

ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT



**AN ASSESMENT ON EMPLOYEES PERCEPTION TOWARDS THE SOURCING PRACTICE IN THE
CASE OF ZAMRA CONSTRUCTION PLC**

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**THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF
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ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT
GRADUATE PROGRAM

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ZAMRA CONSTRUCTION PLC**

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Approved By Board of Examiners

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DECLARATION

I declare that “**An Assessment on Sourcing Practice In the Case of Zamra Construction Plc**” is my original work that all resources I have used or quoted have been indicated and acknowledged as complete references, and that has not been submitted for degree Purpose Previously.

Tesfaye Berhanu Wolde Semayat

Signature

Date

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This is to certify that the above declaration made by the candidate is correct to the best of my knowledge.

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Date _____

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I would like to thank my wife & Kids for their patience love, support, encouragement and many priceless sacrifices contributed to the successful completion of my studies without their assistance, this research would not have been possible.

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ACRONYMS

ERP – Enterprise Resource Management Program

MRP – Material Requirement Planning

MPP- Material Purchase Planning

SRM - Supplier Relationship Management

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ABSTRACT

As the company is performing in this dynamic and booming industry entertaining fierce competition with other similar organizations in the country having well planned and organized sourcing practice could be taken as a key strategic advantage so as to win competitor. And this study is conducted in attempt to access the sourcing practice that aid the implementation of cost effective and efficient sourcing activity both from local and international markets in terms of sourcing planning, sourcing performance management, supplier selection and related procurement activities carried on in the company. Due to the limited number of population which is less than 100 individuals, the study had employed census survey and a total of 68 questionnaires were distributed and used as the formal instrument of data collection but 53 of them were filled and returned which made the response rate about 77.94 % and of which all of them were found complete and hence qualified for being processed. The study findings have suggested that the sourcing practices is there but not well done in the case of Zamra construction plc. And as the perceived evaluation of the respondents show it has also revealed that, though all of the above mentioned dimensions of sourcing practices have statistically significant positive relationship with the overall operational performance and profitability of the company. Therefore it is recommended that Zamra construction plc should review its existing sourcing practices and make the necessary modifications and improvements on the sourcing planning, sourcing performance management, supplier selection and the procurement activities in order to benefit from implementing well organized sourcing practice in terms of improved quality, delivery time, reduced cost of goods and services and enhance the satisfaction of clients and internal customers.

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CHAPTER ONE

INTRODUCTION

This chapter discusses Background of the Study, Statement of the problem, research questions, and research objectives, significance of the study, scope of the study, limitation of the study, definition of terms and organization of the study

1.1 BACKGROUND OF THE STUDY

According to Dula (2017) sourcing, or the identification and vetting of suppliers, is a function that occurs prior to procurement. An effective sourcing process will put reliable, affordable suppliers in place for the procurement of goods from those suppliers, and will make procurement more successful and it would first be tasked with assessing purchasing needs, building sourcing plans, conducting market research, identifying and evaluating suppliers, and selecting the most suitable supplier or suppliers for the need. Harwood (2009) also states that the scope of the sourcing function relates to all activities concerned with smooth flow of materials to the point of usage, which covers not only supplier activity, but also internal activities, which include design, planning and storage.

The sourcing process usually starts with a requisition which informs purchasing that needs to be sought. The buyer would check first if there is already some commitment by long-term contract, in which case an order could be placed immediately. In the absence of such agreement, the buyer would ask if there is an existing source of supply whose performance is satisfactory (Baily et Al, 2005). Additionally Scott et al. (2011) Scott also argued that the sourcing process in the company starts when the buying team establishes the commercial objectives. This includes all their specifications from a potential supplier, for example cost, quality, service and lead-time for delivery and then starts looking for potential suppliers.

Sourcing also has the role of acquiring materials and parts as rightly requisitioned by the users and with the aims of meeting supply demands of the right quantity, quality, time, price, place and specifications. And it enlarges to become part of logistics functions by including the purchasing, receiving and distribution as well as disposal (Kinyeki, 2012).

As Zamra is privately owned firm established from a small scale of grade 6 construction companies in 1992 EC grows gradually and reaches to the current GC1 construction company level the previous trend of work and perception towards the sourcing activity is still minimal and less attention is given to it.

The company gives more attention to engineering and construction departments than others like Purchasing and Supplies Department which is situated as supporting unit of the firm than a core one. Nevertheless, well planned sourcing practice is very essential and mandatory for the day to day performance of every construction companies including Zamra construction Plc. which engaged in construction activity of different Buildings and Roads in different parts of the country as most of the inputs like construction machineries, trucks, vehicles and other construction inputs such as cement, reinforcement bar, finishing materials and service are acquired by sourcing from the local as well as international markets.

1.2 STATEMENT OF THE PROBLEM

Sourcing is the entire set of business processes required to procure goods and services and it includes procurement of goods and services by sourcing the required products and services from the best and least expensive supplier and avail it to the required destination using different logistics methods.

According to Dula (2017) sourcing practice include assessing purchasing needs, building sourcing plans, conducting market research, measuring performances, identifying and selecting the most suitable supplier or suppliers for the need and it is also responsible for budgeting, ordering, verifying product details, communicating with suppliers, monitoring order activity, maintaining proper receipt methods and reconciliation, and sending all transactional information to accounting and payments. Procurement metrics might include things like cycle time, quality, and cost per purchase order. Van Hoven et al (2009) argued that the sole mission in sourcing and procurement is not cost-cutting. Instead, they chose to drive a comprehensive sustainability agenda, which helped them to maintain and win market share and revenues, even in an overall declining market.

Furthermore, sourcing is a critical activity used at both tactical and strategic levels. It is concerned with what needs to be sourced, why, when and where. The concept is created to help supply chain managers and practitioners to improve, develop and implement strategies (Dula, 2017). Harwood (2009) also states the notion of performance management from a sourcing perspective may focus upon timeliness, quality, and price but it does not fully capture the effectiveness of the sourcing function.

And if sourcing is practiced effectively it helps the company to get benefits of availing and managing materials and services in a cost effective, well planned timely manner. Additionally it enables different departments and units participated in sourcing activity of required products and services to minimize waste of time, unnecessary costs and it also improve the overall profitability of the company. However, it seems these benefits are missing in the case of Zamra construction plc. As symptoms like frequent rush orders, complaints of users, dissatisfaction of procurement and supply department staffs, delay of the project behind schedule are always be there.

In Zamra users from different sections, finance department, purchasing and supplies management department together with the divisions under it like purchasing, inventory plan and control, stores management and maintenance and transportation divisions are the main units who are responsible for the effectiveness of the sourcing activity. And currently the company purchase materials, parts and services from both local and international vendors by itself and using its sister company called Yomaida Trading Plc. except partial freight forwarding activity and customs clearing service fully outsourced to a third party.

Furthermore, different studies have been done in the area of sourcing like the role of strategic sourcing in operational performance of organization by Asrat Admasu (2017), Employees Perception of sourcing practice and its link with operational performance by Mekdes Teshome (2016) and a study in the out sourcing practices of the construction sector with a title an assessment on the performance of outsourced logistics function plc by Hana Mulugeta (2017) at Addis Ababa University School of Commerce. As per the researchers knowledge there are no prior researches made on this specific topic of sourcing practices or activities except the

development of purchasing and materials management manual produced by Mikir Sira Plc which is supposed to use as a guide line for the overall sourcing practice in the subject company.

Therefore, implementing effective sourcing practice and management is considered to be a critical area where companies can win their competitors and improve their performance and this study is therefore show the areas where the company shall focus towards the improvement of its sourcing practices like sourcing planning ,sourcing performance management, supplier selection together with organized procurement practices and set recommend solutions for improvement and filling the gaps of the sourcing activity.

1.3 RESEARCH QUESTIONS

The study addressed the following research questions:

The main research question for this study is to what extent sourcing is practiced in Zamra Construction Plc.

- How does the company perform sourcing planning to wards achievement of its goals towards meeting the needs and expectation of customers and stakeholders?
- How does the sourcing performance management practiced in the company?
- How does the company perform the supplier relationship management?
- How does procurement practiced in terms of availing quality products and services in the right quantity, time and price?

1.4 RESEARCH OBJECTIVES

1.4.1 GENERAL OBJECTIVE

The general objective of this study is to assess the sourcing practice in Zamra Construction Plc.

1.4.2 SPECIFIC OBJECTIVES

The specific objectives of the study are:

- To assess the sourcing planning towards achievement of the company goal of meeting the needs and expectation of customers and stakeholders.

- To assess the sourcing performance management in the company.
- To assess the supplier relationship management in the company.
- To assess the procurement practice in terms of availing quality products and services in the right quantity, time and price.

1.5 SIGNIFICANCE OF THE STUDY

Sourcing is an important aspect in the construction companies so as to achieve competitive advantage. And as most of Zamra construction Plc. spending's on the purchase of capital items like construction machineries, equipment, construction materials and services, this study will therefore be important for the company in identifying strength and weakness of the sourcing practice, by serving as an improvement input for company's sourcing practice and providing relevant understanding on how sourcing practice affect the overall profitability of the company.

The study will additionally use for other similar companies in the industry by notifying the use and importance of planned sourcing practice and it also serve as a reference for further similar studies to be conducted in the future.

1.6 SCOPE OF THE STUDY

The study was made in Zamra Construction Plc. The subjects of the study are only the Head office sourcing practices. And it did not cover projects, Mekele latchi office and warehouse practices since most of the sourcing activities carried out at the head office level. And this study focused only on sourcing planning, sourcing performance management, supplier selection and the firm's procurement activities carried on within one budget year period of time which is from Hamle1, 2010 E.C to Sene 30, 2010 E.C and a one year data is used as the researcher get enough information on practices of the specified period of time and the number of employees is limited as the study is focused on the head office sourcing practice which covers more than 80% of the sourcing activities.

1.7 DEFINITION OF TERMS

The terms used in this chapter have the following meanings.

- **Sourcing practice** is the act of assessing purchasing needs, building sourcing plans, conducting market research, measuring performances, identifying and selecting the most suitable supplier or suppliers for the need and it is also responsible for budgeting, ordering, verifying product details, communicating with suppliers, monitoring order activity, maintaining proper receipt methods and reconciliation, and sending all transactional information to accounting and payments.
- **Sourcing Planning** is the process of deciding what to buy, when and from what source. It visualizes the intended result associated with results the organization wants to achieve, and determining the steps necessary to arrive at the intended destination.
- **Sourcing Performance management** is an activity that the sourcing processes are functioning properly is to tighten the link between strategic business objectives and day-to-day actions.
- **Supplier Relationship Management** is the process by which the buyer identifies, evaluates, and contracts and maintains a long-term relationship with suppliers.
- **Procurement** is a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money.

1.8 ORGANIZATION OF THE STUDY

This research paper consisted five chapters and it is organized in such a manner that the first chapter outlines the introductory part including back ground of the study, statement of the problem, significance, scope, objectives and limitation of the study and question that would be answered by the study.

The second chapter tells us the literature review of the study, which is mainly focuses on the sourcing practice ensuring to avoid the problems of managing sourcing practice in the Company.

The third chapter tells us about description of the study area, research approach, research design, methodology that tells about sampling techniques, administration of questioner and data analysis techniques.

The fourth chapter is the core part of the research which deals with the analysis of the collected data and its findings.

Finally, the last and fifth chapter deals with the summaries of key findings concluding remarks and recommendations suggested for solving the problem stated in the introduction part.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 INTRODUCTION

This chapter focuses on providing relevant literature on sourcing preparation including sourcing practice, sourcing planning, sourcing performance management, supplier selection and purchasing practices.

2.2 SOURCING PRACTICE

The scope of the sourcing function relates to all activities concerned with smooth flow of materials to the point of usage, which covers not only supplier activity, but also internal activities, which include design, planning and storage (Harwood, 2009).

Sourcing is uniquely positioned to lead organizations through these turbulent times in which the environment, society and economies are being challenged: firstly by managing the demand within the company, secondly by sourcing from sustainable sources and thirdly by motivating suppliers to use less resources. Rising to the environmental and ethical challenge can only boost the procurement profile and improve business' access to future opportunities (Hoeven et al, 2009).

According to Dula (2017) sourcing is responsible for budgeting, ordering, verifying product details, communicating with suppliers, monitoring order activity, maintaining proper receipt methods and reconciliation, and sending all transactional information to accounting and payments. Procurement metrics might include things like cycle time, quality, and cost per purchase order.

Sourcing would first be tasked with assessing purchasing needs, building sourcing plans, conducting market research, identifying and evaluating suppliers, and selecting the most suitable supplier or suppliers for the need (Dula, 2017). And Sole mission in sourcing and procurement is not cost-cutting. Instead, they chose to drive a comprehensive sustainability agenda, which

helped them to maintain and win market share and revenues, even in an overall declining market (Hoeven et al, 2009).

Gosh (2016) explain sourcing as strategic while procurement is more tactical (there are always exceptions). Sourcing is the process where you need to procure some good or service and you figure out all the steps starting from specifications, supplier identification and qualification, negotiation and analysis of responses and taking the right award decision. Procurement is the umbrella process which starts from requisition or demand creation, to sending the purchase order or agreement, invoice management and payment.

Procurement has the role of acquiring materials and parts as rightly requisitioned by the users and with the aims of meeting supply demands of the right quantity, quality, time, price, place and specifications. And it enlarges to become part of logistics functions by including the purchasing, receiving and distribution as well as disposal (Kinyeki, 2012).

The sourcing process usually starts with a requisition which informs purchasing that needs to be sought. The buyer would check first if there is already some commitment by long-term contract, in which case an order could be placed immediately. In the absence of such agreement, the buyer would ask if there is an existing source of supply whose performance is satisfactory (Baily et al, 2005). Scott et al. (2011) also argued that the sourcing process in the company starts when the buying team establishes the commercial objectives. This includes all their specifications from a potential supplier, for example cost, quality, service and lead-time for delivery and then starts looking for potential suppliers.

There are many benefits organizations can achieve from managing sourcing well. Effective sourcing can lead to improved product quality or reduced order cycle times for customers (Scott et al., 2011). It also refers to the value added process of selecting suppliers and the respective cooperation scheme and it must be supported by advanced analytics & market intelligence, supplier performance information and a concrete and well developed strategy (Deloitte, 2014).

The key business issues regarding sourcing are time, profit, skills and cost saving. Critical decisions like the supplier's selection, performance's evaluation and cooperation are the challenges in the sourcing process. These decisions are even more crucial on a global scale where many different variables are involved. And improving the sourcing process is a critical factor for success and competitive advantage for companies as purchasing policies fundamentally contribute to business success in several ways: improve sales margins, increase better quality and logistics arrangements with supplier and more competitive supplier's base and more effective business relationships (Weele, 2010).

Dula (2017) explains sourcing is a critical activity used at both tactical and strategic levels. It is concerned with what needs to be purchased, why, when and where. The concept is created to help supply chain managers and practitioners to improve, develop and implement sourcing strategies. Baily et al. (2005) also define sourcing, from a strategic point of view as a systematic process that directs purchasing and supply managers to plan, manage, and develop the supply base in line with the organization's strategic objectives.

Reactive sourcing which starts only when requests presented and strategic sourcing which is proactive in nature are two approaches which are not mutually exclusive. However, strategic approaches are preferable because of their inherent ability to maximize value (Bullen et al, 2010). And Strategic sourcing consists of processes of planning, evaluating, implementing and controlling' all sourcing activities undertaken by an organization to achieve its long- term goals (Carr & Smeltzer, 1997).

The overall goal of strategic sourcing is to achieve large and sustainable cost reductions, long-term supply stability and minimization of supply risk. The strategies to achieve such goals can be as wide as rationalizing supplier base, leveraging spending across departments, business units and geographical regions, reconfiguring supply specifications, and developing strategic partnerships with selected suppliers (Deloitte, 2014).

The sourcing strategy identifies for a certain category from how many suppliers to buy, what type of relationship to pursue, contract duration, type of contract to negotiate for, and whether to source locally or globally. The sourcing strategy matrix is a useful way to categorize items and to

set different strategies to manage risk. The matrix tells us that we should take different approaches when we manage different categories (Weele, 2010)

As stated by Dula (2017) Strategic Sourcing is the process of taking advantage of purchasing opportunities by continually reviewing current needs against purchasing opportunities. It is often used for high valued services, ad hoc purchases and core large values purchases including global sourcing of products and services irrespective of national boundaries.

The basic premise is that sourcing is a strategic issue not only addressing the manner in which suppliers are managed but also embracing the manner in which the materials / services and sourcing resources are predicted (Harwood, 2009).

The sourcing strategy is a systemic view of how all materials will be sourced based upon the concept of partnerships and a lean supplier base. It provides a considered approach towards the selection of appropriate suppliers for a given family or type of components, viewed from a 'total service' perspective. Sourcing strategies includes "sole sourcing, single sourcing, dual sourcing, multi sourcing, partnering sourcing" (Croom et al, 2000).

Two further dimensions need to be also considered. The first relates to the resources required to implement the sourcing strategy, which comprise not only the personnel, but also the tools e.g. MRPII and policies or procedures which support day-to-day activity labeled 'resourcing strategy', this entails a strategic view of resourcing issues and the second concerns both the management of the supplier, which includes the selection of the supplier and the ongoing development of the supplier relationship, and the day-to-day management of availability. The emphasis is upon competencies, resources, activity and the management all this, hence is labeled 'supplier and availability management' (Harwood, 2009).

According to Marjolein et al. (2005) sourcing portfolio approach has inspired many academics to undertake further research into sourcing portfolio models. Refined models typically recommend one purchasing strategy for each portfolio quadrant.

Critical/ Strategic consider a product with a high supply risk and a high financial value. You consider the supplier as an important partner with whom a satisfactory, cooperative strategic relationship and a good mutual understanding exists; Bottleneck strategy Consider a product with a low financial value, but a high supply risk. Your company is vulnerable regarding the supply of the (single) supplier. Assurance of supply is pursued by keeping high safety stocks. In response to this situation, it is decided to search for other solutions, especially by working with more generic specifications, if necessary finding another supplier; Leverage strategy Consider a product with a high financial value, but a low supply risk. Negotiations are tough in pursuit of the lowest price, guaranteed quality and reliable delivery. Competitive bidding is an option. You are only willing to enter short-term contracts. You recognize possibilities for deepening the relationship with the supplier, allowing him to contribute more to the competitive position of your company. The last one is non-critical/ routine strategy Consider a product that has a low financial value and a low supply risk. The product is not very critical for your company by pooling of requirements; a single supplier can be contracted for a package of items. Every time the product is needed in the company, a single order is placed with a supplier (Marjolein et al., 2005).

From the literatures referred above we can see that sourcing function is a systematic and strategic activity related to all activities concerned with the smooth flow of materials to the point of usage including supplier and internal activities like planning, performance management, budgeting, ordering, supplier management and procurement activities. Effective sourcing also leads to improved product quality, reduced order cycle time and cost that maximizes profit and focus on strategic partnership with selected suppliers get a better opportunities for the firm.

2.3 SOURCING PLANNING

Planning helps an organization chart a course for the achievement of its goals. The process begins with reviewing the current operations of the organization and identifying what needs to be improved operationally in the upcoming year. From there, planning involves envisioning the results the organization wants to achieve, and determining the steps necessary to arrive at the intended destination success, whether that is measured in financial terms, or goals that include being the highest rated organization in customer satisfaction (Hill, 2018).

According to MacMillan (2018) Goals are the basis of an effective process. There are two key elements to consider when developing goals. First, are goals written clearly and objectively and secondly should directly contributing to the achievement of business strategy. Hill (2018) also states setting goals that challenge everyone in the organization to strive for better performance is one of the key aspects of the planning process. Goals must be aggressive, but realistic. Organizations cannot allow themselves to become too satisfied with how they are currently doing or they are likely to lose ground to competitors. The goal setting process can be a wake-up call for managers that have become satisfied. The other benefit of goal setting comes when forecast results are compared to actual results. Organizations analyze significant variances from forecast and take action to remedy situations where revenues were lower than plan or expenses higher

According to Hill (2008) all organizations, large and small, have limited resources. The planning process provides the information top management needs to make effective decisions about how to allocate the resources in a way that will enable the organization to reach its objectives. Productivity is maximized and resources are not wasted on projects with little chance of success. Lynch (2013) also the creation of a sourcing strategy for procuring each requirement that will be included in the sourcing plan. Such strategy includes a market survey and determining the applicable procurement method given the requirement and the circumstances, develop sourcing schedule which establishes the timelines for carrying out each step in the procurement process up to contract award and the fulfillment of the requirement.

Planning helps organizations get a realistic view of their current strengths and weaknesses relative to major competitors. The management team sees areas where competitors may be vulnerable and then crafts marketing strategies to take advantage of these weaknesses. Observing competitors' actions can also help organizations identify opportunities they may have overlooked, such as emerging international markets or opportunities to market products to completely different customer groups (Hill, 2018).

According to Lynch (2013) sourcing planning allows for the consolidation of similar requirements under one contract or the division of a requirement into several contract packages for economies of scale. And also helps for the monitoring of the procuring process to determine

how actual performance compares with planned activities, and thus to alert the pertinent departments and adjust the sourcing plan accordingly and It enhances the transparency and predictability of the sourcing process. UN Procurement practitioner hand book (2006) explains developing a consolidated sourcing plan is necessary for the whole organization, but depending on the structure and level of decentralization these may be developed at the corporate, divisional, country office or business unit level. The procurement plan is always based on estimates of procurement operations to be carried out in the specified period. Some procurement needs cannot be anticipated, and the plans can therefore never be accurate. However, a procurement plan based on estimates is still better than no procurement plan.

It is generally easier to define plans and procedures when you have a draft to start from, the abstract provides an example of a step-by-step procedure for the development of formal sourcing plans and a detailed outline of what should be in the plan and the development and implementation of formal detailed strategic sourcing plans for major spend categories has been and will continue to be an essential element of top-class supply management operations (Bendorf, 2008).

The final mandatory component of any viable sourcing plan must round out what is commonly referred to as the triple constraint: the costs required to accomplish the defined scope of work within the allotted timeframe or schedule. At the start of each new project every task, every major component; every purchased item will get a budget and the sourcing planning process should conclude with the release of a formal document called a sourcing Management Plan. This plan should have been coordinated and endorsed by all key functions supporting the project. Ideally, each major organizational function impacted by the procurement will have contributed to the creation of this document. And Project managers must define what they plan to do, and most important, must set the outer limits of what they are committed to do. Without a scope definition "firewall" in place, projects will be in the unenviable position of constantly accepting additional work, referred to as "scope creep" throughout the life of their existence. The only way to put finality into a project is to define the scope of work, and then to avoid the inadvertent acceptance of "minor refinements" (Fleming, 2003).

It is important to have a plan or a process that can help the company to be effective and increase the possibilities of a successfully executed trade. According to Deloitte (2014) when no clear directions and standardized processes exist to develop and apply a sourcing strategy, buyers commonly apply their own way of thinking and patterns of buying often resulting in sub-optimal use of company's resources.

Without a thorough understanding of the category, the sourcing team will not be able to determine the appropriate cost / value tradeoff and create a supply management plan that will simultaneously achieve cost reduction and avoidance while achieving the business strategies outlined in the corporate business plan. The plan outline is worth reviewing; because it outlines what you have to think about in order to develop a good plan. At a high level, the plan outline shall consider category description, current business strategy for category utilization, category history in terms of total annual volume, historical price changes, lead time, cost improvement history and others like current supplier overview, process over view, supply market over view, value analysis, plan objectives of short and long term nature, its relation with the corporate plan, implementation strategies and action plan (Bendorf, 2008).

In construction projects, availability of required material at right time at the project site is crucial to complete the project on time and within budget additionally each construction phase has specific requirements; delay in any of the phase affects the planning of subsequent phases. Resource availability and work availability are two common limitations that constrain the construction progress. Work availability limitations are usually expressed by internal or external dependencies in a construction project. Since these dependencies are related to the nature of work, normally the project manager is not able to control them. In contrast, resource availability limitations can be controlled by the project manager by means of resource plans and managerial decisions. It seems that construction management is nothing but resource management which leads to a huge number of resource management and sourcing studies (Mobtaker et al, 2013).

As indicated by all scholars referred above sourcing planning helps any company by charting a course for achievement of its goals since goals are the basis of an effective sourcing process in deciding what, how, when and from what source. It helps the organization to get a realistic view of the strength and weaknesses of the sourcing practice and also help for consolidation of similar requirements in one contract to gain economies of scale. And it should consider the cost required

to accomplish a defined type of work, consider every major item, a budget limit a scope and preparation of sourcing management plan or document. And it also helps the company to be effective and increase the possibility of successful execution of duties. And so as to finalize a construction project sourcing planning is an important tool in relation with the availing required materials at the right time and within a budget.

2.4 SOURCING PERFORMANCE MANAGEMENT

The primary reason to make sure performance management processes are functioning properly is to tighten the link between strategic business objectives and day-to-day actions. Effective goal setting (including timelines), combined with a method to track progress and identify obstacles, contributes to success and bottom line results. When setting goals, key job expectations and responsibilities should act as the main guide and reference. Goals should be set that not only address what is expected, but also how it will be achieved. For example, the "what" covers quality or quantity expected, deadlines to be met, cost to deliver, etc. and a goal should be SMART or which is specific, measurable, achievable, realistic or relevant and time bounded additionally established goals use as a basis for performance planning, sets the stage for the year by communicating objectives and an actionable plan to guide the employee to successfully achieve goals (MacMillan, 2018).

Performance measures should aim at the long term and should be forward thinking initiative designed to fundamentally change the way corporations do business. It is not a post mortem of what happened but a step towards how we do better in the future. In designing a performance measurement system, organizations must consider how the measures will support senior executive performance review and organizational planning to address the overall health of the organization, and how the measures will support daily operations and decision making (Ethiopian management Institute, 2018).

Sourcing, spend analysis; contract management and supplier performance management are the four primary “pillars” that mark the foundation of the modern strategic sourcing program . All four are valuable business processes that can elevate a sourcing team’s performance and when connected, can transform an entire operation (Bartolini & Matthew, 2014).

Having a supplier performance management program in place helps your organization to avoid supply chain risk and disruptions if you are not deeply familiar with the third party vendors making up your supply chain, it will be difficult to put measures in place to prevent interruptions and reduce the incidence of risk exposure. Supplier performance management provides in-depth visibility into the risk a supplier may pose so you can put measures in place to reduce or eliminate that risk as it relates to your supply chain (Jagger, 2016).

According to Sisco and Chron (2009) Supplier performance and implementation level should be evaluated based on positive measurements of performance and management capability in order to enable planning for continuous improvement than identification of non-compliances. Positive supplier performance measurements are typically company-specific supplier ratings schemes that use a range of methods, including assigning points (1 to 100), grades (A-B-C-D), or color coded categories (red, yellow, green) based mainly on audits, but sometimes incorporating other criteria, e.g. management systems, participation in training, leadership activities, etc. And Bartolini & Matthew (2014) also states that supplier Performance Management programs help enterprises rate and grade a supplier's performance across all aspects of its products, services, and contractual obligations, develop supplier surveys and scorecards that track performance and collaborate with internal stakeholders and suppliers to improve and help sourcing teams to "connect the dots" with their suppliers and make better-informed sourcing and supplier decisions.

Avoid costs and achieve savings using a variety of cost factors tracked using supplier performance management which affect both hard and soft dollar costs. Lack of timely and accurate vendor information can have huge impact on costs and can prevent you from capturing savings. Not only can you track supplier performance on cost and savings-related KPIs, the information provided by an SPM system can contribute to cost avoidance and savings achievements because it centralizes supplier data into a single source of truth for everyone interacting with vendors additionally SPM gives procurement groups visibility into specific groups of suppliers and their overall ability to meet your organizations expectations and requirements. With performance data in hand, procurement can make data-based decisions regarding where to direct spend (Jagger, 2016).

A clear view of supplier performance can help procurement departments find the best supplier partners for future contracts and investment in innovation projects. In turn, performance feedback that helps suppliers improve their business can serve as a powerful incentive for a supplier to invest in the relationship (Andrew & Matthew, 2014).

The notion of performance from a sourcing perspective may focus upon the three measurable of supplier timeliness, quality, and price. It is important to note that they do not fully capture the effectiveness of the sourcing function (Harwood, 2009).

In engineering, procurement and construction (EPC) industries supply cost is a big portion of total expenses of a company. So having enough supply at the right time is critical and crucial to complete a construction project on time and within budget; then appropriate supply management and specifically supplier selection and quantity allocation methodologies are effective to improve the project performance indicators like cost and time and supply chain efficiency in general (Mobtaker et al, 2013).

As stated in UN Procurement practitioner hand book (2006) specifications may be stated as one or a combination of functional, performance, or technical are specification types usually used It is better, whenever possible; to use performance and functional specifications rather than technical specifications as this allows suppliers to offer alternative and innovative ideas and solutions to problems, which often results in a more cost effective use of the resources. However, depending on the products and end-user needs, certain requirements may not be adequately defined in functional and performance terms alone.

The measurement of sourcing performance and your underlying key indicators and KPIs should primarily assist procurement and, in addition to period routine evaluations “monthly reporting”, enable in particular progressive data analyses as well. The goal of these analyses is to examine causes for deviations and with regard to data as well as to show savings potential and therefore to improve the cost position of the entire company in the medium term (Orpheus, 2018).

A qualitative or quantitative measure of service or activity used to compare actual outcome against a standard or other target. Performance measures commonly relate aspects such as safety

responsiveness, cost, comfort, asset performance, reliability, and sustainability (Berry and McCarthy, 2011).

Contract management and supplier performance can be measured in terms of delivery management, relationship management and contract administration (Economic Cooperation and Development Organization, 2017). And UN Procurement practitioner hand book (2006) states contract management includes monitoring and documenting performance. Depending on the organization and goods or services procured, daily/regular monitoring of the contract may be primarily the responsibility of the requestor.

The performance of existing suppliers should be evaluated on an ongoing basis. Data should be recorded, and nonperformance should be flagged in existing rosters/information additionally when goods and services are combined, or quality levels are linked to product performance, or for large and complex projects, the trend is to use “performance based contracts”. This means that the whole acquisition is structured around the purpose and the outcome of the work to be performed and not the manner in which the work is to be performed. Performance based contracts (UN Procurement practitioner hand book, 2006).

From the literatures referred above we can learn that the issue of sourcing performance management is mandatory so as to made a link between strategic business objective and day to day actions of firms and so as to measure performances we need to set a goal and the goals must be SMART Specific, Measurable, Attainable, Realistic and Time bounded. Performance measures should be long term and forward thinking it considers the management of supplier, cost, quality and time.

2.5 SUPPLIER RELATIONSHIP MANAGEMENT

The sourcing strategy provides a framework to guide the selection of the suppliers, allowing the strategic role of each selected supplier to be clearly defined. Consideration should be given to the nature of the relationship with the supplier and whether it is to be arm’s length, a partnership or somewhere in between. Suppliers are selected according a range of criteria, a long-term contract is agreed with the approved suppliers, then the supplier becomes operational and the day-to-day relationship ensues. The ongoing relationship is managed to minimize the likelihood that

suppliers can make mistakes and ensure that materials are available onsite as required, without excess inventory holding (Harwood, 2009).

Responsible sourcing programs evolved from an approach based on policing compliance to one that goes beyond monitoring to drive continuous improvement through strong supplier management systems and brand-supplier partnerships. Brands are seeking to develop clear goals and metrics aligned around desired supply chain outcomes (Sisco and Chorn, 2009).

Managers need to know the main suppliers well, to visit them and talk to the people who process their orders and make decisions about them, to keep in touch with business plans, product developments, and what is going on inside the key supply organizations. Today, enlightened buyer are seeking suppliers whom they can work to a mutual benefit. (Baily et Al. 2005).

According to Baily (2005) reputation, appraisal, approved lists, catalogue library, publications, trade directories, sourcing services, representative's exhibitions and colleagues are some of the key sources for finding suppliers.

On time delivery, consistent quality, a good price, stable background, good service back-up, responsive to our needs, keeping promises, provision of technical support and Keeping the buyer informed on progress are another list of suggestions where Baily makes for buyer and supplier synergy or mutual benefits long-term relationships.

The final decision between many different possibilities is not made only accordingly to one factor but it is generally seen as a typical multiple criteria decision-making problem with multiple qualitative and quantitative dimensions. (Andreas P. Kakouris et Al, 2006).

Damian Beil (2009) argues in his article that there are several factors in the supplier screening process, before the final decision concerning the right supplier could be made by reference checks, financial status checks, surge capacity availability, indications of supplier quality, buy-in from internal customer and ability to meet specifications.

Supplier selection and why it is considered the crucial part of the sourcing process by most of the academic literature. It is part of the modern sourcing to rationalize the supplier base and develop strategic partnerships (Furlotti, 2014).

Supplier selection is the process by which the buyer identifies, evaluates, and contracts with suppliers. The supplier selection process deploys a tremendous amount of a firm's financial resources. In return, firms expect significant benefits from contracting with suppliers offering high value (Damian Beil 2009).

The supplier selection relates to all activities, which are required to select the best possible supplier and includes determining on the method of the subcontracting, preliminary qualification of suppliers and drawing up the bidders' list, preparation of the request for quotation and analysis of the bids received and selection of the supplier (Van Weele 2010).

In today's business environment, there is an emphasis on developing long-term cooperative relationships with critical suppliers. Business managers are reducing their supply base and thereby increasing the buying volume with the remaining suppliers. (Prahinski & Benton 2004).

When choosing among alternative suppliers, there could be two options globally or locally. The main reasons and facilitating factors for sourcing globally are cost reductions through purchasing in low-cost markets, improved quality, as competition overseas might be more severe in specific sectors than in the home market, Superior technology as know-how, experience and innovation might be superior outside the home market in specific sectors, reduction of logistics constraints through improved communication technology together with reduction of tariff barriers and customs constraints due to shifting public policy and regulatory attitudes (Herbig and O'Hara, 1996; Laseter et al., 1997).

According to Khaled (2011), suppliers are considered the best intangible assets of any organization. Suppliers have varied strengths and weaknesses that require careful assessment before order placement. It can be argued that it is extremely difficult for any one supplier to excel in all dimensions of performance. Suppliers have to satisfy minimum overall performance standards, but one of the scheme's objectives is to improve these continually.

Additionally Lawson et al., (2009) argues "that partnerships with suppliers can have a strong positive influence on firm performance through the development of joint resources and the exchange of valuable knowledge with this conceptualizing supply chain management. Harland et al., (1999) also states that Firms have concluded "that they will readily attain long-term cost

reduction (via product or process re-engineering) by forming closer working relationship with “key” suppliers”.

Collaborate closely with suppliers you create new value for your business. The data collected through a supplier performance management solution can help to start these conversations because it provides the supplier with a view of what is important to your organization. The results are numerous: continuous improvement of the supply base, creation of realistic contracts based on past performance, more communication with suppliers, formation of common goals, and the establishment of trust. Ultimately, SPM drives the creation of meaningful and mutually beneficial relationships with suppliers (Jagger, 2016).

Improve internal processes by creating a supplier performance management process as a great step towards optimizing your supplier management program. By utilizing a technology-based solution for SPM, organizations can achieve a standardized and automated approach for creating scorecards, issuing and tracking scorecards for completion, and in-depth reporting and analysis. If you tack this onto an existing supplier information management (registration, onboarding, qualification) process, SPM data will contribute to a complete supplier management lifecycle (Jagger,2016).

According to Spekman (1988) and Swift (1995) one implication of moving towards increased dependency upon fewer suppliers is the potential risk of disruption to supply. To minimize this potential calls for more sophisticated selection practices.

From the literatures referred in this research paper we can see that supplier Relationship Management (SRM) is the process that looks at proactively managing the link between buyer and supplier. It is a mutually beneficial process that works in two ways and should improve the performance of both. It has a strategic role in selection of suppliers, establishment of relationship, type of contract required, identification of key suppliers with a required capacity and quality together with the development of rationalized supplier base and long term cooperative relationships either globally or locally so as to create a new value for the business.

2.6 PROCUREMENT ACTIVITIES

The objectives of procurement department can be classified into general managerial level, functional level and operational level objectives (Dobler, 1996). Quayle (2006) also states the five rights or the standard statement of the overall objectives of the procurement function as obtaining the right materials in the right quantity, at the right time and place from the right sources and the right price.

Right Quality is defined as simply 'fitness for purpose' or the British standard institution defines as "the totality of features and characteristics of a production or service that bear on its ability to satisfy a given need" (Nair, 1990).

The right quantity is more relevant to the purchase of consumables or parts or assemblies for manufacturing than for project buying. Fulfilling these objectives will enable to provide a continuous and uninterrupted material at the minimum cost. In most organization the decision of how much to purchase is more important by the close relationship of purchases quantity and schedule use. (Parson, 1982)

Dobler et al (1996) argued that a right supplier is an invaluable resource to the organization requiring its products or service. He further pointed out that, such suppliers make a direct contribution to an organization's success and can therefore assist their customers with product development, value analysis, and timely delivery of the desired level of quality. And right time the time in which the user requires the product considering the lead time of procurement.

Procurement refers to a function in business whereby the enterprise obtains the inputs for what it produces, as well as other goods and services it requires. Purchasing is one of the basic functions common to all types of business enterprise. These functions are basic, because no business can operate without them (Dobler, 1984).

According to Kenneth Hamlett (2017) Purchasing or procurement departments are tasked with finding goods or services at the best price, in the quantity desired and at the quality required. Certain purchasing key performance indicators, or KPIs, like delivery on time, quantity and unit cost can help any business understand its purchasing habits and use this information to determine which suppliers provide the best value and performance.

And the primary goal of every procurement organization is keeping the procurement sustainable and constantly looking for ways on how to improve the procurement processes and the KPIs help point you in a direction to improve performance levels, identify breakdowns in a process and are a driver of continuous improvement for more efficient and sustainable procurement processes (DeltaBidInc, 2018).

The term 'procurement' relates to the process of acquiring goods, services and works, for example from pens to service delivery partnerships, or from bricks to new roads, and from the initial concept through to the end of the useful life of the asset or service contract. It can also range from the negotiation of corporate contracts for the supply of routine goods and services through to the more complex partnership arrangements such as public/private partnerships (PPP), joint commissioning with other public sector organizations, and construction projects (Hunter,2011).

Effective and efficient Procurement management process leads to maximum level of production, minimum production and distribution costs as well as maximum profit margins. The objective of procurement management strive for reduction in the production and distribution costs, help the organization in achieving its objectives mainly by maintaining the continuity of production or service delivery through the purchase of materials of the right quality at the right time, from the right source on the right terms and conditions of procurement procedures and at most cost effective and competitive price so as to facilitate effective achievement of organizational objectives by minimizing the cost of production and maximizing the marginal profit (Kinyeki, 2012).

Hunter (2011) also discuss effective and sustainable procurement is crucial to achieve continuous improvement and to securing value for money in public services while sustainable Procurement is a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage, or indeed improves the environment.

As it is stated by Efficiency by Economic Cooperation and Development Organization, (2017) procurement can be measured in terms of transaction costs and time of procurement procedures. Efficiency can also be measured through the use of e-procurement and of aggregation vehicles like framework agreements and consolidated contracts.

According to Weele (2010) the purchasing function covers activities aimed at determining the purchasing specifications based upon fitness for use, selecting the best possible supplier and developing procedures and routines to be able to do so, preparing and conducting negotiations with suppliers in order to establish an agreement and to write up the legal contract, placing the order with the selected supplier or to develop efficient purchase order and handling routines, expediting, follow up and evaluation.

Kinyeki (2012) also states that the procurement functions therefore include appraisal and selection of suppliers, operating collation of suppliers' details including price, vendor rating, distribution methods and delivery schedules, negotiating the purchase of goods and services and parts which represent the best value to the business in the long term and merit rating of supplier performances, ensuring that suppliers are familiar with, and adhere to the organizations' policy, quality standards, ethics, systems and procedures of doing business together, maintenance of adequate stock / inventory levels. This is in order to provide an uninterrupted flow of materials, suppliers and services required to operate the organization and to ensure production continuity, establishing and maintaining effective working relationship with relevant departments, development of an effective team work and linkages with existing suppliers and maintaining good relationship with potential suppliers.

According to UN Procurement practitioner hand book (2006) the ultimate goal of procurement planning is coordinated and integrated action to fulfill a need for goods, services or works in a timely manner and at a reasonable cost. Early and accurate planning is essential to avoid last minute, emergency or ill-planned procurement, which is contrary to open, efficient and effective and consequently transparent procurement. In addition, most potential savings in the procurement process are achieved by improvements in the planning stages. Even in situations where planning is difficult such as emergencies proactive measures can be taken to ensure contingency planning and be better prepared to address upcoming procurement requests. And it

clarifies what is needed and when it is needed to both user and buyer. Effective procurement planning enables the organization and its staff to work smoothly to achieve the organization's goals with the right quality and quantity of inputs in place ineffective procurement planning may result in failure to achieve those goals, putting in jeopardy the FRR and procurement principles and causing damage to the credibility of the organization.

Brooks (2011) states procurement planning is the assessment and determination of the need for a product or a service, in what quantity, and when the product or services must be delivered. Once the need is determined and develops it will be submitted as a procurement requisition for approval procurement management and the requesting office engage in procurement planning discussions to further define and plan the appropriate method of procurement. Lynch, (2013) states procurement planning as the process of deciding what to buy, when and from what source. During the procurement planning process the procurement method is assigned and the expectations for fulfillment of procurement requirements determined.

When a need arises to purchase goods and/or services, the Requesting Office must consider the level of complexity, volume, dollar value, any unknowns of the needed purchase, and engage the expertise of Procurement Management early in the planning process office for assistance. The Requesting Office is responsible for identifying the specifications or scope of the requirements, such as recommended manufacturer/brand, model, quantity, size, functionalities, features, capabilities, minimum scope of work, and project deliverables (Brooks, 2011).

Nowadays the procurement function is becoming more and more strategic for the success of the company. The procurement function has gained great importance in the supply chain management due to factors such as globalization, increased value added in supply, and accelerated technological change (Khaled, 2011).

Purchasing activity is the decision making process by which formal organizations establish the need for products, identify, evaluate and choose among alternative brands and suppliers (Webster and Wind, 1972).

To decide whether the needed goods and/or services require a competitive bid solicitation, Procurement Management will collaborate with the Requesting Office and plan the procurement for conducting the phases of the process (Brooks, 2011).

Contract is made after the major negotiation framework includes a set of activities like identify or anticipate the sourcing requirement, determine if negotiation or competitive bidding is required, plan for the negotiation, conduct the negotiation and execute the agreement. It is a binding agreement between the purchaser and seller to buy and sell certain goods or services for a period of time at prices established by the contract or award offers to provide goods and/or services in accordance with stipulated terms, conditions and pricing (Brooks, 2011).

Sometimes negotiation process is made by a clear understanding between other's party needs and wants. During negotiation both parties have to reach a possible 'win-win' situation which we believe it would help to create a solid business ground for future possibilities. A win-win negotiation can increase and expand the outcomes for all the parties involved. Win-win negotiations provide a solid ground for what Monczka (2005) defines as "cooperation".

Procurement Management researches availability of existing contractors and open market suppliers to source from, makes a determination on the best method of procurement, and conducts the appropriate procurement and award procedures to obtaining the required product and/or services. It also administer and manage agreements utilizing vendor management practices, contract negotiation and amendments including renewal procedures, and contract close-out for terminated or expired agreements (Brooks, 2011).

The principal responsibility of a purchasing department which enhances the efficiency of sourcing management functions is to secure sufficient and suitable raw materials, components, other goods and services to ensure that manufacturing process is fully supplied with all of its materials requirements and to achieve this responsibility in an economic and cost effective manner (Kinyeki, 2012).

Key issues to consider in respect of procurement performance management include efficiency Of ensuring that we are driving down the cost of the goods, services and works we procure without compromising quality, planning annual procurement activity in advance will enable officers to

undertake procurement in a more structured manner, identify options and prepare properly, setting specifications which include measurable outputs or outcomes, performance standards or other appropriate measures by which the contract can be assessed, performing a contract management which is a major factor in the success or failure of a contract as all contracts need monitoring and managing the contract, including the development of relationship management, risk should be managed throughout the procurement cycle to ensure that risks are identified and managed by the most appropriate stakeholder and a review should be made so as to take lessons from (what went well, what didn't go well), in order to inform future procurement decisions. Problems encountered in a project should be fed into risk analysis models for future projects (Hunter, 2011).

The goals of KPIs can be divided into three major groups according to their purpose: receive savings, increase quality and improve delivery. All three groups are tightly bound together and it's important to understand that these are like a three legged stool: if you are setting up your KPIs from only one of the groups, you don't want to harm either of the other two because it might decrease supply sustainability, cost savings, quality and delivery are mutually inclusive and focusing on only one attribute could result in an overall less efficient system. A balance between all three KPIs – cost savings, uninterrupted supply and controlled stocks is required for greater output (DeltaBidInc, 2018).

The literatures on the procurement section of this paper focus on meeting the procurement objectives of the firm in maintaining the five rights of procurement or acquiring right quality of products or service at the right quantity, right time, and right price and from the right source and locations. And keep procurement sustainable and constantly looking for ways on how to improve the procurement process. Procurement activities basically aimed at determining the purchasing specification based on fitness for use, selecting supplier, making negotiations, entering in to a binding agreement or contracts, ordering, follow up, expediting and other routine works. Additionally the procurement unit is responsible for enhancing the efficiency of the sourcing management function so as to secure sufficient raw materials, components and other goods and services.

2.7 EMPIRICAL REVIEW

This section presents the assessment of research papers written in sourcing area. The papers were selected due to the relativity and similarity of the topic that they address. Because of their similarity with the study in the assessment of the sourcing practices of Zamra construction plc.. All the researchers tried to find out the gaps which exist in the sourcing process that has an impact on the sourcing activity and its effectiveness in terms of strategic implementation and performance and procurement related issues and make recommendations on how to improve the sourcing practice and Procedure.

Asrat Admasu (2017) discusses the role of strategic sourcing in operational performance of the organization. The main problems in the organization were changes and latest trends in the competitive market globally with the mitigation of sourcing risks, supply risk, process and control risk, environmental and sustainability risk, operation risk and demand risk. The paper presents a general research objective of analyzing strategic sourcing practice in association with the performance of the air line towards operational improvements such as quality, cost, service levels cycle time, logistics (in/outbound) , transaction reduction , inventory turns; and strategic objectives such as profitability, financial stability, competitive positioning and the relationship between the sourcing unit and other units of the organization. The research finding shows that supply chain improvement helps to boost customer service and improve operational performance of the organization, good supplier relation management is also has positive impact towards operational performance was conducted and the findings were analyzed so as to draw a conclusion that strategic sourcing has a role to play in organization's performance. The study established that strategic sourcing was affected by various factors which include Supply chain improvement, contract management, supplier relationship management and rationalization of supply base.

Mekdes Teshome (2016) discusses the employee's perception of sourcing practice and its link with operational performance the case of MSF Ethiopia. The main problems in the organization were associated with Strategic purchasing, Limited number of suppliers, Long-term orientation and Communication, and operational performance. The paper presents a general research objective of to assess sourcing practice and operational performance of MSF in association with the aforementioned dimensions.

The research objective showed the need of having a modest effort in strategic purchasing, long term orientation, communication, limited number of suppliers and they are significantly perceive power on the operational performance of MSF.

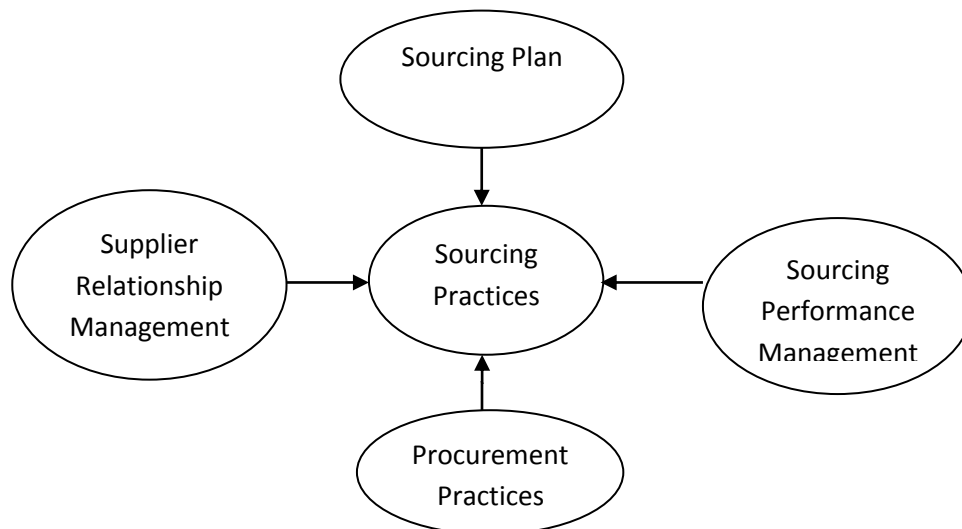
And the study were concluded by recommending MSF should to review its existing sourcing practices and make the necessary modifications in order to benefit from the performance improvements in terms of improved quality, swift delivery time, reduced cost of goods, volume & mix flexibility of goods and satisfaction of internal customers.

And this paper will fill the gap between theoretical discussions and practical aspect of sourcing practice and explain the planning part which were not given much attention in the above stated researches and assess other aspects like sourcing budget, sourcing performance management, supplier selection and other procurement activities.

2.8 CONCEPTUAL FRAMEWORK

Sourcing planning, sourcing performance management, supplier selection and procurement practices are relevant issues that go together with applying effective sourcing practice in the company. Without linking these ideas and other relevant issues the sourcing practice do not achieve its intended purpose or outcome.

Figure 2.7 Conceptual frame works



Adapted by the researcher from the literature review

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Kumar (2008) defined research methodology as a science of studying how research is done scientifically. It contains details about the research approach, research design, sample size and sampling techniques, data source, data collection instruments, data analysis, reliability and validity of the study, and finally ethical considerations.

3.2 DESCRIPTION OF THE STUDY AREA

The study was conducted on Zamra construction Plc which was established in 1992 EC and became one of the GC1 construction companies engaged in construction activity of different Buildings and Roads in different parts of the country.

A total of 632 workforces comprising over 210 Specialist in technical area like engineers, permanent employees together with its over 113 construction equipment, machineries, trucks and vehicles.

At Head office of the company which is located in Addis Ababa there are total of 82 employees who works under different departments and services like purchasing and supply department, finance department, maintenance & equipment administration and construction department, audit, information technology, legal and insurance services.

3.3 RESEARCH APPROACH

Mixed approach is both a method and methodology for conducting research that involves collecting and analyzing both quantitative and qualitative research in a single study or a longitudinal program of inquiry. The purpose of this form of research is that both qualitative and quantitative researches, in combination, provide a better understanding of a research problem or issue than either research approach alone (Creswell, 2008).

Mixed approach were employed in the study so as to analyze information gathered through the structured questionnaires of closed ended questions seven questions for sourcing planning, eight

questions for sourcing performance management, six questions on supplier relationship management and nine questions on procurement practices were measured using a likert scale and a total of seven open ended questions from the above stated four sourcing dimensions to be filled by the respondents were distributed and collected by the researcher himself use SPSS 2.0 tool in coding the data obtained and analyze it using descriptive statistics so as to get the mean and standard deviation results that show the average value and the upper and lower limit of the deviation from the mean.

3.4 STUDY DESIGN

The research used a descriptive research design type which helps to provide answers to the questions of how and what associated with a particular research problem and assess the sourcing practices in the company.

Descriptive research design can be either quantitative or qualitative. It can involve collections of quantitative information that can be tabulated along a continuum in numerical form, such as scores on a test or the number of times a person chooses to use a-certain feature of a multimedia program, or it can describe categories of information such as gender or patterns of interaction when using technology in a group situation. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984).

Descriptive studies are aimed at finding out "what is," so observational and survey methods are frequently used to collect descriptive data (Borg & Gall, 1989).

3.5 UNIT OF ANALYSIS

Zamra construction plc is a unit of analysis for this study. And the study emphasizes on some elements of the sourcing practices like sourcing planning, performance management, supplier selection and procurement activities of the company.

3.6 THE STUDY POPULATION

If the target population is smaller (e.g. 100 or less) census survey is very appropriate and effective since virtually all population would have to be sampled in small populations to achieve a desirable level of precision (Israel, 2013).

One of the greatest advantages of a census survey is that all employees have the same opportunity to participate. Some employees may still choose not to participate, but at least the opportunity to do so is presented. No one person or group can feel upset or left out (Parker, 2011).

The researcher used census method so as to address the sourcing practice in Zamra Construction Plc. But, out of the total of 82 employees located at the head office some of the employees like cleaners, messengers and drivers are not participated as a respondent since their demand and any sourcing related issues are managed by the property management and general service division. Therefore only 68 respondents were taken as a source of data or information and 53 of them were responding to the questionnaires given.

3.7 DATA SOURCE, TYPES AND COLLECTION PROCEDURES

The study assessed the existing sourcing practice of Zmara Construction Plc and related issues. To conduct this study both primary and secondary data were used.

3.7.1 PRIMARY DATA

The primary data were collected from employees as well as from management members. The data collection activity includes self-administered questionnaires of both open and closed ended type and observation was made to collect data related to sourcing practices in the company. Quantitative data generated from the questionnaires were distributed by the researcher.

The qualitative information from the researcher's observation also used to reinforce the findings of the research and the researcher analyzed the findings of both the quantitative and qualitative data's.

3.7.2 SECONDARY DATA

Secondary data were collected from the company manuals, journals, brochures, internet resources, plan and report documents were also reviewed so as to see the performance of the sourcing practice and visualize what was planned and accomplished with respect to the sourcing practices in the company. The secondary data fill the gap from the primary data and will help in interpreting and writing the findings from the formal survey.

3.8 ETHICAL CONSIDERATION

All the participants in the research were informed about the purpose of the study and verbal consent was obtained from each respondent. In addition to this, the information given by each respondent will be kept confidential.

The information found in this document is intended only for the research purpose. It is confidential, not transferred to other parties, not in abuse of resources and not for sale. And In relation to the secondary data the sources were properly stated.

3.9 DATA ANALYSIS

The quantitative data were entered to Statistical Package for the Social Science (SPSS) Version 20.0 and analyzed using descriptive statistics such as mean and standard deviation and the qualitative data is interpreted from the result of the mean and standard deviation and answers given to open ended questions.

3.10 DATA VALIDITY

Validity is the extent to which differences found with a measuring instrument and reflect true differences among those being tested content, criterion related and construct validity of the questioner were viewed by the advisor, senior staffs of procurement and supply department and deputy general manager for the company.

3.11 RELIABILITY TEST

In order to test the reliability and Internal consistency the researcher used Cronbach's coefficient alpha and the data found to be reliable since test result is greater than 0.70.

The research instrument concerns the extent to which the instrument yields the same results on repeated trials. The process of pilot testing (testing and retesting) of the questionnaire assisted in ensuring reliability of the questionnaire in soliciting responses (Cook & Campbell, 1979:37)

The most significant tool preferred to the reliability and internal consistency of the findings is Chronbach Alpha Statistics. Chronbach Alpha result should be above 0.70 to obtain a reliable scale and any scale with Chronbach Alpha which is less than 0.70 has to be excluded (Sekaran & Bougie, 2013). The Chronbach alpha result found from the pilot survey made on 20 respondents presented below.

Table 3.10 Cronbach's Alpha

Item	Cronbach's Alpha Based on Standardized Items	N of Items
Sourcing Planning	0.876	5
Sourcing Performance Management	0.797	5
Supplier Relationship Management	0.758	5
Procurement Practice	0.815	5

CHAPTER FOUR
RESULT AND DISCUSSION

4.1 INTRODUCTION

This chapter deals with data presentation, interpretation and analysis of the study. It has two main parts: the first part is demography of the respondents, the second part consist of data collected from the respondents through questionnaires. In order to address the research questions, 68 questionnaires were prepared and distributed to Zamra construction plc. Employees, Out of these questionnaires 53 were filled and returned, the rest 15 questionnaires were unreturned and no questionnaires were discarded due to missing data.

4.2 DEMOGRAPHY OF RESPONDENTS

RESPONSE RATE

A total of 53 responses out of the 68 questionnaires sent out were received, and obtain an acceptable response rate of 77.9%. All the questionnaires were edited and checked for completeness and used in the data analysis.

Table 4.2 Demography of the respondents

Gender		
Item	Frequency	Percent
Male	39	73.6
female	14	26.4
Total	53	100.0
Position in the organization		
Department Manager	2	3.8
senior officer	17	32.1
Engineer	18	34.0
division head	5	9.4
Officers	11	20.8
Total	53	100.0

Terms of employment		
Permanent	53	100.0
Years of experience		
less than 3 years	17	32.1
4-7 years	22	41.5
8-12 years	12	22.6
above 12 years	2	3.8
Total	53	100.0
Levels of education		
Diploma	4	7.5
BA/BSC	41	77.4
MA/MSC	8	15.1
Total	53	100.0

Source: Collected questionnaires

Table 4.2 shows that there were 39 (73.6%) male and 14 (26.4%) female respondents. Also respondents position in the organization accounts 5(9.4%) division head and 17 (32.1%) of the respondents were senior officer, similarly officer 11 (20.8%), engineer 18 (34.0%), department manager 2(3.8%) in addition regarding terms of employment all the respondents were permanent terms of employee in the organization which is 53(100%)

Moreover, the above table shows that, there were four categories of work experience; less than 3 years, 4-7 years, 8-12 years and above 12 years. Accordingly, the first category accounts 17 (32.1%), the second group who had 4 to 7 years of experience was 22 (41.5%) of the respondents. The third category of the respondents had 8 to 12 years which are 12(22.6%) and the last group above 12 years of work experience accounts 2(3.8%). From the demographic

characteristics of respondents, the lion share is taken by 73.6% was male and the remaining 26.4% were female respondents. Besides, the large number of respondents who participated in the study was from engineers which account 34%. In relation to their education majority of the respondents were BA/BSC holders which account 77.4%. And the above demographic data can show the level of education and experience that enables to confirm the respondents are capable to the questionnaires distributed.

4.3 DESCRIPTIVE ANALYSIS

Murray (2013) used a kind of rule of thumb to create equal intervals for a range of five points Likert scale (that ranges from strongly disagree to strongly agree in the survey questionnaire). Furthermore, for likert scale data from 1 (Strongly Disagree) to 5 (Strongly Agree) if the sample is approximately normally distributed the interpretation should be intended for mean from 1.0 up to 1.6 strongly disagree 1.7-2.3 disagree, 2.4-3.0 neutral, 3.1-3.7 agree, and above 3.8 strongly agree (Ngodigha 2015). Therefore, the decision of the each variable statistics is done based on these criteria's. The 0.6 is served as a boundary for each elements of the measurement in the questionnaire. Accordingly, the 0.6 was a result found by dividing the difference between the maximum (5) and minimum (1) scores to the maximum score (5) of the questionnaire. In the process of examining of the data, standard deviation was used. Small standard deviations (relative to the value of the mean itself) indicate that data are close to the mean whereas a large standard deviation (relative to the mean) indicates that the data points are distant from the mean. The mean is a poor fit of the data. Standard deviation is a measure of how well the mean represents the data (Field 2009). All of the variables were measured using a five point likert scale where 1 stands for Strongly Disagree and 5 stands of Strongly Agree. Therefore the interpretation made using the mean of each variable, as a matter of fact the mean falls between the two ranges, hence if the mean approaches to 1 the interpretation would be the respondents didn't agree on the raised issue or variable and if it approaches to 5 the reverse would be true.

4.4 SOURCING PLANNING

Table 4.4 sourcing planning

	N	Mean	Std. Deviation
The company has a well-organized sourcing planning system.	53	3.1321	.83292
Sourcing Plan is communicated to concerned units timely.	53	2.9623	.83118
Sourcing management plan is well undergone in the company	53	3.0943	.68680
Sourcing budget is well prepared in the company.	53	3.0189	.99015
All requests are planned in the company.	53	2.9245	.82855
The quantity of materials is well considered in the sourcing plan.	53	2.9623	.93977
Technical specification and quality of materials are well addressed at the planning stage.	53	2.8491	.96867
Sourcing Planning	53	2.98	3.60790

Item one of table 4.4 shows that The Company has a sourcing planning system. carried out to some degree (Mean = 3.13) and also the value of standard deviation shows there is an agreement among respondents (SD = 0.83). This value implies that the respondents rated planning is considered in the company. The results on table 4.4 confirmed that sourcing planning system is done. Concerning Sourcing Plan is communicated to concerned units timely the mean value is 2.96 and its standard deviation is 0.83. The value shows there is (neutral) fair-minded. With regard to sourcing management plan is undergone in the company, the mean

value is 3.09 and the value of standard deviation is 0.68. This is in supportive level. Hence, the mean value implies that the company undergone sourcing planning activity.

Concerning Sourcing budget preparation in the company; the mean value is equal to 3.01 which fall in agree level, this implies that the sourcing budget is there. With respect to requests are planned in the company the mean value of 2.982, the quantity of materials is well considered in the sourcing plan which is the mean value is 2.96 and technical specification and quality of materials are well addressed at the planning stage which accounts 2.84 those three variable indicate that there is unbiased. Therefore, the average mean for sourcing planning is 2.98 which is neutral level these imply that there is somehow agreement and variance sourcing planning and the standard deviation shows that there is regularity in the data.

From the open ended questions given to the respondents they accept the truth on the existence of sourcing planning activities but there is a slight difference on the level planning and budgeting activities as some of the respondents states that less attention was given to the planning practice as it was not developed in a manner that support the organization's goals, objectives operational efficiencies which can exemplified by weak performance in the development of BOQ (Bill of quantity), time phased MRP (Material Requirement Planning) lack of integration of user departments and functioning units like IPC (Inventory Plan and Control Division), finance and demand management problems, recurrent and unplanned requests, specification problems, increased cost in terms of higher price and delayed deliveries emanated from inconsistency of demand, variation works and change in design which leads to change in specification, quantity and delivery schedule, knowledge gap, misalignment of demand and budget.

Regarding approved and controlled budgets the respondents say agree on the presence of the budget with a reservation on its proper approval. They exemplify the poor budgeting or problem having properly approved budget by lack of fund and pending of payment requests for the purchase of many of strategic and high value items long at finance department. Three respondents from the engineering department state that it is difficult to apply controlled budget in the sector as there is always a variation and change in design which leads to change and variation in specification, quantity and delivery schedule etc. But, three respondents from inventory plan and control division and one senior accountant argue that the missed budget approval and control

system needs to be established even if the projected finance may or may not be gained due to status of the project to be paid, delay in preparation of payment certificates or cases associated with timely approval of consultants, client's release of payment or the company's collection problems.

4.5 SOURCING PERFORMANCE MANAGEMENT

Table 4.5 Sourcing Performance Management

	N	Mean	Std. Deviation
There is a well-organized sourcing performance management system in the company.	53	2.8302	1.01405
Sourcing performance management goes together with strategic business objectives and day-to-day actions of the company.	53	2.7925	.84030
The company has a supplier performance management program.	53	3.0755	.82855
The company performance management programs help enterprises rate and grade a supplier's performance.	53	3.1887	1.12757
Time performance management of sourcing activity measured in the company.	53	2.8679	.98132
Quality performance management of sourcing activity measured in the company.	53	3.0000	.87706
Cost performance management of sourcing activity measured well.	53	3.1132	.84718
The sourcing activity is supported by a well performing logistics system.	53	2.8868	.95395
Sourcing Performance Management	53	2.965	4.74315

Table 4.5 above indicates that, sourcing performance management practices of Zamra construction plc. With respect to well-organized sourcing performance management system in the company mean score is 2.83 and standard deviation score is 1.01, sourcing performance management goes together with strategic business objectives and day-to-day actions of the company mean score 2.79 and standard deviation is 0.84, those the above variables falls in neutral level also the company has a supplier performance management program mean score is 3.07 which lies in the agree level and standard deviation of 0.82. The company performance management programs help enterprises rate and grade a supplier's performance mean score of 3.18 and standard deviation is 1.12 which falls in the agree level. Hence, the above two variable indicates that, the company has good supplier performance management program and it achieve the management programs and helps enterprises rate and grade a supplier's performance. Regarding time performance management of sourcing activity measured in the company which is the mean score of 2.86 and standard deviation 0.98, quality performance management of sourcing activity measured in the company which accounts mean value of 3.00 and standard deviation 0.87 also, cost performance management of sourcing activity measured well which is the mean score of 3.11 and standard deviation is 0.84 and the sourcing activity is supported by a well performing logistics system which account 2.88 and standard deviation is 0.95 and the average mean for Sourcing Performance Management is 2.96 this indicate that sourcing performance management is in impartial level. And the standard deviation indicates that there is Consistency in the data.

The response for the open ended question regarding performance management indicates that the company employed (Enterprise resource planning) and MRP (Material Requirement Planning) which automate the sourcing activity starting from the user demand notification to delivery. The current performance of the sourcing practice in the company did not go in a required pace together with the strategic business objective and day to day operations of the company as there are delayed projects due to poor performance emanated from lack of measuring the performance in terms of average delivery lead time, cost of previous and current purchase prices considering previous transactional information's in a report form and it is not yet fully functional in the adoption of professionals or technical people's suggestion and grading in association measuring the quality of products. The response the performance of logistics activity were also affected

from the warehouse and transportation side as there are less organized stores and limited number of owned trucks and high cost of rental service to support the timely delivery of materials to projects and the intention to stick on the rental side together with lack of knowledge and absence of professional employees and training regarding MRP and ERP use and implementation.

4.6 SUPPLIER RELATIONSHIP MANAGEMENT

Table 4.6 supplier relationship management

	N	Mean	Std. Deviation
Periodic market assessments were made in the company.	53	3.2264	1.03108
The company has well organized supplier index for both local and international purchases.	53	3.2075	1.11560
There is a practice of supplier premise visit and capacity evaluation in the company.	53	2.9623	.97984
The company works towards maintaining long term relationship with suppliers of major construction materials.	53	3.6981	1.10218
Enough number of suppliers are invited and participated in any purchase made by the company.	53	3.1698	1.06943
The company is benefiting from the current way of supplier evaluation it follows.	53	3.0189	.82019
Supplier Relationship Management	53	3.206	4.41047

Respondents were asked to give their responses on supplier relationship management, accordingly Periodic market assessments were made in the company which the mean score value is 3.22 standard deviation 1.03, The company has well organized supplier index for both local and international purchases which is the mean score of 3.20 and standard deviation 1.11, the above two variable indicates that the company periodic market assessments were in the good manner similarly the company has well organized supplier index for both local and international purchases.

Regarding practice of supplier premise visit and capacity evaluation in the company has the mean score of 2.9623 and standard deviation 0.97 which lies in between the two extremes. Also the company works towards maintaining long term relationship with suppliers of major construction materials is 3.69 and the standard deviation is 1.10, Enough number of suppliers are invited and participated in any purchase made by the company which is the mean score of 3.16 and standard deviation 1.06, the company is benefiting from the current way of supplier evaluation it follows the mean score is 3.01 and the value of standard deviation is 0.82 also, the above mentioned three variables falls in agree levels therefore these indicate that, the company works in a good manner towards maintaining long term relationship with suppliers of major construction materials also there is enough number of suppliers invited and participated in any purchase made by the company and the company is well benefiting from the current way of supplier evaluation. And the grand mean for supplier selection is 3.20 which lies in the agree level, therefore in the supplier relationship management aspect we can see that there is good practice in the company.

But the written response for the open ended questions indicates that there is poor supplier base, poor implementation and absence of unit responsible for global or foreign purchase activities, poor market assessment, lack of long term supplier relationship, absence of supplier premise visit, lack of supplier capacity and performance evaluation, sticking to only a limited number of suppliers and the delayed updating of the supplier index only once a year are considered to be major problems that affect the sourcing practices additionally it is influenced by external factors like market, legal, political and social environments like the of the recent currency devaluation which affect the sourcing activity like the dramatic increment of 1kg reinforcement bar price

from birr 15.60 to around birr 47.00 birr or which is an increment of more than 200% together with some consulting engineers approval practice.

4.7 PROCUREMENT PRACTICE

Table 4.7 procurement practice

	N	Mean	Std. Deviation
The company practice the Right Quantity, Right Quality, Right Price and Right Time objectives of Purchasing in every transaction	53	3.1698	.93512
The company employs a procurement process that lead to maximization of profit margins.	53	3.3208	.89386
The Company purchasing procedures are well-defined and respected.	53	3.0000	.96077
Tendering is practiced well in the company.	53	2.7925	1.09822
The company has distinct unit for local and international purchase activities.	53	2.6415	1.03950
Purchase lead time of materials is clearly stated in the company.	53	2.8491	1.06331
Payments are effected on time from finance side.	53	2.6792	.99564
Contracts are managed well in the company.	53	3.1698	.95547
Procurement Practices	53	2.9475	4.18009

The table above shows procurement practice of Zamra construction plc. The company practices the right quantity, right quality, right price and right time objectives of purchasing in every transaction which is the mean score of 3.16 and standard deviation 0.93, falls in the agree scores, the company employs a procurement process that lead to maximization of profit margins which is the mean value of 3.32 and standard deviation 0.89, which falls in the agree level the Company purchasing procedures are well-defined and respected which is the mean value of 3.00 and standard deviation 0.96 ,contracts are managed well in the company which is the mean score of 3.16 and standard deviation 0.95 again this lies in the agree level as a result the above four variables approved that, the company practices accurately in the right quantity, right quality, right price and right time objectives of purchasing in every transaction also, the company employs a procurement process that lead to maximization of profit margins accepted, the company purchasing procedures are well-defined and respected and contracts are well managed and monitored in the company. Tendering is practiced well in the company the mean score is 2.79 standard deviation 1.09, the company has distinct unit for local and international purchase activities which accounts 2.64 and standard deviation 1.03, Purchase lead time of materials is clearly stated in the company 2.84 and standard deviation 1.06 ,Payments are affected on time from finance side which is 2.6 and standard deviation 0.99 , and the grand mean of procurement practice is 2.94 and the standard deviation is 0.18 the result indicate that the mean value fall in to neutral level and the standard deviation showed that there is inconsistency of data .

And the response from open ended questions indicates that procurement activity and its performance looks good but a lot remains to be done like managing the delivery time, utility of bulk purchase advantages, expediting and follow up activities, lack of planning, monitoring and contract management system, lack of pre-established delivery time that consider previous procurement trend, absence of open and restricted types of bidding, lack of responsible purchasing committee, negligence of procedural purchasing activities, lack of expediting and monitoring system together with absence of unit responsible for global or foreign purchase, delayed payments for suppliers who offer credit from the finance side.

And according to the company annual purchase report from those materials which were requested only 56.93 % of the demand were fulfilled by and the following table illustrate what is actually performed there.

Table 4.8 Annual Purchase report of the company in Amount

Zamra Construction Plc.				
2009/2010 EC Annual Report of Requested, Ordered, Delivered & Remaining Materials in Amount.				
<u>Period: From Hamle 1, 2009 to Sene 30,2010E.C.</u>				
Values				
Row Labels	Sum of Requested Total Amount	Sum of Ordered Total Amount	Sum of Delivered Total Amount	Sum of Remaining Total Amount
Grand Total	253,235,811.58	226,676,342.59	143,952,988.72	82,723,353.86

From the company annual procurement report indicated in table 4.8 above we can see that out of the total requested amount only 89.51% were processed to order and this shows around 10.49% of the requirement was not traded at all. Among those ordered 63.60 % were delivered and 36.40% were remained due to financial and other sourcing related problems. And this indicates that the inefficiency in sourcing had an impact on the performance of the construction activity to be performed at site by similar or more than 36% stated above since together with the human resources construction materials are the basic inputs for successful completion of any project.

4.8 DISCUSSION

From the theoretical perspective discussed earlier in chapter two the company tried to implement the sourcing planning in terms of MRP (Material Requirement Planning), Implement ERP (Enterprise Resource Management Program) that integrate the sourcing activity from store requisition (SR) to delivery or goods receiving notes (GRN) and other issue and transfer documents together with the financial transactions made for the sourcing activity but not yet measure the performances in terms of delivery time, quality and costs. And when we see the supplier relationship management it is not done at all as the company do not engage itself in having long term mutual benefiting agreements even with key suppliers of major construction materials. The company had a division which is responsible for the procurement activity to be performed locally but no unit responsible for global or foreign purchase activities and the act of availing right quality, quantity of materials at the right time and price is not achieved as stated in

theoretical objectives of procurement since it is affected starting from the clarity or demands at the planning stage to issues related with payments.

Additionally the mean value of the study were viewed in comparison with other researchers work on sourcing practice and related issues

In relation with the sourcing planning aspect the papers I have viewed do not give much more emphasis for the planning part rather they focused on performance procurement and supplier relationship management issues but in case of this study the highest mean value of 3.13 indicates the importance of sourcing planning as it is a base for all sourcing related issues by answering the question of what to do, when to do, by whom and how to do issues.

The sourcing performance management issue is one of the areas in which this study were focused on and the highest mean value were 3.1887 compared to what is assessed by Mekdes Teshome (2016) entitled employee perception sourcing practice and its link with operational performance the case of MSF Ethiopia's mean value of 3.12 it has similar value or it is almost the same in the case of the two firms and this indicates that measuring performance is the important aspect that every institute should focus on.

The supplier relationship management is also one of the issues addressed in this paper and it has a highest mean value of 3.6981 which lies on the agree category and that shows how much important is this issue in the sourcing practices of the firm and when we see it in relation with the suppliers case in the case of a study made by Mekdes Teshome (2016) entitled employee perception sourcing practice and its link with operational performance the case of MSF Ethiopia it will become 2.91 and that indicates the supplier issue do not get much attention in case of MSF Ethiopia compared to what we have seen in the case of Zamra construction plc. When we see a study made by Asrat Admasu (2017) the role of strategic sourcing in operational performance of the organization the case of Ethiopian Air Lines the highest rate or about 79.2% of the respondents strongly agree the importance of supplier relationship management and generally we can conclude that supplier relationship management and the practice of supplier selection is a major issue in any firm sourcing practice.

The highest mean value of procurement practice in the study entitled Assessment of the construction logistics operations challenges and evaluation of effects in case of grade one

contractors by Solyana Negatu (2017) is 3.5612 but when we come to ZamraConstruction Plc. The highest mean value of this study indicates that it is 3.3208 which show a slight decrement in comparison with the study made at the industry level or the case of grade one contractors. Additionally when we compare it with the highest mean value of the procurement practice from the study on employee perception sourcing practice and its link with operational performance the case of MSF Ethiopia studied by Mekdes Teshome (2016) the value becomes 2.66 this indicated that effective procurement practice is mandatory for all firms in different industries but it is very essential for construction or any other related profit making organizations.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

The final part of this research paper provides summary of findings, conclusions and recommendations drawn from the findings of the data collected by closed-ended questions measured using likert scale so as to get the mean value of responses from individuals working in different departments of the company and and open-ended questioner.

5.2 SUMMARY OF FINDINGS

The following are summarized findings from the response given by the respondents in relation with the sourcing practice in the company.

- The highest mean 3.1321 indicate the existence of sourcing planning system in the company whereas the lowest mean of 2.8491 indicates that respondents are neutral regarding the consideration of technical specification and quality of materials at the planning stage. And from the response given to written questions respondents indicate that planning is not well done as it is not communicated to concerned units such as IPC (Inventory Plan and Control Division) timely, there is operational inefficiencies emanated from lack of integration between users departments and functioning units, recurrent rush orders, specification problems, weak performance in the development of BOQ (Bill of quantity) and time phased MRP (Material Requirement Planning) and a budget. As it indicated by the respondents additional problems associated with the sourcing planning is from the nature of the work in the sector as it is exposed to variation works and change in design which leads to change in specification, quantity and delivery schedule and the like.

The responses indicates that there is also poor budget approval and control practice emanated from lack of fund or the projected finance may or may not be gained due to status of the project to be paid, delay in preparation of payment certificates or cases associated with timely approval of consultants, client's release of payment or the company's collection problems.

- Regarding the sourcing performance management activity the highest mean is 3.1887 indicates that the company performance management programs help enterprises rate and grade a supplier's performance whereas the lowest mean value of 2.7925 indicates that the respondents are neutral regarding Sourcing performance management and its interaction with strategic business objectives and day-to-day actions of the company from the response given to the open ended questions one can understand that the company employed (Enterprise resource planning) and MRP (Material Requirement Planning) so as to automate the sourcing activity but, they argue that current performance of the sourcing practice in the company did not go in a required pace together with the strategic business objective and day to day operations of the company as there are delayed projects due to poor performance emanated from lack of measuring the performance in terms of average delivery lead time, cost and quality.
- In relation with supplier selection the following highest and lowest means were seen. The higher mean of 3.6981 indicates that the respondents believe that company is working towards maintaining long term relationship with suppliers of major construction materials while the lowest mean value of 3.0189 indicates the respondents are neutral on the benefit that the company gets from current way of supplier evaluation and the response given to open ended questions showed that the company had a good image and trust in the eyes of suppliers and creditors but some three respondents from procurement and logistics department argue that there is lack of long term supplier relationship which focus on long term mutual benefit, market assessment problem, absence of supplier premise visit, lack of supplier capacity and performance evaluation, sticking to only a limited number of suppliers, neglecting newly entered suppliers and the delayed updating of the supplier index only once a year and they indicate the problem that the company faced due to lack of long-term relationship during the recent currency devaluation together with problem of approval from some consulting engineers approval practice.
- From the response given to open ended questions we can see that procurement activity and its performance looks good but has a problem in managing the delivery time, utility of bulk purchase advantages, expediting and follow up activities, use of limited number of suppliers, lack of responsible purchasing committee, negligence of procedural purchasing activities, lack of planning, monitoring and contract management system ,

absence of tendering or open and restricted types of bidding together with absence of unit responsible for global or foreign purchase, delayed payments for suppliers who offer credit from the finance side. But, the highest mean value of 3.3208 indicates that the respondents believe the company employs a procurement process that lead to maximization of profit margins and the least mean of 2.6415 shows the company still do not have distinct unit for international or global purchase activities that shows the mean result of the two ideas have large variation.

5.3 CONCLUSION

The research relating to the sourcing practice in Zamra construction Plc. was conducted, findings were analyzed and it finds out that organized sourcing practice has a significant role in organization's overall performance and profitability. The study further noticed that the sourcing practice was affected by various factors including sourcing planning, sourcing performance management, supplier selection and procurement activities. And draw conclusions listed here under.

From the findings the researcher concluded that owner's commitment towards having formal sourcing practice and commitment of the work force can be taken as an input for strength of the company sourcing practice but weakness like poor supply and performance reporting system and poor asset and resource management are among those which affect the sourcing activity.

Regarding the sourcing planning the researcher concluded that the company's planning problem leads to increased cost and delayed deliveries emanated from inconsistency of demand, knowledge gap, misalignment of demand and budget, fatigue of responsible employees resulted from repetitive work and it also affects the preparation of MPP (Material Purchase Planning) and the budget. Additionally the budgeting was there but, not well undergone or less attention was given and it was not developed in a manner that support the organization goals and objectives since there was a delayed completion of projects and dissatisfaction of customers due to late payments for the purchase of many of strategic and high value items and suppliers who offer materials on credit basis.

What had been seen in the findings leads to a conclusion that the idea of implementing performance measurement is a big step forward but without having organized logistics system,

knowledgeable professional employees and the current partial functionality of the MRP (Material Requirement Planning) and MPP (Material Purchase Planning) the company will not achieve the intended benefit out of the performance management activity. Quality, supplier and cost performance is not measured by the respective technical personnel's and the logistics function is also affected from the transport and warehouse management side as well as lack of employees knowledge on the MRP and MPP concepts.

The information obtained from the research leads to a conclusion that the company had a good image and trust in the eyes of suppliers and creditors this can help the company to get a good competitive advantage but, a lot have to be done so as to expand the supplier base and long term mutual benefits of both parties that shows large variation means that the company does not address all procurement related information's as indicated on the response give to open ended questions.

The researcher concluded that relatively speaking the procurement activity in the company looks good but lacks to manage the delivery time, bulk purchase activities, expediting and follow up activities, respecting procedures and the lacks unit responsible for global or foreign or global purchase activities.

And finally from the report of the company the study can conclude the impact of finance or budgeting problem do have a great influence which is about 36.40% and please note that out of those products delivered partly were delivered by credit but not paid from this we can conclude that there is a mismatch between a budget and actual expenditure in the firm.

5.4 RECOMENDATIONS

From the finding of the study the researcher recommend that so as to maximize the benefits of using organized sourcing practices Zamra construction Plc. Should take the recommendations listed hereunder into consideration.

Zamra construction plc should employ an effective and organized sourcing practice that helps the company with smooth flow of materials to the point of usage, which covers external and internal activities of user, operating departments, suppliers, consultants and clients viewed from a total service perspective including sole, single, dual, multi and partnering sourcing.

Sourcing planning should get appropriate focus since it will help to achieve goals and objectives of the company from the sourcing perspective. It also helps the company in satisfying the sourcing requirements of the firm in a well-organized manner by establishing a team spirit, integration and give more focus to clear quantification of avoiding specification problems in developing clear BOQ (Bill of quantity), Final Drawing (Design) and time phased MRP (Material Requirement Planning). And by timely communicating the plan to the concerned units and facilitate the preparation of MPP (Material Purchase Planning). Therefore so as to avoid misalignment of demand and budget the company should get finalized design that minimize variation or change in specification, quantity and delivery schedule and establish a budgeting program that help to establish proper budget approval and control practice so as to avoid lack of fund for sourcing activities.

Sourcing performance management also need serious attention by fully implementing ERP (Enterprise resource planning) system that automate the sourcing activity from end to end, improve the understanding towards use application and seriousness of practicing a well-defined MRP (Material Requirement Planning) in measuring delivery lead time, previous and current cost of ownership of products and services together with the base price used for contract purpose with the clients. Sourcing performance should be measure in accordance with the strategic business objective and operations of the company and the logistics side should also be facilitated by constructing standardized warehouse and increasing the number of owned trucks or entering in to long term agreement with well-organized transporters. Additionally adoption of professionals or technical people's suggestion in setting specifications, grading the quality of required products and services and training to employees regarding MRP and MPP is a must for the company.

The other major issue that the company should give more attention in association with the sourcing practice is supposed to be supplier selection which is more strategic and basic for effectiveness of the sourcing activity. And the company should focus on the establishment of mutual benefiting long term relationship with potential suppliers of major construction materials and maintain the good image and trust that it has in the eyes of suppliers and creditors as a good competitive advantage as it helps to avoid quality problem and unnecessary increment in price. Using appropriate sourcing mechanisms like single, multiple, parallel ... etc. and performing

market assessment, market speculation, gathering and use of information regarding exchange rates and related government policies that affect the sourcing activities. Additionally visit of supplier premise, evaluation and management of supplier performance together with maintenance of periodic supplier list at least every six months and way of withstanding some unfair consulting engineer's approval should be there.

And the last but not the least is the procurement activity and its basic objectives of getting materials at the right quantity quality, time, location ... etc. The company should give much more attention to procurement activity like utility of bulk purchase advantages, expediting and follow up activities, contact management, respect the implementation of policies and procedures of the company on the ignored tendering practice, effecting payment for those suppliers who deliver materials on credit basis and establishment of independent foreign purchase unit together with other associated functions like fastest logistic and delivery services should be made by firm.

5.5 LIMITATION AND SUGGESTION FOR FUTURE STUDIES

One of the major limitations of this study is the fact that it doesn't widely capture all aspects of sourcing practices rather it were emphasized on the sourcing planning, sourcing performance management, supplier selection and other associated procurement practices in Zamra construction plc. As we can see from the study these factors truly affect the performance, competitiveness and profitability of the company.

And future studies may consider more dimensions of sourcing practice that do not considered in this particular study and in association with the industry and the country at large.

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Addis Ababa University, School of Commerce

Department of Logistics and Supply Chain Management

Questionnaires

This questionnaire is designed to conduct a research on the topic “An Assessment on sourcing practice in the case of Zamra Construction Plc.” as a partial fulfillment for MA degree in logistics and supply chain management. For the successful accomplishment of the study, your response have key role by being used as valuable input for the study. The information that you provide is strictly confidential and will be used only for academic purpose. Thus, you are kindly requested to genuinely fill the questionnaire.

Sincerely Yours,

Tesfaye Berhanu

Note:

1. No need of writing your name.
2. Indicate your answer with a check mark (✓) on the appropriate cell for the Likert scale questions.
3. If you need further explanation you can contact me at (Telephone No. 0911 435075, E-mail tesfaber@yahoo.com)

Part 1: Personal information

Pleas made a (✓) mark corresponding to your choice.

1. Gender

Male Female

2. Age

Below 25 26 to 35 36 to 45 Above 45

3. What is your position in the organization

<input type="checkbox"/> Department Manager	<input type="checkbox"/> Division Head
<input type="checkbox"/> Senior Officer	<input type="checkbox"/> Officer
<input type="checkbox"/> Engineer	<input type="checkbox"/> Other

4. Terms of Employment

Permanent Contract

5. Year of experience in the organization

<input type="checkbox"/> Less than 3 Years	<input type="checkbox"/> 4 to 7 Years
<input type="checkbox"/> 8 to 12 Years	<input type="checkbox"/> above 12 Years

6. Level Of Education

<input type="checkbox"/> Below Diploma	<input type="checkbox"/> BA/BSc
<input type="checkbox"/> Diploma	<input type="checkbox"/> MA/MSc
<input type="checkbox"/> Phd	<input type="checkbox"/> Other

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.**

7. Please indicate the degree to which you agree with the following statements regarding Sourcing Planning in Zamra Construction Plc.

No.	Measurement Item	Scores				
		1	2	3	4	5
Sourcing Planning						
6.1	The company has a well-organized sourcing planning system.					
6.2	Sourcing Plan is communicated to concerned units timely.					
6.3	Sourcing management plan is well undergone in the company					
6.4	Sourcing budget is well prepared in the company.					
6.5	All requests are planned in the company.					
6.6	The quantity of materials is well considered in the sourcing plan.					
6.7	Technical specification and quality of materials are well addressed at the planning stage.					

8. Please indicate the degree to which you agree with the following statements regarding the sourcing performance management in Zamra construction Plc.

No.	Measurement Item	Scores				
		1	2	3	4	5
Sourcing Performance Management						
7.1	There is a well-organized sourcing performance management system in the company.					
7.2	Sourcing performance management goes together with strategic business objectives and day-to-day actions of the company.					
7.3	The company has a supplier performance management program.					
7.4	The company performance management programs help enterprises rate and grade a supplier's performance.					
7.5	Time performance management of sourcing activity measured in the company.					
7.6	Quality performance management of sourcing activity measured in the company.					
7.7	Cost performance management of sourcing activity measured well.					
7.8	The sourcing activity is supported by a well performing logistics system.					

9. Please indicate the degree to which you agree with the following statements regarding the supplier selection practices in Zamra.

No.	Measurement Item	Scores				
		1	2	3	4	5
Supplier Relationship Management						
8.1	Periodic market assessments were made in the company.					
8.2	The company has well organized supplier index for both local and international purchases.					
8.3	There is a practice of supplier premise visit and capacity evaluation in the company.					
8.4	The company works towards maintaining long term relationship with suppliers of major construction materials.					
8.5	Enough number of suppliers are invited and participated in any purchase made by the company.					
8.6	The company is benefiting from the current way of supplier evaluation it follows.					

10. Please indicate the degree to which you agree with the following statements regarding the procurement activities in Zamra.

No.	Measurement Item	Scores				
		1	2	3	4	5
Procurement Practices						
9.1	The company practice the Right Quantity, Right Quality, Right Price and Right Time objectives of Purchasing in every transaction					
9.2	The company employs a procurement process that lead to maximization of profit margins.					
9.3	The Company purchasing procedures are well-defined and respected.					
9.4	Tendering is practiced well in the company.					
9.5	The company has distinct unit for local and international purchase activities.					
9.6	Purchase lead time of materials is clearly stated in the company.					
9.7	Payments are effected on time from finance side.					
9.8	Contracts are managed well in the company.					

Written Questions

Please give your answers on the blank space provided.

1. Do you think that sourcing is planned well in the company? If no why?

2. What other mechanism does the company use so as to modernize the sourcing practice? What challenges are faced in applying it?

3. What do you think are the strengths and weaknesses of the existing sourcing Practice?

4. Do you have an approved and controlled budget in the sourcing activity of the company? If no why?

5. Does the company sourcing activity is affected by the external environment? If yes How?

6. What do you think the consequences of poor sourcing planning in the firm?

7. Do you think procurement activity is well performed in the company? If no what are the problems?

Thank you!!