time due to custom clearance issues, lack of transportation to move goods from port to central warehouse.

5.1.5 Initial factors that should be investigated in deciding to source products from in an international source

Table 4.27 indicates majority of respondents replied that these variables should be investigated in detail in deciding foreign procurement processes, so that it is possible to avoid unnecessary costs, decrease quality related problems, decrease the magnitude of the foreign procurement challenges listed above.

5.1.6. Foreign procurement opportunities

Tables 4.22 and 4.23 indicates these variables are very important and if they implemented properly ,be able to benefit the company, there is a gap in implementing from the beginning as indicated above and information gained in open ended questions and an interview with top managers of sourcing department replied ethio telecom have been benefited from procuring of similar products from different suppliers , this created an opportunity to obtain similar products continuously without affecting the inventory flow to users ,products are available as required by customers ,these products like voucher cards ,subscriber identification card(SIM), some just in requirement goods are supplied in this way

5.3 Conclusion

This research paper aimed at assessing the current implementation status of foreign procurement activities, the value of creating strong supplier relationship management, identifying the challenges and finding solutions, factors should be considered during

conducting foreign procurement activities; the opportunities that should gain by sourcing products from international sourcing were addressed. There should be an internal coordination with departments in collecting demands ,aggregate purchase materials should be delivered from user departments to decrease total cost of ownership, since foreign procurement department demands a huge investment it needs continuous follow up and evaluation to avoid unethical code conduct and corruption, should follow open competitive bidding system to make things clear for all participants ,master frame agreement for corporate strategic purchase is three years in between this time suppliers should be evaluated and controlled to know their performance ,if there is anything wrong against the agreement the contract should be cancelled immediately. Sourcing documents are key instrument that guides the procurement activities in general should be well acquainted by procurement staffs particularly foreign procurement staffs should have detail knowledge about each terms since a minor mistake may bring a lot of damages for the company in terms of currency ,as discussed above in finding parts of the research currently observed challenges of foreign procurement implementation process have affected the company not to avail the required goods and materials on time, these foreign procurement bottlenecks should be avoided soon otherwise company's business will be affected to achieve the GTP goals. The foreign procurement opportunities should be utilized at maximum level to save the ethio telecom not incur unnecessary cost. Sourcing division especially foreign procurement department should be automated to facilitate the smooth running of procurement activities, to support supplier evaluation. Suppliers of the company should be categorized and pooled based on their performance. Suppliers are not managed efficiently and effectively, system based performance evaluation of suppliers have been established, there is a gap of strong supplier measurement guidelines that serve as a benchmark; there is a gap of knowledge in working documents implementation in foreign procurement employees. Training gap is observed in foreign procurement staffs that challenge them to know well the foreign procurement practices.

5.4 Recommendation

- Working documents should be clearly understood by sourcing division employees' especially foreign procurement staffs, sourcing policy, procedure, processes and seven steps sourcing methodology should be well understood by foreign procurement department staffs .there should be a clear guideline to monitor and evaluate the performance of suppliers at least once a year
- Ethio telecom has to provide adequate trainings and skills to Requester units which enable them to improve their forecasting, planning and product knowledge/technical skills. These help them to develop complete specification for goods, services and works, consolidate and categorize their annual needs.
- To cope up with the competitive market situation and enable ethio telecom to crop the benefits of proper implementation of seven steps methodologies, sourcing processes, sourcing policy and procedure have to be revised and clearly articulated in accordance with the seven steps strategic sourcing processes or other best proven strategies.
- To enable sourcing team to revise the policy and procedure, ethio telecom should arrange experience sharing program with those companies who has been implementing similar strategy. In addition to that, Top level management should give due attention and support for the proper implementation of the strategies.
- As part of overseeing the overall effective execution of the sourcing strategy, the top management must take the responsibility of monitoring and evaluation aspect rather than the sourcing department so as to enable the top management to provide prompt support and direction.
- The existing foreign procurement challenges, especially letter of credit delay, currency fluctuation, quality, finding of the right supplier problem, logistics standardization difference, should be solved soon in cooperation with all the stakeholders including banks.
- There should be clear and trustful relationship with suppliers by creating transparency in the process of foreign procurement activities ,from Po collection, open tendering, competitive bidding. The negative image of purchasing should be avoided through training and awareness creation.
- Collaborative relationship internally and externally is important for the smooth running of foreign procurement processes.

- There should be a good document of suppliers that properly record the profiles of suppliers to know when there is any unethical act happened it is easy to trace.
- Purchased goods should be categorized based on their use, supply risk or others.
- Only by establishing an effective Suppliers Relation Management program will ethio telecom begin to realize the savings and improvements that were initially targeted early in the sourcing process. Therefore, ethio telecom should assess supply market analysis, screen, select, evaluate and get approved list of key suppliers.
- Providing training and awareness of sourcing documents to all concerned body is vital. Unless all units understand the company objectives and work together to the same goal, it is impossible to realize it. So, Sourcing Department should provide adequate training to all concerned stakeholder on the sourcing documents.
- In order to identify the problem and take corrective action, Sourcing Department must gather feedback from its stakeholders and fill its gap when required.
- It is difficult to achieve the company goal without strong integration and cooperation between sourcing and user units. Therefore, at company level interdepartmental integration needs to be improved.

5.5 Suggestion for further studies

To address and pinpoint the problems further study will be required on the

following areas

- Foreign procurement performance of ethio telecom
- The main cause of foreign procurement challenges that happened in the past few years like logistics bottlenecks, goods stay in transit inside the country.
- How to integrate supplier relationship management both internally and externally and its advantages.

REFERENCES

Baily, P., Farmer, D.,Jessop, D. and Jones, D. (2005) "Purchasing principles and management". UK - Hampshire: Pearson Education Limited.

Bernard, H. R. (2002). Research methods in anthropology: Qualitative and quantitative approaches (3rd ed.). Walnut Creek, CA: Alta Mira Press.

Bryman, A. & Bell, E., (2007).Business Research Methods. Oxford: Oxford University. Press, 2nd edition.

Bryman, A. & Bell, E., (2011).Business Research Methods. Oxford: Oxford University. Press, 3rd edition.

Carter, J. R. (2000). Development of supply strategies. In J.L. Cavinato & R.G.Kauffman (Eds.),

Collis, J. & Hussey, R., (2009).Business Research, A Practical Guide for Undergraduate & Postgraduate Students. 3rd ed. Palgrave Macmillan.

Court B, Steele P. (1997). Profitable Purchasing Strategies: a manager's guide for improving organizational competitiveness through the skills of purchasing. McGraw-Hill Book Company England.

Cousins. D., Lamming, R., Lawson, B., & Square, B. (2008) "Strategic Supply management principles, theories, and practice". UK: Prentice Hall.

Dill man, D. (2007). Mail and Internet Survey: The tailored design method. New York: Wiley.

Dabbler, D.W. and Burt, D.N. (1996), Purchasing and Supply Management: Text and Case, 6th ed., McGraw-Hill, New York, NY.

Leedey, P.D., and Ormond, J.E. (2005) Practical research: Planning and design, (8th ed.), Pearson.Merrill Prentice Hall, Upper Saddle River, NJ, US.

Leeson's Kenneth. (2006). Purchasing and Supplies Chain Management (seventh ed.).

Maxwell, J. A. (2005). Qualitative research design: An interactive approach (2nd Ed.). Thousand Oaks, CA: Sage.

Nishiguchi, Toshihiro. Strategic Industrial Sourcing (New York: Oxford University, 1994) ISBN 0-19-507109-3

Sachdeva, J.K., (2009). Business Research Methodology. 2009th ed. Mumbai, India: Himalaya

Saunders, M (2003), Research Methods for Business Students, Prentice Hall, Upper Saddle Revier, NJ

Tyndall, G., Gopal, C., Partsch, W. and Kamauff, J. (1998), Supercharging Supply Chain: New Ways to Increase Value through Global Operation Excellence, John Wiley & SonInc., New York, NY.

Unknown Author, the Purchasing Handbook: A Guide for the Purchasing and Supply Professional (pp 81-98). New York: McGraw Hill.

Zenz G. J. (1994). Purchasing and the Management of Materials. John Wiley and Sons Inc. USA.

Albert Kofi Asimah (DN), the impact of strategic purchasing on an organization's profitability: A case study of Ghana Telecom Company (accessed on 12/12/2015).

Allen, T. (2011). Improve Your Business. Strategic Finance, May, 54-59.

Bailey P, Farmer D, Jessop D, and Jones, D, (1998), Purchasing Principles and Management, Accessed on 4/12/2015.

Eisenhadt, K.M. (1989) Building Theories from case study Research Academy of Management Review, Vol: 14:4, 532-550.

Ellram, L.M. and Carr, A.S. (1994), "Strategic purchasing: a history and review of the literature", International Journal of Purchasing and Material Management, Vol. 30 No. 2.

Favre, D. & Brooks, J., (2002). E-Sourcing: Procurement's Leading Edge. ASCET, 4, pp.74-76.

Momme, J. and Hvolby, H.H. (2002), "An outsourcing framework: action research in the heavy industry sector", European Journal of Purchasing and Supply Chain Management.

Novack, R. A. and Simco, S. W. (1991) "The industrial procurement process: A Supply chain perspective", Journal of Business Logistics, vol. 12, no. 1, pp. 145-167.

Olsen, R.F. & Ellram, L.M., (1997). A portfolio approach to supplier relationships. Industrial Marketing Management, 26(2), pp.101-13.

Paul D cousins & Robert Spekman (1999), "strategic supply and the Management of Inter and Intra organizational relationship", School of Management, University of Bath, U.K.; Barden Business School, University of Virginia U.S.A.

Afera Muluadam (2014), Research on internal supply chain performance analysis of ethio telecom, Addis Ababa, Ethiopia (unpublished) 95.

Chong Siew Leet (2012): BENEFIT OF ENTERPRISE RESOURCE PLANNING (ERP} SYSTEM TOWARDS SUPPLY CHAIN PERFORMANCE, Faculty of Technology Management & Techno premiership.

Kocabasoglu, C. (2002), "An empirical investigation of the impact of strategic sourcing and procurement practices on supply chain performance", dissertation submitted to University of New York, New York, NY.

Thewdros Medhanit, (2014), to assess and evaluate foreign purchasing practice of Ethio telecom, Addis Ababa, Ethiopia (unpublished).

Barbarosoglu, G., & Yazgac, T. (1997). An application of the analytic hierarchy process to the supplier selection problem. Production & Inventory Management Journal, pp. 14-21.

Bjorklund, M., & Paulsson, U. (2003). Seminarieboken. Lund: Studentlitteratur.

Berkeley, A. (2005). Research skills for management studies. London, 2005.

Blaxter, L., Hughes, C., & Tight, M. (2006). How to research (Vol. 2). Philadelphia, 2006.

Cho, J., & Kang, J. (2001). Benefits and challenges of global sourcing: perceptions of US apparel retail firms. International Marketing Review , pp. 542-561.

Clara, C., & John, R. (2005). Control and synergies in the outsourced supply chain. Lund: Lund University.

Cook, T. A. (2006). Global Sourcing Logistics: How to Manage Risk and Gain Competitive Advantage in a Worldwide Marketplace. AMACOM.

Curtin, F. T. (1987). Global sourcing: Is it right for your company? Management Review, pp. 47-49.

Ellram, L. M., & Carr, A. (1994). Strategic purchasing: A history and review of the literature. International Journal of Purchasing and Materials Management, pp. 9-18.

Fan, X. (2007). Purchasing in the whole world under the mode of management of supply chain. Journal of Hubei Correspondence University.

Fischer, S. (2003). Globalization and its challenges. The American Economic Review, pp. 1-30.

Gadde, L. E., & Håkansson, H. (1994, 1 1). The changing role of purchasing: Reconsidering three strategic issues. European Journal of Purchasing and Supply Management, pp. 27-35.

GianlucaSpina. (2007). GLOBAL SOURCING AND PURCHASING STRATEGY AS DECISION-. POMS 18th Annual Conference. Texas.

Hartley, L. J., & Choi, Y. T. (1996). Supplier development: customer as a catalyst of process change. Business Horizons , 37-40.

Hill, C., & Jones, G. (2004). Strategic Management - An Integrated Approach, 6th ed. Boston, New York: Houghton Mifflin.

Monczka, R. M., & Giunipero, L. C. (1984). International Purchasing: Characteristics and Implementation. Journal of Purchasing and Materials Management, pp. 2-10.

Monczka, R. M., Trent, R. J., & Petersen, K. J. (2008, Mar). Getting on tract to better global sourcing. supply chain management review, 1-46.

Monczka, R., Trent, R., & Handfield, R. (2005). Purchasing and Supply Chain Management (3rd edition).

Appendix

1. Data collection forms (questionnaires, checklist, interview guide, and other forms)
2. Ethio telecom sourcing and facility division policy and procedures

ANNEX

ADDIS ABABA UNIVERSTY

SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGENMENT

The main objective of this questionnaire is to assess and collect information relevant with the topic mentioned above so that further analysis and interpretation is going to be done. For the success of this thesis your sincere support in responding the questions in this instrument is very important to make the research reliable and valid.

Hence, you are kindly requested to response genuinely to all the questions below I really thanks all to your cooperation.

Notice- The information provided will be used for academic purpose and will be strictly kept confidential.

- No need of writing your name
- Just make "✓" inside the box for each question and give short answers for other open ended questions
- For further information and comments, please contact me through my email address tekb224466@gmail.com or mobile number 0911224648.

Personal Data

1.1sex Male ☐ Female ☐

1.2 Educational level: Diploma ☐ First-degree ☐ Masters or above ☐

1.3 Age

Below 25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ above 56 ☐

1.4 Position at Ethio telecom

Top level management ☐ Middle level management ☐ supervisor/specialist ☐

1.5 Years of experience in Ethio telecom

1.6 below 5 ☐ 6-10 ☐ 11-15 ☐ 16-20 ☐ 21-25 ☐ Above 26 ☐

Questions related to international purchase

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

1. To what extent do you agree that foreign purchase department have annual suppliers evaluation plan?

1.Strongly Agree ☐
2.Agree ☐
3.Neutral ☐
4.Disagree ☐
5.strongly disagree ☐

2. How do you rate that purchasing department control foreign procurement efficiency?
1= very good, 2= good, 3= neutral, 4= bad, 5= very bad

Very Good ☐
Good ☐
Neutral ☐
Bad ☐
Very bad ☐

3. How do you rate that purchasing department implementation of ethio telecom sourcing procedure and policy?

1.Very high ☐
2.High ☐
3.Neutral ☐
4.Low ☐
5.Verylow ☐

4. Your level of agreement that delay of letter of credit is challenging in conducting foreign procurement process at this time?

1.strongly disagree ☐
2.disagree ☐
3.Neutral ☐
4.agree ☐
5.strongly agree ☐

5. Do you agree that currency is one of the problems in conducting foreign procurement processes?

Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree ☐

6. Do you face the challenges of finding qualified foreign suppliers when you do international purchase?

Yes ☐ . No ☐

7. Your level of agreement that logistics is one of the challenges in procuring products from international suppliers in the case of ethio telecom?

Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree ☐

8. Does Ethio telecom face any problem regarding quality of products purchased from abroad?

Yes ☐ No

9. Do you have any cultural issue between you and the supplier or potential supplier led to instability of the relationship? Yes ☐ No ☐

10. Do you agree that the different standards between different countries affect the processes of international sourcing in your company?

Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree ☐

11. Do you agree that sourcing from different supplier is advantageous for Ethio telecom?

Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree ☐

---

12. Please clarify the greatest sourcing benefit/opportunity you have gained when you do international sourcing?

Serial no	Statement	Very important	important	neutral	Not important	Not very important
1.1	Access to lower priced goods					
1.2	Access to higher quality goods					
1.3	Access to worldwide technology					
1.4	Better delivery performance					
1.5	Increased number of suppliers to purchase the same product					

13. Extent of challenge you have faced when you do international purchasing.

Serial no	Statements	Strongly Agree	Strongly Agree	Neutral	Disagree	Strongly disagree
2.1	Fluctuation in currency exchange rates					
2.2	Finding qualified foreign sources					
2.3	Just-in-time sourcing requirements					
2.4	Logistics support for longer supply lines.					
2.5	Lack of knowledge about duty/custom requirements					
2.6	Lack of knowledge about foreign business practices					
2.7	Culture/language difference affecting communication					
2.8	Understanding the political environment					

14. Do you agree that creating integration with internal departments/users is important?
Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree ☐

15. Your level of agreement that creating strong and sustainable supplier relationship is important for ethio telecom while conducting foreign procurement

Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree ☐

16. Did ethio telecom ever switch a preferred vendor/supplier/ due to any problems like defect product, or non-standard products?

Yes ☐ No ☐

17. Do you agree that there is miscommunication faced with a foreign supplier that leads to a conflict with that supplier?

Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree

18. Setting international procurement offices abroad is important to identify suppliers and manage international sourcing processes?

Strongly disagree ☐ disagree ☐ neutral ☐ strongly agree ☐ agree ☐

19. The extent of agreement about the current implementation of foreign procurement practices of ethio telecom is comfortable and free of any problem

Strongly disagree ☐ disagree ☐ neutral ☐ agree ☐ strongly agree ☐

20. Level of importance of the following factors has for your supply organization's original decision to pursue foreign procurement?

Serial no	Statements	Very important	important	neutral	It isn't Very important	Not important
3.1	Cost savings					
3.2	Increased quality of procured goods					
3.3	Access to more advanced technology, innovative goods					
3.4	More flexibility concerning supply sources					
3.5	Reducing supply risk					
3.6	Product only available abroad					
3.7	Compliance with import duties					
3.8	Sourcing of middle/low tech goods					
3.9	Sourcing of high tech goods					

Please indicate to what extent you agree or disagree with each of the following statements by putting a check mark (√) in the appropriate column.

The item scales are seven point Likert scales:

1 = strongly disagree, 2= Disagree, 3= somewhat disagree, 4= Neutral 5= somewhat

Agree, 6= Agree, and 7= strongly agree

21. Points related to the implementation level of seven steps strategic sourcing process of ethio telecom

Serial no	Section issues	1	2	3	4	5	6	7
4.1	Knowledge about foreign procurement							
	The following Sourcing documents are clearly communicated and understood by all concerned internal stakeholders							
4.2	Sourcing policy							
4.3	Sourcing procedure							
4.4	Sourcing processes							
4.5	Seven Steps Sourcing methodologies during foreign procurement							

22. Issues related to Suppliers Relationship Management practice

Serial no	Section issues	1	2	3	4	5	6	7
5.1	Ethio Telecom believes that managing supplier relationships is one of the most important							
5.2	Components of the strategic sourcing process							
5.3	Top level management offers adequate support to conduct supply market analysis and Suppliers/partners audits							
5.4	Sufficient information is available from the market about potential suppliers/partners							
5.5	Assessment and evaluation of Ethio Telecom developed suppliers'/partners' selection and evaluation criteria for long Term partnership							
5.6	Ethio Telecom evaluates suppliers on a regular basis based on pre-established selection Criteria							
5.7	Suppliers/partners are categorized and pooled into groups based on their performance for strategic long-term partnerships and supplier development programs							
5.8	Ethio Telecom established monitoring and measurement guideline for suppliers/partners Performance after the closure of each contract.							
5.9	Ethio Telecom makes suppliers/partners survey and gather feedback from suppliers on the existing sourcing process and makes improvements accordingly.							

Thank you

The following part is interview questions for the selected staffs that are directly involved in the purchasing processes of Ethio telecom both domestic and foreign purchases.

1. Do you believe that Sourcing procedure and processes are aligned with seven steps strategic sourcing methodology?

1. Yes 2. No.

2. If your answer is No, would you explain?

---

3. Is there a guideline for the development and implementation of establishing and maintaining long – term partnership with suppliers? 1. Yes. 2. No.

4. If your answer for the question number 2 is "No", would you please explain?

---

5. how do you treat when suppliers delivered defected products against the standard?----------
---

6. what is the benefits/ drawbacks of purchasing similar products from different suppliers?----------
---

7. What type of transportation mode does Ethio telecom used for the key material purchased from abroad?

---

8. What are the factors that affect in procuring products abroad?

---

9. What type of contract ethio telecom apply to purchase strategic products and for the rest of items which are frequently purchased from abroad.

10. Anything to be added regarding foreign purchase

Thank you