



St. Mary's **የቅዱሳን ማርያም**  
University **ዩኒቨርሲቲ**  
*Committed to Excellence*

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

**RELATIONSHIP BETWEEN STRATEGIC SOURCING AND  
OPERATIONAL PERFORMANCE OF BANKS IN ETHIOPIA:  
THE CASE OF AWASH BANK S.C**

**BY  
DAGMAWIT EJIGU**

**May, 2018  
DDIS ABAB, ETHIOPIA**

**RELATIONSHIP BETWEEN STRATEGIC SOURCING AND  
OPERATIONAL PERFORMANCE OF BANKS IN ETHIOPIA:  
THE CASE OF AWASH BANK S.C**

**BY**

**DAGMAWIT EJIGU**

**SGS/0097/2009A**

**ADVISOR:**

**TEMESGEN BELAYNEH (PhD)**

**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**

**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTERS OF GENERAL BUSINESS ADMINISTRATION**

**May, 2018  
Addis Ababa, Ethiopia**

**RELATIONSHIP BETWEEN STRATEGIC SOURCING AND  
OPERATIONAL PERFORMANCE OF BANKS IN ETHIOPIA:**

**THE CASE OF AWASH BANK S.C**

**BY**

**DAGMAWIT EJIGU**

**APPROVED BY BOARD OF EXAMINERS**

---

**Dean, Graduate Studies**

---

**Signature**

---

**Advisor**

---

**Signature**

---

**External Examiner**

---

**Signature**

---

**Internal Examiner**

---

**Signature**

## Declaration

I, DagmawitEjigu assert that this study entitled “Relationship between Strategic Sourcing and Operational Performance of Banks in Ethiopia: The Case of Awash Bank” is my own original work that has not been presented by others for any other requirements in any other university and that all sources of information in the study has been appropriately acknowledged.

Declared by:

DagmawitEjigu----- May, 2018

Student	Signature	Date
TemesgenBelayneh (PhD)	-----	May, 2018
Advisor	Signature	Date

## Table of Contents

Acknowledgments.....	VII
List of Tables.....	VIII
List of Figures.....	IX
Acronyms and Abbreviation.....	X
Abstract .....	XI

### **Chapter One: Introduction**

1.1. Background of the Study.....	1
1.2. Statement of the Problem .....	3
1.3. Research Question.....	4
1.4. Objective of the Study .....	4
1.5. Scope of the Study.....	5
1.7. Significance of the study.....	5
1.8. Limitation of the Study .....	5
1.9. Organization of the research report.....	6
1.10. Definition of terms .....	6

### **Chapter Two: Literature Review**

2.1. Banking Sector in Ethiopia .....	7
2.2. Supply Chain Management .....	8
2.3. Strategic Sourcing.....	8
2.4. Strategic Sourcing process.....	9
2.5. Supplier Relation Management.....	11
2.6. Internal Co-ordination.....	12
2.7. Information Sharing with Supplier.....	12
2.8. Early Supplier Involvement.....	13
2.9. The Variables of Operational Performance.....	14
2.10. Conceptual Framework.....	15

## **Chapter Three: Research Methodology**

3.1	Research Design.....	16
3.2	Target Population .....	17
3.3	Sample and Sampling Technique.....	17
3.4	Data Source.....	18
3.5	Data Collection Methods.....	18
3.6	Validity Test.....	19
3.7	Reliability Test.....	19
3.8	Variables and Measurement.....	20
3.9	Method of Data Analysis and Presentation.....	20
3.10	Ethical Considerations.....	21

## **Chapter Four: Data Analysis and Interpretation**

4.1.	Background Information of Respondents.....	22
4.2.	Descriptive Statistics .....	22
4.3.	Mean and standard deviation.....	24
4.4.	Correlation Analysis.....	29

## **Chapter Five: Conclusion and Recommendations**

5.1.	Summary of Major Findings .....	34
5.2.	Conclusion.....	35
5.3.	Recommendations.....	36
	Reference.....	38
	Annex I: Descriptive result of SPSS .....	42
	Annex II: Correlation result of SPSS.....	49
	Annex III: Questionnaires.....	54

## **Acknowledgements**

Above all, I would like to thank my lord, the Almighty God for giving me health strength and peace to accomplish difficulties of my stay in the University. Secondly my heartfelt gratitude appreciation goes to my advisor Dr. TemesgenBelayneh for giving suggestive and constructive advices; and comments by devoting much of his golden time in reading and correcting the work with giving guidance. I'm deeply grateful to my families, for their moral and material support. My special appreciation also goes to Awash Bank S.C management staffs in providing necessary information for the study with sacrificing their precious time.

## **List of Tables**

Table 3.1.	Cronbach's alpha.....	20
Table 4.1.	Profile Information of respondents.....	22
Table 4.2.	Mean and Standard Deviation.....	24
Table 4.5.	Correlation between Supplier Relationship Management and Operational Performance.....	30
Table 4.6	Correlation between Internal Co-ordinationand Operational Performance.....	31
Table 4.7	Correlation between Early Supplier Involvement and Operational Performance.....	32
Table 4.8	Correlation between Information Sharing with Suppliers and Operational Performance.....	32



## List of Figures

Fig 1	Conceptual framework of the study.....	15
Fig 2	Strategic sourcing practice item one.....	25
Fig 3	Strategic sourcing practice item two.....	26
Fig 4	Strategic sourcing practice item three.....	26
Fig 5	Strategic sourcing practice item four.....	27
Fig 6	Strategic sourcing practice item five.....	28
Fig 6	Strategic sourcing practice item six.....	28

## **List of Acronyms/Abbreviations**

SS	Strategic Sourcing
SCM	Supply Chain Management
ESI	Early Supplier Involvement
SRM	Supplier Relationship Management

## **Abstract**

*The purpose of this study is to critically analyze the Relationship between Strategic Sourcing and Operational Performance of Banks in Ethiopia- A case study on Awash Bank. The study employed both primary and secondary sourcing of data. Primary data was collected through questionnaire and interviews. Questionnaires were distributed to 27 participants from Awash Bank Shared Service Directorate department. Interviews were conducted with 3 division Managers of the department. 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 both Descriptive and Explanatory research design was. The study demonstrated that strategic sourcing has a role to play in organization's performance. The study established that operational performance was affected by various factors such as supplier relation management, information sharing with supplier, internal co-ordination and early supplier involvement. In conclusion the study revealed that all of the four dimensions that were selected for the study have found to have a strongest relation with that of the operational performance of the bank. Finally based on the result recommendation were forwarded that: the bank should embark on the dimensions selected in order to boost the operational performance that it is now; which is done by increasing the level of awareness towards the since of strategic sourcing, strengthening of its long-term oriented relationship with key suppliers and develop the connection in between different departments within the bank.*

**Keywords:** Supply Chain Management, Strategic Sourcing, operational Performance, Awash Bank

# Chapter One

## Introduction

This chapter presents the background of the intended study problem. It gives the readers the research context and the author's argument on the issue. Then, this chapter outlays the research questions, clarifies objectives and the intended contributions of the study. Furthermore, it presents the scope of the study. Finally, it concludes by summarizing the content of the thesis.

### 1.1. Background of the Study

The competitive environment has forced companies to improve their internal processes, such as supply management, to remain successful. Purchasers no longer discuss "lowest price" but share information, collaborate, and talk to their suppliers about total costs, life-cycle costs, and cost reductions. This requires a focus on process improvements instead of short-term relationships and price reductions (Chopra and Meindl, 2003).

Sourcing has evolved from a traditional purchasing approach which was transactional and opportunistic in nature where organizations used to buy in response to immediate needs, choosing freely from among all the suppliers that can supposedly meet those needs to one that is futuristic and uses plans and strategies (Predrag, 2008).

Traditional sourcing was sporadic and transactional and treated each purchase as a discrete transaction. Supplier relationship management typically entailed haggling over prices, complaining about late shipments or disputing the quality of products. As a result, traditional sourcing method has had its celebrated failures. Regular reports have been published about cost overruns, contract disputes and poor customer satisfaction. Many of these failures have been due to inflexibility of the sourcing contract, which cannot easily be changed to respond to market pressures and business requirements (Predrag, 2008). Lysons and Farrington (2006), defines strategic sourcing as "concerned with the top- level, longer-term decision relating to high – profit, high supply risk items and low-profit, high supply risk bottleneck product and services". It's also concerned with the formulation of long-term purchasing policies, supplier base, partnership sourcing, reciprocal

and intra- Company trading, globalization and countertrade, the purchase of capital equipment and ethical issues. Sourcing costs represent 40 to 80 percent of the cost of goods sold, and 30 to 50 percent of revenues – a ratio that has remained constant in most industries for many years. Companies excelling in strategic sourcing save almost 10 to 20 times as much as it costs to operate their sourcing operations. The effort required to reduce 10 percent of the sourcing cost is much less than gaining similar amount of revenue (Chopra and Meindl, 2003).

The expression strategic sourcing was written and is used when the activities of sourcing are particularly connected to a sourcing procedure. Strategic sourcing consolidates blend and coordination of an affiliation's differing abilities to the organization's strategic decision making level (Jin Su et al., 2012). One theme that dependably creates in strategic sourcing is the essentialness of qualified work power to support the sourcing method (Giunipero et al., 2006; Trent and Monczka, 2005; Handfield and Nichols, 2004).

Strategic sourcing consists of processes of planning, evaluating, implementing and controlling all sourcing activities undertaken by an organization to achieve its longterm goals (Carr and Smeltzer 1997). The principal objective of strategic sourcing is to effectively handle situations when faced with supply, competitive, and demand uncertainties (Milliken, 1987; Johnson & Johnson, 1991). It is achieved by developing a set of practices through which certain flexibilities could be obtained to face these uncertainties. 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.

Awash Bank S.C is the major target that was taken as a case study among the nineteen private banks in Ethiopia. It was established in November 1994 as the first private commercial bank in Ethiopia after deregulation by 486 founder shareholders with paid-up capital of birr 24.2 million. Licensed on November 10, 1994, it started banking operations on February 13, 1995. It was named after the popular river 'Awash' which is the most utilized river in the country.

Hence, it is believed that identifying and analyzing the relationship between strategic sourcing and operational performance of banks in Ethiopia specifically at Awash Bank will help the company to know the critical spot where the company has to give more emphasis in order to enhance the overall performance of the company and bit up the stiff competition.

## **1.2. Statement of the Problem**

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 1970s 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, but these procedures should be tightly related to the overall strategy of the company and to customers' needs.

The previous years, Awash Bank has become to operate more widely across the country and shows significant changes in the business characteristics which lead to high level of competency. Given today's stiff banking industry competition environment, firms within this industries are forced to develop their own strategic sourcing plan to take advantages of new strategies and to be more responsive for operational requirements and meet strategic objectives. After recognizing the importance of strategic sourcing, a study has been needed combining that both literature issues and nowadays business structures. Furthermore, there is a need of solutions for lack of points regarding to sourcing strategies in order to be adapted to changes and latest trends in the competitive market with the mitigation of sourcing risks which were mentioned in different dimensions like supplier relationship management, Information sharing with suppliers, internal coordination and early suppliers involvement .These issues can be analyzed in an integrated and synchronized systems and organizations. Based on these, it has been aimed to analyze the status of strategic sourcing practices and challenges within Awash Bank. Moreover, this study aimed at investigating this phenomenon and establishes the relationship and contribution of strategic sourcing practice towards performance of Awash bank.

### **1.3. Research Questions**

The main purpose of this research was to identify the relationship between strategic sourcing and operational performance of banks in Ethiopia in the case of Awash bank and the following questions was addressed:

- What does the current strategic sourcing practices look like at Awash Bank?
- How does supplier relationship management enhance the operational performance at Awash Bank?
- To what extent does information sharing with suppliers enhance operational performance at Awash Bank?
- How does internal co-ordination enhance operational performance at Awash Bank?
- What is the relationship between early supplier involvement and operational performance?

### **1.4. Objectives of the Study**

#### **1.4.1. General Objective**

The general objective of this research is to examine the dimensions of strategic sourcing and its relationship with the bank's operational performance. While attempting to achieve the stated general objective, specifically, the study sought to:

- To assess the current status of strategic sourcing at Awash Bank
- To identify the effect of supplier relationship management on operational performance at Awash Bank
- To determine the effect of information sharing with key suppliers would have on operational performance at Awash Bank
- To analyze the effect internal co-ordination on operational performance at Awash Bank
- To investigate the effect of supplier involvement on operational performance at Awash Bank

## **1.5. Scope of the Study**

SCM has a wide scope and includes a lot of theories about how to set up the chain yet this study did not go through details regarding everything included in the term SCM which means that the study is conceptually scoped on the dimensions of strategic sourcing such as supplier relation management, information sharing with supplier, internal co-ordination and early supplier involvement. Geographically the study was conducted only on Awash Bank which does not include any other banks in Ethiopia. Hence, the information obtained for this research is seized only at Awash bank head office. The data collection was also be delimited to the department directors in the head office and shared service director staff members. The study was also conducted on a fixed period of time which is cross sectional type of study.

## **1.6. Significance of the Study**

The research findings will help the bank to evaluate its current strategic 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 the since of strategic sourcing practices. 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 challenges regarding strategic sourcing practices and to take the necessary remedial actions. In addition the study will contributetowards filling the gaps in academics and practice concerning the topic under consideration.

## **1.7. Limitation of the Study**

This study has been covering the topic of relationshipbetween strategic sourcing and operational performance in Awash Bank. The limitation of this study is that the data has been be collected and finally generalized based on only the selected bank. Despite the fact that there are a number of private banks in Ethiopia, this study has did not include all other private banks limit the generalization of the study. Because of this limitation care should be given in the interpretation



and the application of the results of the study finally reveals and the generalisation of the findings.

## **1.8. Organization of the Study**

The research has been organized under five chapters. The first chapter consists of the introduction background to the study, statement of the problem, objective of the study, research questions, significance of the study, scope of the study, and, limitations, description of the study Area and the organization of the study. The second chapter is dealing with literature reviews of concepts relevant to the study. The third chapter is the methodology adopted to conduct the research and it is dealing with issues such as the research design, questionnaires' design, research approach, research method, source of data, instruments of data collection, data collection procedures, sampling, data analysis and interpretation, data presentation, ethical considerations and administration of the instruments. The fourth chapter is dealing with data presentation, discussion and analysis. The last chapter indicates the findings of the study, conclusion and recommendations

## **1.9. Definition of Terms**

- **Sourcing:** Sourcing process is the process of identifying sources of supply that can meet the organizations immediate and future requirements for goods and services ( Hinson and McCue, 2004)
- **Sourcing Strategy:** Strategic sourcing is a process where several purchasing activities are streamlined to support a total supply chain vision focusing on the ultimate customer. (Kihanya, Wafula , Onditi, Munene , 2015)
- **Procurement:** - making available and retaining against lowest “Total cost of ownership (TCO)”, the right goods or services, at the right price, at the right quality, in the right quantity, at the right place from the right supplier, at the right time for both the short and the long term. (Broek, 2013)
- **Purchasing:** -Everything for which a third party sends an invoice in return for the provision of services or goods (Broek, 2013).

# Chapter Two

## Literature Review

### 2.1. Banking Sector in Ethiopia

Banks play a key role in improving economic efficiency by channeling funds from resource surplus unit to those with better productive investment opportunities. Banks also play key role in trade and payment system by significantly reducing transaction costs and increasing convenience (NCA, 2006). In less monetized countries, like Ethiopia, whilst financial sector is dominated by banking industry, effective and efficient functioning of the latter has significant role in accelerating economic growth. To enhance the role of banks in an economy, competition is an important driving force; without competition, it is improbable to bring about efficiency and foster financial sector development. In other words, insufficient competition may result in substantial social losses on account of higher price, higher transaction cost, lower credit supply, lack of innovation and poor service quality. Although competition has a positive effect on efficiency and economic growth, there are certain characteristics that may indicate restrictions on banking. In the absence of proper information processing (where the problem is eminent in less developed economies), banking industry is more vulnerable to instability relative to other industries, owing to the existence of short term liability versus long term assets and the presence of highly leveraged firms and banks that have an incentive to engage in risky behavior (Northcott, 2004).

The state- owned commercial banks account for nearly two-thirds of the banking sector assets. Such extensive state presence in the banking sector coupled with total state ownership of land and telecommunications, as well as majority government ownership in many sectors of the economy have serious ramifications for private sector development in Ethiopia (Bezabih&Desta , 2014) .

Banking is a rapidly growing industry in Ethiopia. Currently there are 3 state owned and 16 private commercial banks; Commercial Bank of Ethiopia is the largest, controlling the majority assets of the industry.

## **2.2. Supply Chain Management**

In simple terms, SCM is a procurement tool that was born out of necessity. Demands for newer and more innovative goods and services, limits on resources, and the increasingly complex, interrelated nature of the global market place have each created pressure on public managers to optimize new and innovative process methodologies to meet procurement needs (V.Freytg&Mikkelsen, 2007). SCM strategically integrates the whole procurement process, including the “identification, acquisition, access, positioning, and management of resources” in a series of carefully considered steps, in order to attain stated objectives (V.Freytg&Mikkelsen, 2007).

Supply chain management (SCM) is the integrated planning, co-ordination and control of all business processes and activities in the supply chain to deliver superior consumer value at minimum cost to the end-consumer while satisfying requirements of other stakeholders (V.Freytg&Mikkelsen, 2010). Concepts about competencies within and among companies can be used by management to control and develop the company. Supply chain management (SCM) is a concept that focuses on the maintenance and development of supplier relationships (V.Freytg&Mikkelsen, 2010).

## **2.3. Strategic Sourcing**

According to (EltantawyGiunipero, 2013) over recent decades, scholars and practitioners have increasingly recognized that strategic sourcing (SS) provides a competitive advantage. Competitive trends drive many companies to emphasize a more integrative dominant logic in their SS practices. So what is this strategic sourcing? (Carter Narasimhan, 1990) described it as “an initiative to build competitive advantage through early supplier involvement in product engineering, sharing of supplier technology, and supplier assistance in developing product and process improvements”. SS is a way to obtain manufacturing capabilities without capital investments. SS goal is to rationalize sourcing and purchasing activities to achieve the overall supply chain vision and service the final customer (Khan Pillania, 2008). The design of SS upholds the competitiveness of the companies’ profile and develops links and manages the rings constituting the supply chain environment (De Toni, Nassimbeni, Tonchia, 1994). In addition (TalluriNarasimhan, 2004) says SS also provides benchmarks and continuous feedback to

suppliers and in some cases engages in supplier pruning activities. The prominence of supply chain management (SCM) according to (Carter Narasimhan, 1996) has intensified, given the challenges of reducing costs at the same time improving service levels.

### **2.3.1 Strategic Sourcing Process in the Supply chain**

According to (Graham Smith PhD, 2014) below is a summary of the 7 Step of Strategic Sourcing Process.

#### **Step One – Fully understand the spend category**

Understand everything about the spend category as the first step in the strategic sourcing process. This means defining the category and commodities in it. What is the current quantity used types and sizes. Who are the users, where are they located, what are the processes used and who else is involved in the supply chain. Data must be documented in as much detail as possible as changes may be needed.

Stakeholders at all operating units and physical locations would need to be identified. For example logistics, which may need to know about shipping specifications, or handling, which may need to understand certain quality or environmental characteristics, where applicable.

The five key areas of analysis are: Total historic expenditure and volumes; o Expenditure categorized by commodity and sub-commodity; o Expenditure by division, department or user; o Expenditure by supplier; o Future demand projections or budgets.

#### **Step Two – Supplier Market Assessment**

Concurrently run supplier market assessment for seeking alternative suppliers to existing incumbents. Understand the key supplier marketplace dynamics and current trends. Prepare 'shouldcost' information from the major components of the key products. Take a view on the key suppliers' sub-tier marketplace, and analyze for any risks as well as opportunities.

#### **Step Three – Prepare a supplier survey**

Next, develop a supplier survey for both incumbent and potential alternative suppliers. This survey will help evaluate the supplier capabilities. At this point, consider verifying spend information using data that incumbent suppliers have from their sales systems.

The survey is to assess the capability and capacity of the market to meet your requirements. It enables you to assess at an early stage whether your proposed project is feasible and can be delivered by the identified supply base. It also provides an early warning of your requirements to

the market, and enables suppliers to think about how they will respond. The key aim here is to encourage the right suppliers with the right structure to respond to you.

Look to gather knowledge in these key areas: Feasibility, Capability, and Maturity & Capacity

#### **Step Four – Develop the strategy**

Deciding where to buy while minimizing risk and costs is how you develop the strategic sourcing strategy. Using a cross functional project team is a must. The strategy will depend on what real alternatives there are to the current suppliers, how competitive the supplier marketplace is and importantly, how open the users are to new suppliers.

#### **Step Five – Request for Proposal**

Where a competitive approach is used, which is the general case for most spend categories, a request for proposal or bid will need to be prepared (RFP, RFQs, eRFQs, ITTs). This will define and make clear the requirements to all prequalified suppliers. It should include product or service specifications, delivery and service requirements, evaluation criteria, pricing structure, and financial terms and conditions.

#### **Step Six – Selection**

This is about selecting and negotiating with suppliers. The sourcing team should apply its evaluation criteria to the supplier responses. If carried out manually, the negotiation process is conducted first with a larger set of suppliers, and then narrowed to a few finalists. If the sourcing team uses an electronic negotiation tool, a greater number of suppliers may be kept in the process for longer, giving more diverse suppliers a better chance at winning the business.

Compare outcomes in terms of total value or implementation cost differences. Departments directly affected can be brought into the final selection process. Senior executives should be briefed on the final selection, to gain their approval and also be given the rationale behind the decision, to prepare them for any calls they receive from disappointed suppliers.

#### **Step seven – Communicate with your new suppliers**

Once the winning supplier(s) are notified they should be invited to participate in implementing recommendations. Implementation plans vary depending on the degree of supplier switches. For incumbents, there will be a communication plan that will include any changes in specifications, improvements in delivery, and service or pricing models. These ought to be communicated to users as well. Since the company may have significantly benefited from this entire process, it's important that this be recognized by both company and supplier.

## **2.5. 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 poorly 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.

## **2.6. Internal Co-ordination**

Strategic sourcing affects several functions within an organization, and therefore requires cross-functional communication. The resulting need of internal coordination is managed through stronger integration among functions and an increase in cross-functional teams (Kraljic 1983).

Cavinato (1991) claimed that integration with other functions was evidenced frequently in companies where a proactive approach is taken toward purchasing. Reck and Long (1988) asserted that when purchasing took a more proactive role in supporting organizational strategies, cross-functional communication increased. Similarly, a number of studies focused on the importance of cross-functional communication and support in creating a sourcing strategy (Anderson and Katz 1998; Sislian and Satir 2000). Eng (2005) empirically demonstrated that inter-functional cooperation improved customer satisfaction and supply chain responsiveness. Reck and Long (1998) argued that the following practices would be seen in companies with strong inter-functional communication: established lines of communication between purchasing and other functions, supply managers being included in sales proposal teams and purchasing executives being cross-trained to understand the needs of other functions.

## **2.7. Information sharing with supplier**

Earlier studies suggest that the potential for opportunistic behavior is reduced when both parties agree to share information on a regular basis (Pint and Baldwin 1997). Communication and information exchange are perceived as critical to long-term relationships (Monczka, Petersen, Handfield and Ragatz 1998; Stank, Crum and Arango 1999). Handfield et al. (2000) provided examples from several companies on how information sharing positively influences supplier development programs.

Information sharing can radically improve the way global companies and their partners do business, especially in the wake of increasingly globalization and outsourcing, which has and has been continuing to have a profound effect on supply chain operations. By exchanging information such as inventory levels, forecasting data, and sales trends, companies can reduce cycle times,

fulfill orders more quickly, cut out millions of dollars in excess inventory, and improve forecast accuracy and customer service.

Information sharing has always been highly regarded as an effective facilitator and a key enabler of collaboration between supply chain members (Cheng & Wu [2005](#):1159), which suggests the vital role that information sharing has in contributing to the development and improvement of activities performed by firms' supplier partners. This view has been further stretched by Gosh and Fedorowicz (2008:453) who posit that sound and accurate exchange of sensitive and strategic information amongst supplier is important for the establishment of strong and long-lasting trusting relationship between the supply chain partners. Furthermore, concise sharing of information has been described as a prerequisite of strengthening buyer-supplier trust in that it enables them to collectively share the same objectives and develop mutual problem resolutions (Kwon & Suh 2005; Nyaga, Whipple & Lynch 2010:101). Moreover, Doney and Cannon (1997:41) assert that the ability and willingness to openly share confidential information show their trustworthiness to engage in a sound and collaborative type of relationship.

There is also a growing effort to analytically model information sharing between supply chain partners. The findings of these studies suggest that the benefits of information sharing are situation specific and dependent on the product type, demand patterns, the level of centralization in decision-making and the characteristics of the relationship between the supply chain partners among other things. An excellent review is provided by Sahin and Robinson (2002).

## **2.8. Early Supplier Involvement**

Supplier involvement refers to the resources (capabilities, resources, information, knowledge, ideas) that suppliers provide, the tasks they carry out and the responsibilities they assume regarding the development of a part, process or service for the benefit of a current and/or future buyer's product development projects.

Supplier development activities have been defined as "any activity that a buyer undertakes to improve a supplier's performance and/or capabilities to meet the buyer's short-term or long-term supply needs" (Krause 1999). Dwyer, Shurr and Oh (1987) argued that opportunistic risk is reduced when companies invest in assets that relationship-specific and share know-how with each other. According to Krause, Scannell and Calantone (2000) supplier development initiatives include (1) formal evaluation and feedback of suppliers (2) utilization of competitive bidding



among suppliers, (3) providing incentives to suppliers such as future business opportunities and (4) involvement in suppliers' practices through site visits and training/education (i.e., direct involvement). Dunn and Young (2004) utilized the case study methodology to understand the factor to these initiatives. In their empirical study, Sanchez-Rodriguez, Hemsworth and Martinze-Lorente (2005) found that different forms of supplier development activities were interrelated.

Supplier development programs have been studied extensively. Some issues that have been of interest are the common traits of effective supplier development programs (Handfield et al. 2000). Organization characteristics that influence the decision to take part in supplier development programs (Watts and Hahn 1993; Krasuse, Handfield and Scannell 1998) and the antecedents to supplier development programs (Krause, Ragatz and Hughley 1999) in terms of direct involvement, Handfield et al (2000) provided business examples of how companies provide training, technological assistance to their suppliers.

## **2.9. The Variables of operational Performance**

It would be very difficult to attribute total supply chain or firm performance to particular supply chain factors especially when performance is measured in overall terms such as market share, ROI and profitability since with these general measures, there are many other (both economic and managerial) variables that impact on performance items (Rodriguez, 2009; Van der Vaart and van Donk, 2008). Van der Vaart and van Donk (2008) suggested that it seems potentially more fruitful to relate the level of collaboration in a single buyer-supplier relationship to the performance of that particular relationship, which in fact is supposed to involve mostly operational aspect purchasing performance measures. Similarly, Huo et al. (2014) stressed that though financial performance has been widely used as a key output measure of firm performance; numerous studies have pinpointed the limitations in relying on financial performance measures in supply chain studies.

On the basis of such arguments, this study would adopt operational performance of focal organization to assess its sourcing practice. In this regard, it has been stressed that while many performance frameworks have been advanced in the literature on operations and supply chain management advocating the use of various operational performance measures, cost, quality, flexibility, and delivery are widely regarded as constituting the major operational performance variables (Vereecke and Muylle, 2006). In a similar fashion, (Sanchez-Rodriguez, 2009) has defined purchasing/operational performance as the effectiveness in procuring materials at the lower

total cost of acquisition, on time, of the right quality and in the right quantities. Similarly, it has been argued that internal customer satisfaction has been identified as the most important element of purchasing performance outcome in several studies since the measures of the operational successes of purchasing such as quality of purchase, on time delivery and both volume and mix flexibility have a direct implications on the satisfaction of the user organ, hence, determining the level of internal customers' satisfaction (Sanchez-Rodriguez, 2009).

The four dimensions of operational performance are quality, delivery, flexibility and cost (Prajogo, 2012). Quality with respect to conformance product specification and product quality performance. Delivery is operationalized to on time delivery/speed of delivery. Flexibility is seen in terms of mix and volume while cost in terms of operation cost.

### Conceptual framework

#### INDEPENDENT VARIABLE

#### STRATEGIC SOURCING ELEMENTS

*Supplier Relation management*

*Information sharing*

*Internal co-ordination*

*Early Supplier Involvement*

#### DEPENDENT VARIABLE

#### OPERATIONAL PERFORMANCE

*Operational Performance measure*

- *Cost Saved*
- *Quality of Goods Delivered*
- *Timely Deliveries*

**Figure 2.1. Conceptual framework (adapted from Sanchez-Rodriguez, 2009); (Prajogo, 2012); (Chen et al. 2004)**

The above diagram describes the relationship between the variables of study. Accordingly, the dimensions of Strategic sourcing such as supplier relationship management, information sharing with suppliers, internal co-ordination and that of early supplier involvement serves as the independent variable and operational performance which is measured in terms of cost, quality and timely deliveries serves as the dependent variable.

# Chapter Three

## Research Methodology

### Introduction

This part of the research has been dealt with the methodology that has been adopted in conducting the study. The chapter has been organized as follows; the research approach, methods, techniques, sampling design, sources of data, data analysis, interpretation and presentation techniques and limitation has been used in the study.

### 3.1. Research Design

Research design is a blueprint for empirical research aimed at answering specific research questions or testing specific hypotheses through specifying the methods and procedures for collecting and analyzing the needed information (Bhattacharjee, 2012). Hence, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information while ensuring that the information collected is appropriate for solving a problem.

This study has been designed to employ mixed methodology by integrating quantitative and qualitative methods. The concurrent triangulation mixed method was selected to cover the weakness of one method by the strength of the other and do all appropriate methods. The result has been well-validated and proved findings. In this concurrent triangulation design a discussion section first provided quantitative statistical results followed by qualitative quotes that supported or disconfirm the quantitative results (Creswell, 2007, p.123).

The survey method can be used for three types of research, namely descriptive (which focuses on the determination of the frequency with which an event occurs and how variables are related/associated in a particular context), exploratory (which emphasizes on the discovery of ideas and insights), and explanatory (concerned with determining the impact and cause and effect relationships among variables), (Bhattacharjee, 2012; Adams, Khan, Raeside, and White, 2007). Hence, this research is undertaken with descriptive and explanatory research approaches in order to give an adequate depiction of the variables and reveal the extent to which the factors/variables of strategic sourcing practice predict the operational performance of Awash bank. Using cross

sectional approach is further justified for descriptive type as: Obtaining information from a cross-section of a population at a single point in time is a reasonable strategy for pursuing many descriptive researches (Ruane, 2006)

According to Kothari (2004: pp 31-33), a research design refers the way the study planned and conducted to systematically solve the research problem and identification of relevancy of methods or techniques, procedures and assumptions.

### **3.2. Target Population**

The target population is the specific population about which information is desired. According to (Ngechu, 2004), a population is a well-defined set of people, services, elements, event, and group of things or households that are being investigated. Therefore, the target population of this study was Shared services Directorate of Awash bank. Due to the very small number of the target population, it has been decided to consider the entire population in the study, i.e. to conduct census survey, rather than sampling from the population.

### **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 members under Shared Service Directorate which are: Procurement Division, General Service Division and that of Warehouse Unit. 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 practices of strategic sourcing process in Awash Bank. 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.

### **3.4. Data Source**

In order to answer the proposed research questions, Primary and secondary data are examined to understand the relationship between the independent i.e. strategic sourcing practices and dependent variable which is operational performance. The primary data is obtained through questionnaire and Secondary data undertaken by reviewing documents such as books, journals and magazines, and referring to relevant published and unpublished materials that are related to strategic sourcing practices.

### **3.5. Data Collection Methods**

The researcher used a questionnaire as primary data collection instrument. The purpose of using questionnaire is because of the direct response and feedback from the respondents in an easy manner and short period of time. The questionnaire had closed-ended or structured question which makes easy the processes of analyzing data from the respondents. Thus, the results gathered from respondents increased the speed and accuracy of recording, as well as more comparable.

#### **3.5.1 Questionnaire**

The questionnaires are prepared based on literature review to address the research question. The questionnaire has been being distributed after the respondents have informed about the purpose of the research by the researcher. The reason for selecting questionnaire for data gathering tool is that it is easier to answer the questionnaires and it is difficult to interview all participants due to time constraint. The questionnaire has been be administered by drop and pick method.

The questionnaires were pretested using Cronbach's Alpha reliability measurement scales. The questionnaires have two parts: - the cover page contains respondents 'general information and it

contains statements designed to assess the strategic sourcing practices in Awash Bank S.C. It is allocated in to five (5) points from strongly agree (5 points) to strongly disagree (1 points).

### **3.5.2. Interview**

Interview is a powerful tool to collect in-depth information. Since unstructured interview can consume more time and has a risk of losing the topic and since structured interview may limit the interviewee as it uses series of structured questions, in this study semi-structured interview has been used. The semi-structured interview used in this study targeted various experts or interviewee categories. The interviews have been held with department managers under Shared services Directorate of Awash bank residence, to gather primary data on strategic sourcing process.

### **3.6. Validity Test**

The dimensions that are used to describe the relationship between strategic sourcing and operational performance were developed and adopted after thorough review is made on different researchers' work. Validity refers to the appropriateness, meaningfulness, and usefulness of the specific inferences" made from measures (Dooley, 2005). That means effectiveness of research instruments to measure what is intended to be measured like attitude, knowledge and practice.

As recommended by (Sanchez-Rodriguez, 2009), the questionnaire was developed on the basis of a thorough review of the existing literature on the area under study. Content validity is the requirement for a good instrument that ensures whether the measurement items in an instrument cover the major content of the construct (Li et al, 2006). Furthermore, apart from the initial attempt to strongly ground the development of the questionnaire on the extant literature, it was subjected to pre-test to further ensure its content validity as suggested by (Chen et al., 2004) and (Li et al 2006). Accordingly, four divisions under Shared Service Directorate Department have critically reviewed the items in the questionnaire for possible ambiguity, lack of clarity and appropriateness of the items. Following feedbacks, some amendments were made to make the items clearer, unambiguous and more representative/comprehensive.

### **3.7. Reliability Test**

Reliability is the extents to which a variable or set of variables is consistent in what it is intended to measure and the rationale for this internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly inter-correlated (Hair et al., 2007). The Cronbach alphas coefficient is an indicator of internal consistency of scales. A

high value of the Cronbach alpha coefficient suggests that the items that make up the scale are internally consistent and measure the same underlying construct. A value of Cronbach alpha above 0.70 can be used as a reasonable test of scale reliability (Cronbach, 1951). The resulting Cronbach's alpha values of the dimensions are presented in the table that follows:

**Table 3.1: Cronbach's alpha**

Dimension	No. of Items	Cronbach's Alpha
Supplier Relationship Management	5	0.721
Information Sharing with Suppliers	4	0.882
Internal Co-ordination	4	0.742
Early Supplier Involvement	4	0.823
Strategic Sourcing Practices	5	0.713
Operational Performance	4	0.802

**Source:** Survey Finding, 2018

### 3.8. Variables and Measurement

The four independent variables used to measure the construct of sourcing practice are supplier relation management, information sharing with suppliers, internal co-ordination and early supplier involvement while the dependent variable was organization's operational performance.

### 3.9. Method of Data Analysis and Presentation

Statistical techniques have been applied given the quantitative nature of study and the data were analyzed using Statistical Package for the Social Science (SPSS).

Respondents' demographic information was summarized by percentages and tables. In order to determine the status of strategic sourcing practices and operational performance, descriptive statistics such as mean and standard deviations of the respondent's scores on all the dimensions were employed.

Pearson Product Moment Correlation Coefficient was applied to assess the relation between strategic sourcing practice and operational performance of Awash bank. Pearson Product Moment Correlation Coefficient is a widely used statistical method for obtaining an index of the

relationship between variables when this relationship is linear (Tharenou, Donohue, and Cooper, 2007). Finally, detail interpretation and discussion of the results of the statistical analysis was provided.

### **3.10. Ethical Considerations**

The researcher addresses Ethical considerations of confidentiality and privacy. In such case conscious and care full effort has been made at all time to sustain the promise and the researcher takes every precaution to maintain the anonymity of the study participants. All participants have expressed their full consent to participate in the study and the respondents on questionnaires are informed to not write their names.



# Chapter Four

## Data Analysis and Interpretation

### Introduction

This part provides with the discussion of the final results and the process through which the results were obtained. This includes background information of respondents, the statistical methods of analysis, i.e. descriptive analysis and Correlation analysis. The study targeted a total of 27 respondents.

Analyzing the data is to provide meaning to the raw data collected. The method of data illustration used to express the different opinions in detail, involve the use of graphs, tables and diagrams.

### 4.1. Descriptive Analysis

#### 4.1.1. Background Information 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 4.1: Profile information of respondents**

Characteristics of the Respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Sex	17	62.96	62.96296296	62.96
Male	10	37.04	37.04	37.04
Total	27	100	100	100
Age	Frequency	Percent	Valid percent	cumulative percent
Below 30	8	29.63	29.63	29.63
From 30- 45	15	55.56	55.56	55.56
Above 45	4	14.81	14.81	100
Total	27	100.00	100	
Education	Frequency	Percent	Valid percent	Cumulative Percent

First Degree	22	81.48	81.48	81.48
Second Degree	5	18.52	18.52	100
Total	27	100	100.00	
Experience	Frequency		Valid percent	Valid percent
Below 5	6	6	22.50	22.5
From 5 up to 15	13	13	47.87	47.87
Greeter than 15	8	8	29.63	100
Total	27	27	100.00	

Source; 2018 Survey Finding, 2018

The above table depicts that 17 (62.96%) of the total respondent were male and the remaining 10(37.06%) of the respondents were female. The above table depicts that 29.63 % of the total respondent are holds ages blow 30 and 55.56 % holds age above 30-45 the remaining 14.81 % is above 45. The above table reveals that 22.5 % of the respondents are below 5 years of working experience, 47.8 % holds 5-15 years of working experience, 29.63 % have above 15 years of working experience and most of the respondents 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 84.48 % first degree holders and 18.52 % of them having Masters educational qualification. This findings reveals that Awash Bank has well-educated employees for this area.

#### **4.1.2. Mean and Standard Deviation**

Concerned respondents' feedbacks were captured along the 28 items corresponding to the seven dimensions that were introduced to measure the study constructs. The composite mean scores and standard deviations have been computed for all the dimensions of the independent and dependent variables. The composite mean value shows the average of all respondents "perceptions on a certain dimension. While, standard deviation shows how diverse are the perceptions of respondents for a given dimension. For instance, high standard deviation means that the data are wide spread, which means that respondents give variety of opinion and low standard deviation implies that respondents express close opinion.

The rule of thumb pertaining to the intervals for breaking the range in measuring variables that are captured with five point scale (that ranges from strongly disagree to strongly agree) is 0.8, which is actually found by dividing the difference between the maximum and minimum scores to

the maximum score (Kidane (2012)). Hence, a calculated composite mean value that ranges from 1 to 1.80 implies strong disagreement, whereas the remaining ranges of 1.81 to 2.6, 2.61 to 3.4, 3.41 to 4.2 and 4.21 to 5.00 representing respondents' perceptions of disagreement, neutrality, agreement and strong agreement respectively.

Therefore, composite scores of mean and standard deviation were calculated for the four scales of strategic sourcing practice, namely supplier relation management, information sharing with suppliers, internal co-ordination and that of early supplier involvement and for the scale of operational performance. The resulting composite scores of mean and standard deviation are presented on the following table.

**Table 4.2: Mean and standard deviation**

<b>Dimension</b>	<b>N</b>	<b>Mean</b>	<b>Standard deviation</b>
Supplier Relationship Management	27	3.18	0.62
Information Sharing with Suppliers	27	3.65	0.67
Internal Co-ordination	27	2.84	0.69
Early Supplier Involvement	27	3.94	0.76
Strategic Sourcing Practices	27	3.33	0.75
Operational Performance	27	3.30	0.78

**Source:** Survey Finding, 2018

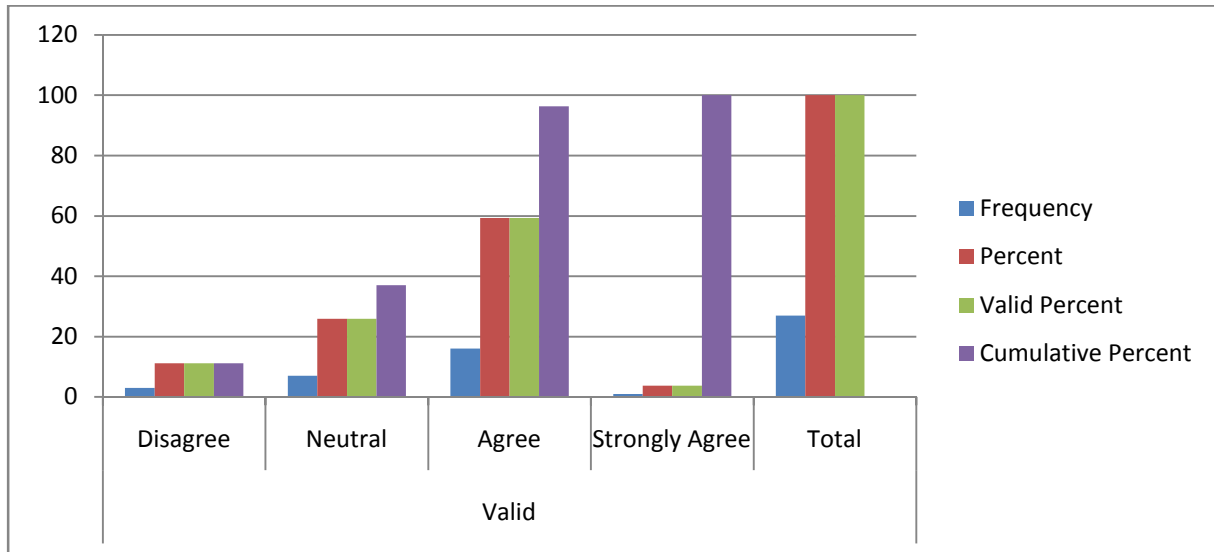
A clear portrayal of the calculated composite mean values of each of the scales of strategic sourcing practice were found to be between 2.84 and 3.94 with relatively smaller scores of standard deviation that range between 0.62 and 0.78. The lowest composite mean value is registered in the case of Internal Co-ordination followed by the composite mean score for 3.18. Whereas the composite mean scores of 3.18, 3.94, 3.33, 3.18 and 3.65, respectively for Supplier Relationship Management, Strategic Sourcing Practices, Supplier Relationship Management and Information Sharing with Suppliers.

The composite mean scores of the dimensions of strategic sourcing practice entail that Awash Bank employees perceive that the organization has been so far making moderate efforts to promote such practices. This implies the fact that the attempts made by Awash Bank were not as such significant pertaining to championing the strategic role of procurement/purchasing for the successful accomplishment of organizational goals. It also implies that the existing platform for

the effective internal co-ordination of valued relationship related and other necessary information with key suppliers is only modest.

### 4.1.3. Strategic Sourcing Practices

**Figure 2. Suppliers are trained in strategic sourcing approach**

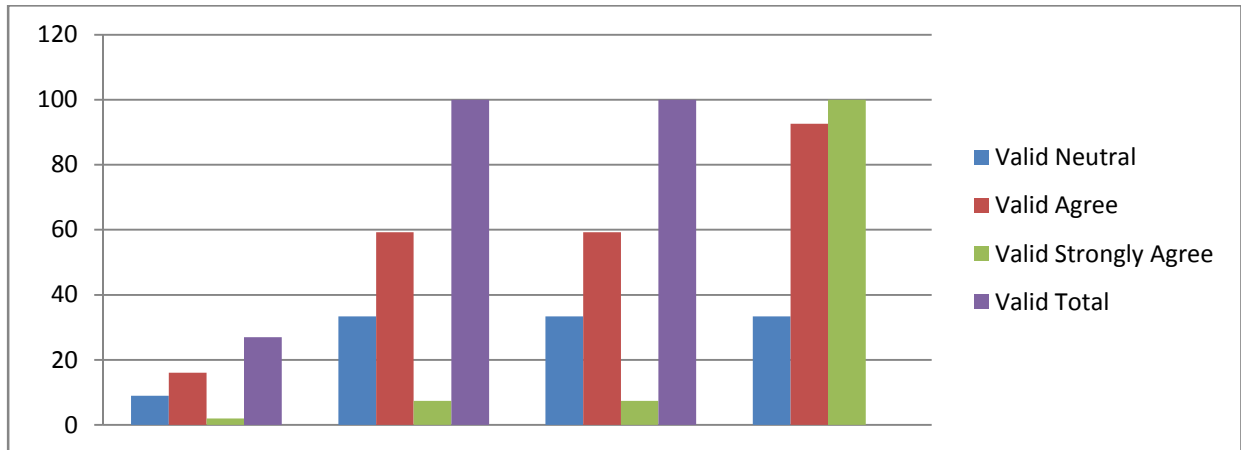


**Source:** Survey Finding, 2018

The above figure shows that 3 ( 11.1%), of the respondents were disagree , 7 ( 25.9%) of the respondents are neutral, 16 ( 59.3%) of the respondents responded were agree and the remaining 1( 3.1%) of the respondents responded strongly agreed . This shows the majority of 62.4% of respondents are agreed with suppliers are trained in strategic sourcing approach.

Hence the remaining 37.6% of the respondents indirectly depicts that there is lack of awareness towards since of strategic sourcing approaches.

**Figure.3. provide reward in terms of promise for future business**

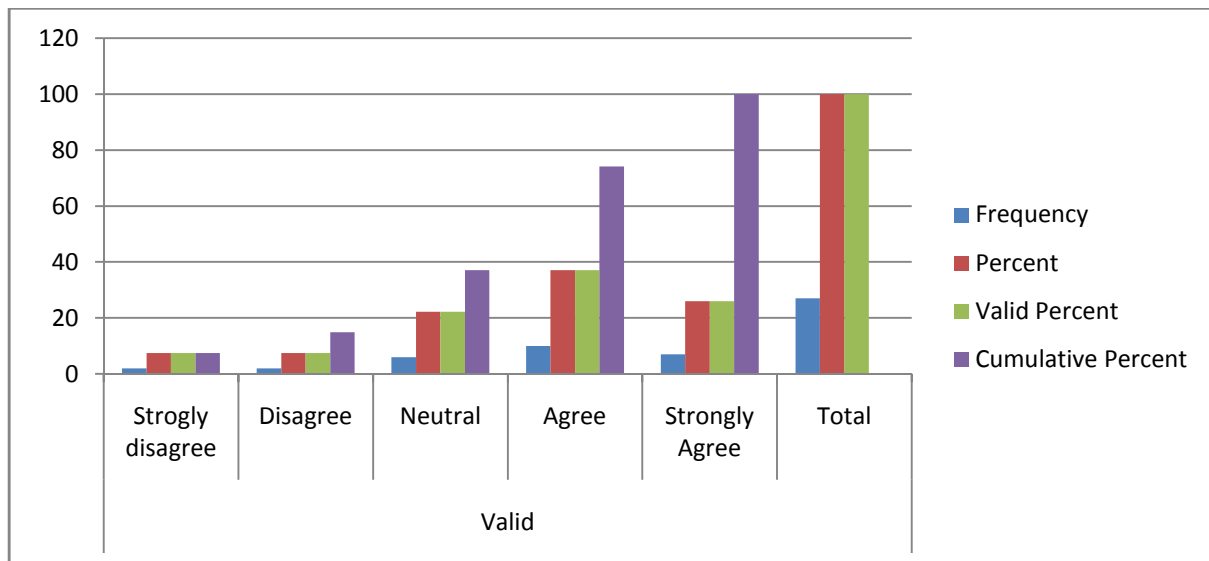


**Source:** Survey Finding, 2018

The above figure shows that 9 (33.3%), of the respondents were neutral on their perception regarding reward which in terms of profit for future business were provided for suppliers, 16 (59.3 %) of the respondents are agreed, 2 (7.4 %) of the respondents responded as strongly agreed. This shows that the majority of 66.7% of respondents are agreed rewards are being given for suppliers.

Hence the remaining 33.3 % of the respondents indirectly depicts that there is a challenge regarding the adoption of strategic sourcing approaches.

**Figure 4. Awash bank have suppliers development program**

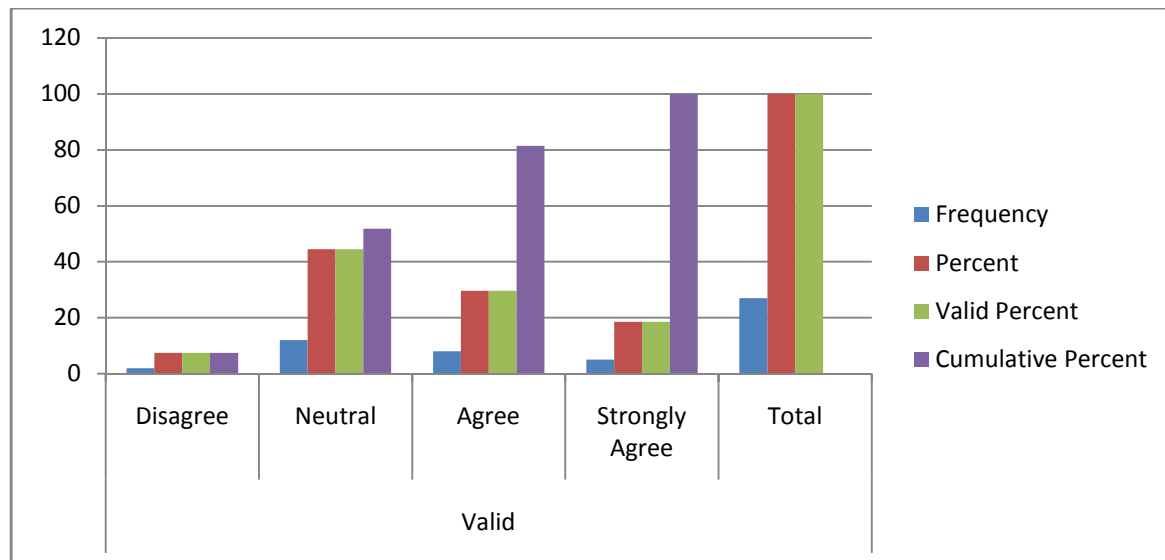


**Source;** Survey Finding, 2018

The above figure shows that 2 (7.4 %), of the respondents responded as strongly disagree, 2 (7.4 %) of the respondents has responded as disagreed towards the bank have supplier development program, 6 (22.2 %) of the respondents responded as they are neutral to the concept under consideration, 10 (37.0%) of the respondents reported as the agreed and the remaining 7(25.9%) of the respondents reported as they were strongly agreed.

This shows the majority of 62.9 % of respondents were agreed with suppliers are trained in strategic sourcing approach. This indirectly depicts that the remaining 37% of the respondents shows that there is a lack of awareness.

**Figure 5.strategic sourcing benefits are formally tracked**

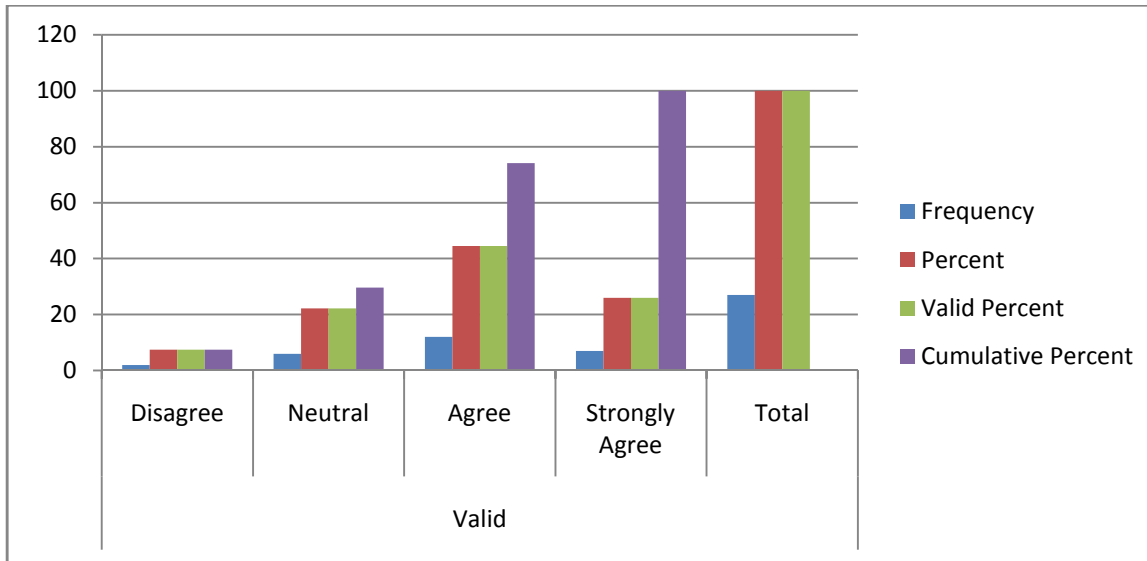


**Source;** Survey Finding, 2018

The above figure shows that 2 (7.4 %), of the respondents were disagreed, 12 (44.4 %) of the respondents has been neutral, 8 (29.6%) of the respondents responded agreed and 5 (18.5%) of the respondents responded strongly agreed.

This shows that 48.1 % of the respondents reported as there level of perception towards the strategic sourcing benefits are formally tracked responded they agreed. This implies that the remaining large percent which is 51.9 % of the respondents level of perception shows there is challenge towards adopting the practice on strategic sourcing benefits

**Figure 6. Awash bank has a strategic sourcing plan in place**

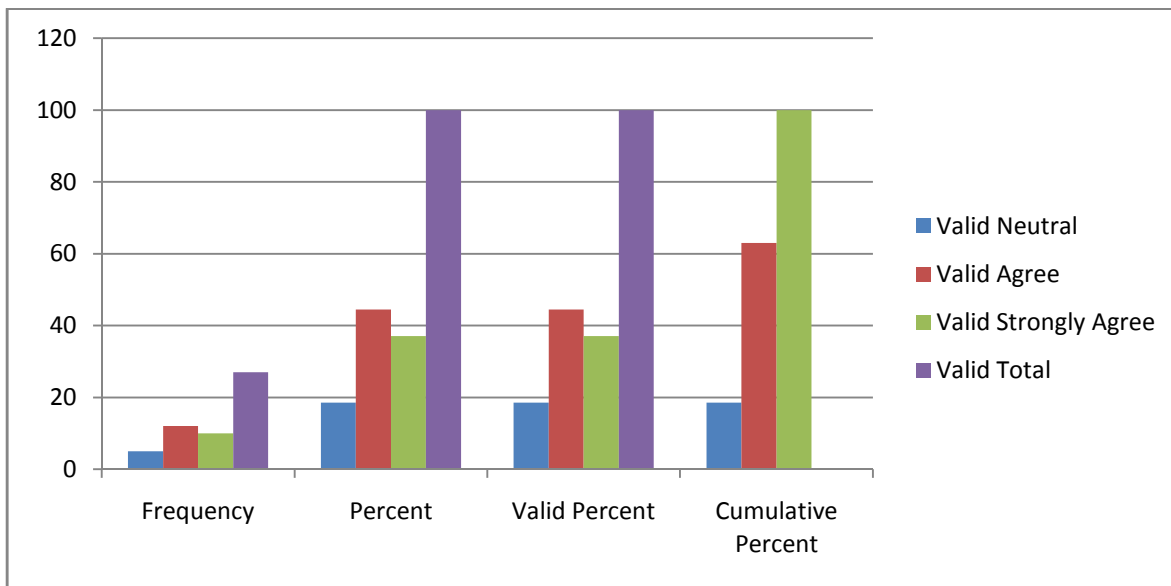


**Source;** Survey Finding, 2018

The above figure shows that 2 (7.4 %), of the respondents were disagreed, 6 (22.2 %) of the respondents has been neutral, 12 (44.4%) of the respondents responded agreed and 7 (25.9 %) of the respondents responded strongly agreed.

This shows the majority of 70.3 % of respondents were agreed with that of the bank has strategic sourcing plan in place. This indirectly depicts that the remaining 29.7% of the respondent's perception shows that there is challenge towards preparing strategic sourcing plan.

**Figure 7. Top management supports the implementation of strategic sourcing plan**



**Source;** Survey Finding, 2018

The above figure shows that 5 (18.5 %), of the respondents were neutral, 12 (44.4 %) of the respondents has been agreed and 10 (37.0%) of the respondents responded strongly agreed. This shows the majority of 81.4 % of respondents were agreed with that of top management supports the implementation of strategic sourcing plan.

Again these indirectly depicts as the remaining 18.6 % of the respondents level of perception shows that there is challenge towards implementation of strategic sourcing approaches and also top management lacks in giving support on the implementation of these approaches.

## **4.2. Correlation Analysis**

In this section, correlation analysis was conducted in an effort to answer one of the basic research questions. The relationship between sourcing practice and operational performance was investigated using two-tailed Pearson correlation analysis. This provided correlation coefficients that indicate the strength and direction of relationship. The coefficient of correlation could take values ranging from -1 to +1, where the signs signifying the direction of relationship. As per the guide line suggested by Field (2005), the strength of relationship that ranges from 0.1to 0.29 shows week relationship; 0.3 to 0.49 is moderate; and >0.5 shows strong relationship between the two variables.

### **4.2.1 Correlation between Supplier Relationship Management and Operational Performance**

As seen from the results table, Supplier Relationship Management has a statistically significant strong positive correlation with operational performance (with  $r=0.649$ ,  $p\text{-value}=0.000$ ). The relationship indicates that as the focus on Supplier Relationship Management increases so do operational performance.



**Table 4.3: Correlation between Supplier Relation Management and Operational Performance**

			Operational Performance
		Pearson Correlation	0.649**
Strategic Sourcing Practices		Sig. (2-tailed)	0.000
		N	27
**. Correlation is significant at the 0.01 level (2-tailed).			

**Source:** Survey Finding, 2018

This implies that Supplier Relationship Management, such as long-term contractual agreements with key suppliers, strong supplier selection and evaluation criteria, enabling purchasing to work by making special emphasis to long-term issues that involve risk and uncertainty and collaborating with suppliers in order to improve their quality in the long run, are somehow positively related to how Awash Bank performs in assuring reduced cost of purchased materials, quality of purchased materials and on-time delivery of their internal user organs.

The findings of past works of similar nature also suggest somehow complementary result as the findings of this particular study. For instance finding of Walter L. Wallace & Yusen L. Xia, (2014), revealed that managing a supplier relationship not only saves time, but also allows your organization to be better aligned with their strategic performance throughout the entire company. And also from the point of interview, it revealed that Awash Bank have relative long term contractual agreements with key suppliers and, selection criteria.

#### **4.2.2 Correlation between Internal Co-ordination and Operational Performance**

The correlation matrix in the following table indicates that a statistically significant positive relationship was observed between internal co-ordination and operational performance ( $r=0.655$ ,  $p\text{-value}=0.000$ ).

From this result it has been identified that engagement internal co-ordination activities that involve committing in inclusions of purchasing personnel in: Research & Development teams, engineering teams and providing cross-functional training to purchasing executives, are strongly related to how

Awash Bank performs in assuring reduced cost of purchased materials, quality of purchased materials and on-time delivery of their internal user organs.

**Table 4.4. Correlation between Internal Co-ordination and Operational Performance**

			Operational Performance
		Pearson Correlation	0.655**
Strategic Sourcing Practices		Sig. (2-tailed)	0.000
		N	27
**. Correlation is significant at the 0.01 level (2-tailed).			

**Source:** Survey Finding, 2018

Pertaining to past works conducted on the area, a strong positive correlation between internal co-ordination and shorter delivery time and swift response to customer complaints has been identified by Chen et al. (2004), where the later two items were designated to measure operational performance. In a similar fashion Prajogo et al. (2012) has discovered that strategic long-term relationship had a strong positive relationship with the improvement of delivery time, flexibility and purchase cost reduction. A number studies focused on the importance of cross-functional communication and support in creating a sourcing strategy (Anderson and Katz 1998: Sislian and Satir 2000) empirically demonstrated that inter-functional cooperation improved the performance of firm's and supply chain responsiveness.

#### **4.2.3. Correlation between Early Supplier Involvement and Operational Performance**

Similar to the above cases here also Early Supplier Involvement has been identified to have a statistically significant strong positive relationship with operational performance ( $r=0.682$ ,  $p\text{-value}=0.000$ ).

**Table 4.5. Correlation between Early Supplier Involvement and Operational Performance**

			Operational Performance
		Pearson Correlation	0.682**
Strategic Sourcing Practices		Sig. (2-tailed)	0.000
		N	27
**. Correlation is significant at the 0.01 level (2-tailed).			

**Source:** Survey Finding, 2018

This particular finding is also consistent with the findings of other studies. For instance it has been revealed that early supplier involvement between buyers and their key suppliers, measured in terms, has positive relationship with rapid enhancement of company’s performance (Chen et al. 2004).

#### **4.2.4 Correlation between Information Sharing with Suppliers and Operational Performance**

Though all the dimensions of strategic sourcing practice have found to have a strong correlation with operational performance, the relative strength of the correlation is even better in the case of information sharing with suppliers as evidenced by the statistically significant and strong positive relationship that the two have exhibited ( $r=0.687$ ,  $p\text{-value}=0.000$ ).

**Table 4.6: Correlation between Information Sharing with Suppliers and Operational Performance**

			Operational Performance
		Pearson Correlation	0.687**
Strategic Sourcing Practices		Sig. (2-tailed)	0.000
		N	27
**. Correlation is significant at the 0.01 level (2-tailed).			

**Source:** Survey Finding, 2018

This finding makes real sense given the fact that sharing valuable information with suppliers would create a suitable platform for closer partnership and venue for better understanding of the needs and requirements of the parties involved in the relationship, which in turn could ensure quality of relationship (Yeung, Selen, Zhang and Huo, 2008).

According to (Li et al., 2006) the key to the seamless supply chain is making undistorted and up-to-date information available at every node within the supply chain, hence taking the available information and sharing it with other parties within the supply chain can be used as a source of competitive advantage. On the other hand, the level and quality of information shared among buyers and suppliers have identified to have a positive relationship with the operational aspects of firms performance, such as fulfillment performance (shorter delivery time) inventory performance and flexibility (Simatupang and Sidharan, 2005).

On the other hand, the level and quality of information shared among buyers and suppliers have identified to have a positive relationship with the operational aspects of firms performance, such as fulfillment performance (shorter delivery time) inventory performance and flexibility (Simatupang and Sidharan, 2005). According to (Li et al., 2006) the key to the seamless supply chain is making undistorted and up-to-date information available at every node within the supply chain, hence taking the available information and sharing it with other parties within the supply chain can be used as a source of competitive advantage.

# Chapter Five

## Summary, Conclusions and Recommendations

### 5.1. Summary of Major Findings

The primary objective of this research was to examine the relationship between Strategic Sourcing and Operational Performance of Banks in Ethiopia the case of Awash Bank S.C. The study targeted a total of 27 respondents. Respondent from different age group and educational background are represented in the data collected.

The result obtained with descriptive statics show that all the dimensions that were selected for this particular study such as supplier relation management, information sharing with suppliers and early supplier involvement have found to have mean average above point 3.00 except that of internal co-ordination which is 2.84 mean result. On the other side 65.3% of the respondents agree that strategic sourcing approaches were practiced and the remaining 34.7% of the respondents depicts that there challenge encountered during implementation of these practices. The correlation analysis result is used to understand the degree of relationship between the independent variable (supplier relation management, information sharing with supplier, internal co-ordination and that of early supplier involvement) and dependent variables (operational performance measured in terms of cost of purchased materials, quality of purchased materials and on time deliveries of purchased materials). From the analysis, it is noted that there is significant positive relation between supplier relation management and operational performance (sig=.000, r= .649), internal co-ordination and operational performance (sig=.000, r= .655), early supplier involvement and operational performance (sig=.000, r= .682) and that of information sharing with suppliers and operational performance (sig=.000, r= .687).

The strength of relation is highest towards information sharing with suppliers and that of early supplier involvement and lower towards internal co-ordination and supplier relation management.

## 5.2. Conclusions

Based on the data analyzed and interpretation in the previous chapters as per objective of the study the primary data are concluded as follows accordingly.

- ✓ The study concludes that Awash bank S.C. espouse one of the dimensions of strategic sourcing practice which is early supplier involvement, in the way that by involving suppliers early before contract was made and also by creating a ground for joint-problem solving. Therefore Awash bank is eager to adopt strategic sourcing which is highly important for the overall enhancement of the bank operational performance.
- ✓ Strategic sourcing practice shows to have a role to play towards the improvements of operational performance, where by this study revealed that all of the dimensions that were selected for this that are Supplier Relationship Management, Information Sharing with Suppliers, Internal Co-ordination and Early Supplier Involvement have an effect towards operational performance of the bank.
- ✓ So long as the predicting power of the dimensions of the independent variable are concerned, it has been investigated that , Supplier Relationship Management, Information Sharing with Suppliers, Internal Co-ordination, Early Supplier Involvement beta values indicating that all of these dimensions have an effect on the dependent variable, i.e. operational performance of Awash Bank.
- ✓ It has been concluded that the strength of influence is highest in the case of Early Supplier Involvement and that of Information Sharing with Suppliers and lowest in the case of Internal Co-ordination and Supplier Relationship Management.
- ✓ In general the study found out that strategic sourcing if properly implemented can have the power to change the operational performance of the bank into a whole new level, this can only be achieved by increasing the level of awareness towards the since of strategic sourcing approaches to the staff members of the bank.

## 5.3. Recommendations

One of the major importance of strategic sourcing goes to contributing valuable input towards the improvement of effectiveness and efficiency of the operational performance of a given company. Thus it has enhanced improvements in terms of improved quality, delivery time, reduced cost of goods, and volume & mix flexibility of goods and satisfaction of internal

customers. This implies strategic sourcing if applied correctly it can be a means for biting up the competition across the industry. Here, some suggestions are forwarded on the basis of the findings of the study;

- ✓ As strategic sourcing is a field in constant development, becoming proficient in this field will help the banks understand; plan and implement a sound strategic sourcing strategy tighten the effectiveness and efficiency of the supply chain infrastructure and improves corporate image and costs. The researcher recommends the banks to apply strategic sourcing profoundly than it is now.
- ✓ The bank should apply approach of strategic sourcing practices more profoundly than it is now, which can be applicable by giving training on strategic sourcing approach both for the bank's staff members and for the suppliers of the bank in order to critically visualize the importance or benefits of this approach would impose towards the success of both parties, by developing strategic sourcing plan in place and by providing the appropriate support for the implementation of this plan from the top management.
- ✓ It is also recommended that the bank should enhance the strategy on how to select and evaluate their suppliers by developing the appropriate criteria and also the bank should categorize each of its suppliers into groups accordingly to their performance rate so that it can be easily recognized which supplier is performing well and which one don't.
- ✓ The bank should also make arrangements on the plan of relationship management early before the relationship starts and also collaborating with suppliers in order to improve their quality in the long run should also go in line.
- ✓ The bank should work on information exchange systems with suppliers, which can be done by exchanging information regarding sales and forecasting data and also by showing willingness to suppliers to what extent does the bank is willing to share information.
- ✓ Based on the major findings of the study it is suggested that the bank should exert more effort on creating a formal line of communication in between the different departments specially the inclusion of sourcing function with other function within the bank having in mind that without a harmonized effort or unit of action, achievement of goals in some department may run counter to that of other department.

## Reference

AdmassuBezabih.AsayehegnDesta (2014), “Banking Sector Reform in Ethiopia”. International Journal of Business and Commerce, Vol. 3, No. 8: pp.25-38.

Amy ZhaouhuiZeng (2000), “A synthetic study of sourcing strategies”, Industrial Management and Data systems, Vol 100. Iss.5, pp. 219-226.

Anders Pehrsson (2001), “The Strategic states model: optimum strategies to reach high performance”, Management Decision, Vol. 39 Iss 6, pp.: 441-447.

Awash Bank’s annual report, July 2014-June 2015

Arif Khan K, Rajesh K. Pillania (2008), “Strategic sourcing for supply chain agility and firms’ performance”, Management Decision, Vol. 46, Iss 10, pp. 1508-1530.

Baily, P., Farmer, D., Jessop, D. and Jones, D. (2005) “Purchasing principles and management”. UK - Hampshire: Pearson Education Limited.

Bernard, H. R. (2002). Research methods in anthropology: Qualitative and quantitative approaches (3rd ed.). Walnut Creek, CA: Alta Mira Press.

Bryman, A. & Bell, E., 2007. Business Research Methods. Oxford: Oxford University. Press, 2<sup>nd</sup> edition.

Bryman, A. & Bell, E., 2011. Business Research Methods. Oxford: Oxford University. Press, 3<sup>rd</sup> edition.

Carter, J. R. (2000). Development of supply strategies. In J.L. Cavinato&R.G.Kauffman (Eds.), Collis, J. & Hussey, R., 2009. Business Research , A Practical Guide for Undergraduate & Postgraduate Students. 3rd ed. Palgrave Macmillan.

Court B, Steele P. (1997). Profitable Purchasing Strategies: a manager’s guide for improving organizational competitiveness through the skills of purchasing. McGraw-Hill Book Company England

Cousins, P. D., Lamming, R., Lawson, B., & Square, B. (2008) ”Strategic Supply management principles, theories, and practice”. UK: Prentice Hall.



Christopher L. Shook, Garry L. Adams, David J. Ketchen Jr, Christopher W. Craighead, (2009), "Towards a "theoretical toolbox" for strategic sourcing", *Supply Chain Management: An International Journal*, Vol. 14 Iss 1 pp.3-10.

David E. Hussey: *Introducing Corporate Planning*, (1991). Fourth Edition: Guide to Strategic Management –Pergamon Press-January 15,

David Jennings, (2002), "Strategic Sourcing: benefits, problems and a contextual model", *Management Decision*, Vol 40 Iss 1 pp. 26-34.

Ethiopia's County assessment Procurement report, (2003)

Jin Su Vidyaranya B. Gargeya, (2012), "Strategic Sourcing, sourcing capability and firm performance in the US textile and apparel industry" *Strategic Outsourcing: An International Journal*, Vol. 5 Iss 2 pp. 145-165.

Joachim Timlon, (2011), "Sustainable strategic sourcing decisions" *Strategic Outsourcing: An international Journal*, Vol.4 Iss 1 pp. 89-106.

Michael E. Porter, 'What Is Strategy?' (1996): Published by: Harvard Business Review, pp. 21,

Michael Musanzikwa (2013), *Public Procurement System Challenges in Developing Countries: the Case of Zimbabwe*, *International Journal of Economics, Finance and Management Sciences*. Vol. 1, No. 2, pp. 119-127. Doi: 10.11648/j.ijefm.20130102.18

Michel Van den Broek ,(2013), *The Naked Buyer*. 1st ed. Mason, Ohio: Robbins, S.P. (1998).

Minkyun Kim, Nallan C Suresh, Canan Kocabasoglu-Hillmer , (2015), "A contextual analysis of the impact of strategic sourcing and E-procurement on performance", *Journal of Business & Industrial Marketing*, Vol. 30 Iss 1 pp. 1 – 16

Per V. Freytag, Ole S. Mikkelsen, (2007) *Sourcing from outside – six managerial challenges*, *Journal of Business and Industrial Marketing*, vol.22 Iss 3 pp.187-195.

Ronnie Lacourse Korosec, (2003), "Assessing the Feasibility of Supply Chain Management within purchasing and procurement". *Public Performance and Management Review*, Vol.27, No.2, pp 92- 109.

RehamEltantawy Larry Giunipero Robert Handfield , (2014),”Strategic sourcing management’s mindset:strategic sourcing orientation and its implications”, International Journal of Physical Distribution & Logistics Management, Vol. 44 Iss 10 pp. 768 – 795

Sid Gokhale, (2012),Dowden Custom Media, Montvale, NJ Strategic Management, and 11 Editions: p: 225.

WouterFaes Paul Matthyssens, (2009), “Insights into the process of changing sourcing strategies”, Journal of Busines& Industrial Mareting, Vol. 24 Iss ¾ pp. 245-255

Titus wachiraKihanya, Moses KimaniWafula , Evans OjamboOnditi, Ambrose MuritthiMunene , May (2015), The Role of Strategic Sourcing on Organization’s Performance: A case Study of JommoKenya’s University of Agriculture and Technology Volume 5, Issue 5, May 2015 ISSN 2250-3153, pp.1-3.

Thompson, (2012), Crafting and Executing Strategy,.p.5, published by McGrew-Hill/Irwin companies/inc

Thomas L. Wheelen, J. David Hunger, (2004), Strategic Management and Business Policy toward Global Sustainability, Thirteenth edition..

Walter L.wallace, Yusen Xia, (2014), Delivering Customer Value Through Procurement and Strategic sourcing, , p: 7-16), 1st edition, Pearson Education, Inc.Upper Saddle River, New Jersey 07458.

WouterFaes Paul Matthyssens, (2009), “Insights into the process of changing sourcing strategies”, Journal of Busines& Industrial Mareting, Vol. 24 Iss ¾ pp. 245-255

University of Michigan, Administrative Service Transformation, “What is strategic Sourcing”, Available from:  
<http://www.ast.umich.edu/pdfs/What-is-strategic-sourcing>.(Accessed at 01/01/2018).

Jorge Lynch, (2016), Procurement Planning and the Procurement Plan: Why are they Important?, Available from:  
<http://procurementclassroom.com/procurement-planning-and-the-procurement-plan-why-are-they-important/>. (Accessed at 21/04/2018).

[www.purchasing-procurement-center.com](http://www.purchasing-procurement-center.com) (Accessed at 18/05/2018)

# Annexes

ANNEX 1 DESCRIPTIVE RESULT OF THE SPSS

**Awash bank have long -term contractual agreement with key suppliers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	11.1	11.1	11.1
Disagree	3	11.1	11.1	22.2
Neutral	4	14.8	14.8	37.0
Agree	14	51.9	51.9	88.9
Strongly Agree	3	11.1	11.1	100.0
Total	27	100.0	100.0	

**Awash bank make plan of relationship management with suppliers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	7.4	7.4	7.4
Disagree	2	7.4	7.4	14.8
Neutral	6	22.2	22.2	37.0
Agree	12	44.4	44.4	81.5
Strongly Agree	5	18.5	18.5	100.0
Total	27	100.0	100.0	

**Awash bank collaborate with supplier to improve their quality in the long run**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	3.7	3.7	3.7
Disagree	2	7.4	7.4	11.1
Neutral	5	18.5	18.5	29.6
Agree	9	33.3	33.3	63.0
Strongly Agree	10	37.0	37.0	100.0
Total	27	100.0	100.0	

**Suppliers are categorized in to groups based on their performance for long terms  
partners ship**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	3.7	3.7	3.7
Disagree	2	7.4	7.4	11.1
Neutral	4	14.8	14.8	25.9
Agree	8	29.6	29.6	55.6
Strongly Agree	12	44.4	44.4	100.0
Total	27	100.0	100.0	

**Awash bank exchange information regarding to sale training**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	7.4	7.4	7.4
Disagree	1	3.7	3.7	11.1
Neutral	4	14.8	14.8	25.9
Agree	18	66.7	66.7	92.6
Strongly Agree	2	7.4	7.4	100.0
Total	27	100.0	100.0	

**Awash bank has the ability and willingness to open share confidential information**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	7.4	7.4	7.4
Disagree	1	3.7	3.7	11.1
Neutral	3	11.1	11.1	22.2
Agree	20	74.1	74.1	96.3
Strongly Agree	1	3.7	3.7	100.0
Total	27	100.0	100.0	

**Information exchange between us and our suppliers is timely , accurate , and  
complete**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	11.1	11.1	11.1
Disagree	1	3.7	3.7	14.8

Neutral	2	7.4	7.4	22.2
Agree	13	48.1	48.1	70.4
Strongly Agree	8	29.6	29.6	100.0
Total	27	100.0	100.0	

**Sourcing function are included in research and development teams**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	11.1	11.1	11.1
Disagree	2	7.4	7.4	18.5
Neutral	6	22.2	22.2	40.7
Agree	10	37.0	37.0	77.8
Strongly Agree	6	22.2	22.2	100.0
Total	27	100.0	100.0	

**purchasing executive receives cross -functional training**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	11.1	11.1	11.1
Disagree	2	7.4	7.4	18.5
Neutral	10	37.0	37.0	55.6
Agree	10	37.0	37.0	92.6
Strongly Agree	2	7.4	7.4	100.0
Total	27	100.0	100.0	

**Sourcing function has activate interaction with marketing teams**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	2	7.4	7.4	7.4
Neutral	6	22.2	22.2	29.6
Agree	15	55.6	55.6	85.2
Strongly Agree	4	14.8	14.8	100.0
Total	27	100.0	100.0	

**There is formula line of communication between purchasing and other department**

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	3	11.1	11.1	11.1
Neutral	2	7.4	7.4	18.5
Valid Agree	10	37.0	37.0	55.6
Strongly Agree	12	44.4	44.4	100.0
Total	27	100.0	100.0	

**Awash bank involve suppliers early before contrast award**

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	3	11.1	11.1	11.1
Neutral	2	7.4	7.4	18.5
Valid Agree	19	70.4	70.4	88.9
Strongly Agree	3	11.1	11.1	100.0
Total	27	100.0	100.0	

**involvement of suppliers in specification development has improve the product quality**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	3	11.1	11.1	11.1
Disagree	2	7.4	7.4	18.5
Valid Neutral	5	18.5	18.5	37.0
Agree	15	55.6	55.6	92.6
Strongly Agree	2	7.4	7.4	100.0
Total	27	100.0	100.0	

**Joint-problem solving occur with suppliers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	4	14.8	14.8	14.8
Valid Neutral	10	37.0	37.0	51.9
Agree	10	37.0	37.0	88.9
Strongly Agree	3	11.1	11.1	100.0

Total	27	100.0	100.0
-------	----	-------	-------

**Awash bank conduct early supplier involvement for those supplier who supply strategic items**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	3.7	3.7	3.7
Disagree	3	11.1	11.1	14.8
Neutral	8	29.6	29.6	44.4
Agree	10	37.0	37.0	81.5
Strongly Agree	5	18.5	18.5	100.0
Total	27	100.0	100.0	

**Suppliers are trained in strategic sourcing approach**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	3	11.1	11.1	11.1
Neutral	7	25.9	25.9	37.0
Agree	16	59.3	59.3	96.3
Strongly Agree	1	3.7	3.7	100.0
Total	27	100.0	100.0	

**Awash bank provide reward in terms of promise for future business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Neutral	9	33.3	33.3	33.3
Agree	16	59.3	59.3	92.6
Strongly Agree	2	7.4	7.4	100.0
Total	27	100.0	100.0	

**Awash bank have suppliers development program**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	7.4	7.4	7.4
Disagree	2	7.4	7.4	14.8
Neutral	6	22.2	22.2	37.0



Agree	10	37.0	37.0	74.1
Strongly Agree	7	25.9	25.9	100.0
Total	27	100.0	100.0	

**strategic sourcing benefits are formally tracked**

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	2	7.4	7.4	7.4
Neutral	12	44.4	44.4	51.9
Valid Agree	8	29.6	29.6	81.5
Strongly Agree	5	18.5	18.5	100.0
Total	27	100.0	100.0	

**Awash bank has a strategic sourcing plan in place**

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	2	7.4	7.4	7.4
Neutral	6	22.2	22.2	29.6
Valid Agree	12	44.4	44.4	74.1
Strongly Agree	7	25.9	25.9	100.0
Total	27	100.0	100.0	

**Top management supports the implementation of strategic sourcing plan**

	Frequency	Percent	Valid Percent	Cumulative Percent
Neutral	5	18.5	18.5	18.5
Valid Agree	12	44.4	44.4	63.0
Strongly Agree	10	37.0	37.0	100.0
Total	27	100.0	100.0	

**we are successful in assuring quality of purchasing materials**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	3.7	3.7	3.7

Disagree	1	3.7	3.7	7.4
Neutral	3	11.1	11.1	18.5
Agree	10	37.0	37.0	55.6
Strongly Agree	12	44.4	44.4	100.0
Total	27	100.0	100.0	

**we are successful in assuring in minimizing cost of purchasing materials**

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	1	3.7	3.7	3.7
Neutral	2	7.4	7.4	11.1
Valid Agree	9	33.3	33.3	44.4
Strongly Agree	15	55.6	55.6	100.0
Total	27	100.0	100.0	

**we are successful in assuring on time delivery of ordered materials**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	3	11.1	11.1	11.1
Disagree	3	11.1	11.1	22.2
Valid Neutral	1	3.7	3.7	25.9
Agree	5	18.5	18.5	44.4
Strongly Agree	15	55.6	55.6	100.0
Total	27	100.0	100.0	

**Internal customers are satisfied with the achievements of our purchasing function**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	3	11.1	11.1	11.1
Disagree	2	7.4	7.4	18.5
Valid Neutral	3	11.1	11.1	29.6
Agree	4	14.8	14.8	44.4
Strongly Agree	15	55.6	55.6	100.0
Total	27	100.0	100.0	

Annex 2 COLORATION SPSS RESULT

**Correlations**

		Awash bank exchange information regarding to sale training	Information exchange between us and our suppliers is timely , accurate , and complete	Sourcing function are included in research and development teams
Awash bank exchange information regarding to sale training	Pearson Correlation	1	.710**	.483*
	Sig. (2-tailed)		.000	.011
	N	27	27	27
Information exchange between us and our suppliers is timely , accurate , and complete	Pearson Correlation	.710**	1	.411*
	Sig. (2-tailed)	.000		.033
	N	27	27	27
Sourcing function are included in research and development teams	Pearson Correlation	.483*	.411*	1
	Sig. (2-tailed)	.011	.033	
	N	27	27	27

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

\* . Correlation is significant at the 0.05 level (2-tailed).

**Correlations**

		Awash bank have long -term contractual agreement with key suppliers	Awash bank has strong supplier selection &evaluation criteria	Awash bank make plan of relationship management with suppliers	Awash bank collaborate with supplier to improve their quality in the long run	Suppliers are categorized in to groups based on their performance for long terms partners ship
Awash bank have long - term contractual agreement with key suppliers	Pearson Correlation	1	0.312	.565**	.757**	.738**
	Sig. (2-tailed)		0.113	0.002	0	0
	N	27	27	27	27	27
Awash bank has strong supplier selection &evaluation criteria	Pearson Correlation	0.312	1	0.137	0.33	0.353

	Sig. (2-tailed)	0.113		0.497	0.092	0.071
	N	27	27	27	27	27
Awash bank make plan of relationship management with suppliers	Pearson Correlation	.565**	0.137	1	.751**	.562**
	Sig. (2-tailed)	0.002	0.497		0	0.002
	N	27	27	27	27	27
Awash bank collaborate with supplier to improve their quality in the long run	Pearson Correlation	.757**	0.33	.751**	1	.836**
	Sig. (2-tailed)	0	0.092	0		0
	N	27	27	27	27	27
Suppliers are categorized in to groups based on there performance for long terms partners ship	Pearson Correlation	.738**	0.353	.562**	.836**	1
	Sig. (2-tailed)	0	0.071	0.002	0	
	N	27	27	27	27	27

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

#### Correlations

	Sourcing function are included in research and development teams	Sourcing function are included in engineering teams	purchasing executive receives cross - functional training	Sourcing function has activate interaction with marketing teams	There is formula line of communication between purchasing and other departement
Sourcing function are included in research and development teams	Pearson Correlation Sig. (2-tailed)	1 .578** .002	.223 .263	.426* .027	.495** .009

	N	27	27	27	27	27
Sourcing function are included in engineering teams	Pearson Correlation	.578**	1	.410*	.359	.184
	Sig. (2-tailed)	.002		.033	.066	.358
	N	27	27	27	27	27
purchasing executive receives cross - functional training	Pearson Correlation	.223	.410*	1	.501**	.326
	Sig. (2-tailed)	.263	.033		.008	.097
	N	27	27	27	27	27
Sourcing function has activate interaction with marketing teams	Pearson Correlation	.426*	.359	.501**	1	.772**
	Sig. (2-tailed)	.027	.066	.008		.000
	N	27	27	27	27	27
There is formula line of communication between purchasing and other department	Pearson Correlation	.495**	.184	.326	.772**	1
	Sig. (2-tailed)	.009	.358	.097	.000	
	N	27	27	27	27	27

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

\* . Correlation is significant at the 0.05 level (2-tailed).

#### Correlations

		Awash bank involve suppliers early before contrast award	involvement of suppliers in specification development has improve the product quality	Joint-problem solving occur with suppliers	Awash bank conduct early supplier involvement for those supplier who supply strategic items
Awash bank involve suppliers early before contrast award	Pearson Correlation	1	.526**	.451*	.502**
	Sig. (2-tailed)		.005	.018	.008
	N	27	27	27	27
involvement of suppliers in specification development has improve the product quality	Pearson Correlation	.526**	1	.313	.324
	Sig. (2-tailed)	.005		.112	.099
	N	27	27	27	27
Joint-problem solving occur with suppliers	Pearson Correlation	.451*	.313	1	.260
	Sig. (2-tailed)	.018	.112		.190
	N	27	27	27	27
Awash bank conduct early	Pearson Correlation	.502**	.324	.260	1

supplier involvement for those supplier who supply strategic items	Sig. (2-tailed)	.008	.099	.190	
	N	27	27	27	27

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

\* . Correlation is significant at the 0.05 level (2-tailed).

Correlations							
		Suppliers are trained in strategic sourcing approach	Awash bank provide reward in terms of promise for future business	Awash bank have suppliers development program	strategic sourcing benefits are formally tracked	Awash bank conduct early supplier involvement for those supplier who supply strategic items	Top management supports the implementation of strategic sourcing plan
Suppliers are trained in strategic sourcing approach	Pearson Correlation	1	.421	.522*	.468*	.423	.711**
	Sig. (2-tailed)		.029	.005	.014	.028	.000
	N	27	27	27	27	27	27
Awash bank provide reward in terms of promise for future business	Pearson Correlation	.421*	1	.477*	.156	.486*	.290
	Sig. (2-tailed)	.029		.012	.436	.010	.142
	N	27	27	27	27	27	27
Awash bank have suppliers development program	Pearson Correlation	.522**	.477*	1	.638**	.405	.518**
	Sig. (2-tailed)	.005	.012		.000	.036	.006
	N	27	27	27	27	27	27
strategic sourcing benefits are formally tracked	Pearson Correlation	.468*	.156	.638**	1	.334	.355
	Sig. (2-tailed)	.014	.436	.000		.088	.069
	N	27	27	27	27	27	27
Awash bank conduct early supplier	Pearson Correlation	.423	.486*	.405	.334	1	.210

involvement for those supplier who supply strategic items	Sig. (2-tailed)	.028	.010	.036	.088		.293
	N	27	27	27	27	27	27
Top management supports the implementation of strategic sourcing plan	Pearson Correlation	.711**	.290	.518**	.355	.210	1
	Sig. (2-tailed)	.000	.142	.006	.069	.293	
	N	27	27	27	27	27	27
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							

### Correlations

		we are successful in assuring quality of purchasing materials	we are successful in assuring in minimizing cost of purchasing materials	we are successful in assuring on time delivery of ordered materials	Internal customers are satisfied with the achievements of our purchasing function
we are successful in assuring quality of purchasing materials	Pearson Correlation Sig. (2-tailed) N	1 27	.487** 27	.699** 27	.555** 27
we are successful in assuring in minimizing cost of purchasing materials	Pearson Correlation Sig. (2-tailed) N	.487** 27	1 27	.644** 27	.656** 27
we are successful in assuring on time delivery of ordered materials	Pearson Correlation Sig. (2-tailed) N	.699** 27	.644** 27	1 27	.907** 27
Internal customers are satisfied with the achievements of our purchasing function	Pearson Correlation Sig. (2-tailed) N	.555** 27	.656** 27	.907** 27	1 27

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

**St, Mary's University**

**School of Graduate Studies**

**Department of Business Administration**

Research topic: **Relationship Between Strategic Sourcing and Operational Performance of Banks in Ethiopia: In the Case of Awash Bank S.C.**

**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 on the Relationship between Strategic Sourcing and operational Performance of Awash Bank. 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, Mary's University under the school of Business Administration. Therefore, this research is to be evaluated in terms of its contribution in understanding the effects of strategic sourcing that would impose on the performance of Awash Bank.

**General Instructions**

There is no need of writing your name

In all cases where answer options are available please tick (√) in the appropriate box

**Confidentiality**

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

*Should you have any enquiry feel free to contact me through*

*Email: [dagiejigu@gmail.com](mailto:dagiejigu@gmail.com) Phone: (+251) 906 646 005*



## PART ONE: DEMOGRAPHIC INFORMATION

INSTRUCTIONS: Please put “√” mark to all your responses in the box provided beside each question.

1. Sex: Male  Female

2. Age below 30  above 45

From 30-45

3. Number of years you have worked for Awash Bank (in years):

Below 5

From 5 – 15

Above 15

4. Educational Qualification:

Below college diploma  Second Degree (MSc, MA)

College Diploma  PHD and above

First degree

## Part Two: 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 five point likert scales:

**Strongly Disagree.....1**

**Disagree.....2**

**Neutral.....3**

**Agree.....4**

**Strongly Agree.....5**

<b>Dimension and Item</b>					
<b><i>Supplier Relationship Management</i></b>	<b>SD</b>	<b>DA</b>	<b>NU</b>	<b>AG</b>	<b>SA</b>
Awash bank have long-term contractual agreements with key suppliers					
Awash bank has strong supplier selection & evaluation criteria					
Awash bank make plan of relationship management with suppliers					
Awash bank collaborate with suppliers to improve their quality in the long run					
Suppliers are categorized into groups based on their performance for long term partnership					
<b><i>Information Sharing with Suppliers</i></b>					
The bank exchanges information regarding sales trends					
The bank exchange information regarding forecasting data					
The bank has the ability & willingness to openly share confidential information					
Information exchange between us and our suppliers is timely, accurate, and complete					
<b><i>Internal Co-ordination</i></b>					
Purchasing personnel are included in Research & Development Teams					
Purchasing personnel are included in engineering teams					
Purchasing executives receives cross-functional training					
There is formal line of communication between purchasing and other department					
<b><i>Early Supplier Involvement</i></b>					
Awash bank involve suppliers early before contract award					
Involvement of suppliers in specification development has improve the product quality					
Joint-problem solving occurs with suppliers					
Awash bank conduct early supplier involvement for those suppliers who supply strategic items					
<b><i>Strategic Sourcing Practices</i></b>					
Suppliers are trained on strategic sourcing approach					
Awash bank have supplier development program					
Strategic sourcing benefits are formally tracked					
Awash bank has a strategic sourcing plan in place					

Top management supports the implementation of strategic sourcing plan					
<b><i>Operational Performance</i></b>					
We are successful in assuring quality of purchased materials					
We are successful in minimizing cost of purchased materials					
We are successful in assuring on-time delivery of ordered materials					
Internal customers are satisfied with the achievements of our purchasing function					

**St, Mary's University**  
**School of Graduate Studies**

**Department of Business Administration**

Research topic: **Relationship Between Strategic Sourcing and Operational Performance of Banks in Ethiopia: In the Case of Awash Bank S.C.**

**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 on the Relationship between Strategic Sourcing and operational Performance of Awash Bank. 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, Mary's University under the school of Business Administration. Therefore, this research is to be evaluated in terms of its contribution in understanding the effects of strategic sourcing that would impose on the performance of Awash Bank.

**General Instructions**

There is no need of writing your name

**Confidentiality**

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

*Should you have any enquiry feel free to contact me through*

*Email: [dagiejigu@gmail.com](mailto:dagiejigu@gmail.com) Phone: (+251) 906 646 005*

## **Interview**

1. What can you say about the practice of strategic sourcing in Awash Bank?
2. How do you see the importance of long term contractual agreement in line with relationship management?
3. What need to be done to improve buyer supplier relationship? What are the challenges to maintain it?
4. How strong is the information communication line between the suppliers and the bank?
5. How do you see the supplier relationship management practice in Awash Bank?

**/ Thank You/**