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The Challenges of Global Sourcing Practices in Relation to
Procurement Performance: The Case of Ethio telecom

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**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND
ECONOMICS, SCHOOL OF COMMECE, DEPARTMENT OF LOGISTICS
AND SUPPLY CHAIN MANAGEMENT**

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Statement of Certification

This is to certify that Girum Mesay has carried out this research work on the topic entitled “the challenges of global sourcing practices in relation to procurement performance: the case of Ethio telecom”. This work is original and suitable for submission for the award of Master Degree in Logistics and Supply Chain Management (M.A in LSCM).

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Date_____

Declaration

I, Girum Mesay, hereby declare that this study entitled to the challenges of global sourcing practices in relation to procurement performance: the case of Ethio telecom is for the partial fulfillment of the requirements for masters of art degree in logistics and supply chain management (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 advice and guidance of my advisor. All sources and materials used for this thesis have been duly acknowledged

Declared by: Girum Mesay

Research Advisor: Tariku Jebena, PhD.

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Dedication

This research study is dedicated to my family for their constant inspiration and continuous support throughout this research project.

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My first and utmost thanks go to my beloved wife Haleb Kassahun, for her understanding, support and patience in giving me time and support for studying and conducting this research.

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May, 2019

Abstract

The main purpose of this study was to assess the challenges of global sourcing practices and to evaluate their impact on procurement performance of ethio telecom. The study used both primary and secondary data sources. Primary data was collected through close and open ended questionnaires and semi-structured interviews. Questionnaires were distributed for purposefully selected 50 respondents from ethio telecom's supply chain division. Interviews were conducted with 5 middle level managers and supervisors who participated directly or indirectly in the global sourcing practices of the company. Data was analyzed through descriptive statistical methods such as percentages, frequencies, mean and standard deviation. Inferential analyses were also used in relation to bivariate correlation and linear regression to show the relationships of variables. Major findings of the study indicated that foreign currency shortage and fluctuation, incomplete and unplanned purchase requests, delay of letter of credit at bank, delay in delivery from supplier, limited logistical facilities, and high customs tariff were the main challenges that seriously impacted the global sourcing practices and procurement performance of the company. Study findings also showed that challenges of global sourcing had negative and significant effect on procurement performance. Finally, from the above findings the study concluded that the global sourcing practices and procurement performance of ethio telecom have been impacted by several challenges of global sourcing practices with predictive ability of 18.2 percent variation on procurement performance ($R^2 = 0.182$). Thus, to solve these challenges, the study recommended the company to find immediate solutions for the above mentioned challenges in cooperation with concerned stakeholders through creating awareness and also through engaging in SLA & OLA with end users, suppliers and all other stakeholders.

Keywords: Global Sourcing, Challenges of Global Sourcing, Procurement Performance

Table of Contents

Chapter 1: Introduction	1
1.1 Background of the Study.....	1
1.2 Background of the Industry (Organization)	3
1.3 Statement of the Problem	5
1.4 Objective of the Study.....	7
1.4.1 General Objective of the Study.....	7
1.4.2 Specific Objectives of the Study.....	7
1.5 Research Questions	7
1.6 Significance of the Study.....	8
1.7 Scope of the Study	9
1.8 Limitation of the Study.....	9
1.9 Definition of Terms	10
1.10 Organization of the Paper	11
Chapter 2: Review of Related Literature	13
2.1 Introduction	13
2.2 Theoretical Literature Review.....	13
2.2.1 Definition of Procurement	13
2.2.2 Meaning of Global Sourcing, International Sourcing and International Procurement.....	14
2.2.3 The Reasons or Drive for Global Sourcing or International procurement.....	15
2.2.4 The Roles and Importance of International Procurement Practices to the Organizational Success	17
2.2.5 Challenging Factors of Global Sourcing Practices	18
2.2.6 Procurement Performance	21
2.3 Empirical Literature Review	22
2.4 Identified Literature Gap.....	27
2.5 Conceptual Framework of the Study	29
Chapter 3: Research Methodology	33
3.1 Introduction	33

3.2 Description of the Study Area	33
3.3 Research Approach	33
3.4 Research Design	35
3.5 Population of the Study and Sample Design.....	35
3.6 Data Sources and Types	37
3.7 Data Collection Methods	37
3.8 Data Collection Instrument.....	38
3.9 Data Analysis Methods	38
3.10 Validity and Reliability.....	39
3.11 Ethical Consideration	40
Chapter 4: Data Analysis, Results and Discussions	41
4.1 Introduction	41
4.2 Rate of Response to Qualitative and Quantitative Data Analysis.....	41
4.3 Respondents Data Analysis	42
4.3.1 Demographic Description of Respondents	42
4.3.2 Descriptive analysis on the major challenges of global sourcing practices in Ethio telecom....	44
4.3.3 Descriptive Analysis using Mean and Standard Deviation on the Challenges of GS Practices ..	60
4.3.4 The procurement performance of Ethio telecom.....	62
4.3.5 Major Findings from Open Ended Questions.....	67
4.3.6 The Regression Analysis	68
Chapter 5: Conclusion and Recommendations.....	73
5.1 Introduction	73
5.2 Summary of the study.....	73
5.3 Conclusion.....	74
5.4 Recommendations	78
5.4.1 Recommendation for Future Research.....	80

List of Tables

Table3. 1 Sample size and participants selection from the designated departments	36
Table3. 2 Reliability statistics of the data	40
Table4. 1 Demographic Characteristic of Respondents.....	42
Table4. 2 Statistical results on the challenges of global sourcing practices related to foreign currency.....	46
Table4. 3 Statistical results on challenges related to suppliers' inefficiency	48
Table4. 4 Statistical data on challenges due to other internal & external stakeholders.....	49
Table4. 5 Challenges of global sourcing practices related to socio cultural factors.....	54
Table4. 6 Statistical data on challenges of global sourcing practices related to logistics	57
Table4. 7 Statistical data on challenges of global sourcing practices related to Standards, Regulations & Policies difference	59
Table4. 8 Mean and Standard Deviation Statistical data on Challenges of Global Sourcing Practices	60
Table4. 9 Descriptive Statistics on Procurement Performance of Ethio telecom	63
Table4. 10 Total numbers of shipments ethio telecom purchased and imported through LC from foreign sources during the last five years (2014 to 2018).....	66
Table4. 11 Variables Entered/Removed	69
Table4. 12 Model Summary	70
Table4. 13 ANOVA Summery Table	70
Table4. 14 Coefficients	71

List of Figures

Figure2. 1 Conceptual framework	32
Figure4. 1 linearity taste of the variables (GGraph)	69

List of Appendix

Appendix 1 Questionnaires	4
Appendix 2 Interview Questions.....	9

ACRONIMS AND ABREVIATION

CBE: Commercial Bank of Ethiopia

EAL: Ethiopian Airlines

ET: Ethio Telecom

ESLSE: Ethiopian Shipping and Logistics Service Enterprise

ERCA: Ethiopian Revenues and Customs Authority

F: Frequency

INSA: Information Network Security Agency

LC: Letter of Credit

LD: Logistics Department

NBE: National Bank of Ethiopia

OLA: Operational Level Agreement

SC: Supply Chain

SCD: Supply Chain Division

SCM: Supply Chain Management

SD: Sourcing Department

SLA: Service Level Agreement

TCO: Total Cost of Ownership

Chapter 1: Introduction

1.1 Background of the Study

Procurement is essential for the development of economies and as a result, governments, policy makers, business practitioners and academia are giving it much attention than ever (Mlinga 2009). As one of the major part of the general procurement, global sourcing which refers to buying the raw materials or components that go into a company's products from around the world, not just from the headquarters' country or from domestic country, according to different researchers, is also one of the focus areas that researchers are giving attention. In relation to this, many academic researchers have contributed by confirming the relationship between the successful implementation of global sourcing and its impact on organizations' procurement performance, determining how the global sourcing was expected to work as an essential component in supply chain management. In addition, several studies have also noted that there are several reasons and factors which forces companies to go for global sourcing. According to different literatures, factors such as total cost minimization, abundance of quality materials, access to new and better technology, and superior quality and better timeliness are some of the major factors which drive firms to strive for global sourcing. Moreover, anticipation of material shortages in local markets is also another reason for a company to plan for global sourcing strategy for the purpose to fulfill the growing demand of their customers' requirements of goods and services. In order to fulfill their requirements in fully, organizations must look for the international markets to procure the required goods and services Laysons and Farington (2006). As it can be observed from the above statement, the companies' intension of sourcing goods and services from foreign suppliers is usually to benefit from lower cost and better quality.

Generally, around the world the practice of global sourcing involves several activities and can be implemented in various ways. However, in most developing countries, the global sourcing practices usually refers to a narrower sense and may only be practiced in a situation where a company decides to outsource an entire section of activities for abroad companies or a situation in which a company buys one or more products or services from a foreign supplier, which is also called direct purchase from abroad. In the latter case, it is about global sourcing in the sense to refer that the purchase of raw materials or components & goods and services. Further in the case of developing countries like Ethiopia, these situations can be interpreted in to two ways. For instance; in the case of ethio telecom, it is a situation when the company decides to outsource a part or portions of its sector or expansion project activities like infrastructure expansion, system installation, repair and maintenance service and others that the company couldn't perform by itself or may be due to the inability to perform. And, the other one is when the company buys one or more products or services directly from foreign supplier due to one or more reasons such as unavailability of the required products or service provider in the local market, demand of high quality product, demand of lower cost, highly innovative or technology products that the company otherwise would not have in local market and so on.

Although there have been several researches in the area of global sourcing practices, little studies have been done in relation to the challenges of global sourcing and also to view it in the telecom sector especially in Ethiopia. Besides, there are still some serious challenges of global sourcing that have yet to be addressed in the country. Similarly, as to any developing country, Ethiopian companies have common challenges in relation to global sourcing practices such as factors related to the aspects of logistics support, culture and language, standards and regulations, foreign currency, and external stakeholders' performance. More importantly, the practice of global

sourcing in Ethiopian public and business sector seems to be more problematic and the reason for this dissatisfaction as well as the impacts it has brought on performance is not well understood. Therefore, the researcher believes that all the challenges and factors need attention since they could influence the performance of the procurement function. From this background, the study is building and therefore, intended to assess the challenges associated with global sourcing practices and to analyze whether and how the procurement performance is affected by certain challenging factors of global sourcing practices of companies in Ethiopia, referring Ethio telecom as a case company.

1.2 Background of the Industry (Organization)

Ethio telecom, previously known as the Ethiopian Telecommunications Corporation (ETC), is an integrated telecommunications services provider in Ethiopia, providing internet and telephone services. Ethio telecom is owned by the Ethiopian government and maintains a monopoly over all telecommunication services in Ethiopia. Basing its head quarter in Addis Ababa, it is one of the "Big-5" groups of state owned corporations in Ethiopia, along with Ethiopian Airlines, the Commercial Bank of Ethiopia, Ethio-Insurance, and the Ethiopian Shipping Lines.

Ethio telecom (ET), as the only telecommunication service provider of the country, is a government-owned and government-managed organization under the minister of communication. It operates and maintains the entire telecommunication network of the country. ET is comprised of various specialized divisions such as network, marketing, human resource, residential and enterprise sales, supply chain, facility and fleet, finance, IS and etc.

According to the company's website, 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. 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 having several reforms and organizational restructuring during the past period of over a century, Ethio telecom is reborn, on 29th November 2010, from the ambition of supporting the steady growth of the country, within the Growth and Transformation Plan (GTP). The Ethiopian government has decided to transform the telecommunication infrastructure and services to world class standard, considering them as a key lever in the development of Ethiopia. Thus, ethio telecom is born from this ambition to bring about a paradigm shift in the development of the telecom sector to support the steady growth of the country.

Ethio telecom's management was outsourced, on a management contract arrangement from 2010 to 2013 June, to France Telecom. The government said it outsourced the management as ETC was not able to meet the demands of the fast-growing country. It also said that telecommunications services would not be privatized, at least not in the near future, despite of the fact that currently it has already been decided to privatize the telecom sector; off course at this time, the plan is only to sell partial share to foreign companies across globe. Since then ethio telecom has practically outsourced various expansion projects to be handled by foreign companies. For instance, in recent years, ET signed agreement with two Chinese companies ZTE Corporation & Huawei

Technologies and also with one Sweden company called Ericson to upgrade and expand Ethiopian telecommunications services and to improve the country's telecommunications infrastructure. In addition, almost all of the company's product and service requirement for its operational and sales purpose are being sourced from foreign companies aiming to satisfy the growing needs of its customers with regard to technology and telecom services.

Ehtio telecom has a centralized procurement system under its supply chain division at head quarter, Addis Ababa. The supply chain division is solely responsible for the foreign procurement of all goods (materials/spares as well as MRO supplies, commercial items and others) and services required by the different user departments of ethio telecom. Moreover, the division has to manage a huge variety of inventory requirements of more than 30,000 items, among which the majorities are procured from foreign suppliers. That is why the foreign procurement of telecommunication materials, spare parts and commercial items is crucial and challenging for the supply chain division of ethio telecom.

1.3 Statement of the Problem

As it can be seen from the background of the study there are little researches that have identified the various challenges of global sourcing along with evaluating their impact on the effectiveness of global sourcing practices and also on the overall procurement performance of the companies in developing countries like Ethiopia. In fact, there are a number of researches carried out on the practices and challenges of global sourcing in other countries especially in developed countries, along with their impact level on the companies' procurement performance. Further to that, some researches might have also recommended alleviating solutions to the identified challenges according to their findings of the research. However, in Ethiopia relative to other countries,

especially in telecom sector, there are only few studies that have fully focused on identifying the factor areas in which the challenges of global sourcing practices are caused by and in parallel that evaluated how these challenges have impacted the procurement performance of the organization.

Moreover, there were more indications of delays and inefficiencies in the global sourcing practices and performance of most companies or sectors in Ethiopia. Although the practice of global sourcing in Ethiopia has shown some increments in the past decades in terms of quantity or amount, it is also observed that various challenges are facing in the effective implementation of these global sourcing practices. Another concern, as it can generally be observed from the current business activities in the country is that the global sourcing practices in Ethiopia has shown a slowdown in all areas of the business and other sectors, especially in this very recent years, even facing serious challenges that may be due to the current foreign currency crisis or shortage in the country.

Therefore, this research intended to study the challenges of global sourcing and the impact on procurement performance according to the country's technological, political, social and economic status toward the implementation of global sourcing practices. Above all, the researcher believed that the major challenging factors of global sourcing practices along with their impact need to be known very well by all concerned bodies in Ethiopia and also these factors should be investigated in accordance to our country's perspectives of business practices, logistics capabilities, social and cultural scheme, political system, country's economic policy & financial capabilities, and stakeholders' capabilities.

1.4 Objective of the Study

1.4.1 General Objective of the Study

The main objective of the study is to assess the major challenges of global sourcing practices in relation to the procurement performance of ethio telecom.

1.4.2 Specific Objectives of the Study

1. To assess the challenging factors of global sourcing practices that most frequently causes the ineffectiveness of procurement performance in Ethio telecom.
2. To analyze the impacts of logistics related challenges on procurement performance of Ethio telecom.
3. To analyze the impacts of countries' standards, regulations and national policies factors on the procurement performance of Ethio telecom.
4. To assess the influences of socio-cultural and political challenges on the procurement performances of Ethio telecom.
5. To describe the impacts of economic related challenges on the procurement performance of Ethio telecom.

1.5 Research Questions

The research will be conducted following these research questions:

1. What are the major challenges of global sourcing practices that influence the procurement performance of the company?
2. How the challenges of global sourcing influence the company's procurement performance?

3. To what extent the different categories of challenges influence the global sourcing practices and procurement performance and how they are related?

1.6 Significance of the Study

The focus of this study is to assess the major challenges of global sourcing faced by business and public organizations in Ethiopia while they are sourcing goods and services from the foreign companies. Besides, the research also focuses on determining how the organizations' procurement performances have been impacted by the challenging factors of global sourcing. Therefore, the significance of the study is expected to have the following importance such as to fill the literature gap identified on the topic area and to be used as an input for future studies so that possible solutions can be researched, identified and suggested to solve the challenging factors that will be assessed and analyzed along with their impact level on performance. In addition, the final finding of this study is expected to help domestic companies to be well aware of the major challenges of global sourcing that are influencing the sourcing practices, and to identify the challenging factors that have significant impact on their procurement performance among all other factors; therefore, the findings can trigger them to start searching appropriate solution for already known challenges and so that they can manage (avoid or minimize) the negative impacts due to the challenging factors of the global sourcing practices. Accordingly, companies will be enabled to implement effective global sourcing practices that will enhance the performance of their demand fulfillment processes, their overall procurement performance and their customer satisfaction especially in terms of delivery time and cost on foreign procured goods and services.

Besides to the above mentioned specific significances, the results of this research is expected to help business or public organizations and the government as well, in which the current economic

situation and foreign currency deficiency is impacting the entire business activities of the country, with the information about the challenging factors and the way forward or recommendations to ensure the successful implementation of the foreign procurement practices. Moreover, the research is also expected to help in determining how the challenges of global sourcing are expected to get the necessary focus and attention by concerned stakeholders. So that the global sourcing practices of the company will be an essential component in the overall supply chain management.

1.7 Scope of the Study

This research involved only one organization called Ethio telecom that bases in Addis Ababa, Ethiopia. Moreover, the topic of the study focuses on a very specific area on the challenges of global sourcing practices in relation to procurement performance of the organization. Therefore, more specifically the scope of this study is limited on assessing the impacts of the major challenging factors of global sourcing practices that influence the international procurement performance at Ethio telecom, from the aspects of logistics, culture and language, standards and regulations, foreign currency, and external stakeholders' performance, so that it can be more manageable according to the available resource, time, experience and knowledge of the researcher on supply chain management area specifically on global sourcing activities.

1.8 Limitation of the Study

Based on the researcher's experience so far on conducting this thesis research, the study was constrained by finance, time and difficulty to access secondary data other than internet source for carrying out this dissertation.

1.9 Definition of Terms

The terms ‘global sourcing’, ‘foreign procurement’ and ‘international sourcing’ are often being used as synonymous in the literature; for instance, the definitions of the following terms are presented as follows:

- **Foreign/International Procurement:** - is the process of obtaining a product or goods and services, which is available in markets, access to which involves crossing international boundaries (Branch 2009)
- **International sourcing:** International sourcing is defined as buying by a firm in one country from a firm in another country (Levy & Dunning 1993) as is multinational sourcing (Birou & Fawcett 1993).
- **Global sourcing:** “Global sourcing involves setting up production operations in different countries to serve various markets, or buying and assembling components, parts or finished products world-wide” (Murray, Wildt & Kotabe 1995).

In addition, for the purpose of this thesis research different terms may use alternatively as a replacement to each other this include:

- **The company or ET:** refers to Ethio telecom.
- **The country or Our country:** refers to Ethiopia
- **End Users/Requesting Units/Internal Customers or Internal Stakeholders:** - are end users or requesting units and staffs of the ethio telecom who are requesting and using the goods to be procured.

- **The Government:** refers to the government of the Federal Democratic Republic of Ethiopia and sometimes it refers to the concerned government bodies or entities as per the context of the researcher's intention.
- The terms such as **Foreign Procurement /International Procurement/global sourcing /international sourcing** are used interchangeably through the whole paper.

1.10 Organization of the Paper

This thesis research is comprised of five chapters that are organized sequentially as introduction, review of related literature, research methodology, data analysis, presentation and interpretation and finally the conclusion and recommendation chapter. Chapter one contains an introduction parts covering background of the study and the organization, statement of the problem, basic research questions, objectives of the study, definition of terms, significance of the study, delimitation /scope of the study, limitation of the study and definition of terms. The second chapter which is called review of related literature contains a general idea of earlier researches on these specific dimensions of the relationship between global sourcing practices and associated challenges faced by business organization are discussed, which are believed to be more related and relevant to this specific research problem. It also contains an introduction, theoretical review, empirical review and the conceptual framework of the study. And the third chapter, research methodology represents the view on research design, type and methodology including the participant of the study; the sources of data; the data collection tools/instruments; the procedures of data collection; and the method of data analysis used in the research are presented in this chapter. The fourth chapter represents the analysis part of the primary data collected from the selected respondents and in this chapter different types of data are analyzed and presented under different sections and sub sections

according to the type of the data collected and the type of analysis. Finally, the fifth chapter covers the conclusion and recommendation that were drawn based on the findings of the study is presented.

Chapter 2: Review of Related Literature

2.1 Introduction

This chapter discusses the relevant literature on international procurement or global sourcing from various writers in the globe. The chapter conducts a theoretical review of procurement, and more specifically about international procurement or global sourcing practices. The aim of the chapter is to provide the theoretical framework behind the concept of GSCM and more specifically about procurement, international procurement and global sourcing in order to assess the challenges of global sourcing practices in Ethiopia specifically in Ethio telecom. The chapter also aims to give an in-depth review of the concept of the benefits, risks and associated challenges of global sourcing. Besides, the chapter aims to facilitate an understanding of a theoretical background to global sourcing practices in Ethiopia. It also gives the empirical evidences of various studies under the empirical literature review part, which involves findings and evidences in different dimensions in relation to the topic of problems, which is related to the challenges of global sourcing practices and about the impact of those challenges on procurement performance. Finally, the conceptual framework of the study and identified literature gap are also discussed on this chapter.

2.2 Theoretical Literature Review

2.2.1 Definition of Procurement

Lyson (2001) defines procurement as the purchase of merchandise or services at the optimum possible total cost in the correct amount and quality. Further, the Oxford Advanced Learner's Dictionary (2001) defines procurement as the process of obtaining supplies of something,

especially for a government or an organization. Procurement can also be defined as the acquisition of goods, buying or purchase of works, hiring contractors and consultant services.

Other related term, public procurement is also broadly defined as the purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector (Baily 2008). Additional related definitions are also presented as follow from different literatures. Public procurement is defined as the acquisition of goods, services and works by a procuring entity using public funds (World Bank, 1995). Public procurement is also described as the process of purchasing the goods and services required to pursue public welfare, and for this to function effectively (Williams & Quinot, n.d:339).

2.2.2 Meaning of Global Sourcing, International Sourcing and International Procurement

Global sourcing has received growing attention both in the academic literature and in business practice and has remained an active area for research (Monczka & Giunipero 1984; Baldassarre 2012; Quintens, Pauwels, & Matthyssens 2006; Steinle, and Schiele 2008; Trautmann, Bals, Hartmann 2009; and Monczka & Trent 1991). While the terms ‘global sourcing’, ‘global procurement’ and ‘international sourcing’ are often being used as synonymous in the literature, a general consensus, in the more developed countries, follows the broad meaning, defining global sourcing as the final stage in the strategy evolution, seeking to include foreign supply sources as part of the overall purchasing strategy (Monczka & Trent 1991). However, for the purpose of this paper, the term global sourcing will be used as synonymous for a sourcing or purchasing of goods and services from abroad countries. In other words, this study is about global sourcing in the narrow sense to refer to the purchase of raw materials or components from foreign suppliers.

With this understanding, the global sourcing initially involves a decision relates to the value adding tasks to be performed by a firm, known as the so-called ‘make-or-buy’ decision. Then, the companies need to decide where to source the required parts and/or services that are not produced in-house (Fabrizio & Raffaele 2015).

Other definition of related topics from other literatures is that international procurement refers to all business transactions that involve two or more countries; it simply means buying from other countries other than your own country (Mrope and Mayage 2002). Global sourcing, which differs from international buying in scope and complexity, involves proactively integrating and coordinating common items and materials, processes, designs, technologies and suppliers across worldwide purchasing, engineering, and operating locations (Trent & Monczka 2003). (Trent & Monczka 2003) further explained the difference as global sourcing is not only a starting point of logistical activities, but is also a set of managerial activities. The process of global sourcing is a long-term strategy, which includes the evaluation and selection of foreign potential suppliers, confirming the quality and quantity, negotiating the price, and so on while international purchasing involves daily activities supporting manufacturing and services departments. In order to advance from the international purchasing stage to global sourcing, the purchasing department must be elevated to a position where it can make more strategic decisions for the business.

2.2.3 The Reasons or Drive for Global Sourcing or International procurement

According to Fabrizio & Raffaele (2015) the rationale for offshoring was, in fact, a rather straightforward economic one. However, this thinking might be little stronger or different in developing countries due to the economic situation as well as technology usage level of the

countries like Ethiopia, as it seems that global sourcing is inevitable and better than sourcing from domestic market. This is also supported by other literatures as there seems to be strong consensus that global sourcing is either inevitable and/or beneficial to firms, especially for firms in developing countries, which would leave them little choice as to whether or not to engage in it. Similar to this concept, international sourcing has been called “an automatic expectation to respond to competition” (Carter, Maltz, Yan & Maltz 2008, pp. 225).

Moreover, as mentioned in several literatures the following reasons also work for firms in Ethiopia, as the main motives behind the decision to source globally are cost savings and also the motive of access to highly innovative products or technology that companies otherwise would not have (Fabrizio & Raffaele 2015). Studies have also shown that there is a significance of an international purchasing strategy as a key competitive factor for companies seeking globalization (Marshall 2004; Stanley 1993). On the other side, the motives of international procurement may differ or include other additional aspects as discussed in several literatures. The concept of international procurement has gained popularity as shipping and transportation costs have decreased due to an influx of cheap, readily available fuel (Sijaona 2010). Other motives such as the advance of technology and international trade facilitation help to the increase of the practice of global sourcing. Shrinking geographic and economic barriers are making suppliers the world a smaller place to trade in (Presutti 2003). In addition to these, technology continues to play a significant role in this shrinking of the globe, the internet revolution continues to dramatically alter the way business is done (Presutti 2003).

2.2.4 The Roles and Importance of International Procurement Practices to the Organizational Success

Lewis and Roehrich (2009) agitate that procurement is a key activity in the supply chain. In other words, procurement can significantly influence the overall success of an organization depending on how it is managed. In most organizations, procurement represents a very large proportion of the total spend and should be managed effectively to achieve optimum value. Procurement works like a pivot in the internal supply chain process turning around requests into actual products (commodities) or services to fulfill the needs (Caldwell, Roehrich & Davies 2009). In addition, Benslimane, Plaisent, and Bernard (2005) contend that the overall aim and objective of procurement is to carry out activities related to procurement in such a way that the goods and services so procured are of the right quality, from the right source, are at the right cost and can be delivered in the right quantities, to the right place, at the right time. According to (Benslimane et al. 2005), all these can be achieved through the following specific objectives which are; to buy quality materials, items and services economically from reliable sources; to ensure timely delivery through the selection of capable and efficient suppliers; to continuously locate, evaluate and develop economical and reliable supply sources; to identify the most reliable sources of supply through either open tender, multi-stage tendering (pre-qualifying suppliers and retaining only those that are capable of meeting the organization's requirements; strategic sourcing) and limited tendering; to investigate the availability of new materials and monitor trends in market prices; to buy in accordance with organizations policies; Moreover, Caldwell et al. (2009) say that there are three important principles of procurement. The first principle is transparency, which provides that all phases in the procurement process are fair and accurately documented. The second principle is that of accountability and it points out that there is need for accountability to financiers, who may

require certain rules to be followed when using the money they have provided. Finally, there is the principle of efficiency and cost effectiveness and this principle is about meeting the 'six rights' of supply (price, right time, right quantity, quality services, and delivery to the required places and from the most cost effective source).

2.2.5 Challenging Factors of Global Sourcing Practices

International procurement has been the subject of many firms' arguments because procuring firms must redefine their position in the international markets in an effort to face or even prevent the consequences faced in procuring internationally due to ongoing globalizing competition over the last decade (Saronga 2008). There are several procurement challenges and problems that have been identified empirically in the academic literatures. According to most selected literatures, these challenges are usually presented in distinguishing context according to their type or impact level on the effectiveness of procurement practices of the organizations. For example; according to Yvonne (2015), the major challenges to public procurement in general are: lack of proper knowledge, skills and capacity; non-compliance with SCM policy and regulation; accountability, fraud and corruption; too much decentralization of the procurement system; and ineffectiveness of black economic empowerment (BEE) policy.

Another and most mentioned challenging factors affecting the procurement process is environmental factors (Pauw 2011:64). According to Pauw (2011:64), the government acquisition process is influenced by a number of basic environmental forces, such as:

Market forces: These are the mechanisms which enable people to trade, and are usually governed by the theory of supply chain and demand. Pauw (2011:65) believes that the market forces and conditions mainly determine whether or not government is able to meet the needs at all and the

quality that can be achieved. The law of supply and demand is another factor that affects the procurement process. The law of demand is characterized by commercial specifications and industry standards, the availability of commercial products to meet government needs, trends in technology, products and delivery lead time.

Political forces: The political environment plays a role in the procurement process. Pauw (2011:7) argues that various forces from the political environment impact on public financial management.

Legal forces: The procurement process is based on legal requirements. It is important that the procurement official takes legislation into account that governs procurement as it is the legal right of the supplier and institutions.

When it comes to international procurement, several challenges are also stated in numerous literatures in addition to the above challenges which are usually considered as the common factors to all procurement types of practices. According to the research study by Anwarul (2015) on the Practices and Challenges in the Procurement of Goods of Bangladesh Railway, currency and exchange rate risk is one of the major challenges in international sourcing. One of the key considerations in international sourcing is the need to manage risks arising from exchange rates. Fluctuation in foreign exchange rates, therefore, represents a source of financial risks for purchasing organizations. In other words, for instance, an overseas supplier will normally quote their price in its own currency (foreign currency), buyer will need to purchase foreign currency in order to make payment. If the value of the domestic currency is weakening, the buyer will end up paying more.

In addition, there are also other factors that hinders public sector to perform international procurement according to another literature such as: limited production volume, regular design changes, delivery delay, lack of resources needed for international procurement, cost of travel and communication, increased paper work, finding qualified suppliers, agent /broker fees, import quotas, different time zones, lack of government assistance and language/ cultural differences (Presutti 2003).

Moreover, other challenges of international procurement include; delays in delivery due to weather cargo transfer dock strikes and customs action, means of transportation including terms of transportation used, price rises due to increased cost incurred by supplier and the basis in which these shall be calculated or allowed; specifications especially where there is a different in unit of measurement (Mrope et al. 2005). For example, the uses of metric system in one country while others use imperial system. Thus the unit of measurement should be clear to each part into a contract to avoid misunderstanding. In addition, import duties procedures imposed by government tax collectors are also among the challenge (Lysons and Farrington 2007).

According to the study by Yvonne (2015) on his research thesis of assessing the procurement practices of Victoria Hospital, the impact of procurement corruption is also identified as the major factor. Corruption in procurement has a great financial impact, which results in the unnecessarily high cost of purchases. It also has an economic impact as it burdens a government with operational, maintenance and debt servicing liabilities. Therefore, procurement should be economical, resulting in the best quality goods and services for the price paid.

From the research conducted on problem and challenges of global sourcing, a study of Chinese manufacturing enterprises, described the global sourcing challenges are described as follow: The

progression from domestic purchasing to international purchasing and then finally to global sourcing can be visualized as movement through five different levels (domestic purchasing only; international purchasing only as needed; international purchasing as part of a sourcing strategy; global sourcing strategies integrated across worldwide locations; global sourcing strategies integrated across worldwide locations and functional groups (Trent & Monczka 2003)). In moving from domestic purchasing to international purchasing, organizations must contend with longer distances, increased rules and regulations, currency fluctuations, customs and language requirements, cultural and time differences. Companies that then go on to pursue global sourcing must contend with the operational issues that affect international purchasing, while also managing a higher level of cross-functional and cross-location coordination (Trent & Monczk 1994; Trent & Monczka 2005).

2.2.6 Procurement Performance

Procurement performance is the process by which procurement establishes criteria, based on strategic planning goals, for determining the results and quality of its activities. It involves creating a simple, effective system for determining whether procurement is meeting its objectives (Sohal 2002). According to VanWeele (2006) procurement performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements. This means that it is important for the company to understand the factors that challenge its procurement performance such as challenges that affect the global sourcing practices. On the other hand, Kavoo & Gichure (2016) in their study on

influence of global sourcing and supply chain performance in the manufacturing sector in Kenya, argue that to achieve continuous improvement in the supply chain there is need for performance measures, or “metrics,” which support global Supply Chain Performance improvements rather than narrow company-specific or function-specific (silo) metrics which inhibit chain-wide improvements.

2.3 Empirical Literature Review

In this empirical review part of the chapter, several findings from research articles that are related to or contrast to the topic area of the study, the challenges of global sourcing practices and the impact on procurement performance from different dimensions, are discussed and elaborated. For instance, Kolhatkar and Kulkarni (2011) pointed that international purchasing has become an increasingly popular competitive approach because different countries with different language, culture, rules and regulation and ways of practicing procurement which pose a great challenge in international procurement. According to Van Weele (2006) procurement performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Moreover, Ngugi and Mugo (2012) did a study on the internal factors affecting procurement process of supplies in the public sector; a survey of Kenya government ministries. And the findings revealed that accountability, ICT adoption and ethics affected procurement process of health care supplies in the public sector to a great extent. The study therefore recommended that adequate controls should be put in place reducing opportunities for corruption.

According to Asfaw (2017) in his research thesis that studied on the international procurement practices and challenges in the case of Addis Ababa University, the findings of the research revealed that the international procurement practices have faced lots of challenges which impact

its efficiency and effectiveness. Among the several challenges stated on the research findings, the followings are some of related factors with this study. On his study one of the parts that the author conducted was determining whether the delivery time is long or short to receive requested goods and services, and to know the reasons for lengthening of delivery time. As per the findings, there was a serious problem of longer delivery time for requested goods and the study identified several possible factors or reasons for delay in delivery. Among them, the major and the only factor that shows 100% is delay in Banks to get foreign currency or processing of L/C and different amendments. According to the findings, other contributing factors for delivery delay such as the release of documents by Ethiopian Shipping and Logistics Service Enterprise to release the goods and problem from End Users side in preparation of well-organized and up-to-date procurement specification which results for additional clarification request are also stated as major factors for delivery delay in international procurement.

Other part of his study focus area was on global sourcing risks that affect the implementation of international procurement of A.A.U. And, based on the findings the magnitude of the global sourcing challenges or risks that affect the international procurement practice of AAU were identified in accordance to their influence rank. Accordingly, challenging factors identified in relation to internal and external stakeholders has been reported to have significant impact on the performance of international procurement practices and the organization's performance as a whole. As summarized on the research, stakeholders of AAU like the finance department, banks and shipping lines are not performing at expected levels in relation to international procurement practices. In addition, to some extent, documents and goods clearance is delayed in Ethiopian maritime and logistics service enterprise, Ethiopian Airport cargo section and Ethiopian Custom Revenue Authority. Moreover, the findings have also indicated that suppliers do not perform as

expected to participate for Bid to the goods they knew very well and can able to supply, in presenting performance bonds and signing contracts timely, in offering short delivery time, in delivering quality goods, in handling claims timely, and in responding to different requests. Besides, many suppliers ask technical clarification requests and repetitive L/C extension requests from after award and contract have been signed. In addition, delivered goods and services are not according to the contract in the goods functionality and quality; and also suppliers are lagging in timely solving of the claims raised. Furthermore, according to the findings from interview of AAU procurement and related officials, the study concluded that the international procurement of AAU were affected by global sourcing challenges such as difference in legal systems, fluctuation in foreign currency, political and environmental changes, availability of right suppliers and sources, lack of adequate knowledge about international business practices from procurement staff, lack of logistic support for dangerous goods, were the major challenges affecting the organization in international procurement practice.

However, according to the findings from another research work on identifying Problems and Challenges of Global Sourcing: A study of Chinese manufacturing enterprises by Chunnan & Yue (2009), the findings are much more different from the above literatures on developing countries with regard to challenges such as from logistics, fluctuation of currency, culture and language, countries standards and regulations difference, & supplier selection. From these research findings we can see that Chinese companies do not consider logistics issues as main challenges for them in their global sourcing strategy. Also, the fluctuation of currency did not affect the implementation of global sourcing so much in Chinese manufacturers. Most of companies expressed they pay attention to the fluctuation of currency and other currency policies, but it is not a decisive factor. Besides, they seldom replaced their supplier according to the changes in exchange rate. The

findings also show that cultural issues are not serious for Chinese manufacturers when they implement global sourcing. Similarly, the problems of standards are not that serious when they import some goods from abroad. However, few importers from a certain sector clarified that high custom tariffs in Chinese regulations cause some problems for the automotive industry. Unlike the above, this research study also concluded that the selection of suppliers in global sourcing is a great challenge for Chinese manufacturers. Regardless the fields of this companies, all of them admitted that the challenges from selecting an ideal foreign supplier or partner are deeply influencing their processes in global sourcing. The problems like supply interruption and quality issues are familiar in this companies when they implement global sourcing strategy. In addition, the lack of experience and systematic, well-defined selection criteria are also mentioned as the main reasons for this issue.

In contrast to above, Samuel (2017) studied on supply chain risks and supply chain risk management practices at ethio telecom and the finding revealed that risks associated with supply sides, regulatory, legal and bureaucratic issues had affected ET over the last 5 years to a moderate extent.

In addition, as per the research conducted by Michael (2013), a study on public procurement system challenges in developing countries, the case of Zimbabwe, the following challenging factors have been identified and explained as follow: As one of the major factors, participants said that corruption is a major challenge in public procurement and this view is also supported by Shaw (2010). There are a number of tenders that have been associated with corruption. Another factor mentioned was inadequate Market Enquiry. The study revealed that most tenders are awarded without adequate enquiry on the market. In addition, political Interference is also among the

challenges as participants said that major tenders are influenced by ministers. This is at variance with the principle of politics administration dichotomy which provides that ministers are mainly responsible for policy making and not implementation. And the finding of the study revealed that the need to comply with indigenization policy has resulted in tenders being awarded to incompetent companies. It is also mentioned that some tenders won by foreign owned companies have actually been cancelled due to indigenization policy.

Moreover, Jennifer (2015) conducted a study in the area of international procurement and operational efficiency on major logistics multinational firms in Kenya. The study found out that firms procuring their goods and services across borders can take long time due to various factors discussed below and therefore affect operations of the firms. Among the factors that highly affect operational efficiency execution throughout the procurement cycle is that coordination among participants. According to the study, problems in this area arose due to the lack of communication and prioritization of actions among the different actors involved in the process. Another challenging factor as per the result of the study is Internal Procedures. Challenges in this area included delays in response times, due to a lack of organization and of well-defined responsibilities that are adapted to the nature and characteristics of each job and/or client, poorly adapted internal administrative procedures, and a lack of autonomy in key activities for timely project/job implementation. In similar way with the above research, another research study by Raphael (2014) that aimed to identify the challenges hindering the practicability and handling of international procurement in public sectors in Tanzania revealed that the international procurement system is still weak as the procurement process takes too long. The study also recommends the best way to address this challenge was by introducing e-procurement.

Other factors with respect to internal stakeholders' performance are revealed from another research conducted by Abebe (2017) that studied on Factors Affecting Public Procurement Performance in Ethiopia in the case of Public Procurement and Property Disposal Services. The study found out that the goods/services or works not being procured on time because the work programs affected by procurement planning i.e. incomplete procurement plan and urgent/unplanned procurement requisitions are influence the procurement performance of PPPDS.

Furthermore, Teklil (2017) conducted assessment study on foreign purchase practices at ethio telecom as a case company. According to the findings a number of factors that challenges foreign procurement activities of ethio telecom are mentioned such as 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, and standardization difference among countries, are among the challenges. As per the researcher's comment, especially foreign currency, delay of letter of credit, logistics, & quality issue is some of the variables that seriously threaten foreign procurement activities of the company. Moreover, the findings also mentioned that goods stay in transit for a long period of time due to custom clearance issues and lack of transportation to move goods from port to central warehouse as other bottlenecks.

2.4 Identified Literature Gap

Numerous studies have been carried out on concept of procurement practice in various industries, different countries and from multiple perspectives. As mentioned on the above chapters, this research tries to look for previous studies conducted on the area related to the topic of the study and has observed some related researches. For the ease of gap identification, the researcher tried to differentiate those previous studies in to two categories, as researches conducted in developed

countries and in developing countries, according to their varied business, political, legal, cultural and social standards and situations & also based on their varied business practices and other circumstances due to their location/places where the researches are conducted. Based on this assumption, related researches conducted in developed countries relatively cover almost all aspects but most were researched at their current level of global sourcing practices or based on how they provide meaning to the term global sourcing, which means in the broader sense of global sourcing.

Besides, the researcher also discovers that most related studies conducted in developing countries specifically studies conducted in Ethiopia mostly focused on international purchasing practices that mostly base on the government/public procurement procedures which aren't the same procurement procedure as ethio telecom is currently implementing. Although ethio telecom is one of public/corporate government organization, it has its own procurement procedures that have been adapted according to the specific industry and company requirements, which is the seven step strategic sourcing process. Yet, these studies focused on the practices of procurement systems in general and off course there are some studies about the challenges on international purchasing but most are from different perspectives having more focus on internal factors, which aren't exactly the same as the aspects of this study is intended for. Moreover, none is done specifically and exactly on the challenges of global sourcing practices in relation to procurement performance at ethio telecom, which should be investigated in different perspectives as the industry is more technology oriented.

That is why; this study aims to fill this literature gap by conducting a study on the challenges of global sourcing practices in relation to procurement performance, referring ethio telecom as a case company, where the practice of global sourcing has been implemented relatively in higher rate

than other business companies in the country. Moreover, the research is also expected to help and provide organizations in Ethiopia, especially for those that their operation and existence are highly dependent on products and services that may only be procured from foreign companies, with the information about the challenges areas of global sourcing to be identified and assessed so that they can improve their global supply chain management practices.

2.5 Conceptual Framework of the Study

Ethio telecom has a centralized procurement system under the supply chain division at Addis Ababa. The supply chain division by itself also classified in to three departments such as sourcing, procurement and supplier relationship management, and logistics department. The supply chain division is responsible for the whole purchase requirements of the company as it is solely responsible for the procurement of all goods from abroad (materials/spares as well as MRO supplies and commercial items and etc.) required by the different user departments of ethio telecom. The major types of goods which are currently purchased from foreign countries are all commercial items like voucher cards, SIM cards, & mobile apparatuses, and also spare parts and all other telecom equipment for network infrastructure expansion projects. Moreover, the division has to manage a huge variety of inventory requirements of more than 30,000 items, among which the majorities are procured from foreign suppliers. To secure the acquisition of these items it requires the implementation of effective global sourcing practices. Effective procurement requires the utilization of sound business practices that maximize value to the organization through the acquisition of goods and services. This follows the old saying that the purchasing department's role is to deliver the right material or service in the right amount to the right place at the right time and at the right price Sollish & Semanik, (2005).

Similarly, the practices of global sourcing activities under ethio telecom generally covers many aspects including the sourcing decision, preparing the purchase requirements, tendering, supplier recruitment, evaluation and selection, contract preparation, negotiation, awarding/placing orders to selected supplier, follow the delivery and receiving of goods or services, effect the payment to supplier, contract follow up, deciding on payment methods, communicating with financial institutions such as contracting with banks for letter of credit and also working with insurance institutions for risk mitigation and management. This implies that the company's capability of fulfilling goods and services to its customers is highly dependent on the performance of international procurement. That is why this study aims to investigate the major challenges faced by company's supply chain division while practicing the global sourcing activities with foreign suppliers, referring ethio telecom as a case company, where the practice of global sourcing has been implemented relatively in higher rate than other business companies in the country. Moreover, the research is also expected to help and provide organizations in Ethiopia, especially for those that their operation and existence are highly dependent on products and services that may only be procured from foreign companies, with the information about the challenges areas of global sourcing to be identified and assessed so that they can improve their global supply chain management practices.

The researcher has observed some challenges at preliminary data gathering and from previous literature such as delay on delivery of the required items, outstanding/undelivered orders for years, & significant delay on payment to foreign supplier, due to several reasons to be investigated on this research. As mentioned on the above chapters, this research tries to look for previous studies conducted on the area related to the study and discovered that almost all conducted studies are

focused on international purchasing practices that usually base on the government/public procurement procedures which aren't the same procurement procedure as ethio telecom is implementing. Ethio telecom follows its own seven steps strategic sourcing processes which have different methodologies and procedures from the regular public procurement procedures. Yet, these studies focused on the practices of procurement systems in general and off course there are some studies about the challenges on international purchasing but most are from different perspectives focusing on internal factors, which aren't exactly the same as the aspects of this study is intended. Moreover, none is done specifically and exactly on the challenges of global sourcing practices in the telecom industry specifically at ethio telecom, which should be investigated in different perspectives as the industry is more technology oriented.

Therefore, the study attempted to assess the challenging factors of global sourcing that influence the procurement performance at ethio telecom, from the aspects of logistics, culture and language, standards and regulations, foreign currency, and external stakeholders' performance as the independent variables while international procurement performance as the dependent variable. The essence of this conceptual framework is to provide useful and important insights on how different factors influence the degree of successful outcome of the international procurement activities. These key factors explain more precisely what should be considered during the management of global sourcing in terms of their impacts. The summarized conceptual framework of the study is presented on below diagram:

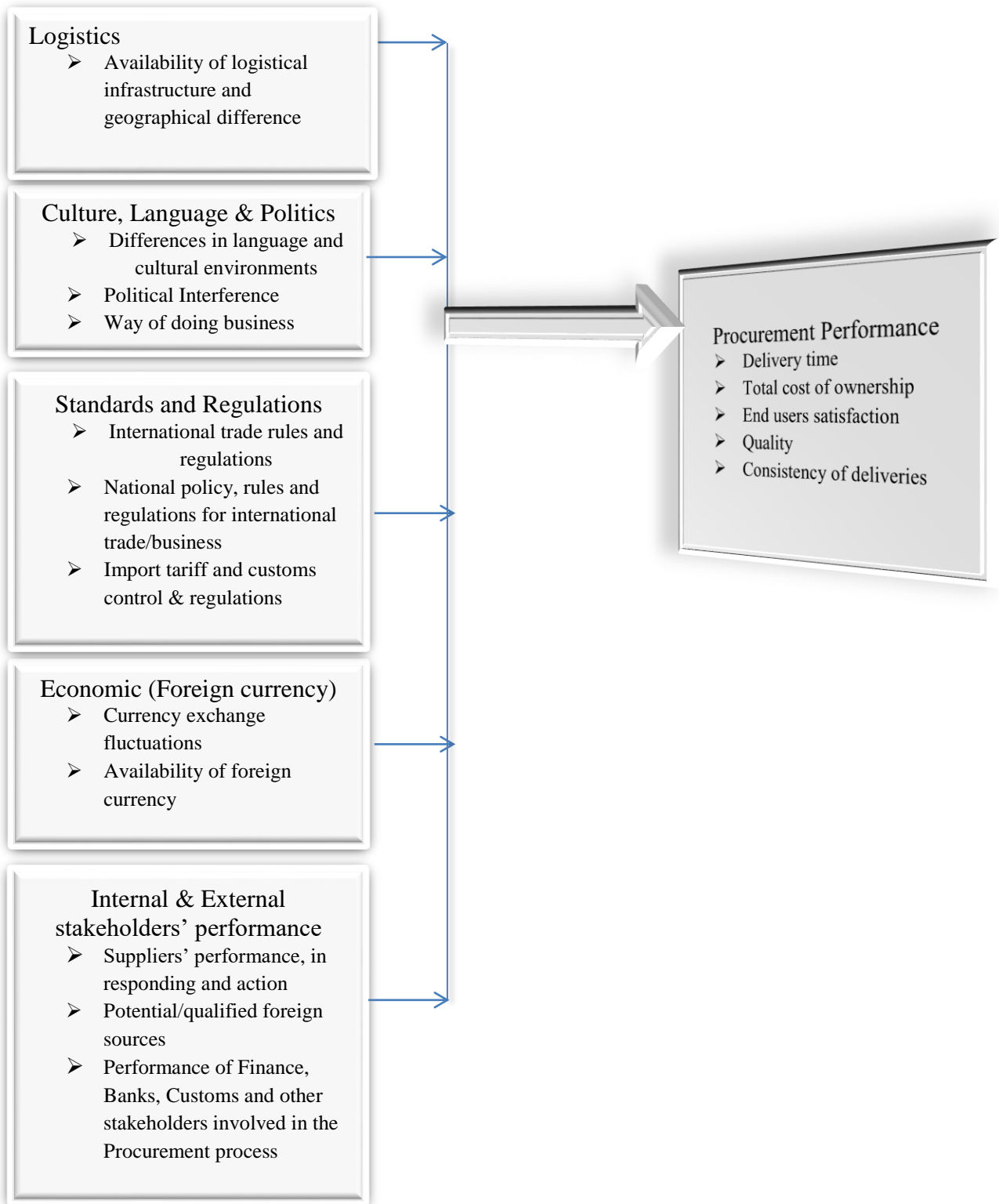


Figure2. 1 Conceptual framework

Chapter 3: Research Methodology

3.1 Introduction

This chapter represents the view on research design and methodology, which includes the research approach, research design, population and planned participant of the study, sample design, the sources of data, the data collection methods/instruments, the procedures of data collection, and the method of data analysis used in carrying out the research study are presented.

3.2 Description of the Study Area

This study has been conducted in ethio telecom's supply chain division, at head quarter of the company in Addis Ababa. The study mainly focused on identifying and assessing the major challenges of global sourcing practices faced by ethio telecom supply chain division that solely handles the foreign procurement activities of the company. In addition to that, the study has also focused on analyzing how a set of certain challenging factors influenced the procurement performance of the company. Moreover, the study has attempted to observe the extent of impacts that the challenges of global sourcing practices have brought on the performance of the organization (ethio telecom).

3.3 Research Approach

The research has been conducted based on mixed method approach. This approach considered as appropriate in answering the research questions by using both quantitative and qualitative research approach in combination. Because, mixed research is useful to capture the best of both qualitative and quantitative data and in these the researcher also intended to examine in detail about the

challenges of global sourcing in relation to procurement performance of the company. The advantage of using mixed methods is that it enables to triangulate and support the data and result collected by questionnaire (Greener, 2008 and Saunders et.al, 2007).

According to Kothari (2004) mixed research method is defined as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language in to a single study. The quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Moreover, the results from quantitative research are assumed to be measurable and presentable in figures. Thus, as quantitative approach, this study has empirically investigated the extent to which the challenges of global sourcing affect the procurement performance.

Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior Kothari, (2004). Therefore, the qualitative approach in the study focused on detailing the results of the quantitative phase and describing the factors of global sourcing that have affected the procurement performance in more depth. Moreover, as qualitative approach, this study has attempted to identify the challenging factors of global sourcing to gain a deeper understanding of the problem areas and also to strengthen the analysis of their impact on procurement performance of the company. It is therefore justified that a mixed approach is most suited in this study.

3.4 Research Design

This research study has applied a combination of both descriptive and explanatory research design. According to Kothari (2004), descriptive research includes different kinds of surveys and fact-finding enquiries. In addition, this same author cited above asserts that in descriptive design, the problem is structured and well understood and gives a report on things as they actually are. Thus, as a descriptive design, this study has attempted to identify and describe the major challenges of global sourcing practices as independent variables with respect to the dependent variable of the study, the procurement performance, in the case of ethio telecom.

In addition, as explanatory research design, the study has also attempted to clarify how there is a relationship between independent factors (challenging factors of global sourcing) with the dependent variable (procurement performance).

3.5 Population of the Study and Sample Design

The population selected for this research was all employees under SCM division of ethio telecom, who are directly or indirectly involved in the global sourcing practices of the company. Since the focus of this research is to describe and explain the challenges of global sourcing practices in relation to the company's procurement performance, it is justifiable to limit the target population in the members of supply chain division of the company, who are more likely assumed to know more about the profession or in other words, who have at least participated in the global sourcing practices of the company. Based on the above justification, sourcing department and logistics department are determined as source list or sampling frame from which sample is to be drawn.

Therefore, the sample frame of this study will be the two departments which are sourcing department and logistics department under the supply chain division of ethio telecom.

Because of the specificity nature of the study that need knowledgeable respondents in the global sourcing or related area of practices, purposive sampling which is also called judgmental sampling method was used to determine the sample of population. According to Saunders et al. (2007) purposive sampling is a useful sampling method which allows a researcher to get information from a sample of the population that one thinks knows most about the subject matter. Therefore, it is believed that the data collected from staff members of these two departments and sections under them as a good representative of the target population. Thus, based on the above justification the researcher used the non-probability sampling technique as the participants were deliberately selected among the total staff members of sourcing department and logistics department. Accordingly, the sample size of the study was determined to be 50 staff members who were purposefully selected from those two designated departments.

Table3. 1 Sample size and participants selection from the designated departments

Departments	Sections	Target Respondents	Sample Size
Sourcing department	Procurement	Sourcing department director	1
		Procurement section managers	4
		Procurement supervisor/specialist	10
		Procurement administrator	16
	Contract management	Contract management section manager	1
		Contract management supervisor/specialist	6
	Supplier relationship management	Supplier relationship management section manager	1

		Supplier relationship supervisor/specialist	6
Logistics department	Shipment and Customs clearance	Customs clearance section manager	1
		Logistics Supervisor/specialist	4
Total			50

3.6 Data Sources and Types

The research has used both primary and secondary data as inputs for the study. The primary data collected from the designated sample of 55 employees of ethio telecom’s supply chain division as a primary source through interview and questionnaires. Among which the interview questions were planned to be conducted to 5 selected middle and higher officials like supervisors, managers and director of the supply chain division as the key informants from the sample. Moreover, the secondary data has been collected from published and unpublished sources including research articles, books, and reports to support the primary data.

3.7 Data Collection Methods

For the purpose of data collection, semi- structured interview questions and structured questionnaires have been prepared in advance. Accordingly, both interview and questionnaires have been conducted and distributed by personally visiting ethio telecom, headquarter, Addis Ababa, with purposively selected employees from the supply chain division of the company. As per the plan, interviews have been conducted in order to collect qualitative data from respondents through a face to face interview sessions that were arranged with the schedules of the respondents. Likewise, questionnaires were distributed and administered using a drop and pick later method to respondents and their responses were collected within a period of 2 weeks. The purpose here to

require both qualitative and quantitative data is to generate insight into the concept of the study topic and the data inputs to adequately address the research questions. Beside to the above, secondary data have also been collected from reports, manuals, published and unpublished materials.

3.8 Data Collection Instrument

Both questionnaires and interview data collection instruments were utilized as data collection instrument. The questionnaires data collection instrument was used to collect primary quantitative data from specified sample. And, the primary qualitative data was collected through open-ended questionnaires and also through interview data collection method which was arranged and conducted through face to face interview sessions with selected respondents. Moreover, as part of data collection instrument through open and close ended questionnaires, the items related to the challenges of global sourcing practices and their impacts on procurement performance were rated using the five point Likert Scale.

3.9 Data Analysis Methods

Both quantitative and qualitative data analysis methods are used for data analysis to get a richer understanding of the phenomenon of interest that either type of results alone. Besides, using both qualitative and quantitative data analysis methods help to show detail pictures of the existing problems as possible. The qualitative method allows obtaining and describing the opinions from the respondents as it has helped the researcher in getting and analyzing most information as possible. And through the quantitative method, the researcher has been able to effectively analyze the numerical data obtained from respondents. After completing the data collection process from

interviews and questionnaires, descriptive and inferential data analysis methods were used to process the data through SPSS statistical data analysis method. The descriptive statistical data including opinions and suggestions obtained from open ended and interview questions of the study were analyzed using descriptive statistical analysis methods (frequency, percentage, mean & standard deviation). In addition, inferential statistical analysis methods (bivariate correlation and linear regression) were employed for quantitative data.

3.10 Validity and Reliability

For the validity of the research procedures and instruments, the researcher first tried to address related and extensive literatures to have complete data on the research topics. This comprehensive approach helps to ensure face and content validity of the survey instrument. Researcher reviewed an extensive literature to develop questions for the survey. In addition to that, the researcher has also conducted pilot test on survey instrument (questionnaire) to check the questionnaire is complete & free from any bias and confusion words by selecting few respondents. Moreover, the instrument and research method are also revised as per the comment of professional advisor and further to that the designed methods have also been checked again by expertise before going to data collection.

When it comes to testing the reliability of the data collection instruments, the researcher has checked several related literatures and got confirmation from literatures with relatively similar questionnaires in the intended population of this study. Beside to that, the reliability of the questionnaire has been checked during the pretest session with a small sample of respondents and their responses were almost the same. In addition to that, the reliability or internal consistence of the data was measured using the Cronbach's Alpha method. An alpha coefficient of 0.75 or higher

indicated that the gathered data are reliable as they have a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Zinbarg 2005). Based on this technique, the data collected was checked for consistency before analysis was made. As shown in table 3.2, the overall Cronbach's alpha coefficient for the score is 0.90. Therefore, the data collected in this study shows high reliability or high internal consistency. The below table shows the SPSS result of the reliability statistics using Cronbach's Alpha.

Table3. 2 Reliability statistics of the data

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.900	.884	27

3.11 Ethical Consideration

The respective representatives from supply chain division of ethio telecom gave their permission for the research in order for the study to be ethically conducted. In addition to that, researcher has treated any primary information collected confidentially without disclosing the respondents' identity. The literatures referred in this study as secondary source are acknowledged appropriately and honestly by describing the sources of any literatures that has been included in this thesis.

Chapter 4: Data Analysis, Results and Discussions

4.1 Introduction

The objective of this chapter is to present, analyze, and interpret the data obtained from the primary and secondary data sources. The data collected was checked for consistency before analysis was made by using Cronbach's Alpha technique. Descriptive and inferential statistics were used for data analysis. Excel and SPSS Version 20 were utilized as the main statistical tool to analyze the data and determine the extent of relationships between the independent and dependent variables. Inferential statistics (correlations and linear regression analysis) were used to give a measure of the relationships between independent and dependent variables and establish if there was any relationship or there existed a cause-effect relationship between the variables. The data analyzed by descriptive statistics is presented using frequency tables, percentage, means and standard deviation.

4.2 Rate of Response to Qualitative and Quantitative Data Analysis

A total of 55 target respondents were purposefully selected for the data collection as primary source through interview and questionnaire. However, data could be collected from 52 respondents who were presented for interview session and returned their responses for distributed questionnaires; this shows that 94.54% of the return rate as a whole.

When we see the response rate of each data collection technique, questionnaires were distributed for 50 respondents and out of them 48 respondents returned their responses fully; this makes it 96% of the return rate for questionnaires. And the interview was planned to be conducted for 5

respondents but only 4 of them were presented for the interview session and provide their response so the interview response rate is 80%.

4.3 Respondents Data Analysis

In this part the analysis begins by describing the demographic characteristics of the respondents by frequency table, and then the analysis and interpretation will continue on the main part of the research that is discussing the variables in detail by applying different data analysis techniques.

4.3.1 Demographic Description of Respondents

This part will disclose the general information about the respondents Gender, Educational status, Service year in the supply chain division of the company, the department or team they belong to and their position in the company. This will be presented with the tables that show the frequency of each demographic category with their respective percentage from the total respondents.

Table4. 1 Demographic Characteristic of Respondents

Demographic Variables		Frequency	Percent
Gender	Female	21	43.75
	Male	27	56.25
Education Level	PhD and above	0	0
	Second degree	11	22.92
	First degree	37	77.08
	College diploma	0	0
Age	below 25	2	4.17
	26-35	36	75
	36-45	8	16.66
	46-55	2	4.17
	56 and above	0	0
Year of Experience	Below 5	5	10.42
	6-10	13	27.08
	11-15	26	54.17
	16-20	3	6.25
	21-25	1	2.08

	26 and above	0	0
Respondents' Job Position	Top level management	0	0
	Middle level management	6	12.5
	Supervisor	12	25
	Specialist	24	50
	Administrator	6	12.5

Source: Research Survey, April 2019

Gender: The study has sought to determine the respondents' background information in terms of their gender distribution. This was necessary to determine the number of male and female employees in the organization and establish any gender disparities in the organization's workforce. Table 4.1 shows that majority of the respondents were male comprising of 27(56.25%) of the total respondents while females were 21(43.75%) implying that more males are involved in the global sourcing related duties than females who participated in the study.

Educational Level: The educational background of the respondents who have filled questionnaires indicates 37, 77.08% of them have first degree and 11(22.92%) of the respondents have second degrees. As the above figure indicates the majority of the respondents have first degree.

Age: The table above indicates the majority of the respondents aged from 26-35 years of age, 36 (75%) of the total population, 8 (16.66%) respondents aged from 36-45 years of old, 2 respondents which is about 4.17% of the total population aged from 46-55 years of old, and similarly 2(4.17%) of the respondents aged below 25 years of old. However, none respondents aged above 56 years old.

Work Experience: The experience of the respondents indicates that 26 employees 54.17% of the total participants have worked 11-15 years, which means the majority of the respondents have

experience of more than 10 years in ethio telecom, 13(27.08%) of the respondents have work experience from 6-10 years, 5(10.42%) of the respondents have experience of below 5 years, and finally there is 1 respondent (2.08%) of the total respondents has experience of 21-25 years. This implies that majority of the respondents in ethio telecom, had worked for a considerable period of time thus were aware of global sourcing and procurement performance and therefore they were in a position to give credible information relating to this study.

Job Position: Based on the above respondent's position table, 6 (12.5%) are middle level managers, 12 respondents which is about 25% of the total respondents are supervisors, and the majority, 24 (50%) of the total respondents are specialists, and finally, the rest 6(12.5%) of the total respondents are Administrator level staffs.

4.3.2 Descriptive analysis on the major challenges of global sourcing practices in Ethio telecom

In this section, the focus is on analyzing the data collected from respondents about the extent to which the challenges of global sourcing practices affect procurement performance of ethio telecom. For this purpose, several challenges were listed in the questionnaire under their five broader categories of challenges. These challenging factors are classified under five categories according to their similarities for the purpose of conducting this study, which are foreign currency related challenges, internal and external stakeholders' performance related challenges, culture, language, and politics related challenges, logistic support related challenges, and finally standards and regulations related challenges. Based on this, the magnitude of the global sourcing challenges that affect the procurement performance of ethio telecom is analyzed as shown below.

4.3.2.1 The economic (foreign currency) related challenges of global sourcing practices of Ethio telecom

As table 4.2 illustrates, from the total respondents the majorities which are 47.92% of respondents believed that fluctuation in foreign currency exchange rates affects the global sourcing practices and procurement performance to a very large extent, 33.33% to moderate extent and 10.42% to a large extent. However, few respondents which are about 6.27% and 2.08% believed that the effects of fluctuation in foreign currency exchange rates are to a small and very small extent respectively. The next question under this category is to analyze the effect of foreign currency shortage on procurement performance. Accordingly, almost all respondents which are 95.83% believed that foreign currency shortage in the country has a very large extent of impact on procurement performance of the organization and the remaining 4.17% respondents said that it has impacted to a large extent. Similarly, the majorities 56.25% and 27.08% of the respondents indicated that challenges caused by currency devaluation by government have influenced the practice and procurement performance to a very large and large extent respectively and the rest 16.67% of them indicated to a moderate extent.

In line with the above findings from questionnaire respondents, the challenge due to foreign currency shortage in particular from all other related challenges has also been mentioned by all interview respondents as it was the major challenge to the global sourcing practices of Ethio telecom. Thus, based on these result, the finding can be generalized as challenges related to foreign currency was a serious problem in global sourcing practices with a relatively high level of impact on the procurement performance of ethio telecom. According to different studies that mentioned in the literature review chapter specifically on empirical literature section, most research findings also considered these challenges related to foreign currency especially the foreign currency

shortage as one of the serious problem in global sourcing practices of Ethiopian companies. For instance, this finding is consistent with that of Asfaw (2017) & Teklil (2017), as they confirmed these same findings on their thesis research.

Table4. 2 Statistical results on the challenges of global sourcing practices related to foreign currency

Possible challenges of global sourcing practices related to foreign currency	1.to a very small extent		2.to a small extent		3.to a moderate extent		4.to a large extent		5.to a very large extent	
	F	%	F	%	F	%	F	%	F	%
Fluctuation in foreign currency exchange rates	1	2.08	3	6.25	16	33.33	5	10.42	23	47.92
Foreign currency shortage in the country	0	0	0	0	0	0	2	4.17	46	95.83
Challenges caused by currency devaluation by government	0	0	0	0	8	16.67	13	27.08	27	56.25

Source: Research Survey, April 2019

4.3.2.2 The global sourcing challenges related to suppliers' inefficiency

As it can be seen from the result table 4.3 below, most respondents believed that the difficulty to find qualified foreign sources was a challenge that has affected the global sourcing and procurement performance to a large and very large extent by 37.50% and 16.67% respectively. In addition to that, 27.08% of the respondents replied as it was a challenge with moderate extent of impact. However, according to the responses of few respondents that are 4.17% and 14.58% of them said the difficulty to find qualified foreign sources wasn't that much a challenge to the global sourcing and procurement performance as they point to a very small and small extent respectively. On the other hand, 4.17%, 37.50 and 31.25%, of the respondents agreed that lack of knowledge & experience from suppliers about international business practice as a non-influential challenge to the global sourcing practices and performance as they pointed to a very small, small, and moderate extent respectively. In the contrary to those of majorities, there were also few respondents who

believed that lack of knowledge and experience from foreign suppliers as an influential challenge to the global sourcing practices and procurement performance of the company, represented by 20.83% of them pointed to large extent and 6.25% to a very large extent. Moreover, the majorities that are 35.42% and 22.92% of respondents felt that the inability of suppliers to supply goods and service in time was a substantial challenge to global sourcing practices and performance with a large and very large extent of impact respectively. Besides, another significant number 20.83% of them pointed to moderate extent. However, there are few respondents 4.17% and 16.67% who thought that this suppliers' inability to deliver on time as an insignificant challenge, as they pointed to very small and small extent respectively.

More study findings showed that most of the respondents 25%, 35.42% and 16.67% agreed that suppliers' noncompliance with the requirements of goods and services is non-substantial challenge as they indicated the impact to very small, small and moderate extent respectively even though some others which is about 22.92% of respondents believed that it was a challenge with large extent of impact. In the same way, 22.92%, 14.58% and 10.42% of respondents disagreed on that suppliers do not respond timely for requests or claims as they pointed to a very small, small and moderate extent of challenge to global sourcing and procurement performance respectively. However, the rest half of respondents considered this same challenge as substantial to procurement performance as 37.50% and 14.58% of them replied to large and a very large extent respectively. Finally, as per the responses on the last question related to suppliers' performance, the majorities which are 10.42%, 27.08% and 29.17% agreed on foreign suppliers do not take full responsibility for noncompliance that occurs during global sourcing process as one of the challenge to global sourcing practices but with the level to very small, small and moderate extent of impact

respectively. However, the remaining 25% and 12.50% of respondents replied to large and very large extent respectively.

Furthermore, this specific challenge due to foreign suppliers' inability to deliver goods on time was also raised up during interview sessions and as per the confirmation from three interview respondents most foreign suppliers do not supply goods and service in time as per the contract delivery time. Thus, as the above result indicated, the finding seems valid to be interpreted as these two challenges due to suppliers' inefficiency such as difficulty to find qualified foreign sources for some telecom equipment and foreign suppliers' inability to deliver goods on time as per the contract were among the major challenges with high consequence of impact on the global sourcing practices and procurement performance.

Table4. 3 Statistical results on challenges related to suppliers' inefficiency

Possible challenges of global sourcing practices related to suppliers' inefficiency	1.to a very small extent		2.to a small extent		3.to a moderate extent		4.to a large extent		5.to a very large extent	
	F	%	F	%	F	%	F	%	F	%
Difficulty to find qualified foreign sources	2	4.17	7	14.58	13	27.08	18	37.50	8	16.67
Foreign suppliers lack knowledge about international business practices	2	4.17	18	37.50	15	31.25	10	20.83	3	6.25
Foreign suppliers do not supply goods and service in time as per the contract delivery time	2	4.17	8	16.67	10	20.83	17	35.42	11	22.92
Foreign suppliers do not respond timely for any request or claim	11	22.92	7	14.58	5	10.42	18	37.50	7	14.58
Foreign suppliers do not comply with the requested goods and service requirements	12	25	17	35.42	8	16.67	11	22.92	0	0
Foreign suppliers do not take full responsibility on noncompliance of specification or any complication that occurs during global sourcing process	5	10.42	13	27.08	14	29.17	12	25	4	12.50

Source: Research Survey, April 2019

4.3.2.3 The global sourcing challenges related to internal & external stakeholders of Ethio telecom

In this part of analysis, the focus is to assess whether and how challenges related to internal & external stakeholders' performance are affecting the global sourcing and procurement performance of ethio telecom. For this purpose, the respondents were asked to indicate their opinion on the extent from very small to very large about the impact level of the challenges related to stakeholders. Based on the questionnaire, this part of analysis is designed to cover the challenges related to end users, finance division and supply chain staffs from internal stakeholders. On the other side, the analysis will display whether and how any inefficiency or under performance of external stakeholders such as foreign suppliers, Commercial Bank of Ethiopia, Ethiopian Airlines Cargo Section, Ethiopian Shipping and Logistics Service Enterprise, ERCA or Ethiopia Customs Commission and third part logistics' performance have impacted the global sourcing practices and procurement performance. Accordingly, the data is analyzed by the rate given by the respondents to each sub categories of challenges or stakeholders. The results of findings are depicted in below table.

Table4. 4 Statistical data on challenges due to other internal & external stakeholders

Possible challenges of global sourcing practices related to internal & external stakeholders' inefficiency	1.to a very small extent		2.to a small extent		3.to a moderate extent		4.to a large extent		5.to a very large extent	
	F	%	F	%	F	%	F	%	F	%
Problem from end users side in preparation of purchase requisition(outdated specification, unplanned & scattered requests)	0	0.00	0	0.00	2	4.17	22	45.83	24	50.00
Lack of knowledge & experience on global sourcing practices from supply chain division staff	9	18.75	2	4.17	20	41.67	7	14.58	10	20.83
Time taking to process L/C instruction and payment from ET finance division side	0	0.00	0	0.00	15	31.25	28	58.33	5	10.42

Delays at bank for L/C opening & amendments and document & payment release	0	0.00	8	16.67	0	0.00	25	52.08	15	31.25
Long time in document clearing process and release of goods by Ethiopian Shipping and Logistics Service Enterprise	0	0.00	0	0.00	20	41.67	20	41.67	8	16.67
Lengthy of time to get service at Ethiopian Airlines Cargo Section in document clearance and release of goods	0	0.00	0	0.00	15	31.25	27	56.25	6	12.50
Customs focus on control at time of document clearance, inspection and release of goods from Ethiopian Revenue and Customs Authority	0	0.00	0	0.00	29	60.42	13	27.08	6	12.5
Time taking service due to the demand of several requirements by government agency (INSA) to decide and grant security clearance for import shipments	0	0.00	14	29.17	24	50.00	8	16.67	2	4.17
Time taking and bureaucratic procedures of investment agency to grant tax free permit for duty free privileged items	0	0.00	0	0.00	20	41.67	27	56.25	1	2.08
Inadequate service from third party logistics service providers	2	4.17	13	27.08	19	39.59	14	29.17	0	0.00

Source: Research Survey, April 2019

As table 4.4 illustrates, from the total respondents, the majorities 45.83% and 50.00% of the respondents believed that problem from end users side in preparation of purchase requisition has been a major challenge to large and very large extent of influence on the global sourcing and procurement performance respectively. However, only 2 respondents (4.17%) from the total believed that it has a moderate extent of impact. According to the above results of this question and as it is also confirmed from three interview respondents, most purchase requisitions from end users of ethio telecom were unplanned, which result to the difficulty to find willing foreign suppliers to participate on the tender for very small quantity or amount and scattered requests with usually incomplete specifications, which leads to additional clarification requests. Because of these reasons it has been one of the serious challenges that has impacted the global sourcing practices and procurement performance of the company. And, the second question which is lack of knowledge & experience about global sourcing practices from supply chain division staff was

considered as a challenge with moderate extent of impact on global sourcing practices and performance according to the majorities 41.67% of respondents. However, the remaining respondents felt that it has been a challenge in different extents of impact as different group of respondents such as 18.75% pointed to very small extent, 4.17% to small extent, 14.58% to large extent and 20.83% to very large extent. Moreover, the third and last question under internal stakeholders sub category was about the performance of finance division relating to the global sourcing activities and based on the responses of the majorities 58.33% of respondents believed that it takes longer time at finance division to process L/C instructions and payments; therefore, they considered it as one of the major challenge with a large extent of impact on the company's global sourcing practices and performance. In the same way, the remaining 31.25% felt that it was a challenge to moderate extent and 10.42% of them pointed to a very large extent. Thus, the result implies that a delay in finance division is one of the major challenges that affects the global sourcing practices and performance of the company.

Further results based on the responses given on the rest of the questions related to external stakeholders are described as follows: one of the question requested was to check whether and how delays in commercial bank of Ethiopia at time of L/C opening, amendments, document release & payments process was a challenge or not and also how it is impacting the performance of the procurement. Accordingly, the majorities 52.08% and 31.25% of respondents said that delay in bank has been one of the major challenges on global sourcing practices to a large and very large extent of impact respectively. However, among the total respondents, only 8 of them (16.67%) believed that it has been a challenge with a small extent of impact. Similarly, delays in Ethiopian Shipping and Logistics Service Enterprise for document and goods clearance was a challenge for global sourcing practices as 41.67%, 41.67% and 16.67% of respondents agreed to a moderate

extent, large extent and very large extent respectively. In the same way, the majority of respondents 31.25%, 56.25% and 12.50% of them also agreed that prolonged time to get service at Ethiopian Airlines Cargo Section has been a challenge to moderate extent, large extent and very large extent respectively. Moreover, the government focus on control at time of document clearance, inspection and release of goods by Ethiopian Revenue and Customs Authority has been considered as a challenge to the global sourcing practices and performance as indicated by 60.42% of respondents to moderate extent, 27.08% to large extent and the rest 12.5% of them pointed to a very large extent.

Furthermore, the prolonged time and bureaucratic service in government agency (INSA) to decide and grant security clearance for import shipments was one of the major challenges that has affected the global sourcing practice and procurement performance in different extent according to different group of respondents. Because the total result above the average level indicated the majority, as 50.00%, 16.67% and 4.17% of respondents pointed to moderate extent, large extent and very large extent respectively, even if the remaining 29.17% of responses shows that it has been a challenge to small extent. Regarding to the time it takes to get service from investment agency, the majorities 41.67% and 56.25% of respondents believed that it takes longer time to get tax free permit for duty free privileged items from this government agency and it has been considered as another affecting challenge to moderate and large extent respectively on the global sourcing practices and performance. Besides, the remaining one respondent (2.08%) also indicated that it has been a challenge in very large extent of impact.

Finally, regarding to the last question of this sub category which is about challenges related to external stakeholders, the respondents were requested their opinion about whether and how the

problem from third party logistics service providers has been a challenge on global sourcing practices and performance. According to the total result of responses, the majorities 4.17%, 27.08% and 39.59% of respondents believed that the inadequacy of service from third party logistics service providers has been a challenge but to very small extent, small extent and to moderate extent of impact, respectively. And the remaining few 29.17% of respondents believed, despite of the above majorities, as it has been challenge in large extent of impact on the company's global sourcing practices and procurement performance.

Besides to all above, the findings from interview respondents also show some level of similarity as they mentioned repetitively that delays from bank (CBE), ERCA and ESLSE among others were significant problems to the global sourcing practices of ET. Most of these findings are also in line with that of Asfaw (2017) that confirmed on his research as almost all of the above mentioned challenges especially the findings on external stakeholders' performance are more or less the same with these findings.

4.3.2.4 The global sourcing challenges of Ethio telecom relating to socio cultural and political factors

The respondents were asked to indicate their opinion about whether the factors due to difference in culture, language and politics are challenges or not and also how they impacted the global sourcing practices and procurement performance, in order to know their level of agreement on mentioned type of challenges from a very small to a very large extent. Based on the data collected from respondents, the global sourcing challenges or risks that arise due to difference in culture, language & politics and how they are affecting the procurement performance of ethio telecom are analyzed as follow:

Table4. 5 Challenges of global sourcing practices related to socio cultural factors

Possible challenges of global sourcing practices related to Culture, Language & Politics	1.to a very small extent		2.to a small extent		3.to a moderate extent		4.to a large extent		5.to a very large extent	
	F	%	F	%	F	%	F	%	F	%
Cultural and language difference that affect communication	16	33.33	6	12.50	18	37.50	5	10.42	3	6.25
Difference in political system between countries	18	37.50	5	10.42	22	45.83	0	0	3	6.25
Variation in business practices among countries	9	18.75	5	10.42	25	52.08	6	12.50	3	6.25

Source: Own Research Survey, April 2019

As indicated in table 4.5, the majority of respondents agreed that challenges due to culture and language difference that affect communication, challenges due to difference in political system between countries and challenges due to different business practices among buyer and suppliers are minor challenges with insignificant level of impact on the practices and procurement performance. However, there are few respondents who believed that these challenges have considerable impact on global sourcing practices though their number is insignificant. The results from above table also shows this finding, as the majorities such as 37.50%, 33.33%, and 12.50% of respondents indicated that difference in culture and language has a moderate, very small and small level of impact on procurement performance respectively. But, the remaining few respondents which counts only for 10.42% and 6.25% felt that this challenge has large and a very large extent of impact on performance. Similarly, the majorities such as 45.83%, 37.50%, and 10.42% of respondents indicated that difference in political system among countries has a moderate, very small and small level of impact on procurement performance, respectively. Whereas, only 3 respondents (6.25%) considered difference in politics as challenge that has very large impact on procurement performance. Moreover, the responses on the last question from this

category also goes in similar trend with the above two questions, as 52.08%, 18.75% and 10.42% of respondents believed that variation in business practices among countries was a challenge with moderate level, very small and small level of impact, respectively. However, the remaining few of them which are 12.50% and 6.25% of the total respondents said that it has affected procurement performance to large extent and very large extent respectively.

When we see the findings from interview respondents, it is reported that problems related specifically with language difference with foreign sources did occasionally exist as they said because of miscommunications even though they confirmed that it has minor impact on procurement performance. This means the language issues only become problems especially when the instruction manuals, labels and installation materials are written and expressed in some kind of Asian languages like Chinese language for goods or services purchased from abroad. Hence some technical problems may arise because of the misunderstanding of that language. Therefore, as the above findings demonstrated, factors due to difference in culture, language, business practices and also political variation aren't that much challenge to the global sourcing practices of the company. This finding also concurs with the finding of Chunnan & Yue (2009) from empirical literatures, as the study did not consider cultural issues as serious problem when implementing global sourcing. However, according to some other theses studies by Asfaw (2017) & Teklil (2017), their findings have considered culture and language difference as part of crucial challenges facing global sourcing practices.

4.3.2.5 The global sourcing challenges of Ethio telecom relating to Logistics

This part of analysis shows that whether and how the logistics support related challenges such as lack of alternative logistical infrastructures (facilities) & geographical difference with longer supply line have impacted or not the procurement performance while the company source products from international suppliers. As table 4.6 below indicates, out of the total respondents in the organization, the majorities which are 18.75%, 27.08% and 22.92% of the respondents agreed that geographical distance between countries has a very small extent, small extent and moderate extent of impact on procurement performance of the organization while only the few of them, 14.58% and 16.67% of the respondents believed that it has impacted procurement performance to a large and very large extent. Regarding to the limitation of logistics facility which is the last question from this category, most respondents, unlike geographical distance, felt that having limited logistical facilities such as airlines, shipping line and port facilities have impacted procurement performance in a higher level. Because, as the data collected shows the majorities which are 27.08%, 35.42% and 14.58% of the respondents agreed that limitation of logistical facilities in Ethiopia has a moderate extent, large extent and very large extent of impact on procurement performance; while only 22.92% of the respondents said that the impact was in a small extent.

Other study findings that have been conducted in Ethiopia in related topic also agree with this finding that clarified limitation of logistics facility in Ethiopia as one of the serious challenges with high consequence on performance. In contrast to this finding, the research by Chunnan & Yue (2009) from empirical literatures, they do not consider logistics issues as main challenges for them in their global sourcing. This is obviously because china is developed country and must have several alternatives to logistics facilities.

Table4. 6 Statistical data on challenges of global sourcing practices related to logistics

Possible challenges of global sourcing practices related to Logistics support	1.to a very small extent		2.to a small extent		3.to a moderate extent		4.to a large extent		5.to a very large extent	
	F	%	F	%	F	%	F	%	F	%
Geographical distance between countries	9	18.75	13	27.08	11	22.92	7	14.58	8	16.67
Limited logistical facilities (airlines/shipping line)	0	0	11	22.92	13	27.08	17	35.42	7	14.58

Source: Research Survey, April 2019

4.3.2.6 The global sourcing challenges of Ethio telecom relating to Standards, Regulations & Policies

Under this section, the study sought to investigate whether and how challenges relating to difference in standards, regulations & national policies are impacting or not the global sourcing practice and procurement performance of ethio telecom. Table 4.7 below shows the findings of the study based on the data collected from respondents on the following three related questions. And as per the result most of the respondents agreed that differences in countries' standards, regulations & policies toward international business have a very small, small and moderate level of impact on global sourcing as well as on procurement performance as they are represented by 8.33%, 27.08% and 37.50% of the total respondents respectively. However, according to some respondents, 16.67% and 10.42% believed that the foreign procurement practices and performance were impacted to a large and a very large extent respectively by the challenge due to differences in countries' standards, regulations & policies.

The participants have also been requested to provide their opinion about whether and the extent to which the differences in customs rules, regulations and the emphasize level on control among

countries are affecting the global sourcing practices and procurement performance of ethio telecom. Based on the findings, 18.75% and 14.58% of respondents believed that difference in customs rule and regulation among countries affect the global sourcing practices and performance of ethio telecom in a very small and small extent respectively. However, the majorities that are 33.33% of them among the total respondents believed that this same challenge has been a problem with moderate extent of impact on performance. And the remaining respondents that are 18.75% and 14.58% responded to a large and very large extent respectively, as equal to the same number of respondents who responded to small and very small extent. This implies that the differences in customs rules, regulations and the emphasize level on control among countries can be considered as one of the challenges that affect the global sourcing practices and procurement performance of ethio telecom to a moderate level.

Further to the above two questions, the participants were also requested to provide their opinions about whether and how high customs tariff on imported goods are impacting the procurement performance of ethio telecom. Based on the findings, 37.50% of respondents, who are the majorities from the total, replied that high customs tariff was a challenge with moderate level of impact on global sourcing practices and procurement performance of ethio telecom. And among the remaining, 25% and 8.33% of respondents agreed on high customs tariff as one of the major challenges that has impacted procurement performance of the company to a large and very large extent respectively while conducting the global sourcing practices. However, the rest few respondents, 10.42% and 18.75% of them believed that high customs tariff was a challenge to global sourcing in a small and very small extent of impact respectively.

Thus, based on the above results the findings can be interpreted as from all factors mentioned under this category, differences in customs rules, regulations and the emphasize level on control

among countries and high customs tariff were among the challenges with moderate level of impact to procurement performance of the company. Similarly, most study findings mentioned in the empirical literature of this study revealed that the problems of standards, rules, regulations and policies are not that serious when companies import some goods from abroad regardless of countries economic status, for instance: (Chunnan & Yue 2009). However, regarding to high customs tariff, it was discussed as one of crucial problems as two out of three interview respondents confirmed this same finding.

Table4. 7 Statistical data on challenges of global sourcing practices related to Standards, Regulations & Policies difference

Possible challenges of global sourcing practices related to Standards, Regulations & Policies difference	1.to a very small extent		2.to a small extent		3.to a moderate extent		4.to a large extent		5.to a very large extent	
	F	%	F	%	F	%	F	%	F	%
Differences in countries' standards, regulations & policies	4	8.33	13	27.08	18	37.50	8	16.67	5	10.42
Differences in customs rules and regulation and their emphasize level on control among countries	9	18.75	7	14.58	16	33.33	9	18.75	7	14.58
high customs tariff on imported goods	5	10.42	9	18.75	18	37.50	12	25.00	4	8.33

Source: Research Survey, April 2019

4.3.3 Descriptive Analysis using Mean and Standard Deviation on the Challenges of GS Practices

Table4. 8 Mean and Standard Deviation Statistical data on Challenges of Global Sourcing Practices

Possible challenges of global sourcing practices	N	MIN	MAX	MEAN	SUM	S.D.
Fluctuation in foreign currency exchange rates	48	1	5	3.96	190	1.129
Foreign currency shortage in the country	48	4	5	4.96	238	0.202
Challenges caused by currency devaluation by government	48	3	5	4.4	211	0.765
Difficulty to find qualified foreign sources	48	1	5	3.48	167	1.072
Foreign suppliers lack knowledge about international business practices	48	1	5	2.88	138	1.003
Foreign suppliers do not supply goods and service in time as per the contract delivery time	48	1	5	3.56	171	1.147
Foreign suppliers do not respond timely for any request or claim	48	1	5	3.06	147	1.435
Foreign suppliers do not comply with the requested goods and service requirements	48	1	5	2.88	138	1.265
Foreign suppliers do not take full responsibility on noncompliance of specification or any complication that occurs during global sourcing process	48	1	5	2.94	141	1.137
Problem from end users side in preparation of purchase requisition(outdated specification, unplanned & scattered requests)	48	3	5	4.46	214	0.582
Lack of knowledge & experience on global sourcing practices from supply chain division staff	48	1	5	3.15	151	1.337
Time taking to process L/C instruction and payment from ET finance division side	48	3	5	3.79	182	0.617
Delays on bank for L/C opening, L/C amendments, document release & payments release	48	2	5	3.98	191	1
Long time in document clearing process and release of goods by Ethiopian Shipping and Logistics Service Enterprise	48	3	5	3.75	180	0.729
Lengthy of time to get service at Ethiopian Airlines Cargo Section in document clearance and release of goods	48	3	5	3.81	183	0.641
Customs focus on control at time of document clearance, inspection and release of goods from Ethiopian Revenue and Customs Authority	48	3	5	3.52	169	0.714
Time taking service due to the demand of several requirements by government agency (INSA) to decide and grant security clearance for import shipments	48	2	5	2.96	142	0.798
Time taking and bureaucratic procedures of investment agency to grant tax free permit for duty free privileged items	48	3	5	3.6	173	0.536
Inadequate service from third party logistics service providers	48	1	4	2.94	141	0.861
Cultural and language difference that affect communication	48	1	5	2.44	117	1.236
Difference in political system between countries	48	1	5	2.27	109	1.162

Variation in economic (business) practices among countries	48	1	5	2.77	133	1.096
Geographical distance between countries	48	1	5	2.83	136	1.358
Limited logistical facilities (airlines/shipping line)	48	2	5	3.42	164	1.007
Differences in countries' standards, regulations & policies	48	1	5	2.94	141	1.099
Differences in customs rules and regulation and their emphasize level on control among countries	48	1	5	2.96	142	1.304
High customs tariff on imported goods	48	1	5	3.02	145	1.101
Grouped Mean				3.36		

Source: Research Survey, April 2019

The mean value of the above variables indicated that the following challenges that have above average mean are challenging factors to global sourcing practices of ethio telecom such as fluctuation in foreign currency exchange rates (Mean=3.96, SD=1.129), foreign currency shortage (Mean=4.96, SD=0.202), challenges caused by currency devaluation by government (Mean=4.4, SD=0.765), difficulty to find qualified foreign sources (Mean=3.48, SD=1.072), foreign suppliers do not supply goods and service in time as per the contract delivery time (Mean=3.56, SD=1.147), problem from end users side in preparation of purchase requisition (Mean=4.46, SD=0.582), time taking to process L/C instruction and payment from ET finance division side (Mean=3.79, SD=0.617), delays at bank for L/C opening, L/C amendments, document release & payments release (Mean=3.98, SD=1), delays at Ethiopian Shipping and Logistics Service Enterprise (Mean=3.75, SD=0.729), delays at Ethiopian Airlines Cargo Section in document clearance and release of goods (Mean=3.81, SD=0.641), lengthy and control focused procedure at Ethiopian Revenue and Customs Authority (Mean=3.52, SD=0.714), delay at government agency to grant tax free permit (Mean=3.6, SD=0.536), and limited logistical facilities (airlines/shipping line) with (Mean=3.42, SD=1.007). In other words, this also means the above listed variables are challenging factors with significant influence on the global sourcing practices

and procurement performance of ethio telecom while conducting procurement of goods and services from global sources.

However, the rest factors like suppliers' lack of knowledge, untimely response, non-comply with the quality requirement of goods and service, and suppliers' do not take full responsibility on noncompliance of specification or any complication from supplier side, and lack of knowledge & experience on global sourcing practices from supply chain division staff, inadequate service from third party logistics service providers, cultural and language difference, difference in political system , variation in business practices among countries, geographical distance, and all factors related to standards, regulations & policies difference among countries indicated that the variables are not as such a challenging factor for the company during performing global sourcing practices.

4.3.4 The procurement performance of Ethio telecom

This section focuses on analyzing the overall procurement performance of ethio telecom; in particular, it describes the performance of foreign procurement from the view of the company's supply chain division staff. Accordingly, the respondents were requested to evaluate and provide their opinion on the overall foreign procurement performance of the company in relation to global sourcing practices, especially in terms of cost, delivery time, users' satisfaction and accuracy & consistency of deliveries of goods and service procured from global sources.

Table4. 9 Descriptive Statistics on Procurement Performance of Ethio telecom

Variables related to procurement performance	1=S D		2 = D		3 = N		4 = A		5=S A		Mean	S.D.
	F	%	F	%	F	%	F	%	F	%		
Product and service procured from global sources have high total cost	0	0.00	10	20.83	10	20.83	17	35.42	11	22.92	3.60	1.067
Product and service procured from global sources have longer delivery time	2	4.17	13	27.08	6	12.50	19	39.58	8	16.67	3.38	1.178
End users aren't satisfied with the overall global sourcing practices of supply chain division	0	0.00	7	14.58	13	27.08	21	43.75	7	14.58	3.58	.919
Inaccuracy of deliveries of goods procured from foreign sources	11	22.92	15	31.25	15	31.25	7	14.58	0	0.00	2.38	1.003
Uncertainty of deliveries of goods procured from foreign sources	1	2.08	6	12.50	11	22.92	17	35.42	13	27.08	3.72	1.067
Group Mean											3.33	

Source: Research Survey, April 2019

From the above findings, majority of respondents such as 17 (35.42%) of the respondents agreed that most products and service procured from global sources have high total cost than initial expectation or the initial planned budget, 19 (39.58%) agreed that most products and services procured from global sources have longer delivery time than the time required, and 21 (43.75%) of respondents also agreed on the statement that end users aren't satisfied with the overall global sourcing practices of supply chain division due to high cost and longer lead time of goods procured from foreign sources. In the same way, the majorities 17 (35.42%) and 13 (27.08%) of respondents agreed and strongly agreed respectively on the statement that there is uncertainty of deliveries of

goods procured from foreign sources by supply chain division of ethio telecom due to global sourcing challenges or risks. However, regarding to the performance question about inaccuracy of deliveries, the majority 15 (31.25%) of respondents disagreed on the statement that there is inaccuracy of deliveries of goods procured from foreign sources by supply chain division of ethio telecom due to global sourcing challenges and the same number 15 (31.25%) of respondents were neutral on the same question mentioned above. These above results imply that the procurement performance of ethio telecom has been impacted by the challenges of global sourcing, in relatively higher level on variables like cost of product, delivery time, end users' satisfaction and uncertainty of deliveries. This in turn also means that the supply chain division of the company hasn't been able to ensure on time, low total cost and complete deliveries as required due to global sourcing challenges like currency shortage, high tax for imported goods, high transportation cost and so on, as majority of the respondents replied that the performance of the foreign procurement has been highly impacted on parts of the above listed variables.

In addition to frequency analysis, the above table also indicated the mean and standard deviation results of the five variables that show the procurement performance with regard to cost, delivery time, users' satisfaction and accuracy & consistency of deliveries while the company procures goods and service from global sources. As per the findings, product and service procured from global sources have high total cost than initial expectation (mean = 3.60, SD = 1.067). In the same way, product and service procured from global sources have longer delivery time than the time required (mean = 3.38, SD = 1.178). More study findings showed that most of the respondents agree with end users are not satisfied with the global sourcing practices and final performance due to high cost and longer lead time of the goods procured from foreign sources (mean = 3.58, SD = 0.919). Thus, based on the result it can generally be said that most end users are not satisfied with

the overall output of foreign procurement performance of the supply chain division. However, as the finding also shows there is only minor inaccuracy of deliveries of goods procured from foreign sources by supply chain division of ethio telecom (mean = 2.38, SD = 1.003). Finally, most respondents also agreed that there is uncertainty of deliveries of goods procured from foreign sources that could be due to global sourcing challenges or risks (mean = 3.73, SD = 1.067).

Thus, as per the mean values of most variables which are above the group mean (M=3.33) indicated the overall procurement performance of ethio telecom in relation to global sourcing practices is poor, especially when it is evaluated with regard to cost, delivery time, users' satisfaction, and inconsistency of deliveries. This in turn shows the need of further attention, improvement or immediate solution for the company's procurement process of goods and services from global sources.

4.3.4.1 The Study Findings vs. Secondary Data from the Company (Annual Performance Reports & Records on foreign procurement)

Most of these findings mentioned here above are also aligned with the actual performance data of the company, as they were reported and mentioned at different times in the Company's SCD Annual Performance Reports and Records. For instance, as per the company's record which is summarized under here on the table below confirmed that there is significant and continues decreases in the number of imports that have been processed through LC approval during the past five years (Ethio telecom SCD foreign purchase transaction record from 2014 to 2018). And, according to the data from company's SCD annual performance reports; for instance, it was stated in the SCD annual performance report (2017 & 2018), as this was mainly due to lack of foreign currency shortage in the country. Because of this reason the company has been forced to cancel

several foreign purchase requisitions & outstanding orders which have already been issued to foreign suppliers. Therefore, in alignment with these study findings, this part of the report has showed there is uncertainty of deliveries from foreign sources due to global sourcing challenges. In addition, it was also reported that the company has been forced to wait for LC approval for very long period of time, which sometimes goes beyond more than a year in order to get foreign currency from bank; thus, it can also be said that this performance report also concur with the study finding to some extent, as it shows there are delays in deliveries during global sourcing. Moreover, due to these and other reasons, the company has been forced to shift the payment method from LC to other payment methods that don't require direct payment to suppliers by foreign currency. Such methods that the company used as options are: reducing the amount of new foreign purchases from suppliers' previous liquidation damage (LD) amount if any that the suppliers were liable and the other one is negotiating with suppliers to settle the payment through Ethiopian birr for those suppliers who are willing and have official representative or agent here in Ethiopia.

Table4. 10 Total numbers of shipments ethio telecom purchased and imported through LC from foreign sources during the last five years (2014 to 2018)

Year	No of imported shipments from foreign sources
2014	178
2015	180
2016	131
2017	77
2018	67

In addition, the following are some of the major challenges reported in relation to the performance of SC division specifically about the performance of international procurement of ethio telecom during the SCD annual reports held in the year 2017 and 2018. Such challenges that agree with the study findings are: foreign currency shortage, which lead to order cancellations, delivery delays and the existence of undelivered or outstanding purchase orders that have been issued to foreign suppliers for years due to the foreign currency shortage; unplanned and scattered purchase requisitions from the end users; lack of port facilities or cargo service from Ethiopian airlines at certain foreign countries or cities in which selected suppliers are based in or located; clearance and delivery delays due to lack of transport facilities to deliver containers from dry ports to ET warehouses by Ethiopian Shipping and Logistics Enterprise while using multi-modal transportation mode on the agreement; delays in delivery of goods and original document from some of foreign suppliers, document discrepancies and also delays at commercial bank of Ethiopia to process and release original documents are some the main issues reported as the challenge to the global sourcing practices as well as the procurement performance of ethio telecom.

4.3.5 Major Findings from Open Ended Questions

Under this sub section, the objective is to identify other major challenges of the global sourcing practices, which are not mentioned in the close ended part of the questionnaire. Based on the findings from open ended questionnaire, some of the respondents mentioned that the following challenges have affected the global sourcing practices and procurement performance of the company in significant extent. These challenges are summarized and presented as follow: delay in presenting shipping document at the time of shipment is from the suppliers' side. Delay in transit of goods during sea mode of transportation starting from port of loading to Djibouti port then to

dry ports and ET warehouse. In other words, goods delivery through shipping lines is not usually as per the schedule and booking. And also lacks of transportation by ESLSE for goods delivery from dry ports to ET warehouses are some of the problems from Ethiopian shipping and logistics enterprise. Moreover, high transportation cost for air mode of transportation is among the challenges mentioned by respondents in the open ended questionnaires.

4.3.6 The Regression Analysis

Regression analysis is a type of analysis used in finding out whether an independent variable predicts a given dependent variable (Mugenda and Mugenda 2003). In this study the regression analysis was conducted between challenges of global sourcing as independent variable and procurement performance as dependent variable. Simple linear regressions model has been used by checking and fulfilling all assumptions including linearity and others. Figure 4.1 below shows that the relationships between independent and dependent variables are linear.

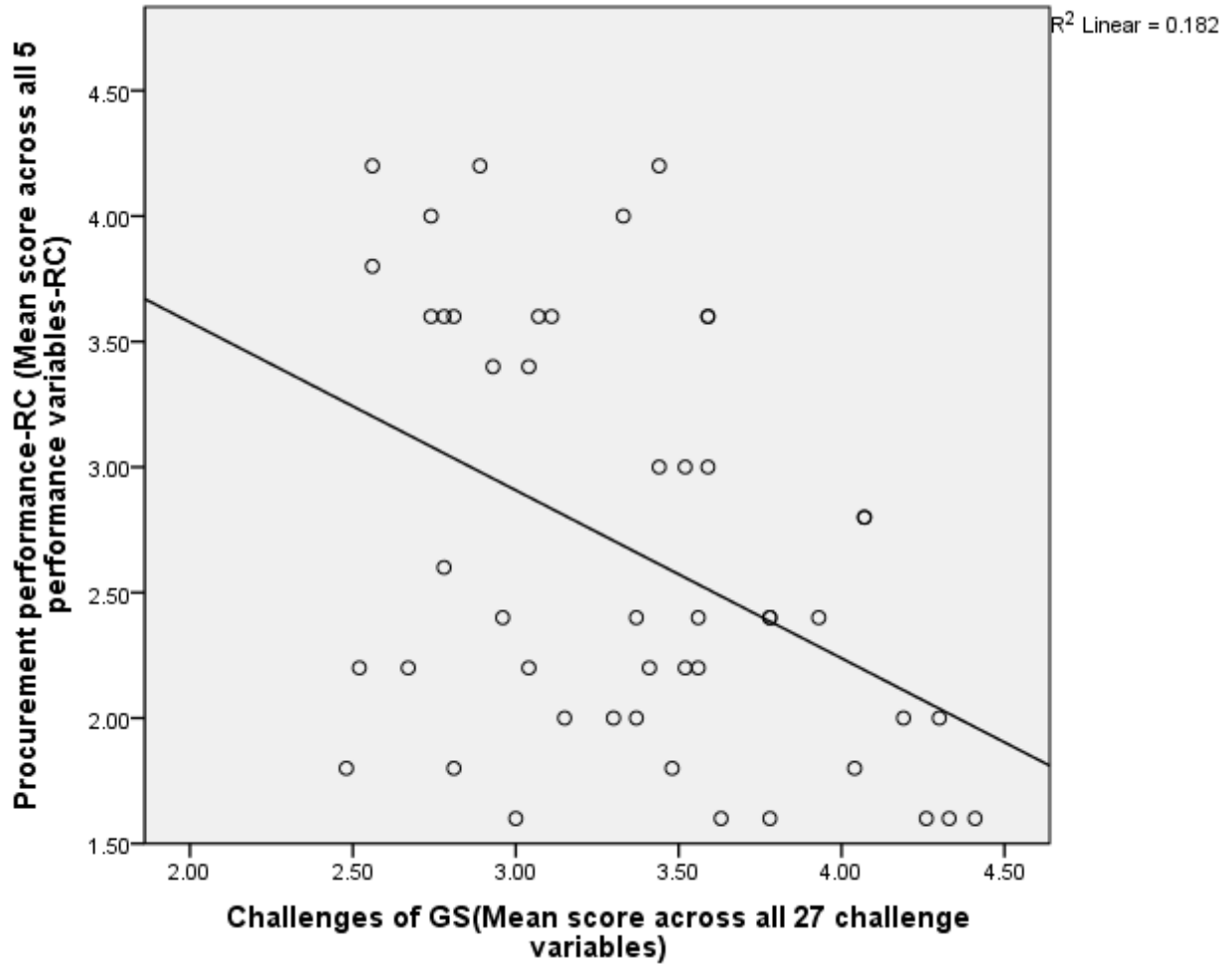


Figure4. 1 linearity taste of the variables (GGraph)

Table4. 11 Variables Entered/Removed

Mode	Variables Entered	Variables Removed	Method
1	Challenges of GS (Mean score across all 27 challenge variables) ^b		Enter

a. Dependent Variable: Procurement performance-RC (Mean score across all 5 performance variables-RC)

b. All requested variables entered.

Table4. 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.427 ^a	.182	.165	.76849	1.944

a. Predictors: (Constant), Challenges of GS(Mean score across all 27 challenge variables)

b. Dependent Variable: Procurement performance-RC (Mean score across all 5 performance variables-RC)

Table4. 13 ANOVA Summary Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.060	1	6.060	10.261	.002 ^b
	Residual	27.167	46	.591		
	Total	33.227	47			

a. Dependent Variable: Procurement performance-RC (Mean score across all 5 performance variables-RC)

b. Predictors: (Constant), Challenges of GS(Mean score across all 27 challenge variables)

The ANOVA table for independent variable (challenges of global sourcing practices) and dependent variable (procurement performance) indicates the regression equation is explaining statistically significant portion of the variability in the dependent variables. In other words, the significance value shows that this model using challenges of global sourcing as a predictor is significantly better than prediction without challenges of global sourcing in the model. And, as it also shows that there is a statistically significant relationship between the predictor and the outcome variable.

Table4. 14 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant) Challenges of GS(Mean score across all 27 challenge variables)	4.916	.711		6.915	.000	3.485	6.347
	-.669	.209	-.427	-3.203	.002	-1.090	-.249

a. Dependent Variable: Procurement performance-RC (Mean score across all 5 performance variables-RC)

The equation of regression variable based on the above coefficients is $Y = a + b(X)$, where Y= dependent variable, a= constant, slope, b= regression coefficient, X = independent variable.

The regression equation for predicting the procurement performance is $Y = 4.916 - 0.669(x)$; and if X (independent variable) increases by 1, then $Y = 4.916 - 0.669 * 1$; $Y = 4.247$.

The researcher chose to use both correlation statistic and regression analysis in order to show about the predictive power of the variables. Therefore, a linear regression was conducted to examine how well challenges of global sourcing could predict the level of procurement performance. Table 4.11 illustrates the model summary of simple linear regression model, the results showed that challenges in global sourcing practices explained 18.2 percent variation of procurement performance ($R^2 = 0.182$). This means the rest 81.8% of the variation in procurement performance is explained by other factors. Adjusted R^2 indicates the loss of predictive power or shrinkage. The bootstrap 95% confidence interval for the slope to predict the procurement performance from challenges of global sourcing range from -1.090 to -0.249; thus, for each one

unit of increases in challenges of global sourcing, procurement performance will decrease by about 0.25 to 1.09 points. The result in table 4.13 shows that predictor variables have negative coefficients of -0.427 with p value of $0.000 < 0.01$. Hence, global sourcing challenges had negative and significant effect on procurement performance. This means when the level of impacts from challenges of global sourcing goes up, the level of procurement performance will go down. In other words, the increase of challenges of global sourcing had positive and significant effect on the increase of total cost, longer delivery time, end users' dissatisfaction, inaccuracy of quality, and uncertainty or inconsistency of deliveries while the company procures goods from global sources.

Based on the findings, it can be concluded that most of challenges of global sourcing are significantly influential problems while the company procures goods and services from global sources. In a similar way, these global sourcing challenges have significant effect on procurement performance of the company. There is therefore need for ethio telecom to find immediate solutions for the above mentioned challenges in cooperation with all concerned stakeholders.

Chapter 5: Conclusion and Recommendations

5.1 Introduction

This chapter presents the summary of the study findings based on the views expressed by the respondents. In addition, the chapter presents conclusion and recommendations of the study that were drawn by the researcher according to the findings of the study. The researcher also recommends the area for further studies.

5.2 Summary of the study

This research paper aimed at assessing the challenges of global sourcing practices and analyzing their level of impact on global sourcing practices as well as on procurement performance. As per the predesigned methodologies in chapter three, the data collected from sample respondents was checked for consistency before analysis was made by using Cronbach's Alpha technique. Descriptive and inferential statistics were used for data analysis. Excel and SPSS Version 20 were utilized as the main statistical tool to analyze the data and determine the extent of relationships between the independent and dependent variables. Inferential statistics (correlations and linear regression analysis) were used to give a measure of the relationships between independent and dependent variables and establish if there was any relationship or there existed a cause-effect relationship between the variables. Based on the data presented and analyzed in chapter four, the results revealed that the global sourcing practices have faced lots of challenges that have impacted the procurement performance mainly in terms of its efficiency, effectiveness and consistency of deliveries. Challenges such as failure of the suppliers to meet the requirements, failure of the suppliers to provide materials in the agreed delivery time, lack of organized, updated and planned purchase requisitions from the end users, foreign currency shortage and several challenges due to

internal and external stakeholders inefficient performance like procedural bureaucracies in concerned agencies and delays at bank on issuing payment to suppliers for already received goods through global sourcing process were among the major challenges of global sourcing practices of the company. In align with these findings, most of the above mentioned factors are also reported as the major challenges on the company's SCD annual performance reports held in 2017 and 2018. Consequently, the actual number of delivered orders or imports is also decreasing as per the company's secondary data on foreign purchase transaction records from 2014 up to 2018.

5.3 Conclusion

Based on the study findings, the following conclusions were drawn by the researcher. The global sourcing practices and procurement performance have been affected by challenges from end user side because of several unplanned and scattered requisitions with lack of up to date and complete technical specifications on their purchase requisitions. End users in the internal departments have a problem in preparation of purchase requisition such as lack of well defined, up-to-date, and complete technical specifications in accordance to technological change, which leads to additional clarification requests and also they usually submit unplanned or scattered purchase requisitions, which result in waste of time and cost for unplanned and small purchases and which in turn leads to the difficulty to find willing and qualified foreign suppliers to participate on the tender for very small quantity or amount.

Based on the findings, the study concluded that the risk of a fluctuating currency rate is one a major problem for global sourcing practices of ethio telecom. This also confirmed by most of interview respondents as they reported there always be the risk of cost increment because of currency fluctuations, but they also reported that the risk is moderate when evaluated by its impact

level on procurement performance. When it comes to the shortage of foreign currency, it seems unavoidable in the global sourcing practices especially for countries like Ethiopia. Ethio telecom is also experiencing this challenge with large extent of impact as most respondents reported that it had large impact on the global sourcing practice and procurement performance in terms of delivery time, cost and uncertainty of deliveries when the company source produces and service from abroad with foreign currency.

The study also concluded that the global sourcing practice and procurement performance have been affected by the challenges due to internal and external stakeholders of ethio telecom, as the stakeholders' performance weren't as required in relation to the global sourcing practices. According to the findings, the study concluded that finance division make significant delays in performing L/C opening instructions to banks, in making different payment requests and instructions. On the other side, it takes longer time to get foreign currency approval, L/C opening, L/C amendment, and releasing payments and documents from Commercial Bank of Ethiopia. Moreover, documents and goods clearance is delayed at Ethiopian Shipping and Logistics Service Enterprise, Ethiopian Airlines Cargo Section and Ethiopian Revenue and Custom Authority with the consequence of higher extent of impact on performance. Furthermore, other challenges due to delays at most of related government agencies such as INSA and Investment Agency are also major impacting factors on procurement performance by taking longer time to provide the required service and in turn by raising the total storage costs of imported goods.

Regarding to challenges relating to suppliers' inefficiency, it can also be concluded that these challenges have high level of impact on the global sourcing practices as well as on procurement performance due to the reason that the study findings shows that most foreign suppliers do not

perform as expected with regard to offering short delivery time or in delivering goods as per the agreed delivery time, in handling claims timely, and in responding to different requests and claims on time. To some extent, there is also difficulty in finding the right or qualified supplier from foreign sources, and also some foreign suppliers do not comply with the requested goods and service requirements in terms of goods functionality and quality.

According to the study findings, most of the problems emanating from logistics do not annoy ethio telecom's global sourcing practices very much except the limitation of logistical facilities. Most of the respondents said that logistics related challenges were not a problem at all and the few reported that it was only a minor problem. The study arrived at this conclusion after examining the analyzed data from questionnaire responses and respondents view from interviews of three respondents. Basically, two reasons account for this: First, ethio telecom is large and experienced organization, having separate logistics departments to deal with logistics problems, even in complicated global sourcing processes. So those of minor logistics issues are not an ongoing problem for the company. Second, the utilization of additional third-party logistics providers by the company delivered professional services that help and advice ET's logistics department to overcome the challenges from logistics in global sourcing. And as the study questionnaire found, problems related to third-party logistics service providers, longer supply line, and geographical distance between buyer and seller countries have minor impact for the global sourcing practices and performance. In the contrary to above, among the challenges related to logistics support, limited logistical facilities such as utilizing only one airlines and shipping line for government company like ethio telecom is a big problem with high level of impact on the procurement performance.

Generally speaking, cultural difference between buyer's (Ethiopian) culture and suppliers' culture are quite minor challenge for the global sourcing practices. Besides, as it was reported by one of interview respondent, with the drive of positive cultural understanding among buyers and sellers' representative, this minor cultural problem can be overcome for ethio telecom's supply chain division when they implement global sourcing practices. But language issues sometimes affect the processes in global sourcing for ethio telecom especially when foreign suppliers are from Asian countries like Chinese suppliers.

According to the data analysis, the problems of standards and regulations aren't that much a challenge when ethio telecom imports goods from abroad. Because ethio telecom normally procures high-tech materials or products from developed countries and the company considers the standards of these goods as their model. Hence the problems from standards are not obstacles for ethio telecom in global sourcing. However, as per the majority of respondents, high customs tariffs were a serious problem when pursuing global sources. However, it was also reported that this tariff issue become minor problem only if the company has duty free privilege for those types of import goods. Generally speaking, high customs tariff on most technological and also commercial products from abroad were one of the barriers to global sourcing practices of the company. Thus, the company has to suffer expensive importing costs incurred through global sourcing. Consequently, the problems and challenges caused by high customs tariff and intensive control do exist with far more serious impact on performance in terms of cost and time when practicing global sourcing processes for ethio telecom.

5.4 Recommendations

As discussed above in the finding parts of the research, currently observed challenges of global sourcing practices have affected the company's procurement performance not to avail the required goods and services on time, these barriers should be avoided or controlled soon otherwise company's business will be affected to achieve its goals. From the findings, it was established that ethio telecom face some challenges in global sourcing practices. The challenges facing the global sourcing practices are eminent and can be reduced to make the global sourcing practices of ethio telecom be successful and so as to improve the procurement performance as well.

In order to address these global sourcing challenges in ethio telecom, the following recommendations are suggested. Regarding to challenges from end users, there is needed to give high emphasis for the preparation of technical specification by end users through consulting the appropriate technical persons from right user unit and also they should follow the pre-approved annual procurement plan to present their purchase requisitions. On the other hand, the supply chain division staffs should follow and make sure the implementation of procurement plan from the beginning in order to have well organized and planned purchase requisitions with complete specifications of the goods to be procured so that the sourcing team can minimize the time, cost and energy that will be wasted during requisition amendment, clarification requests and also by several small and scattered purchases. Moreover, the company should not be reluctant to the inefficient performance of other internal and external stakeholders, instead good relationship and awareness should be created with all concerned stakeholders regarding the consequences of their delays in the global sourcing activities of the supply chain division. The specific recommendations for each challenge due to stakeholders are as follows: suppliers should always ensure that they meet the requirements and they should also delivery materials with in the agreed delivery time. On

the other hand, the supply chain division staffs in collaboration with end users as well should strictly examine the quality of goods purchased from the suppliers, their delivery performance and their ability to meet the requirements. There is therefore need for the company to source only from suppliers who respond in time and supply product within the specified or shorter time. Moreover, suppliers need take responsibility of any complication that occurs during the foreign procurement process. Furthermore, the company should to identify the suppliers that meet the requirements and those who provide goods as per the agreed delivery time. This will help in minimizing the challenges related with delivery delay that may arise in dealing with new suppliers.

When it comes to the challenges due to other external stakeholders such as CBE, ESLSE, EAL, ERCA and other government agencies, the study recommends that the company should follow and monitor payment system at bank to avoid unnecessary delays in processing payment to suppliers. Similarly, there should be strictly follow up on each and every step of global sourcing activities with all stakeholders like ESLSE, EAL, ERCA and other regulatory government agencies that are concerned during the whole sourcing and import processes of the goods sourced from abroad countries. In addition, the company should engage in SLA & OLA with end users, suppliers or partners and all other stakeholders. This is meant to minimize or avoid the possible delays at above mentioned stakeholders.

This study also recommends that the government policy toward international logistics companies should be more relaxed by allowing foreign private logistics companies beyond Ethiopian airlines and shipping lines and if once it is allowed, the opportunity should be utilized by ethio telecom and other government companies as required so that they are not incur unnecessary costs and delays.

Regarding the challenges of foreign currency shortage this study proposes a recommendation to Ethiopian government to evaluate and revise the existing privatization policy towards several sectors such as printing sector, telecom, IT and technological sectors. This means that the government should speed up the ongoing privatization tendencies especially on printing and telecom sector so that international voucher card and SIM card printing companies can invest here in Ethiopia and as such lots of foreign currency that would be incurred for goods if sourced from abroad can be saved.

Even if the problems of standards, regulations and policies aren't that much challenge to ethio telecom while sourcing goods from abroad, it is important to follow the practices of other international accepted standards and countries' regulations in order to facilitate international cooperation for smooth functioning of cross border business. Besides, the government should periodically review and update the existing tariff rates laid on import goods according to the international or other well experienced countries' trend towards the reduction of customs tariff. The study finally recommends that the company gives emphasis on all above recommendations to avoid or minimize those challenges with the hope of increasing procurement performance and achieve its objectives.

5.4.1 Recommendation for Future Research

The sample was drawn only from ethio telecom's supply chain division; thus this study may be limited in its generalizability of the findings. It can be replicated with a larger, more representative sample. It is also recommended that this study be replicated in different business sectors within Ethiopia.

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APPENDICES: Questionnaire and Interview

Addis Ababa university school of commerce

Master of art degree in logistics and supply chain management

**Questionnaire on Research Title: The Challenges of Global Sourcing Practices in relation
to procurement performance: The Case of Ethio telecom**

Appendix 1 Questionnaires

Dear respondent,

This questionnaire is designed by a graduate student from Addis Ababa University to conduct a study in partial fulfillment of a master's degree program in Logistics and supply chain Management. The purpose of this questionnaire is to collect relevant data that help to undertake a research study on the challenges of global sourcing practices in relation to procurement performance, in the case of Ethio telecom. I'm therefore; seeking your assistance to fill the questionnaires follows. And please kindly be noted that the result of this study will be used purely for academic purposes only so please volunteer as much information relevant to this study as possible. Your name is not needed and all information offered will be treated confidentially and will go a long way to help the successful analysis of the work.

Please give answers in the space provided and tick (√) the box that matches your response to the questions where applicable. In addition, your response in this regard is extremely valued and the researcher thanks you in advance for your time and cooperation.

Should you have any enquiry please feel free to contact the researcher at the following address:

Email: messgirum@gmail.com

Phone: 09 11509937

Part I: Questions related to respondents' demographic information

1. Gender

Female Male

2. What is your current education status?

PhD and above First degree
Second degree College diploma
Other (Specify) _____

3. Age

Below 25 26-35 36-45 46-55 Above 56

4. Service years of experience in Ethio telecom

Below 5 6-10 11-15 16-20 21-25 Above 26

5. Indicate the department/section you are working currently

Sourcing department Procurement and contact management
Logistics department Supplier relationship management

6. Your position in Ethio telecom

Top level management Middle level management supervisor
Specialist Administrator

Part II: Questions relating to the challenges of global sourcing practices in Ethio telecom supply chain division and the extent to which these challenges affect the global sourcing practices and procurement performance.

1. What do you think are the major challenges of global sourcing practices among the following and indicate the extent to which these factors affect the global sourcing practices and your organization's procurement performance, in terms of delivery time, cost, quality & consistency of deliveries?

Please choose the challenges you have encountered and put right (√) mark in the box that best reflect your answer, where: **1= to a very small extent, 2 = to a small extent, 3 =to moderate extent 4= to a large extent & 5= to very large extent.**

#	How foreign currency related challenges impact the procurement performance	1	2	3	4	5
1	Fluctuation in foreign currency exchange rates					
2	Foreign currency shortage in the country					
3	Challenges caused by currency devaluation by government					
#	How challenges related to suppliers' performance/ inefficiency impact the procurement performance	1	2	3	4	5
4	Difficulty in finding qualified and the right supplier from foreign sources					
5	Foreign suppliers lack knowledge about international business practices					
6	Foreign suppliers do not supply goods and service in time as per the contract delivery time					
7	Foreign suppliers do not respond timely for any request or claim					
8	Foreign suppliers do not comply with the requested goods and service requirements					
9	Foreign suppliers do not take full responsibility on noncompliance of specification or any complication that occurs during global sourcing process					
#	How challenges relating to internal & external stakeholders impacted the procurement performance	1	2	3	4	5
10	Problem from end users side in preparation of purchase requisition(outdated specification, unplanned & scattered requests)					
11	Lack of knowledge & experience on global sourcing practices from supply chain division staff					
12	Time taking to process L/C instruction and payment from ET finance division side					
13	Delays on bank for L/C opening, L/C amendments, document release & payments release					
14	Long time in document clearing process and release of goods by Ethiopian Shipping and Logistics Service Enterprise					

15	Lengthy of time to get service at Ethiopian Airlines Cargo Section in document clearance and release of goods					
16	Customs focus on control at time of document clearance, inspection and release of goods from Ethiopian Revenue and Customs Authority					
17	Time taking service due to the demand of several requirements by government agency (INSA) to decide and grant security clearance for import shipments					
18	Time taking and bureaucratic procedures of investment agency to grant tax free permit for duty free privileged items					
19	Inadequate service from third party logistics service providers					
#	The impact of the global sourcing challenges relating to Culture, Language, economic & Politics on the procurement performance of Ethio telecom	1	2	3	4	5
20	Cultural and language difference that affect communication					
21	Difference in political system between countries					
22	Variation in economic (business) practices or trends among countries					
#	The impact of the global sourcing challenges relating to international Logistics on procurement performance	1	2	3	4	5
23	Geographical distance between countries					
24	Limited logistical facilities (airlines/shipping line)					
#	The impact of the global sourcing challenges relating to Standards, Regulations & national policies on procurement performance	1	2	3	4	5
25	Differences in countries' standards, regulations & policies					
26	Differences in customs rules and regulation and their emphasize level on control among countries					
27	High customs tariff on imported goods					
	If other challenges affecting procurement performance with regard to delivery time please specify here on the space under:					

Part III: Questions relating to procurement performance in terms of cost, delivery time, users' satisfaction, accuracy & consistency of deliveries on goods and service procured from global sources

To what extent do you evaluate the overall procurement performance in relation to global sourcing practices, in terms of cost, delivery time, users' satisfaction and accuracy & consistency of deliveries on goods and service procured from global sources? Please indicate how strongly you agree with the following statements concerning your company procurement performance.

1=Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5=Strongly Agree
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#	Measuring the overall global sourcing practices/procurement performance in terms of cost, delivery time, end users satisfaction and accuracy & consistency of deliveries	1	2	3	4	5
1	Product and service procured from global sources have high total cost than initial expectation(planned budget)					
2	Product and service procured from global sources have longer delivery time than the time required					
3	We can say that end users aren't satisfied with the overall global sourcing practices of supply chain division due to high cost and longer lead time of goods procured from foreign sources					
4	There is inaccuracy of deliveries of goods procured from foreign sources by supply chain division of ethio telecom due to global sourcing challenges					
5	There is uncertainty of deliveries of goods procured from foreign sources by supply chain division of ethio telecom due to global sourcing challenges or risks					

Appendix 2 Interview Questions

I. Semi-structured interview question to middle level managers of ethio telecom supply chain division

The following part is interview questions for selected managers and directors that are directly involved in the global sourcing processes of Ethio telecom. These semi-structured interview questions will be conducted with ethio telecom's sourcing department director, procurement and contract management section manager, logistics & customs clearance manager and supplier relationship management section manager.

1. What are the main problems and challenges in the international procurement practices of ethio telecom?
2. What are the main problems in the global sourcing practices from the end user side, from the supply chain division staffs side and from your organization as a whole?
3. What are the main problems and challenges in the global sourcing processes in relation to the international logistics support side?
4. Do you think global sourcing challenges affect your organization's procurement performance and if yes, to what extent?
5. Do you think your foreign suppliers are supplying goods and services according to the contract? If no, what are the reasons in your opinion?
6. Does Ethio telecom face any problem regarding quality of products purchased from abroad? If yes, please explain,
7. Do you think your external stakeholders are well performing on the international procurement process? If no, what are the challenges?

8. Do you think cultural and language issue between you and the supplier or potential supplier affect the global sourcing performance of ethio telecom?
9. Do you think differences in countries' standards, rules and regulations, & political influences affect the performance of international sourcing practices in your company? If yes, to what extent?
10. Anything to be added regarding the challenges of global sourcing?