



**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**SCHOOL OF COMMERCE**

**THE EFFECT OF STRATEGIC SOURCING ON ORGANIZATIONAL  
PERFORMANCE: A CASE STUDY OF ETHIOPIAN AIRLINES GROUP**

**By**

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**(GSE/4013/13)**

A thesis submitted to Logistics and Supply Chain Management Unit, Postgraduate Program,  
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## **Declaration**

I, Aynalem Abera, hereby declare that this thesis entitled “The Effects of Strategic Sourcing on organizational performance in case of Ethiopian Airlines Group” Has been carried out by me for the partial fulfilment for the degree of Master of Arts in Logistics and Supply Chain management from the Addis Ababa University. This thesis is my original work, has not been presented in any of other university and that all sources of materials used for this thesis have been duly acknowledged.

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### **Certification**

This is to certify that the thesis entitled “The Effects of Strategic Sourcing on organizational performance in case of Ethiopian Airlines Group” Submitted to Addis Ababa University School of Commerce for the award of the degree of Master of Arts in Logistics and Supply Chain management has been carried out by Aynalem Abera under my supervision and Guidance.

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## Acronyms

ETG	Ethiopian Airlines Group
PSCM	Procurement and Supply chain management
ARDL	Applied Research and Development Companies
GTV	Ground Transport Vehicles
GSE	Ground Service Equipment
UTC	United Technologies Corporation
ACE	Achieving Competitive Excellence
ET	Ethiopian (Ethiopian Airlines)
TCO	Total cost of ownership
MRO	Maintenance Repair and overhaul
RBV	Resource based view
KBV-	Knowledge based View
TCE	Transaction cost economics
SWOT	Strength Weakness Opportunity Threat
SRM	Supplier relationship management
UK	United Kingdom
ETG HR	Ethiopian Airlines Group Human Resource
SPSS	Statistics is a statistical software suite
ANOVA	Analysis of variance

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## ***Abstract***

*Worldwide, the idea and practice of strategic sourcing are expanding quickly as businesses see it as a means of achieving their strategic objectives, enhancing customer happiness, and streamlining their business processes. The general goals of this study were to look into current strategic sourcing procedures and how they affect the performance of Ethiopian Airlines Group. The study's main objective was to examine how strategic sourcing affected the Ethiopian Airlines Group's operational performance. The justification for carrying out this investigation was that strategic sourcing and procurement are serious encounters confronted several firms involved in supply chain management. Therefore, the study was conducted with the intention of examining the impact of strategic sourcing, including procurement plans, supplier development, long-term supplier relationships, and communication of the supply base, on the organizational performance of the Ethiopian Airlines Group. The study employed both a descriptive and an explanatory research design. Out of the study population of 4153 employees of the airline, 143 target populations were taken as a sample, whose elements were selected using a purposive sampling technique. Questionnaires were used as the primary instrument for data collection. The response rate was 92%, with 132 closed-ended questionnaires properly filled out of the 143 questionnaires distributed. Data was analyzed using descriptive statistics, correlation, and regression analysis and presented in tables with the help of SPSS 26 software. The results of the analysis demonstrate that strategic sourcing improves operational performance. The study revealed that strategic sourcing practices contributed to Ethiopian Airlines group organizational performance to a moderate extent. The study also showed that there was a significant relationship between strategic sourcing practices and the organizational performance of Ethiopian Airlines Group. The study further revealed that procurement plans, long-term supplier relationships, and communication practices had predictive power on the organizational performance of Ethiopian Airlines Group. So, the researcher recommended to the organization that it implement strategic sourcing practices seriously to accomplish operational performance.*

## CHAPTER ONE

### INTRODUCTION

This chapter generally covers the background of the research, the issues raised, the basic research questions and research objectives, the scope/limitations of the research, and the significance of the research.

#### **1.1 Background of the study**

Strategic sourcing is widely recognized as a business tool for gaining competitive advantage when products and services are manufactured more effectively and efficiently by external suppliers (McCarthy and Anagnostou, 2004), Leavy, 2004).

The goal of strategic procurement is to use procurement approaches and strategies most judiciously to improve a company's bottom line. Businesses should develop strategic procurement plans to minimize future planned outages. Operational considerations have increased the importance of strategic sourcing in organizations by reducing material and component input costs while improving material and component quality and performance (Quayle, 2002; Carr and Smeltzer, 1997).

According to departmental meeting report (November 2022), facing the current challenges across the aviation industry, Strategic Sourcing teams in the Ethiopian Airlines Group are focusing on need to have a high degree of flexibility in the supply chain planning and commercial agreements. Need to increase the ability to anticipate and resist and bounce back from unexpected events that disrupt the supply chain. Under any circumstance the procurement and Supply chain management division has to ensure the cost base even more competitive. Looking at how ETG leave out complexity and how we as procurement can be true enablers to internal partners. Strategic sourcing team need to help the purchasing team, requesting departments, which have very limited budgets to get the services and products they need.”

According to the annual performance report of ETG throughout the crisis period, it is noted that the Strategic Sourcing teams are changing their role from the traditional cost-cutting role into a true enabler of business. This means from the traditional approach which only focus on lower cost into smooth operation in the very volatile market. Therefore, as a companywide agility approach is on implementation. This include being flexible for changing environment, being responsive for

any unexpected change and adaptive in the very altering environment. In general, strategic sourcing is a rigorous and disciplined approach to sourcing based on recognizing the importance of spending categories, accurate spending data, and using that knowledge to influence the procurement market. Strategically executed contracts minimize total cost of ownership (TCO), improve supplier performance, and maintain (or improve) required quality of goods and services (Kifle S., 2022).

Strategic sourcing integrates the buying firm's strategic decisions with those of its key suppliers, thus promoting trust and decreasing transaction costs. Strategic Sourcing section in ETG support ETG by developing and managing a preferred supply base that ensures upholding of the organization's cost Leadership strategy. Strategic Sourcing Technical (SST) is committed to create streamlined supply chain through effective and efficient procurement practices aimed at ensuring uninterrupted supply. In addition, identifying and assessing the high spending's of the company and work on priority base to minimize the cost without compromising the quality, to develop long-term smooth supply chain relationship with suppliers and to follow cost cutting way (process) of doing business.

Therefore, the research found it is very essential to examine the effect of Strategic Sourcing on organizational performance in Ethiopian Airlines Group which is highly engaged in acquiring different types of aircraft, engines, ground support equipment's and ground transport vehicles (GTV/GSE), construction materials, different consultancy service worth billions of dollars, Inflight catering materials and inflight service items, hotel equipment and etc., both from national and international market that are highly engaged in material resources inflow and money out flow.

Accordingly, it would be necessary to examine the effect of Strategic Sourcing on organizational performance in Ethiopian Airlines Group selected units.

## **1.2 Background of the organization**

Ethiopian Airlines Group has grown from very humble beginnings to become Africa's leading airline group with over 75 years of success. Ethiopian is growing attractively. Over the previous 70 years, the airline has established itself as an expert in all aspects of the aviation industry in technology leadership, network expansion, aviation instruction. The ETG began operations as early as 1946 with its five C-47s to Cairo via Asmara. Since then, Ethiopia has continued to grow and introduced new aviation technologies and systems, many of which were firsts in African

aviation history. Ethiopian, a leading aerospace technology company, has introduced its first jets to Africa: The B767, B777-200LR, B787 Dreamliner and 787-9. Ethiopian was also the first African Airline to acquire an Airbus A350 XWB, further impacting the African continent. Ethiopia currently operates more than 143 state-of-the-art aircraft with an average age of less than five years. Ethiopia also ordered 32 aircraft. True to its motto, " Bringing Africa Together and Beyond, ". Ethiopian customers enjoy continuous travel experience allowing them access to more than 18,500 daily departures, 1330 destinations within 192 countries including its major hub Addis Ababa and over 62 cities in Africa. Built African and transcontinental air connectivity networks. The minimum stay in Addis is also increased. As an experienced African airline, Ethiopian has an extensive intra-African network that is superior to any other airline. Ethiopia has achieved ahead of schedule the vision of its 15-year strategic plan called 'Vision 2025' and is in the process of transitioning to a new strategic vision called 'Vision 2035'. Ethiopia has joined Star Alliance. Ethiopia is the world's largest aviation network as of December 2011. Ethiopia is an award-winning airline including four-star award in 2017, Overall Excellence Award for Outstanding Crisis Leadership in 2020, Best Airline in Africa for the fifth consecutive year by Skytrax in 2021 and 2022, among many others. Received a prestigious award. Ethiopia continues to rack up success, growing by an average of 25 percent in the seven years before the COVID-19 pandemic.

### **1.3 Statement of the problem**

According to data generated from the organization structure on November 15, 2022 Strategic sourcing unit started its function as main unit of Purchasing and supply chain management division in Ethiopian airlines group since 2005 G.C. since then it became the most crucial part of PSCM division in Ethiopian Airlines both for aircraft and non-aircraft parts. There are several activities handled under strategic sourcing unit. Every tender with a contract period from 2-5 year, tenders with a value of more than ETB 10million, market assessment for contract items during the contract period or after, supplier relationship management and contract administration, spend analysis are among the main activities. This handled in a systematic way and fact-based approach for optimizing ETGs supply base and to improve overall value proposition (Lewicki, Barry, Saunders, & Minton, 2002).

Even though the operation seems smooth and it is a place to determine the expenses of the company, However, there are complaints received from different user departments. Ethiopian

Airlines Group use ACE Acronym for Achieving Competitive Excellence, the continuous improvement program developed at United Technologies Corporation (UTC) in 1998 for the change management in the company. ACE is an integrated improvement program that uses the best practices of lean and Six Sigma, such as SPC, TPS, value stream map, waste, and kaizen. This continuous improvement program is the part of every activity.

As mentioned above and the observed the following problems and also identified by management and Strategic sourcing department from MFA and QCPC collected through business result tools that the company utilize. These are:

- Procurement project completion date delay from the planned date
- Simulated urgency on procurement requisitions from different user departments
- Repetitive reworks on procurement projects
- Substandard procurement of goods and services

Therefore, this study has been designed with the target of investigating the effect of strategic sourcing on organizational performance in terms of Cost, Quality, timely delivery, flexibility and customer satisfaction of ETG. (ETG Portal,2022). Thus, the following basic research questions are established:

#### **1.4 Research Questions**

To achieve the research objectives, the study is attempted to address the following questions

- ❖ What is the effect of procurement plan on organizational performance of ETG?
- ❖ What is the effect of long-term supplier relationship on organizational performance of ETG?
- ❖ What is the effect of Supplier development on organizational performance of ETG?
- ❖ What is the effect of Communication on organizational performance of ETG?

#### **1.5 Research Objectives**

This study has general and specific objectives.

##### **1.5.1 General Objective**

The general objective of the study is to study the effect of strategic sourcing on organizational performance at Ethiopian Airlines Group.

##### **1.5.2 Specific Objectives**

- ❖ To examine the effect of procurement plan on organizational performance of ETG

- ❖ To examine the effect of long-term supplier relationship on organizational performance of ETG
- ❖ To examine the effect of Supplier development on organizational performance of ETG
- ❖ To investigate the effect of communication on organizational performance of ETG

## 1.6 Significance of The Study

**Theoretical significance:** Contrary to the abundance of literature on supply chain management, there are very few books and studies that go into great detail about organizational performance and strategic sourcing practices. As a result, doing this research is anticipated to help enhance the body of knowledge regarding how strategic sourcing practices affect organizational performance. The results and analysis of this study's findings can inspire anyone who may be interested in the subject to start their own research. In addition, this research will add to the body of knowledge and open new research directions by providing a robust and comprehensive source for major scientific publications.

**Practical Significance:** Further to its theoretical significance, many businesses could significantly benefit from the study. This study will help sourcing specialists and managers understand how sourcing, when done right, may significantly reduce organizational expenses and boost profitability, enhancing overall organizational performance and assisting in the achievement of strategic goals. Such organizations may experience a variety of issues in their daily operations if they use disorganized and unsuitable sourcing techniques, including incurring significant costs for purchasing low-quality inputs, experiencing frequent production interruptions, and other issues. The results of this study might therefore give many firms the chance to comprehend the fundamentals of contemporary sourcing procedures and how they affect organizational performance. The recommendations stated in this study will be presented to the relevant bodies of the Ethiopian Airlines Group after the investigation for consideration and implementation. The study's findings may also be particularly helpful in addressing the aforementioned issues and in enhancing existing and future businesses' understanding of strategic sourcing in the aviation sector.

## 1.7 Scope of The Study

This study attempted to examine the relationship between the four primary pillars of strategic sourcing supplier development, long-term supplier relationships, procurement plan, communication and the performance of the company. Since the issue existed in the aforementioned

elements, the study did not concentrate on additional factors that influence strategic sourcing practices.

In addition, this study is basically a case study, and mainly focused on Ethiopian Airlines Group. Moreover, though Ethiopian Airlines Group has 7 (seven) units, different Divisions, Departments and Sections. The case study mainly focused on Strategic Sourcing during the process. The research is carried out in Ethiopian Airlines headquarter (Bole International Airport), specifically at Procurement and supply chain department (P&CSM) and also limited target area in Strategic Sourcing Section in year 2022/2023.

Explanatory research is the type of research design used in this study, which is a methodological distinction between the various types of research designs. The investigation is being conducted using a quantitative technique. Primary sources are used to collect the data, which is then examined using both descriptive (such as mean and standard deviation) and inferential (such as Pearson correlation and multiple regression) statistics.

### **1.8 Limitation of The Study**

The study focused on Ethiopian Airlines Group; hence the findings is limited to the case organization. The study had also focused on Strategic Sourcing practices strategic sourcing supplier development, long-term supplier relationships, procurement plan, and communication as the indicators of Strategic Sourcing practice hence the findings are based on those considered indicators within the context of Ethiopian Airlines Group. This research only considered ET MRO, ET Catering, ET Aviation University, ET Airport and Ethiopian International Services which only have direct contact with Strategic sourcing team and Skylight procurement team. Other Units like ET International Services, ET Express Services (Domestic), ET ADD Hub Ground Services, Ethiopian Cargo & Logistics Services did not include in this study due to time and company operation nature. The sample size for this study is limited because Ethiopian Airlines Group does not allow large sample sizes for such studies. This is actually a good reason as it takes a lot of staff time and affects the work efficiency of the company.

## 1.9 Definition of Terms

**Sourcing:** is Exploring markets for potential inputs, ensure continuity of these inputs, seek substitute sources, and keep significant knowledge up to date (Vollman, Berry, and Whybark, 2004).

**Strategic Sourcing:** is searching the market for potential sources of input, finding alternative sources, and updating relevant knowledge (Vollman, Berry, and Whybark, 2004). Similarly, Burke (2005) pointed out that a successful corporate procurement strategy should be characterized by three fundamental interrelated decisions. Criteria for selecting suppliers to receive orders from us. The number of items to order from each supplier.

**Procurement plan:** is a plan that is formed from the plans that have been created from the initial, should enable later assessment, evaluation, and monitor of the efforts made to achieve the company's goals.

**Supplier Development:** Defined as buyer Company working with Supplier to improve Supplier's performance and/or ability to meet Buyer Company's short-term and/or long-term supply needs, and encourage continuous improvement for mutual benefit to Buyer and supplier

**Long Term Supplier Relationship:** from the perspective of buyer-supplier connection, a long-term supplier relationship can be characterized as a company's inclination to maintain partnerships with its suppliers for a comparatively longer period.

**Communication:** Information sharing, or exchange refers to the extent to which a company promptly shares with its supply chain partners a variety of pertinent, accurate, complete, and confidential ideas, plans, and procedures.

## 1.10 Organization of The Study

This work is divided into five chapters. Chapter one contains an introductory section dealing with research background, problem statement, research question, research goals, research implications, research scope, research limitations, and key definitions. Chapter two deals with a review of the relevant literature, consisting of conceptual, theoretical, empirical, and identified gaps in the literature and conceptual framework. Chapter three describes some of the research methodologies, including the research approach, study design, and sampling techniques used. Chapter four covers data presentation, analysis, and interpretation. Finally, Chapter five provides an overview of the results, conclusions, and recommendations.

## CHAPTER TWO

### RELATED LITERATURE REVIEW

#### **Introduction**

This Reviews of the relevant literature are presented in this chapter in relation to the study's goal. The goal of the literature review is to provide information on the strategies used in strategic sourcing. The goal of evaluating the literature is to define and establish the intellectual underpinnings of the study, as well as the significance of the research topic. A literature search is defined as "a systematic search of one or more databases for material on a specific subject" by Saunders (2003). It enables the researcher to see clearly how the current research connects to earlier studies. Thus, the following subheadings are used to review the literature.

#### **2.1 Theoretical Literature Review**

##### **2.1.1 Development of Strategic Sourcing**

Ellram and Carr (1994) present a background and evaluation of the literature on the strategic value of source. They point out that, despite the fact that the 1973–1974 oil crisis brought attention to the dangers of a lack of raw materials, studies on industrial buying behavior had primarily treated the purchase function as administrative. The strategic importance of the supplier-buyer relationship was not fully appreciated until the 1980s, when Porter's Five Forces model became widely used. More recent research is now looking into the strategic implications of sourcing as an integrative link between the company and its suppliers as a result of this. As the point of contact between suppliers and the company, purchasing has a greater impact on company success as suppliers contribute more to the company. Additionally, as global competitiveness and the rate of technological change increase, it is more crucial than ever for corporate strategy to include a purchasing (source) plan. The contracting rules for external purchases of a company reflect its supplier management attitude and represent the trade-offs between short-term and long-term contractual agreements. Short-term contracts offer more flexibility and do not require fixed investments, but they also give up the advantages of long-term contracts in terms of price certainty and improvement. Cohen and Agrawal's (1999) analysis shows that short-term contracting is ideal in a variety of circumstances. They discover via a poll of supply managers that management wants to grow long term supplier relationships, but often engage in short term contracting. This conflict

over the optimal buyer supplier relationship is not exclusive to the ranks of supply managers (Cohen and Agrawal, 1999).

In the 1980s, there were signals of change. For example, in the automotive industry, top thinkers started to study alternate sources of supply, outside the domestic, local suppliers qualified by the engineers. The alternative was called “global sourcing.” By challenging the selection process, by taking suppliers and engineers out of their comfort zone, supply managers produced improved pricing, prompt delivery and superior quality, making that automobile firm more competitive than it had been (Kearney, A. T. (2004).

This all happened during a decade of "reengineering" when companies scaled back without having to remove work from their internal processes. A large-scale “hollowing out” of corporate organizations had begun. Management consultants have found it less painful and rewarding to cover 50-80% of a company's cost structure with external influences than identifying staff that need to be laid off, but the response from companies has been low and was alarming and departmental managers reacted. Not only these suppliers, but also purchasing managers were afraid. In the 1990s, companies began to adopt a three-pronged approach to improving their competitiveness through better acquisitions. Business consultants’ step in to engage executives, department heads, and purchasing managers to build credibility, increase impactful spending, and gain recognition for achieving huge savings. It can address the above concerns about applying the 'no' process. This "certified" "global sourcing" process falsely implied the need for foreign suppliers. The term “active sourcing” sounded too literal. Finally, we chose “Strategic Sourcing” because an approach that delivers results at this scale needs to be strategic and needs to be strategic. The "proven" process is his seven-step process outlined below. A key lever behind this process was the use of multidisciplinary teams in the implementation (the teams included departments outside of purchasing. In most cases, the teams were involved in purchasing). led by people who did not). Another key instrument was the Procurement Category 'Waves' company-wide program sponsored by dedicated senior executives. This wave structure made it possible to communicate key improvements and recruit successfully recruited executives to other members of the company (Kearney, A.T. (2004)).

### 2.1.2 Concept of Strategic Sourcing

Strategic sourcing: Described as the process of planning, implementing, managing, and evaluating critical purchases to meet organizational goals (Carr and Smeltzer, 2000; Carr and Pearson, 1999 and 2002). Sometimes it is defined as the process of building a supply channel with the lowest total cost, not just the lowest purchase price. It extends a company's typical purchasing activity to include all activities within the procurement cycle, from specification to receipt and payment for products and services (Kerruish, Chris, 2016). The term “strategic sourcing” was popularized in the late 1980s and early to mid-1990s through work with several consulting firms and various blue-chip firms.

Strategic sourcing is the essential key activity for purchasing and supply chain management professional and demands substantial knowledge and proficiencies. Strategic sourcing often provides saving of 10-20% percent in direct material and 15-25% in indirect good and service (Degraeve, Z., & Roodhooft, F. (2001).

As defined by Gelderman *et al.* (2005; 1994), the strategic sourcing process is not just a technique for obtaining a particular product at the best price but is a decision-making process that can define the business of the entire organization. and evolved. However, Johnson (2005), strategic procurement is “the process of critically analyzing an organization's spending and using that information to make more effective and efficient business decisions regarding the acquisition of goods and services., a collaborative and structured process”. In addition, Reyes Moro *et al.* (2003), described strategic procurement as a series of steps that must be taken to purchase goods or services of strategic value to an organization. Banfield (1999), defined strategic sourcing as a management strategy used to systematically consider purchasing needs across an organization and identify internal and external opportunities for overall cost reduction. To strengthen the above Carr and Smeltzer (1976) described strategic procurement as the process of planning, evaluating, implementing, and controlling all procurement activities an organization undertakes to achieve its long-term goals.

Finally, Rudzki (2006) describes this practice as “choosing the most appropriate strategy and negotiation approach, and ultimately the appropriate negotiation approach.”The right supplier. “Strategic sourcing is a process aimed at buying the best products and services at the best price. General Motors began systematic strategic sourcing in the 1980s. is part of a company's supply chain management that continuously improves and re-evaluates purchasing activities.It is one of the most valuable supply management disciplines, with a 5-50 percent reduction compared to tactical purchasing. savings are obtained.” Degraeve & Roodhooft (2001).

## 2.2 Model for Representation of Strategic Sourcing Decision Making

The cost-saving strategic sourcing decision-making model, which adopts a tactical management attitude, explains a company's sourcing decisions that are oriented on cost-saving purposes. This attitude is concentrated on minimizing expenses, competing with suppliers to get the best deal, and each department's and the entire company's attempts to independently attain their own objectives (Axelsson, Rozemeijer, & Wynstra, 2005).

### 2.2.1 Learning Decision Category

How much knowledge is employed to generate revenue in a corporation is described by the learning decision category? Finding the ideal knowledge mix for new goods and services is its main objective. Make-or-buy choices and selecting the best source options are learning-oriented sourcing decisions. This decision category names the Kraljic Purchasing Analysis as one sourcing technique. Kraljic Purchasing Analysis suggests assessing the complexity of the supplier market and the significance of the acquired item. Based on the results of the previous analysis, four sourcing methods are suggested: strategic (which focuses on long-term relationships), bottleneck (which concentrates on safeguards against supply shortages), leverage (which concentrates on ST frequent market testing), and non-critical (which concentrates on short-term functional efficiency). Cox, 2014, 2015, Kraljic, 1983; Canils & Gelderman, 2005;

The first aspect in the make-or buy decision is activities, including for example product development, marketing, service, etc. and which can be evaluated by two sourcing metrics.

**Product cost Vs purchasing Cost:** - Companies should outsource activities when their own production costs are higher than their purchase costs. (Eunsung & Won, 2008)

**Product capacity:** - If there is no (sufficient) production capacity available to carry out this activity, the company will have to outsource the activity. (Eunsung & Won, 2008)

Metrics for activity decisions or purchasing decisions

We explore categories of spend as the second factor in the make-or-buy choice. A group of goods and services with similar price features is referred to as a category of spending. Two sourcing measures can be used to evaluate the spend categories.

**Material Cost as percentage of total cost:** - Companies should purchase expense categories when material costs are high compared to the total cost of the final product. A lower percentage

can be achieved through negotiations with potential suppliers. (Caniël & Gelderman, 2005; Cox, 2014)

**Profitability Profile:** - If the impact on profitability is significant, companies should acquire the category. For example, bottling plants are purchased from breweries. (Caniël & Gelderman, 2005; Cox, 2014)

Regarding the metrics for make- or buy decision for categories of spend Components, or the supplier's items that are a part of the purchaser's product, are the third consideration in the make-or-buy choice. Four sourcing metrics are available for evaluating components (Table 4).  
Product's stage in the technological life cycle: - Companies should purchase components when they are in the in-progress stage. If the component is still under construction, it should be built in-house. (Chubsugill, Yaprak and Yeoh, 1993)

**Degree of product differentiation:** - A company should buy a component if it has low differentiation and therefore is a standardized or undifferentiated component. Businesses should choose suppliers based on price. (Frynas & Mellahi, 2000; Cavusgil, Yaprak & Yeoh, 1993)

**Level of price competition:** - Companies need to buy components when the market is highly competitive, causing prices to drop among suppliers. (Chubsugill, Yaprak and Yeoh, 1993)

Product's stage in the technological life cycle: - Companies should purchase components when they are in the in-progress stage. If the component is still under construction, it should be built in-house. (Chubsugill, Yaprak and Yeoh, 1993)

### 2.2.2 Relationship Decision Category

Every organization needs to know the dynamics of each sector in order to develop strategies that add value. Purchasing organizations need to understand their customers and suppliers, considering their relationship with them. (2005) Frynas & Mellahi Different questions and procurement metrics are used for each relationship. This decision category defines his six procurement techniques:

❖ **Cox Power Analysis:** Advice for assessing supplier power and buyer power. The focus is on investigations between buyers and all possible suppliers within the supply market. Depending on this pre-check, here are his four procurement strategies: Alliances (interdependence), Dependencies (Supplier Advantage), Leverage (Buyer Advantage), and Markets (Independence). (Cox, 2001a; 2014; 2015)

- ❖ **Porter’s Five Factors Model:** distinguishes five different factors within the commercial realm: Buyer Power, Supplier Power, Threat of Substitution, Threat of Entry, and Market Competition. These forces are assessed to determine the attractiveness of the business environment and the competitive position of the company. (Furinas and Merahi, 2005; Porter, 1979; Anson and Wong, 2008)
- ❖ **Industry customer analysis:** Analyze the customer's position in the competitive landscape of the industry. This customer knowledge helps us to better understand the intricacies of the market. (Parnyantong, 2016)
- ❖ **Supply chain analysis:** It summarizes the company's most important activities and determines the added value of these activities in the supply chain. Value added is obtained by subtracting the selling price of the product from the cost of the inputs. This survey helps to understand the cost structure of the company. (Furinas and Merahi, 2005)
- ❖ **Vendor appraisal:** (Erridge, 1995) – Experience curve: Investigate the relationship between lower supplier selling prices and increased accumulated knowledge. (Parnyantong, 2016)

### 2.2.3 Buyer Based Decisions

The buying business should outline its authority in regard to the supplier since it is concerned about it. The more decision-making authority it has, the better. The buyer has the power to bargain and set favorable terms for himself in this way. Nine sourcing metrics can be used to assess the buyer's level of influence.

### 2.2.4 Customer based decisions

Purchasing companies also have customers and people who purchase and use the products and services offered. The focus is on determining whether or not to acquire a particular customer. Knowing who your (potential) customers are is important for a deeper understanding of market complexity.

Metrics	Definition
Customer needs	Whether you want to reduce the time it takes to cook a healthy meal or want to improve the texture of your skin, we all have

	different needs. Businesses need a clear understanding of how their products can meet these needs and fit their lifestyle. (Grant, 2010)
Customer segment	The market can be divided into different customer segments that consist of customers with the same needs and decide which segments to target. Segments can be defined based on descriptive and behavioral characteristics. (Kotler and Keller, 2012)
Acquisition cost	The cost incurred to attract and engage prospects. This includes costs that define customer needs and target customer segments. (Kotler and Keller, 2012)

### **2.2.5 Planning Decision Category**

The planning decision category is concerned with establishing choices pertaining to the overall strategy and goals of the business as well as the particular objectives of the procurement division. As a result, it is possible to distinguish between judgments based on general management and those based on procurement, and different queries and sourcing metrics can be established. This decision category defines the following two sourcing techniques. These are, *SWOT analysis*: In this framework, the company's internal and external strengths, weaknesses, and opportunities and threats are compiled and assessed. This approach can be used to develop strategic choices (Grant, 2010; Kotler & Keller, 2012). *The Kraljic Purchasing Analysis* is the foundation of the purchasing chessboard, which also incorporates the four power positions from the Cox Power analysis. This strategy suggests looking at supply and demand power. The same four sourcing techniques as the Kraljic Purchasing Analysis are suggested, with each having 16 methods: strategic, leverage, bottleneck, and noncritical (Cox, 2014; 2015; Schuh et al., 2008).

### **2.2.6 General management-based decisions**

General management is primarily concerned with determining the company's overall goals and strategy. The management's short-term, cost-saving, strategic sourcing objectives. What are the short-term objectives of the company, is the response? This short-term perspective is characterized by managers' exclusive attention to profit growth (revenues minus costs). Subtracting the profit from the prior year's quarter from the profit from the current quarter will yield the growth. It can also be assessed using the two-sourcing metrics listed below.

### **2.2.7 Performance Decision Category**

The fourth and final decision category is the performance decision category, which is examined following the analysis of the learning, relationship, and planning perspectives of the buying company. If the buyer's objectives are achieved, performance and assessment are related. As a result, particular queries and the accompanying sourcing indicators are used to define decisions that are based on costs and benefits (Eldenburg, 2016). To assess this decision category, choose one of the two sourcing techniques listed below:

- Cost-benefit analysis: Measure the costs and benefits of a decision, determine if the benefits outweigh the costs, and compare with other decisions (Eldenburg, 2016).
- Spend analysis: Systematically analyze all company purchasing data to identify opportunities to achieve overall spend savings. For example, lower prices should be negotiated if suppliers of products with low impact on the final performance of the buyer's product spend more than suppliers of products with high impact (Pandit & Marmanis, 2008).

## **2.3 Dimensions/Aspects of Strategic Sourcing**

### **2.3.1 Procurement Plan**

The procurement plan is formed from the plans that have been created, and it should enable comparison, evaluation, and management of the efforts made to achieve the company's goals in the future, according to Baily et al. (2005). Additionally, a budget should be created based on pertinent financial forecasts and general company assumptions, such as return on investment.

According to PPOA (2009), a procurement plan is a document created each year by each procuring entity to plan out all the purchases required to carry out the entity's activity plan. A procurement strategy must be created for each financial year as part of the annual budget preparation process, according to Section 26 of the Act and Regulation 20. The accounting officer must receive an annual departmental plan from the head of department at least 30 days before the end of the fiscal year. The breakdown of the required commodities, works, and services, as well as the completion dates for delivery, should be included in procurement plans. A multi-year procurement plans may be prepared and integrated into the medium-term budgetary expenditure framework.

Benefits of effective planning include better alignment of procurement activities with strategic objectives, improved quality analysis to recommend courses of action, justification of project

value, and implementation being realistic and feasible. It includes identifying potential impacts and pitfalls before starting sustainability from the design of a guarantee, service or product. and delivery. An efficient procurement strategy provides a systematic way to save both time and money. It also provides a framework to guide the implementation of activities and initiatives. (Kakabadze, 2005; Langford, 2010).

*H1a: procurement plan has a positive and significant impact on Organizational performance.*

*H0a: Procurement plan has not a positive and significant impact on Organizational performance*

### **2.3.2 Supplier Development**

According to Wagner (2011), Ahmed and Hendry (2012), supplier development refers to all efforts made by a purchasing firm in collaboration with a supplier to improve short-term and/or performance and/or capability of the supplier. increase. Long-Term Encourages continuous improvement aimed at meeting the supply needs of buyer companies and benefiting both buyers and suppliers. From a buyer's perspective, supplier development often has two goals. First, it reduces costs, improves quality, and facilitates delivery. Second, train your suppliers in a methodical approach to dealing with supply network issues. B. If the current supplier is underperforming, unable to support the buyer's strategic growth, or there is a shortage of high-performing suppliers, the buyer is encouraged to continue to drive continuous improvement. choice, and this is considered one of the most important options (Ahmed) and Hendry, 2012).

The SCM literature also emphasizes the importance of supplier development in supporting a company's operational strategy by ensuring that supplier performance and capabilities meet the needs of the purchasing company (Humphreys, Liand Chanc, 2004). ). Regarding relevant supplier development efforts, existing literature indicates that purchasing organizations typically set performance targets for their suppliers and improve their performance and capabilities by providing training, equipment, technical support and even investments to our suppliers; exchanging personnel between the two organizations; evaluating our suppliers' performance; recognizing our suppliers' progress in the form of rewards; Evaluate the process and collaboration. Suppliers of material refinement (Krause, Robert, Handfield, Tyler, 2007; Humphreys et al., 2004; Sanchez-Rodriguez, 2009).

The major objective of supplier development is to develop strong connection and relationship with key suppliers to minimize and restrain opportunistic challenges and conduct. According to Dyer and Singh (1998) and Dwyer et al. (1987) if firms focus and spend highly on relationship specific assists and exchange know-how, those above-mentioned opportunistic risks got higher possibilities of getting mitigated. Other investigations states that supplier development is defined as any activity commenced by a buyer to advance the supplier's performance and/or ability to achieve the desired recent or future needs (Krause, 1999).

In the specialized literature, there are studies that use buyer-supplier relationship studies to investigate supplier development from the supplier's perspective and focus on critical supplier perspectives. Therefore, Krause (1999) emphasizes the importance of suppliers, and that purchasing firms regard suppliers as a substantial extension of the firm, which in turn increases the motivation of suppliers towards purchasing organizations. Furthermore, communication between buyer and supplier firms is an important prerequisite for creating an environment for supplier development (Wagner, Krause 2009; Krause, Handfield & Scannell 1998; Krause, Handfield 1999). Some authors suggest that they consider supplier engagement and some level of intercompany communication to be prerequisites for supplier development. A factor in successful supplier development is recognizing the supplier as a partner and focusing on its virtual expansion. To achieve this objective, supplier awareness, direct investment in supplier operations, effective communication between buyer and supplier companies, and having multiple points of contact, along with better collaboration and management engagement, are essential to improving performance skills. (Krause 1997, Krause and Erlam 1997a, Krause and Erlam 1997b). In addition, key success factors include supplier engagement, trust and organizational culture alignment, which are more important in supplier development strategies (Handfield et al. 2000, Hartley, Choi 1996).

***H1b: Supplier development has a significant positive impact on organizational performance.***

***H02: Supplier development has not a positive and significant impact on Organizational performance***

### **2.3.3 Long-Term Supplier Relationship**

In a buyer-supplier relationship, the tendency of a firm to maintain a relationship with a supplier over a relatively long period of time is called a long-term supplier relationship (Prajogoetal., 2012). Paulraj and Chen (2005) note that the long-term orientation focuses more on activities that reinforce good relationship characteristics among supply chain participants and promote cooperative rather than competitive relationships between buyers and their suppliers. claims to be placed Long-term focused firms rely on relational exchanges to maximize profits through a series of transactions, whereas short-term focused firms rely on the efficiency of market exchanges (Ganesan, 1994). If you have a close relationship with your supplier, your buyers are more likely to support joint planning, share risks and rewards, and find solutions to their problems. And stay connected longer (Lietal., 2007; Chen et al., 2004).

Also, in the context of supply chain management, effective supplier relationships, defined as building long-term supplier relationships with key suppliers, are driven by reduced costs, improved quality, and increased customer responsiveness and flexibility. We also know it can help companies improve their performance. Detoni et al. (1994), cited by Prajogoetal (2012), support this claim. In addition, Chenetal (2004) found that modern competitiveness has led to significant evolution in supply management, and the ability to achieve superior performance in terms of cost, quality and flexibility (customer responsiveness) is critical to the long-term success of suppliers. claimed to be increasingly reliant on intimate relationships. This argument was supported by previous research results.

According to Krause and Ellram (1997) and Shin et al. (2000), long-term orientation, "is driven by factors that capture the extent to which purchasing firms:" (a) assumes long-term relationships with key suppliers; (b) work closely with key suppliers to improve product quality; (c) consider the supplier to be an extension of the company; (d) The Supplier regards the relationship with the Buyer Company as a long-term partnership.

According to a study by Damlin et al. (2012), building close relationships between a company and its suppliers can help the company achieve its goals through collaboration with suppliers. A study by Onyango et al. (2015) a study of Kenyan manufacturing firms in East Africa found that good supplier relationships influence firm performance. A study by Alafi (2014) found that the seller-buyer relationship has a significant impact on a company's performance. Providers and companies can work together for the long term, and their relationship has a significant positive impact on

business performance (Abul & Rashed, 2010). According to the explanation above, the author hypothesizes that:

***H1c: Long Term supplier relationship has a positive and significant effect on organizational performance.***

***H0c: Long Term supplier has not a positive and significant impact on Organizational performance***

#### **2.3.4 Communication**

According to Cao (2009) and Simatupang and Sridharan (2004), information sharing/exchange refers to the extent to which a company promptly distributes a range of pertinent, accurate, complete, and confidential ideas, plans, and procedures with its supply chain partners. Information sharing has been referred to as the supply chain collaboration's "heart, lifeblood, nerve center, essential ingredient, or foundation" (Cao et al., 2009). Regular information communication between supply chain partners helps them function as a single unit, better comprehend the demands of the other partner, and react to market changes more quickly (Lietal, 2006). Lietal (2006) the secret to an integrated supply chain is streamlined material flow, which includes streamlining and making all information flow along the chain easily observable.

In present uncertain economic times, communication is essential since it forces the company to adopt a collaborative structure (Krishnapriya and Rupashree, 2014). According to research, strategic information flows between buyers and suppliers have a positive effect on the relationship-specific performance of both sharing and receiving parties, with a focus on delivery speed, quality, and flexibility (Klein and Rai, 2009). Given that the extent of information sharing, the quality and relevance of the information shared is becoming an important factor for successful collaborative efforts in buyer-supplier relationships (Krishnapriya and Rupashree, 2014; Cao et al., 2009), information exists more exclusively, implicitly and holistically than data traded in an independent relationship to achieve information rationalization effects.

To what extent does the company and its key suppliers: share material confidential information related to operational and strategic matters; share such information on a regular, formal and/or timely basis; hold frequent face-to-face meetings; Monitor closely and stay informed of events and

changes that may affect both (Krause and Ellram, 1997; Carr and Pearson, 1999; Carr and Smeltzer, 1991). Taking all this as initial stand, the subsequent hypothesis can be made:

***H1<sub>a</sub>: Communication has a positive and significant effect on organizational performance.***

***Long Term supplier***

***H0<sub>a</sub>: Communication has not a positive and significant effect on organizational performance.***

***Long Term supplier***

## **2.4 Organizational performance**

According to Upadhaya, Munir, and Blount (2014), organizational performance is the relationship between an institution's actual outputs or outcomes and its desired outputs, aims, and objectives.

According to Mchopa, Njau, Ruoja, Huka & Panga (2014) and Richard, Devinney, Yip & Johnson (2009), organizations can measure their performance by reducing costs, improving the quality of the goods or services they deliver, increasing productivity, and reducing lead times.

According to Hamon (2003), Performance Measurement (PM) is the most important component of good management and recognizing and quantifying the impact of Supply Chain Management (SCM) on it improves organizational performance.

However, research on supply chain management does not sufficiently motivate the topic of performance. Financial goals reached and employee happiness are two examples of performance metrics for a firm. Ho (2008) noted that organization performance might also be predicted using an institution's efficacy and efficiency.

Huo et al. (2014), although financial performance is widely used as a key outcome indicator of corporate performance, numerous studies highlight the limitations of relying on financial KPIs in supply chain research.

Based on these justifications, this study will use the operational performance of Ethiopian Airlines' corporate headquarters to evaluate its approach to strategic sourcing. In this regard, it should be emphasized that even though numerous A performance framework is established in the operations and supply chain management literature that recommends the use of various operational KPIs. Cost, quality, flexibility and delivery are widely recognized as the most important operational performance variables (Vereecke and Muylle, 2006).

Similar to the definition above, Sanchez Rodriguez (2009) defined operational purchasing performance as efficiency in procuring the right quantity, on time and in the right quality at a lower total procurement cost. Similarly, many studies have identified internal customer satisfaction as the most important factor in purchasing performance, as purchasing operation success metrics such as mix flexibility directly affect user organ satisfaction, which is claimed to determine the level of customer satisfaction. Internal Customer Satisfaction (Sanchez Rodriguez, 2009).

Quality, delivery, flexibility and cost are the four factors of operational performance (Prajogo, 2012). Quality with respect to product performance and conformance to product specifications. Delivery is measured by speed and punctuality, flexibility by mix and quantity, and cost by operating costs.

Financial and operational performance can be used to measure corporate performance (Chen, Paulraj & Lado, 2004). A company's operating results can be used to measure its financial performance. Operational KPIs make performance evaluations more effective. According to Ya'kob and Jusoh (2016), business performance more directly affects the effectiveness and efficiency of business operations. According to Slack, Chamber and Johnston (2010), operational performance indicates the individual capabilities of the supply chain in terms of cost, reliability, quality and flexibility. It also reflects the time it takes for a product to reach the market (Li, Ragu-Nathan, Ragu-Nathan, & Subba Rao, 2006).

According to research by Vij & Bedi (2016), a company's performance can be measured using subjective and/or objective measures. The term "objective measure" refers to evaluations based on secondary data such as financial ratios obtained directly from management's routine financial statements. Subjective evaluation uses basic information obtained from respondents through questionnaires. The study evaluated company performance using five metrics: cost efficiency, on-time delivery, quantity and formulation flexibility, product quality, and customer satisfaction.

## 2.5 Theories of Strategic Sourcing

<i>Theoretical viewpoint</i>	<i>Basic principle</i>	<i>Key understandings for sourcing</i>
Institutional theory	External pressures urge corporations to act in firm ways and not behave in others	Evade trends. Companies should use a sourcing approach only if it aligns with the company's strategy, not simply because that approach is being used by others. Make it Do it when resources are critical, and resources are scarce.
Resource based /Resource dependence theory	Companies struggle to be more independent from others Reduce resources and increase reliance on other companies on them	source of information Resources don't matter, if you have a lot of resources, buy source of information Help when resources are critical, and you have multiple sources. Increase reliance on suppliers and alliance partners
Network theory	Dealing inter-organizational relationships is key to success	Choose a central supplier for your network
Strategic choice theory	Decisions managers make on strategic issues are the main drivers of company performance	A company's strategy should influence decisions to become, acquire, or partner with.
Critical theory	trade was a tool of power Trade was a tool for those in power and for those in power the privilege of exploiting others for one's own gain	Decisions to do, buy, or form alliances should be based on how best to improve society. Suppliers and employees should not be exploited. Choose a vendor with a history of exploitation and marginalization

Source: Christopher L. Shook et al. (2009).

*Table 2.1. Significant Theories and Their Insinuations for The Sourcing activities*

### 2.5.1 Institutional Theory

According to institutional theory, an organization's environment institutionalizes and legitimizes strategies by means of regulative, normative, and cognitive mechanisms (Scott, 1995). Both institutional theory and "neo-institutional" theory (e.g., March and Olsen, 1984) predict that institutional pressures may lead an organization to adopt sourcing strategies that conform to its environment, even though they disagree on whether organizational adaptation is the result of

conscious decision processes made to conform to the organization's environment (the latter accords more importance to such decisions).

valid guidelines for social behavior. This study illustrates how rules, commonplace elements, and subjectivity control and approve techniques in a business environment (Scott, 1995). Although the institutional theory and "neo-institutional" theory have different viewpoints on whether conscious decisions made to accept the condition of the affiliation are acknowledged as definitive change (the latter gives more centrality to such decisions), both theories suggest that institutional weights may influence the relationship to understand sourcing strategies that are responsive to its condition (March and Olsen, 1984).

Different institutional weights can undoubtedly change relationships with sources, which can have economic implications and raise moral concerns. Nevertheless, it is important for companies to stay within legal procurement techniques, as legitimate companies acquire quality assets on more favorable terms than illegal ones. On the other hand, if companies intentionally look too similar, their operations can fall apart. It can therefore be argued that acquisition tactics are chosen that contribute to correctness but not isomorphism. Monitor changes in government policies and laws. B. Trade agreements between countries, tax laws, or laws promoting low-wage organizations. They can be applied to procurement decisions and provide valid principles for corporate social behavior. This research explores how norms, conventions, and subjectivity govern and approve processes in commercial settings (Scott, 1995). Institutional and 'new institution' theories hold different views on whether the conscious choice to accept the conditions of attribution is perceived as a final change (although the latter argues that such choices lead to centrality). ), both theories suggest that institutional weights may be important. Relationships to understand procurement strategies according to their conditions (March and Olsen, 1984).

### **2.5.2 Network theory**

Network theory analyzes the complex interactions of systems and can be represented graphically using additional components. The focus is on the relationships between organizations and how these interactions affect organizational behavior and outcomes. However, we do emphasize how to do business and connect as an affiliate. Network theory is at the core of how firms relate to other firms and how those relationships affect firm behavior and outcomes. Network theory reveals

which companies an organization wants to acquire or partner with as alliance partners (Thorelli, 1986). Centrality is an important concept in network theory. Centrality refers to how important an organization is within a network. A high degree of dominance means that we are a company that is always sought after as a partner. Such companies enjoy great respect and reputation within the network (Gulati.2000). A central position within the network appears to offer an opportunity to improve her four most important competitive criteria within the supply chain. Quality, Speed, Cost, Flexibility (Hult. 2006).

Highly centralized businesses can leverage tight connectivity to accelerate purchases when needed, enable seamless transitions over time, and find the best materials and lowest-priced sources. increase. Therefore, when it comes to procurement, companies should strive to be central to their networks and look for sources on which to base their networks (Thorelli, 1986). Centrality indicates how important a company is within a network. Companies with a higher centrality are very attractive as partners. Standing at the center of the system, within his chain of supply he has four major problems. Speed, quality, cost, adaptability. Highly focused companies can leverage special order relationships where necessary to identify suppliers that offer the highest quality materials at the lowest cost and provide timely upfront compensation. Therefore, when it comes to procurement, companies should strive to be integral to their network and look for sources that are integral to their network (Gulati et al., 2000; Thorelli, 1986; Hult, 2006).

### **2.5.3 Resource Based /Resource Dependency Theory**

Resource dependence theory states that the key to an organization's existence lies in resource procurement and management (Pfeffer and Salancik, 1978). Organizations that are short on resources will try to build relationships with other organizations to obtain the resources they need. In a dependent relationship, companies will try to change the connections to reduce dependency (Medcof, 2001; Pfeffer and Salancik, 1978).

If the supply is scarce and the resource is critical, there will be an oversupply. Therefore, such resources should be provided whenever possible. One strategy for integrating resources into an organization is purchasing suppliers (Casciaro and Piskorsky, 2005). Where in-house procurement is not possible, steps should be taken to build interdependencies through alliances and reduce reliance on suppliers.

#### **2.5.4 Strategic Choice Theory**

Strategic Choice Theory The main argument for the strategic choice perspective is that senior managers make decisions about organizational structures and processes to adapt an organization to its environment (Child, 1972).

decision revolves around his three interrelated 'problems'. A business problem, a technical problem, and an administrative problem. A business difficulty is defining organizational areas in terms of specific goods or services and target markets or market segments. Technical challenges require the establishment of systems that implement management solutions to business dilemmas. The administrative difficulty lies in streamlining and sustaining the activities that successfully solved problems in the entrepreneurial and engineering stages (Miles and Snow, 1978).

Analysts include characteristics of both defenders and prospectors (Miles and Snow, 1978). Analyzers discover and exploit new product/market prospects while maintaining a stable base of existing items and consumers. A two-pronged approach to procurement makes sense to achieve this efficiently. Strategic Sourcing Officers, like Defenders, must be produced in-house in order to efficiently create their flagship product. However, more can be achieved through outsourcing and partnering to effectively exploit new products and market opportunities. In some cases, once proven, the product can be added to a base of existing products, allowing companies to invest in the technology.

Perhaps the most important source of knowledge comes from the fourth strategic type, nuclear reactors. Nuclear reactors do not fit their strategy, structure and environment (Miles and Snow, 1978). Reactor does not have a unified procurement strategy, instead blindly replicating other organizations. Reactors are inconsistent and tend to suffer from poor performance (Smith et al., 1989). Blindly copying other organizations is not the recipe for long-term success, so nuclear reactors are a lesson in procurement.

#### **2.5.5 Critical Theory**

Critical theory differs from the rest of the theories discussed in that it is concerned not only with understanding and explaining society, but with actively improving society as a whole (Frost, 1980). A significant objective of critical theory is to eliminate social control arising from economic, political and cultural institutions (Orlikowski and Baroudi, 1991). Elimination of social control occurs by restructuring organizational structures and social relationships so that individuals

are freed from marginalization and exploitation (Benson, 1977). While other theoretical perspectives offer insights on procurement that focus on increasing corporate profits, the insights gained from critical theory focus on redefining performance away from the corporate perspective and towards a societal perspective. Procurement decisions are therefore viewed as instruments for the good of society.

As a rule, companies should not focus on short-term profitability when making procurement decisions but should consider the benefits of their procurement options to society and choose alternatives that maximize the well-being of society. Although improving organizational performance is not the main goal of critical theory, companies recognize that their active involvement in solving social problems fuels their own organizational development (Kanter, 1999). In internal procurement, critical theory suggests that companies should minimize gender, ethnic and racial biases in staffing and actively improve society.

This research utilized mainly resource based theory. The resource-based view theory has been applied to explain how strategic sourcing and supplier involvement enhances a firm's unique capabilities and thus positively affects firm performance (Carr and Pearson, 2002). This theory was applied by Kim (2009) to investigate the causal relationships between company performance, supply chain integration level, competitiveness capabilities, and supply chain management practices. Dobrzykowski et al. (2010) provided an internal perspective of the company considering its key competences to explain a firm's successful sourcing decisions using a resource-based view.

## **2.6 Empirical Literature Review**

A study conducted by (Carren Chepng'etich, ND) found that strategic sourcing contributes to increased profitability, reduced costs, improved product quality, increased company competitiveness and increased customer satisfaction. Monczka and Trent (1991) combined F and executive-level interviews to conclude that the need to reduce transaction costs was the primary motivation for reducing the number of suppliers. (Mohammed, A.S., 2008) also aimed to determine the impact of performance contracts on operational performance in the banking industry. This study shows a positive relationship between the two variables. Admasu, (2017) “The role of strategic procurement in operational performance, for Ethiopian Airlines” and this study

found that strategic procurement played a role in operational performance. They concluded that strategic sourcing positively impacts an organization's operational performance.

Purchasing operations have changed significantly in recent decades, placing more emphasis on the transactional element of the procurement process. Purchasing is accepted as a supporting function to meet the procurement needs of other departments. Today, major changes are taking place in corporate purchasing functions. Procurement has shifted focus from day-to-day procurement activities to long-term value-added procurement and supply chain initiatives (Kanyarat, 2008).

### **2.6.1 Supplier Development**

According to Klaus and Erlam's research, supplier development is important because: Improve supplier performance, reduce costs, resolve critical quality issues, develop new supply routes, improve business linkages between suppliers and purchasing organizations, and develop products and services not currently available in the market. ultimately creating competition for quality products and services. He who controls the market sets the price for one product or service (Krause & Ellram, 1997).

### **2.6.2 Studies on Related Topic in Other Countries**

In the study Amemba et.al (2015) Identifying the Challenges in Strategic Procurement Performance in the Kenyan Public Sector, the most common challenge in the public procurement process is the selection and documentation of the most appropriate procurement method with appropriate justification. It turned out to be the storage of This paper concludes that the performance of government procurement in Kenya is to encourage widespread use of technology in managing the procurement process, foster long-term buyer-supplier relationships, and foster stakeholder engagement in action. It recommends that it can only be improved by reviewing existing laws. Improving procurement through training and awareness raising on the practice of ethical principles.

### **2.6.3 Supplier Development**

In their research, Krauss and Erlam pointed out that supplier development is important because: Improve supplier performance, reduce costs, resolve critical quality issues, develop new supply routes, improve business linkages between suppliers and purchasing organizations, and develop products and services not currently available in the market. , ultimately creating competition for

quality products and services. He who controls the market sets the price for one product or service (Krause & Ellram, 1997).

#### **2.6.4 Long Term Supplier Relationship**

A study by Damlin et al. (2012) states that business goals can be achieved with the support of suppliers, which comes from building close relationships between business and suppliers. A study by Onyango et al. (2015) A study of a manufacturing company based in Kenya, East Africa, found that good supplier relationships impact organizational performance. A study by Alafi (2014) found that firm performance is strongly influenced by the relationship between sellers and buyers. Provider-company relationships have a significant positive impact on company performance as both sides can work together over the long term (Abul & Rashed, 2010).

Supplier relationship management is a shared value-based approach based on trust, open communication and collaboration with a limited number of key suppliers with the aim of leveraging supplier capabilities, reducing costs and increasing security of supply. Emphasis on creation. In the past, the Purchasing Department has always been responsible for implementing procurement projects. Functional skills such as negotiation skills, market analysis, and cost and risk management were seen as keys to success. However, SRM requires completely different skills such as influence, leadership, and change management. Traditionally, buyers are not born with such skills or trained to develop them. A world-class SRM facilitates the real-time exchange of operational, tactical and strategic information with suppliers, has adequate system in place to measure supplier requires knowledge and skills bargaining skills market analysis (Remko ,2013)

According to transaction cost theory statement long term supplier relationship with key supplier's environmental uncertainty and occurrence of transaction among firms are dependable. The increase in one will lead to the increase to the other. As a result, organizations desire vertical integration for the sake of decreasing transaction cost (Williamson, 1989). Now days this this supplier relationship management become crucial pet of the organization's management due to the competitive pressure of the market, sustainability and risk. Better management of relationships with key suppliers yields significant benefits. Integrating operations with suppliers has been shown to improve performance (Swink, 2007; Singh & Power, 2009).

According to Ramanathan (2007), suppliers are a fundamental part of an organization's supply chain, and suppliers are not part of the organization, so managing suppliers requires special negotiation skills. Suppliers should be chosen carefully as they can have a very positive or very negative impact on the overall performance of the organization. According to Paulraj and Chen (2005), long-term collaboration reinforces good relationship characteristics between supply chain members and focuses on efforts to create a win-win situation for buyers and their suppliers, rather than conflicting relationships. I guess. Companies with a short-term focus rely on the efficiency of the market exchange to maximize profits on a single trade, while companies with a long-term focus rely on making profits on a variety of trades. It relies on relational exchanges to maximize (Ganesan, 1994). Closer relationships with suppliers encourage buyers to more willingly share risks and rewards, encourage joint planning and problem-solving efforts, and maintain relationships over the long term (Li., 2007; Chen., 2004).

Also, in the context of supply chain management, effective supplier relationships, in the sense of building long-term supplier relationships with key suppliers, can help companies to reduce costs, improve quality, and increase customer responsiveness and flexibility. (De Toni). , 1994). Moreover, based on the results of previous research (Chen, 2004), today's competitiveness has led to a clear development of supply management, leading to superior performance in terms of cost, quality and flexibility (customer responsiveness). suggested that there is an increasing interest in achieving We rely on long-term relationships with our suppliers.

Van der Vaart and van Donk (2008) note that the degree of cooperation in a single buyer-supplier relationship should in practice primarily deal with operational aspects or include funding in operational performance. suggested that associating it with specific relationship performance might appear more informative. Mr. Fo as well. (2014) found that financial performance is widely used as a key performance indicator of corporate performance, and many studies have proven this. Restrictions on Use of Financial Performance Indicators in Supply Chain Research.

### **2.6.5 Procurement Plan**

A study by Walker and Brammer, Sustainable Procurement in the United Kingdom (UK) Public Sector (2007), found significant differences in the nature of procurement practices among public sector authorities. The study focused on policy implementation, perceived policy

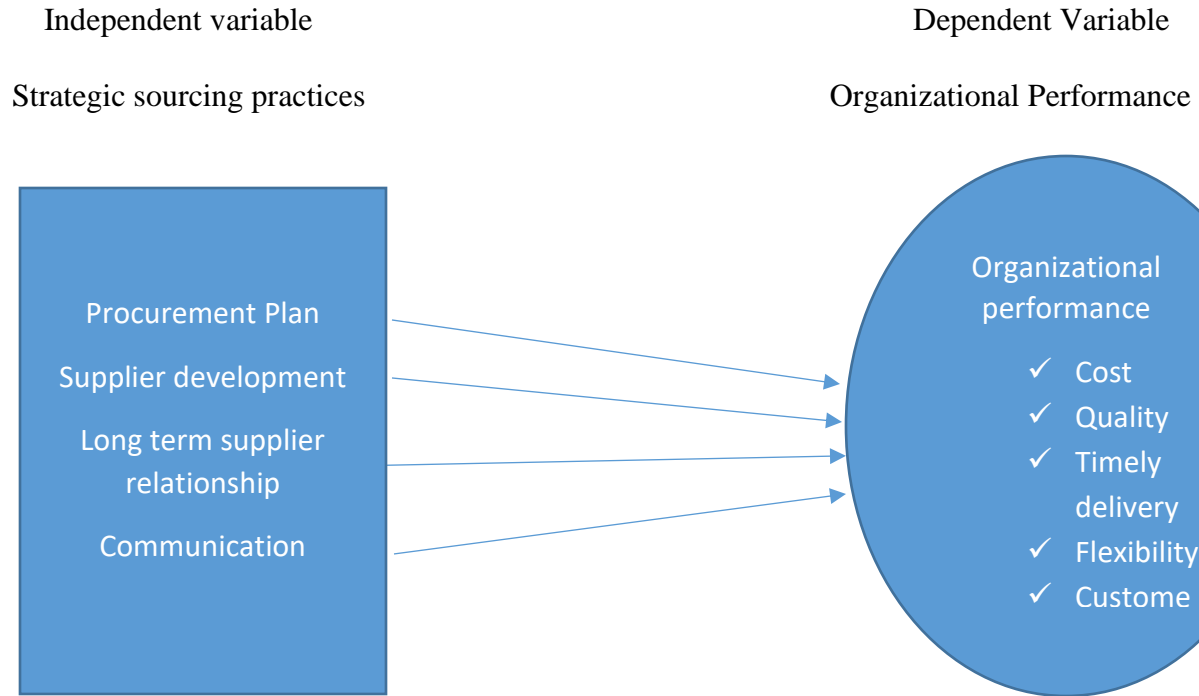
inefficiencies/costs, organizational incentives/pressures, and supplier availability/resistance. Also, Kabega, Kule, and Mbera's study, *Impact of Procurement Practices on Public Project Performance in Rwanda* (2016), found a significant correlation between public procurement plans and performance, suggesting that organizations in Rwanda are performing well. This was found to be due to proper procurement planning. Public Procurement Plan. The study explored practices such as procurement planning, bidding systems, and contract management. Their study does not reveal how governments should monitor, manage and train their staff.

According to Baily et al. (2005), a procurement plan builds on a developed plan to enable ex-post comparison, evaluation, and management of efforts made to achieve corporate goals. The purpose is that. In addition, budgets should be created in relation to relevant financial forecasts and company-wide estimates. return on investment. Multi-year procurement plans can be developed and incorporated into a medium-term budget spending framework. Proper planning has the following benefits:

Align procurement activities better with strategic objectives, improve quality analysis to recommend courses of action, justify project merits, assess whether implementation is realistic and achievable, assess service or product performance Identify potential impacts and pitfalls before starting sustainability in design and delivery. A procurement plan provides an organized way to save time and money. It also provides a framework to guide the performance of tasks and obligations (Langford, 2010; Kakabadze, 2005).

## **2.7 Conceptual Framework of the Study**

A conceptual framework helps simplify proposed relationships between variables. We present them graphically in our study (Mugenda & Mugenda, 2003). Specifically, the framework of this study was based on three independent variables. Define strategic procurement practices, procurement planning practices, and challenges facing ETG. The dependent variable for this study is the performance of strategic procurement practices in the ETG. The following graph shows how different independent variables affect the dependent variable under study.



*Figure 2.1 Conceptual framework*

Source: (Sanchez-Rodriguez,2009) ;(Prajogo,2012); (Chen *et al.*2004

## **CHAPTER THREE**

### **METHODOLOGY OF THE STUDY**

#### **Introduction**

This chapter provides a description of the research area, study design, samples and sampling techniques, data collection sources and tools/instruments, data collection procedures, and data analysis methods.

#### **3.1 Description of Study Area**

The area covered by this study is the Procurement and Supply Chain Division (PSCM) of the Ethiopian Airlines Group, headquartered in Addis Ababa. ETG is engaged in the provision of passenger air services and air freight cargo services for domestic and international cargo and passengers. His ETG contribution to the country's economic growth is extremely important. Delivering services at the right time, from the right source, at the right quality, at the right price, in the right location is critical to meeting expectations. The researchers therefore intended to study the functioning of the procurement sector, which deals with the procurement of goods and services in domestic and international markets, and in particular to explore the impact of strategic procurement on corporate performance.

#### **3.2 Research Approach**

According to Creswell and Plano (2011), 'Mixed methods' is a research approach whereby researchers collect and analyses both quantitative and qualitative data within the same study. The mixed research approach is utilized for the purposes of this study to gain a better understanding of connections or contradictions between qualitative and quantitative data and in order to examine and draw conclusions from data using statistical models like means, standard deviations, correlations, and regression analysis.

#### **3.3 Research Design**

A research design is the plan and structure of a research designed to provide an answer to a research question. It includes an overview of research work with hypotheses, methods and procedures (Mugenda) for collecting and analyzing data and presenting results in a format anyone can understand (O.M. and Mugenda, A.G. 2003).

Researchers used both descriptive and explanatory features of the study to enable both quantitative and qualitative data analysis, or inferential statistics. While descriptive studies allow researchers to describe this data and help establish events that have occurred, descriptive studies explore relationships between variables. Building on Cooper and Schindler (2000), explanatory research focuses on the 'why' question. In answering the "why" question, this study is concerned with developing causal explanations. A causal explanation asserts that phenomenon Y (organizational performance) is influenced by factor  $\beta$  (strategic sourcing practices). As such, this study details the impact of Procurement planning, Supplier development, Long term supplier relationship and communication on organizational performance. It was done on the basis of descriptive research.

### **3.4 Population and Sample**

A population is defined as a complete set of individual cases or objects that have some common observable characteristic (Mugenda, O.M. and Mugenda, A.G 2012). This study focused on overall procurement and supply chain management (P&SCM, and Ethiopian catering) Director, managers, team leaders and staffs of user departments which has direct communication with Strategic sourcing division (Ethiopian MRO division management members, Ethiopian Catering, Ethiopian Airport, Ethiopian Aviation academy, Skylight Hotel, and ET ground service)

There are many methods of sampling, depending on the nature of the population and the information desired from the sample (Schreuder et al., 1993). Selecting the respondents who have direct exposure and more concern with strategic sourcing, contract administration and Procurement to get supportive data for this research was what had been done first. The population selected for this research are all purchasing team of 110 employees found under PSCM division, 5 Skylight procurement team and Inflight Catering purchasing team, 10 management staff of ET MRO, Catering, Sky light hotel and Business Development & Concession Management which has direct communication with strategic sourcing team, 6 management and administration staff of Ethiopian aviation academy which has direct communication with strategic sourcing team, and 17 staff from Business Development & Concession Management and Inflight Product Development and Standards which has direct communication with strategic sourcing team. Therefore, this study considered all 143 employees who has direct involvement in the sourcing process. i.e. this study conducted census survey from the target population. Therefore, deliberate or purposive sampling is implemented.

No.	Unit and division	No. Permanent employee
1	corporate	700
2	PSCMT and PSCMNT	180
3	ET Skylight Hotel	100
4	ET MRO	800
5	Ethiopian Airport	550
6	Ethiopian Aviation University	300
7	ET Ground Service	1523
8	Total	4153

Source: (ETG HR, Nov 30,2022)

*Table 3.1. Total Population*

Units	Departments	Sections	Target Respondents
Corporate	PSCMT and PSCMNT	Strategic sourcing technical	11
		Strategic Sourcing Non-Technical	20
		Group Warranty and Contract Management	10
		General Purchase team	19
		Aircraft part purchasing team	32
		Catering purchasing team	10
		GSE/GTV Purchase	8
ET Skylight Hotel	Procurement team	Skylight purchasing team	5
ET MRO	MRO	MRO Directors, Managers, and Team leaders	10
EA	Business Development & Concession Mgmt.	Business Dev't, Business Development & Concession Mgmt.	5
	Inflight Product Development and Standards	Inflight Product Development and Standards	7

Ethiopian Aviation Academy	Pilot Training School	Pilot Training School	6
Total			143

Source: (ETG HR, Nov 30,2022)

*Table 3.2: Target Population of the study*

### **3.5 Data Source and Types**

The data collection process was influenced by the research tools used (Kombo & Tromp, 2006). The data collection task begins after the research question and study design have been defined (Kothari, 2004). In this study, primary data and Secondary data's will be utilized. Library books, international journals, research papers, E-sources, topic-related research papers, the internet, etc. are sources of secondary data. This information is used to develop the sample frame and questionnaire for collecting the primary data, to construct the theoretical framework serving as the research's foundation, and to gain a deeper understanding of the research issue. Utilizing secondary data also allows for the validation and comparison of data obtained through questionnaires with already published books and articles.

The greatest tool for gathering primary data is a well-designed questionnaire. A closed-ended questionnaire is the measuring tool for this study's objectives. All 253 respondents shall be approached to fill the questionnaire survey.

### **3.6 Data Collection Procedure**

Primary data is collected through questionnaires. The questionnaire was written in the working language of the company, namely English. The survey targets are selected employees/managers/directors working in the Ethiopian Airlines Group's supply chain and end-user departments. Secondary data from secondary sources available on the company's official website, ERP systems and other company publications. Researchers also reviewed relevant literature on strategic procurement and organizational performance from books, websites, journals, research papers and articles.

### 3.7 Method of Data Analysis

Both descriptive and inferential statistics was utilized to analyze the data in order to make the study's interpretation easier. The data had analyzed using the Statistical Package for Social Sciences (SPSS V26).

In accordance with Malhotra's (2007) assertion that employing descriptive statistics method aids the researcher in visualizing the current situation and permits pertinent information, the variable's descriptive statistics are first calculated. Mean and standard deviation are employed in the descriptive analysis of percentage.

In order to determine employees' perceptions, descriptive statistics like mean and standard deviation of employees' responses to strategic sourcing and organizational performance scales are calculated. Frequency tables are used to summarize the respondents' profile in the form of frequency and percentages. Inferential statistics, according to Sekaran (2000), enable researchers to draw conclusions from the data by analyzing the relationship between two variables, differences in a variable among several subgroups, and the potential contribution of numerous independent variables to the variance in a dependent variable.

The characteristics of the independent variables (Supplier development, long-term supplier relationships, procurement plans, and communication) and the dependent variable, organizational performance, are often included into the model of multiple regressions for this study.  $Y_i = \alpha + \beta_1 x_i + e$  is the general formula utilized for the model as a result.

The left component OP represents organizational performance. An intercept term that gives the mean or mean effect on OP of all variables excluded from the formula, but whose interpretation is the mean value of OP when the specified independent variable is set to zero. Coefficients of the x variables (independent variables) that measure the change in the mean of Y per unit change in each independent variable.  $\alpha$  is the difference between the two independent variables. and is the intercept term. In order to test the hypothesis and respond to the research questions, all the variables are translated into the general least square model mentioned earlier the following areas of the study: communication, procurement plans, long-term supplier relationships, and supplier development.

$$OP = \alpha + \beta_1 PP + \beta_2 SD + \beta_3 LTSR + \beta_4 C + e$$

Where:  $\alpha$  = constant factor

$\beta$  = slope (gradient) showing rate dependent variable is changing for each unit changes of the independent variable.

$\beta_1$  = Coefficient of procurement plan

$\beta_2$  = Coefficient of Supplier Development

$\beta_3$  = Coefficient of Long-term supplier Relationship

$\beta_4$  = Coefficient of Communication

SD = Supplier Development

LTSR = Long Term supplier relationship

C = Communication

PP = procurement plan

OP = Organizational Performance

e = Error Term

### 3.8 Validity and Reliability

According to Mugenda & Mugenda (1999), reliability is a gauge of how consistently a research instrument produces outcomes or data after numerous trials. Each variable utilized in the study will have its internal reliability tested using Cronbach's alpha. According to Bryman (2008), Cronbach's alpha values range from 0 to 1.

Making ensuring that the instrument we build to measure a certain idea actually measures the variable effectively and that we are measuring the concept that we intended to test is crucial. As a result, the face validity for this study is addressed through a review of the literature and the adaptation of the instrument used in earlier studies (Hair, 2007).

Variables under the study	No. of Items under each variable	Cronbach's Alpha Result
Procurement planning	5	.783
Supplier Development	5	.868
Long term supplier relationship	7	.817
Communication	7	.834
Organizational performance	5	.845

Source: primary data, 2023

*Table 3.3 Reliability test result*

Cronbach's alpha is the average of all possible splitting confidences projected onto the number of measures in the scale. Common statistical computer software packages are used for this purpose. As a rule of thumb for proper measurement, Cronbach's alpha reflects classroom performance.

- A—  $\alpha \geq 0.9$  or higher are considered excellent;
- B—  $0.9 > \alpha \geq 0.8$  are adequate;
- C—  $0.8 > \alpha \geq 0.7$  are marginal;
- D—  $0.7 > \alpha \geq 0.6$  are seriously suspect;
- E —  $0.6 > \alpha \geq 0.5$  Poor
- F—  $0.5 > \alpha$  are totally unacceptable.

### **3.9 Ethical Consideration**

Given the ethical implications of research activities, ethical issues need to be considered. To that end, researchers informed respondents that the questioner was for academic purposes only and was confidential. In addition, the questioner was cast based on the intention of the respondent. Analysis was performed based on participants' unambiguous responses. As with any research, there is an ethical responsibility to conduct research with honesty and integrity (Adams et al., 2007).

## **CHAPTER FOUR**

### **DATA PRESENTATION, DATA ANALYSIS AND DISCUSSION RESULTS**

#### **Introduction**

The study's main goal was to determine how strategic sourcing affected organizational performance. As a result, this chapter discusses both the methods used to get at the results as well as those outcomes themselves. This is followed by the presentation of respondents' backgrounds. Statistical Package for Social Science (SPSS version 26.0) was used to conduct a descriptive analysis, a correlation analysis, and a multiple regression analysis. These statistical methods of analysis are presented in the last section.

The researcher has tried to carry out a thorough and technical investigation related to the study subject in order to archive the study's goal and address the main research issues. In doing so, the researcher gathered pertinent and trustworthy information from first-hand sources. As a result, the data have been collected, finished, and meaningfully assessed.

The information from the employees was acquired using a five-point Likert scale questionnaire, which is commonly non-parametric in character and measures at an ordinal level. Response mean values were calculated to analyze correlations and multiple regressions between response variables (organizational performance) and predictor variables (factors). This transformation allows the data to be converted to continuous form, thus making it parametric for statistical manipulation (Creech, 2009).

To determine the relationship between dependent and independent variables, researchers commonly used descriptive statistics, regression analysis, and multiple regression analysis on quantitative data. The relationship based on measures of associations and descriptive adjectives, an analysis between each element and organizational performance has been carried out using SPSS 26.0. Tables have been used to display the study's facts. Each factor's relative importance has been examined, along with the acceptability or rejection of the hypothesis. The impact of each element on one equation is discussed and expressed via multiple regression analysis. SPSS is used to examine the assumptions of normality, linear connections, homoscedasticity, independence of errors, and multicollinearity. The model summary of regression results, the ANOVA, Standardized and unstandardized beta ( $\beta$ ) coefficients, and factors (independent variables) are used to determine the essential links between organizational performance (the dependent variable) and factors.

#### 4.1 Response Rate

The respondents were selected from among the employees of Ethiopian Airlines Group. A total of 143 questionnaires were distributed to them through google questionnaire format, and 132 of them were returned after being entirely completed. A total of 92.3% of respondents responded. In light of this, the analysis of this study is based on the quantity of questionnaires gathered.

Number of Target population	Number of responses	Response rate (%)
143	132	92%

Source: Own Survey, 2023

*Table 4.1. Response rate*

Nearly all of the independent variables achieved satisfactory alpha scores, as shown in Table 4.2. Organizational performance's dependability is satisfactory when compared to the independent variables, coming in at  $\alpha = .845$ . This demonstrates that Cronbach's alpha is 0.8, indicating that it is

reliable. Supplier development has greater satisfactory reliability when compared among the independent variables with = 0.868, followed by communication with = 0.834. Long-term supplier partnerships come next with a satisfactory = 0.817 score, which denotes sufficient dependability. The procurement plan has decent reliability with = 0.783, despite being the least trustworthy of the others. According to Cronbach (1951), a Cronbach alpha of 0.70 indicates that the items under consideration have an appropriate level of internal consistency. Generally, the overall reliability test result for all five (5) variables is 0.804, which is satisfactory.

#### 4.2 Descriptive statistics

The respondents' basic information is examined in this part. The respondents' demographic details are shown in Table 4.3 below. This data is provided to help the reader understand the scope of the sample, the demographics of the respondents, including their age, gender, level of education, position within the organization, and length of employment.

		Frequency	Percent
Education Level	College Diploma	1	0.8
	Bachelor's degree	81	61.4
	Master's Degree	50	37.9
	Total	132	100
Working Position	Director	4	3
	Manager	20	15.2
	Team Leader	28	21.2
	Officer/Expert	80	60.6
	Total	132	100
Working Experience	below 5 years	12	9.1
	6-10 years	62	47
	11-15 years	35	26.5
	16-20 years	18	13.6
	21-30 years	5	3.8
	Total	132	100

Source: SPSS output, 2023

### *Table 4.2: Demographic Characteristics*

Each respondent's degree of qualification is displayed in Table 4.3. The largest frequency of respondents (61.4%) with a BA degree demonstrates that First-degree holders make up most of the responders. The second group includes those with master's degrees (37.1%) and college diplomas (0.8%). These findings indicate that the respondents' level of qualification is high, and that the majority of the employees have degrees beyond a bachelors.

In terms of the respondents' working years at Ethiopian Airlines Group, 47.7% have 6–10 years of experience, 26.5% have 11–15 years of experience, 13.6% have 16–20 years of experience, 9.1% have less than five years of experience, and 3.8% have 21–30 years. Most of respondents are between the ages of 11 and 15, and that experienced respondents between the ages of 21 and 30 have the lowest percentage of responses overall. This outcome will show us whether the respondents have enough knowledge of the subject under investigation and enough experience in the sector.

The respondents' working position is the final item listed on Table 4.1. The data gathered shows that 60.6 of the respondents held expert or officer positions. Team leaders make up 21.2% of responders, while managers make up 15.2%. Directors make up the final 3% of participants. This suggests that the majority of organizational hierarchies are taken into account in study.

### **4.3 Descriptive Statistics for Strategic Sourcing Practices**

The various aspects of strategic sourcing were studied using questionnaires given to Ethiopian Airlines Group personnel, and descriptive statistics were produced for the respondents in the form of arithmetical averages and standard deviations. Therefore, this descriptive analysis is used to examine the data, characterize the data obtained through the questionnaire, and ascertain the employees' perceptions of organizational performance and strategic sourcing. For the study, four indicators of strategic sourcing are taken into account. Procurement plan, Supplier development, long-term supplier relationships, and good communication are the four main antecedents. Each element has its own supporting statement. When interpreting the findings of frequency, mean, and standard deviation, the scales are reassigned as follows to make the interpretation simple and clear. These assertions have the power to convey the wide dimension (strategic sources). According to Best (1977), who was cited by Yonas (2013), "1-1.8 = strongly disagree, 1.81-2.6 = disagree, 2.61-3.4 = neutral, 3.41-4.20 = agree, and 4.21-5 = strongly agree."

## Procurement Planning Practice

N= (132)

Procurement Planning Practice	Mean	Std. Deviation
Procurement planning is a smooth exercise in ETG	4.2727	.73194
Procurement planning is an integral part of the organizations strategic Planning.	3.8636	.87172
There are no emergency purchasing in ETG	2.7121	1.47514
Procurement planning implemented as per the schedule	3.6591	1.02510
Grand Mean	3.6772	1.3617

Source: SPSS output survey, 2023

*Table 4.3: Descriptive statistics of Procurement planning*

From the table 4.4.1 the results obtained from the survey on the respondents to find out the role played by procurement plan on organizational performance show that the average mean was 3.68 which implied that procurement plan has influence on organizational performance. This is because the average mean was between  $3.5 \leq M. < 4.20$  which was rated “agreed”. The corresponding standard deviation values also indicate that most of the respondents agree to the attributes. This literature is also consistent with the literature review presented in Chapter 2 of the study. The findings (Table 4.4.1) on procurement planning practices in ETG are consistent with the literature review presented in Chapter 2 of the study. According to Anteneh (2022), procurement planning practices help: Gain real-time visibility into in-progress inventory and remove barriers to the free flow of information in your supply chain. Change your supply chain from a consumption-based push-pull replenishment model. Patric M. Murch (2014) also supports this idea. In addition, the low mean registered on there are no emergency purchasing in ETG (2.712) SD, (1.47514) This indicates that the respondents disagree about the absence emergency purchase.

This means that the standard deviation is high, ranging from 0.73194 to 1.47514, meaning that respondents' opinions of the procurement plan responses are more diverse. If the average score is above, He 3.5, it means that the respondent agrees with the fact that the procurement plan is implemented in her ETG. The literature also agrees with the findings of table 4.4.1. Mokogi

(2015) shows that procurement methods are very important for improving the performance of for-profit state-owned enterprises in Nairobi County. Van Weele (2006) examined how to efficiently use limited organizational resources such as people, budget, time and equipment to achieve various goals and objectives. Van Weele (2006) further demonstrated that effective use of resources is supported by good planning and budgeting, which is supported by the results of this study.

#### 4.4 Supplier development Practice

N= (132)

Supplier Development Practice	Mean	Std. Deviation
ETG conduct regular visits to supplier's sites	3.2273	1.08839
ETG reward and recognize suppliers for their best performance	3.0909	.94469
ETG collaborate with key suppliers in materials improvement	3.6894	.95015
ETG use a supplier certification program to certify supplier quality	3.3106	.99719
There is a system placed to measure supplier's performance on a regular basis	3.4242	1.04933
Grand Mean	3.34848	0.2044

Source: SPSS output survey, 2023

*Table 4.4: Supplier Development Practice*

As shown from the above ETG collaborate with key suppliers in materials improvement question scored a mean of 3.6894 and SD (1.08839), followed by there is a system placed to measure supplier's performance on a regular basis with a score of mean 3.4343 and standard deviation of 1.04933. this result is against previous studies mentioned on chapter of this study. According to (Krause, Robert, Handfield, and Tyler, 2007, to improve supplier development, purchasing companies typically set performance targets for their suppliers, provide training, equipment, technical support and even investments for their suppliers, rotate personnel between the two organizations, evaluate the performance and progress of their suppliers, and provide incentives in the form of compensation. Improve supplier performance and capabilities by approving them. Visit supplier sites to assess processes and work with suppliers on material improvements.

Based on the above table the respondents only agreed on these two activities of supplier development and they are reluctant or neutral for questions like ETG conduct regular visit to supplier's sites, ETG reward and recognize suppliers to their best performances and ETG use a supplier certification program to certify supplier quality. Accordingly, table the mean response of the respondents for the three questions about supplier development in ETG was below mean 3.4. This indicates the respondents are neither agreed nor disagreed with the three activities of supplier development.

#### 4.5 Long Term Supplier Relationship Practice

N= (132)

Long term Supplier relationship practice	Mean	Std. Deviation
ETG expect our relationships with key suppliers to last longer	4.0682	.63237
ETG have long-term contractual agreements with key suppliers	4.3258	.58605
Key suppliers see our relationships as a long-term alliance	4.1591	.65183
ETG view our key suppliers as an extension of our company	3.9394	.71790
ETG collaborate with key suppliers to improve their quality in the long run	3.9015	.75016
Strategic alliance with our suppliers has led to reduction on lead time	4.0152	.73084
Key performance indicators (KPIs) are set to monitor performance of suppliers	3.4773	1.03722
Grand Mean	3.9837	0.26

Source: SPSS output survey, 2023

*Table 4.5: Descriptive statistics of Long-Term Supplier Relationship*

As Table 4.4.3 shows, the average response of respondents to long-term supplier relationships in the ETG was 3.937 (SD = 0.26). This is because respondents approved of long-term relationships that promote virtue in the light of future rewards, or that the company focused on short-term material or social gains. There is a possibility. It also shows their inability to find satisfaction because they don't put off even short-term emotional gains. A future that prepares for the future. The standard deviation for long-term supplier relationships is 0.26. This standard deviation is small. There are no extremes in positive and negative reviews. This suggests that responses from

all respondents are consistent, tolerant of variability, and have a good and sustainable long-term direction.

#### 4.6 Communication Practice

N= (132)

Communication practice	Mean	Std. Deviation
Suppliers are provided with any information that might help them.	3.8182	.67471
Exchange of information takes place frequently, informally and/or in a timely manner.	3.5909	.76122
ETG and Suppliers keep each other informed about events or changes that may affect the other party	3.8182	.72909
ETG has frequent face-to-face planning/communication	3.3409	.91493
Our suppliers share knowledge with us at the time of new Advancement on capability development	3.8258	.75661
Grand Mean	3.679	0.1823

*Table 4.6: Descriptive statistics of communication*

As shown in Table 4.7, the average response of respondents to communication on the ETG was 3.67 (SD = 0.18). This was done by respondents asking what information sharing/information sharing communication means when a company adheres to a variety of relevant, accurate, complete and confidential ideas, plans and procedures with its supply chain partners. It indicates that you have agreed to share it in a timely manner. ETG. The standard deviation for communication is 0.1823, indicating that there is no extreme difference between positive and negative ratings. This means that there are no significant differences in responses among respondents. This change is acceptable and communication practices are moderately good.

Based on the results in Table 4.4.4, except ETG has frequent face-to-face planning/communication, all five questions asked in “Communication” had an average score above 3.5, It indicates that respondents agree with the fact that communication is important. Exercised with ETG. This result is consistent with (Krause and Ellram, 1997; Carr and Pearson, 1999; Carr and Smeltzer, 1999). Moreover, the relevance of shared information becomes a key

factor in successful collaborative efforts in buyer-supplier relationships (Krishnapriya and Rupashree, 2014; Cao, 2009). Low average scores for personal planning/communication due to company policy prohibiting personal communication with suppliers unless senior management is involved.

#### 4.7 Organizational performance Ethiopian Airlines Group

N= (132)

<b>Organizational Performance</b>	<b>Mean</b>	<b>Std. Deviation</b>
ETG is successfully minimizing cost of materials due to strategic sourcing practice.	4.3636	.63333
Strategic sourcing has helped ETG to improve end product/Service quality	4.1818	.66330
ETG is successful in assuring volume and mix flexibility due to strategic sourcing practice	4.0303	.75097
ETG is successfully assuring on-time delivery of ordered materials due to strategic sourcing practice	4.1061	.71257
Internal customers are much satisfied with the achievements of our purchasing function due to strategic sourcing practice	3.9621	.83259
<b>Grand Mean</b>	<b>4.1287</b>	<b>0.7185</b>

*Table 4.7: Descriptive statistics of Organizational Performance*

As shown in Table 4.4.5 the average response of the respondents the highest mean scored is 4.1287 with a SD of 0.09 which implies that the respondents are highly agreed that ETG is successfully minimizing cost of materials due to strategic sourcing practice followed by the second highest mean 4.1818 under Strategic sourcing has helped ETG to improve end product/Service quality with at SD of 0.66. the result of SD implies that there is small variation between the respondent's response and responds agreed that ETG helped to improve end product/service quality. The overall mean result implies that the performance of ETG in terms of successfully minimizing cost of materials due to strategic sourcing practice, improve end product/Service quality, successful in assuring volume and mix flexibility due to strategic sourcing practice, successfully assuring on-

time delivery of ordered materials due to strategic sourcing practice and in terms of internal customer satisfaction with the achievements of our purchasing function due to strategic sourcing practice is high.

#### **4.8 Inferential statistics of strategic sourcing practice and organizational performance**

##### **4.8.1 Pearson Correlation Analysis of sourcing practice and organizational performance**

Each study topic listed in the introduction was taken into consideration when performing the correlation analysis in this section. Using Pearson correlation analysis, the connection between strategic sourcing and organizational performance was investigated. Correlation coefficients were produced as a result, indicating the significance and direction of the relationship. The probability of this link being significant was also shown by the p-value. This section contains correlation and regression analysis. The section was meant to achieve both general and specific objectives in establishing the relationship that exists between the variables.

##### **4.8.2 Assessment of Autocorrelation**

The data were examined to make sure that the autocorrelation posed no risk to the analysis using OLS. The Durbin-Watson test, which checks for serial correlation between mistakes, can be used to verify this assumption; a value closer to 2 is acceptable (Field, 2009). There is proof of a positive serial correlation if the Durbin-Watson is significantly below 2. There does not appear to be significant autocorrelation among error terms, according to the Durbin-Watson statistic value of 1.853. The following measuring scale intervals or ranges served as the foundation for the interpretation:

A correlation coefficient's value can be anywhere between -1 and 1. While values closer to 0 suggest that there is little to no linear relationship between the variables being correlated, values closer to the absolute value of 1 show that there is a strong relationship between the variables being correlated. As mentioned in McDanail and Gates (2006), Evans (1996)'s recommendation for the absolute value of  $r$  can be used to describe the degree of correlation. In the event that " $r = +/- 0.1$ - weak,  $r = +/- 0.1-0.3$ - modest,  $r = +/- 0.3-0.5$ - moderate,  $r = +/- 0.5-0.8$ - strong,  $r = +/- 0.8-0.9$ - very strong, and  $+/- 1$  Perfect  $+/- 0.8$ -, perfect" In order to learn more about the connections

between the dependent and independent variables shown in the table, Pearson correlation coefficients were calculated.

**N=(132)**

Correlations						
		Procurement Planning	Supplier Development	Long term Supplier Relationship	Communication	Organizational Performance
Procurement Planning	Pearson Correlation	1				
	Sig. (2-tailed)					
Supplier Development	Pearson Correlation	.458**	1			
	Sig. (2-tailed)	.000				
Long term Supplier Relationship	Pearson Correlation	.495**	.461**	1		
	Sig. (2-tailed)	.000	.000			
Communication	Pearson Correlation	.279**	.539**	.635**	1	
	Sig. (2-tailed)	.001	.000	.000		
Organizational Performance	Pearson Correlation	.520**	.299**	.634**	.485**	1
	Sig. (2-tailed)	.000	.001	.000	.000	

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

Source: SPSS output survey, 2023

*Table 4.8: correlation matrix between Strategic sourcing practices and organizational performance*

As can be seen from the table, the procurement plan has a large positive and significant impact on ETG's organizational performance.  $r(132) = 0.52^{**}$ ,  $p \leq 0.01$ . According to the degree of correlation by Evans (1996), the relationship between the two variables is strong. Each research topic listed in the introduction was considered when performing the correlation analysis in this section.

Pearson's correlation analysis was used to explore the association between strategic procurement and organizational performance. As a result, a correlation coefficient was determined that indicates the importance and direction of the relationship. The probability that this association was significant was also indicated by the p-value.

The table shows that, Supplier development has  $r(132) = .229^{**}$ ,  $p \leq 0.01$  has a modest positive and significant correlation between supplier development and organizational performance. Further, the outcome directed that supplier development has moderate relationship with organizational performance which is positive and significant at  $(r=0.511, p < 0.01)$ .

Reviewing the table above, we can see that there is a strong positive and significant correlation between long-term supplier relationships and company performance, with ETG  $r(132) = 0.634^{**}$ ,  $p\text{-value} < 0.01$ . In his 2004 study by Chen, there was a strong positive correlation between long-term supplier relationships and faster fulfillment of customer orders (i.e. faster delivery times) and faster response to customer complaints. It turns out there is. Her two latter points are meant to measure supplier performance. Purchasing company (Chen et al., 2004).

Table 4.5.2 also shows that a moderate positive significant correlation was found between communication and organizational performance in the ETG ( $r=0.485^{**}$ ;  $p\text{-value} = 0.000$ ). The findings show that fast buy-side order fulfillment (a measure of organizational performance in terms of customer satisfaction) is positively correlated with effective communication between buyers and key suppliers as measured by relevance, timeliness and level. This is consistent with previous studies that found that and the frequency of information shared.

### **4.8.3 Assumptions Testing**

Making sure that the data can actually be analyzed using linear regression is a step in the process when someone decides to use linear regression to analyze the data. Consequently, it is necessary to accomplish this since linear regression may only be used if the necessary data "passes" four presumptions in order to get a valid result. Let's check to see if the following presumptions are true or false: One can validate presumptions. Before proceeding on to additional assumptions, the linearity assumptions should be tested using SPSS statistics.

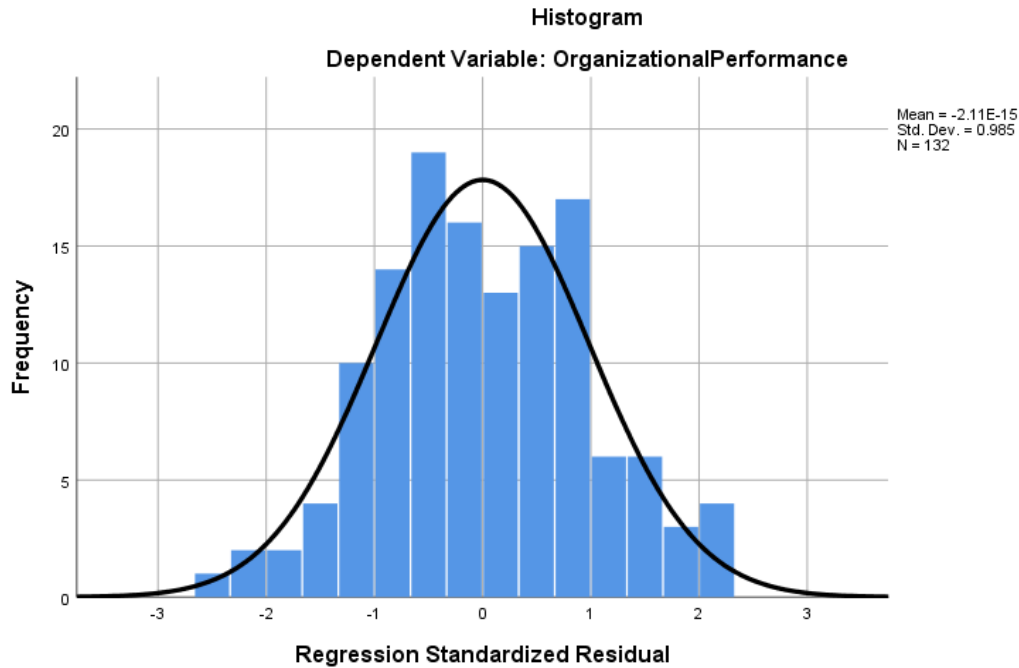
#### **4.8.4 Multicollinearity**

When the independent variables are significantly associated in a way that has negative effects on the results of a regression analysis, this is referred to as multicollinearity. Robert (2006) states that if collinearity is found, one can either remove one of the variables or make a new variable that mixes the two existing variables. They were highly intercorrelated because highly correlated predictor variables share a lot of the same information, which allows them to explain a lot of the dependent variable collectively but not necessarily considerably individually. Therefore, multicollinearity has the effect of decreasing the predictive ability of each independent variable by the degree to which it is related with the other independent variables (Beyan, 2014).

To check for multicollinearity, tolerance and variance inflation factor (VIF) values were calculated. The results are shown in Table 4.10 below. Tolerance represents the proportion of a predictor's variance that cannot be explained by other predictors. Very small values indicate overlapping or shared predictive power (Robert, 2006). Menard (1995) states that the tolerance should be greater than 0.2 and the VIF should be less than 10. Therefore, the results obtained support this and were acceptable.

##### **4.8.4.1 Normality Test (Skewness and the kurtosis Test)**

The independent variables must be regularly distributed for multiple regressions. Statistical methods like skewness and kurtosis can be used to determine if the data is regularly distributed or not. Kurtosis is described as "the property of a distribution that expresses the thickness of the tails," according to Smith and Wells (2006). The quantity of scores that fall outside the normal distribution contributes to the tail's thickness. A measure of symmetry is skewness.



*SPSS output survey, 2023*

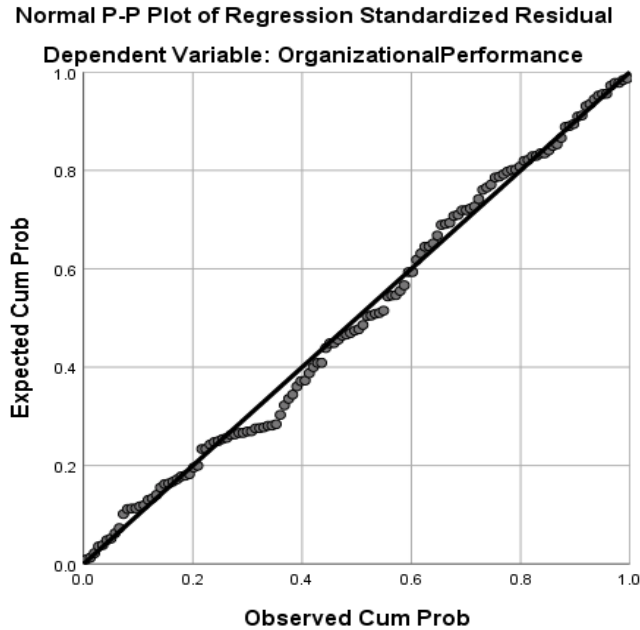
**Figure 4.1. Histogram**

#### **4.8.4.2 Linearity assumption**

According to Balance (2004), linearity defines the dependent variable as a linear function of the predictor (independent) variables. The linearity assumption was tested by constructing a scatterplot of the relationship between each independent and dependent variable. Visual inspection of the scatterplots generated by SPSS reveals that the relationship between each independent and dependent variable is linear, as shown below.

The scatter plot in the following figure showed a linear link between the organizational performance and the strategic sourcing dimensions.

Multiple regressions assume that the variables' distributions are normal. As a result, the mistakes will be evenly spaced out on a plot of the residual values that looks like a normal curve. Below is the result from SPSS on the test.

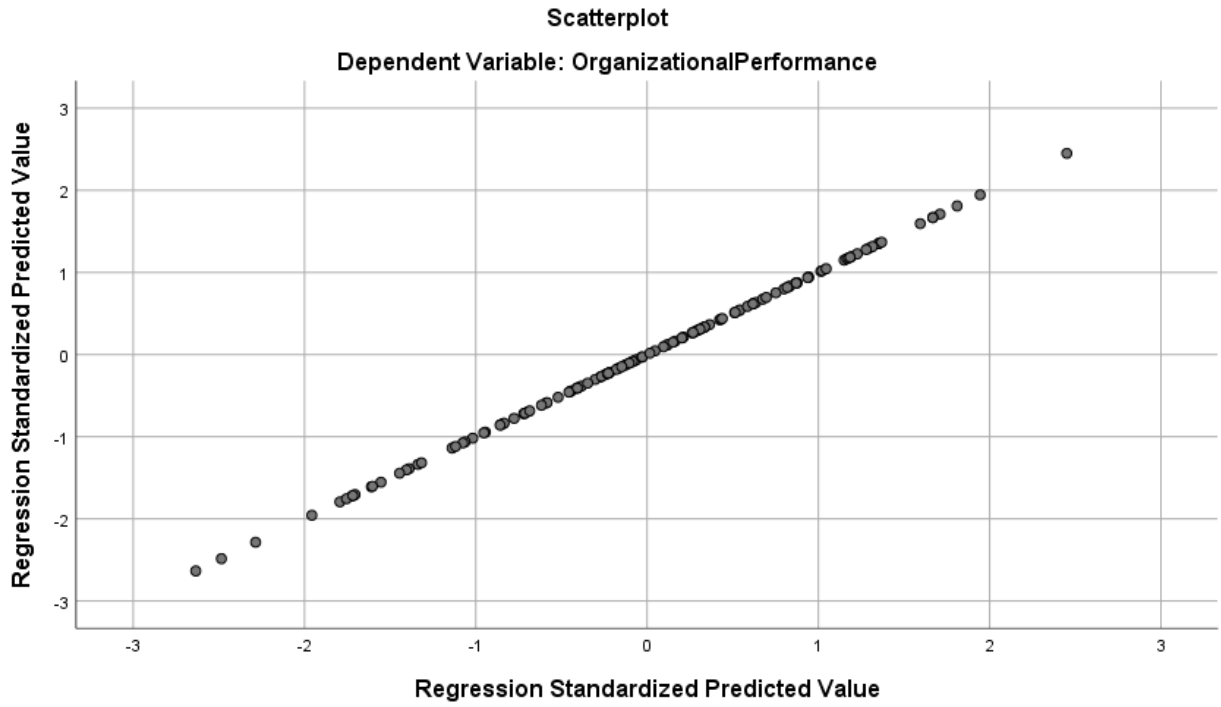


*SPSS output survey, 2023*

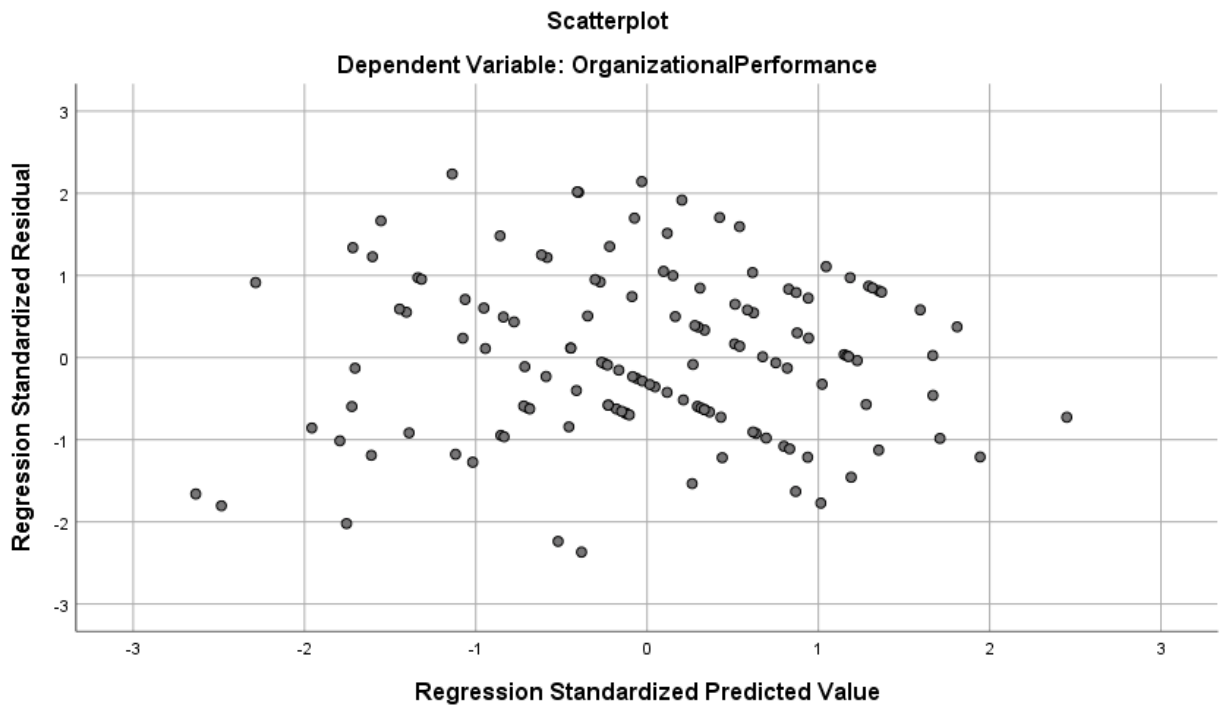
*Figure 4.2. Normal P-P Plot of Regression Standardized Residual*

#### **4.8.4.3 Homoscedasticity assumption**

According to Tsegaye (2018), the homoscedasticity assumption suggests equal error variances for all levels of the independent variable. This means that the error is evenly distributed among the variables. This is evident when the variance around the regression line is the same for all values of the predictor variables. Homogeneity of variances can be confirmed by visually inspecting a plot of standardized residuals against standardized regression predicted values. Ideally, the residuals are randomly distributed around zero (horizontal line) to ensure a uniform distribution. Heteroscedispersity is indicated when scattering is not uniform. Fans and butterflies are common injury patterns. To measure homoscedasticity, the researcher used his SPSS to create a scatterplot of standardized residuals and standardized predicted values, and found that heteroscedasticity was not a major problem, as shown below.



*SPSS output survey, 2023*



*SPSS output survey, 2023*

*Figure 4.3 Scatter Plot*

Since correlation, regression, and other General Linear Model (GLM) components presuppose linearity, a test for linearity is required. Strategic sourcing (supplier development, long-term supplier relationships, effective procurement plans, and communication) and organizational performance are compared using scatter plots to see if there is a linear relationship between them and to see if the assumptions have been met. According to the scatter plot in the figure below, each independent variable's connection to the dependent variable was found to be linear.

#### **4.8.5 Multiple Regression Analysis**

The above-mentioned multiple regression assumptions were tested on the data, and once it was determined that the data satisfied all of them, multiple regression analysis was performed to ascertain the statistical significance of each independent variable (regression coefficients), whether independent variables statistically significantly predict the dependent variable (ANOVA), and how well the regression model fits the data (model summary).

The impact of strategic sourcing (procurement planning, supplier development, long-term supplier relationships, and communication) on organizational performance was investigated using multiple regression analysis. The decision to employ multiple regression analysis was made because it can be used to forecast a dependent variable's linear connection. Here, the independent and dependent variables are both regressed to demonstrate how these variables interact with one another. The ramifications of the values of the coefficient, R-Square, are briefly explored before describing the table.

Value of the coefficient: It displays if the factors have a negative or positive impact. A positive coefficient value indicates that the independent variable is positively affecting the dependent variable. If the sign is adverse, this indicates that the effect is adverse.

R-square: The coefficient of determination, or R-square, indicates how much variation in the dependent variable results from strategic sourcing.

Constant: The intercept is essentially constant. As a result, the constant value cannot be ignored yet has no direct or indirect impact on the outcome. It simply demonstrates that the dependent variable will still have some value even if the independent variable has zero value.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.698 <sup>a</sup>	.488	.472	.41244	.488	30.227	4	127	.000	1.833

a. Predictors: (Constant), Communication, Procurement Planning, Supplier Development, Long term Supplier Relationship

b. Dependent Variable: Organizational Performance

Source: SPSS output survey, 2023

**Table 4.9; Model summary**

The table displays the range of variables that were employed in the study. The coefficient of determinant, or R-square, indicates how much variation in organizational performance (the dependent variable) results from the development of the supplier, the long-term supplier relationships, and communication (the independent variables). The analysis of the table reveals that the R-square value is 0.488, which indicates that 48.8% of the change in organizational performance is attributable to the procurement plan, supplier development, long-term supplier relationships, and communication.

**ANOVA Model Fit**

ANOVA Result between Strategic sourcing practice and Organizational Performance is expressed as below.

ANOVA <sup>a</sup>						
Model		Sum of Squares	df.	Mean Square	F	Sig.
1	Regression	20.567	4	5.142	30.227	.000 <sup>b</sup>
	Residual	21.604	127	.170		
	Total	42.171	131			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Communication, Procurement Planning, Supplier Development, Long term Supplier Relationship

Source: SPSS output survey, 2023

**Table 4.10: ANOVA**

Table 4.10 of consists of Therefore, the overall regression model is statistically significant, meaning it is a good predictive model to explain strategic procurement such as procurement planning, supplier development, long-term supplier relationships, communication, and operational performance.

### Regression Coefficients

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.035	.292		3.544	.001
	Procurement Planning	.249	.059	.331	4.257	.000
	Supplier Development	-.110	.057	-.158	-1.939	.055
	Long term Supplier Relationship	.444	.101	.401	4.403	.000
	Communication	.212	.085	.223	2.496	.014

a. Dependent Variable: Organizational Performance

Source: SPSS output survey, 2023

**Table 4.11: Regression coefficients between Strategic sourcing and Organizational Performance**

### Standardized Coefficients

It is useful to use standardized coefficients to see which independent variables are more important. They are used when comparing the effects of different independent variables on the dependent variable. As shown in the regression coefficients table, the long-term supplier relationship has the highest standardized coefficient (.401), followed by supply planning (.331). This indicates that the practice of long-term relationships with suppliers has a relatively large impact on corporate performance. Communication ranks 3rd out of 3 when it comes to importance to Organizational performance. As can be seen from the table of regression coefficients, the predictors long-term supplier relationships, procurement plans, and communication practices are statistically significant

in predicting firm performance as all p-values are below the alpha value 0.05. However, the p-value for supplier development is above the alpha value of 0.05, indicating that it is not statistically significant, indicating that changes in this variable are not associated with changes in the dependent variable (organizational performance) increase. This may be due to the improper implementation of these strategic sourcing practices. Therefore, including the error term ( $\epsilon$ ), the organizational performance model can be written as:

$$OP = \alpha + \beta_1PP + \beta_2SD + \beta_3LTSR + \beta_4C + \epsilon$$

$$OP=1.035+0.331PP-0.158SD+0.401LTSR+0.223C+0.05 \epsilon$$

A constant value ( $\alpha = 0.1.035$ ) means that the ETG organization performance is 0.1.035 when the other variables in the model are zero.

The regression coefficient results show that 3 out of 3 variables predicting ETG performance are statistically significant. Statistically significant variables are Procurement planning, long-term supplier relationships, and communication, as evidenced by P-values ( $P<0.05$ ). This indicates that increasing this variable leads to better organizational performance.

### **Hypothesis Testing Result**

#### Hypothesis 1

H1:1 procurement plan has positive effect on organizational performance.

H0:1 procurement plan has no positive effect on organizational performance.

The results in Table 4.11 showed that the standard beta coefficient and p-value of procurement plan had a positive and significant effect ( $B=0.249$ ,  $p<0.05$ ). This means that a 1% increase in procurement planning results in a 24.9% increase in organizational performance. This finding is supported by Baily (2005) that a procurement plan should be derived from the plan developed and should allow for comparison, evaluation and management of efforts made to achieve subsequent organizational goals. Therefore, the researchers reject the null hypothesis and accept that the procurement plan has a significant positive impact on the company's performance.

#### Hypothesis 2

H1:2 Supplier development has positive effect on organizational performance.

H0:2 Supplier development has no positive effect on organizational performance.

The results of the multiple regression, as shown in Table 4.11 above, show that supplier development has a negative impact on company performance, with a B score ( $\beta = -.110$ ), and the effect was shown to be insignificant. Therefore, this hypothesis is rejected. Unexpectedly, there is an insignificant relationship between supplier development and organizational performance. A closer look at the results shows that the results are headed in the right direction, as the path coefficient at  $p < 0.055$  is negative and insignificant. There is research that examines supplier development from the supplier's perspective and emphasizes the importance of the supplier's perspective through research on the relationship between buyers and suppliers. As a result, Krause (1999) emphasizes the significance of suppliers and stresses that buying organizations view their suppliers as practically an extension of the firm, which will boost suppliers' incentive to work with the buying organization.

Previous studies of Cousins, Paul & Lawson, Benn. (2007) had also found a negative and weak relationship between leverage sourcing and collaborative sourcing on organizational performance. In turn, collaborative supplier relationships were found to lead to improvements in both relationship and business outcomes. As the relationship between the buyer and supplier becomes more highly involved (increased specificity), such as through committed resources or long-term contracts, the partnership process facilitates improvements in relationship outcomes, such as risk and reward sharing, increased visibility of business and joint product development. In addition, a collaborative focus also results in improved business outcomes, particularly in terms of market share, cash flow and time to market.

In addition, effective communication between the businesses of the buyer and the supplier is a crucial requirement for the growth of the supplier environment (Wagner, Krause 2009; Krause, Handfield & Scannell 1998; Krause, Handfield 1999). Some authors contend that inter-firm communication and supplier commitment are prerequisites for supplier development. The perception of suppliers as partners and their virtual extensions are the key success criteria for supplier development. Alignment of organizational culture, supplier engagement and trust were other important factors of success (Handfield et al. 2000; Hartley, Choi 1996). These factors are particularly important in a supplier's growth strategy.

Hypothesis 3

H1:3 Long term supplier relationship has positive effect on organizational performance.

H0:3 Long term supplier relationship has no positive effect on organizational performance

The results in Table 4.13 showed that the standardized coefficient of beta coefficient and p-value of long-term supplier relationship had a significant positive effect ( $B=0.444$ ,  $p<0.05$ ). This means that a 1% increase in long-term supplier relationships leads to a 44.4% increase in organizational performance. This result is strengthened by Prajogo et al. (2012); Chen et al. (2004); Krause et al. (2007) Long-Term supplier Relationships. cooperation to improve supplier quality in the long run. Think of your suppliers as extensions of your business. Suppliers tend to view relationships as long-term partnerships. A relationship that is eternal in nature. Therefore, the researchers reject the null hypothesis and accept that the procurement plan has a significant positive impact on the company's performance.

#### Hypothesis 4

H1:4 Communication has positive effect on organizational performance.

H0:4 Communication has no positive effect on organizational performance.

Table 4.13 also shows that communication has a significant positive impact on organizational performance, with a B score ( $B = 0.212$ ) at the 95% confidence level ( $p < 0.05$ ). This means that a 1% increase in communication results in a 21.2% increase in organizational performance. This result is consistent with (Krause and Ellram, 1997; Carr and Pearson, 1999; Carr and Smeltzer, 1999). Moreover, the relevance of shared information becomes a key factor in successful collaborative efforts in buyer-supplier relationships (Krishnapriya and Rupashree, 2014; Cao, 2009). Therefore, the researchers rejected the null hypothesis, stating that communication has a positive impact on corporate performance.

	P-Value	Sign. stars	The Hypothesis
procurement plan	$p<.05$	significant	$H1_a$ : accepted
Supplier development	$p>.05$	The test was not significant at $\alpha= .05$	$H1_b$ : Rejected
long term supplier relationship	$p<.05$	significant	$H1_c$ : accepted
communication	$p<.05$	significant	$H1_d$ : accepted

**Table 4.12: Hypothesis Testing Results**

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### Introduction

The purpose of this study was to determine the impact of strategic procurement on the organizational performance of the Ethiopian Airlines Group (ETG). Four specific objectives of the study were to analyze the impact of procurement plans on organizational performance, to investigate the impact of supplier development on organizational performance, to investigate the impact of long-term supplier relationships on organizational performance, and to investigate the impact of communication on organizational performance. Ethiopian Airlines Group organizational performance. Data were collected from primary sources using questionnaires. Descriptive statistics, correlation analysis and regression analysis were used to analyze the data. This chapter provides an overview of the results related to research objectives, research conclusions and recommendations, and limitations and suggestions for future research.

#### 5.1 Summary of findings

- According to the survey, out of 132 respondents—a total of 132 employees—the majority of respondents (61.2%) are men. Most respondents in the organization hold bachelor's degrees, with 47.8% of them having 6 to 10 years of work experience. Additionally, it can be shown from respondents' organizational positions that the majority are officers or specialists.
- Analyzing the influence of procurement plans on organizational performance was the study's initial research goal. Descriptive analysis reveals that their mean score is higher than 3.5, indicating that the respondents concur with the procurement plan assertions. With a correlation coefficient of 0.520 ( $r = 0.572$ ) and a significance value less than 0.01 under correlation analysis, the study's findings indicate a moderately significant association between procurement plans and organizational performance. With a beta value of 0.292 at significance level.001, the results of the regression analysis demonstrate that it is one of the best predictors of the dependent variable, organizational performance. As a result, hypothesis H1: there is significant effect of effective procurement plan on organizational

performance is supported and concluded that effective procurement plan has a significant effect on organizational performance.

- Examining how supplier development affects organizational performance is the second goal of this study. It can be inferred from descriptive analysis that their mean score is 34. This demonstrates the need for better supplier development. Despite the fact that there is a system in place to measure supplier performance on a regular basis and that respondents agreed that ETG collaboration with key suppliers has an impact on material improvement, the overall mean result of supplier development is moderate and requires improvement. because of its p-value 0.055 is greater than the alpha level of 0.05 which shows that Supplier development is not properly addressed in Ethiopian Airlines Group. Therefore, hypothesis H1: there is significant effect of supplier development on organizational performance is rejected and concluded that supplier development has a negative and insignificant effect on organizational performance.
- The third objective of the research is to examine the effects of long-term supplier relationships on organizational performance. Based on the descriptive analysis, the mean score of long-term supplier relationships is greater than 3.5, which means that the respondents agree with the statements about long-term supplier relationships. Based on the correlation analysis, the result of the study shows that there is a positive and significantly high relationship between long-term supplier relationships and organizational performance, with a correlation coefficient of 0.634 ( $r = .634$ ) and a significance value less than 0.000. In addition, the regression analysis shows that long-term supplier relationships are statistically significant predictors of organizational performance, with a beta coefficient of .444 at a significance level of 0.
- Studying the impact of communication on organizational success is the fourth research goal. As a result, it is discovered that the mean communication score in the descriptive analysis is higher than 3.5, indicating that respondents agree with the communication assertions. According to the study's findings from the correlation analysis, communication and organizational performance are significantly correlated, with an R-value of 0.485 ( $r = .485$ ) and a significance value of less than 0.000. With a Beta coefficient of .2121 at a significance level of 0.014, the regression analysis demonstrates that communication is a statistically significant predictor of organizational performance. Therefore, hypothesis H1:

there is significant effect of long-term supplier relationship on organizational performance is supported.

As indicated from output of regression analysis only one strategic sourcing practice (Supplier Development) had an insignificant effect on organizational performance. With p-value (0.055) insignificant. Although literature has drawn them as important Strategic sourcing practice which shows that they are not properly addressed in Ethiopian Airlines Group. Additionally, adjusted  $R^2 = .472$  which discovered that the model shows for 47.2% of the variation in organizational performance is explained by the linear combination of all the independent variables of strategic sourcing practice. The ANOVA test result showed that R and R<sup>2</sup> found from the model summary was statistically significant at (F=30.227), P<0.000). Therefore, hypothesis H1: It is accepted that communication has a significant impact on organizational performance, and it is concluded that communication has a significant impact on organizational performance.

## 5.2 Conclusions

Based on the findings presented in the previous section, the study draws the following conclusions: From the results of a descriptive statistical analysis of the status of strategic procurement practices in the Ethiopian Airlines Group, the study concluded that:

- ✓ Except Supplier development all the strategic sourcing practices (Procurement plan, Long term supplier relationship and Communication) were practiced well.
- ✓ In addition, the study concluded that strategic sourcing practices contributed to Ethiopian Airlines group performance to a ceaseless extent.

Regarding the relationship between Strategic Sourcing practices and organizational performance, the study concludes:

- ✓ There is a positive and significant relationship between strategic sourcing practices and organizational performance of Ethiopian Airlines Group.
- ✓ Furthermore, Procurement plan, Long term supplier relationship and communication practices have strong relationship with organizational performance of ETG and Supplier development have moderate relationship with organizational performance of ETG

In relation to the predicting power of independent variables, the study concluded that

- ✓ The independent variables Procurement plan, Long term supplier relationship and communication practices had forecasting capacity on organizational performance of ETG. supplier development practices did not have that much important effect on organizational performance of ETG. Despite literature has outlined this variable as important this study which showed that it is not properly addressed in ETG.

### **5.3 Recommendations**

The following suggestions are made in light of the study's results and conclusion in an effort to resolve, or at the very least reduce, present issues relating to the impact of strategic sourcing on organizational performance within the Ethiopian Airlines group.

- Ethiopian Airlines Group needs to pay more attention to Procurement planning, Long term supplier relationship and communication strategic sourcing practice as those practices has positive and significant impact on Ethiopian Airlines Group performance. supplier development has a negative and insignificant impact on organizational performance. Hence, it is recommended to focus on those practice with a positive and significant impact.
- The strategic sourcing department of Ethiopian Airlines Group is advised to focus on strengthening supplier relationships by communicating with supplier regularly through different means of communications and meetings, following up with them, and soliciting their input. Strategic sourcing officers need to focus on data collationed collaboration with venders, on how to cooperate, feedback collations, complaints and other related collaborations and supplier development areas and addressing issues step by step per the company policy and supplier side suggestions.
- It is advised that the Ethiopian Airlines group's user department evaluate its planning culture, timing, core emphasis, and expenditure analysis in order to prevent hurried purchases, unnecessary expenses, and poor-quality control due to artificial AOG purchases. Additionally, when selecting suppliers, sourcing officers must pay attention. If a corporation simply considers cost, it will miss out on building lasting relationships and avoiding reworks. In line with this and managers and team leaders need to control such evaluations and sourcing techniques of the sourcing officers strictly.

- Since better business outcomes are also produced by a collaborative approach, especially when it comes to market share, cash flow, and time to market. Collaborative focused connections and supplier development, however, are limited to "critical" items and demand greater resources (time, money, and commitment) Ethiopian need to focus on this area in order to insure the relationship is supporting the company.
- The researchers recommended that organizations develop a longer procurement plan and incorporate it into their medium-term budget spending framework. Proper planning helps companies align procurement activities with strategic goals, improve quality analysis to recommend courses of action, and test whether implementation is realistic and achievable.
- The researcher observes that extrapolating conclusions from a single case study is challenging. As a result, it advises additional study to illustrate and assess the models on a diverse portfolio of airlines, encompassing various aviation industries based on their commercial operations, various sizes, and various present strategic sourcing strategies.

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

Even though this research tried to reach and answer the research question, other areas are yet to be addressed. To begin with strategic sourcing encompasses vast areas of managerial practices include, supplier selection procedures, contract management, supply base rationalization and others. This study encompasses only Strategic sourcing practices a composition of the following four activities: Procurement plan, Supplier development, Long term supplier relationship and communication. so there is a need for further study on the above elements. In addition, Supplier development result had become insignificant which need further study. Even if those strategic sourcing practices studied in ETG the study advocates further studies be commenced on other airlines for comparison.

In addition, the study's most significant flaw is that it solely relied on Ethiopian Airlines Group's responses because it was written with the viewpoint of the purchasing company. Future studies are necessary to gain a comprehensive understanding of strategic sourcing from the suppliers' perspective and to determine whether or if the connection and benefit is mutual.

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## *Annexure I*

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE  
DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT  
GRADUATE PROGRAM  
THE CASE OF ETHIOPIAN AIRLINES GROUP

Dear Respondents:

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

Objective

This questionnaire is designed to collect data about the effect of strategic sourcing on organizational performance. The information that you offer to me with this questionnaire will be used as a primary data in my case research which I am conducting as a partial requirement of MBA degree at Addis Ababa University under the School of Commerce. Therefore, this research is to be evaluated in terms of its contribution in understanding the effect of strategic sourcing on organizational performance in Ethiopian Airlines Group and its contribution to improvements in these areas.

General Instructions

- There is no need to writing your name
- In all cases where answer options are available please tick (✓) in the appropriate box

If you have any question about the questionnaires, you can contact me on +251949801682 or [aynuabera16@gmail.com](mailto:aynuabera16@gmail.com) , I will be happy to answer your query.

Confidentiality

I want to assure you that this research is only for academic purpose authorized by the School of commerce under Addis Ababa University. No other person will have to access the data collected. In any sort of report, I might publish, but I will not include any information that makes it possible to identify any respondent.

Thank you for your cooperation!!!

1. Sex:

Male  Female

2. Which of the following age category labels you?

1. from 18-20  2. From 21- 30  3. From 31- 40

1. From 41- 50  5. From 50-60  6. Above 60

3. Number of experience you have worked in ETG (in years):

1. Below 5  2. From 6- 10  3. From 11- 15

4. Below 16-20  5. From 21-30  6. Above 31

4. Educational Qualification:

1. College Diploma  2. First Degree  Master's degree

4. And above (If any) -----

5. Employee position

1. Director  2. Manager  3. Team Leader

4. Officer/Expert

## Section II: Main Questionnaire

Please indicate your choice by putting the tick mark (✓) on the appropriate cell. Where,

1 =Strongly Disagree, 2 = Disagree, 3=Neutral, 4 = Agree, 5= Strongly Agree

No.	Measurement Items	Score
-----	-------------------	-------

		Strongly disagree (SD)(1)	Disagree (D)(2)	Neutral (N)(3)	Agree (A)(4)	Strongly agree SA(5)
	<b>Procurement Planning</b>					
1	There is a culture of joint procurement planning with concerned Departments.					
2	Procurement planning is an integral part of the organization's strategic Planning.					
3	Procurement planning is a smooth exercise in ETG					
4	There are no emergency purchasing in ETG					
5	Procurement planning implemented as per the schedule					
	<b>Supplier Development</b>	SD (1)	D(2)	N(3)	A(4)	SA (5)
1	ETG conduct regular visits to suppliers' sites					
2	ETG reward and recognize suppliers for their best performance					
3	ETG collaborate with key suppliers in materials improvement					
4	ETG use a supplier certification program to certify supplier quality					
5	There is a system placed to measure supplier's performance On a regular basis					
	<b>Long term Supplier relationship</b>	SD (1)	D(2)	N(3)	A(4)	SA (5)
1	ETG expect our relationships with key suppliers to last longer					
2	ETG have long-term contractual agreements with key suppliers					
3	Key suppliers see our relationships as a long-term alliance					
4	ETG view our key suppliers as an extension of our company					
5	ETG collaborate with key suppliers to improve their quality in the long run					
6	Strategic alliance with our suppliers has led to reduction on lead time					

7	Key performance indicators (KPIs) are set to monitor performance of suppliers.					
	<b>Communication</b>	SD (1)	D(2)	N(3)	A(4)	SA (5)
1	Suppliers are provided with any information that might help them.					
2	Exchange of information takes place frequently, informally and/or in a timely manner					
3	ETG and Suppliers keep each other informed about events or changes that may affect the other party					
4	ETG has frequent face-to-face planning/communication					
5	Our suppliers share knowledge with us at the time of new Advancement on capability development					
	<b>Organizational Performance</b>	SD (1)	D(2)	N(3)	A(4)	SA (5)
1	ETG is successfully minimizing cost of materials due to strategic sourcing practice.					
2	Strategic sourcing has helped ETG to improve end product/Service quality					
3	ETG is successful in assuring volume and mix flexibility due to strategic sourcing practice.					
4	ETG is successfully assuring on-time delivery of ordered materials due to strategic sourcing practice.					
5	Internal customers are much satisfied with the achievements of our purchasing function due to strategic sourcing practice					

Questionnaire invitation link:

<https://docs.google.com/forms/d/e/1FAIpQLSdnhhWWPG4o4ZJS7ETYFcwlnTJKYT8WxZBCKk7e62mYu999-w/closedform>

Questionnaire response link:

<https://docs.google.com/forms/u/0/d/16iF2nNdrKhHhv0YG3Fqaw1ZsvIKWuLmbU3vNaLJbhpE/edit?pli=1#responses>

## *Annexure II*

### *Plagiarism Test Result*



ACFrOgDA1yMfd6HACFrOgDA1yMfd6HACFrOgDA1yMfd6H  
9WpUtJ5mwI6wDLtI9WpUtJ5mwI6wDLtI9WpUtJ5mwI6wDLtI