



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**Examining the level of strategic sourcing process implementation-
The Case of ethio telecom**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE
STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (GENERAL)**

BY

BELETU DELAMO

JANUARY, 2016

ADDIS ABABA, ETHIOPIA

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**January, 2016
Addis Ababa, Ethiopia**

Dedication

This Thesis is dedicated to my beloved second son Urim (Jimmy) Fantahun who tragically lost his life on January 10, 2015 during his 2nd year university engineering course study. My handsome son, heaven is glad to have a little angel like you. It is through your unexpected departure that this research work has delayed for a year. Jiye you were always at my right hand side in browsing internet in the subject matters in supporting my studies encouraged me to work hard and thought me not to give up. Jimmy I love you, and will always miss you. I would also like to dedicate the research work to my beloved father, Delamo Dindamo, who left life on earth ten years ago. It is through his unconditional encouragement and support made it possible for me to continue my education and the values he espoused and the grace with which he exited during my completion of my undergraduate degree while he was seriously ill. Daddy, I miss you. I hope you are all in heaven smiling down on me.

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LIST OF ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
ET	ethio telecom
SFD	Sourcing and Facility Division
SD	Sourcing Department
ERP	Enterprise Resource Planning
RFQ	Request for Quotation
POR	Purchase Order Request
SLA	Service Level Agreement
OLA	Organizational Level Agreement
MFA	Mater Frame Agreement
ERP	Enterprise Resource Planning
PPA	Public Procurement Agency

Abstract

The purpose of this study is to examine the level of strategic sourcing process implementation and to identify the gap and to recommend improvement areas in the case of ethio telecom. In this study both primary and secondary sourcing of data were employed. Primary data was collected through questionnaire (structured and semi-structured) and interviews. Questionnaires were distributed to 59 participants from ethio telecom's Sourcing and Facility Division officers, Sourcing department managers, supervisors and specialists and Requester units. Interviews were conducted with 4 Sourcing committee members including ethio telecom Chief Executive Officer (CEO). Secondary data were also extracted from related literature from studies conducted in area, company manuals and reports in the area of the study. Data were analyzed using descriptive statistics (percentage & mean). The descriptive statistical analysis including opinions and suggestions obtained from open ended and interview questions of the study demonstrated that the seven steps strategic sourcing processes were not been properly implemented. Regarding the support of ERP in the implementation of process, the study result shows that respondents were somewhat agreed, but ethio telecom has not been utilized in its full capacity. The research result about the Suppliers Relation Management is disagreement. This tells us that the one and the major part of the strategic sourcing processes "Suppliers Relation Management" in ethio telecom has been poorly managed. The other construct of this study was interdepartmental integration in implementing the strategic sourcing processes. The result of this variable was also negative which is somewhat disagreeing. The last but not the least construct of this study was challenges that hinder ethio telecom to implement the seven steps strategic sourcing processes. The findings of the research were: sourcing function has not been the focus area of the company and not seen as a strategic function, challenges hinder ET to implement the strategic sourcing process are the influence of Public Procurement policy which at country level assumed trustworthy, ET's sourcing policy, procedure and seven steps lack clarity and contradict each other, negative attitude on the procurement function and since the strategic sourcing process is new for the country, ethio telecom has not been providing competency and skill developing trainings, benchmarking and experience sharing programs in house or from external sources. Finally, from the above findings the research concluded that the seven steps strategic sourcing processes have not been implemented in ethio telecom. Thus, to achieve the objectives and to become a world-class company ET has to implement the strategic sourcing processes properly.

Keywords: Strategic sourcing, Supplier selection Management, Requester units, supply market analysis, spend analysis; Enterprise Resource Planning

Paper type Research paper

CHAPTER ONE

1.1. INTRODUCTION

This chapter deals with the problem and its approach. Generally deals with the background of the study, statement of the problem, basic research questions, and objectives of the study, scope/delimitation of the study and significance of the study.

1.2. BACKGROUND OF THE STUDY

Every organization and business wants to be successful and have wishes to become constantly developing. Today's rapid changes in the technology and business world have made an organization to re-think about their strengths on major inputs. The major inputs that an organization uses to achieve its objectives and considering to improve their qualities are: Human, financial, Material and Information resources. Amongst Materials resource is the major one of the organization that encompasses high inflow of materials, services and works and outflow of money. These materials have to be purchased from the right sources of supply and would have to conform to required quality levels and delivery schedules. According to Court et al (1997:1) in many organizations, strategic sourcing process remains the least understood and most ineffectively managed of all the business processes. As this determines or affects the overall performance of the organization, special attention needs to be given to this function. According to Quayle, 2002, Carr and Smeltzer, 1997, the aim of strategic sourcing is to increase the bottom-line of the company's income through the most thoughtful use of procurement approaches and strategies.

As pointed out by Milliken, et al (2011), the principal objective of strategic sourcing is to effectively handle situations when faced with supply, competitive, and demand uncertainties. They further noted that, it is achieved by developing a set of practices through which certain flexibilities could be obtained to face these uncertainties. Carr and Smeltzer, (1997), said that, strategic Sourcing enables an organization to identify and select suppliers through strategic long term partnerships, by providing benchmarks, laying emphasis on supplier performance and

providing feedback to suppliers. They also noted that, in today's business context organizations compete in a global environment and operate in multiple markets and geographical locations. To reduce costs, to sustain supply of goods and service and works, to improve performance and to achieve an intended goal, every company has to give emphasis to sourcing function.

The telecommunications service was introduced in Ethiopia by Emperor Menelik II in 1894 when the construction of the telephone line from Hara to the capital city, Addis Ababa, was commenced. Then the interurban network was continued to expand satisfactorily in all other directions from the capital. Many important centers in the empire were interconnected by lines, thus facilitating long distance communication with the assistants or operators at intermediate stations frequently acting as verbal human repeaters between the distant calling parties.

After the establishment, through many years, Ethio telecom take different names given that the objective remains to be engaging in accordance with development policies and priorities of the government in construction, operation, maintenance, expansion and provision of telecommunication services. In 1989 E. C Ethiopia telecommunication corporation formed by the proclamation of 10/1989. A highly visible consequence of the phenomenal developments in the telecommunication sector in Ethiopia is the emergence of the economic growth and the big role of telecommunication service in the word. From the last fifteen years on ward the telecommunication operator in Ethiopia is experienced tremendous change and nowadays it undertakes multiple network and service expansion. (Ethiopian Telecommunication Corporation annual magazine, 2010)

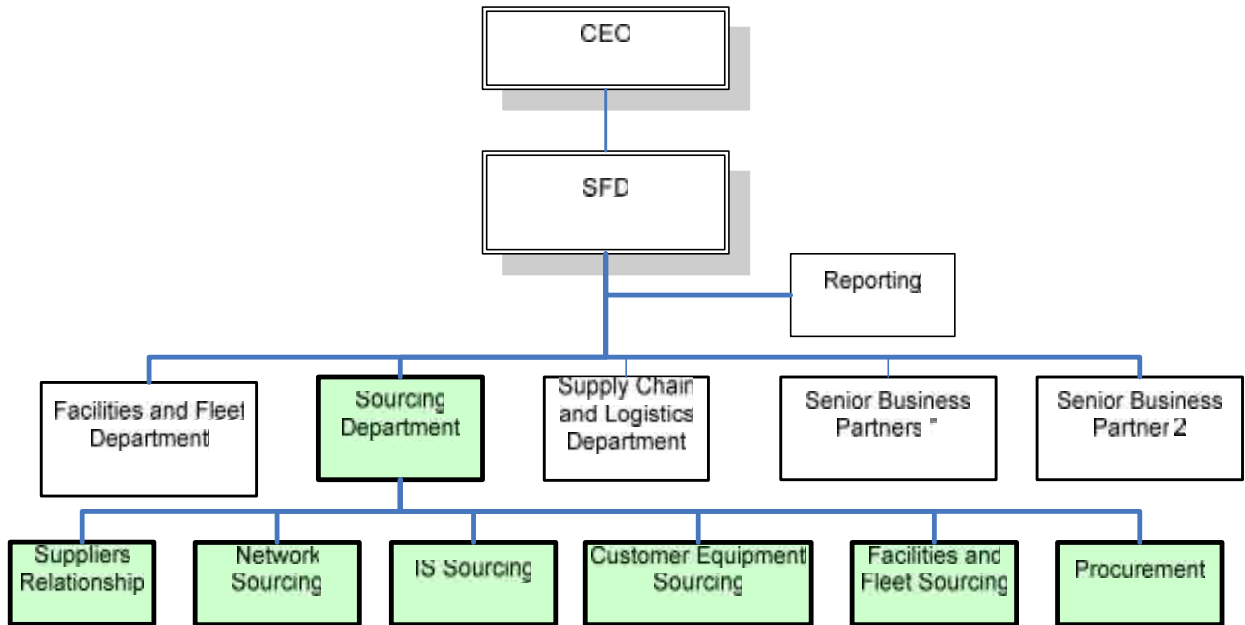
As a continuation of the 2005/06-2009/10 five year plan and after concentrating its efforts on education, health and agriculture, the Ethiopian government has decided to focus on the improvement of telecommunication services, considering them as a key lever of the development of Ethiopia, ethio telecom is born, on Monday 29th November 2010, from this ambition of supporting the steady growth of our country, within the Growth and Transformation Plan (GTP), with ambitious objectives for 2015. The strategic directions of the company are to ensure that the information and communication infrastructure already in place is effectively utilized such that it provides higher qualities of data and communication services. In order to effectively utilize the infrastructure and deliver higher quality services at competitive prices, the telecom company will

undergo radical intuitional reform such that its institutional capacity shows fundamental changes. The government has also found it necessary to involve the world-class telecom operator with viable experience of employees and capability in the sector so as to render world standard telecom services and formed a new telecom company of ethio telecom “under the regulation which is issued by the council of ministers pursuant to article 5 of the definition of powers and duties of the executive organizations of the Federal Democratic Republic of Ethiopia proclamation No.691/2010 and article 47(a) of the public enterprises proclamation No. 25/1992 November 20, 2003 E.C. Source: (<http://intranet.ethiotelecom.et>, ethio telecom company profile 2013).

To achieve operational improvements in support of an organization’s strategic objectives and the steady growth of the country’s economy, ethio telecom re-structured its functions in different Divisions, Departments and Sections. Sourcing and Facilities Division (SFD) is one of biggest support divisions’ that is in charge of supplying goods, services and works needed by end users. Sourcing Department is one of the three Departments’ which exists in SFD whose objectives are: “ providing step by step instructions for responsible ethio personnel in Sourcing activities, aligning their decision and duty to the Sourcing policy, and strategies; ensuring Sourcing activities are conducted as per the Sourcing principles stated in the policy; aligning ethio Sourcing with the seven steps sourcing methodology; and creating standardized and uniform practice throughout ethio telecom’. Divisional structure of SFD is depicted on figure 1.1.

In order to satisfy business needs from markets through the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to meet pre-determined and agreed business needs’, developing the strategic sourcing strategy is a fundamental part of the purchasing and supply management process. Accordingly, ethio telecom deployed seven steps Strategic Sourcing methodology. To make the strategy practical, policy, procedure, processes were established. Enterprise Resource Planning (ERP) system which makes the process more efficient and effective had also been installed.

DIVISIONAL CHART OF SOURCING & FACILITY



Source: Adopted from ethio telecom’s organizational structure

Figure 1.1

If 7 steps Strategic Sourcing process is properly implemented, the results will be immense and ultimately position an organization to achieve a competitive advantage in the marketplace through its suppliers. However, the researcher learned that, from 2006 and 2007 annual performance evaluation and Growth and Transformation Plan (GTP) annual evaluative meetings report, “there is supply interruption, less quality of goods, services and works had been delivered”. Strategic sourcing is an integrated business process comprised of strategic sourcing planning and management of suppliers (Smeltzer et al, (2003:1998). Moreover, the researcher also observed that annual needs of end users have not been aggregated nor sent to Sourcing Department as per the stated time period in the Sourcing policy, rather purchase requests from different units were sent to Sourcing department in dispersed manner and most of the time open tender launched for all types of goods, services and works without conducting supply market and spend analysis based on the types of goods, services and works need to be purchased. This is opposite to strategic sourcing which takes into consideration of the prioritization, value for money, supply risk and the profit impact of supplies in order to bring about not simply efficiency

on procuring, but also the realization of company's strategy at an optimal cost is essential. Due to these facts, the purpose this research is to examine the level of strategic sourcing implementation and recommends improvement areas. Apart from this, other empirical studies also confirm the positive effect of implementing strategic sourcing processes.

1.3. Statement of the problem

The purpose of this study is to examine the level of strategic sourcing process implementation, identifying gaps and recommends improvement areas in the case of ethio telecom. According to Gelderman et al,(2005;1994), strategic sourcing process is not simply a way to find the best price for a certain product but it has become a decision-making process that can shape the business of an entire organization. They further noted that, over the past four decades, purchasing has evolved from a clerical function in the 1960s, through being an operational activity in the 1980s to the strategic nature in the 1980s. Carr and Smeltzer, (1997), noted that organizations have transformed their purchasing capabilities into competitive advantage, others are still lagging behind. He further noted that, today, proactive firms are expected to control their purchasing operations in an effort to build competitive advantage. In order to get a competitive advantage of any organization, sourcing activities need great attention. Therefore, it is essential that managers should apply different types of strategic sourcing processes, but these procedures should be tightly related to the overall strategy of the company and to customers' needs.

The strategic sourcing process by integrating user divisions has been contributing directly to the operating results and profitability of an organization. Fearon et al (1997:25), as cited in Albert Kofi Assiamah (Date not mentioned), one of the keys to accomplishing this is working with key suppliers to help them provide high quality, faster and more reliable delivery, innovative design, production, distribution ideas and a lower total product or service cost.

Sourcing strategies must be implemented for an organization to reduce the total cost of sourcing materials, goods and services, while maintaining high levels of quality, delivery and technology (Tyndall et al., 1998). This can be achieved by developing different sourcing strategies to meet the specific needs of customers' requirement (McIvor, et al, (2000; 2001), and developing partnership with suppliers to provide a stable supply with good quality and low cost (Krause,et

al., 1998). To ensure sustainable supply of goods and services, while maintaining highly quality and reasonable prices, every organization has to be strategically source from fewer suppliers; this can be achieved through thorough evaluation and selection of suppliers.

Zenz (1994:5-6), argued that, the efficiency of any organization is subject to the availability of component parts and materials purchased in a proper quantity, quality, and price'. For this reason, disappointment in any of the above mentioned increases cost and decreases profit and can precipitate economic crisis for the organization. The importance of skills, knowledge and professionals possess by an organization cannot be underestimated, especially in these times of a more rapidly changing environment with heightened competition in world markets, more varied customers' demands and rapidly changing technologies.

Sound strategic sourcing process is the development of internal relationships that lead to understanding among the various Divisions or departments within the organization. According to Zenz (1994:10-11), 'no other function involves more contact with and reliance upon other departments than strategic sourcing process'. Sourcing process decisions and actions influence almost all internal and external stakeholders who directly and indirectly involve in the process and that to be effective, strategic sourcing process must have the respect and cooperation of all divisions and units or departments and be able to interact in all management decisions about materials cost and controls. According to Court et al (1997:12-13), strategic purchasing "is the development of ways of approaching and interacting with the supply-market, taking account of not only the present situation but also how it might develop in the future".

The strategic directions of the company are to ensure that the information and communication infrastructure already in place is effectively utilized such that it provides higher qualities of data and communication services. In order to effectively utilize the infrastructure and deliver higher quality services at competitive prices, the telecom company will undergo radical intuitional reform such that its institutional capacity shows fundamental changes. In order to meet its mission which is "Becoming a world - class telecom company" and assists the speedy growth and development of country, ethio telecom exerting unreserved efforts. Ethio telecom, as a Public Enterprise, has established its own sourcing policies and procedures including seven steps

strategic sourcing methodology which is different from Public Procurement directives. This strategy was adopted from France Telecom Sourcing University at 2011 and it was also clearly articulated in the sourcing policy and procedure. The aim of this strategy is to satisfy business needs from markets via the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to meet pre-determined and agreed business needs. This can be achieved by assessing and planning annual need of the company, categorizing, identifying and selecting suppliers for each group of items for long-term as a partners, engages in early involvement of suppliers and supplier development by effectively allocating resources to enhance supplier performance. However, the researcher, as an employee of the company observed that, from 2013 to 2015 there are unplanned and splitted Purchase Requests have been sent to Sourcing Department from Requester units throughout the year. As a result, repetitive open and restricted bids have been launched and large number of Purchase Orders have been placed to different or similar suppliers; among which some were unreliable; so that, fail to meet terms and conditions of the contract. The following table shows the number of tenders launched, purchase orders placed and different and/or similar suppliers engaged from January/2013 to October 2015.

Table 1.1: Purchases processed from January/2013 to October/2015

Description	2013	2014	2015
Tenderer/Bids launched	72	93	113
Purchase Order (PO) placed	4318	6358	8317
Suppliers engaged	992	1952	2197

Source: ERP system and log book as of October 2015.

Due the above and other preasons, 2006 and 2007 annual performance evaluation and GTP evaluative meeting report stated that there are delays in delivering of goods and services, less quality of goods and services have been supplied to end users. The report seriously stated that these issues negatively affected the service delivery of the company and created customer dissatisfaction.

The researcher, as an employee of the company, has presumed that the reason for an inefficient implementation of strategic sourcing processes is due to less understanding of an overall strategic sourcing concept at all levels, giving less attention for suppliers' evaluation and selection, inadequate interdepartmental integration and in general, giving less focuses to the sourcing function. This would obviously results in devastating effect on profit forecasts, affects the viability of the company by raising costs, damages company's image and causes delays in supply of goods and services, which in turn leads to a loss of competitiveness of the company. Therefore, this study has been initiated with the intention of examining the level of strategic sourcing process implementation, gap identification and recommendation of improvement areas. Thus, the following basic research questions were established:

1.4. Basic Research questions

To achieve the research objectives, this study attempts to address the following 5 questions

These were:

- How does the implementation practice of strategic sourcing process look like in ethio telecom?
- Does the Enterprise Resource Planning (ERP) support the implementation of strategic sourcing process?
- How does the Suppliers Relation Management practice in ethio telecom look like?
- How does interdepartmental integration look like in relation to the implementation of strategic sourcing process?
- What are the challenges that hinder ethio telecom to implement the strategic sourcing process?

1.5. Objectives of the study

This study examines the level of strategic sourcing process implementation in the case of ethio-telecom. While attempting to achieve the stated general objective, the study also tried to specifically meet the following objectives:

- To examine the implementation practices of strategic sourcing in ethio telecom

- To examine Enterprise Resource Planning (ERP) support in strategic sourcing process implementation
- To investigate Supplier Relation Management practice in ethio telecom
- To assess interdepartmental integration in relation to implementing strategic sourcing process
- To investigate challenges that hinder ethio telecom to implementing the seven steps of strategic sourcing process

1.6. Operational Definition of term

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

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

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

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

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

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

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

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

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

End Users: Are those Divisions who ultimately use goods, services and works as inputs for their consumption, *source: ET's sourcing policy document, (2011)*

1.7. Scope /delimitation of the study

The study is basically a case study, and focused in ethio telecom. Ethio telecom has different Divisions, Departments and Sections established with respective policies and procedures. Sourcing and Facility Divisions is one of biggest Division's which is in charge of supplying goods, services and works to end users. SFD comprehends Sourcing Department, Facilities & Fleet Department and Supply chain & Logistics Departments. The case study was merely focused on Sourcing Department's functions, particularly, on the level of strategic sourcing process implementation (Seven steps strategic sourcing methodology). Therefore, the study has not attempted to emphasis on Vender Financing Projects sourcing strategy, post contract performance evaluations and other supply chain functions. The results of the study also limited only to examine the level of strategic sourcing process implementation, gap identification and recommendation of improvement areas.

1.8. Significance of the Problem/Study

The research findings will help the company to evaluate its current sourcing practice and to maximize the contribution of the sourcing function to the corporate objective. Moreover, the research recommendations will help to take steps towards upgrading the knowledge gap of its workers about strategic sourcing process. The result will also help other stakeholders to have better understand of the sourcing functions which contribute a lot to other functions. The same research will also introduce value for money; and creates sustainable buyer-supplier relationship. In general, the findings and recommendations of the study will help the organization to understand the problems associated with the implementation practice of the strategic sourcing process and to take the necessary remedial actions. In addition, other researchers, students working on Strategic sourcing process can use it as a secondary source of information.

1.9. Organization of the Research Report

This part gives a description in summary form of the main content and the ways study is organized and structured. This study was organized in five chapters. The first chapter shows the background of the study, defining the research problem, objectives, significance of the study, scope/delimitations of the study and operational definitions of the study. Then the second chapter covered theoretical and empirical literatures related to the area. The third chapter discussed about research methodology that the researcher used. The fourth chapter was covered data analysis, interpretation, discussion and findings. Finally, findings, conclusion, limitations of the study, possible recommendations and implications for the company and Sourcing Department are depicted in chapter five.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter presents literature reviews related to the purpose of this study. The purpose of reviewing the literature is to give insight on strategic sourcing processes. The purposes of reviewing the literature are to establish the conceptual foundation for the study, to define and establish the importance of research question. According to Saunders et al (2007:74), “a literature search “is a systematic search of one or more databases for material on a specific subject”. It gives the researcher an insight to see clearly how the research at hand relates to previous researches. Thus, literature is reviewed under the following subheadings; the concept of strategic sourcing; the seven steps strategic sourcing processes, Enterprise Resource Planning (ERP) system supports in implementing sourcing processes and Supplier Relation Management and interdepartmental integration. Finally, based on the information gathered, conceptual framework of the study has been developed.

2.1. Concept of strategic sourcing

Strategic purchasing defined by Tzokas et al (2007:283) as the process of planning, implementing, evaluating, and controlling strategic and operating purchasing decisions for directing all activities of the purchasing function towards opportunities consistent with the firm’s capabilities to achieve its long-term goal. He further stressed that, strategic purchasing requires the buyer to take a much more proactive role in persuading suppliers to meet their needs or reverse marketing. Strategic sourcing is an institutional procurement process that continuously improves and re-evaluates the purchasing activities of a company. In the services industry, strategic sourcing refers to a service solution, sometimes called a Strategic Partnership that is specifically customized to meet the client's individual needs. In a production environment, it is often considered one component of supply chain management (<https://en.wikipedia.org/wiki/>)

Strategic sourcing is the structured and collaborative process of critically analyzing an organization’s spending patterns to better leverage its purchasing power, reduce costs, and improve overall performance (<http://www.gsa.gov/portal/content/105156>)

Strategic sourcing aims at reorganization of sourcing and purchasing activities to support the total supply chain vision to service the ultimate customer. Kocabasoglu, et al (2006), noted that strategic sourcing aligns the sourcing operations to support overall organizations strategy and service level. Strategic sourcing aims at identifying and selecting suppliers for long-term partnerships, engages in early involvement of suppliers and supplier development by effectively allocating resources to enhance supplier performance. The key elements of strategic sourcing are data driven decisions, better understanding of spending patterns, leverage buying power/aggregate demand, reduce number of suppliers, drive savings and efficiencies, focus on total cost of ownership, improve quality of goods and services and enhanced relationship with supplier community (www.naspo.org/dnn/portals/16/.../Evolution-of-Strategic-Sourcing.pdf).

Since procuring/sourcing involves inflow of different types of goods and services and out flow of huge amount of money, those goods and services need to be purchased have to be planned and positioned; to identify key suppliers/partners for each types of categories, supply market analysis has to be conducted. Not only has that, to understand the past, current and future out flow of money, spend pattern analysis of the company also been conducted. These helps top level management by providing vital information about what to buy, where to buy and at what amount to buy.

Walter L. Wallace & Yusen L. Xia, (2014), explained that the topics of purchasing, procurement, and strategic sourcing are all receiving significant attention as organizations attempt to improve the overall efficiency and effectiveness of their supply networks. They further pointed out that, a better understanding of where the benefits can be obtained requires a thorough knowledge of some of the similarities, differences, and linkages between purchasing, procurement, and strategic sourcing. Many times these terms are used somewhat interchangeably, which does not allow for clarity or optimization of the buying decision. They see each of the terms as stated here below:

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

Procurement is the management of a broad range of processes that are associated with an organization's desire to obtain the necessary goods and services needed for manufacturing a product, transforming inputs to outputs, or indirectly operating the organization. These processes include activities such as product and service sourcing, supplier selection, pricing and terms negotiation, transaction and contract management, supplier performance management and supplier sustainability issues.

Strategic sourcing is a broader, more transformational process, performed at a higher organizational level. Strategic sourcing takes the procurement process further, examining the whole supply network, its linkages, and how they impact procurement and purchasing decisions. The focus is more on the first level supply network, value creation, risk, and uncertainty in the supply chain and the overall responsiveness and resilience of the supply chain. Finally they stated that, purchasing as an activity and procurement and strategic sourcing as processes.

Strategic sourcing is a core activity in purchasing and supply management. It is a complex commercial process requiring extensive knowledge and competence. It can be defined as satisfying business needs from markets via the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to meet pre-determined and agreed business needs. Developing the strategic sourcing strategy is a fundamental part of the purchasing and supply management process. Strategic sourcing is a logical process involving the application of tools by skilled, competent and knowledgeable people; however - developing and implementing strategic sourcing is a functional process (www.cips.org.)

Strategic sourcing is probably the most significant aspect characterizing an organization's transformation to supply management. It is also this aspect of supply management which provides some of the most value-added benefits to the organization. As stated by Burt et al., (2003), sourcing is one of the major steps in the procurement process involves the identification and selection of the supplier whose costs, qualities, technologies, timeliness, dependability, and service best meet the organization's needs.

As described by Smeltzer et al, (2003), strategic sourcing is an integrated business process comprised of strategic sourcing planning and management of suppliers. According to Krause and

Ellram, (1997), it is useful to maintain a long term relationship with suppliers. In addition, Dobler et al, (1996.2004), pointed out that, management of suppliers includes supplier evaluation and selection, supplier monitoring and supplier development. Spekman et al., 1998), also noted that, by properly managing the suppliers, long term relationship, loyalty and trust can be developed. He added that, eventually, the suppliers would provide high quality items, products or services. Doing so creates greater leverage for the user and enhances supplier relationships.

2.2. Seven steps strategic sourcing processes

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

³. According to purchasing-procurement-center.com, experience has shown that the 7 step strategic sourcing process developed in 2001 has stood the test of time and with variations, has become best practice. The main objective of strategic sourcing is to save money but other reasons include improving the acquisition process, supplier performance and minimizing risk (www.purchasing-procurement-center.com/strategic-sourcing-process.html).

2.1.1. Step 1: Profile sourcing commodity

The first step in the process is the kickoff meeting for the upcoming calendar or fiscal spending year. Essential to the success of this meeting is the establishment of the strategic sourcing committee, which should include, at a minimum, the chief operating officer (COO), chief financial officer (CFO), and if used, the chief procurement officer (CPO) (*Walter L. Wallace & Yusen L. Xia, (2014)*)

According to France Telecom's Sourcing university Training manual (June 2010), most of all, step 1 helps to define what the sourcing team is buying. The key objectives of step 1 are set up commodity team; define commodity scope, identify sourcing constraints, define priorities and

organize team work, prepare and manage data collection; and savings. The outputs of this step are extended and accurate data collection and key stakeholder mobilization.

As explained by Walter L. Wallace & Yusen L. Xia, (2014), the spend analysis is the first step toward integrating an organization's sourcing strategy with its competitive strategy. It is this critical step that forces an organization to analyze all the goods and services that are purchased and are forecasted to be purchased in the future by the organization. The second step of the commodity strategy process is an examination of the supply industry to determine the major suppliers of the specific supply or service by market share and geographical region.

According to Walter L. Wallace & Yusen L. Xia, (2014), the agenda of this first step should cover the scope and scale of the products and services that are purchased, an understanding of the requirements and specifications for needed products and services, plus any new sourcing opportunities. They noted that, among the procurement activities discussed in this first step are:

Define the current needs—a procurement transaction is usually initiated in response to either a new or existing need with a recommended supplier. In the case of unacceptable on-time fulfillment or quality issues, there may be a request to change suppliers. In either case, once the need is identified, the procurement process can begin. The need can be identified by any of a variety of functional areas in the organization.

Define and evaluate internal requirements—after the products and services have been identified, some type of measurable specification or set of criteria must represent each requirement. Using this specification, the sourcing professional can communicate the user's needs to qualified, potential suppliers.

Define whether to “make or buy” Before outside suppliers are solicited, the purchasing firm must decide whether it will make or buy the product or service. Today, in an effort to focus on the core competencies of the organization, more and more noncritical components and services are being outsourced. Before being made, such decisions require a complete understanding of the resources, capabilities, and processes available outside the firm.

Sustainability and the “triple bottom line” Sustainability planning and a review of where the organization is with its plan should be on the meeting agenda. Strategic sourcing describes how an organization intends to create and sustain value for its current shareholders.

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

As explained by Carter, (2000), spend analysis is the first step toward integrating an organization's sourcing strategy with its competitive strategy. It is this critical step that forces an organization to analyze all the goods and services that are purchased and are forecasted to be purchased in the future by the organization. Lasseter, (1998), also noted that, spend analysis involves aggregating total purchases across all organizational divisions both for supplies and services and by supplier. He further noted as, the spend analysis should also reflect the total cost of ownership, not just the purchase price of the supply or service, as well as the various end-users throughout the organization. In addition to details which outlined by Carter, (2000), Lasseter, (1998), Walter L. Wallace & Yusen L. Xia,(2014), also mentioned that, the output of the spend analysis is a complete, documented understanding of the organization's past and future purchases for supplies and services, segregated by users and suppliers. The purpose of Step 1 is to understand companies internal spend for all items and the external market. A clear understanding of both aspects is critical to determining the best sourcing strategy (Step 2) and to having a strong fact base when it comes to negotiations (Step 5). They further noted that, step 1 is one of the most time-consuming steps of the whole process, so it is important to start well in advance of your target for completing a contract. Ordinarily, a category consists of a number of products from similar vendors that can be grouped together in a competitive sourcing exercise.

2.1.2. Step two: Develop sourcing strategies and tactics

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

- A comprehensive assessment of the supply market will include a thorough market analysis. The supply market might be a highly competitive market with many suppliers, an oligopolistic market with a few suppliers, or a monopolistic market with a single entity supplier. With a clear understanding of the market, procurement professionals will know the number of suppliers in the market, the bargaining power of the buyer and supplier, and which method of purchasing might be most effective.
- Whether or not they are currently being used, it is important to identify all possible suppliers that might be able to satisfy the user's needs. With all of today's foreign services, this can be a daunting task, particularly determining their capacity, process technology, quality, flexibility, and market effectiveness.

They also stated that, simplification and standardization are the criteria for improving this step. Also, attention should be given to an understanding of pricing points and opportunities for consolidation of the spend analysis.

According to Tyndall, et al., (1998), sourcing strategies must be implemented for an organization to reduce the total cost of sourcing materials, goods and services, while maintaining high levels of quality, delivery and technology. Besides, McIvor, et al, (2004), Krause, et al, (1998), also noted that, reducing total cost of materials, attaining high level of quality, delivery and technology can be achieved by developing different sourcing strategies to meet the specific needs of customers' requirement and developing partnership with suppliers.

According to Robert et al (2009), while not always the case, companies often use commodity teams to develop purchasing strategies. Purchasing strategies often apply to commodities-

general categories of families of purchased items. Developing purchase strategy is to fully understand the purchase requirement relative to the business unit objectives. This is typically achieved through a strategy segmentation tool known as portfolio analysis.

As described by Wu & Barnes, (2011), from the perspective of the purchasing function, it is a relevant approach to consider purchasing portfolio models in order to support decisions regarding establishing different kinds of supplier relationships.

Olsen & Ellram, (1997), stated that, the main purpose of portfolio models in purchasing management is being considered to improve the allotment of limited resources. This can be done via a presumably efficient method to recognize which groups of products, suppliers, or relationships necessitate higher level of attention than others. In addition to that, they noted that, in order to devise a tailor-made supply strategy, while maximizing the buying power and at the same time decreasing the supply vulnerability Kraljic (1983) recommends the following approach:

The first phase is called classification and aims at differentiating the purchased material. A company's supply strategy depends on two factors; the importance of purchasing and the complexity of the supply market. The definition of purchasing importance can be made in terms of volume purchased, percentage of the total purchase cost, impact on product quality, impact on profitability etc. The supply market complexity, on the other hand, is assessed in terms of the number of suppliers, availability, competitive demand, substitution possibilities, logistic aspects, complexity and so forth. After selecting suitable criteria for both dimensions, all purchased items are evaluated and positioned into one of the quadrants of the Kraljic portfolio model.

These quadrants are namely non-critical, leverage, bottleneck and strategic. Each of the quadrants has a separate purchasing approach which requires information of a different kind for developing a suitable supply strategy. Also, the tasks for the four groups are diverse with regards to the differences in purchasing and supply risks (Kraljic, 1983).

	High		
Business Impact	High	<p>Leverage products</p> <ul style="list-style-type: none"> • High profit impacts • Larger number of capable suppliers • Medium level visibility • Focus on price & Competitiveness • Sourcing strategy is standardization, specification change, adding new suppliers and supplier development. • Consolidating purchases and reducing the supply base 	<p>Strategic products</p> <ul style="list-style-type: none"> • High profit impact • High supply risk • High sourcing difficulty • Executive visibility • Items are unique or involve technology • Long-term contracts
	Low	<p>Non-critical</p> <ul style="list-style-type: none"> • Low profit impact • Low supply risk • Low sourcing difficulty • Low level visibility • Standard items and suppliers • Transactional focus • Strategy , minimize effort, transaction costs, and price 	<p>Bottleneck</p> <ul style="list-style-type: none"> • Low profit impact • Suppliers are sole • specifications are no substitutes & unique • Difficult to switch between suppliers • High sourcing difficulty • Strategy should focus on exiting this quadrant through standardization, specification change, adding new suppliers and supplier development
		Low	High
		Supply Risk	

Source: The Kraljic portfolio model (modified form Kraljic, 1983, p. 111)
 Figure: 2.1

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

2.1.3. Step 3: Generating suppliers' portfolio

According to France Telecom's Sourcing university Training manual (June 2010), the purpose of step 3 is to build an exhaustive long list with all potential suppliers, to define factual criteria to screen out non relevant suppliers, send the Request for Information and build the medium list of relevant suppliers for Request For Proposal(RFP).

As explained by Walter L. Wallace & Yusen L. Xia, (2014), it is important to fully develop a sourcing strategy that defines the dimensions of the process and the steps to be followed. Due diligence is the cornerstone for developing a sourcing strategy. A key aspect of due diligence is the supplier portfolio screening process, which includes initial supplier research and screening, development of a Request For Information (RFI) and a Request For Proposal (RFP), site visits and follow-up discussions, and supplier selection.

They further explained the purpose of the RFI as establishing whether or not a supplier has the resources, capabilities, and processes to be considered for a more extensive analysis. They also stated that, RFI will requests information on the company's background, financial stability, the locations of its manufacturing and distribution facilities' locations, markets served its ability to provide R&D support to users, its quality systems, and cultural insight. No pricing information is requested in the RFI. In addition to RFI, they also stated the purpose of the RFP as gathering information which is relevant to the user company's needs and wants. Here the potential suppliers are asked for specifics on how they would respond to the request. The potential suppliers are requested to detail their manufacturing and distribution facility locations, lead times, capabilities, and grade and quantity pricing associated with fulfilling the required specifications.

2.1.4. Step 4: Selecting the implementation path;

As stated on France Telecom's Sourcing university Training manual (June 2010), this step basically begins with an evaluation of the suppliers that successfully passed the Request for Information (RFI) and Request for Proposal (RFP) screening process and concludes with the awarding of a contract. The pools of suppliers that have passed the screening criteria are deemed acceptable to provide the user's needs and wants. It is now possible, based on the prescreening in Step 2 and the final assessment of qualified suppliers in Step 3, to determine which supplier or suppliers can best meet the user's negotiated requirements. If the item or items are fairly standard and there are a sufficient number of potential suppliers, this activity may be accomplished through the use of competitive bidding.

Walter L. Wallace & Yusen L. Xia, (2014), stated that the selection of the ultimate supplier is a key. They noted that, the choice of suppliers determines the relationship that will exist between the organization and the supplying firms and the ultimate levels of collaboration, trust, intimacy, procedural justice, and cooperative norms. They further said that, it helps to determine whether the relationship will be a routine partnership or a strategic alliance built over many years.

Tim Reeve & Bard, 2006, as cited in Philip Lewis Adrian Thornhill, (2007), have stated that, Total Cost of Ownership (TCO) encompasses a broader range of direct, indirect, contingent and less quantifiable costs in purchasing decisions, but does not attempt to consider external social or environmental costs borne by society. Though there are differences in scope, the principle behind all these terms is the same: evaluating the full range of costs associated with the purchase of a given product or service over its lifetime. In addition to the above statement, they also pointed out that, Total Cost of Ownership is a decision support method or approach linked to "Total Cost Assessment", "Full Cost Accounting" and "Life Cycle Analysis" – other ways of evaluating environmental and financial costs. TCO evaluation examines hidden costs from production to disposal in addition to the acquisition cost.

As noted by Steve Parsons, (2006), when properly applied, Total Cost of Ownership (TCO) reflects the full opportunity cost of a decision i.e., of taking one course of action rather than another.

Total Cost of Ownership (TCO) reflects not only the initial purchase price of assets, but also the less obvious initial costs of training personnel to use the new assets, the costs of upgrades over

time, maintenance and operating expenses, and net salvage value (negative or positive) of the asset at the end of its life, and other costs

(http://www.costquest.com/uploads/pdf/TotalCostofOwnershipTutorial_Jan06.pdf).

2.1.5. Step 5: Negotiating and select competitive supplier(s)

As explained on France Telecom's Sourcing university Training manual (June 2010), step 5 is the culminating phase of the sourcing process including one to one negotiations and final recommendation. The manual further stated outlined the key objectives as: to analyze suppliers' proposals, define negotiation strategy & tactics, negotiate with suppliers, build and validate recommendation and finalize and sign corporate contracts. The key success factors of this step are thorough negotiation preparation, conducting commercial and legal negotiations in parallel and strict control of communication with suppliers.

Walter L. Wallace & Yusen L. Xia, (2014), described as, the key components of Step 5 are the finalization of the contractual agreement, planning the transition process (particularly if switching suppliers), and the receipt of the specified products or services. With the receipt of the order under a new contract, the procurement team begins the generation of performance data necessary to establish a vendor evaluation system. Another element of Step 5 is the implementation of a benchmarking system aimed at determining the savings generated by the contracted vendor.

2.1.6. Step 6: Integrating suppliers into operations

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

Vonderembse and Tracey, (1999) outlined that, to build more effective relationships with suppliers, organizations are using supplier selection criteria to strengthen the selection process. They also argued that, purchasing/sourcing managers should focus on a set of supplier selection criteria that evaluates suppliers across multiple dimensions including product quality, product performance, and delivery reliability. Considering effective evaluation and selection of suppliers, they also noted that, it has to be considered as one of the critical responsibilities of purchasing/sourcing managers. The evaluation process often involves the simultaneous consideration of several important supplier performance attributes that include price, delivery lead time, and quality.

Ellram & Krause (1994, 43) defined a supplier-ship as: “an ongoing relationship between firms which involves a commitment over an extended time period, and mutual sharing of information and the risks and rewards of the relationship. Both the buyer and the supplier in a buyer-supplier partnership are highly committed to the relationship, and a key driving force behind this commitment is a joint goal of mutual benefit. In order to compete effectively in the world market, a company must have a network of competent suppliers. Supplier assessment and selection is designed to create and maintain such a network and to improve various supplier capabilities that are necessary for the buying organization to meet its increasing competitive challenges. Suppliers can support directly a firm’s ability to innovate in the critical areas of product and process technology. To build more effective relationships with suppliers, organizations must use supplier selection criteria to strengthen the selection process. Effective evaluation and selection of suppliers is considered to be one of the critical responsibilities of procurement managers. The evaluation process often involves the simultaneous consideration of several important supplier performance attributes that include price, delivery lead time, and quality.

2.1.7. Step 7: Continuous benchmarking and improvement.

The final step is to update records, including supplier performance scorecards developed in Step 6. Electronic files of the order-related documents are stored. Legal requirements, accounting

standards, company policy, and judgment dictate which records are to be kept and for how long. For example, a purchase order is evidence of a contract. It may be retained much longer (normally seven years) than the requisition, which is an internal memorandum (*Walter L. Wallace & Yusen L. Xia, (2014)*

Favre & Brooks, 2002), stated that, on a continuous basis, procurement practitioners must be capable to track the performance of suppliers, which is a necessary procedure for making future evaluations. They added that, on-going assessment on the performance of suppliers will make firms able to appropriately manage their future relationship with the suppliers, follow-up compliance with the contracts; recognize and fix problems with products or delivery, and collect the necessary information that will be required when a contract approaches for renewal.

Peter B., et al, (2005), elaborated that:

Although research on continuous improvement in strategic sourcing is limited, it is recognized as an important element in the Total Quality Management (TQM) philosophy. Total quality in the supply chain would mean that suppliers, as well as customers and our own workforce, would be involved in determining quality. Inspection and supplier assessment are superseded by a shared approach to the elimination of defective work, with the emphasis on prevention rather than detection and cure. As stated by Momme et al (2003), some research in strategic sourcing highlights that continuous improvement in strategic sourcing is required after implementation of the strategic sourcing process, so that problems or poor performed areas are allowed for continuous improvement to enhance the strategic sourcing process

Wu and Chen, (2006), depicted that the goal of continuous improvement is a company-wide focus to improve performance with involvement of all people in the company from top managers to workers. This implies that people management is a crucial factor in continuous improvement. In addition to people management, process improvement in strategic sourcing helps companies to reduce defect and improve productivity, which in turn improves the sourcing performance.

2.2. Enterprise Resource Planning (ERP)

According to Allen, (2011), Enterprise Resource Planning (ERP) installations are intended to reduce the challenge of managing multiple information systems and interfaces by introducing one continuous application that is continuously updated. He further clarified that, this process is

meant to provide supply chain visibility within an organization, improving knowledge integration.

Wadhwa, et al., (2008), also noted that, proper knowledge integration connects functions within organizations to improve core competencies. In addition to the above thought, Umble, Haft, & Umble, (2003), elaborated that Enterprise Resource Planning (ERP) systems attempt to reduce costs and increase efficiencies by integrating business processes and improving information access across an organization.

As explained by Mabert et al., (2003), when ERP systems are fully realized in a business organization, they can be expected to yield many benefits, such as reduction of cycle time, faster transactions, and better financial management, the laying of the groundwork for e-commerce, linking the entire organization together seamlessly, providing instantaneous information, and making tacit knowledge explicit. As discussed by Cox et al, (2001), as cited in Chong Siew Leet 2012) , ERP can provide the digital nervous system and the backbone in an organization to respond swiftly to customers and suppliers. As reported in Akkermans et al. (2003), ERP systems are widely believed to contribute to Supply Chain Management in technical areas such as standardization, transparency and globalization. ERP systems are a leading tool for this purpose, and are always expected to be an integral component of SCM (Nah et al., 2001; Themistocleous et al., 2004, as cited in Chong Siew Leet 2012)

From the above statements, it is evident that, the major advantage of an Enterprise Resource Planning (ERP) system is that it is integrating and centralizing business process. An Enterprise Resource Planning (ERP) system offers the decision makers the means of enhancing the knowledge about the process which in turn helps to make reliable decisions more rapidly and as well collecting sources to support their decisions. Moreover, ERP helps to improve the reliability of decision by mutual participation of the participants, improves co-ordination of tasks which makes inter-related decision making easier. As a result it improves the satisfaction of decision process across the participants. With ERP all the concerned stakeholders across the network can share dynamic information like demand, forecasting reports, inventory levels, and status of production, transportation plans and many more in real time. This type of available real time information makes the supply chain process to run flawlessly.

2.3. Supplier Relation Management

Favre & Brooks, (2002), also explained that, in order to compete effectively in the world market, a company must have a network of competent suppliers. Supplier assessment and selection is designed to create and maintain such a network and to improve various supplier capabilities that are necessary for the buying organization to meet its increasing competitive challenges. They further elaborated that; suppliers can support directly a firm's ability to innovate in the critical areas of product and process technology. They also pointed out that, to build more effective relationships with suppliers, organizations must use supplier selection criteria to strengthen the selection process. In addition to above points they also stated that, effective evaluation and selection of suppliers is considered to be one of the critical responsibilities of procurement managers. Finally they noted that, the evaluation process often involves the simultaneous consideration of several important supplier performance attributes that include price, delivery lead time, and quality.

According to Walter L. Wallace & Yusen L. Xia, (2014),

Managing supplier relationships is one of the most important components of the strategic sourcing process. Over the life span of a contract, the procurement team can drive world-class supply chain practices and sustained total cost of ownership results. Managing a supplier relationship and establishing a supplier scorecard does not begin once the contract is signed. It begins on purchasing performance results, not goods and services. Such a mindset not only saves time, but also allows your organization to be better aligned with its internal customers. It is for the benefit of our internal customers and meeting their needs that we are focused on performance, rather than just goods, and services. When supply chain practitioners view their role as procuring goods and services rather than procuring performance results, they are more likely to encounter internal customer frustration and personal job dissatisfaction.

According to Momme and Hvolby, et al, (2003), inspection and supplier assessment are superseded by a shared approach to the elimination of defective work, with the emphasis on prevention rather than detection and cure. He also argued that, continuous improvement in strategic sourcing is required after implementation of the strategic sourcing process, so that problems or poor performed areas are allowed for continuous improvement to enhance the

strategic sourcing process. Baily et al., (2005), stated that, with higher expenditures and the increased importance on suppliers, come increasing responsibilities for purchasing.

2.4. Interdepartmental integration and leadership involvement

Carr and Smeltzer et al, (2008), noted that the functional strategies in the purchasing activity have to be aligned up to the corporate level in order to meet the corporate mission. They further emphasize that the corporate mission and strategic planning are driven by the internal- (e.g. resources, core competencies) and external environment (e.g. customers, competitors, suppliers). This implies that the functional strategies are developed in the same environment as the corporate strategies. As pointed out by Novack and Simco, (1991), purchasing plays an important role between external suppliers and internal organizational customers in creating and delivering value to external customers seeing the business as a supply chain, which firms are interwoven and independent of each other, means that purchasing has become highly complex with strategic importance. The main point according to Carr and Smeltzer et al, (2008) is that even though they are in the same environment, each level must be aware of different variables in the environment. The main premise regarding strategic procurement is that the activities of the procurement function should be based on strategies that are in alignment with the corporate strategic plans. The aim here is to support the efforts of the firm in order to accomplish its long-term objectives. The procurement can only be interpreted as a strategic function, if it has an integrative role in the business unit's strategic planning process (Carr & Pearson, 2002). The degree that procurement is being characterized as strategic is highly dependent on how top management views it as an important resource of the firm. There exists several internal factors such as management style; the depth of procurement's other responsibilities, firm's policies and distributes on of power, which influence the perception associated with procurement (Ellram & Carr, 1994).

The interpretation from this notion is that the purpose of purchasing is to direct the purchasing function towards the corporate's long-term goals, but purchasing has different "variables" to focus on than on corporate level. Thus, for the purchasing function to be strategic, it must be consistent with corporate strategies, but further also emphasize its main domain, for instance to

“be most familiar with suppliers’ environments that may affect corporate goals (Carr and Smeltzer, 2000).

In addition to interdepartmental integration, Johnson and Leenders, (2004), explained that leadership involvement in strategic sourcing provides a driving force for employees to participate that in turn achieves the set target. Different from traditional sourcing that are related to commercial activities between a buyer and a supplier, strategic sourcing involves proactively integrating supply-related activities such as materials, processes, designs, technologies, suppliers, engineering and operation location (Tyndall et al., 1998). This implies that leadership involvement on sourcing activities is crucial to the success of company.

2.5. Challenges of strategic sourcing process implementation

According to Tzokas et al (2007:283), the evaluation of suppliers is one of the most important roles the sourcing process function plays. However, a number of shortcomings have been noted in the area of supplier sourcing decisions. These include the following; little attention has been devoted to examining how well suppliers perform on the criteria for supplier sourcing, a lack of comprehension among many suppliers of the attributes that determine buyer decision-making and the importance of these attributes. An organization’s profits is to a large extent, determines by how effectively it purchases materials from its suppliers and how these materials are managed by the organization.

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

2.6. Empirical Literature review on Strategic sourcing and Supply Chain Management

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

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

They also suggested that purchasing people take courses in negotiations, rarely, do they learn about teams, managing virtual networks or even have insight into relationship management. To view procurement as essential to managing enterprise wide thinking where suppliers contribute value that is leveraged to achieve competitive advantage for the entire supply chain is becoming a reality. Strategic supply implies that supply chain wide skills, expertise and capabilities are brought to bear by the full set of supply chain partners. They are united in the belief that by working collaboratively they will accomplish goals that they could not otherwise have achieved. Procurement should and must play a central role in the process. They further noted that strategic supply is an extremely interesting area of management, however, it tends to be much unexplored, and also purchasing professionals are often reluctant to take on this type of role. At the same time senior management also has been resistant to cast procurement in a strategic light.

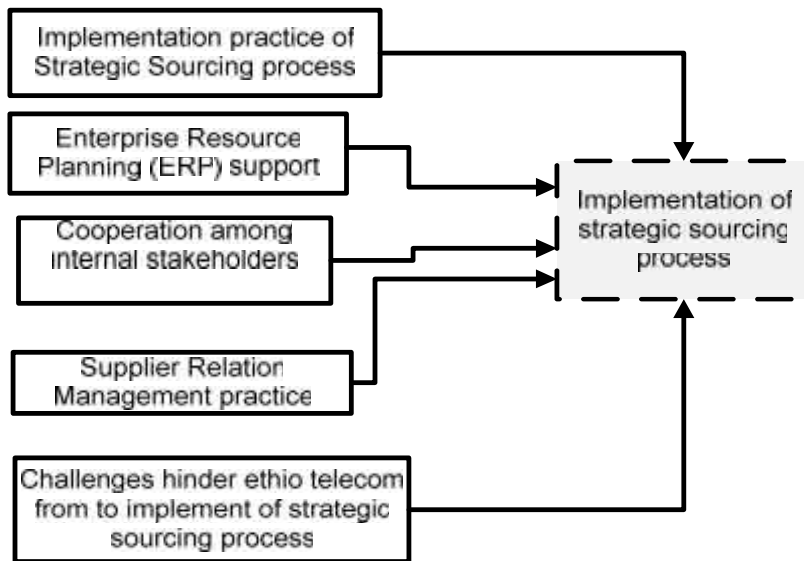
Thewodros Medhanit (2015) conducted his study on assessment and evaluation of the existing foreign purchasing practice of Ethio telecom, Addis Ababa, Ethiopia. He noted that sourcing seven steps and total cost of ownership are indicated as an example. He further explained the, unlike to the procedure which requires purchasing activity to be done following seven step of sourcing, currently there is no any market assessment activity related to the purchasing process. Likewise based on the procedure even if Total Cost of Ownership (TCO) approach is a base in commercial evaluation, mostly if not fully it is only quoted priced that is considered for supplier award.

The study which was conducted by Tan, Lyman, and Wisner (2002) stated that many leading firms in the USA have adopted an integrated strategic approach to purchasing and logistics management known as supply chain management. With regard to knowledge and skill he also noted that, ethio telecom's procurement staffs have no adequate knowledge in all respective areas with respect to company's sourcing procedure and technical knowledge for the respective procured goods. He further explained that, ethio telecom's procurement staffs did not possess satisfactory negotiation and communication skill to effectively deal with suppliers. Regarding the knowledge of the stakeholder who directly involving the sourcing activities, he described that, ethio telecom's other supporting work units which closely work with the division of procurement unit (i.e. Finance division, Legal division and user division) are still lacking clear orientation about Procedure duties & responsibilities procurement unit, and the role that SFD plays toward the achievement of company's objective.

Afera Muluadam (2014) conducted his research on internal supply chain performance analysis of ethio telecom, Addis Ababa, Ethiopia. He also noted that the overall supply chain performance of ethio telecom is not operating in a manner that satisfied the current need of the internal customers. He suggested that ethio telecom to establish both internal and external integration through Service Level Agreement (SAL) with suppliers and Organizational Level Agreement (OLA) with internal stakeholders. He further recommended that ethio telecom should work with its suppliers to increase inward materials quality, to minimize procurement cost, to influence suppliers in setting prices, to minimize the rate of defect.

2.7. Conceptual framework

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



Conceptual Framework for the implementation of strategic sourcing process

Figure 2.2

CHAPTER THREE RESEARCH METHODOLOGY

This chapter explains description of study area, research design, sample and sampling techniques, Source and Tools/Instruments of data collection, procedure of data collection, and methods of data analysis.

3.1. Description of Study Area

Ethio telecom is the sole telecom service provider in Ethiopia and wholly owned by Federal Government of Ethiopia. The Head Quarter of the company is located around Tikur Anbessa Hospital, Wereda 02 of Kirkos Sub-city. The establishment of the company dates back to 1894 E.C. The study area for this research was on Ethio telecom-Sourcing and Facility Division (SFD), particularly on Sourcing Department's function. Since the company is engaged in providing different types of products and services to the country, its contribution to the speedy growth of the country's economy is paramount. To address the level of expectation, providing goods, services and works at the right time, from the right source, at the right quality and price, to the right place is highly crucial. Therefore, the researcher intended to examine a Sourcing Department function which is engaged in sourcing goods and service from local and international market, specifically to examine the level of strategic sourcing process implementation, identifying gaps and recommends areas which need improvement.

3.2. Research design

Saunders et al. (2009), defines research design as the general plan of how the research questions would be answered. He further noted that, it is the conceptual structure within which research is conducted, and also it constitutes a blue print for the collection, measurement and analysis of data. According to Collis & Hussey, (2009), researches can be classified according to their purposes, processes, logics, and outcomes. Depending on purpose of one research, it can be described as exploratory, descriptive, analytical or predictive. Since the aim of the study is to examine the level of strategic sourcing process implementation - the of case ethio telecom, the researcher had been employed descriptive research design. Descriptive research is used to describe characteristics of a population or phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred. Rather it addresses the "what" question (what are the characteristics of the population or situation being studied?)

(https://en.wikipedia.org/wiki/Descriptive_research). Descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies, but instead it can utilize elements of both, often within the same study (www.aect.org/edtech/ed1/41/41-01.html). In descriptive studies, information is collected for the purpose of describing a specific group with no intention of going beyond that group.

Therefore, to answer research questions effectively, the mixture of qualitative and quantitative method has been used while more concentrations were on qualitative ones. This study used in depth qualitative approach in order to be able to clarify the dynamics between actors and other relevant aspects in the studied contexts. According to Maxwell, (2005), qualitative approach offers the researcher the opportunity to carefully communicate and gather the experience of the respondents using interview and open ended questionnaire.

A Likert item is simply a statement that the respondent is asked to evaluate by giving it a quantitative value on any kind of subjective or objective dimension, with level of agreement/disagreement being the dimension most commonly used. In the intention of widening the choices of participants' responses, the researcher applied a seven points Likert scale (1 = Strongly disagree, 2= Disagree,3= Somewhat disagree, 4= Neutral 5= Somewhat agree, 6= Agree, and 7= Strongly agree) rated questionnaire research tools were employed to collect data from respondents. The findings and conclusion of the study depends partly by utilizing statistical data analysis tool which is the mean value of the items out of the high score of 7.

As stated by Collis & Hussey, (2009), by conducting that, the interviewer tries to investigate a specific group of topics in order to penetrate particular questions. Accordingly, after categorizing the component categories into three groups, only Sourcing Committee members were selected for interviews. Some new questions were formulated from strategic point of view and specific questions from the seven steps strategic sourcing process. Particular parameters associated with these questionnaires needed further penetrations and explanations in order to go into detail of the issue and clarify the stances. To do and get required further information, 9 semi-structured interviews were executed. The average hours each interview took was 52 minute in total, almost 3.5 hours were spent on the interviews. To minimize any potential misunderstandings, the supporting documents containing the desired questions were sent to the respondents in advance.

The interviews were also recorded so that quotes can be replicated correctly. The findings from the interviews were qualitatively impacted by attitudes which can be a source of error regarding the result. This approach also helps the researcher to understand the situation, events, experiences and action of the participants, while quantitative approach is used to gather, measure data expressed in the form of numbers. The questions that were asked during the interviews have been brought together in appendix for further references.

3.3. Sample and sampling technique

According to Samrtnakos, (1998), sampling is one of the methods which let the researcher to study relatively small number of units representing the whole population. As the researcher seeks to find and select experienced, knowledgeable and highly involved experts in the process, purposive sampling is the best technique that employed. Purposive sampling is a technique widely used in qualitative research for the identification and selection of information-rich cases for the most effective use of limited resources (Patton 2002), therefore, the sample size is not considered for this research. The main goal of purposive sampling is to focus on particular characteristics of a population that are of interest, which will best enable the researcher to answer the research questions. Population is an accessible group of people who meets a well-defined set of eligibility criteria. The utmost importance in selecting a population is that “the population should be clearly defined so that the sample can be accurately identified. This involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (Cresswell and Plano Clark 2011). In addition to knowledge and experience, Bernard (2002) and Spradley (1979), note the importance of availability and willingness to participate, and the ability to communicate experiences and opinions in an articulate, expressive, and reflective manner. Therefore, the researcher selected Sourcing Committee members, Sourcing & Facility Division Officers, Requester units, Sourcing Department’s Management including supervisors and specialists. These groups were the target for the research and that the researcher believes these groups do have direct role and high level of involvement in implementing strategic sourcing process in ethio telecom. To avoid response errors among participants who are not closely associated with the phenomenon, the target

participants are chosen on the basis of their formal roles in the study area. Accordingly, the researcher selected respondents of the questionnaire as stated in table 2 here below.

Table 2.1: Population and sample of the study

Domain	Total number	Groups		Sample selected
		Management	Supervisors & Specialists	
Sourcing Committee members	4	4	0	4
Requester units	19	7	12	19
Sourcing & Facility Division (SFD) Officers	3	3	0	3
Sourcing department Managers, Supervisors and Specialists	37	6	31	37
Total	63	20	42	63

As stated her above, the total population the researcher applied were 63 participants. The participants were selected from different domains that have ability to communicate their experiences and opinions in an articulated, expressive, and reflective manner. The targets were divided into three different groups based on their position and level of understanding of the Sourcing processes. Sourcing Committee members who are appropriate to respond from strategic point of view as they are directly involved in the strategic management process and ultimate decision makers on strategic purchases, so that a clear understanding of the strategy and direction of sourcing could be ascertained, are in one group. Requester units represent end users and responsible to assesses, aggregate annual need of goods, services and their respective Divisions and send to Sourcing Department, in the second group. And the third group is SFD group (Sourcing Division officers, Managers, Supervisors and specialists) for the mere fact that they are

in charge of all the sourcing activities. The researcher believed that these SFD group are directly involved in sourcing practices in their day to day activities so that knowledge based information which contribute to the reliability of the research findings can be obtained.

3.4. Source and Tools/Instruments of data collection

To achieve the objectives of this study, the relevant data were collected from primary and secondary sources.

Primary data are being gathered to tackle a particular research objective. Those kinds of data can be collected using methods such as survey, questionnaires, interviews and direct observations. Primary data are reliable ways to collect data because the researcher knows the exact sources of data and how it has been gathered and analyzed since it is being collected by the researchers him selves. Primary sources necessitate the researcher to interact with the source and extract information form it (Sachdeva, 2009).

Accordingly, Primary data was collected through questionnaire and interviews. Under data collection, two types of questionnaires were prepared and used. The first one was structured and semi-structured questionnaire and the second one was open-ended questionnaire. According to Leedy and Ormrod the advantages of using the interview method in the research is that it will be possible to get complete responses on more complex information, where necessary qualifying answers and generally obtaining results with greater depth (Leedy and Ormrod, 2005). Accordingly, interviews were conducted face to face with four Sourcing Committee members with the purpose of obtaining more detailed information, which was not possible to obtain by means of a questionnaire. The open-ended questionnaires lead the direction for the discussion by giving a room for expressing ideas and their opinions and also it helps to understand in depth perception of the participants.

Secondary data was collected by reviewing different books on the study area, articles, journals, web sites, work papers and research conducted related to the subject by others. These data helped the researcher to get more information to analyze to what degree is there conformity between observed practice and in the related literature.

As Saunders (2003:308), acknowledges that before using one questionnaire to gather data, it should be pilot tested. A pilot test is an indispensable part of the research process when carrying out a research. Therefore, this was conducted to evaluate the questionnaire developed in previous steps to find potential inconsistency or error. As suggested by Dillman, (2007), questionnaire that need clarification and get feedback to improve the research instrument. Accordingly, the researcher consulted her advisor and get feedbacks and also three selected managers and three supervisors have been reviewed the questionnaire and provided their comments which were used to improve the initial version of the question. However, those who have been chosen for testing purpose have been excluded from the participants.

3.5. Procedure of Data Collection

To achieve the intended objectives of the study, related literatures reviewed, company formal documents, log books and information from ERP system were gathered. Accordingly, both primary and secondary data sources of data were collected. Primary data were collected through questionnaires and interviews. Since working language of the company is English, the questionnaires were prepared in English language. In order to check the validity of the response, questionnaires were tested using three managers and three supervisors. The researcher tried her best to describe about the purpose of the study before distributing the questionnaire. After getting participants positive reaction and willing to respond, 59 questionnaires were distributed through email and by researcher herself. The targeted groups for questionnaire were: Requester units; SFD Officers and Sourcing Department management including supervisors and specialists. Regarding interview, questions were also has been sent to interviewees through e-mail which enable them prepared beforehand. Interview was conducted with four (4) Sourcing committee members including Chief Executive Officer (CEO).

Secondary data were collected from secondary sources available at the company's archive, log books, official documents of the company including Enterprise Resource Planning (ERP) system. The researcher also reviewed related literatures in the strategic sourcing processes from books, web sites, journals, work papers, articles. In order to describe the purpose of the study, all questionnaires distributed to respondents and collected by the researcher herself. Concerning the analysis part, SPSS has been used and data were interpreted. To triangulate the information

gathered from primary data, the result obtained from semi-structured questionnaires and interviews were analyzed and incorporated.

3.6. Validity and Reliability of the data

The accuracy with which things are measured in a study is expressed in terms of validity and reliability. These two are related because if a measure is valid then it is reliable.

3.6.1. Validity

Validity is the extent to which the research findings accurately reflect the phenomena under study (Collis & Hussey, 2009). The data collected through all the interviews was validated through respondent validation (Bryman & Bell, 2011), hence the participants were asked for corroboration. In order to check the accuracy of findings, the researcher reviewed related literatures and questionnaires were developed and tested for their consistency. According to Bryman & Bell, (2007), all the structured questions will be designed in the way to be sincere and clear for respondents and an introduction of the interviewer and the topic of the study were to start with. Therefore, the researcher put considerable amount of time on the cover letter and design of the questionnaire in order to enhance the ease of responding. The questionnaires were emailed to the interviewees in order to make them prepared beforehand and get the information validated. In addition to that, findings obtained from different data sources of information have been examined and used to build a coherence justification for themes. In other words, the results obtained through descriptive analysis has been triangulated using the results obtained from open-ended and interviews questions.

3.6.2. Reliability

According to Collis & Hussey, (2009) reliability refers to the absence of differences in the results if the research were repeated. To determine whether the approaches the researcher applied is consistent or not, the research has been supported by using reliable sources of information, namely a large number of academic journals, articles, books, related websites, and work papers and studies related to the area. The reliability of the interviews was maintained by having the

interviews with Sourcing Committee members which led by CEO including Chief Sourcing & Facilities Division Officer. This is to enhance the reliability of the information obtained and excludes bias from all sides' replies as people are often biased towards the way they do their business. Both the interviewer and the interviewee are prone to make subjective judgments when registering the answers. However, this study has tried to minimize the risk of misinterpretation and also to improve reliability by preparing comprehensive instructions and accurate design of the questions. To secure the reliability, the researcher gathered continuous feedback from people who directly involved in the processes.

3.7. Methods of Data Analysis

The researcher organized the respondents' profiles in the areas of their sex, age, educational status, work experiences and their position/responsibilities. The respondents' profile was tabulated in the form of mean and percentages.

To examine the level of respondents consent on the strategic sourcing process implementation and widen their choices, the seven points Likert- scales ranging from strongly disagree to strongly agree was used. And also the data which were collected through questionnaires and interviews were expressed by comparing percentage of responses given to each factor. The data analysis technique that mainly followed was descriptive by applying SPSS software program. To describe and present the findings of the study, the researcher applied statistical tools such as percentage and mean.

3.8. Ethical consideration

An official support letter from the St.Mary's University was written to Ethio telecom. Data collection was undertaken after permission has been obtained from the concerned body. Study participants were asked for verbal consent before being asked for any information and verbal consent were obtained from every study participant. Objectives of the study were explained for every participant and they were asked to give information only after they gave their consent. No

person obliged to participate to the study without his/her consent. The information provided by each respondent will be kept confidential. Study subjects will be fully authorized to withdraw from the study at any time of their involvement. Interview of study subjects has been made in a way to maintain their privacy. Moreover, any information that can be perceived as spoiling the goodwill and the reputation of the company under study is not included the report of the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents characteristics of respondents and analysis of data collected from respondents. The first part of this chapter presented demographic characteristics of the respondents and the second part presents the results and its interpretation in light of the research objectives.

4.1 Characteristics of Respondents

This section summarizes and presents the demographic characteristics of the respondents such as gender, educational qualification, position and experience. Demographic information of respondents was not hypothesized to see their relationship with the variable. Therefore, demographic information of the respondents has excluded from the analysis. Accordingly, the following table shows limited demographic information of the respondents.

Table 4.3: Demographic Characteristic of the Respondents

Characteristics of the Respondents		Frequen cy	Percent	Valid Percent	Cumulative Percent
Valid Sex	Female	44	81.5	83.0	83.0
	Male	9	16.7	17.0	100.0
	Total	53	98.1	100.0	
	Not mentioned	1	1.9		
	Total	54	100.0		
Age	Below 30	18	33.3	34.0	34.0
	From 30- 45	32	59.3	60.4	94.3
	Above 45	3	5.6	5.7	100.0
	Total	53	98.1	100.0	
	Not mentioned	1	1.9		

	Total	54	100.0		
Educational qualification	First degree	36	66.7	67.9	67.9
	Master's degree	17	31.5	32.1	100.0
	Total	53	98.1	100.0	
	System	1	1.9		
	Total	54	100.0		
Position	Middle level Management	16	29.6	32	32
	Supervisor/Specialist	34	63	68	100
	Total	50	92.6	100	
	Not mentioned	4	7.4		
	Total	54	100		
Experience at the ethio telecom	Below 5	7	13	13.2	13.2
	From 5 - 15	41	75.9	77.4	90.6
	Above 15	5	9.3	9.4	100
	Total	53	98.1	100	
	Not mentioned	1	1.9		
	Total	54	100		

Source: Own survey, 2015

The above table depicts that 83% of the total respondent were male and the remaining 17% of the respondents were female. 1% is missing value for respondents who did not mention his/her sex. The above table depicts that 34 % of the total respondent are holds ages blow 30 and 60.4 % holds age above 30-45 the remaining 1.9 % is missing value for respondents who did not mention his/her age. The above table reveals that 13.2 % of the respondents is below 5 years of working experience, 77.4 % holds 5-15 years of working experience, 9.3% have above 15 years of working experience and 1.9 % is missing value for respondents who did not mention his/her working experience. Most of the respondents (77.4%) have above 5 years' experience in the

company and this shows that the respondents can understand the processes and respond clearly. In respect to the educational qualification, the above table indicates that out of the respondents 67.9 % first degree holders and 32 % of them having Masters and 1.9 % is missing value for respondents who did not mentioned his/her educational qualification. This findings reveals that ethio telecom has well-educated employees for this area. The above table depicts that 32% of the respondents were middle level management and 68 valid percentages were Supervisors and specialists who are more close to the process and 7 % is missing value for respondents who did not mention their position. From the above information the researcher recognized that, respondents' qualifications, experiences and positions that they hold allow them to knowledgably and reasonably put their extent of agreement, so that, it has positive a contribution on the validity of the study.

4.2 Analysis of data collected from respondents

To examine the level of strategic sourcing process implementation in the case of ethio telecom, 59 questionnaires were distributed to the targeted population group and 54 (91.53%) questionnaires were filled and returned. The researcher applied a seven points Likert scale (1 = Strongly disagree, 2= Disagree,3= Somewhat disagree, 4= Neutral 5= Somewhat agree, 6= Agree, and 7= Strongly agree) rated questionnaire research tools were employed to collect data from respondents. The findings and conclusion of the study depends partly by utilizing statistical data analysis tool which is the mean value of the items out of the high score of 7. The data was presented and analyzed using SPSS software program, and also open ended questions and interview results have been analyzed qualitatively.

4.2.1. The level of strategic sourcing process implementation practice in ethio telecom

4.2.1.1. Knowledge about Sourcing working Documents

This section of the study discussed the participants' responses on the Knowledge of Sourcing working Documents. In order to measure respondents score, the researcher applied statistical tool

that is mean value. Thus, based on the findings obtained from the structured and open-ended questionnaire, the following analysis has been conducted.

Table 4.4.1: Descriptive statistic for Knowledge about Sourcing working documents

Description	N	Mean	Std.dev
Q1. Knowledge about Sourcing policy	54	4.1	1.762
Q2. Knowledge about Sourcing procedure	54	4.36	1.728
Q3. Knowledge about Sourcing processes	54	4.17	1.94
Q4. Knowledge about Seven Steps sourcing methodology	54	3.28	1.837
Mean		3.97	

Source: Own survey, 2015

Table 4.4.1 reveals that participants' response (3.97) is nearly neutral about their Knowledge on sourcing working documents, out of a possible high score of 7. The high ranked (4.36) item is Knowledge about sourcing procedure. This indicates that respondents had some understanding on Sourcing procedure. However, the major contributor to fewer group mean score (3.28) is knowledge about seven steps sourcing process, which significantly affected the overall implementation of the strategic process. The group mean score (3.97) on knowledge about sourcing working documents demonstrates that those who directly involving in sourcing activities have no clear understanding about knowledge on sourcing working documents.

In addition to descriptive analysis, all participants were asked to forward their opinion on open-ended questions about their knowledge on Seven Steps strategic sourcing process and its implementation level. Thus, most of the participants replied that as they have no clear understanding on all the sourcing working documents, particularly; on the seven steps strategic sourcing processes. Some of them described that they have some knowledge about the policy and procedure; but no clear understanding about sourcing process. The above findings show that, most of the respondents have no knowledge about all sourcing working documents which are basics to execute the sourcing activities. This tells us that, Sourcing Department (SD) has not

been provided adequate trainings in the sourcing working documents for those who have direct involvement in the sourcing activities. Information obtained from sourcing policy and procedure regarding the orientation on the sourcing documents, both documents stated that as it is the responsibility of Sourcing Department to provide the training on the working documents. To implement the strategic sourcing process and achieve sourcing objectives, sourcing team and others who have direct involvement should acquire adequate knowledge about sourcing working documents. Thus, sourcing department is in charge of delivering the necessary trainings and orientations to all those concerned.

4.2.1.2 Data collection & profiling suppliers

This part of the study discussed on the Data collection & profiling suppliers which is the second steps of the strategic sourcing. The analysis has been conducted and presented depending on the responses gathered from participants through the structured and open- ended questions and interviews.

Table 4.4.2: **Descriptive statistics for Data collection & profiling suppliers**

Description	N	Mean	Std.dev
Q1. Sourcing receives aggregated annual needs of goods and services from Requester units which considers the sourcing lead time	54	3.91	1.685
Q2. Requester units and Sourcing in collaboration identify sourcing strategies and set priorities for goods and services	54	3.59	1.685
Q3. Commodity team collects information on suppliers market, conduct spend analysis and formalize sourcing strategy	54	3.37	1.685
Q4. Ethio Telecom applies different types of sourcing strategies for different types commodity positions/categories (Strategic, Bottleneck, Leverage and Non-critical) based on their business impacts and supply risk	54	4.60	1.685
Q5. Before launching RFP, the commodity team acquires long list of bidders, screen potential suppliers and set fact based evaluation criteria	54	4.04	1.685
Mean		3.90	

Source: Own survey, 2015

The group mean value (3.90) on the above table about Data collection & profiling suppliers' respondents' level of agreement demonstrates that, the respondents were nearly neutral. The high ranked (4.60) items out five items is application of different types of sourcing strategies for different types commodity categories (Strategic, Bottleneck, Leverage and Non-critical) based on their business impacts and supply risk. The reason behind this high score is respondents' less understanding on the categorization of goods and services which ethio telecom has not been categorized its commodities. On the other hand, the less score of (3.37) assessing information on supply market analysis, conducting spend analysis and formalizing sourcing strategy are critical steps that forces an organization to analyze all the goods and services that are purchased and are forecasted to be purchased in the future by the organization. In addition to that, supply market analysis and spend analysis, formalizing Sourcing Strategy have help to understand where to buy, what to buy and from when to buy, considering demand and the supply situation. On top of that, this step helps the ethio telecom to set different strategy and targets, while minimizing risks and costs which ethio telecom has not been experienced. According to CIPS website, developing the strategic sourcing strategy is a fundamental part of the purchasing and supply management process. However, the above response demonstrates that the commodity team has not been collecting information on supply market, not conducting spends analysis and formalizing different sourcing strategies based the information; which is the first and most basic step of seven steps strategic sourcing process.

To triangulate the primary data gathered through questionnaire, the researcher conducted interview with Sourcing committee member whether or not ethio telecom conducting supply market and spend analysis. Most of them reported that, even though Sourcing Department is well structured and EPR systems is also deployed to facilitates the process, the responsible body has not been conducted these functions. They further added that, this area which is the first step to start the sourcing process lacks top level management's attention.

The less mean score (3.91) about aggregated annual needs of goods and services from Requester units which considers the sourcing lead time reveals that, Requester units have not been sending consolidated annual need of goods and services as per the sourcing policy standard, rather all the requests have been sent in dispersed manner. This shows that there is no proper forecasting and

planning of goods, services and works from Requesters side that would help sourcing personnel to prepare their actions plans. Effective and efficient sourcing process can only be achieved by proper planning of goods and services which need to be purchased; as a result the company attains the projected results.

The researcher also asked participants whether Requester units aggregating their respective end users' annual needs and giving due attention to categorize and send Purchase Order Request (POR) before April 30th as per the Sourcing policy standard or not. Most of them stated that, it is a big challenge in ethio telecom to get complete and exhaustive purchase plan from end users and Requester units, which in turn makes the sourcing activity more puzzling and obstructs to establish its own action plan.

Participants were also asked about the alignment of Sourcing policy, procedure and processes with seven steps of strategic sourcing processes which enable Sourcing Department to properly implement the strategy. In this regard, most of them noted that, some articles on sourcing policy and procedure guides to group demands and identifying strategies to the deliverables, the other article in the same documents directs to follow open tender process which leads to long tendering process and leads to engaging with unreliable suppliers. This information demonstrates that, the policy and procedure documents are self-contradicting. Some participants stated that they have no clear understanding about all documents. According to Thewodros Medhanit (2014) existing purchasing manuals cannot attain its objectives of aligning procurement process with the seven step sourcing methodology and create standardized and uniform practice throughout ethio telecom. The above result demonstrates sourcing policy and procedure are not in line with the seven steps strategic sourcing process, which creates confusion and decrease sureness on the whole performance of the activities.

The mean score (4.60) for the application of different types of sourcing strategies for different types commodity categories such as (Strategic, Bottleneck, Leverage and Non-critical) based on their business impacts and supply risk is high. Interviewees were also asked whether ethio telecom categorized goods, services and works according to their business impact, supply risk, by the relationship strategy of suppliers and set appropriate strategies for each them or not. The respondents unanimously reported that though the structure of the Sourcing department has been

classified by category of items that is Network Materials /equipment, for IS/IT items, for Commercial Equipment and Facilities and Fleet and others such as Supplier Relation and Contract Administration units, good, services and works have not been yet categorized by their business impact, supply risk and type of relationships which will be developed with suppliers.

According to Kralijic (1983), each of the categories has a separate purchasing approach which requires information of a different kind for developing a suitable supply strategy. As explained by Olsen & Ellram, (1997), the main purpose of portfolio models in purchasing management is being considered to improve the allotment of limited resources. This can be done via a presumably efficient method to recognize which groups of products, suppliers, or relationships necessitate higher level of attention than others implementing group-wide category strategies that could help the ethio telecom to leverage its full purchasing power among the group on a short-term notice. Since the classification of sourcing units is not accompanied by proper categorization of items, the ground fact of these items is negative. As a result, ethio telecom fails to achieve the benefits of categorizing goods and services which can help to identify the right source, at the right prices and quality and time. They also noted that, in contrast to seven steps strategic sourcing processes, ethio telecom selects its supplier through open tendering process and signs Master Frame Agreement (MFA) for maximum three years with multiple awards. From the above findings, data collection and profiling suppliers which are basic pillars to apply the strategic sourcing processes have not been practiced properly.

4.2.1.3 Identifying and integrating suppliers into operations

This section of the study discussed about identifying and integrating suppliers into operations which is the also one of the basic parts of the seven steps strategic sourcing process. The following analysis has been conducted on the findings developed through structured and open ended questionnaire and interviews.

Table 4.4.3: Descriptive statistics for Identifying and integrating suppliers into operations

Description	N	Mean	Std.dev
Q1. Commodity team identifies all the necessary cost components of TCO which associated with each type of goods and services	54	3.98	1.699
Q2. Negotiation panel compares the proposals against the current market situation	54	3.98	1.654
Q3. Negotiation panel set strategy, tactics, objectives and goal for negotiation	54	4.02	1.764
Q4. Commodity team fully follow and implementing seven steps strategic sourcing processes	54	3.22	1.819
Q5.ethio telecom evaluates the level of implementation of seven steps strategic sourcing processes and makes improvements when needed	54	3.25	1.624
Mean		3.89	

Source: Own survey, 2015

The mean value on table 4.4.3 about identifying and integrating suppliers into operations (3.89) displays that, respondents' level of agreement is negative. As can be seen from the mean value of (3.98) about "Commodity team identifies all the necessary cost components of TCO which associated with each type of goods and services"; ethio telecom has not been applied TCO approach that covers the full range of costs associated with the purchase of a given product or service over its lifetime. Total Cost of Ownership analysis is a financial estimate of all costs which are direct and indirect of acquiring, commissioning, operating, maintaining and disposing of a product or system for a specified period of time. The analysis can be used to effectively compare alternative approaches which benefit the company.

According to Tim Reeve & Bard, (2005), Total Cost of Ownership (TCO) encompasses a broader range of direct, indirect, contingent and less quantifiable costs in purchasing decisions, but does not attempt to consider external social or environmental costs borne by society. Though there are differences in scope, the principle behind all these terms is the same: evaluating the full range of costs associated with the purchase of a given product or service over its lifetime from production to disposal. To apply TCO top level, end users and sourcing team have to believe and

provide the necessary information about the cost components of the goods and services that contributes most significantly to TCO application. Accordingly, the bidding document as a guide line contains all the necessary components that sourcing team gathered from all the concerned body and both suppliers and buyers can understand that evaluation and selection will base the established criteria. Reliability can be likened to safety, in that everyone must follow the procedures and practices to achieve success.

Regarding 'Negotiation panel compares the proposals against the current market situations (3.98)' and "Negotiation panel set strategy, tactics, objectives and goal for negotiation (4.02)" discloses that ethio telecom has not been setting strategy, tactics, objectives and goals for proper application and the using fact based information is minimal. A strategic approach in all undertakings delivers greater value. Therefore, so as to get the benefits of good negotiation results, ethio telecom has to provide the necessary training and/or education to sourcing team as well as to those who involving on sourcing activities.

The less mean scores of (3.22) & (3.22) for the items, "Commodity team fully follow and implementing seven steps strategic sourcing processes" and "ethio telecom evaluates the level of implementation of seven steps strategic sourcing processes and makes improvements when needed", demonstrates that, the commodity team has not been strictly following and implementing the seven steps, as result, the implementation level of strategic sourcing processes not been evaluated. As stated by Momme et al. (2003), continuous improvement in strategic sourcing is required after implementation of the strategic sourcing process, so that problems or poor performed areas are allowed for continuous improvement to enhance the strategic sourcing process. Wu and Chen (2006) also depicted that the goal of continuous improvement is a company-wide focus to improve performance with involvement of all people in the company from top managers to workers. This implies that people management is a crucial factor in continuous improvement. Furthermore, process improvement in strategic sourcing helps to reduce defect and improve productivity, which in turn improves the sourcing performance which of course ethio telecom needs to emphasis. Therefore, ethio telecom has to give more focus for these areas.

4.2.1.4 Group mean of implementation practice of strategic sourcing processes

This part of the study summarizes the findings on the knowledge about sourcing working documents, Data collection and profiling suppliers and Identifying and integrating suppliers into operations which are the basic parts of the seven steps strategic sourcing process. The following analysis has been constructed based on the findings analyzed and discussed on tables 4.4.1, 4.4.2 & 4.4.3.

Table 4.4.4: **Descriptive statistics for group mean on Implementation practice strategic sourcing processes in ethio telecom**

Description	N	Mean	Std.dev
Q1. Knowledge about Sourcing working documents	54	3.9756	1.63941
Q2. Data collection & profiling suppliers	54	3.9024	1.10030
IQ3.Dentifying and integrating suppliers into operations	54	3.6897	1.27088
Mean		3.85	

Source: Own survey, 2015

As shown in the above table, the group score of (3.85) implies that, ethio telecom has not been properly implementing the seven steps strategic sourcing process. In order to properly implement and achieve an intended objective of sourcing, ethio telecom has to provide adequate trainings to those who directly involving in the sourcing activities.

Based on the data gathered through the interview with Sourcing Committee members, most of them replied that, ethio telecom has not been properly implemented the seven steps strategic sourcing process. As they further stated, the major reasons for not implementing this strategy are: even though the seven steps strategic sourcing process recognized as the best strategy and clearly established as a policy and procedure, some articles in the policy and procedure conflict each

other. They further explained that, even though ethio telecom is Public Enterprise, some of the articles have been extracted from Public Procurement Agency's (PPA's) directives. As a result, ethio telecom couldn't properly implement the seven steps strategic sourcing processes.

The researcher has also supported the above responses by referring sourcing policy and procedure documents. In line with this, the major issues which are identified in the policy and procedure are:

- *Sourcing policy article 9.2 sub article 9.2.5 stated that “The Sourcing will be global per commodity to avoid wasting time case by case purchases. Sourcing activities will follow a sourcing methodology in 7-steps”, and article 9.10, sub article 9.10.1 also clearly stated as “Sourcing Department shall use RFI, RFQ & RFP as a means of inviting suppliers/partners and gathering information, for evaluation, negotiation and contracting based on the following procurement method according to the 7 steps: RFP (Open or Restricted Tender), RFQ (Direct or Restricted Tender), Direct Purchase and Shopping/Pro forma.*
- *On other hand, the same policy document article 9.10, sub article 9.10.2 stated that “As a principle, ET uses RFP/ Open as a sourcing method for the procurements of all deliverables. Other Procurement method may preferably be used when it satisfies the detailed condition stated in the sourcing procedure document”. The Sourcing Procedure article (b), sub article 1 and 2 also stated that “As a principle to encourage competition, open tendering method shall be used for needs that are not available within ethio”. Article 9.16, sub article 9.16.3 stated that “Supplier’s portfolio per commodity shall be approved by the sourcing committee as per the recommendation of SFD. Article 9.16, sub article 9.16.4 stated that “Depending on the strategic nature of the commodity, and its complexity, suppliers portfolio could be presented to the Board for approval”.*
- *Sub article 2 articulated as “Other sourcing methods other than open tendering shall be used when the special conditions outline in that specific method is fulfilled and justified”. Article (b), sub article 2 of the same document stated the special condition which enables to implement seven steps strategic sourcing process, when there is approved list of suppliers for the standardized goods, services and works, depending on the strategic nature of the commodity and its complexity (Source: Sourcing policy 2011 & SRM-Pro Sourcing procedure VI January 2012)*

The above statements indicates that both Policy document and Procedure lack clarity to properly implement the seven steps strategic sourcing processes since the first option on both documents is to follow an open tendering process and seems somewhat conflicting each other. The actual practice at the ground is that, though ethio telecom is public enterprise, The Board, top level management and Sourcing team prefer and trust on the open tendering process for all types of

goods and services; and other external stakeholders also required ethio telecom to follow Public Procurement Agency's directives which assumed to be dependable.

Thus, from the above report the research found that, it is not sufficient to look at the individual company's situation; one must also look at the company's interaction with its surroundings and the way, in which it influences and is influenced by these. Hence, in many situations it is appropriate to look at both the intra organizational factors that are at work and the inter-organizational factors that are in force in a given situation. Jarillo, (1988), also argued that when preparing its sourcing strategy, the company must take into account its own position in the linkage as well as how the company develops. He further stated as it is also necessary for the company to clarify its own strengths and weaknesses, and draw up an overall mission and strategy for the company in general. Goals and strategies that are to be developed in relation to the linkage and the market, and in relation to the company's internal conditions and expectations, are necessarily to be striven for if the independent identity is to be maintained.

Most of the Interviewees also added that, in order to achieve intended goals of the company, sourcing policy and procedure have to be articulated in line with seven steps strategic sourcing processes. They also noted that, internal and external stakeholders including wrong attitude of government bodies that developed on the sourcing/procurement functions need to be changed without which it is difficult to implement any flexible sourcing strategy other than Public Procurement Directives. As can be seen from the above points, though ethio telecom puts the seven steps strategic sourcing process as the strategy and has a plan to practice, it is difficult to fully stick on the seven steps strategic sourcing process due to internal and external factors as stated above. Therefore, so as to avoid ambiguity and conflicts, sourcing policy and procedure have to be revised and guidelines should be clearly articulated to encourage the proper implementation of the seven steps strategic sourcing processes.

4.2.2 Enterprise Resource Planning (ERP) support to implement strategic sourcing process

This section of the study discusses about ERP support in implementing strategic sourcing process with which operational efficiencies' achieved. The following table tells us the major

findings identified and analyzed through structured and open ended questionnaire, personal observation and interviews.

Table 4.5: **Descriptive Statistics for ERP support the implementation of strategic sourcing process**

Description	N	Mean	Std.dev
Q1. Items have been entirely defined/created in the ERP system	54	4.46	1.734
Q2. Evaluation criteria and tender documents prepared using the ERP system	54	4.28	1.720
Q3. Suppliers send their quotation through the Enterprise Resource Planning (ERP) system	54	2.57	1.839
Q4. Commodity team conducting evaluation using Enterprise Resource Planning (ERP) system	54	3.21	1.606
Q5. Enterprise Resource Planning (ERP) system supports suppliers'/partner's evaluation and selection based on pre-set criteria	54	4.13	1.567
Q6. Enterprise Resource Planning (ERP) system supports Requesters in initiating Purchase Order Requests (POR) by attaching the required specification	54	5.91	1.186
Q7. Ethio telecom has adequate and qualified technical experts who have the ability to optimize and support the Enterprise Resource Planning (ERP) system as required	54	4.13	1.374
Mean		4.09	

Source: own survey 2015

The high score (5.91) on the item 'Requester units initiating POR using ERP' is the major contributor for the aggregate mean (4.09) on 'Enterprise Resource Planning (ERP) support in implementing'. This reveals that, Requester units have been initiating POR using the ERP system. On the other hand, the less mean values of (2.57) & (3.21) of 'Suppliers send their quotation through the ERP system' and 'Commodity team conducting evaluation using ERP

system', which is negative and somewhat disagreeing respectively. This demonstrates that, since suppliers are not sending their proposals through ERP system, the commodity team has not been conducting evaluating the proposals using the ERP system. From this result the researcher noted that, if ethio telecom has approved list of supplier/partners for different types of goods and services, and also those suppliers/partners installed compatible ERP system, they can send their proposals through the system and evaluation can be conducted accordingly. Consequently, both ethio telecom and suppliers/partners can crop the benefits of the technology.

Participants response regarding the functional fitness of ERP with the company's strategy, plans, requirements and processes; and its benefits, shows that most of the appreciated the compatibility of the system with all company's processes. They also pointed out that using technology to performing sourcing activities made easier and offer benefits such as initiating POR, approving and reassigning the POR, preparing RFP and RFQ, preparing awards, generating reporting. One respondent expressed his concern as even though ethio telecom deployed and used the ERP system, due to national regulation and legal process, it may not fully replace the manual process. He further added that, implementation of ERP information systems has been the common choice for organizations to integrate enterprise-wide processes.

The researcher also interviewed Sourcing committee members whether ERP met its objectives, goals and expectations in relation to strategic sourcing implementation. Most of them acknowledged that the ERP system improved some business processes including the sourcing processes. They further reported that, ERP system offers some operational efficiency and helped to improve parts of the supply chain but fell short of effectively managing the entire supply chain network. Currently ethio telecom had able to eliminate most of its paper-based system, so orders could be processed much more quickly. One member of the committee reported that the major advantage of ERP system is that it is integrated and centralized the company's processes; as a result anybody who has a privilege to access the system can easily generate what he/she wants. The other interviewee also described that ERP system offers the decision makers the means of enhancing the knowledge about the process which in turn helps to make reliable decisions more rapidly and as well collecting sources to support their decisions. He also elaborated that the status of all the operations can be monitored at any time and corrected anytime in case of

problems. As explained by Stevenson, 2007), in order to stay and survive in the competition, companies are forced to speed up their production, reduce their cost and improve performance. The author further noted that, these three factors go hand in hand and in order to achieve these factors, information exchange from both inside and outside plays the key role. The author also explained that, with ERP all the members across the network can share vital information like demand, forecasting reports, inventory levels, and status of production, transportation plans and many more in real time. This type of available real time information makes the supply chain process to run flawlessly. The other interviewer also reported that ERP as a tool supports all stages of sourcing activities. The availability of all past trends and sourcing data from the data base can be used as a means for strategic assessment.

So that, to ensure optimal utilization and the effectiveness of the system by avoiding manual works, save money, effort, time and improve operational efficiency, ethio telecom should give more emphasis to get approved supplier/partners list by the type of items to be purchased and develop them to use ERP system.

4.2.3 Suppliers Relation Management practice in ethio telecom

Table 9 describes about Supplier Relation Management (SRM) is the basic and major part which supports the company to move to world-class. The results found through structured and open ended questionnaire, personal observation and interviews were analyzed and presented.

Table 4.6: Descriptive Statistics for Suppliers Relation Management

Description	N	Mean	Std.dev
Q1. Ethio Telecom believes that managing supplier relationships is one of the most important components of the strategic sourcing process	54	5.25	1.452

Q2. Top level management offers adequate support to conduct supply market analysis and suppliers/partners audits	54	3.85	1.559
Q3. Sufficient information is available from the market about potential suppliers/partners assessment and evaluation	54	3.57	1.632
Q4. ethio telecom developed suppliers'/partners' selection and evaluation criteria for long term partnership	54	4.40	1.641
Q5. ethio telecom evaluates suppliers on a regular basis based on pre-established selection criteria	54	3.65	1.577
Q6. Suppliers/partners are categorized and pooled into groups based on their performance for strategic long-term partnerships and supplier development programs	54	3.57	1.449
Q7. ethio telecom established monitoring and measurement guideline for suppliers/partners performance after the closure of each contract	54	3.68	1.587
Q8. ethio telecom makes suppliers/partners survey and gather feedback from suppliers on the existing sourcing process and makes improvements accordingly	54	3.26	1.568
Mean		3.90	

Source: own survey, 2015

The above table illustrates that the mean value of the Suppliers Relation Management's practice measures (3.90), out of the possible high score of 7. Though the high score item "Ethio Telecom believes that managing supplier relationships is one of the most important components of the strategic sourcing process (5.25)", the group mean score (3.90) demonstrates that, Suppliers Relation Management has been poorly managed and probably one of the most ignored parts of strategic sourcing effort. Building strategic relationship with a limited number of key suppliers

is the right thing to do. But, the sourcing attempt goes through a very detailed and difficult process of vendor selection, but the importance of this step is to gain the significant savings from continuous development and innovation that was established earlier in the process.

Subsequently, participants were questioned whether an existing database supports to categorize and classify suppliers/partners by commodity type or not. The response of most participants were negative, and they further described that ethio telecom has developed practicable policy and procedure to acquire suppliers/partners, but, Supplier Relation Management is not satisfactory and some critical activities like business review, suppliers satisfaction survey, suppliers recognition program are not implemented yet. Most of the put their opinion as ethio has never taken suppliers' input to change company practice or processes. Some respondents also noted that ethio telecom doesn't have a good suppliers' database to profile suppliers for RFQ/RFP. The other question posed to respondents was whether there is guideline for the development and implementation of maintaining long term partnership with suppliers or not. Most of them replied that a guideline/process to evaluate, select, reward and recognize suppliers for long- term partnership is not clearly articulated in the policy and procedure, so that it is not implemented. According to Smeltzer et al, (1999) strategic sourcing is an integrated business process comprised of strategic sourcing planning and management of suppliers. He added that, by properly managing the suppliers, long term relationship, loyalty and trust can be developed, ultimately, the suppliers would provide high quality items, products or services.

Interviewees were also asked about how ethio telecom is managing its key suppliers/partners which support the move to become a world-class company. Most of them believed that engaging in suppliers/partners performance management supports the move to become a world-class company, they noted that, currently, ethio telecom selecting suppliers who fulfill the requirements of the open competitive bid and sign Master Frame Agreement (MFA) for the maximum of three year, but the process of supplier section is not in accordance with seven steps strategic sourcing process. They further reported that, even though sourcing policy and procedure allows conducting supply market assessment, evaluating and selecting suppliers by the commodity type, this part of the sourcing activities has not been properly applied. They also added that, an existing database lacks comprehensive information regarding the profiles of

suppliers that can be utilized as a basis to evaluate performance of suppliers. This shows that ethio telecom has not been conducting supply market assessment, evaluating and screening suppliers as stated in steps one of the strategic sourcing processes.

The other interviewee stated that, those suppliers who have prior contract with ethio telecom have not been properly registered in the database and their performance/ reliability also not been assessed. He further stressed that, even though the company established well designed structure that enables to gathering the necessary information regarding suppliers and ERP system deployed, SRM function which facilitate and support sourcing decisions has not been effectively managed. According to Tzokas et al (2007:283), “the evaluation of suppliers is one of the most important roles the sourcing process function plays.

The researcher also attempted to support the above findings by referring company’s related documents. Accordingly, Sourcing policy article (9.17) sub article (9.17.2) stated that “Sourcing Department will establish an ongoing process to monitor the performance of supplier/partner performance based on the predefined supplier monitoring process”. However, all the potential suppliers, regardless of types of goods and services have been selected through open tendering process, which leads to long tendering time, most of the time this leads to engaging with new and unreliable suppliers. According to Favre & Brooks (2002), on-going assessment on the performance of suppliers will make firms able to appropriately manage their future relationship with the suppliers, follow-up compliance with the contracts; recognize and fix problems with products or delivery, and collect the necessary information that will be required when a contract approaches for renewal.

The interviewees further explained that, though the policy allows developing supplier selection criteria, conducts effective evaluation and selection of suppliers, the action has not been yet implemented. Suppliers’ assessment and selection has to be designed to create and maintain the network and to improve various supplier capabilities that are necessary for the ethio telecom to meet its increasing competitive challenges. This demonstrates that ethio telecom has not been sourcing goods, services and works from the right source, at the right quality and prices and at the right time. To build more effective relationships with suppliers/partners, ethio telecom must

use suppliers' selection criteria to strengthen the selection process and effectively manage the process.

4.2.4 Interdepartmental integration in relation to implementation of strategic sourcing process

This section of the study discusses about the interdepartmental integration practice in ethio telecom. Depending on the findings from the structured and open- ended questionnaire and interviews, the following analysis has been conducted.

Table 4.7: **Descriptive Statistics for interdepartmental integration in relation to implementation of strategic sourcing process**

Description	N	Mean	Std.dev
Q1. Sourcing provides awareness creation secessions to all stakeholders on Sourcing processes including seven steps strategic sourcing methodology	54	3.17	1.79 9
Q2. Requester units send the POR with clear and comprehensive specification	54	3.17	1.74 6
Q3. Sourcing committee rejects purchases which are not in line with seven steps strategic sourcing processes and enforce to adhere to stick on it.	54	3.62	1.50 8
Q4. Sourcing Department gathers feedback from user departments on the existing sourcing process and ensures their compatibility with their processes	54	3.15	1.48 5
Q5. User departments like to work together with sourcing team to undertake sourcing activities and feel that the goals of their respective area in harmony with sourcing goals.	54	4.04	1.35 9
Mean		3.42	

Source: own source, 2015

Table 4.7 depicts the group mean value of the Interdepartmental Integration in relation to implementation of strategic sourcing process (3.42), which tends to be somewhat disagreeing. The less score (3.17) of the item “Awareness creation secession to all stakeholders on Sourcing documents including seven steps strategic sourcing processes, shows that all stakeholders have not been trained. With respect to awareness creation and providing adequate training, sourcing policy article 1.3 (b) clearly stated as “Other stakeholders shall be given orientation of the

sourcing policy and procedure manual by sourcing unit before undergoing any sourcing activity. Sub article (b) also stated that ‘Individuals and units of ethio shall strictly follow the Sourcing Policy and Procedure in performing their duty’. The researcher observed that Sourcing units has not provided awareness creation and provided adequate training to those who have direct involvement in sourcing activities. Without clear understanding of the Sourcing policy, procedure and process including seven steps strategic sourcing process, it is difficult to expect more from end users and Requester units. The above table reveals that the mean value (3.17) of “Requesters send the POR with complete and comprehensive specification, tells us that Requester units lacks product knowledge. Lysons and Gillingham, (2003), also confirmed that, procurement personnel as well as users should be knowledgeable about specifications so as to be able to secure value for money for their employers and play their role of intermediaries between the user and the suppliers.

Incomplete specification might result on long tendering process and misleads suppliers and creates difficulties to prepare their proposals. In addition to that, commodity team also cannot establish fact based criteria which enable them to evaluate the proposals properly. Providing training and make aware on sourcing documents to all concerned body is pre requisite to involve in sourcing activities, without which is difficult to achieve the intended objectives of the sourcing. According to Carr & Pearson, (1999), the procurement can only be interpreted as a strategic function if it has an integrative role in the business unit’s strategic planning process. Unless all Requester units understand the company’s objective and work together to the same goal, it is challenging to realize it.

The above table shows that an individual mean value of (3.15) “Sourcing Department gathers feedback from user departments on the existing sourcing process and ensures their compatibility with their processes, demonstrates that Sourcing Department has not been gathering feedbacks from all internal and external stakeholders about its processes and activities which helps to improve its performance. In order to identify the problem and take corrective actions, Sourcing Department has to gather feedbacks from its internal and external stakeholders and fill its gap when appropriate.

Sound strategic sourcing process is the development of internal relationships that lead to understanding among the various Divisions or departments within the organization. According to Zenz, (1994:10-11), ‘no other function involves more contact with and reliance upon other departments than strategic sourcing process’. He further noted that, sourcing process decisions and actions influence other units such as marketing, accounting, inspection, engineering, logistics etc. and that to be effective, strategic sourcing process must have the respect and cooperation of all the above mentioned divisions and units or departments and be able to interact in all management decisions about materials cost and controls. Some of them stated that, though it is not satisfactory, the attitude of users has been changing somewhat and annual plan preparation has shown progress, but still a lot has to be done. The sourcing processes require unity with all stakeholders and work collaboratively and then accomplish goals that they could not otherwise have achieved. Sourcing Department should and must play a central role in this regard.

4.2.5 Challenges that hinder ethio telecom to implement the strategic sourcing process

In this section discusses about challenges that hinder ethio telecom to implement the strategic sourcing process. The results found through structured and open ended questionnaire, personal observation and interviews were analyzed and presented here below.

Table 4.8: Descriptive Statistics for challenges that hinder ethio telecom from fully implementing the strategic sourcing process

Description	N	Mean	Std. deviation
Q1. Top level management acknowledges the importance			

of strategic sourcing process that contributes a lot for the quality of service and success of the organization	5 4	4.67	1.50 5
Q2. Top level management offers satisfactory support and control to follow and implement seven steps sourcing strategy	5 4	3.85	1.52 2
Q3. ethio telecom has been providing benchmarking, experience sharing program, product knowledge trainings and different related skills to Sourcing team	5 4	3.06	1.26 5
Q4. Sourcing Department promotes cooperation between individuals, groups and department which is vital to achieve sourcing objectives	5 4	3.89	1.52 5
Q5. ethio telecom applies motivational factors to encourage Sourcing team to achieve the ultimate goal and objectives of Sourcing	5 4	2.89	1.52 5
Q6. Sourcing provides adequate training to Requester units which will be supportive to Sourcing procedures and processes implementation	5 4	3.02	1.47 3
Q7. Users and Sourcing hold mutual understanding, share ideas, information and work together as a team	5 4	4.28	1.52 2
Mean		3.66	

Source: own survey, 2015

As can be seen from the above table the group mean value of (3.66), shows that there are challenges that hinder ethio telecom to implement seven steps strategic sourcing process. Major contributors for less group mean value (2.89) shows that, 'ethio telecom has not been applying motivational factors to encourage Sourcing team to achieve the ultimate goal and objectives of Sourcing". The mean value of "Sourcing Department provides adequate training to Requester units which will be supportive to Sourcing procedures and processes implementation (3.02) and the mean score of "ethio telecom provides benchmarking and experience sharing program to Sourcing team (3.06)", reveals that there is a problem at company level on applying motivational factors which inspire the sourcing team to be more productive. In order to provide adequate

training to Requester units on Sourcing documents is equipping Sourcing team with well-organized education and trainings, experience sharing and providing different skills related to the area. According to Joel D. Wisner et al (2005), some of skills that purchasing personnel must exhibit are inter personal communication, ability to make decision; ability to work in team; analytical skills; negotiating skills; ability to manage change; customer focus; influencing and persuasion skills; strategic skills and understanding business conditions. Wu and Chen (2006) depicted that the goal of continuous improvement is a company-wide focus to improve performance with involvement of all people in the company from top managers to workers. This implies that people management is a crucial factor in continuous improvement. In addition to people management, process improvement in strategic sourcing helps companies to reduce defect and improve productivity, which in turn improves the sourcing performance. Strategic sourcing is a logical process involving the application of tools by skilled, competent and knowledgeable people. Furthermore, developing and implementing strategic sourcing is an essential functional process. Unless and otherwise, the sourcing team is well trained on the end to end process of sourcing function and understands how to flexibly execute and possess skills in the area which helps to improve their performance, it is challenging to provide adequate training to other stakeholders who have direct involvement in sourcing activities.

In order to triangulate the primary data collected through questionnaires, participants were asked whether top level management acknowledges the sourcing function as a strategic function or not. Most of them replied that, previously sourcing function was not acknowledged as a strategic function. However, there has been a recent improvement noted on the part of top level management with regard to their understanding of the impact of sourcing function on the overall success of the company, recognizing sourcing function as being strategic. They further justified that, critical & major sourcing decisions are made by the jury of top level management including CEO on a regular basis and all purchase order requesting divisions are participating and contributing for the success of ethio telecom's objectives. However, to make ethio telecom world-class company and to cop up with today's fast moving market situation, becoming more flexible and giving more emphasis to sourcing functions is imperative. As stated by Freeman and Cavinato, (1990), the strategic purchasing is involved in the firm's strategic planning process and purchasing is treated as an equal to other major functions in the firm. Some respondents

argued that, even though strategic sourcing, as opposed to reactive sourcing, is proactive and deals with providing a long lasting solution to uninterrupted supply, other Divisions at top level have not been taking planning activities seriously and also Requester units lacks product knowledge and forecasting skill. As a result, Requester units have been sending PORs throughout the year even for similar items.

According to Thewodros Medhanit (2014), Sourcing Department should have a plan which all the staffs are agreed with and use it as a means of performance measure. Some respondents noted that ethio telecom has not been providing product knowledge, capacity building programs and trainings to both Requester units and Sourcing team. This shows that the attention given and the attitude of the management for the sourcing activities is less. Ellram & Carr, (1999), pointed out that the degree that procurement is being characterized as strategic is highly dependent on how top management views it as an important resource of the firm. They further stated that there exists several internal factors such as management style, the depth of procurement's other responsibilities, firm's policies and distribute on of power, which influence the perception associated with procurement.

Sourcing Committee members were interviewed to give their opinions on the level of linkage between sourcing strategy and corporate strategy and on the emphasis given to strategic sourcing activities. Most of the interviewees' replied that, in previous year's SFD has not been fully involved at the development process of the corporate strategy. They further noted that, previously sourcing function has not seen as a strategic function and lacks attention, more focus has been given only for Technical, Commercial and Financial domains. As a result, SFD's strategy has been developed and its structure also been established after the establishment of other Divisions' strategies. They further noted that, considering its impact on company's success, currently sourcing function getting more focus and attention and seen as a strategic function. In respect to planning of goods and services, interviewees also explained that, at company level from top to bottom level management and staff lack forecasting and planning skill. In today's unpredictable market situation, being flexible is indispensable. For example, even though the company's plan is validated at corporate level, user divisions have not been sending their comprehensive annual plan as per the sourcing policy guideline before April 30th of each year. These show that other divisions do not giving due attention to sourcing function and do not

understand sourcing process's lead time. Consequently, almost all PORs received by Sourcing Department dispersedly throughout the year which results in work overload on sourcing team, buying costly and less quality of goods and service on extended delivery schedule. They further explained that even though there is linkage between all the company strategies, there is lack of interdepartmental synergy. Furthermore, end users and Requester units have no clear understanding on sourcing policy, procedure and process.

Therefore, to achieve company objectives, ethio telecom has to work hard to develop strong interdepartmental cooperation and sourcing has to provide orientation on its working documents. They further reported that, though ethio telecom is Public Enterprise and sourcing policy and procedure are slightly flexible, country's law and procurement directives forces following open competitive bidding process. This directive encourages following open tendering process which is blocking point for sourcing to become flexible and go hand- in-hand with market situations. Since the items which ethio telecom mainly purchases are technology items and they have to go through the long process of open bidding involving a broad range of suppliers, most of the items are exposed to being out dated. As a result, the whole process of sourcing may be canceled and the bid may be re-tendered which has a wider implication in delaying operational and project activities. It also has an adverse implication on cost and thus profit.

In addition to that, Sourcing committees as well as other divisions at company level have no trust on sourcing activities, this shows that there is wrong attitude developed even at country level. For example, if sourcing stick on seven steps and assess the market thoroughly and proposes commendable idea that put the company at good position; but varies from the usual way of doing things, top level management may lacks confidence and trust to validate the proposed way of doing things. Ethio telecom's Board also has not been willing to make the purchasing process by applying the seven steps strategic sourcing process. Due to the above mentioned reasons the Sourcing team cannot think out of the box and not be encouraged to do creative and innovative works. In order to implement this and other best strategies which support to provide goods and services at the right time, from the right source and at reasonable price and needed quality, attitude change has to be created even at country level. The overall findings of the study demonstrate that, ethio telecom has not been properly implementing the seven steps strategic

sourcing process. As a result, ethio telecom has unreasonably been exposed to the above mentioned serious challenges. Therefore, it has to embrace the strategy which is already deployed in order to emerge as a world- class company it aspires to be.

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Introduction

This study aims to examine the level of strategic sourcing process implementation in the case of ethio telecom. To accomplish the objectives of the research, the research applied descriptive approach and both quantitative and qualitative data were collected through structured and semi-structured questionnaire. To triangulate the findings, interview was conducted with 4 Top level Management (4 Sourcing Committee members). Thus, this section reports the summary of findings, conclusion and recommendations of the study.

5.2 Summary of findings

The sampling technique used was purposive. Out of the sample size of 63, the entire Sourcing Committee of 4 was included. Hence, 59 questionnaires were prepared and distributed. All participants' responses for closed ended questions have been developed with Likert's seven point scales. The data gathered through open-ended questions and interviews were compiled and well-maintained with the data gathered with questionnaire. Thus, findings retrieved from the data presented in this section are:

- From open ended and interview responses revealed that, ethio telecom has placed Sourcing & Facility Division at top level position and reporting directly to the CEO.
- As a result Sourcing function has been recognized as a strategic function and SFD's Chief Officer has been involving on the development of the corporate strategy. Thus, both corporate and sourcing strategies have close linkage.
- As can be seen from figure 1, the structure of Sourcing Department is well developed and classified according to the categories of goods and services to be purchased.
- And also sourcing policy and procedure are flexible which allows multi awarding and multi negotiation and signing Master Frame Agreement for a maximum of 3 year as opposed to Public Procurement directives.

- Interviewees (Sourcing Committee members) reported that, though ethio telecom as a Public Enterprise sets its own sourcing policy and procedure, The Board, Top level management and Sourcing team prefer and trust on the open tendering process for all types of goods and services; and other external stakeholders also required ethio telecom to follow Public Procurement Agency's directives which assumed to be dependable.
- Information gathered from company documents and responses obtained from interviewees, the sourcing policy and procedure lack clarity and conflicts each other which hinders proper implementation of the seven steps strategic sourcing process. since the first option on both documents encourages to follow open tendering process.
- An individual mean value of **(3.37) regarding** collecting information about supply market and conducting spend analysis which was illustrated on **table 4.4.1 and** responses obtained from interviewees reveals that, SFD/Sourcing Department lacks know how and initiation to conduct supply market analysis and there is no tendency to conduct spend analysis, even the top level management has not been paying due attention and encourages Sourcing Department to conduct spend analysis which is the base to implement seven steps strategic sourcing process.
- An individual mean value of (4.60) which is depicted on **table 4.4.2** about the categorization of goods, services and works as 'Strategic', 'Bottleneck', 'Leverage' and 'Non-critical' the result somewhat agreeing.
- Information stated **under table 4.4.2** reveals that, End user and Requester units do not give due attention for sourcing functions an also lack forecasting & planning skills.
- On the Data collection & profiling suppliers' section, **table 4.4.2** the mean **value (3.91)** shows that, the Requester Units have not been sending consolidate and categorized annual need of goods, services and works to Sourcing department. In addition to the descriptive information, responses obtained from open-ended questions reveals that almost all Purchase Requests have been sent dispersedly throughout the year which results in work overload on sourcing team, in turn leads to buying less quality and costly items on delayed time period.
- The less mean value of (3.98) stated on **table 4.4.3 about applying TCO approach that covers the full range of costs** associated with the purchase of a given product or service

over its life time tells us that ethio telecom has not been applying Total Cost of Ownership approach. On the same table the less means value (4.02) regarding setting strategy, tactics, objectives and goal for negotiation also has not been done.

- As can be seen from **table 4.4.4, the less group mean (3.97)** about the Knowledge on sourcing working documents demonstrates that, almost all stakeholders including Sourcing team have no clear understanding on sourcing policy, procedure and process including seven steps strategic sourcing processes which are basic guidelines to execute the sourcing activities.
- From descriptive analysis result (2.57) which was depicted on (**table 4.4.5**), about “Suppliers send their quotation through the Enterprise Resource Planning (ERP) system” and an individual mean value of (3.21) regarding the usage of ERP for evaluation of suppliers’ proposal demonstrates that, the system has not been optimally utilized and the advantages which the systems can provides have been obtained.
- As discussed in **table 4.5 the** mean score of (5.91) demonstrates that ethio telecom has deployed ERP system and Requester units initiating POR using the system, the commodity team also preparing bid documents through the systems. As a result, Purchase order approval time has been shortened which improves operational efficiency of the company.
- As discussed on **table 4.6**, the less mean score of (3.90) about Suppliers Relation Management practice reveals that, this function has been poorly managed and is probably one of the most ignored parts of any strategic sourcing effort. As a result, critical activities like supply market assessment, suppliers evaluation and screening, suppliers business review, suppliers satisfaction survey, supplier recognition program were not been applied.
- The less individual mean **value (3.15) which illustrated on table 4.7** regarding gathering feedback from End users and Requester units on the existing performance of sourcing shows us that this action has not been done.
- The less mean value **of (3.17)** regarding ‘Requester units send the Purchase Requests with clear and comprehensive specification’ which illustrated on **table 4.7** shows that, Requester units have not adequate knowledge to establish completed specification for goods and services that need to be purchased.

- The mean value of **(4.04) on table 4.7** about ‘Requester units like to work together with sourcing team to undertake sourcing activities and feel that the goals of their respective area in harmony with sourcing goals’ tells us that, end user and Requester units are hesitant to involve in sourcing activities, lack commitment and are not willing to take accountability.
- The less mean **score (3.06) depicted under table 4.7** about provision of benchmarking, experience sharing program, product knowledge trainings and different related skills to Sourcing team demonstrates that, ethio telecom has not been providing adequate trainings which are closely related to sourcing activities. Not only that, the result shows that, sourcing team has not been obtained different skills which can enable them to execute sourcing activities knowledgeably.
- As can be seen from the above findings and discussions, the overall findings reveal that ethio telecom has not been fully implementing the seven steps strategic sourcing processes.

5.3 Conclusion

This research is aimed at examining the level of strategic sourcing process implementation, identifying gaps and recommends improvement areas. This was accomplished by using five variables developed based on the reviewed literatures, namely, ‘implementation practices of strategic sourcing process’, ‘ERP support in implementation of strategic sourcing process’, ‘Supplier Relation Management practice’, ‘interdepartmental integration’ and ‘challenges that hinder ethio telecom to implement the strategic sourcing process’. Each of these variables has been measured using a composite of several items, and the overall strategic sourcing process of ethio telecom was finally analyzed by the composite scores of each variable. Descriptive statistics was mainly employed in the analysis and the major findings are concluded here below.

- From above findings ethio telecom has positioned Sourcing & Facility Division at top level. Sourcing function also recognized as a strategic function, and Chief Sourcing & Facility Officer has been involving on the development of the corporate strategy. As a result sourcing strategy has been developed in accordance with corporate strategy.

- The research revealed that the structure of Sourcing Department is well designed and classified based on the categories of goods and services to be purchased. Sourcing policy and procedure are flexible and allowing multi award, multi negotiation and signing Master Frame Agreement (MFA), as opposite to Public Procurement directives.
- Though ethio telecom is Public Enterprise, The Board, Top level management and Sourcing team prefer and trust on the open tendering process regardless of types of goods and services; and other external stakeholders also require ethio telecom to follow Public Procurement Agency's directives which is assumed to be more dependable.
- Internal and concerned external stakeholders have no clear understanding on sourcing policy, procedure and process including seven steps strategic sourcing processes which are basic guidelines to execute the sourcing activities. Due to this and other reasons, Requester units are hesitant to involve in sourcing activities and lack commitment and are not willing take accountability.
- Sourcing policy and procedure lack clarity and conflicts each other which hinders proper implementation of the seven steps strategic sourcing processes. Both documents favor and guide to follow an open competitive bidding. Furthermore, Sourcing team has no clear picture on seven steps strategic sourcing processes.
- Sourcing Department lacks initiation to conduct supply market analysis and there is no tendency to conduct spend analysis, even the top level management supporting and paid due attention to conduct spend analysis and formalize sourcing strategy by the type of items which are the bases to implement seven steps strategic sourcing process.
- Goods, services and works have not been positioned/categorized as 'Strategic', 'Bottleneck', 'Leverage' and 'Non-critical' based on their business impacts and supply risk. This can be done via a presumably efficient method to recognize which groups of products, suppliers, or relationships necessitate higher level of attention than others. Currently ethio telecom is launching open competitive bid to all types of goods, services and works throughout the year which results on work overload, buying costly less quality of goods, through extended processing time and long delivery time.
- User Divisions and Requester units do not give emphasis for sourcing functions; lack forecasting skill, have no adequate knowledge to establish complete specification, and to

consolidated and categorized annual need of goods, services and works. This demonstrates that, at company level, forecasting and planning lack focus, in today's ever changing environment, ethio telecom needs to be proactive rather than reactive.

- Requester units have not been sending their exhaustive needs as per the sourcing policy, almost all PORs are sent to Sourcing Department dispersedly throughout the year which results in work overload on sourcing activities, buying costly and less quality of goods and service on delayed time period.
- Ethio telecom has not been applying TCO approach that covers the full range of costs associated with the purchase of a given product or service over its lifetime, and also negotiation is not based on the market situation fact based information, due to these factors ethio may lose proper savings. When properly applied, TCO reflects the full opportunity cost of a decision.
- To enhance the performance of sourcing activities ethio telecom deployed ERP system and Requester units has been initiating POR using the system; therefore, Purchase Order approval time has been shortened. This shows that there is an improvement of operational efficiency. However, suppliers and other stakeholders cannot access the system as expected. Since ERP systems attempts to reduce costs and increase efficiencies by integrating business processes and improving information access across an organization, ethio telecom has to give more focus and attention to integrate business processes and improve information access to all concerned stakeholders.
- Suppliers Relation Management is not satisfactory and has not been efficiently managed; and could be referred to as one of the parts of any strategic sourcing effort that is not given deserved attention. As a result, critical activities like supply market assessment, suppliers evaluation and screening, suppliers business review, suppliers satisfaction survey, supplier recognition program have not been applied. Therefore, ethio telecom has a lot to do in this area.
- Even though there is linkage between all company strategies, ethio telecom lacks interdepartmental synergy. A focus on relationship development and management means that less time is spent resolving issues and more time applied to assessing quality in delivering output and identifying opportunities for cost savings and gain benefit. A strategic approach delivers greater value.

- Sourcing team has not been armed with well-organized trainings, benchmarking, and experience sharing, on the job trainings and by obtaining different skills such as related to the area which helps the team to build its capacity and develop confidence.
- Continuous improvement and benchmarking which help ethio telecom to identify suppliers' performance and seven steps strategic sourcing processes have not been properly applied. Since continuous assessment on the performance of suppliers will make firms able to properly manage their future relationship, follow-up compliance with the contracts; recognize and fix problems with products or delivery, and collect the necessary information that will be required when a contract approaches for renewal, ethio telecom should give due emphasis for this action.
- Based on the overall findings of the study, the implementation of the seven steps strategic sourcing process in ethio telecom is generally poor. The lack of initiation to properly implement the strategy has put limitation in terms of achieving its objectives by exaggerating its cost and minimizing its efficiency.

5.4 Limitation of the study

This study is one of the few studies conducted in this area at Country level. It is believed to be a new research area which is aimed at examining the level of strategic sourcing process in the case of ethio telecom. The major problem the researcher faced was unavailability of related books, journals, or other studies, etc.

5.5 Recommendations

Though the seven steps strategic sourcing process in ethio telecom is considered as a strategy and is included in the policy and procedure, it has not been properly implemented. Since the strategy is new and strange even at country level, it needs lots of efforts to enhance the implementation. Sourcing strategies should be implemented in an organization in order to reduce the total cost of sourcing materials, goods and services, while maintaining high levels of quality,

delivery and technology. Therefore, ethio telecom should recognize and give greater emphasis to the identified gaps and ensure the effective implementation of the deployed strategy.

Thus, the research recommends the following major points of action:

- Ethio telecom has to provide adequate trainings and skills to Requester units which enable them to improve their forecasting, planning and product knowledge/technical skills. These help them to develop complete specification for goods, services and works, consolidate and categorize their annual needs.
- To cope up with the competitive market situation and enable ethio telecom to crop the benefits of proper implementation of strategic sourcing, sourcing policy and procedure have to be revised and clearly articulated in accordance with the seven steps strategic sourcing processes or other best proven strategies.
- To enable sourcing team to revise the policy and procedure, ethio telecom should arrange experience sharing program with those companies who has been implementing similar strategy. In addition to that, Top level management should give due attention and support for the proper implementation of the strategies.
- As part of overseeing the overall effective execution of the sourcing strategy, the top management must take the responsibility of monitoring and evaluation aspect rather than the sourcing department so as to enable the top management to provide prompt support and direction.
- Wrong attitude embedded in the internal and external stakeholders, including government bodies, which are “Open competitive bidding/tendering is always the best sourcing method,” which leads to long tendering process and engaging with large number unreliable suppliers need to be changed. This can be achieved by providing continuous trainings and awareness creation forums. In this regard, Top level management has to give more focus and emphasis. Otherwise, it will be difficult to practice /implement any best and proven sourcing strategy.
- All Divisions in the company need to view sourcing function as strategic function and give due attention to its activities. This results in allowing it to receive the resources and capabilities to form and manage collaborative relationships internally and externally.

- Ethio telecom has to arrange and provide skills that purchasing personnel are expected to exhibit such as: inter- personal communication, ability to make decision, ability to work in team, analytical skills, negotiating skills, ability to manage change, customer focus, influencing and persuasion skills, strategic skills and understanding business conditions.
- Goods, services and works have to be categorized as ‘Strategic’, ‘Bottleneck’, ‘Leverage’ and ‘Non-critical’ based on their business impacts and supply risk. This can be achieved by profiling all the company needs of the goods and services.
- Ethio telecom has to apply Total Cost of Ownership (TCO) approach which covers the full range of costs associated with the purchase of a given product or service over its lifetime by conducting its applicability. When properly applied, TCO reflects the full opportunity cost of a decision.
- To avoid manual works, save money, effort and time which result in improving organizational efficiency, ethio telecom shall have automated suppliers collaboration and use the same with its suppliers. The advantages available with the existing ERP system need to be fully exploited.
- Only by establishing an effective Suppliers Relation Management program will ethio telecom begin to realize the savings and improvements that were initially targeted early in the sourcing process. Therefore, ethio telecom should assess supply market analysis, screen, select, evaluate and get approved list of key suppliers.
- Providing training and awareness of sourcing documents to all concerned body is vital. Unless all units understand the company objectives and work together to the same goal, it is impossible to realize it. So, Sourcing Department should provide adequate training to all concerned stakeholder on the sourcing documents.
- In order to identify the problem and take corrective action, Sourcing Department must gather feedback from its stakeholders and fill its gap when required.
- It is difficult to achieve the company goal without strong integration and cooperation between sourcing and user units. Therefore, at company level interdepartmental integration needs to be improved.

- To cope up with today's fast moving environment and become world-class company, ethio telecom should embrace change and give more focus and emphasis for sourcing functions.
- Since sourcing activities need commitment, honesty, hardworking, and sense of urgency, those who are involved in the sourcing activities need to be recognized and if required awards and bonuses should be considered.

5.6 Suggestion for further studies

From the above findings the research calls for further studies in the following areas. As instituting strong suppliers' relationship is critical to the effectiveness of the sourcing strategy, suppliers' relationship management gap analysis needs to be conducted. The applicability of Total Cost of Ownership (TCO) approach that covers the full range of costs associated with the purchase of a given product or service over its lifetime. Besides, though the ERP system adds value through enhancing internal efficiency at Ethio telecom, it is not yet supporting the sourcing strategy with respect to the intended integration with external stakeholders, mainly with suppliers, this study also calls for further study in this area with the ultimate objective of devising mitigation mechanisms to close the gap.

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Annexes

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF BUSINESS ADMINISTRATION

**Research Topic: Examining the level of strategic sourcing process
implementation**
The case of Ethio Telecom
Questionnaire to conduct interview with Sourcing Committee members

Dear Respondents!

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

Objective:

This interview questionnaire is designed to collect data to examine the level of strategic sourcing process (seven steps strategic sourcing methodology) implementation. The information that you offer me with this interview will be used as a primary data in my case research which I am conducting as a partial requirement of MBA degree at ST.Marry University under the School of Business Administration. Therefore, this research is to be evaluated in terms of its contribution in understanding the level of strategic sourcing process (seven steps strategic sourcing methodology) implementation at ethio telecom and its contribution in identifying areas need improvement.

The entire interview questionnaire demands your opinion; therefore, please try to honestly describe your opinions. I am grateful for your participation and would like to extend my sincere gratitude to you.

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

Thank you for your cooperation!

1. Does Sourcing and Facility Division get involved early in development of corporate strategy in order to develop its own strategies that are compatible?

2. Do you believe that there is clear linkage between sourcing strategy and corporate strategy?

3. How much emphasis and focus does ethio telecom place on sourcing functions?

4. Do you think Sourcing Units follow and implement the seven steps strategic sourcing process?

5. Does ethio telecom arrange experience sharing program or training to Sourcing team with those companies who implemented the strategic sourcing process (seven steps strategic sourcing methodology)?

6. How does ethio telecom manage its key suppliers/partners which support the move to become a world-class company?

7. Does ethio telecom categorized goods and services as Strategic, Leverage, and Bottleneck and Non-critical based on their business impact and supply risk?

8. Has Enterprise Resource Planning (ERP) met its objectives, goals and expectations in relation to sourcing activities?

9. Do you believe Sourcing team is meeting executive management's performance expectation in relation to Sourcing functions? If no, what are some skills set that attributes for strategic sourcing team?

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF BUSINESS ADMINISTRATION

Research Topic: To examine the level of strategic sourcing methodology implementation
The case of Ethio Telecom

Dear Respondents

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

Objective

This questionnaire is designed to collect data about the level of strategic sourcing process implementation. The information that you offer me with this questionnaire will be used as a primary data in my case research which I am conducting as a partial requirement of MBA degree at ST.Marry University under the School of Business Administration. Therefore, this research is to be evaluated in terms of its contribution in understanding the challenges of implementing strategic sourcing methodology at Ethio Telecom and its contribution to improvements in these areas.

General Instructions

- There is no need to writing your name
- In all cases where answer options are available please tick () in the appropriate box
- For question that demands your opinion, please try to honestly describe as per the questions on the space provided.

If you have any question about the questionnaires, please give me call at 091125 66 36, I will be happy to answer your query. I am grateful for your participation and would like to extend my sincere gratitude. Your prompt attention to this study will help me to achieve my MA degree and will support me to contribute little to the challenges in implementation of the seven steps strategic sourcing.

Confidentiality

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

Thank you for your cooperation!!!!

Section 1: Demographic Information

1. Sex: Male Female

2. Which of the following age categories describes you?

Below 30

From 30- 45

Above 45

3. Number of years you have worked for Ethio Telecom (in years):

Below 5

From 5 - 15

Above 15

4. Educational Qualification:

College Diploma

First degree

Master's degree

And above (If any) -----

5. Employee position

Top Level Management

Middle level Management

Supervisor/Specialist

Section 2: Research questionnaire

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

The item scales are seven point Likert scales:

1 = Strongly disagree, 2= Disagree, 3= Somewhat disagree, 4= Neutral 5= Somewhat agree, 6= Agree, and 7= Strongly agree

1. Points related to the implementation level of seven steps strategic sourcing process

Section	Issues	1	2	3	4	5	6	7
Knowledge about Sourcing	The following Sourcing documents are clearly communicated and understood by all concerned internal stakeholders							
	Sourcing policy,							
	Sourcing procedure,							
	Sourcing processes							
Data collection & profiling suppliers	Seven Steps Sourcing methodology							
	Sourcing receives aggregated annual needs of goods and services from Requester units which considers the sourcing lead time							
	Requester units and Sourcing in collaboration identify sourcing strategies and set priorities for goods and services							
	Commodity team collects information on supplier market, make analysis and formalize sourcing strategy							
	Ethio Telecom applies different types of sourcing strategies for different types commodity positions/categories (Strategic, Bottleneck, Leverage and Non-critical) based on their business impacts and supply risk							
Identifying &	Before launching RFP, the commodity team acquires long list of bidders, screen potential suppliers and set factual evaluation criteria							
	Commodity team identifies all the necessary cost components of Total Cost of Ownership (TCO) which associated with each type of goods and services							
	Negotiation panel compares the proposals against the current							

integrating suppliers in operation	market situations							
	Negotiation panel set strategy, tactics, objectives and goal for negotiation							
	Commodity team fully follow and implementing seven steps sourcing methodology							
	Ethio Telecom evaluates the level of implementation of seven steps strategic sourcing processes and makes improvements when needed							
	Commodity team fully follow and implementing seven steps sourcing methodology							

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

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

2. Do you believe categorizing goods and services based on their business impact and supply risk matrix as Strategic, Leverage, Bottleneck, and Non-critical is important?

1. Yes 2. No. If your answer is 'No', what do think the reason behind?

3. Do you think Sourcing units fully follow and implement seven steps strategic sourcing methodology in their day to day operations?

1. Yes. 2. No. If your answer is 'No', what do think the reason behind?

2. Does Enterprise Resource Planning (ERP) supporting the implementation of strategic sourcing process

Issues	1	2	3	4	5	6	7
Items have been entirely defined/created in the Enterprise Resource Planning (ERP) system							
Evaluation criteria and tender documents prepared using the Enterprise Resource Planning (ERP) system							
Suppliers send their quotation through the Enterprise Resource Planning (ERP) system							
Commodity team conducting evaluation using Enterprise Resource Planning (ERP) system							
Items have been entirely defined/created in the Enterprise Resource Planning (ERP) system							
Enterprise Resource Planning (ERP) system supports suppliers'/partner's evaluation and selection based on pre-set criteria							
Enterprise Resource Planning (ERP) system supports Requesters in initiating Purchase Order Requests (POR) by attaching the required specification							
Ethio telecom has adequate and qualified technical experts who have the ability to optimize and support the Enterprise Resource Planning (ERP) system as required							
Enterprise Resource Planning (ERP) system supports Requesters in initiating Purchase Order Requests (POR) by attaching the required specification							

1. Do you think Enterprise Resource Planning (ERP) is good functional fit with the company's strategy, plans, requirements and processes?

1. Yes. 2. No. If your answer is 'No', what do think the reason behind?

3. Issues related to Suppliers Relation Management practice

Issues	1	2	3	4	5	6	7
Ethio Telecom believes that managing supplier relationships is one of the most important components of the strategic sourcing process							
Top level management offers adequate support to conduct supply market analysis and suppliers/partners audits							
Sufficient information is available from the market about potential suppliers/partners assessment and evaluation							
Ethio Telecom developed suppliers’/partners’ selection and evaluation criteria for long term partnership							
Ethio Telecom evaluates suppliers on a regular basis based on pre-established selection criteria							
Suppliers/partners are categorized and pooled into groups based on their performance for strategic long-term partnerships and supplier development programs							
Ethio Telecom established monitoring and measurement guideline for suppliers/partners performance after the closure of each contract.							
Ethio Telecom makes suppliers/partners survey and gather feedback from suppliers on the existing sourcing process and makes improvements accordingly.							

1. Do you think an existing database supports in categorizing and classifying supplier’/partner?

1. Yes 2. No. If your answer is “No” what do you think the reason behind?

2. Is there a guideline for the development and implementation of establishing and maintaining long – term partnership with suppliers?

1. Yes. 2. No. If your answer for the question number 2 is “No”, would you please explain?

4. Points related to cooperation among internal stakeholders in implementing strategic sourcing process

Issues	1	2	3	4	5	6	7
Sourcing provides awareness creation sessions to all stakeholders on Sourcing processes including seven steps strategic sourcing methodology							
Requesters send POR with complete and comprehensive specification to Sourcing Department							
Sourcing committee rejects purchases which are not in line with seven steps strategic sourcing processes and enforce to adhere to stick on it.							
Sourcing Department gathers feedback from user departments on the existing sourcing process and ensures their compatibility with their processes							
User departments like to work together with sourcing team to undertake sourcing activities and feel that the goals of their respective area in harmony with sourcing goals.							

1. Do you believe that Requester who aggregate end users' needs given due attention to compile, aggregate and categorize as well as send Purchase Order Requests (POR) as per the Sourcing lead time?

1. Yes 2. No. If your answer is "No", what do you think the reason behind?

2. Do you think the top level management acknowledges the Sourcing function which contributes a lot for the success of Ethio Telecom's objectives as a strategic function?

1. Yes 2. No. If your answer is 'No', would you explain why?

5. Issues related to challenges facing in implementing of Strategic Sourcing Process

Issues	1	2	3	4	5	6	7
Top level management acknowledges the importance of strategic sourcing process that contributes a lot for the quality of service and success of the organization							
Top level management offers satisfactory support and control to follow and implement seven steps sourcing strategy							
Ethio Telecom provides benchmarking and experience sharing program to Sourcing team							
Sourcing Department promotes cooperation between individuals, groups and department which is vital to achieve sourcing objectives							
Ethio Telecom applies motivational factors to encourage Sourcing team to achieve the ultimate goal and objectives of Sourcing							
Sourcing provides adequate training to users which will be supportive to Sourcing procedures and processes implementation							
Users and Sourcing hold mutual understanding, share ideas, information and work together as a team							

1. Do you think that sourcing practices are fully accepted & implemented by all internal stakeholders as part of their everyday work?

1. Yes. 2. No. If your answer is 'No', would you explain how?

THANK YOU

Declaration

I, Beletu Delamo hereby declare that this study entitled to examine the level of strategic sourcing process implementation - the case of ethio telecom, Addis Ababa is for the partial fulfillment of the requirements for MA in Business Administration is prepared with my own effort. All information in this study has been obtained and presented in accordance with academic rules and ethical conduct. This study is my original work and has not been presented for a Degree or Master's program in this or in any other University and I have made it independently with the close advice and guidance of my advisor.

Declared by: Beletu Delamo

Research Advisor: Temesgen B.(PhD)

Date: -----

Date: -----

Signature: -----

Signature: -----

January, 2016

Addis Ababa, Ethiopia

EDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor:

Advisor

Signature