

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

**AN ASSESSMENT OF PURCHASING
PRACTICE: THE CASE OF ETHIOPIAN
TEXTILE INDUSTRY DEVELOPMENT
INSTITUTE (ETIDI)**

**BY
SIMRET TEKLEWOIN**

**JUNE 2014
SMU
ADDIS ABABA**

**AN ASSESSMENT OF PURCHASING PRACTICE
IN ETHIOPIAN TEXTILE INDUSTRY
DEVELOPMENT INSTITUTE (ETIDI)**

**A SENIOR ESSAY SUBMITTED
TO THE DEPARTMENT OF MANAGEMENT
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REQUIREMENTS FOR THE DEGREE OF
BACHELOR OF ARTS IN MANAGEMENT**

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ABBREVIATION/ACRONYMS

FDRE	Federal Democratic Republic Of Ethiopia
ETIDI	Ethiopian Textile Industry Development Institute

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Purchasing is the responsibility of buying the kinds and quantities of materials authorized by the requisitions issued by production scheduling, inventory control, engineering, maintenance and other department of function requiring materials (Leenders, 1989:25).

Purchasing is considered to be as one of the most important for manufacturing companies and other organization to determine the success of the major business functions when it affects much of the saving of funds and business enterprises. The role of purchasing has changed from simply cost cutting to profit generating thus managing purchasing in an effective and efficient manner meant paying the way of the organization to maximum profit which in turn leads to an increase in its wealth. “purchasing is an essential business function that should be on the name level contribution to firm in success as the other major business functions” (Donald and David, 1996:19).

Ethiopian Textile Industry Development Institute (ETIDI) is established on the 7th June 2010 pursuant to council of ministers regulations No.180/2010. It is established to provide the required developmental support to those who have been engaged and wishing to engage in the textile sector business. In addition, to closely coordinate and support the sector is development in the framework of one-stop services. The institution has young and energetic man power and it also professional leadership has helped to be one of the fastest growing institutions in the textile section. At this moment, the institution has 183 employees at different qualification (Fekadu, 2012:3).

The primary objectives of the study is how purchasing is practiced in ETIDI. The most significant factor that determines the success of any business is management of the company as a whole. The major function commonly include in the organization are research and development, purchasing, human resource, marketing and finance.

The concern of my research is on how purchasing plays important role in institute when

- ✓ Critical resources are obtained from outside source i.e. when it is better to buy than make
- ✓ Major institute expenditure is purchasing expense
- ✓ It is frequencies.

1.2 Statement of the Problem

According to Shridhara (2003:461) purchasing is a managerial activity involving planning and policy formulation, research and development strategies required for the proper selection of materials and sources of supply, negotiating with supplies for best price terms, placing purchase order, follow-up to ensure timely delivery, coordinating with other departments viz., receiving, inwards inspection, stores and accounting (bills payable section).

The overall objective of purchasing is understood as buying materials of the right quality, in the right quantity, at right price and from the right source. This objective indicates broadly the scope of various alternative possibilities (such as make-or-buy or evaluating alternative vendors) before the act of purchase. It is impossible for any organization to achieve its full potential without a successful purchasing activity (Shridhara 2003:464).

The success of any manufacturing activity is largely dependent on the procurement of materials of right quality, in the right quantities, from the right source, at right time and at right price – popularly known as five ‘r’s of the art of efficient purchasing.

By the preliminary observation I made in the institute through analysis different period of performance evaluation report the institutional poor purchasing system and less achievement were happened from the work place and mention the following reasons.

- ✓ There is no understanding with the supplier when the time of exchange of documents.
- ✓ There is lack of supplier reliability.
- ✓ There is lack of technical skill (technical problems).

- ✓ There is Currency, fluctuation after the product has been ordered (in the international or foreign purchase).

Addressing the above points, the research investigated the purchasing practice of the ETIDI, came up with recommendations that could contribute for improvement of purchasing system and the Ethiopian Federal Government Procurement and Property Administration Proclamation.

1.3 Research Questions

- What is the practice of purchasing in the ETIDI?
- What are the challenges affecting the purchasing system in the institute?
- How suppliers are selected for identified goods and services?
- What are the long run policies of the institute to coordinate its function effectively and efficiently?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study is to assess the purchasing practice in ETIDI.

1.4.2 Specific Objectives

- ✓ To describe the practice of purchasing in ETIDI.
- ✓ To determine the factors affecting the purchasing system.
- ✓ To identify the system and approach used to select suppliers.
- ✓ To assess the co-ordination of the institution with others during purchasing and the purchasing procedures and policies of the institution.

1.5 Scope of the Study

Purchasing management activities are broad but one of the most important function of material management. The study limited to purchasing management practices of ETIDI. ETIDI has not other branch it is only one branch in Addis Ababa. Therefore, this study focused in the purchasing department of ETIDI. The evaluation time period is from (2012-2013).

1.6 Significance of the Study

Purchasing is considered as the basic and integral parts of a business it is done frequently. When most of the expenditure of the company is purchased. It may help a company to minimize cost and hence maximize profit is parallel to this consent. Furthermore, these study have the following additional importance:-

- If the institute values this research paper, it would play how the purchasing department can improve its work effectively and efficiently.
- It also helps how the institute can increase its purchasing efficiency by showing the appropriate way.
- It includes important notes about that profession of purchasing and attempts to minimize the misconception of discipline as a whole and its specific duties and responsibilities.
- The paper may serve as a reference for academics research who wants to do a study on purchasing practices.

Besides, the aim of the research was to see the purchasing practice of ETIDI so that after the completion of the paper any person or any business company including ETIDI can use it specially the purchasing department.

1.7 Operational Terms

Purchasing is the function of buying machinery tools, general, supplies, raw materials required by an organization (Nair, 1990:117).

Procurement is broader in it meaning and covers the duties performed by the purchasing department as well as such additional functions of materials supervisions and management as inventory control, incoming material inspection and salvage operations (Shridhara B., 2003:462).

Policy is a definite course or methods of action selected from among alternatives in the light of given conditions to guide present and future actions.

Practice: to do something repeatedly in order to improve performance

1.8 Research Design And Methodology

1.8.1 Research Design

The study uses descriptive research method in order to assess the issue as it exists and to get such as background knowledge and to understanding of the institution problem.

1.8.2 Population, Sample Size and Sampling Techniques

The unit of analysis for this research includes managers and employees of ETIDI. The populations of that institution's are 183. The sample size is 55 (30% of the population) considers. Sampling technique used is stratified sampling and lottery selection method. Stratify sampling used as sampling technique because the institution is divided in to many directorate and to include proportional number of employee from all departments fairly also use lottery selection to pick out employees from every directorate who's going to be involve on the research which make the research to evaluate on every angle of employees view.

Table 1 Distribution of the Planned and Attended Respondents

S.No	Name of Directorate	No Population	Sample Size
1	Director General	8	2
2	Engineering Service Directorate	11	3
3	Cotton Ginning And Spinning Technology Directorate	9	3
4	Weaving And Knitting Technology Directorate	10	3
5	Finishing Technology Directorate	10	3
6	Garment Technology Directorate	17	5
7	Marketing Directorate	10	2
8	Research Laboratory Directorate	12	4
9	Corporate Communication Directorate	7	2
10	Finance And Logistics Directorate	63	19
11	Plan And Information Management Directorate	15	5
12	Registrar Office	3	1
13	Human Resource Management Directorate	8	3
Total		183	55

1.8.3 Types of Data Collected

The research used both primary and secondary data in order to fulfill the objective of the study. The primary data collected through questionnaire and interview. The secondary data collected from published and unpublished documents, material and books is used to get the necessary information about the issue under study.

1.8.4 Methods of Data Collection

Data collection made through primary and secondary data collection method. Primary data gathered from employees and managements through questionnaires and interviews was by asking the Director of finance and logistics directorate and team leader of purchasing department. The secondary data from their institution profile, documents were assessed.

1.8.5 Data Analysis Method

Descriptive technique is used to analysis and interprets the questioner and the interview data used for evaluation and assessment of purchasing practice. In order to arrive at certain conclusion, data are edited, classified tabulated and analyzed, and different percentage ratio.

1.9 Limitation of the Study

The researcher was faced different challenges conducting this study. Some of these

- Questionnaires were not fully returned.
- Few open ended questions were not sufficiently answered.

1.10 Organization of the Study

The study organized into four separate chapters. The first chapter deals with introduction; background of the study, statement of the problem, research questions, objective of the study, significance of the study, scope of the study, definition of terms, research design and methodology and organization of the study. While the second chapter deals with review of related literature. The third chapter deals with data presentation, analysis and interpretation. The fourth chapter includes summary of major findings, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Some observers define the early years of purchasing history as beginning after 1850. Evidence exists, however that the purchasing function received attention before this date. Charles Babbage's book on the economy of machinery and manufactures, published in 1832 referred to the importance of the purchasing function. Babbage also alluded to a "materials man" responsible for several different functions. Babbage wrote that a central officer responsible for operating mines was "a materials man" who selects, purchases, receives and delivers all articles required (Robert M. and etal, 2009:20).

In the textile industry the selling agent often handled purchasing and was also responsible for the output, quality and style of the cloth, the selling agent was responsible for all purchasing decisions, since the grade of cotton purchased was a factor in determining the quality of the cloth produced. Customer orders transformed into purchase orders for cotton and subsequently in to planned production (Robert M. and etal, 2009:20).

The greatest interest in and development of purchasing during the early years occurred After 1850s a period that witnessed the growth of the America Railroad. By 1866 the Pennsylvania railroad had given the purchasing function departmental status, under the title of supplying department (Robert M. and etal, 2009:20).

2.1 Definition

Anyone who has written about purchasing has defined the various terms associated with these concepts one way or another, which makes confusion about the subjects a real possibility.

Purchasing refers to the function of procuring of materials, supplies, machines, equipments, tools, spare parts and services required for meeting the needs of production department and maintenance department (Shridhara B., 2003:461).

All organization requires supplies of materials and services from outside source. Therefore, purchasing and procurements are common functions in almost all organization. Purchasing implies the act of exchange of goods and services for money where as procurement is a generic term with a wider connotation for the total responsibility of acquiring goods and services (Datta, 2004:94).

Purchasing is the process of buying learning of the need locating and selecting a supplier, negotiating price and other pertinent terms, following up to ensure delivery and payment (Leenders F. and England, 2006:4)

Purchasing is one of the basic functions common to all types of business enterprise (Donald and David, 1996:19).

Purchasing is a functional group a formal entity on the organization chart as well as a functional activity buying goods and service. The purchasing group performs many activities to ensure it delivers maximum value to the organization. Example includes supplier identification and selection buying negotiation and contracting supply marker research supplier measurement and improvement and purchasing systems development. We will interchange the terms purchasing (Robert M. and others 2009:20).

The primary goals of purchasing are to ensure uninterrupted flows of raw materials at the lowest total cost, to improve quality of the finished goods produced, and the optimize customer satisfaction. Purchasing can contribute to these objectives by actively seeking better material and reliable suppliers, working closely with and exploiting the expertise of strategic suppliers to improve the quality of raw materials and involving suppliers and purchasing personnel in new product design and development efforts. Purchasing is the crucial line between the source of supply and the organization itself, with support coming from overlapping activities to enhance manufacturability for both the customer and the supplier. The involvement of purchasing and strategy suppliers in concurrent engineering activities is essential for selecting components and raw material that ensure that requisite quality is designed into the product and to aid in collapsing design to production cycle time (Joel and etal, 2011:33).

2.2 Objective of Purchasing

The objective of a world-class purchasing organization move for beyond the traditional belief that purchasing primary role is to obtain goods and services in response to internal needs. (Robert M. and others 2009:37-39).

Objective 1: Support Operational Requirements

Purchasing supports the needs of operations through the purchase of raw materials, components, subassemblies, repair and maintenance items and services. Purchasing may also support the requirements of physical distribution centers responsible for storing and delivering replacement parts or finished products to end customers.

Objective 2: Manage the Purchasing Process Efficiently and Effectively

Purchasing must manage its internal operations efficiently including:

- Determining staffing levels
- Developing and adhering to administrative budgets
- Providing professional training and growth opportunities for employees
- Introducing purchasing systems that lead to productivity improvements and better decision making.

Objective 3: Supply Base Management

One of the most important objectives of the purchasing function is the selection development, and maintenance of supply a process which is sometimes described as supply base mgt. Purchasing must keep abreast of current conditions in supply markets to:

- Ensure that current suppliers are competitive
- Identify new suppliers who have the potentials for excellent performance and the approach these suppliers with the objective of developing closer relationships and
- Improve and develop existing suppliers who are not competitive
- Supply base management requires that purchasing pursue better relationships with external suppliers and develop reliable high, quality source of supply.

This objective also requires that purchasing work directly with suppliers to improve existing capabilities or even develop new capabilities.

Objective 4: Develop Strong Relationships with other Functional Groups

Purchasing must communicate closely with other functional groups, which are purchasing internal customers. If a supplier's components are defective and causing problems for manufacturing the purchasing must work closely with the supplier to improve their quality.

Objective 5: Support Organizational Goals and Objectives

Organizational goals imply that purchasing can directly affect (positively or negatively) total performance and that purchasing must concern itself with organizational directives.

Objectives 6: Develop Integrated Purchasing Strategies that Support

Purchasing department actively involved with in the corporate planning process can provide supply- market intelligence that contributes to strategic planning (Robert M. and others 2009:37-39).

2.3 Function of Purchasing

According to Shridhara (2003:462) the functions of the purchasing department is to procure the needed materials, supplies, machines, tools and services at an ultimate cost consistent with economic conditions surrounding the item being purchased, while safe guarding the standards of quality, continuity of service, competitive position and the company's reputation for fairness and integrity. The purchasing department must also ensure that it does not violate the laws governing commercial transactions. The major functions of purchasing management are:-

- Materials requirements review
- Specifications development for materials
- Make-or-buy analysis
- Materials standardization
- Determination of inventory levels
- Determination of quality requirements
- Negotiation of price and terms of supply
- Supplier selection
- Joint problem solving with supplies
- Supplier monitoring (follow up) and analysis

- Communication of specification changes
- Productivity/cost improvements
- Development of sourcing strategy
- Vendor analysis and vendor rating
- Vendor development
- Market analysis
- Price forecasting
- Long-range purchasing planning
- Determination of purchasing policy
- Value analysis

2.4 Importance of Purchasing

- ❖ It is a primary function, directly influencing the major cost of operating a business.
- ❖ Efficient operation of any industry depends upon proper turnover of investment. The purchasing department must ensure receipt of proper materials when needed, in sufficient quantities to maintain production, at the same time it must not increase investment beyond that required to meet current needs and maintain a reasonable factor of safety against stock out conditions.
- ❖ Discovering new materials which may be used to advantage as substitutes for materials in use.
- ❖ Identify possible new line of products to be added.
- ❖ Building up good will in the business world with which it deals
- ❖ See changes in trends, either in price of other factors that will affect the sales of the company.
- ❖ Its knowledge of vendors and the manufacturing and marketing policies of other industries make it possible for the purchasing department to contribute invaluable help in framing plans for initiation for new products, scheduling of production and determination of marketing policies (Shridhara B., 2003:464).

2.5 Types of Purchasing

There are two basic types of purchasing in the business world:

1. Purchasing for resale and
2. Purchasing for consumption or conversion.

And both are very different from the types of purchasing for resale is performed primarily by merchants from the beginning of time, this has been their primarily responsibility. The quest for goods to sell was the motivating forces that lead to the discovery of the new world and the riches of the indies. Ancient merchants spent some of their time dealing with sales problems, but they devoted by for the largest portion of it to the search for suitable purchases of ne goods that had markets appeal (Donald and David, 1996:19).

2.6 Principles of Purchasing

The essentials of efficient purchasing are right quality, right quantity, right time, right price, right source and delivery at the right place (Nair, 1990:125-128).

Right Quality

It is the satiability of an item for assumes purchase takes in to account function /purpose/ quality. Best quality refers to items with intrinsic factors like excellence, superior etc. right quality is the item that is suitable to intended purpose and the same time bought at the lowest grade may be the right quality. The quality is the dimensional limits, composition performance, durability etc of materials.

Right Quantity

It is a quantity that is not too much or too low for the intended purpose. Too much quantity is costly causing overstock, which increases inventory, holding cost, and too low quantity is shortage /stock out/ causing operational interruption which results in tangible losses like: Machine and personal down time less productivity and loss of customers. To get materials discount, high volume of materials may be acquires but this has adverse effect of increasing obsolescence risk, increasing carrying cost and deterioration.

Right Time

Deliver materials in time for use so that the production operation will not run out of materials and at the same time materials will not be over stocked.

Right Source

Select the supplier which fulfills requirements of the organization better than others.

Right Price

In the worth in terms of quality time and adequacy of supply of an item obtained. It is obtaining items at a lowest possible price consists with other requirement.

2.7 Purchasing Policies

Purchasing management develops policies to provide guidance and support to the professional purchasing and support staff. These policies are general outlines clarifying purchasing management's position on a subject. While many purchasing policies exist, most fall into one of five categories, defining (Robert M. and etal, 2009:71-77).

Policies Defining the Role of purchasing

This set of policies defines purchasing authority. It usually addresses the objectives of the purchasing function and defines the responsibilities of the various buying levels. These policies often serve as a general or broad policy statement from which more detailed or specific policies evolve.

Policies Defining the Conduct of Purchasing Personnel

These policies outline management's commitment to ethical and honest behavior while guiding personnel who are confronted with difficult situations. Some business practices are technically not illegal but are potentially unethical or questionable.

Policies Defining Social and Minority Business Objectives

Purchaser's best interest to use its power to support social and minority business objectives. This way include supporting and developing local sources of supply or awarding business to qualified minority suppliers. Purchasing action help shape a perception of good corporate citizenship pursuing social objectives may require the development of policies specifically defining management's position.

Policies Defining Buyer-Seller Relationships

The policies that are part of buyer-seller relationships cover a wide range of topics, each topic, however, relates to some issue.

Policies Defining Operational Issues

Policies that provide guidance for operational issues that confront buyers during the normal performance of duties (Robert M. and etal, 2009:71-77).

2.8 Purchasing Organization

Purchasing organization within the firm has evolved over the years as the responsibilities of purchasing component of firms changed from a clerical, supporting role to playing an integral role in business strategy development. In addition to the actual buying process, purchasing is now involved in product design, production decisions and other aspects of a firm's operations. The decision of how to organize purchasing to best serve its purpose in a firm, industry specific and dependent on many factors, such as market conditions and the types of material required. Purchasing structure can be viewed as a continuum with centralization at one extreme and decentralization at the other. While there are few firms that adopt a pure centralized or decentralized structure, the benefits of each are worth a closer examination. The current trend is toward purchasing centralization for the vital materials where firms can take advantage of economies of scale and other benefits (Joel D. and etal, 2011:49).

2.8.1 Central Purchasing

Centralized purchasing is where a purchasing department located at the firm's corporate office makes all the purchasing decisions including order quantity, pricing policy, contracting, negotiations and supplier selection and evaluation (Joel D. and etal, 2011:49).

Advantage of Centralization

- Concentrated Volume
- Avoid duplication
- Specialization
- No competition within units
- Lower transportation costs
- Common supply base

Disadvantages of Centralization

- Causes delay in the Purchasing process
- May lead to internal conflict between other dept's and the Purchasing dept
- Too many paper works
- Stress of re-routing the Purchasing cycle over and over again

2.8.2 Decentralization Purchasing

Decentralization purchasing is where individual, local purchasing departments such as at the plant level, make their own purchasing decision. A discussion of advantage and disadvantage to each of these purchasing structures follows (Joel D. and etal, 2011:49).

Advantage of Decentralization

- Closer knowledge of requirement
- Less bureaucracy

Disadvantages of Decentralized

- not economical
- not suitable for small organizations
- not professional as the purchasing cycle would be bypassed severally

2.9 Duties and Responsibilities of Purchasing Administration Unit

The purchasing department in a public body shall, apart from the responsibilities assigned to it by the purchasing directives and the job description prepared by the public body have the following duties and responsibilities:

- Executive public procurement in a perfectly ethical and skillful manner,
- Carry out public in accordance with this proclamation the procurement directive the procurement manual the standard bid documents, the forms and the procurement contract:
- Maintain complete record for each procurement in accordance with article 23 of proclamation (Federal Negarit Gazeta No 60, 2009: 4865).

2.10 Purchasing Relation with other Department

A purchasing department is the hub of a large part of a company's business activity. By its very nature purchasing has continuing relationships with all other departments in the firm as well as with the firm's suppliers. Purchasing operations cut across all departmental lines (Dobler and etal, 1990:31)

2.10.1 Purchasing and Engineering

Purchasing engineering and operations have many mutual problems Design engineering like operations greatly influence the amount of time purchasing has to handle a procurement assignment. Engineering usually has the initial responsibility for preparing the technical specifications for a company's products and the materials that go in to them. To exercise this responsibility effectively, engineering must have the constant help of purchasing and operations. The quality the prices paid for production materials and the costs to fabricate them are inextricably related to the specifications. Similarly, specifications can be written in a manner that reduces or enlarges the number of firms willing to supply specific items.

2.10.2 Purchasing and Operations

The purchasing operations relationship begins when the using department transmits its manufacturing schedule or materials requisitions to the purchasing department. Purchasing subsequently translates these documents into a procurement schedule, when the user does not allow purchasing sufficient time to purchase wisely, many needless expenses inevitably creep into the final costs of a company's products. When purchasing has inadequate time to properly qualify suppliers, to develop competition or to negotiate properly, premium prices are certain to be paid for materials.

2.10.3 Purchasing and Marketing

The purchasing production sales cycle has its genesis in a sales forecast. The forecast is the basis for the production schedule which in turn is the basis for the purchasing schedule, The sales forecast also influences a firm's capital equipment budget as well as its advertising, campaigns and other sales activities.

2.11 Procedures of Purchasing

Purchasing procedure refers to the way in which a purchase transaction is carried through from its inception to its conclusion. It outlines in detail the specific actions to be taken to accomplish a given task within the guidelines of any applicable policies. In short, it establishes the way of doing things (Donald and David, 1996:19).

Procurement procedures serve two fundamental purposes within a firm:

1. They provide the frame work and the direction or accomplishing the supply and materials management activities effectively and efficiently.
2. They provide the means for processing information inputs from outside the department to produce output communication needed by individuals in other departments to do their jobs in a coordinated and timely manner.

General Procurement Procedures

A Purchasing department buys many different types of materials and services and the procedures used in completing a total transaction normally vary among different types of purchases. However, the general cycle of activities in purchasing most operating materials and supplies are as follows. (Fine and Zenz, 1985:38)

1. **Recognition, Definition, Description and Transmission of the Need:-** any purchase transaction starts with the recognition of the need for an item by someone in the company (operating department or in its inventory control section). After the recognition of the need, material requirements must be defined effectively and the most appropriate method of description should be selected for the situation at hand clear, complete, appropriate definition and description is a joint responsibility of the user and the buyer.
2. **Selection of the source (supplier):-** as soon as a need has been established and precisely described, the buyer begins an investigation of the market to identify potential source of supply. In the case of routine of items for which supplier relationships have already been developed, little additional investigation may be required to select a good source.

The purchase of new or a high value item on the other hand, may required a lengthy investigation of potential suppliers. After qualifying a preliminary group of potential

sources, the buyer may employ the techniques of competitive bidding, negotiation or both.

3. **Placing purchase order:-** once a supplier has selected the purchasing department prepares and issues the serially numbered purchase order. The authority for the purchase department to make purchases is the purchase requisition. The purchase order is a legal document or contract for purchasing goods by one party from another at a certain price.
4. **Acknowledgement and follow-up the order** in most cases the purchase order, which is sent to the supplier, constitutes a legal “offer to buy”. No purchase “contract” exists however, until the seller “accepts” the buyer’s offer. The seller’s acceptance can take one of two forms performance of contract or formal notification that the offer is accepted. The buyer sends acknowledgement form a long with purchase order so that the supplier completes the form conveniently and returned to the buyer, acknowledging acceptance of the order.

Purchasing bears full responsibility for an order when the material is received and accepted. When there is a reasonable chance that the supplier may not stay on schedule, important orders with initial delivery dates should receive active follow-up attention. At the time such orders are placed, the buyer should determine specific date on which follow-up checks are to be made.

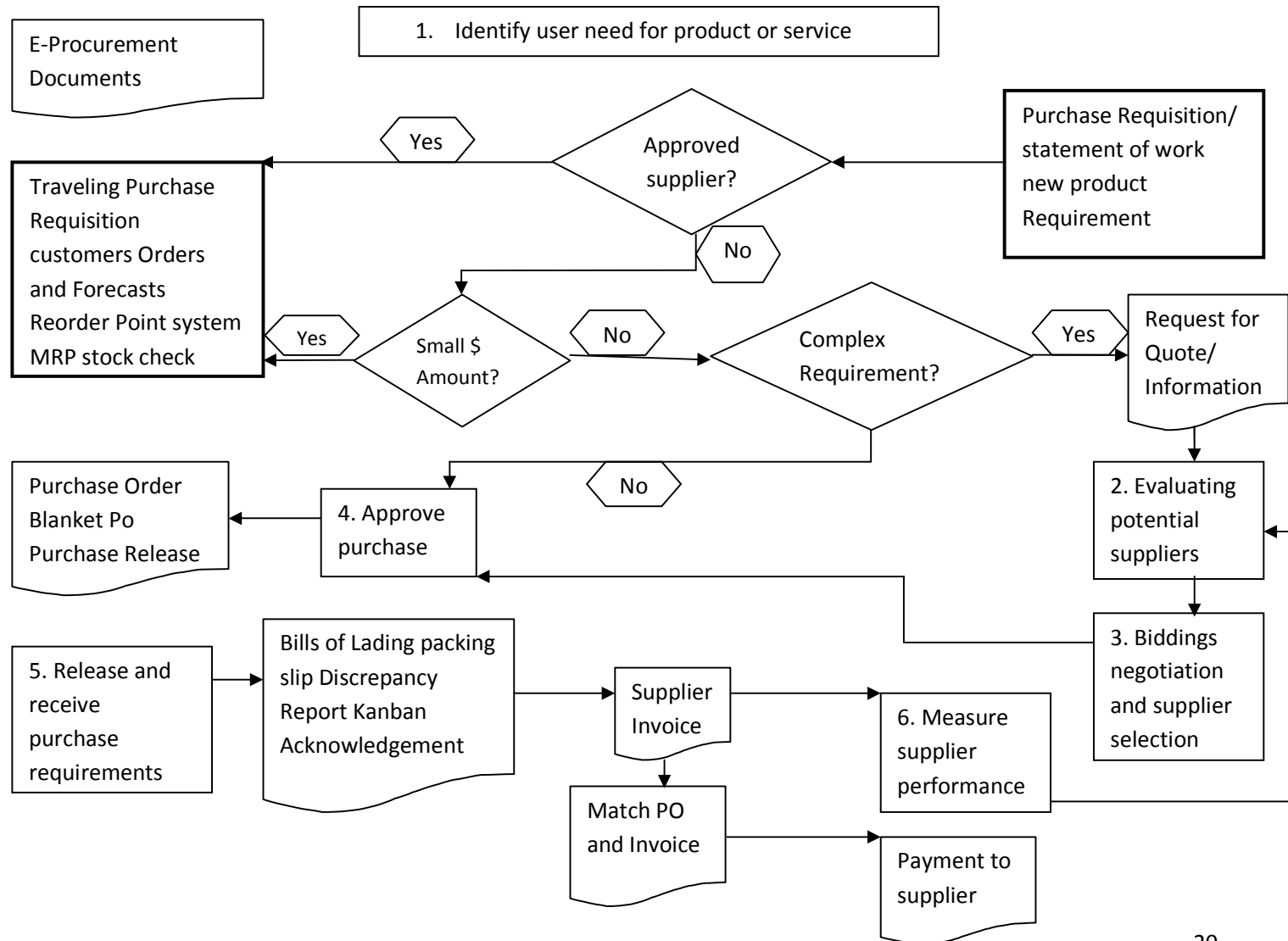
5. **Receipt and Inspection** when a supplier ships materials it includes in the shipping container a packing slip, which itemizes and describes the content of the shipment. Receiving and inspection involves checking the materials shipped in terms of quantity and quality against purchase order.
6. **The Invoice Audit:-** occasionally, a supplier’s billing department makes on error in preparing an invoice, or its shipping department makes on incorrect or incomplete shipment. To ensure that the purchaser make proper payment for the materials actually received around accounting practices dictates that some type of review procedure precedes payment to the supplier. By comparing the invoice with purchase order and receiving report, the firm verifies that the supplier’s bill is priced correctly (Fine and Zenz, 1985:38).

2.12 Purchasing Process

The purchasing process is a cycle consisting of following major stage (Robert M. and etal, 2009:43).

1. Identify user need for product or services
2. Evaluate potential suppliers
3. Bidding, negotiation and suppliers selection
4. Purchase approval
5. Release and receive purchase requirements
6. Measure supplier per

Figure 2.1 Purchasing Process Cycle (Robert M. and etal, 2009:43).



2.13 Methods of Procurement

The following methods shall be used in public procurement: (Federal Negarit Gazeta No 60, 2009: 4880)

- a. Open Bidding
- b. Request for proposals
- c. Two stage Tendering
- d. Restricted Tendering
- e. Request for Quotation
- f. Direct procurement

2.14 International Purchasing

An organization progresses usually reactively from domestic buying to international purchasing because it confronts a situation for which no suitable domestic supplier exists or because competitors are gaining an advantage due to international purchasing. Firms may also find themselves driven toward international purchasing because of triggering events in the supply market. Such events could be a supply disruption, rapidly changing currency exchange rates a declining domestic supply base inflation within the home market or the sudden emergence of worldwide competitors. Whatever the reason many issues now become part of the international purchasing process that were not part of the domestic sourcing decision or are now even more important than when sourcing domestically (Robert M. and etal, 2009:242).

Open International bidding shall be used whenever in national open bidding an effective competition cannot be obtained unless foreign firms are invited to bid or for procurements above a threshold level for national bidding to be determined by a directive to be issued by the Minster (Federal Negarit Gazeta No 60, 2009: 4896).

2.15 Evaluation and Selection of Supplier

One of the most important processes that organizations perform is the evaluation, selection and continuous measurement of suppliers. Traditionally, competitive bidding was the primary method for awarding purchase contracts. In the past it was sufficient to obtain three bids and award the contract to the supplier offering the lowest price. Enlightened purchasers now

commute major resources to evaluate a suppliers performance and capability a cross many different areas. The supplier selection process has become so important that teams of cross-functional personnel are often responsible for visiting and evaluating suppliers it sound selection decision can reduce or prevent a host of problems.

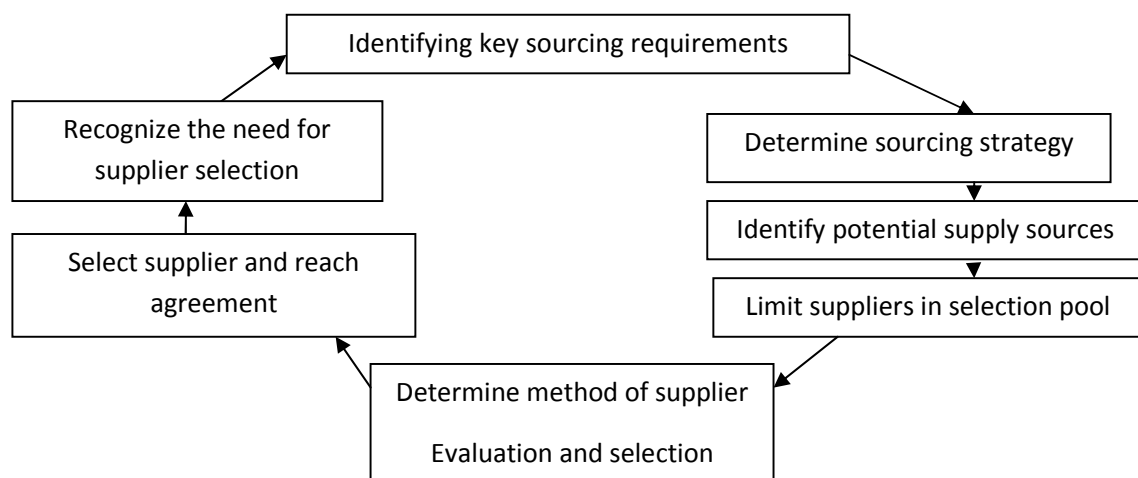
Supplier evaluation and selection decisions are taking on increased importance today. If a firm has reduced its supply base considerably and if remaining suppliers usually receive longer-term agreements the willingness or ability to switch suppliers is diminished. This makes selecting the right suppliers an important business decision (Robert M. and etal, 2009:166).

2.15.1 Supplier Evaluation and Selection Process

More purchasing experts will agree that there is no one best way to evaluate and select suppliers; organizations use a variety of different approaches. Regardless of the approach employed the overall objective of the evaluation process should be to reduce purchase risk and maximize overall value to the purchaser.

An organization must select suppliers it can do business with over an extended period. The degree of effort associated with the selection relates to the importance of the required good or service. Depending on the supplier evaluation approach such as time and travel. This section addresses the many issues and decisions involved in effectively and efficiently evaluating and selecting suppliers to be part of the purchaser’s supply base.

Figure 2.2 Supplier Evaluation and Selection Process (Robert M. and etal, 2009:166).



2.15.2 Supplier Evaluation

Purchasers usually evaluate potential suppliers across multiple categories using their own selection criteria with assigned weights. Requiring consistent delivery performance with short lead times to support a just in time production system may require emphasizing a supplier's scheduling and production systems. A high technology buyer may emphasize a supplier's process and technology capabilities or commitment to research and development. The selection process for distributor or service provider will emphasize a different set of criteria. Most evaluation rate suppliers on three primary criteria

1. Cost/price
2. Quality and
3. Delivery

These three elements of performance are generally the most obvious and most critical areas that affect the purchaser. For critical items needing an in depth analysis of the supplier's capabilities a more detailed supplier evaluation study is required. Supplier performance measurement includes the methods and systems to collect and provide information to measure, rate or rank supplier performance on a continuous basis (Robert M. and etal 2009:173).

2.15.3 Selection of Suppliers

The process of selecting a group of competent suppliers for important materials, which can potentially impact the firm's competitive advantage is a complex one and should be based on multiple criteria. In addition to cost and delivery performance, firms should also consider how suppliers can contribute to product and process technology. Factors that firms should consider while selecting suppliers include.

- **Product and process technologies:-** suppliers should have up-to-date and capable products, as well as process technologies to produce the material needed.
- **Willingness to share technologies and information:-** supplier involvement to ensure cost effective design choice, develop alternative conceptual solutions, select the best components and technologies and help in design assessment.
- **Quality:-** product quality should be high and consistent since it can directly affect the quality of the finished goods.

- **Cost:-** Total cost of ownership includes the unit price of material, payment terms, cash discount, ordering cost, carrying cost, logistical costs, maintenance costs and other more qualitative costs that may not be easy to assess
- **Reliability:-** besides reliable quality levels, reliability refers to other supplier characteristics.
- **Order system and cycle time:-** placing orders with a supplier should be easy, quick and effective.
- **Capacity:-** the firm should also consider whether the supplier has the capacity to fill orders to meet requirements and the ability to fill large orders if needed.
- **Communication Capability** suppliers should also possess a communication capability that facilitates communication between the parties
- **Location:-** geographical location is another important factor in supplier selection as it impact delivery lead-time transportation and logistical costs. Some organizations require their suppliers to be located within a certain distance from their facilities.
- **Service:-** Suppliers must be able to back up their products by providing good service when needed. For example when product information or warranty services are needed suppliers must respond on timely basis (Joel D. and etal, 2011:47).

2.16 Rules of Ethics in Public Procurement and Property Administration

1. Subject to the details to be specified in the directive to be issued by the Minster personnel engaged in public procurement or property administration shall have to observe the following rules of ethics in the discharges of their duties.
 - a. The obligation to notify any actual or possible conflict of interest and isolate oneself from any processes involving such conflict.
 - b. To give candidates and suppliers equal opportunity of competition and performance;
 - c. Keep in secret any confidential information concerning the public body, candidate or supplier which he/she came to know on account of his/her duty;
 - d. To reject any gift or offer of an employment opportunity or anything of monetary value or service;
 - e. To report to the law enforcement agencies any intended or completed action of corruption and contribute to the effort to fight corruption and malpractice;

- f. Demonstrate concern to public resource and property.
2. Any candidate or supplier shall have to refrain from any act contravening the process of public procurement and property disposal. Without prejudice the provisions of chapter fifteen of this proclamation, any candidate or supplier shall have the responsibility:
- a. with an intention to influence the decision or action of the head or staff member of the public body or persuade the public body to change its established practice of procurement and property disposal, no to give directly or indirectly gifts of any kind in the form of inducement, not to promise to give gifts, not to offer employment opportunity or anything or monetary value or service.
 - b. With an intention to mislead a procurement proceeding no to present a falsified document or not to with hold information he/she should have disclosed.
 - c. No to connive with another candidate in an act of false competition in order to get unfair advantages.
 - g. To report to the law enforcement agencies any intended or completed action of corruption which he came to know during the procurement proceedings and contribute to the effort to fight corruption and malpractices (Federal Negarit Gazeta No 60, 2009: 4879).

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This part deals with data presentation, analysis and interpretation of the data collected from ETIDI employees and managers. Questionnaire was distributed for 55 employees and 52 (94.54%) of them gave their response. The questionnaire includes both open and close ended questions. The interviews were conducted with Director of finance and logistics directorate and team leader of purchasing department.

The general characteristics of respondents, results and its interpretation are presented as follows.

3.1 General Characteristics of Respondents

Analysis is done to examine the demographic characteristics of the respondents from ETIDI employees. Table 3.1.1 shown below presents demographic characteristics of the respondents which consist of the respondent's sex distribution, age distribution, educational background, year of service in the institution and respondent position in the institute.

Table 2 Demographic Characteristics of Respondents

Items	Options	Distribution	
		No.	%
Sex	Male	33	63.5
	Female	19	36.5
	Total	52	100
Age	18 – 25	6	11.5
	26 – 35	29	55.8
	36 – 45	13	25
	46 – 55	3	5.8
	>55	1	1.9
	Total	52	100
Educational Background	12 Complete	4	7.7
	Diploma	8	15.4
	Advance Diploma	2	3.8
	Degree	33	63.5
	Master And Above	5	9.6
	Total	52	100
Years of Service in the Institute	More Than 5 Years	12	23.1
	3 - 5 Years	6	11.5
	1 - 3 Years	26	50
	Less Than Year	8	15.4
	Total	52	100
Respondent Position in the Institute	Director	6	11.6
	Team Leader	8	15.4
	Textile Engineer	3	5.8
	Technician	5	9.6
	Analyst	1	1.9
	Expert	10	19.2
	Officer	4	7.7
	Purchaser	3	5.7
	Nurse	1	1.9
	Auto Mechanic	1	1.9
	Secretary	6	11.6
	Doesn't Specify	4	7.7
	Total	52	100

- Item 1 of table 2 shows that the majority of the respondents 33 (63.5%) were male and 19 (36.5%) were female. This indicates the nature of the work demands male employee than female employee. This is mainly because of the institute involves on many Textile factory work out side of the city which involves male mostly.
- Item 2 of table 2 shows that 6 (11.5%) of respondents were between the age of 18 - 25 and 29 (55.8%) of respondents were within 26 – 35 years. 13 (25%) of respondents were between the age of 36 - 45, 3 (5.8%) of respondents were between 46 - 55 years and only 1 (1.9%) of respondent were above 55 years. This shows most employees were young.
- Item 3 of table 2 shows that 4 (7.7%) of the respondents have 12 completed, 8 (15.4%) of the respondents have diploma, 2 (3.8%) of the respondents have advanced diploma, 33 (63.5%) of the respondents have degree and 5 (9.6%) of the respondents have Master and above. This implies that most of the employees 38 (73.1%) are educated (holds first and second degree).
- Item 4 of table 2 shows 12 (23.1%) of the respondents have been above 5 years experience, 6 (11.5%) of the respondents lies between 3 - 5 years experience, 26 (50%) of the respondents between 1 - 3 years experience, 8 (15.4%) of the respondents have been working in the institute below 1 years experience. This indicates that the respondents know the institute's well and the response given by them represents the institute's practice for study subject
- Item 5 of table 2 shows 6 (11.6%) of the respondents are working in Director Position, 8 (15.4%) of respondents are Team leader, 3 (5.8%) of respondents are Textile Engineer, 5 (9.6%) of respondents Technician, 1 (1.9%) of respondent is Analyst, 10 (19.2%) of respondents Expert, 4 (7.7%) of respondents officer, 3 (5.7%) of respondents Purchaser, 1 (1.9%) of respondents Nurse, 1 (1.9%) of respondents Auto mechanic, 6 (11.6%) of respondents Secretary and 4 (7.7%) of respondents doesn't specify the position. From this fact student researcher deduces that all types of professions considers in the job specification of the institute.

Generally the above table shows that all respondents have various backgrounds.

3.2 Analysis of the Major Finding

3.2.1 From Users Department

The institute is run by a director general and organized into seven line directorates and five staff directorates and an office. **Line directorate** is the main to accomplishing the institute goal. Like Engineering Service, Cotton Ginning and Spinning Technology, Weaving and Knitting Technology, Finishing Technology, Garment Technology and Marketing. **Staff directorates** are supporter of the line directorate such as Research Laboratory, Corporate Communication, Finance and Logistics, Plan and Information Management, Human Resource Management and Registrar Office

Table 3 Respondent's Responses on Purchasing Practice

Item	Description	Yes		No		Do Not Know		Total	
		No.	%	No.	%	No.	%	No.	%
1	The institute uses automated system in purchasing practice	11	21.2	36	69.2	5	9.6	52	100%
2	Is there delay of material in the institution	45	86.5	7	13.5	0	0	52	100%
3	Is the material purchased for your purpose is as the need of quantity and specification	40	76.9	12	23.1	52	100	52	100%
4	Is there audit and control in purchasing department	44	84.6	0	0	8	15.4	52	100%
5	Do you think the current purchasing activity helps to achieve the institute goal	24	46.2	28	53.8	0	0	52	100%

As indicated in table 3 item 1 employees were asked about automated purchasing system activity in the institute, accordingly 11 (21.2%) of respondents believed that there is automated system in purchasing practice, 36 (69.2%) of the respondent said there is no automated system in

purchasing practice, the rest of the group of the respondents rated 5 (9.6%) they don't know about it.

Table 3 item 1 shows that the most respondents 69.2% face there is no automated system in purchasing activities, among these some of them pointed out the reason as follow:

Because the institute does not have any computerized system, there is no integrated system between the buyer and the seller. Due to this reason there is no adequate awareness and system in place to use automated purchasing system. The system is as per the guidelines from government procurement and property administration agency. The purchasing department employees do not have the desired skill and the purchase according to the need ordered or as asked by the user. Relying on tender through newspaper and manually collecting Performa and training the Performa manually. In the case if protecting corruption, the system is not short and clear.

From this fact respondent response ETIDI purchasing activity cannot help the institute to smooth the progress.

In case of regularly used or procuring items, right time may mean the time when the stock reaches the minimum level adhering the responsibility shared both by the purchasing unit and the approving body (Parson, 1982:145). As can be seen on table 3 item 2 45 (86.5%) respondents agreed on the delay of material, In contras 7 (13.5%) of them underlined on the fact.

As clearly observed from table 3 item 3, 40 (76.9%) of the respondents believe that the material purchased for purpose is as a need. The rest 12 (23.1%) said material purchased for purpose is no as a need of requirement. Among those some of them mentioned the reason.

Most purchased materials are not as per the request and they do not fit for the intended purpose. Some employees also do not have seats and other office equipments. This is due to lack of proper planning and also budget problem. Most purchased materials especially stationary and cleaning materials do not have the desired quality because the suppliers do not respect their words and do not provide as according to the specification. Some purchased materials do not have specific standard and are even unknown. This is because we are not requested in advance in most cases.

As indicated in table 3 item 4 employees were asked about auditing and controlling in purchasing department, accordingly 44 (84.6%) respondents agreed and 8 (15.4%) respondents believe that they don't know about audit and control in purchasing department.

Conduct audit to ensure that procurement and property administration activities of public bodies administration activities of public bodies are in accordance with this proclamation and other documents governing public procurement and property administration (Federal Negarit Gazeta No. 60,4868)

As asserted by (Leenders, 1989:26) purchasing is one of the basic functions of a given organization shouldering the following major responsibilities.

- Improve the organizations competitive position.
- Provide an uninterrupted flow of material, supplies and service required to operate the organization.
- Keep inventory investment and loss at a minimum, maintain adequate quality standards.
- Achieve harmonious productive working relationships with other departments within the organization
- Accomplish the purchasing objectives at the lowest possible level of administrative costs.

As clearly observed from Table 3 item 5, 28 (53.8%) of the respondents believe that the current purchasing activity of ETIDI doesn't help to achieve the institution goal. Among those some of them mentioned the reason.

There is a huge gap between the purchasing procedure and the actual purchasing practice and this is because of the government circular. The purchasing process takes long time and this result in delay of material. This also affects the working condition and delivery time or accomplishment of the work expected some machinery is delayed and the institute can't establish laboratories and hence it can't meet its objective. Many purchase requests like purchase of machinery still have no response and sometimes supplies of poor quality are purchased. There is also shortage of man power and system in place.

Table 4 Material Delay of Time

Description	Response	No. of respondents	Percentage
For how long time material delay	For 2 week	7	13.5
	For 1 month	1	1.9
	For 2 month	8	15.4
	Above 3 month	36	69.2
	Total	52	100

Purchasing departments handle all of the paperwork involved with purchasing and delivery of supplies and materials. Purchasing ensures timely delivery of materials from vendors generates and tracks purchase orders and works alongside the receiving department and the accounts payable department to ensure that promised deliveries were received in full and are being paid for on time. In a small business, this means working closely with the accounting department to ensure that there is sufficient capital to buy the items purchased and that cash is flowing smoothly and all payments are made on time (Jole and etal, 2011:69)

According to table 4 7(13.5%) of the total respondents for 2 weeks delay the material, where as the rest 1 (1.9%) for 1 month, 8 (15.4%) for 2 month and 36 (69.2%) above 3 month. From this fact most respondent's said material delivery delay in the institute above 3 months. Materials which are ordered have to be delivered on time to support the service and avoid service interruption.

Table 5 Material Delay for What Reason

Description	Response	No of respondents	Percentage
Purchasing of materials in the institution may be delayed due to:	Shipping lines arrangement	4	7.7
	Bidding process	31	59.6
	Documentation problems	8	15.4
	Customs formulization	7	13.5
	Other	2	3.8
	Total	52	100

As shown on table 5 4 (7.7%) of the respondent said that the reason for delay material shipping lines arrangement, 31 (59.6%) because of bidding process, 8 (15.4%) for documentation problems and the rest 7 (13.5%) because of Customs formulization. Others 2 (3.8%) said Purchasing of material made by government procurement Agency and there is delay material because of shortage of manpower. Therefore evidencing the above data researcher understands that the reasons for delay material most of it is bidding process reason.

Table 6 Purchasing Department Performance

Description	Response	No of respondents	Percentage
How do your rate the effort (performance) made by purchasing department to maintain the purchasing orders in the institute?	Very good	1	1.9
	Good	16	30.8
	Medium	28	53.8
	Poor	5	9.6
	Very Poor	2	3.9
	Total	52	100

One role of the purchasing department is to procure all necessary materials needed for production or daily operation of the company or government organization. For a manufacturing company, this might include raw materials such as iron, steel, aluminum or plastics, but it also might include tools, machinery, delivery trucks or even the office supplies needed for the secretaries and sales team. In a retail environment, the purchasing department makes sure there is always sufficient product on the shelves or in the warehouses to keep the customers happy and keep the store well-stocked. With a small business, it is especially important to keep inventory ordering at a reasonable level; investing large amounts of capital in excess stock could result in storage problems and in shortage of capital for other expenditures such as advertising or research and development. Purchasing also oversees all of the vendors that supply a company with the items it needs to operate properly (Robert M. and others 2009:45).

The purchasing performance of the institute has a direct impact on its productivity since the input which is required for the product or service has to be available of time. The analysis on Table 6

as can be seen 16 (30.8%) of the respondents believes the section has good performance, 1 (1.9%) of them believes that the performance is very good and the rest 28 (53.8%) of the respondent answer medium. Hence the researcher believes that purchasing department of ETIDI in order to maintain the purchasing order the effort (performance) has been not good and poor but as medium position.

Table 7 Supporting of Top Management in Purchasing Activity

Description	Response	No of respondents	Percentage
How do your rate the supporting of top management in order to purchasing Activity?	Very Good	3	5.8
	Good	8	15.4
	Medium	40	76.9
	Poor	1	1.9
	Very Poor	0	0
	Total	52	100

Table 7 shows that 1 (1.9%) of the respondents said the supporting of top management towards purchasing is poor, 40 (76.9%) of respondent's said medium, 8 (15.4%) of respondent good, 3 (5.8%) said very good. one respondents mentioned the reason why top management has poor understanding towards purchasing. This is accepting (to know) the government's rules and regulation on procurement is limited to them and some of them are not willing to know the rules and regulation.

From this fact most respondents said supporting of top management in order to purchasing activity rated at medium position.

3.3.2 From Purchasing Department

Through interview conducted with the Director of finance and logistics directorate and Team leader of purchasing department. The following data have mentioned:

Purchasing System of ETIDI

According to the purchasing staff the system of purchasing in the institute is centralized, decentralized and semi-centralized. As concept of the institute centralized purchasing system is purchasing function is made the responsibility of a single department (purchasing department). Decentralized of purchasing system occur when department from other functional area. And also semi-centralized means mixed of centralized and decentralized purchasing system.

The types of purchasing system of the institute are based on government procurement regulation. i.e. less than birr 100,000 by Performa, from 101,000 up to 500,000 restricted bid and greater than 500,000 by open bid.

As stated by Joel D. and etal, 2011:49 Purchasing structure can be viewed as continuum with centralization at one extreme and decentralization at the other. While there are few firms that adopt a pure centralized or decentralized structure, the benefits of each are worth a closer examination. The current trend is toward purchasing centralization for the vital materials where firms can take advantage of economies of scale and other benefits.

Material Purchasing Supplier Location

As stated by (Dobler 1996:346) ordering from wholesaler can significantly reduce the total number of orders a supply manager must place to fill some of this or her material requirements.

ETIDI used for material acquisition from domestic supplier and foreign supplier. That can be including all suppliers like manufacture, wholesalers and retailers.

Supplier Selection

Right quality, right quantity, right price, right source and right time the five basic purchasing principles which have to be considered whenever making a purchase (Datta, 2004:94).

The selection of supplier in the ETIDI considers most evaluation rate suppliers on quality and price. Quality should be high and consistent since it can directly affect the quality of the finished goods or services. Price includes unit price of material, carrying cost, maintenance costs and other more qualitative costs that may not be easy to assess.

Evaluating Price

A purchasing department also is charged with continuously evaluating whether it is receiving these materials at the best possible price in order to maximize profitability. This can be challenging for a small business that may purchase in lesser quantities than a larger vendor and which thus may not receive the same type of bulk discounts. A purchasing department in a small business needs to shop around to find the best vendors at the most reasonable prices for the company's particular size orders. Purchasing department staff may communicate with alternate vendors, negotiate better pricing for bulk orders or investigate the possibility of procuring cheaper materials from alternative sources as part of their daily activities.

Poor quality material may be supplied in the institute as a problem of inaccuracy of sample test, unreliability of the supplier and poor handling system of packing. And they have an agreement for loss and damaged material if purchasing done by Performa there is no agreement for loss and damaged agreement.

Purchasing policy

A policy is a communication. It is important that the message reach those who are to receive it as clearly and accurately as possible. (Dobler and Burt, 1996:57). According to the purchasing staff few employees had known the institute's purchasing policy, procedure and principles through training, discussion with purchasing department and reading itself. And the institute purchasing policy, procedure and principle are easy to understand.

The purchasing department also must ensure that it is complying with all company policies. For example, in a small business, individual staff members may communicate with the purchasing department about purchasing needs for things such as office supplies or computers. Before making a purchase, the purchasing department must ensure that it heeds the proper protocols for purchase and budget approval and must ensure that any items are purchased in accordance with the overall purchasing policy of the organization.

The stakeholders in implementing the policy, procedure and principle in the institute are:

- The government
- Investors who are investing on textile
- Cotton farmers
- Customs
- Purchaser of textile product on the international market

Purchasing Agent

ETIDI used for purchase material purchasing agent. And the purchasing agent can be disposal by public procurement and property.

Respondent's response concerning the problems they face on material or service purchase practice

At the end of the questionnaire the researcher gave a chance for respondents to disclose problems they face during their material purchase activity and some of them have mentioned the below:

- ❖ Lack of knowledge and commitment of the purchasing staff.
- ❖ Some specification is vague and unclear to determine product.
- ❖ Some of standard bidding documents have no translated versions in Amharic language (e.g. Non consultancy service) especially for local bids.
- ❖ Delays usually occur for purchase from order to issuing.
- ❖ Priority is given for fewer prices without considering the quality.
- ❖ Suppliers are not willing to give quotation for above 3 days. And market price fluctuation is made.
- ❖ Suppliers are not willing to register on public procurement and material management website so as to participate in government procurement.
- ❖ We have a problem of be far from the city that is why it takes along time and sometimes we didn't found competitors.

- ❖ Delay of purchase bidding process. These is due to verification and approval of bid document at different level and the members of procurement approval committees are from different department, so they are not meet frequently to finish the process.

Generally the above fact shows the institute has faced many problems in purchasing activity.

Like at selection supplier, at material delivery time, at bidding process etc.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

From the analysis and interpretation made in the previous chapter the following summary of major finding, conclusions and recommendations are drawn.

4.1. Summary of the Major Findings

- Concerning sex distribution, 33 (63.5%) was male.
- With regard to Age distribution, 29 (55.8%) were between 26 and 35 years.
- Concerning education level, 33 (63.5%) of employees were 1st degree holder.
- With regard to work experience, 26 (50%) of the employees were between 1 and 3 years of experience.
- Concerning work position, 10 (19.2%) of employees were expert.
- 36 (69.2%) of respondents believe that there is no automated system in ETIDI.
- Regarding delay of material 45 (86.5%) respondents agreed in the institute that there is delay of material and 36 (69.2%) respondents said the material delay for above 3 month.
- 40 (76.9%) of respondents believe that when material purchase as per our need of quantity and specification.
- With regard to audit 44 (84.6%) respondents agreed audit and control carried out in purchasing department.
- 28 (53.8%) of the respondent believe that the current purchasing activity of the institute does not help to achieve the institute's goal.
- Despite material delivery delay the 31 (59.6%) respondent said they face material delivery delay on their purchase practice because of bidding process.
- Concerned with purchasing performance, 28 (53.8%) of respondent believes the purchasing department has medium performance.
- In spite of top management understanding of purchasing 40 (76.9%) of the respondents said the understanding of top management towards purchasing is medium.

- Conducting an interview with purchasing department staffs that the institute purchasing system is centralized system they value most.
- Majority of respondent's value most giving for both (domestic and foreign) supplier like manufacture, wholesalers and retailers.
- Majority of purchasing department employees indicated selecting potential supplier criteria is quality and some of them value price.
- Poor quality material supplied in the institute in case of unreliability of the supplier.
- Some of respondent known the purchasing policy, procedures and principle through training, discussion with purchasing department and reading itself.

4.2 Conclusions

Based on the data analysis and interpretation of chapter three the information was conducted from employee's response the following conclusion were drawn.

The institute purchase material from domestic and foreign suppliers, such as manufacture, wholesalers and retailers. And mostly use for purchasing material centralized system. The institute purchase material as need of quantity and specification. It is clear from the study that ETIDI has not automated system in purchasing activity.

They face material delivery delay on their material purchase practice for above 3 month, because of bidding process. Poor quality of material supplied in the institute because of unreliability of the suppliers.

ETIDI considers most evaluation rate suppliers on quality and price. Quality should be high and consistent since it can directly affect the quality of the finished goods or services. Price includes unit price of material, carrying cost, maintenance costs and other more qualitative costs that may not be easy to assess.

The institute purchasing policy is easy to understand. All employees of purchasing department don't have equal awareness of in the purchasing policy, procedures and principle their practice. On top of this employee believe the institute has auditing and controlling in purchasing department.

As long as ETIDI concerned current purchasing activity doesn't help to achieve the institute goal. Generally according to the data collected the researcher concluded that the supporting of top management in ETIDI towards purchasing and the effort (performance) of purchasing department to maintain purchasing order has at medium position..

4.3 Recommendation

Based on the major findings of the investigation the following points are recommended:

- As it is clear that an efficient and effective purchasing system is crucial for an organization to achieve its goal, ETIDI should have well structured and transparent purchasing system where appropriate and qualified purchasing staffs policy and procedures are in place.
- The top management has to be committed to implement this system by allocating all the necessary facilities and arranging training scheme.
- All staff members who in one way or another are involved in the purchasing activities, for example bid evaluation, bid documents preparation etc should have the necessary training in relation to these specific activities.
- The organization has to establish clear and transparent mechanism that ascertain smooth communication and mutual benefits with its suppliers.
- The purchasing department shall fully consider the demand and request of the staff so that every purchased item will meet their requirements both qualitatively and quantitatively.
- The purchasing staff has to work closely and strongly with the suppliers to avoid some non conformity and also delay of materials.
- The researcher believes that this study is not completed and finalized and may not be free of sanctions thus detailed analysis has to be done by the institute is recommended.

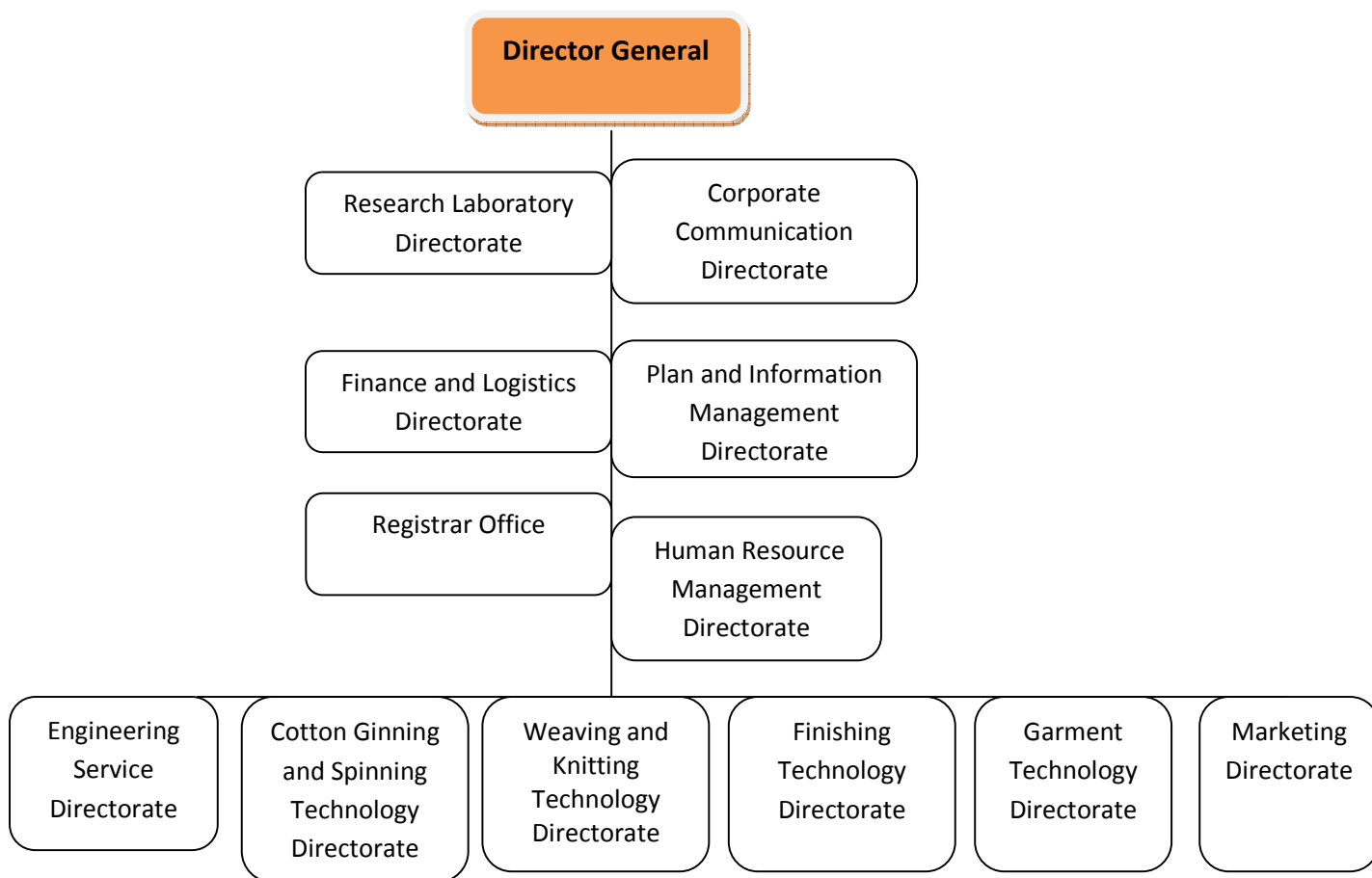
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APPENDICES

Organizational Structure

The Institute is run by a director general and organized into seven line and five staff directorates and an office. The structure of the Institute is illustrated as follow;



<http://www.tidi.gov.et> January 15, 2014.

St. Mary's University
Faculty of Business
Department of Management
Questionnaire for the Employee of the Institute

Dear Respondent,

This questionnaire is designed for the purpose of conducting a research on the purchasing practice of Ethiopian Textile Industry Development Institute. You are kindly requested to give information honestly. The information obtained from you is highly confidential.

Note: please simply make circle for your answer among the given alternatives and freely write your response on the space provide for those question which needs explanations and your opinions.

Part One: Identification/Demographic Profile

1. Sex

A . Male B. Female

2. Age

A. 18 - 25 B. 26 - 35 C. 36 - 45 D. 46 - 55 E. >55

3. Educational Background

A. 12 Complete B. Diploma C. Degree
D. Master and above E. Any other please specify -----

4. Years of service in the institution

A. More than 5 years B. 3 – 5 years C. 1 - 3 years D. less than a year

5. Respondent position in the institute?

Part Two: Questions related to the study

6. Does the institute use automated system in purchasing activity?

A. Yes B. No C. Do not know

7. If your answer for question number 6 is No please state your reason?

8. Is there delay of material in the institution?
A. Yes **B. No** **C. Do not know**
9. If your answer for question number 8 is yes for how long time?
A. For 2 weeks **B. For 1 month** **C. For 2 month** **D. above 3 months**
10. Purchasing of materials in the institution may be delayed due to:
A. Shipping lines arrangement
B. Bidding process
C. Documentation problems
D. Customs formulization
E. If other please specify -----
11. Is the material purchased for your purpose is as the need of Quantity and Specification?
A. Yes **B. No**
12. If your answer for question number 11 is No please state your reason?

13. Is there audit and control in purchasing department?
A. Yes **B. No** **C. Do not know**
14. Do you think the current purchasing activity helps to achieve the institute goal?
A. Yes **B. No**
15. If your answer for question number 14 is No please state your reason?

16. How do your rate the effort (performance) made by purchasing department to maintain the purchasing orders in the institute?
A. Very Good **B. Good** **C. Medium** **D. Poor** **E. Very Poor**
17. How do your rate the supporting of top management in order to purchasing Activity?
A. Very Good **B. Good** **C. Medium** **D. Poor** **E. Very Poor**
18. What are the major problems you observe in purchasing activity of the institute?

Thank you

St. Mary's University
Faculty of Business
Department of Management
Interview Questioner for Purchasing Department Head and employees

This Interview questioner is designed to collect information's concerning challenges on Purchasing practice in the case of Ethiopian Textile Industry Development Institute. You are kindly requested to give information's honestly. The information obtained from you is highly confidential

1. How do you explain your institution purchasing process?
2. What are the main obstacles and the sources in purchasing department?
3. What is the role of purchasing department in the implementation of the policy?
4. Who are the stakeholders in implementing the policy?
5. Is the corporate purchasing policy, procedure and principle sufficiently available to each employee who is involved in purchasing?

DECLARATION

I the undersigned, declare that this senior essay is my original work prepared under the guidance of Ato Zelalem Tadesse. All resources of materials used to the manuscript have been dully acknowledged

Name _____

Signature _____

Place of submission **St. Mary's University**

Date of submission _____

THE ADVISOR'S DECLARATION

This senior essay has been submitted for examination with my approval as an university advisor

Name _____

Signature _____

Date _____

