

ST. MARY'S UNIVERSITY
FACULTY OF BUSINESS
DEPARTMENT OF MANAGEMENT

**AN ASSESMENT OF FOREIGN PURCHASE
PRATICE THE CASE OF ETHIO TELECOM**

BY
MINTIWAB TILAHUN

JUNE, 2014
ADDIS ABABA

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PRATICE THE CASE OF ETHIO TELECOM**

**A SENIOR RESEARCH SUBMITTED TO THE DEPARTMENT OF
MANAGEMENT BUSINESS FACULTY ST. MARY'S UNIVERSITY**

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DEGREE OF BACHELOR OF ARTS IN MANAGEMENT**

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APPROVED BY THE COMMITTEE OF EXAMINERS

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Foreign procurement includes whole process where by all class of resources (people, material, facility and activities) required by the organization from outside the country. And also is one section of procurement, which can be defined as the process of purchasing from supplier outside of the firms' country. It can also be defined as the integration & coordination of requirement across worldwide (Dobler, 1990:67).

International sourcing requires additional efforts when compared with domestic sourcing but it yields large rewards such as:-

- ❖ It enables the firm to achieve required level of quality.
- ❖ It helps to obtain more advanced technology.
- ❖ It expands the source of supply for required material.

Foreign purchasing/ international sourcing/ have also draw backs like:-

- ❖ Larger lead time, which arise from variable shipping schedule, unpredictable time requirement for custom activities and storm at sea.

Cultural and language difference between the buyer and the

- ❖ seller
- ❖ Higher costs of doing business.

Gopalakishnana.P&Sundaresen.M, 1998:110).

Procurement activities for the company like Ethio-Telecom play a very significant role in their overall performance and profitability. Foreign purchase activities involve international transaction subject to different changes, and it requires the commitment and adequate knowledge of a company top management members and staff members who involve in this field of activity.

Ethiopian Telecommunication Corporation (ETC) now it is named as Ethio Telecom (ET) was established over a Century ago, and it is the oldest public

Telecommunication operation in Africa. It was in 1909, that Ethiopia had requested for the first time to be a member of the international Telecommunications union, at the meeting held in 1932 in Spain. It was this time that Ethiopia became an active member of the union.

After the end of the war against Italy, Ethiopia established the Imperial Board Telecommunication. In 1981, it became Ethiopian Telecommunication Authority (ETA) to provide the operation & regulation of Telecommunication services. In 1996 in the event of market reform, the government created new separate regulation body by proclamation 49/1996 establishing the Ethiopian Telecommunication Agency, which has the objective of promoting the development of “high quality, efficient, reliable and affordable Telecommunication Service” .The same year, by regulation 10/1996, the Council of Ministers setup the Ethiopian Telecommunication corporation (ETC) transferring all the right & obligation of the former Ethiopian Telecommunication Agency with the principal duty of maintaining and expanding Telecommunication services in the country, and national and international services.

Ethio-Telecom is a monopoly owned government telecom company which is engaged in providing mobile, wireless, Fixed telephone and networking service throughout the country. The company has more 8000 employees through out the country.

Vision

- To be a world-class telecommunications service provider.

Mission

- Connect every Ethiopian through Information Communication Technology.
- Provide telecommunication services and products that enhance the development of our Nation.
- Build reputable brand known for its customers' consideration.
- Build its managerial capability that enables ethio telecom to operate an international standard.

Lead with vision

- Be committed to understand, meet and exceed the telecommunications needs and expectations of the country at large and of customers in particular.

Respect

- Respect customers and recognize that their revenues allow ethio telecom to operate.
- Recognize the employees of ethio telecom as most valuable assets and create conducive working environment that allows them to develop and grow.

Excellence

- Be committed to high-level performances, customer service quality, organizational excellence and continuous improvement.

Integrity

- Be ethical and honest in all assignments.

Integrity

- Be ethical and honest in all assignments.

Accountability

- Be accountable to all stakeholders.

1.2 STATEMENT OF THE PROBLEM

It is the responsibility of the Purchasing Department to ensure the company is supplied with all goods and services it requires in support of the manufacture of World-Class products for thier Customers. These goods and services are purchased from external sources on time, assuring the right quality, at the best possible cost-performance ratio, and with minimum capital employed. .Additionally, Purchasing is closely integrated into the goals and objectives of company with regards to Quality,

Environmental Protection, Industrial Safety, and promoting commerce
(David farmer,2008:125).

Purchasing refers to a business or organization attempting to acquiring goods or services to accomplish the goals of its enterprise. Though there are several organizations that attempt to set standards in the purchasing process, processes can vary greatly between organizations. Typically the word “purchasing” is not used interchangeably with the word “procurement”, since procurement typically includes Expediting, Supplier Quality, and Traffic and Logistics (T&L) in addition to Purchasing.(Alen Branch,2001:111).

For growing company like Ethio –telecom, achieving self-sufficiency should be the goal but not at the cost of import .Importing is an essential economic function which cannot be completely eliminated.

Recardo’s Principle of comparative advantage state that it would be beneficial for an economy to concentrate on the production of items in which it’s specialized, export these items & Import it’s requirement of other items .The principles, though not totally practical ,cannot be dismissed (Gopalakishnana,P&Sundaresen, M. (1998:99).

By its very nature, procurement is basic & integral part of business management. Why is this fact important? For business to be successful, all individuals’ parts must be successful. It is impossible for an organization to achieve full potential without successful procurement activity. In the long run the success of the enterprise depends every bit as much on the procurement & supply executive as it does on the executive who administer the organization function of the business (David,B. 2006:21).

The current procurement practice is so difficult in getting the right supplier and related issues. The cause for the inefficiency of foreign purchasing activities in Ethio-Telecom is:-

- Delay in the evaluation offers, handover the contractual obligation and decision making in senior management.

- Vague specification
- Inflexibility of procurement manual
- Commitment of suppliers in fulfilling their obligation.
- Extension of letter of credit.

1.3 RESEARCH QUESTION

The following research questions were addressed

1. What are the reasons of delay in evaluation offers and hand over the contractual obligation?
2. What are the reasons for Purchase order specification not clearly defined?
3. What is the cause for the extension letter of credit which makes the corporation to incur unnecessary cost?
- 4 To what extent the procurement manual allow flexibility to cope up with the dynamic change of world market?

1.4 OBJECTIVES OF THE STUDY

1.4.1 GENERAL OBJECTIVE

The general Objective of this study was to assess foreign Purchase Practices of Ethio-Telecom

1.4.2 SPECIFIC OBJECTIVES

The specific objectives of the study were to:.

- ❖ Identify the causes for delay in evaluation of offer& handover the contractual obligation.
- ❖ Explore the causes for vague purchase order specification.
- ❖ Identify the cause for the extension of letter of credit done to reduce unnecessary cost.
- ❖ Assess the procurement manual of the company to what extent allow flexibility to cope up which the dynamic change the world market

1.5 DELIMITATION /SCOPE OF THE STUDY

This study focused on the investigation of foreign purchasing practice in Ethio-Telecom from 2010 up 2013 which included the preparation of requirement specification , evaluation of the offer, preparation of the

contract agreement and making the contractual agreement, the process of decision making by senior management and the contents of procurement manual. The study was delimited to the central foreign purchase found in the procurement chief office at head office.

1.6 SIGNIFICANCE OF THE STUDY

The study was provide provides insight to the organization management and decision makers to take corrective measures regarding to the issue of foreign purchase practical activities performed in the selected company.

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

1.7 DEFINITION OF TERMS / CONCEPTS

Procurement: - “Procurement includes the whole process where by all classes of resources (people, material, facilities and activities) required by the armed force are obtained” (Dobler, 1990:67).

Purchasing: - “Purchasing is the function of buying machinery, tools, general Supplies, raw materials etc... required by the organization.(Nair ,1990:117).

Letter of credit:-A letter of credit is a promise to pay. Banks issue letters of credit as a way to ensure sellers that they will get paid as long as they do what they've agreed to do.(Alen Branch,2001:225).

Specification Purchase specifications are the detailed description of the measurable characteristics desired in an item to be purchased, such as quality, size, weight, (Alen,2001 :110).

Lead time Interval between a decision to purchase an item and its receipt at the warehouse or stores.(David,F.1990:25)

1.8 RESEARCH DESIGN & METHODOLOGY

1.8.1 Research design

The study used descriptive research design because descriptive research method is used to describe the existing problem at hand.

1.8.2 Population, Sample & Sampling Technique

The total population in the head office employees who are currently work in the sourcing & facility division is 70 . . The student researcher used cenese

sampling technique.

1.8.3 Types of data collected

The student researcher used both qualitative and quantitative data to make the research more comprehensive .

1.8.4 Method of data collection

The data gathered from both primary & secondary source.

Primary data gathered from employees & Management through questionnaires & interview secondary data collected from company Documents & Books

1.8.5 Data analysis Method

The student researcher applied descriptive analyses research method to summarize the data .Data analyzed, described using percentages. It will be also demonstrated by table to look for possible pattern among the group .

1.9 Limitation of the study

To conduct this study the student researcher face the following problem those are:-

- Reluctances of the concerned respondents to give relevant information
- Lack of information & experience
- Unavailability of related research paper on the area.

1.10 ORGANIZATION OF THE STUDY

The paper organized in to four chapter. The first chapter is introduction part of the study & it includes the background of the study ,statement of the problem ,objective of the study ,research questions of the study ,significance of the study & organization of the study. The second chapter is all about review of related literature .

The third chapter includes data presentation ,analysis&interpretation of the study .Chapter four deals with summery of major finding ,conclusions& recommendation of the study

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 An over view of purchasing

Each and every business enterprise should develop a purchasing requirement in order to come up with a proper procurement mechanism. The volume of work, the money expended, and the degree of sophistication affecting purchasing will vary considerably with the type, size and nature of the product and the complexity of the business enterprise. Regardless of this divergence, demands placed upon modern business by the free enterprise system dictate that the procurement process be accomplished in the most professional and capable manner possible. Competent purchase is one of the basic opportunities for a company to cut costs and thereby increase profit (Czerniawska,F., 1973, p 1-7).

“Purchasing is the functions of buying machinery, tools general supplies, raw materials, etc required by an organization (Nair 1990 p: 117).”

“Purchasing is also one of the basic functions common to all types of business enterprise which comprises the essential activities associated with the

acquisition of the materials, services and equipment used in the operation of an organization (Dobler,W.1990 p: 19).

Foreign trade essentially is beneficial to both buyer & seller because it promotes specialization. This in turns increases productivity raises standards of Living & increases employment. Even if two nations are capable of producing a number of identical products profitability; it is generally beneficial for each to engage in trade. Trade permits concentration on these products that each nation can produce at relatively low cost.

2.2 DEFINITION

Foreign purchasing is the process of purchasing from suppliers outside of the firm's country of manufacture (Dobler, W. 1990 p:267). Professors Monczka & Trent defined global sourcing as "the integration and coordination of requirements across worldwide business units looking at common items, processes, technologies and supplies (Monczka and Trent, 1991, p: 3)."

2.3 BENEFITS AND LIMITATIONS OF FOREIGN PURCHASE

2.3.1 BENEFITS OF FOREIGN PURCHASE

Foreign purchasing requires additional efforts when compared with domestic sourcing, but it can yield large rewards. According to Dobler, W. there are six common reasons for purchase goods and services from international sources

Quality: - discussion with purchasing manager lead to a surprising conclusion: a key reason for international sourcing to obtain the required level of quality.

Timeliness: -A second major reason for purchasing international goods and services is, in general, the dependability of the supplier in meeting schedule requirements.

Product and process technologies: -International sources in some industries are more advanced technologically than their domestic counterparts.

Broadening the supplyBase: - It may be necessary to develop international suppliers in order to have a competitor supply base.

Counter trade:-Many countries require their non domestic supplies to purchase materials in their country as part of the sales transaction.

2.3.2 PROBLEMS (LIMITATION) IN USING FOREIGN PURCHASING

Culture and communication: - The nature, customs and ethics of individuals and business organizations from two different cultures can raise

a surprising number of obstacles to successful business relations.

Long lead times:-Variable shipping schedules, unpredictable time requirements for custom activities, the need for greater coordination in international purchasing, and storms at sea (which can cause both delay and damages) usually result in longer lead times.

Additional Inventories: - The quantity of additional inventory needed when purchasing from foreign sources can be difficult to determine.

Higher Cost of doing business: - The need for translators, communications problems, and the distances involved on making site visits, and so on all add to the cost of doing business with international suppliers (Dobler,W. 1996 p: 268-272).

2.4PURCHASING PRINCIPLES

As Nair stated, the essentials of efficient purchasing are right quality, right quantity, right time, right price, right source and delivery at the right place.

2.4.1 RIGHT QUALITY

The right quality is the suitability of an item for a given purpose. The quality is the dimensional limits, composition, performance durability etc of materials.

Quality can also be stated in terms of standard specification, end-use brand trade names, market standard, drawings which give dimension limits or by samples.

2.4.2 RIGHT QUANTITY

In the case of recurring items, the right quantity is the quantity that may be purchased at a time with the minimum total cost and which obviates shortage In case of special purchases, it is just the quantity required for carrying out the job.

2.4.3Right time

In the case of regularly or recurring items, right time means the time when the stock reaches the minimum level. In case of special requirements i.e. materials required for special jobs, the purchase section should see that such materials are delivered on time.

2.4.4 Right Sources

The right source should possess the necessary financial resources, the organization to handle the commitments including procurement of raw materials which may be difficult to obtain and the technical ability (including inspection and quality control methods) to supply the required quantity (Present or future) and quality of goods at a satisfactory price.

2.4.5 Right Price

The right price is the one which brings the best ultimate value and it should be determined in combination with other factors such as quality, ultimate life, and delivery time after sales service, etc

2.4.6 Right Place

In addition to obtaining materials of the correct quality and quantity from the right source at the right price, it is the responsibility of the purchase section to ensure that materials are made available at the right place (Nair 1990 pp. 125-128).

2.5 Objectives of Purchasing

Dobler viewed objectives of purchasing and supply management from three levels.

1. From a top managerial perspective, the general objectives have traditionally been expressed as the five rights that management expects the department to achieve the acquisition of materials of the right quality, from the right supplier, in the right quantity, at the right time, and at the right price
2. From an operating or functional perspective, there are eight basic

objectives of purchasing and supply management which are set of statements that provide practical and useful targets for decision making purposes.

- To support company operations with an umaterials and services.
 - To buy competitively.
 - To buy wisely
 - To keep inventory investment and inventory losses at a practical minimum
 - To develop effective and reliable sources of supply.
 - To develop good relationships with the supplier community and good continuing relationships with active suppliers.
 - To achieve maximum integration with the other departments of the firm
 - To handle the purchasing and supply management function proactively in a professional cost effective manner.
3. The third level focuses on the detailed objectives that are developed when Precise buying plans are made (usually annually) for each of the major categories of materials the firm uses in its operations. These objectives are applied to fulfill the specific needs associated with each type of purchase. The precise set of objectives for each material typically varies because the usage requirements, the operating conditions, and the markets in which each material is purchased usually are different (Dobler,W.1996, p: 41- 45).

2.6 Purchasing policy

Once objectives of an activity are established, policies are developed to serve ninterrupted flow ofas general guideline in making operating decision that channel action towards achievement of objectives.

“A policy is a statement that describes in very general terms an intended course of action (Dobler,W.1996, p: 45).”

A Purchasing policy manual typically has two distinct sections, one containing company policies which spells out in unmistakable terms the responsibility and authority at all departments, and the other containing departmental policies which inform personnel of the expected patterns of conduct for major buying activities and for relations with suppliers.

“The purchasing department is responsible to establish and administer purchasing policies, institute reports necessary to permit analysis of purchasing performance, negotiate and approve term contracts, analyze prices paid for materials, and generally define how to obtain savings and to coordinate purchasing procedures (Czerniawska, F. 1973, p: 2-31) .”

According to Dobler & Burt the Fundamental purchasing operating policies are the following:-

2.7 Purchase Contract

Purchase contract is an agreement between the buyer and the seller of the property, which sets forth the price and terms of the sale. It is also a sales contract. We can also define it as a written promise to pay a specific amount for property at a specified time. That it is a written statement of the offer, which both the buyer and the seller will sign if the offer is accepted.

When a Purchase Order (PO) is sent to a specified foreign supplier, it is usually accompanied by the terms and conditions along with Purchase Order cover letter. These terms and conditions govern any business dealings between the contracting parties and in the case of trade disputes; it will be ruled as per the conditions indicated in the contract. Usually, purchase contract begins with the definition of terms in order to spell out how terms are used in the contract.

2.8 Description and Specification of Materials

Lenders, Fearon and England on their book named “Purchasing & Materials Management” wrote about description and Specification of item as follows

The using, requesting, or specifying department must be capable of reasonably describing what is required to be sure of getting exactly what is wanted. Although the responsibility for determining what is needed usually rests with the using department in the first instance, the purchasing department has the direct responsibility of checking the description given. The purchasing department should, of course, not be allowed to alter arbitrarily the description or the quality. It should, however, have the authority known as to insist that the description be sufficiently accurate and detailed to be perfectly clear to every potential supplier.

The description of an item may take any one of a variety of forms or, indeed, may be a combination of several different forms. For our discussion, therefore, description will mean any one of the various methods by which a buyer undertakes to convey to a seller a clear, accurate picture of the required item. The term specification will be used in the narrower and commonly accepted sense referring to one particular form of description.

The methods of description ordinarily used may be listed as follows:-

- By Brand
- By Specification
 - A.** Physical or Chemical Characteristics.
 - B.** Material and Method of Manufacture
 - C.** Performance.
- By Engineering Drawing
- By Miscellaneous Methods
 - D.** Market Grade
 - E.** Sample
- By a Combination of Two or More Methods (Leenders, Fearon and England, 1992, p: 133-134).
 - a)** Appraising and controlling purchasing and supply **performance**

Appraisal and control of supply performance has always been important in a well-managed firm, but in today's environment it is more important than

ever. Such market factors as increasingly stringent global competition, the extreme emphasis on quality, and the push to bring products to market faster all exert legitimate and increased pressure on a firm's purchasing and supply operation.

In developing a system to monitor and control supply performance, the logical starting point is to review and perhaps review the objectives of the department. Aggregate departmental objectives should be broken down by major material category or by buying group because, different objectives frequently are established for the handling of different materials. Once the performance objectives-those relating to quality, price/cost, quantity, timing, supplier relations, and so on-are clear, the critical activities where control and cooperative work with suppliers are most important can be determined.

2.9.1A Basic Approach to the Control of Purchasing and Supply

Because of the difficulties encountered in developing precise purchasing control systems, many companies have adopted a fairly broad approach to the evaluation and control of their purchasing and supply activities. approach includes three different types of assessments:

1.A qualitative assessment of a number of broad managerial responsibilities a management review. This assessment includes factors such as the capabilities of personnel; the soundness of the organization structure; scope of the purchasing and supply job; purchasing plans, policies, procedures; and so on.

2.An appraisal of buying and supply effectiveness. Effectiveness in this sense is defined as the degree of success experienced in achieving a firm's primary buying and supply objectives.

3. An assessment of purchasing efficiency. "Effectiveness" in buying and

“efficiency” in buying are two distinctly different elements. Control of efficiency involves evaluation of workloads, personnel utilization, operating costs, and processing times as related to specific volumes of purchasing operations. Clearly, a purchasing executive wants to achieve a high degree of operating efficiency-but not at the expense of buying effectiveness. The latter element offers far more opportunity for cost savings than the former.

2.9.2 Controlling Buying Effectiveness

In most cases, a manager needs feedback on at least a monthly basis, and frequently more often, to do a good job of controlling buying effectiveness.

The operating situation is dynamic, and corrective action or a change in strategy usually should be accomplished fairly quickly. In addition, an annual review of the effectiveness measurements is also useful as a foundation for the development of the ensuing year’s buying plan.

Measurement factors are classified according to the primary purchasing objectives whose attainment they help achieve.

- Controlling the Timing Factor
- Controlling Quantity and Inventory Investment
- Controlling Prices and Costs of Materials
- Controlling Material Quality
- Controlling Source Reliability

Controlling Internal Coordination. (Divid, F. 1990:110)

2.9.3 Evaluation of purchasing performance

The efficiency of the purchase section can be judged on the following basis- such evaluation results in improved performance.

1. Number of persons employed
2. Whether the work has been properly distributed and whether the staff has a broad program of work
3. Number of items orders handled. Where multi item orders are in use, orders alone will not give a correct indication as the work depends to a great extent upon the number of items.

4. Time taken ordinarily to process a purchase requisition
5. Emergency purchase made & loss of production sustained on account of delay in placing orders.
6. Whether materials of correct quality are being purchased & incidence of rejection.
7. Type of suppliers with whom purchase section deals & the after sales & emergency assistance received from them.
8. Increase or decrease in price as compared to standard previous or market prices of principal material
9. Percentage of increase in materials cost of each product from year to year
10. Extent to which purchasing research such as standardization value analysis, price reduction, etc is conducted & savings effected.
11. Number & value of over-due orders
12. Proportion of purchase department operating cost to value of total purchase.
13. Cost per order:- this is to be obtained by dividing the total salaries of the purchase department personnel with the number of orders
14. Purchase to sales ratio: - This is the ratio of the cost of the purchased production materials to the value of the sales. Any variation in the year to year ratio is important.
15. Degree of cooperation given to and received from other departments (Nair ,1990 ,p: 123-124)

2.9.4 Foreign supply channels

Materials can be acquired from international sources through the following supply channels.

1. International trade intermediaries.

- Import merchants buy goods for their own account and sell through their outlets.
- Commission house usually act for exporters abroad.
- Agents or reps are firms or individuals representing international sellers.
- Import brokers act as “marriage brokers” between buyer and sellers from different nations.

- Trading companies are large companies which generally perform all the functions performed individually by the types of agencies previously listed

2. International Procurement Offices

When an organization's purchases in a foreign country, consideration should

be given to establishing an international procurement office (IPO). Such an organization quickly becomes familiar with qualified sources, thereby expanding the buying firm's potential supplier base.

3. Direct Purchasing

Dealing directly with the supplier usually will result in the lowest purchase price (including transportation and import duties). It eliminates the markups of international trade intermediaries. But it requires an investment in travel, communications, logistics, and interpretation of costs (Dobler, W. 1996, p276-277)

2.9 Methods of payment in international trade

There are five types of methods of international trade payments of which two types are carried out by bank.

1. Cash In Advance: Under this method, the seller receives cash from the buyer prior to shipment.

2. Open Account: Under this method goods are dispatched to buyer prior to receipt of payment by the seller. Here the buyer is expected to effect payment within an agreed upon period usually within 60 days of shipment.

3. On Consignment: It is a method of payment in which the title to the goods remains with the supplier until they are sold by a third party. Payment is made if and when the buyer sells the goods.

4. Documentary Collections: Under this method the seller's draft and documents covering the shipments are presented through the buyer's

bank for payment.

5.Documentary Credit: This is a method of payment in which a buyer arranges for issuance of a letter of credit in favor of a seller presents documents covering shipment of goods or services rendered in compliance with terms & conditions stipulated in the letter of credit.

(Nicholas kouleds,2006:98)

CHAPTER THREE

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Procurement in Ethio telecom

Ethio-telecom as one of the Governmental Organization in Ethiopia operating in overall the country with a planned development Program of a specific year. To implement its development program one of the main support provided is by the Sourcing Department, which was previously at a Division level. Most of the Ethio-telecom Department is restructured and special attention was given to Procurement. The Purchasing Department is under the direct supervision and control of the Sourcing and facility Chief officer, which is also under the direct supervision of Chief executive officer and Board of Director. Within the Purchasing Department both the local and foreign procurement was undertaking. The Local Procurement is responsible for the procurement of goods and services from local market with local currency. Whereas, foreign procurement is responsible for the procurement of goods and services from international market with foreign currency. The concern of this research paper is to review among other things the International (foreign) procurement activities of the organization.

In Ethio – telecom the fund for International Procurement is obtained from the organization's own fund and foreign loans. The amount spent in International Procurement always exceeds that of the local procurement. The importance, objectives and other principles of procurement theory is applicable to ET except its implementation in light of the specific nature of the organization.

This part of the paper presents, analysis and interpret the data gathered by questionnaires and interview tools regarding the forging procurement practice of ethio-telecom, the fact include primary data were obtained through questionnaires and interview, with regard to questionnaires it was designed and distributed to 70 procurement staff employees and interviews were conducted to procurement officer. Out of total 70 respondents only 62 (87.5%) of them were able to fill and return back the questionnaires,

3.1 GENERAL CHARACTERISTICS OF RESPONDENT

Table 1, characteristics of respondent

Variable	Characteristics /Category item	Respondents		Total
		Number	Percentage	Number
Sex	• Male	50	75	70
	• Female	20	25	
Age	• 18 - 24 years	10	10	70
	• 25 – 31	25	62.5	
	• 32 – 38	19	12.5	
	• 39 – 45	10	8	
	• 46 – 52	4	4	
	• 53 - 59	2	3	
Qualification	• 12th completed	—	—	70
	• College Certificate	10	5	
	• College Diploma	30	30	
	• First degree	26	60	
	• Masters	4	5	
Year of Service	• 1 – 5 Years	35	47.5	70
	• 6 – 10	25	40.5	
	• 11 - 20	10	12	
	• 20 & above	—	—	

Source from survey data

As shown from the table 1, the majority 50 (75%) of the respondents are male the remaining 20 (25%) of respondents are female. From the data we come to the general condition of respondent's male staffs are large in number than females this shows the participation of females on foreign purchase is less.

Table one variable 2, 10 (10%) of respondents are from the age of 18-24, 25 (62.5%) of respondents are between age group of 25-31, 19(12.5%) of respondents are between age group of 32-38, 10(8%)of respondents are between 39-45, 4 (4%) of respondents are between age group of 46-52&2(3%)of respondents are age of 53 -59.The Age variable most of staffs are fall under the age group of 25 – 31 (62.5%) this means that they are young and have an effort to make big achievement of the department

On the same table variable 3, shows that10(5%) of respondents are collage certificate 30(30%) of respondents are college diploma holder,26(60%) of the respondents are first degree holder and the reaming 4(5%) of respondents are master holder.

When we consider the respondents work Experience on variable 4, on the table 35(47.5%) of respondents are served from 1-5 year ,25(40.5) of respondents are 6-10 years served, and 10(12%) of respondents are served from11-20 years.

As you see from the date again the qualification of most staff's fall under first degree holder this implies that they have capable human resources to accomplish the goal.

And as you see the service year of the staffs the majority fall above 5 years this implies that they have more capable of experience on the area of foreign procurement.

So, they can give the researcher almost accurate data to analysis his research.

3.2ANALYSIS AND FINDING OF THE STUDY

The report of the respondent was presented in figure beside percentage in order to account the size of analysis conducted. And the data presented in table were agreed in a way that would keep the coherent flow of ideas for better analysis and interpretation.

3.2.1 Performing to inform about deliver to users

Table 2,Shows information about delivery

Q1, To what extent do you agree that Purchasing Department make inform to concerned department about changes occurred on delivery?		
Item	Number	Percentage
Strongly Agree	16	15
Agree	28	45
Neutral	3	7.5
Disagree	22	30
strongly disagree	1	2.5
Total	70	100

Source form survey data

Informing the arrival of materials or delivery time to user department is the major function of purchasing department and this will help to the users to ready to receive or preparing appropriate space and assigning the responsible person.

As it can be seen from the table 2, 28(45%) of respondents agreed that purchasing department makes or inform user departments about change of delivery date and 22 (30%) of respondents rated as , 16(15%)of the respondents rated as strongly agree 3(7.5%) of respondents didn't make any comment or neutrals but only 1(2.5%) of respondents are makes that strongly disagree about the information of change of date. when the student researcher had interview with the procurement officer, most of the time the delivery date of the materials ordered are late because of transportation and uniqueness, and fewsource of suppliers . So, the purchasing department has to assess other suppliers and means of transportation to meet the demand of users.

3.2.2 About Status of annual Plan

Table 3,Shows annual plan

Q2, To what extent do you agree that purchase department have annual plan?		
Item	Number	Percentage
Strongly Agree	7	12.5
Agree	35	37.5
Neutral	15	22
Disagree	11	25.5
strongly disagree	2	2.5
Total	70	100

Source from survey data

Planning is the major function of the manger without any planning an organization cannot come in to its mission or greater achievement of the goal.

As it can be observed from the table 3, 35(37.5%) of the respondent agreed that the purchasing department has annual plan the procurement officer during interview said that there is a plan but they do not use it effectively because of the new company is not much stronger to be guided by its policy and procedure and 11(25%) of respondents rated as disagree about the plan may be they feel that they did not see the application of the purchasing plan on their duties ,15(22%) of respondents remain neutral and 7(12.5%) of respondents rated as strongly agreed that they guided by the plans. only 2(2.5%)of the respondents rated as strongly disagree about the plan existence. So, from this fact one can infer that the majority staff agreed that there is a plan in purchasing department but it is not attractive that much.

3.2.3 about the department control of efficiency

Table 4,shows control of procurement efficiency

Q3, How do you rate that purchasing department control procurement efficiency?

Item	Number	Percentage
Very Good		
Good	20	37.5
Neutral	37	50
Bad	8	12.5
Very bad	5	1.5
Total	70	100

Source from survey data

Controlling also the function of the manager, so having better controlling system enhance to have better achievement if the manager did not compare what is planed & what is actually done there may be an existence of failure on the strategic plan.

When we come to the control of procurement efficiency of the company as stated at table 4, 37(50%) of respondents remain neutral about it's efficiency control and 20(37.5%) of respondent rated good 8(12.5%) of respondents is poor and 5(1.5%) of respondents rated as is very bad but the procurement officer said that there is Quality circle weekly meeting handling by the managements to come over the effectiveness of procurement activity. So, From this fact we deduce that there is a slight tendency of controlling purchasing efficiency to meet the organization goals.

3.2.4Coordination of the department with other business unit

Table 5,shows about coordination of staffs

Q4, To what extent do you agree that there is strong coordination between your department and other strategic business unit?

Item	Number	Percentage
Strongly Agree	5	5
Agree	22	25
Neutral	33	57.5
Disagree	10	12.5
Strongly disagree	—	—
Total	70	100

Source from survey data

Coordination is the backbone for effective utilization of resources in an organization, without it an organization can't do its strategic plan their must be a great information flow between others department to come up the common good will of the organization.

As it can be seen in table 5, majority 33(57.5%) of respondents remain neutral about the coordination of the purchasing department to other business unit 22(25%) of respondents agree as the existence of coordination 10(12.5%) of respondents disagree about it. The rest of respondents 5(5%) strongly agree the issue listed above.

The procurement officer answer for this question was yes, but it is not that much good the department tries to make such things to make clear and more attractive for other business unit. This shows that the existence of coordination is also one input to the achievement of the organizational objectives and goal. So, from the data it can be concluded that there is slightly a good coordination between other strategic business unit but, it have to be developed more than this through time.

3.2.5 About purchasing policy follows procedure

Q5, How do you rate that purchasing department implementation of

Item	Number	Percentage
Very high	17	12.5
High	31	37.5
Neutral	14	35
Low	8	15
Very low		
Total	70	100

**Table 6, implementation of procedure
Source from survey data**

Ethio telecom has prepared procurement procedure manual and it has been effective since April, 2011. This procurement procedural manual is designed to govern all procurement activities of the organization. For the effective implementation of procedure managers at different level and different departments should integrate their effort with the procurement system and actively participate in supporting procurement managers and staff members.

When we come to the department implementation of procedure as shown in table 6, 31(37.5%) of the respondent rated as high, 14(35%) of respondents are remain neutral, 8(15%) of respondent rated as low and 17(12.5%) of respondents rated as very high. For the rating the officer said that for this question yes, there is validated document approved by CEO (Chief Executive officer) that every staff should implement when doing activities. So, this implies from the data we can say that there is a small degree of tendency of implementation of and procedure in purchasing department.

3.2.6 about extension of letter of credit

Table 7, Shows about letter of credit

Q6, To what extent do you rate extension of letter of credit?

Item	Number	Percentage
Very High	15	12.5
High	32	37.5
Neutral	23	50
Low	---	---
Very Low	---	---
Total	70	100

Source from survey data

Ethio - telecom uses this letter of credit for its foreign procurement payment to suppliers to fast, easy & safety way of money transfer to the seller outside the country. A letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

when we come to the extension of letter of credit as shown in table 8 , 32(37.5%) of respondents believed that there is high degree of extension of letter of credit , 15(12.5%) of respondents believed that Very high and 23(50%) rated that neutral. As the student researcher asked the procurement officer they replied that if there is amendments in specification, delivery date, additional purchase on that purchase order number and any disaster happened that out of control both sides there will be an extension of letter of credit. So, this data shows one can say that there is a tolerance level of letter of credit caused by both sides.

3.2.7 about the department Communication to outside supplier

Table 8, communication to out side

Q7 , To what extent does purchasing department have good communication without side suppliers?		
Item	Number	Percentage
Very High	10	32.5
High	21	32.5
Neutral	13	7.5
Low	23	42.5
Very Low	_____	_____
Total	70	100

Source from survey data

Business communication involves coordinating various tasks between the various class in a company, and it also involves all the interactions that the company makes with the outside world. Corporate success is impossible without effective communication.

As indicated in 10, 17(42.5%) of respondents replied that there is high degree of communication, 13(2.5%) respondents replied as neutral, 7(17.5%) of respondents replied very high communication only 3(7.5%) of respondents replied as low from this fact the researcher can infer that there is moderately have good communication, at this dynamic environment communication one of the best resource of doing business like changing technology in model, dimension, size quality durability , capacity etc... all other concerning to the desired materials information can be gathered through effective channel communication with suppliers dealers & distribution channels. In this respect , purchasing department have to work in coordination & integration to all business units to survival and cost effectiveness of the organization.

3.2.8 about Table 9, Shows specification of materials

Q8, To what extent does Purchasing department accepts specification of materials without any amendments?

Item	Number	Percentage
Strongly Agree	5	7.5
Agree	22	30
Neutral	27	32.2
Disagree	7	17.5
Strongly Disagree	9	12.5
Total	70	100

Source from survey data,

A well developed and clearly defined specification or description of the item required that the organization expects experts to receive one of the key elements for the success of procurement.

The requesting or using department must be capable of clearly describing exactly the needs. Organization like ethio - telecom, whose major spending allocated for the purchase of high technological items should give due consideration in the preparation of material specification.

From the table 10, data shown about acceptance of material specification without any amendment 27(32.5%) of respondents replied that neutral, 22(30%) of respondents replied agree, 7(17.5%) of respondents replied that disagree, 9(12.5%) of respondents believed that strongly disagree only 5(7.5%) respondents replied strongly agree. **specification of materials without any amendments** So, from this data the researcher can say there is high degree of acceptance of material specification without amendment that means the purchasing department purchase what really the user department desire or want most of the time the purchasing department did

not well known about the materials specification because materials are telecommunication instruments, equipment's technically have different in nature and technologically up dated. Its better the user specify the materials that meet the requirement for their duties.

3.2.9 About Communication to internal users delay & delivery

Table 10, communication to internal

Q9 , To what extent do you agree that there is good communication of information staff in purchasing department about the arrival and delay of materials?		
Item	Number	Percentage
Strongly Agree	5	12.5
Agree	22	30
Neutral	26	42.5
Disagree	15	12.5
Strongly Disagree	2	2.5
Total	70	100

Source from survey data

Simply put, an organization's productivity is increased with effective communication strategies. It states what the company exthe employees, and what the top management will be doing in return. It provides people with a specific direction that they can work towards, principles that they need to stick to, and clearly defines the processes required for accomplishing the job. As it can be observed in table 26(42.5%) of respondents replied neutral, 22(30%) of respondents replied agree, 5(12.5%) of respondents replied strongly agree, 15(12.5)of respondents are disagree and 2(2.5%) respondents replied strongly disagree. So form this fact the student researcher can deduce that there is moderately have good communication but it has to be improved, in question eight the researcher tries to highlighted the basic advantages of good communication specially in

technology change because there will the probability of great cost loss to the company or nationally to the country.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 SUMMARY

- As can be seen from the analysis part the majority 72.5% of staff members are young so, they have a capacity to handle challenges occurred in foreign procurement and maximize the target plan and schedule. As can be seen from the data about informing the change of delivery date the problem is raised because of transportation and few number of suppliers 60% of staff agree and 3% of staffs are neutral this implies that there is a good information flow between the user department and the procurement department.
- When we come to specification part of the study 37.5% of staffs agreed that purchasing department accept materials specification without any amendments this implies that there is existence of procuring materials what the user department wants & desire but it is not match attractive.
- Again when we see about the extension of letters of credit 50% of staff members rated high, most of the time this occurs in purchasing department this is because of amending specification, adding materials on that purchase order or other disaster happened and there is also a tolerance level of extension of letter of credit on both sides.
- And as can be seen from the data about company's implementation of organization procedure 50% of staff rated it high , this implies that there is slight level of implementation of policy & procedure and this is also because of the new company did not strongly enforce all policies and procedure to implement .
- Again when you come to about purchasing department control procurement efficiency about 37.5 % of staff agreed that there is a good control of efficiency , but it is not attractive as a big company they have to work more on this area because efficiency one of increasing companies profit & rising it's quality service to the country as a whole.

4.2 CONCLUSION

Ethio–telecom purchasing practice has been improved since the organization undergoing its Business Plan Reengineering (BPR) program to reorganize the whole system. However ethio – telecom current foreign purchasing practice still has many weaknesses in purchasing activities, which involve employees in different level of position including the managerial level.

- According to the study findings ethio – telecom purchasing department does not well prepare its annual plan and activity. The current practice shows that the department activities are directed according to the user department annual plan and purchasing schedule.
- Achievement of objective in an organization is the result of aggregate effort with in the organization different level. All activities throughout the organization have to be directed and implemented according to the plan. Appraising and controlling performance level should follow the implementation. From the study, result it is under stood that in foreign purchasing section there is no formally approved system to apply apprising and controlling purchasing performance they must follow the the procedure manual. Most of the problems under investigation of the study are caused by the lack of planning, appraise and controlling activity.
- The organization current practice regarding defining terms and condition in concluding agreement with suppliers can be consider as satisfactory. But putting clearly defines terms and condition in the contract document is not enough for the accomplishment of the contract agreement.
- Even though the current practice in defining terms and condition is a good one. The importance and purpose of procurement procedure manual is to govern and direct all activates of procurement. Public bodies like ethio – telecom, in preparation of procedure should take in to considerationthe need of all stake holders and relevant government regulation

- The documentary analysis of the study revealed that, the procurement procedure manual of the telecom, which came in to effect since in 27/04/11 has been prepared to make effective and efficient procurement. The procedure clearly reflects duties and responsibility of different units and assigned personnel's, who are involved in all stages of procurement. The necessary condition for transparency is also incorporated in the manual.
- The problem under investigation leads to another point rather than the problem, which is indicted as problem of inflexible procurement manual. The result of the study under investigation revealed that the problem is not arise from the procurement procedure manual, it is rather from its application by the user department.
- And about the delay the procurement officer must find out other source of supplier especially for unique materials and other means of transportation mechanism.
- When we come to the letter of credit most of the time it is acceptable both sides but it is not advisable to the user department because it leads to shortage of materials.

4.3 RECOMMENDATION

- To apply effective and efficient procurement system in ethio - telecom require at first place high commitments from decision makers. Committed managers has to spent their time, knowledge and effort to the implementation of corporate strategic plan.
- Today's modern business is not thinkable without planning. In most organization strategic plan is prepared at different hierarchal level namely, corporate level, business level and operational level. It is believed that each level strategy plan is affecting and affected by others.
- As it is tried to mention in the above paragraph, the procurement department as a business level and its functional units should have to make their own plans by coordinating with other business level and functional levels of the organization for the achievement of corporate level strategic plan.

The other point that ethio telecom should apply for the effectiveness and efficiency of its foreign purchasing activity is apprising and controlling Purchasing performance, and the coordination procedure manual. If the procedure is strictly followed by all parties involved, it will lead to the level of effectiveness and efficiency.

Generally, Ethio – telecom can bring the required level of efficiency in its procurement activities through an integrate effort of all employees at the organization different hierarchical level.

This research paper requires further investigation on the problem related to foreign procurement problem in Supplier side. The researcher cannot investigate the problem of suppliers because it needs budget, time and other triangulation methods or experts.

- of all user departments in the implementation of the corporation procurement

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