WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

ASSESSMENT OF THE CHALLENGES AND OPPORTUNITIES OF THE PURCHASING PRACTICE (IN CASE OF WOLKITE UNIVERSITY

ARESEARCH PAPER SUBMITTED TO THE DEPARTMENT OF MANAGEMENT IN THE PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE DEGREE OF BACHELOR OF ARTS IN MANAGMENT

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JUNE 2019

WOLKITE, ETHIOPIA

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Acknowledgment

First, I would like to thank my Almighty God to his never late down me and wearing with his love for the success of my work.

Next, I would like to express my heartfelt gratitude to wolkite University Business and economic college in general and department of management in particular. Last, I would like to thank my advisor ADVISER: Habetamu Gebeyhu (MBA) degree who is with me by providing all guidelines to accomplish the research proposal.

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Abstract

Purchasing refers to a function in business where by the enterprise obtains the inputs for what was produced as well as other goods and services it requires.

Purchasing practice in Ethiopia is not recent phenomena Nowadays, it play curtail role by providing the necessary material to other department. The investigation conducted on important and difficulties or challenges of purchasing activity Wolkite University. The major objective of this study was focus on improving purchasing mechanism of challenges enriching practice with the most relevant information and assessing the department. This research had been very significant in helping the organization..To do this both primary and secondary data is needed for successful achievement of the study. Primary data was collected from purchasing department committee and the manger though open and closed ended questioner. But secondary data were gathered from different document, books, and reports of purchasing department. The study use census sampling techniques.

CHAPTER ONE; INTRODUCTION

1. Background of the study

Purchasing is one of the basic functions of common to all type of business enterprise. These functions are basic because no business can operate without them. All business administered or managed by coordinating and integrating these function (Dabbler, Burt 2001)

Creation the idea or design function, finance the capital questions and financial record, personnel the human resource and labor, relation, purchasing the acquisition of required material, service and equipment. Conversion the transformation of material into economic good and distribution the marketing and selling of goods produced, purchasing the basic and integral part of business management for a business to be successful. It is impossible for any organization to achieve its full potential without successful purchasing practice. In the long run the business enterprise depends every bit as much on the purchasing and supply executives at it does on the executive who administer the other function of the business (Double, Burt 2004)

Purchasing is acquiring materials and part as a requisition to meet quality, quantity and time specifications. Purchasing is responsible for acquiring raw material, component part, tools and other items outside supplier. The fundamental purchasing activity includes selection of accessible venders and negotiation of terms, revision quality level and other factor of purchasing, placing purchasing order for new and recorded material. Parts and service consideration, priority of order expediting, delivery of material and parts to meet inventory requirement and maintain supply system data base. Business can use purchasing as a type of competitive strategy as away to get ahead of the competition by buying any resources it cannot manufacture itself. (George 1999)

In addition improving in the marketing condition of purchasing practices in business or organization attempting to acquire good and services to accomplish the goals of its enterprise .though there are several organization that attempt to set standards in the purchasing process can vary greatly between organization. Typically the word purchasing is not used intractable with 1the word procurement since procurement typically includes expediting, supplier quality and transportation and logistics in addition to purchasing practices.(Alien ,2000)

Purchasing is a management function that consists of all the decisions, policies, and activities involved in the acquisition of goods and services in exchange for money. With the growing complexity of modern industrial organization for mass-production, mass-distribution and mass consumption the function of purchasing has also grown into complexity with the recognition of the fact that industries dead to a great extension a steady flow of materials supplied by others, and the cost of purchasing is a major component of the cost of the final product.

Purchasing can be carried out for resale or for consumption or conversion. Buyers who acquire materials for resale are known as merchants. Purchasing managers who buy materials for internal operation or conversion are called industrial buyers. Industrial buying is more complicated than buying for resale because industrial buying requires the involvement of many People in the organization. Industrial buyers participate in determining what products their organization should make, what manufacture, and what components or parts should be purchased from outside suppliers. They correlate their purchasing actions with sales forecasts and production schedules they select suppliers from whom purchases can be made on continuing and mutually profitable basis and most important, they integrate the efforts of their departments with those of other departments of the firm including finance, production, marketing engineering and so on. It should be noted that institutional buyers (College, School Hospital, etc.) and government buyers (City, Country, states, Regional administration etc.) are included in the definition of industrial buyers. It should also clearly understood that purchasing is a supportive function to production and other user departments and is only a means to a given end, and not an end in itself.(Nair NK1999)

1.2 Statement of the problem

The purchasing challenges and opportunity of purchasing department is responsible to establish and administer purchasing polices, institute report necessary to permit analysis of purchasing performance negotiate and approved terms of contracts and analyze price paid for material and generally define how to obtain saving and coordinating purchasing procedures (Alien and George, 2002)

Purchasing plays a key role for the attainment of organizational objectives by providing right quality of inputs for users at the right time and cost. However the purchasing department of Wolkite University is not playing this role effectively.

Wolkite University is the public organization in the country which purchase good and service which are necessary for its regular operations or to accomplish its short and long run goal or educational goal. These goods and services include supplies like student consumption food, stationary material, machineries, equipment'sand spare part. The public organization should be follow purchasing practice rules made by theminister of finance and economic development as stated in purchasing and property administration proclamation number 649/2001 Art 7/2. It states the key area requiring a particular attention that is purchasing policy, procedure, plan, discount, and bidding and supplier selection.

In the case of wolkiteuniversity much attention has not been given to the timeliness &quality of goods and services bought and distributed to the users. The preliminary investigation reveals that; purchasing without plan, delay of purchase, wrong specifications of the requisition of goods and services are common failures of the purchasing processes. The purchasing process takes too long resulting in additional cost due to inflation, suppliers stock out items, user department work hindered, items become obsolete and accessories will not be available anymore. Further it is becoming obstacle for the organizations goal attainment. Precisely, the five R's of purchasing principles (The right quantity, the right quality, the right price, the right place and the right time) are not properly implementing.

However, As a result of lack of proper implementation of the rule, the existing purchasing practice is not effective in making available the need goods, equipment, material, works and services in the right quality and quantity, at the right time and at the right price and in giving fair

and equal chance to users. In addition, Transparency in the purchasing process and timely actions are not being kept in mind that all actions towards award of contracting and its Implementation on the ground has to be fair, consistent, and transparent and based on highest standard of ethics.

Therefore considering the above hindering problems of the organization, the researcher will intend to assess the purchasing practices of Wolkite University. The study tries to criticallyevaluate the purchasing practice ofWolkite University. Since they have important implication on the budget and the operation of the organization

Basic Research Questions

- Does Wolkite University followthe necessary purchasing policies and procedures to make purchase?
- To what extent does Wolkite University apply policies and procedureministry of finance in purchasing the required resources?
- What are the major problems that affect the purchasing practice of WolkiteUniversity?

1.3 Objective of the study

1.3.1 General Objective of the study

The Generalobjective of this study was to examine the challenges and opportunity of purchasing practice in the case of Wolkite University

1.3.2 Specific Objective of the study

- To assess the purchasing practices and procedure of WolkiteUniversity.
- To what extent inWolkite University apply purchasing polices and procedure the rule and regulation of ministry of finance.
- To investigate the major factors that affect purchasing practice in Wolkite University.

1.4 Significance of the study

This research was a very significant in helping the organizations staff to clearly identify the idea of purchasing practice of theorganization. This research were have a very significant in helping the organizations, it brings ground for good relations with departments, it guides other researcher study effectively, allow recommendation to purchasing system, it lead to graft mutation of the organization and the outcome of this study was help for other organization by which precision activity effectively function from top management point of view. And finally, the study was help the researchers to acquire more experience on research and it was serve as a reference for other and further studies

1.5 Limitation of the study

Shortage of time to conduct this research study, extensively financial constraints to pay the necessary expenditure to conduct the research. Limited resource inaccessibility to internet and inadequate computer facility, lack of cooperation from organizational respondents those who are concerned in giving information with regard to the study under the consideration.

1.6Organization of the paper

The study were consist five chapters; the first chapter is a kind of introduction that was contain back ground of the study statement of the problem, research objective, scope of the study and significance of the study limitation of the study ethical consideration The second chapter includes review literature The third chapter research methodology which deals with research approach design, sampling techniques and sample size source of data, data collection tools and area of study and target population. The forth chapter was deals with data analysis and interpretation whereas summary of finding conclusion and recommendation were under chapter five.

1.7Scope of the study

This research was under taken to assess the challenges and opportunity of purchasing practice of Wolkite University. Since the study was cover neither everypurchasing practice in Ethiopia nor another practice in Wolkite University. Because it wasbe difficult to assess, it were be wide and also reduce the quality of the research. Therefore, this research focusesonly onpurchasing practice in Wolkite University.

1.8Ethical consideration

The research was free from unethical behavior means that the aggressiveness; hostility so as to getting respondent consent and allowing them to leave any time they want and also the research were politely ask the respondent and give high degree of politeness for target study to conduct and information to be delivered to the subject of study only those but also other information obtained from respondent in the study kept confidentially.

Chapter two

Review of Related Literature

2.1 Material management Definition

Material management can be defined a confederacy of traditional material activates bound by a common idea of integrated management approach to planning, acquisition, conversion, flow and distribution of production on materials from the raw material state to the finished product state the material management state advocates to the assignment of all major activities which contribute to materials cost to single material management department. Materials management is concerned with the flow of materials from suppliers to a firm's store, to production department and the subsequent flow of products through distribution centers to the user. Materials management is, thus, an activity that involves planning acquisition, storage, control and disposition of inputs like raw materials and in-process goods which go into the production process directly and also capital equipment tools and accessories, spare parts and other indirect materials which are required for everyday operations. It is designed to ensure supply of materials of the right quality, in the right quantity, at the right time, at the right price, and at the right place acquired from the right source in order to ensure economy, efficiency, and smooth operation of an organization.

This includes the primary responsibility which are generally fund in the purchasing department plus all other major procurements responsibly including inventory management traffic receiving, warehousing surplus and salvage and frequently production planning and control. (Donald and Dobler. 2003).

Material management provides an integrated system approach to the coordination of material activities and the control of the material costs, it advocates to assigning to single operating department all major activities which contribute to the cost of materials. The objective is to optimize performance of the material system as opposed to sub optimizing the performance of individual operating units that are major part of material system. (Donald and Dobler 2003).

2.2 Purchasing Definition

Purchasing refers to a function in business where by the enterprise obtains the inputs for what is produced as well as other goods and services it requires. Purchasing is one of the basic function common to all type of enterprise. These functions are basic because no business can operate without them (Dobler, 1998, p.27).

Purchasing the activity of acquiring good and services to accomplish the goal of organization. Different scholars have given different definitions for purchasing.The main objective of purchasing are: (1)to maintain the quality and value of company product (2) to minimize cash tied up in inventory, (3) maintain the flow of inputs and (4) strengthening the organization competitive position purchasing may also involve (a) developing and review of the product specialization, (b) receipt and processing of requisition, (c) advertise for bid, (d) evaluation (e) award of supply contracts (f) inspection of gods received and (g

) their appropriate storage and release purchasing is the acquisition of goods and service in exchange for something of value its material management function concerned with process of buying the right type of material at the right price and time purchasing is essential to all organization

Manufacturing, non-manufacturing, profit making, nonprofit making and government (Eugene, Miranda and John, 1999, p. 247).

Different scholars have given different definitions for purchasing. “Purchasing is disciplined entrepreneurial activity directed toward providing profit” (parsons and W.J 1998).

“Purchasing is disciplined entrepreneurial activity directed toward providing profit” (parsons and W.J 1998).

In narrow sense the term purchasing simply describe the process of buying, however, in a broad sense, the term involves determining the need selecting the supplier, arrive at proper price terms and conditions issuing the contract or order and following up to ensure proper delivery (Aljian George, 1997).

2.3 Types of purchasing Approaches

There are three types of purchasing approach based on findings these are:

Speculative buying

- Hands to mouth buying

- Forward buying

2.3.1 Speculative buying

- Speculative buying refers to buying on item of one price with the intention of profiting the transaction by selling it at higher price
- The purchasing material in excess of foreseeable requirement. It anticipated that the need on arise for material and the firm will profit by making the purchasing at the current prices. (Donald and Dobler, 2001)

2.3.2 Hands to mouth buying

Hands to mouth buying becomes sever popular method of purchasing during the great depression of the 1930's and it is a policy that may be expected to appear whenever supplier of goods becomes plentiful and price decliner such imminent.

2.3.3 Forward Buying

It satisfied more than carryout need, but not beyond and forest seeable requirement approximately three to twelve months. This is based on long term planning and assumes the risk of sharply increased or decreased business. The objective of forward buying are to take advantage of favorable pricing due to large quantity and market condition and establishment, special with unstable or restrictive market of material cost and material availability for the longer period time relatively disadvantage are price risk and added holding charges if needs are reduced and commitment for delivery cannot be revised purchasing does not play sufficient forward purchase order.

2.4 Significance of purchasing

The type of activity for performed by the purchase groups varies from company to company. The assignment of the activity depends up on companies' organizational size and geographical dispersion. It is important to the success of the material or logistic management group that all purchasing all activates be assigned and that all individual be fully informed to their responsibility (Eugene, Magadha John, 2005).

The importance of purchasing is also a significant in service giving companies they are able to execute several activities more efficiently than the manufactures their added and therefore purchasing storage transformation and marketing services material must be available at the proper price, in the proper quality, at the proper time and at proper place. However, failure to accomplish any of these responsibilities concerning materials and company cost it decrease company sale.

2.5. Purchasing objectives

The standard statement of the overall objectives of the purchasing function is obtaining the right materials (meeting quality requirements) in the right quantity, for delivery at the right time and right place from the right source (a vendor who is reliable and will meet its commitments in a timely fashion) with the right service (both before and after sale) and at the right price. It is not efficient to buy at lower price, if the goods delivered are unsatisfactory from the viewpoint of quality/performance, or if they are too late behind the production schedule, causing a shutdown of a production line on the other hand, the right price may be a much higher than normal price if the item in question is an emergency requirement on which the buyer cannot afford the luxury of adhering to the normal lead time. The purchasing decision-maker thus deals with these conflicting objectives and should attempt to obtain the optimum mix of the seven rights.

More specifically the overall objectives of purchasing will be described as follows:

1. To support company operations by providing with an uninterrupted flow of materials supply and services. Stock outs of raw materials and production parts would shut down an 0peration and be extremely costly in terms of lost production and inability to satisfy delivery promises to customers
2. To buy competitively and wisely. To buy competitively involves keeping abreast of the forces of supply and demand that regulate prices and availability of materials, to buy wisely involves a constant search for better values that yield the best combination of price quality and service. For example a buyer who pays more for a product than a competitor is not buying competitively. A buyer who purchases silver when copper could perform the function just as well is not buying wisely.
3. To keep inventory investment and losses (due to deterioration, obsolescence, pilferage, and the ft) at a practical minimum keeping too much inventory may assure

an uninterrupted material flow. But inventory assets require use of capital, which cannot be invested elsewhere resulting in capital tie up.

4. To find or develop reliable and competent alternative sources of supply. The success of purchasing department greatly depends on its capacity to locate or develop vendors, analyses vender capabilities and select the appropriate supplier who is responsible and responsible for the uninterrupted provision of materials at a reasonably minimum cost.
5. To develop and foster good vendor relations. Good supplier relations are invaluable because they are the chief sources of information for a firm and suppliers naturally direct their research, give advance information on new products and prices and give better service to their permanent customers.
6. Maintain the organizations competitive position. An organization will be competitive if only it can control costs in order to protect profit margins. Purchase costs are the largest single element in the operation of a firm. The purchasing function is responsible for assuring the smooth flow of materials necessary to enable the production of goods and services and provision of services as required to meet delivering commitments to the suppliers on which the success of any organization depends.
7. To achieve maximum integration with the other departments of the firm. This requires understanding the needs of the other departments so that these needs can be translated into support actions. The purchasing departments is required to support the other departments in one or more of its responsibilities it should be integrated and coordinated with the previously mentioned six functions of business so that the firm will successful in its operations.
8. To develop policies and procedures which permit accomplishment of the preceding seven objectives at the lowest reasonable operating cost.

2.5.1 from top managerial prospective

The general objectives have traditionally been experienced as the five right which management expects the departments to achieve the acquisition of material (J.H Westing,2002).

a) Right quality

b) Right quantity
c) Right time
d) Right price
e) Right supplier

2.5.2 from the detail level objectives

At this level precise straggle buying plan are formulated the focus is one the detailed objectives that are developed when precise buying plan are made for each of the major categories that are material arms use in its operation. (Dobler 2004).

2.6 Purchasing policy

Purchasing policies are general statement or undertaking which guide or channel thinking and action in carrying any purchasing transactions and objectives in an optional manner it is statement that describes in very general terms UN intended course of action (Dobler and Donald, 2005) purchasing policies has various characteristics.

- ❖ Policies limit an area with in which a decision is to be made and assure that the decision will be consistent and contribute to objective.
- ❖ Clarity and improve relationship with other functions.
- ❖ Training new personal and communicating approved practice
- ❖ Evaluate and improve purchasing function.

The purchasing department is responsible to establish and administer purchasing polices, institute report necessary to permit analysis of purchasing performance negotiate and approvedterms of contracts and analyze price paid for material and generally define how to obtain saving and coordinating purchasing procedures (Aljian and George, 1999).

2.7 Purchasing procedures

Purchasing procedure often vary depending on the type of items to purchase. A purchase procedure outlines in detail the specific actions to be taken accomplished a given task within the guide line of any applicable policies it establish the founding objectives (Dobler and Donald, 1998).

- Full fill each tasks satisfactory with minimum of time effort and paper work
- Effectively communicate and coordinate the effort of one work group with another.
- Minimum overlapping effort and group conflict
- Permit effective management by exception.

Nevertheless, the procedures given by different authors seem more comprehensive it can be also using the flow chart prepared (J.H. Westign, 2001). The principal purchasing procedures are listed as follows.

2.7.1 Organization of Purchasing Regulation

Materials requisition from the customer unit or individuals that have been authorized to make such a request users of the stock items for instance may submit materials regulation from the stores to purchasing units for non-stock items the authorized individual or units fill the purchase unit.

The information in the purchase recursion form includes

- The name of the material required
- The code number and part number
- The quantity required
- The time when the material is required.
- Specification and standard.

2.7.2 Verification of purchasing Regulation

The purchasing unit verifies whether the purchase requisition is authorized and whether other requirements have been fulfilled appropriately questions cleared in the verification includes.

It the requesting unit or individual authorized to make such a request

Is there a budget to meet the request?

2.7.3 Evaluation and selection of suppliers

Suppliers are evaluated and selected on the basis of the criteria. Selection of capable supplier is one of the most important responsibilities of purchasing professional.

The development of new suppliers, also additional suppliers for existing purchased items will be needed in order to lower cost, better quality, on time delivery, and improved technical service. Some of the sources are.

Sales man contracts, purchasing contracts, Trade directors, scalawags, Trade shows and conventions. (Eugene, Magana and John, 1995).

2.8 Evaluation suppliers

Evaluation of supplier is critical to obtain an uninterrupted flow of material and developing reliable supplier Some of the criteria's of selection of supplier are:

Financial condition: Quality, capacity, service, plant visit, supplier rating, supplier certification to obtain the needed amount without interruption.

Qualitative evaluation analysis

The following factors are helpful in evaluating and selecting suppliers.

Technical ability

- The supplier should have technical ability to make or the ability to supply the product wanted
- The supplier should have a program of product development and improvement.
- The supplier should be able to provide engineering and design assistance to improve products.

Manufacturing capability - The vendor's manufacturing facilities must be adequate, both in quality and quantity to supply the products wanted. It must have good quality control program, competent and capable manufacturing personnel and good manufacturing planning and control systems to ensure timely delivery. This enables to see whether the vender is able to meet the specifications (quality and quantity wanted) for the product and be able to do so consistently.

Reliability - A supplier needs to be reputable, stable and strong. The supplier should also be credible so that mutual trust based relationship can be maintained.

Financial condition - The supplier should be able to maintain financial stability. The best supplier is financially strong enough to stay in the business

Price - The supplier should be able to provide competitive and reasonable prices.

After-sales service - The supplier should be able to provide replacement parts, technical support, maintenance and training. The supplier should have a good service organization and inventory of service parts.

Convenience -This includes the supplier's nearness to the buyer's place of operation or workplace. Advantage:

- face-to-face communication
- returning and replacing of defective materials
- transportation
- shorten delivers:
  - shorten lead time
  - reduce transportation and insurance costs
  - emergency shortages can be delivered quickly
  - **Plant visit and appraisal -** The buyer may visit a supplier's facility to determine the supplier's capability

Third party certification - example: chamber of commerce

Other considerations - For example, credit terms and willingness to hold inventory for the buyer can be considered.

Quantitative Methods of Vender Evaluation

The real test of vender selection is the test of experience or satisfactory vender performance. Objective evaluation and rating of vendor performance has gained considerable acceptance in purchasing units. Rating systems generally involve quality, price and delivery. Quality is the most important, though sometimes price can be given equal weight. Formula for rating suppliers may vary depending on the item being purchased, the quality required, and competition within the supplying industry.

The quantitative vender evaluation methods are divided into two: weighted point method and cost ratio method. However, this topic deals with weighted point method because it is more practical.

Weighted – point–method

The weighted point method is more comprehensive mathematical vendor rating formula used by many purchasing units. It is designed to provide a comparative evaluation of vendor performance when an item is procured from two or more sources.

The method is based upon the principles that – evaluation of vender performance must include all major - purchasing factors: quality, price, delivery, etc. The relative importance of these factors varies in respect to various items.

2.8.1 Evaluation of purchase performance

The efficiency of the purchasing section can be judged the following basis, such evaluation result in improved performance (Nair, 2004).

1) Number of person employed Centralization of purchasing means that the requirement of any departments of a plant or of different units of the same company of associated companies of the same group will be purchased by a single purchased department
2) Whether the work has been properly distributed and whether the staff has a broad program of work
3) Time taken ordinarily to process a purchase requisition.
4) Whether materials of correct quality are being purchased and incidence of rejection.
5) Number and value of overdue orders.
6) Proportion of purchase department operating cost to value of total purchase cost per order.

2.8.2 Contract purchase order

The contract is awarded to the best supplier candidate with the highest score on the criteria set of purchase order is to be produced in several copies depending on who is to receive them.

2.8.3 Follow-up and expediting

After purchase order has been made the purchaser a should not wait until the supplier delivers the materials we need to follow up to make sure that suppliers will deliver the materials on the agreed data expediting requires a special type of agreement for it may require the supplier extra effort and cost

The purchasing department's responsibility continues until the material is received and accepted. When there is a chance that the supplier may not stay on schedule, important orders with delivery dates should receive active follow-up attention. The buyer should determine specific dates of follow-up checks. Fax, E-mail or telephone can be used for this purpose.

2.8.4 Receiving and Inspection

Receiving inspection and storing are made after the materials are delivered and verified with the purchase order and invoice if there are discrepancies in the reliving and inspection of the material such as shortage, overage and damages. Receipt and inspection of goods

The receiving clerk verifies the packing list against the purchase order. After the shipment is inspected for quantity and for general condition of the material, the receiving clerk issues a receiving report. Before shipments are accepted, technical inspection is necessary

2.9. Centralization versus decentralization Policy

Centralized purchasing

Centralization exists when the entire purchasing function is made the responsibility of a single unit. This unit is held accountable by top management for the proper performance of purchasing activities. If it functions properly, centralized purchasing has the following benefits:

Uniform policies and procedures at all levels and companywide uniform quality standards Minimize duplication of effort in purchasing .Volume discounts from bulk purchases of the same and similar materials.

Transportation savings by consolidating orders and delivery schedules. Develops purchasing specialists.

More effective inventory control is possible because of companywide knowledge of stock levels, materials usage, lead-time and prices. Minimized ordering costs.

Fixed responsibility of purchasing to a single department facilitating management control.(Nair, 2004).

Decentralized Purchasing

Complete centralized purchasing is neither always possible nor always desirable. Thus, decentralized purchasing is necessary. Under decentralized purchasing structures the majority of purchasing decisions are made at the plant or operating unit level. The reasons are

The plant or operational manager, who is responsible for the profitable operation, should have jurisdiction over purchasing because the cost of purchasing may affect the cost and efficiency of production. Each plant or operational level may have some unique requirements and differences in operating conditions that affect materials needs. Fostered by purchasing from nearby sources or through

Local distributors. Plant purchasing operations can provide quicker and more efficient services in meeting user needs. (Nair 2004).

2.9.1 Merits of centralization purchasing

- Quality discount
- Effective use of limited and highly specialized skilled purchase staff.
- Standardization of purchase materials and purchase procedure.
- Avoidance of significant difference in price between them in case of short supply.

2.9.2 Merits ofdecentralization purchasing

- Advantage would take of locally available product leading to possible cost reduction and more suitability.
- Delegation authority to a various unit price moral of involved personnel and taken advantage of their local acquaintance and knowledge.
- Suitable for department or plant that require different type of item.
- Enable local management to exercise control over it cost and selection of material in addition to enhancing its relation with local suppliers and its social responsibility to the local community.

2.9.3 Demerits of centralization and decentralization purchasing

By and large the advantage of centralizing reflects the disadvantage of decentralization and the advantage of decentralization indicate the main short coming or disadvantage of centralization.

2.10 International purchasing

Purchasing can be described as the process of acquiring goods and services which includes buying, identifying and selecting supplier, negotiating contracts and other pertinent terms and follow up to ensure timely delivery .The term global sourcing, global purchasing, foreign sourcing and international sourcing are used interchangeably inrecent year the term "international purchasing" is being used by many firms which means integration and coordination of common item, process, technology and supplier (Dobler and Burt 2004).

CHAPTER THREE

Research Design and Methodology

3.0 Research Design.

In this study the researcher was used descriptive types of research design. Because it is concerned with finding out who, what, when, how mach. This is to describe the existing practices of the organization.

3.1 Source of Data and type

Thestudies were using both primary and secondary sources of data. The primary data are information that was assess by the researcher himself and collected for the first time. Primary data is a data that collected for the first time to gather the information. Through questionnaire, and observation method of data collection instrument while secondary source of data is a data that collected from different books, reports, internets, Organization manual and written materials.

3.2 Method of Data collection

In this research the researcher were use different instrument to gather information due to low cost due to consideration of time the researcher were use questioner method to collect primarily different staff documents or secondary sources of data.

3.3 Target population

The populations, for this study were 25 employees working purchasing practices, 9 college's dean& 21directors participatein purchasingdepartment wolkite University are the target population of 55.

3.4 Sample size and sampling techniques

To conduct this research, the researcher was use census to collected data from the total population. Because the total number of population of the organization is small.

3.5 Method of data analysis and interpretation

The collection of data was analysis both quantitative and qualitative method of data obtained through questionnaire were be charged in the relevant information .the qualitative data was collected through questionnaire for analysis

Theoretical concepts while quantitative data was analysis like by percentage, tabulation and frequency.

CHAPTER FOUR

4. Data Analysis, Interpretation and presentation

4.1 Analysis from questionnaire

This section of the research deals with analysis, interpretation and presentation of the collected data from primary and secondary sources. The primary data was collected through questionnaire and secondary data was collected from organizational, manual, books and different newspapers. The questionnaires were distributed for Wolkite University 25 purchasing working practices, 9 colleges dean& 21 directors participate in purchasing department of Wolkite University from the distributed questionnaires 44 were properly completed and returned. Therefore, the data analysis is given in subsequent section of this chapter.

4.2 Demographic background of the respondents.

Table 1 Sex structure of the respondents.

Sex	**Number of respondent**	**In percentage (%)**
Male	**32**	**73%**
Female	12	27%
Total	44	100%

Concerning the sex structure in the above table, out of 44 respondents 32(73%) of the respondents were male and 12(27%) of the respondents were females.

The majority of the respondent profiles indicate in purchasing of Wolkite University are male and the number of female is small. This means the organization is more dominated by males.

Table 2 sexstructureofnon-respondents

sex	**Number of none respondent**	**In percentage (%)**
Female	6	55%
Male	5	45%
Total	11	100

According to the above table, out of 55 respondent of 6(55%) of the respondent of female were none respondent, and 6(45%) of the none respondent were male.

Table 3 Educational level of the respondents

Educational Level	Number of respondent	In percentage (%)
Below 12	2	5%
Diploma	6	13%
First degree	34	77%
Master and above	2	5%
Total	44	100%

As it can be understood from the above table, educational level of the respondents of them 2(5%) were below 12 of the respondents, 6(13%) were diploma holders, 34(77%) were first degree and 2(5%) of the respondents were master and above. This indicate that majority of respondents were first degree. This implies that educational level is medium so it has its own impact on purchasing practice. This means if an individual learn more he or she has good purchasing practice.

Table 4 Year of experience for respondents

Year	Number of respondent	In percentage (%)
Below 5 years	22	50%
6-10 years	16	36%
11 and above	6	14%
Total	44	100%

According to the above table, 22(50%) of respondents have work experience of below 5 year 16(36%) of the respondents have work experience of 6-10 years and 6(14%) of the respondents have work experience of 11 and above in the organization. This show that most of the respondents have experience of below 5 years. This implies low experience in purchasing activity effectiveness and difficulties have an effect. Because of low experience wrong items purchasing specification, this leads to wastage of resource and time.

Table 5 therespondent's knowledge's of purchasing practice

Item	Level	Number of respondent	Percentage (%)
How much do you think	Not much	-	
You know the purchase	Medium	29	66%
Practice and procedures adopted by Wolkite University? If your answer is not much explain the reason	Very much	15	34%
Total		44	100%

As shown in the above table, 29(66%) were medium, 15(34%) were very much and 0(0%) were not much of the respondents.

Knowledge about the purchasing practice and procedure adopted by the University not much, medium and very much respectively. This indicates that the majority of respondent says they know medium about the purchasing practice of the university. This implies that medium knowledge about purchasing practice of the university have negative impact.

Table 6. The respondents' attitude toward purchasing function of Wolkite University

Item	Categories	Number of respondent	In percentage (%)
How do you perceive the purchasing function of Wolkite University	Centralized	44	100%
	Decentralized - -	-	
Total		44	100%
Which one does you prefer? Please state the reason behind	centralized	33	75%
	Decentralized	11	25%
Total		44	100%

As it indicated in the above table100% of the respondents replied that purchasing practice of this University is centralized. None of the respondents believe the purchasing practice is decentralized. It implies all of the purchasing process of this University is centralized system.

However, with respect to their preference, respondents replied differently with justification. About 11(25%) of the respondents preferred decentralized purchasing process due to the following reasons.

- Risk diversification
- Give responsibility for each department
- Fast decision making.

And 33(75%) of the respondents prefer centralized from the total. Because of the following reason.

- Specialization in one activity
- It save time
- To reduce extra cost
- To get quantity discount advantage.

Table 7. Respondents attitude of applying polices and procedure competitively.

Item	**Number of respondent**		**In percentage %**
Provide the material with appropriate quality	Agree	16	36%
	Disagree	28	64%
	Total	44	100%
Provide the material with appropriate quantity	Yes	19	43%
	No	25	57%
	Total	44	100%
Provide at right time	Yes	14	32%
	No	30	68%
	Total	44	100%
In right supplier selection	Agree	13	30%
	Disagree	31	70%
	Total	44	100

As it can be seen in the above table, 28(64%) and 25(57%) the respondents the areas by which purchasing practice function weakly in quality and quantity. Small number of respondents agreed right quality and quantity. That is 16(36%) and 19(43%) of the respondents. Besides these it is clearly depicted in the table of the respondents agreed providing at right time and in right supplier selection respectively. But the rest of 30(68%) and 31(70%) disagree respectively.

According to the majority of respondents replied that in terms of quality, quantity and time, they are weakly completive. This indicates product purchased lack the desired quality, quantity and not provided at right time. On the other hand, it can be indicated on the above table 13(30%) of the respondent respond the University is completive in right supplier selection and the rest 31(70%) not competitive in right supplier selection. Due to the supplier selection of the University is weak, the desired quality, quantity and at right time are not available.

Table 8. Respondents' perception of time factor in relation to processing material requirement.

Item	Categories	Number of respondents	Percentage
The time factor involved in the purchasing process has an effect. How do you evaluate the overall purchasing process from speed of delivery to work units	Very lengthy and time taking	35	80%
	Neither slower or fast	9	20%
	Total	44	100%
Do you get the material on at a time? If no reason	Yes	36	82%
	No	8	18%
	Total	44	100%

As it can be seen in the above table, involved has its own effect on overall efficiency as well as cost effectiveness of Wolkite University. Among the respondents 20% & 80% of the respondents respond neither slower nor fast and very length nor time taking respectively. This implies that the majority of the respondents believe that time factor has affected the overall performance of purchasing practice in Wolkite University. To understand the other things from the table18% the

respondent believes that the material required do notarrive on time. The respondents' stated the following reasons.

- Unreliability of supplier
- Due to transportation problem
- The purchasing process steady time consuming.

Table 9.The respondents' response regarding the problem of purchasing practice.

Item	Category	Number of respondents'	Percentage (%)
Is there any problem in purchasing practice of Wolkite University? If you say yes what are the problems.	Yes	38	86%
	No	6	14%
Total		44	100%

As we understand from the above table, 86% of respondents' reported that there is problem and 14% of the respondents' answered absence of problem related to purchasing practice in Wolkite University. Significant proportion of respondents indicates that the purchasing process of the University is with problem. The problems emanate from management, lack of detailed manual; lack of well-trained man power, due to the nature of purchasing procedure, lack of fund and the careless act of supplier are some of the problems.

Table 10 Regarding poor performance of purchasing.

Item	Category	Number of respondents	Percentage (%)
Have you encountered any problem because of the poor performance of purchasing? If you say yes write the incidence and the result	Yes	36	82%
	No	8	18%
Total		44	100%

The above table shows that 82% of the respondents' agree that problem of poor performance of purchasing practice, where as 18% of the respondents' have not encountered. This indicate the majority of respondents' encountered the incidence of the problem of poor materials, the purchasing process waiting for a long period of time, lack of quality, lack of awareness of purchasing department and lack of knowledge of personnel. The results of poor performance purchasing are dissatisfaction of user, shortage of needed quality at the right time and at the required amount.

Table 11. The respondent's attitude towards purchasing activity uses in appropriate format designed by ministry of finance and economic development

Item	Category	Number of respondents'	Percentage (%)
Does the University place purchasing order in writing in appropriate format designed by minister of finance and economic development?	Yes	29	66%
	No	15	34%
	Undecided	-	-
Total		44	100%

The above table shows 66% of the respondents believes that the organization purchasing to use appropriate format of designed by ministry of finance and economic development 34% of

respondent is not follow appropriate format where as none of the respondents have not any idea. This indicates that majority of the respondents believes that the organization use the appropriate format designed by ministry of finance and economic development.

This organization also uses different type of purchase among the list of a purchase manual. These purchases are.

- ✓ Open bid
- ✓ Purchase made by invitation for interest
- ✓ Closed bid
- ✓ Purchase made by invitation for quotation or Performa invoice.

1. Open bid a type of purchase which is applied with the following requirement.

i. The invitation for bid must be announced on the media and published on a new paper.

ii. The announcement must clearly state important information like the purchasing institute name, location, the item specification to be purchased.

2. Closed bid a type of bid which involves only select supplier to participants in occasion. According to purchasing manual close bid is undertaken on the following procedure.

- ✓ When the material, building work and service only found if you supplier bidding calling send to all supplier depending on each address.
- ✓ When the participants of bidding are large number and also purchase is depending on the partial article of purchasing manual within setting price.
- ✓ From listing of supplier select at minimum of five competitive to provide such type of material such as building work purchase and advising service purchase are to be done. Purchase made by invitation for quotation /per forma invoice in this types of purchase first the purchaser contact at list three quotations, for price/Performa invoice from different supplier.

Provision of training and buying skill

Training is one of the critical aspect of good performance each sector of the organization. Specially training activity is necessary for the purchasing practitioner. Most of the purchasing people are graduated of other disciplines and lack sufficient purchasing skill. They are less concerned about cost saving that could be achieved. Besides this Wolkite University purchasing practice, lack personnel experience, lack knowledge and model employee in working unit. By these cases the purchasing system of this University raises the following problem.

- ✓ Lack of quality product
- ✓ Lack of time management to deliver the product to user
- ✓ The organization purchasing policy and procedure is not effectively implemented.

Bid analysis mechanism

The bid process is one of the most important activities of organizational journey. It is a process that allows venders opportunity to responds to your specification. The goal of the bid process is to provide a purchasing system that insures open and free competition. The bidding process is implemented when appropriate by the purchasing committee. This process is used in order to obtain a greatest benefit to the university when acquiring good and service responsibility of committee in bid process.

- ✓ Maintain the bid evaluation process.
- ✓ Reject any attempt or pressure and distort the outcome of the evaluation

Determine the lowest evaluated bid and to make recommendation for award of the tender. Finally, the purchasing process accordingly with strategy and policy of the University.

CHAPTER FIVE

5 .Summary of Finding, Conclusion and Recommendations

5.1 SUMMARY OF FINDING

Based on the analysis in the chapter four, the researcher concludes that good purchasing Practice is more important to gate right quantity for the organization.

- The poor performance of purchasing is causing lots of problems in Wolkite University; the above table indicates that the organization is more performing poorly on right time purchase.
- From the table it could be concluded that the main consequence of poor purchasing performance is reduction of quality
- The poor performance of purchasing at the right time is causing lots of problems in Wolkite University; these problems includes, inefficient store, high handling cost because of this products not reach at the right time.
- From the above table the researcher concludes that most of the time wolkite university purchases the product from the right source.

5.2 CONCLUTION

Wolkite University is one of public organization in Ethiopia. The purchase division support in this organization is as much as possible by procuring quality, quantity goods and service so as to achieve its goal of giving best service to its user department**.** Centralizedpolicy of purchasing goods and service is the policy currently used by Wolkite University. The researcher has tried to gather data for the paper primary source questionnaire and secondary source including purchasing manuals and report were revised. The purchasing process said to be taking too long which has definitely got negative impact on efficiency and effectiveness of Wolkite University overall performance. Both the primary and secondary source revealed that the purchasing management of Wolkite University has lots of problem and is inefficient. The major area of the poor performance can be summarized as follows.

- Not assessing qualified purchasing unit.
- Currently used to procuring goods and service items is not adequate to support the operation in each department of the organization.
- Regarding the principle of purchasing the purchased department of the organization is not work properly. The organization is not meet to the need and wants of customer.
- Suppliers are exercising despiteful practice and this causes challenges for purchasers and bringing poor quality of item.
- The organization is not establishing long term mutually integration benefit relationship with user department and with other reliable suppliers.
- Not effectively communicating the principle of purchasing for the members.
- Not in establishing long term mutually benefiting relationship with reliable supply.
- The member of the purchasing unit lack skill and experience to meet the purchasing requirement of the University; as a result of this wrong items purchased creates waste of public resource.
- The receiving process is not properly organized, parties assigned lack expertise to verify quality of items; there is also a gap in the receiving process i.e. neither the purchaser not the user will not be checking the items nor this gives loophole for supplier.

Although the problem of is a part of total management process, yet it would be essential to pay special attention to the personnel at all level in the office the efficiency of the office spent very much on the personnel managing it.

5.3 Recommendations

To alleviate the above stated problems and practice efficient purchasing management the following recommendations are forwarded.

- Wolkite University should modify its current procedure to bring efficiency and effectiveness.
- Wolkite University should assign qualified personnel to achieve its goal.
- Effectively communicating the importance of having efficient purchasing management which can be meeting by securing the purchase of right quality, right quality, from the right source, purchase for the right source and delivery at the right time.
- Establishing systematic way of expediting and follow up of the purchasing process.
- Search way to establish long term mutual relationship with reliable supply since this will reduce supplier cheating problem to a higher extent tackle, low quality purchase and delay deliveries.
- Above all close monitoring of the performance of different communities involved in the purchasing process and taking prompt decision when ever need is required.
- Effectively increase the contribution of the purchasing committee it is mandatory to give regular and intensive training.
- The receiving process shall be organized in such a way that it blocks loopholes for chances of wrong item deliveries.

Revising the purchasing process and avoid step which are redundant make sure the practices involved are mandatory in the process and have the ability and willingness to contribute for efficient purchasing practice

	(A) Referencing in the Text	
No of Author	APA system	Harvard system
one	(Abebe, 2001)	(Abebe 2001)
two	(Abebe&Kebede, 2001)	(Abebe and kebede 2001
Three		(Abebe et al. 2001)
Three	For subsequent occurrence	(Abebe et al. 2001)

(B) Referencing in the reference or Bibliography		
APA system	Harvard system	Differen
Abebe, D., Kebede, T., & Aster, M., (2001) Managing Change: A Human Resource Strategy Approach. Princes Hall	Abe be D, Kebede T, and Aster M (2001) Managing change: A human resource strategy approach, Princes Hall	Note full stops use of capital le

APPEDICES
WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Dear respondents

My name is zigiju Berhanie and currently, I am graduate student at Wolkite University under the department of management. To get BA/bachelor of art/ degree in management, I am doing research which is entitled to Assessment of the challenges and opportunities of purchasing practice in Wolkite universty.Accordingly, to collect information, I have prepared aquestionary. To succeed in obtaining the necessary and accurate information your honest cooperaton is highly appreciated on answering the question .The information you provide will be used only for the research purpose and the researcher will assure you that your information will not be disclosed to ather parties.

Thank you in advace for your

Cooperation

General instruction

- Writing your name on the questionnaire is not necessary
- Please put a tick/ /for your answer in the boxes provided under each question.
- For open ended question please enter your response on the space provided.

Part I: - Job related data(Circle Your Choice)

1 Experience (in years), A)0-5 ☐ B)6-10 ☐ C) 11-15 ☐ D) 16-20 ☐
E)21&above ☐

2. Status of job A) Worker ☐ B) Supervisor ☐ C) Jr. Manager ☐
D Middle manager ☐

Part II: - Purchasing practice related questions (Circle Your Choice and write your opinion on the space provided)

1. How do you perceive the purchasing function of Wolkite University?

Centralized ☐ Decentralized ☐

2 Which one do you prefer? Give you reasons----------

_____

3)what way Wolkite University apply purchasing department policies and procedure competitively.

i) The purchasing department provides the material with appropriate quality?

Agree ☐ Disagree ☐

ii) The purchasing department provides the material with appropriate quantity? Yes

Yes ☐ No ☐

iii) At right time? Yes ☐ No ☐

iv) In right supplier selection? Agree ☐ disagree ☐

4 In your opinion, how do you evaluate the overall purchasing process from speed of delivery to work unit? Very length and time taking

Neither ☐ Slower nor fast ☐

5 Do you get the material on time? Yes ☐ No ☐

If you say no, please write the reason behind. _____

_____

6 In Which product attribute do you think the purchasing function are

Well being done in Wolkite University?

Right quality ☐ Right price ☐

Right source ☐ Right time ☐

7 Is there any problem in purchasing practice of WolkiteUniversity?

Yes ☐ No ☐

8 If your answer say yes for questionNO7what are the problem _____

_____

9 Have you encountered any problem because of the poor performance of purchasing?

Yes ☐ NO ☐

10 Does the University place purchasing order in writing with appropriately format designed by minister of finance and economic development?

Yes ☐ no ☐ Undecided ☐

Never=1,Rarely=2,Sometimes=3,Mostly=4 to Always=5 Point scale)

Seq	Checklist items	1	2	3	4	5
1	You are getting the necessary and timely training on purchasing.					
2	The management of the region supports the purchasing department with the necessary budget and other resources to undertake effective and efficient purchasing.					
3	The department implements a strategic purchasing for those purchases which are more critically important for the operation of the organization and consumes more budgets.					
4	You do have a copy of a written purchasing policies and procedures. And you are also aware of the procedures.					
5	There are ways to evaluate whether purchases are done according to five rights of purchasing [right quality, right quantity, right price, right time and right source].					
6	You confirm that requisitions contain the description of the material, quantity, and requisition date, the date the material is required and authorized signature.					
7	You give priority to “RIGHT QUALITY” as the most important objective to be met in your purchases.					
8	You give priority to “RIGHT QUANTITY” as the most important objective to be met in your purchases.					
9	You give priority to “RIGHT PRICE” as the most important objective to be met in your purchase.					
10	You give priority to “RIGHT SOURCE” as the most important objective to be met in your purchases?					
11	The users complain about late purchases.					
12	The users complain about the wrong quality items purchases.					