

ST. MARY'S UNIVERSITY



SCHOOL OF GRADUATE STUDIES

AN ASSESSMENT OF PURCHASING PRACTICE THE
CASE OF ADDIS ABABA ROAD AND TRANSPORT BUREAU

BY

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JUNE, 2016

ADDIS ABABA, ETHIOPIA

**AN ASSESSMENT OF PURCHASING PRACTICE THE CASE
OF ADDIS ABABA ROAD AND TRANSPORT BUREAU**

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MANAGEMENT**

BY
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Declaration

I the undersigned, hereby declare that this thesis entitled “Assessment of purchasing practices the case of Addis Ababa Road and Transport Bureau” is my own original work, prepared under my advisor Tesfaye Wolde (Dr).All the resources that I have used or quoted have been indicated and acknowledged by means of complete references.

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June 2016

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Abstract

The study aimed to assess the actual practices of purchasing the case of Addis Ababa Road and transport Bureau giving more emphasis on purchasing Ethics, performance measurement and evaluation, detail material specification, procedure, principle and purchasing personnel training. The research subjects all purchasing and accounting employees and users departments employees who are working in the different departments in Addis Ababa Road and Transport Bureau. The purpose of the study was to assess the actual purchasing practice whether it performed to achieve organizational goals or not. Theoretical and empirical reviews were reviewed related to purchasing practices and focus areas were settled as study frame work. The research applied descriptive data analysis technique by using SPSS software. The data was collected from 80 employees who are working across different departments. In the data analyses and presentation, the mean of 3 was used verify the result of each variables, less than 3 was taken as poor performance during data analysis.

Based on the data collected through questionnaires and analysis, the study investigated that the actual practices of the Bureau was poor performance in purchasing ethics, measurement and evaluation, detailed specification and purchasing personnel training. Recommendations wear given what the Bureau should improve in the future to enhance the actual purchasing practices. Finally, possible direction for further research areas in the Bureau were presented.

Keywords: *Assessment of purchasing practices, purchasing Ethics, purchasing performance measurement and evaluation, professional code of ethics, detailed specification and Purchasing personnel training.*

APPENDANCES

CHAPTER ONE

THE PROBLEM AND ITS APPROACH

1.1 Background of the study

The purchasing function in both profit and non-profit oriented institution has been gaining stature and its role has grown tremendously as a result of increasing purchase requirements, quality of goods and services. This condition enhances purchasing function to continue as the component of organizational operations. There is an increased emphasis on the use of specialized purchasing, procedures, rules and policies as the means of cost reduction in an intergovernmental and nongovernmental unit. Purchasing management has been gaining in popularity and promises economies hard pressed in any organization (Nair, 1990).

In order to satisfy the operational requirements of the internal customers and to fulfill organizational goal and objectives providing an uninterrupted flow of desired quality of goods and services in every organization an excellent purchasing strategy must be properly implemented. It is apparent that purchasing management practices should be given more emphasis in any institution (Hwasting,1976).

Purchasing is managerial activity that goes beyond the simple act of buying and it includes planning and policy activity covering a wide range of related complementary activities .The primary role of purchasing is to buy products and services at the right prices, from the right sources, in the right quantity and deliver it to the end users at the right time (monczka,2005).From the view point of writers, no organization can success operate its objectives without the involvement of purchasing management .

Failure to fulfill the above responsibilities concerning materials, adds organization costs. The research therefore believes that purchasing functions are basically the same but at various degree or performance in the public sectors (monczka,2005).

In this research paper an attempt was made to investigate the real contribution of purchasing management practices and prospects for the success of organizational operations in the competitive market situation by giving particular emphasis to the Addis Ababa Road and Transport Bureau.

Addis Ababa Road and Transport Bureau is one of the public sectors. Currently the Bureau responsible for transport Operation management, Traffic management, Urban transport planning, Establish drivers training center, Evaluate and control their performances, provide vehicle plate services for NGO, Government Organization, Private Ambassadors ,Diplomats, International organizations and Commercial Companies.

Generally, the Bureau responsible overall activities concerning with Transportation sectors and currently it works to satisfy transportation demand of the Addis Ababa city and Modernize Traffic management system. The Bureaus Procurement manual defines its purchasing activity as the acquisition of goods and services the best possible price, in the right quantity and quantity, at the right time, in the right place and from the right source for the direct benefit of use of the company. It involves the fulfillment of different goods and service requirements by identifying potential suppliers evaluating & selecting the right supplier and swarming contract to the qualified supplier. The scope of purchasing activities compromise purchase order request, tendering, technical and commercial evolution, Negotiation and contract award.

1.2 Statement of the problem.

The current market oriented economic system in Global world resulted in the flourishing of different manufacturing firm, importers, exporters, distributors and other economic sectors that produce goods and supply service(wasting,1985).

The emerging of these sectors made the purchasing more competitive than ever before. Purchasing function is basically the same but at various degree of performance (practices) in the public sectors. However, it appears that the actual practices of purchasing still face critical problems, because not only the Bureau but for most governmental institutions competitive purchasing practices is recent phenomenon and still more emphasis is not given to the field and purchasing department still faces enormous difficulties. The Followings are some of common difficulties that public sectors suffered (Hwasting,1976).

- Lack of accountability
- Less emphasis to Purchasing personal Ethical behavior
- Less prior to business area trained personal and profession
- Lack of consistent evaluation and measurement mechanisms.
- Absences of Develop detailed specifications

As The result of the above problems, few researches were carried out concerning purchasing practices in the case of public sectors to solve specific problems. The Previous researches related to this study having tried to elaborate the problems exist in the public sector organization based on their research objectives and recommended their findings for further improvements. This research tried to assess factors that causes related to poor purchasing such as less emphasis given by top management to purchasing functions, Inadequate training of purchasing staffs, lack of professional staffs, lack of clear guide lines and lack of formal purchasing procedures. In the

existing world there are many complicated problems that can bring financial and materials loss in the government organizations that are not assessed by previous studies. An unethical purchasing behavior is the one that affect highly the performance of purchasing in both private and public sectors through the world. This unethical behavior causes a large amount loss of money and material which become obstacles for the organization goal attainment through corruption system which is headache for every organization and even for the world which need more assessment (monczka,2005).

Another factor that causes poor performance of purchasing is consistent evaluation and measurement standards. Most of public organizations have a very large amount of supplies demand every year that requires high amount of money. Most organizations perform purchasing based on their requirements. But after having purchase, they will not evaluate and measure the performance because priority they didn't set standards to evaluate and measure for further decision. This can be the cause for poor purchasing practice in any organization. Detail specification is another that can be the cause of inadequate performance of purchasing function. Specification of item is the initial document of purchasing process. Most of public organizations are not focused on the detail specification simple they prepare for purchasing by name. Generally, in this study assessment on purchasing practices the case of Addis Ababa Road and Transport Bureau the followings were examined to fill the gap in the public sectors.

- Purchasing ethics Consideration
- purchasing performance measurement evaluation standards
- Developing detail purchasing specifications
- purchasing procedures and principles
- Training availability for purchasing staffs

1.3 Basic research questions

- Does the Bureau apply well-formulated purchasing manual, policies, procedures and principles during purchasing process?
- Does Bureau develop detailed specification using different team approaches?
- Does the Bureau give more emphasis for ethical behaviors when assigning purchasing staff members?
- Does the bureau give responsibilities prior to staff members of purchasing department specifically trained in the business area?
- Does the bureau set prior consistent evaluation and measurement standards?

1.4 Objectives of the study

1.4.1 General Objectives

The main objective of this study is to assess the existing Purchasing practice of Addis Ababa Road and Transport Bureau and examine the Variables that influence its efficiency .

1.4.2 Specific Objectives

- To **examine** the bureau's standards for evaluation and measurement of purchasing applicable.
- The objective of the study was to find out the purchasing practices were based on requirements of users.
- To identify well organized specifications are developed using different approaches.
- To make feasible recommendations for improvement of purchasing practice.
- Provide guidelines for decision making to improve purchasing related issues.
- To **examine** more emphasis given to ethical behavior for purchasing stuffs.

1.5 Significance of the study

The purpose of the study is to provide more reliable understanding about purchasing practices for purchasing department of the Bureau and staff members and to shape the Bureau's settings for purchasing practices concerning procedures, purchasing ethics, personnel training, evaluation standards and purchasing related issues that help to provide quality goods and services. In addition, the outcome of the research will further serves as literature to throw more light on the factors many affect purchasing practices and serves secondary data for further research in the future

1.6 Limitation of the study

During the study, the following limitations were existed.

- Lack of up-to-date literature in the area of the study.
- Lack of more experiences in the methodologies apply
- Unwillingness of some respondents to fill out the questionnaires
- Financial restriction and time constraint.

1.7 Scope of the study

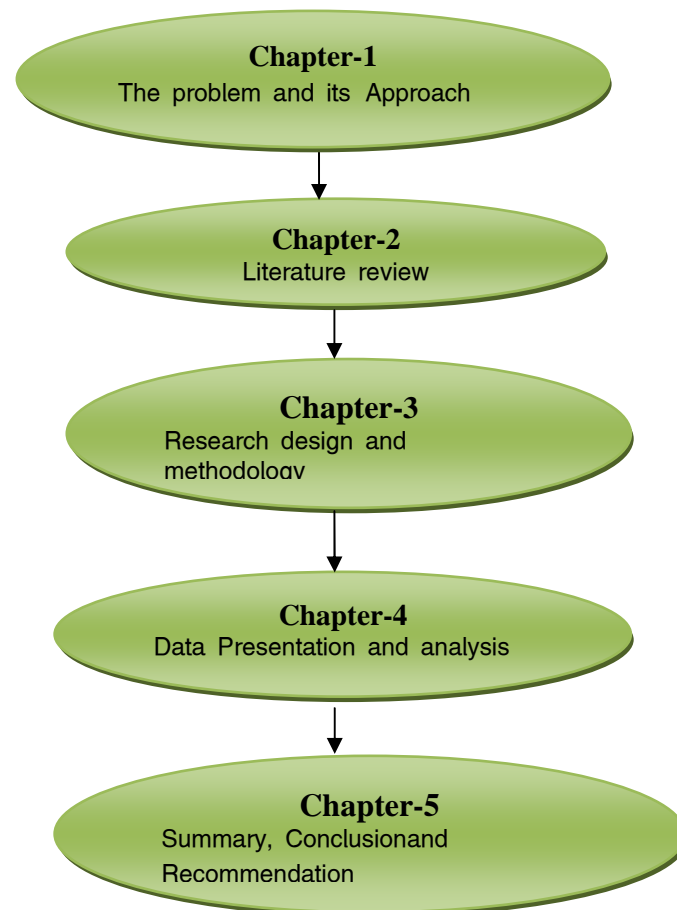
An analysis of financial statements of any organization indicates that materials form the largest single expenditures annually. Even if, purchasing management as an activity carried out in both profit and nonprofit oriented organizations, this study was limited only at Addis Ababa Road and Transport Bureau.

1.8 Organization of the study

The research paper is organized by five chapters. The first chapter, an introduction was made to the background of the research, followed by the statement of the

problem, objectives of the study, significance, scope and limitations of the study. Chapter two tries to explore the related literatures with regard to procurement practice with a view to serving as the theoretical basis of the study. Chapter three of the paper describes the research design and methodology used in the study. The fourth Chapter. Data analysis and Presentation was the theme of the study paper and it included in this chapter. The final Chapter five this Chapter major findings, conclusion, possible recommendations, questionnaires and references are included.

Figure 1.1: Research Outline



Source:-researcher own 2016

1.9 Definition of terms

Purchasing :-the activity of buying materials, goods and service. /oxford advanced learner dictionary, 1998/

Institution :- an organization established for social purpose./oxford advanced Lerner dictionary 1998:619/

Procedure formal or official order, way of doing things.

Rules :- a statement of what should be done in the particular circumstance. /oxford word power dictionary, 1994:543/

Policy :- plan of action propose/adapted/ by government

Requirements :- things that are demanded.

Uninterrupted :- with without, stopping blocking

Bureau :-organization or office provide information of government department

Exporters :- person or company that exports goods

Distributors :- person or company that transport and supplies goods

Specification :- the details describing materials.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

In this chapter, concepts related to purchasing practices, purchasing ethical behavior, detailed specification, purchasing personnel training, procedures and empirical review have been assessed.

2.2 Definitions of Purchasing

Purchasing is managerial activity that goes beyond the simple act of buying materials of the right quality, in the right quality, at the right time, at the right price, from the right sources, with delivery at right sources, with delivery at right place and also includes planning and policy activity covering a wide range of related and complementary activities (Wasting, 1985).

Purchasing is the function of buying machinery, tools, general supplies raw materials etc required an organization (Nair, 1996). The author further emphasizes that purchasing is developing source of supply, finalizing prices, placing orders, obtaining materials by the right time, contributing to standardization, value analysis, etc and effecting disposal of surplus and scrap. Purchasing is the acquisition of required materials, services, and equipment (Dobler, David Burt, 1996). Purchasing is buying of plant, machinery and equipment, materials and services, (Data 1988). Purchasing is obtaining from external sources all goods and services which are necessary for running, maintaining and managing the company and support activities at the most favorable conditions. (Well, 1994). The above definitions of purchasing offer common ideas on addressing material requirements to achieve organizational objectives.

2.3 objectives of purchasing

The objectives of purchasing can be viewed from three levels:

- A very general managerial level ,
- A more specific functional or operational level, and
- A detailed at which precise strategy for buying plans are formulated.(Dobler, David .Burt, 1996).Hence, the main objectives are:-
 - ***To support company operations with uninterrupted flow of materials and services:*** this is the most fundamental of all purchasing and supply objectives. In a logistical sense, this is the key reason for the existence of the department.
 - ***Maintain adequate quality standards to produce the desired product of service:*** certain quality level is required for each material to produce the expected quality of product and provide efficient service to the company.
 - ***To buy wisely:*** buying wisely involves a continual search for a better valves that yield the best combo nation of quality, service, and price relative to the buyers needs. It involves coordinating with suppliers and users i.e. defining needs and reconciling users needs with suppliers capabilities.
 - ***To develop effective and reliable source of supply:*** The buyer responsibility is the identification investigation, selection and development of competent and responsive suppliers.
 - ***Maintain the firms competitive position :-***an organization is competitive only if it can control coast in order to perfect profit margins. Purchase coast are the largest single elements in the operation of many organizations. Purchasing department provides information a about product design and manufacturing methods in new product.
 - ***To achieve maximum integration with the other departments of the firm:*** it is essential for the buyers to understand the major needs of their using departments. So that these needs can be translated in to materials support actions. While these

actions vary from firm to firm, they normally require the purchasing and supply operation to support using department in its major responsibilities. The most common types of support involve actions such as developing material standardizing program (in coordination with no-going design program.)

➤ *Forecasting further prices and general business condition:* performing economic make-or-buy analysis, and data from suppliers regarding new materials, processes, and materials availability.

2.4 Basic Purchasing Principles

Purchasing principles to obtain the greatest value from each Birr the purchasing department spends to support the operation of the Organization by providing uninterrupted materials flow (Leenders,1989:24).

➤ **Right Quality**

The right quality is the suitability of an item for given purpose. The best quality need not be the right quality. For one job the best grade may be the right quality whereas for another job it may not be the right quality. does not be associated with high price. It simply refers to an item or material that fits for a given purpose is a quality material. Quality is usually described in terms of size, shape, color, thickness, materials from which an item is made, length, etc (Nair, 1990).

➤ **Right Quantity**

In the case of recurring items, the right quantity is the quantity that may be purchased at a time with the minimum total cost and which obviates shortage. If the quantity is large the price is generally lower but the inventory carrying cost goes up. In the case of special purchases, it is just the quantity required for carrying out the job (Nair, 1990).

➤ **Right source**

The right source means suppliers should possess the necessary financial resources, the organization to handle the commitments including procurement of raw materials which may be difficult to obtain and the technical ability (including inspection and quality control methods) to supply the required quantity of goods at a satisfactory price (Wasting, 1985).

➤ **Right price**

The right price is the one which brings the best ultimate value. It needs not be the lowest price. Price should be determined in combination with other factors such as quality, ultimate life, delivery time, after-sales service, etc. (Parson, 1982).

2.5 Basic purchasing Procedures

A procedure 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 (Doubler, David Burt, 1996). The procedures of procurement and the documents they utilize serve two fundamental purposes within a firm.

- They provide the framework and the direction for accomplishing the supply and materials management activities effectively and efficiently.
- They provide the means for processing information inputs from outside the departments to produce output communications needed in individuals and other departments to do their jobs in a coordinated and timely manner.

The purchasing management requires a wide range of standard procedures to deal with the normal daily tasks. The procedure involves a series of steps in acquiring products, services and equipments. Some of the procedures are discussed below (Donald Dabblers, Burt, 1996).

2.5.1 Recognition of needs

The need for purchase typically originates in one of the firms operating departments or on its inventory control section. The purchasing department is usually notified of the need by one of two basic methods: a standard purchase requisition or a material requirement planning (MRP) schedule.

Store requisition originates from the user department to recognize their need. concerned units will fill materials requisition form based on the organization policies and send to store to the materials are not in stock and when the materials are in re-order level the store fills a purchase requisition form and send to the purchasing department. The purchase requisition form and send to the purchasing department. The purchasing department manager should also urge requirements to be standard and enough to prevent an excessive number of rush orders to be placed.

2.5.2 Develop Detail specification

Specifications are the most detailed method of describing requirements. Developing proper specification important management task. When specification developed, the following considerations must be included(Nair, 1990).

- ✓ Design consideration of functions
- ✓ Marketing considerations of economical production
- ✓ Purchasing consideration of materials, availability, supplier capability and cost

To develop specifications that properly balance product quality characteristics and product cost, management must coordinate the firms technical and business skills during specification development the following approaches must be used (Dabblers Burt,1996:162-165).

- Early purchasing and supplier involvement
- The formal committee
- The informal approach
- The purchasing coordinator approach

2.5.3 Supplier selection and Evaluation

As soon as a need has been established and precisely described, the buyer begins an investigation of the market to identify potential sources of supply. In the case of routine items for which supplier relationships have already been developed, little additional investigation may be required to select a good source. After qualifying preliminary group of potential sources, the buyer may employ the techniques of competitive bidding or negotiation or both. When competitive bidding is used, the buyer initiates the procedure by requesting quotations from reasonable number of firm with whom willing to provide technological assistance do business. The one that provides specified quality of requirements quality (Nair, 1985).

- Delivers on time as promised
- Has acceptable price
- Reacts to unforeseen needs such as suddenly accelerated or decelerated volume of business
- Changes in specification service problems
- Take initiatives in suggestion better ways
- Cooperation with cost reduction program
- Warn ahead of time on material shortage due to strike, war etc.

Another important criteria for evaluation of supplied is the approval of samples. When the buyer wishes to be sure of the quality, suppliers should be requested to submit samples. The samples must be approved by the inspection department of the buyers firm or by the person indenting the material or by some other competent person.

The approved sample should be sent to the receiving section for comparison with bulk suppliers and the rejected ones should be returned to the suppliers. When respective purchase or periodical deliveries against a standing order are made Supplies should be checked to ensure there is no deterioration in quality (N.K.Nair, 1985).

2.5.4 Placing purchase order

- **Vender analysis**

The suppliers are evaluated on criteria set for evaluation. Since analysis of bids and selection matter of judgment, of suppliers are matter of judgment, it leads to placement of purchase order.

- **Contract on purchase**

After the selection, the suppliers are required to fulfill certain obligations on the supply of materials. The supplier also makes contracts or agreements with the organization. The purchase order consists of several copies based on its distribution in the company. In short, the order should include all data required to ensure a satisfactory contract and it should be ordered in manner which leaves little room for miss interpretation by either party.

- **Follow up and expediting**

After purchase orders have been made the purchases may not need to wait until the order items are delivered. The purchaser follows up in order to ensure that the

supplier will send the materials on or before the agreed delivery data or the purchaser expediter the supplier to send the materials before the agreed data on some circumstances.

When there is a reasonable chance that the supplier may not stay on schedule, important order with unethical delivery dated should receive 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 regardless of the specific system used.

2.5.5 Receiving and inspection

The next in traditional purchasing cycle is receipt and inspection of the order. When a supplier slips materials it includes in the shipping container a packing sheet which itemizes and describes the content of the shipment. The receiving clerk uses this packing slip in conjunction with his or her copy of the purchase order to verify that the correct materials have been received. After a shipment has been inspected for quality and for general conditions of the materials, the receiving clerk issues a receiving report.

2.5.6 Invoice audit and completion of the order

to ensure that the purchaser makes proper payment for the materials actually received, sound accounting practice dictates that some type of review procedure precede payment to the buyer typical procedure involves a simultaneous review of the purchase order, the receiving report, and the invoice .by checking the receiving report against the purchase order, the purchaser determines whether the quality and type of material order was in fact received. Then by comparing the invoice with the suppliers bill is priced correctly and that it covers the proper quality

of acceptable materials. Finally, by verifying the arithmetic accuracy of the invoice, the correctness of the total invoice figure is determined.

2.5.7 Record and close purchasing orders

The closed order file provides a historical record of all completed purchases. It frequently serves as useful reference when questions arise concerning past orders and when certain historical data are needed to guide future decisions. Closed orders usually are carried in the order status record for a certain period of time to allow adequate time to follow, reject or adjustment.

2.6 Negotiation practices in purchasing

Negotiation is the exchange of view, either verbal or written between the buyer and the prospective supplier over quality, late delivery, prices etc. in order to reach a conclusion satisfactory to both the parties (Nair, 1985:139). Nowadays, only standard items of small value are ordered on the lowest quotation received against tenders. When items of large value, items of recurring nature and specially fabricated equipment are involved prices are often negotiated.

Negotiation, generally, induces the supplier to effect a good reduction in prices. If not, it will at least enable the buyer to understand the reasons for the supplier inability to price reduction. But as already mentioned, efforts to bring price reduction through negotiation should center around high value items. Negotiation may take place before obtaining the quotation, after obtaining the quotation, when a repeat order is to be placed, when there is a price increase etc (Nair, 1985:140).

The purpose of negotiation before obtaining the quotation is to enable a prospective supplier to understand the buyer's specialized requirement. if the buyer

is in possession of cost data showing the raw material labor, etc, he will be in a better position to negotiate. However, at times it may be necessary to agree to a higher price for the initial supplies and price reduction may be obtained only at a later stage. The area of negotiation after obtaining the quotation lies in the case of standard parts in:-

- Reduction of price
- Higher discount on the basis of bulk quantity
- Reduction of packing charges
- Free delivery at buyers and instead of at suppliers end

Whether cash discount will be given in payment, can be made after 60-90 (Nair.1985).The author further notes that, when placing repeat orders, the points, which are generally put further for price reduction, are:-

- That the items are of a repetitive nature
- That the quantity involved is large (if that is so)
- That the entire order or major portion (as the case may be) is being given to the party concerned.

Price increase also often calls for negotiation. In the case of standard items, comparative quotation from other dealers will entail an idea whether the price increase demanded is justified or not, price increase cost or specially manufactured articles should be based on increases cost or raw materials or labor and any new taxes imposed by government. Public notification from appropriate authorities should be in evidence to support such increase. Often senior members of the management take part in the negotiation of high price and high off-take items. It is however, important that successful negotiation, the buyer or any other negotiation

on behalf of the purchase department should possess sound knowledge of the use of the materials and of their market conditions in the case of market commodities of the manufacturing techniques in the case of manufactured items.

2.6.1 The main objectives of negotiation are:-

- To obtain the quality specified
- To obtain fair and responsible
- To get the suppliers to perform the contract on time
- To exert some control over the manner in which the contract is performed
- To persuade the supplier (Wile, 1954).

2.7 Purchasing Ethics

Ethics can be defined as the basic principles of correct behavior, with reference to a specific person, profession or activity (Thomas, 1984). In this study the person, the profession and the activity will be represented by the purchaser, the purchasing profession and the purchasing function. According to Dabblers and Burt (1996), studies have shown that the behavior of the purchasing department in ethical issues has a major effect on the behavior of the rest of the company in similar situations. It is therefore essential to ensure ethical behavior from the purchasing department. The authors state that the best way to insure this is through the development and enforcement of a relevant ethics policy and through continuous training and education.

Ethics are the sets of moral principles of values guiding our behavior. In business setting, ethical behavior is the use of recognized social principles involving justice and fairness throughout business relations in interacting with

suppliers. Being ethical means, following a code viewed as fair by those within the profession as well as the community (Trent and Hadfield, 2005).

2.7.1 Ethical behavior Rules

According to Trent. Hadfield(2005),Ethical behavior rules can be understood as three categories

1. Buyer must commit her/his attention and energies for the organization's benefits rather than personal enrichment at the expense of organization (Ethical buyer do not accept outside gifts or favors that violate the firm's ethical policy).
2. Buyer must act ethically toward suppliers and treating each suppliers professional with respect.
3. Buyer must uphold ethical standards set forth by his/her profession.

2.7.2 Unethical Behavior Risks.

- The buyer legally penalized as defend by the law
- Unethical behavior also presents personal risks to buyers professional reputation.
- Un ethical behavior is the risk to the firm's reputation

2.7.3 Types of Unethical purchasing Behavior.

According to Monczka. Trent. Hadfield (2005), unethical behaviors during purchasing practices are:-

1. **Reciprocity**:-this action involves giving professional treatment to supplier. This refers to purchasing arrangement that detects, "I will buy from you if you buy from me".

2. **Personal Buying**:-this occurs when purchasing department purchases material for personal need of its employees.

3. **Accepting supplies favors**:-this behavior occurs when buyer accept gifts and favor from supplier. This will affect buyers judgment to evaluate and select the most capable suppliers.

4. **Sharp practices**:-misrepresentation by buyer that falls just short of actual fraud. This practices occur whenever buyer “plays game” with suppliers and operates in an underhanded manner.

5. **Conflicts of Interest**:-Awarding purchase contract to a company in which buyer has significant personal financial interest. Ethical training must be given before the actual performance begins.

2.7.4 Professional code of Ethics

According to Monza. Trent .Hadfield(2005), the following professional code of ethics behavior must be considered.

1. Consider, first, the interest of your company in all transaction and believe established policies.

2. Be receptive to competent counsel from your colleagues

3. Buy with out prejudice

4. Strive consistently for knowledge

5. Subscribe to and work for honesty and truth in buying and selling and denounce all forms and manifestation of commercial bribery.

6. Accord a promote and courteous reception

7. Respect your obligations

8. Avoid sharp practices

9. Counsel on flow purchasing managers.

2.7.5 Supporting Ethical Behavior

According to Monza. Trent, Hadfield (2005),the firms must take enhance the ethical behavior of their purchasing personals through:-

1. **Developing statement of ethics**:-The firms must establish formal ethical policy to deter unethical purchasing behavior.

2. **Top management commitment**:- Management must set clearly defined ethical code of behavior within a firm.

3. **Closer Buyers-seller relationships**:-Firms must use team approach buying to evaluate and select potential suppliers. This can limits the opportunity for unethical behavior.

4. **Ethical training**:-for new buyer purchasing ethics training must be given before the actual performance begin.

5. Develop Consistent behavior:-standards must be establish

in consistent manner for all department within the same firm.

6. Preventive measures:-Firms must develop preventive.

2.8 EMPERICAL REVIEW

This section presents the assessment of research papers written in purchasing area. All the three papers were selected because of their similarity with the study in the assessment of the purchasing practices of the Bureau. All the researchers tried to find out the gaps which exist in the purchasing practices that hinder the effectiveness of its procedures with the common objective of examining the steps involved in the purchasing process and make feasible recommendations and improve the purchasing practice and Procedure.

2.8.1 Evaluating the purchasing procedure in Ethiopian Grain Trade Enterprise (Biruk, 2006)

This is a senior essay by Biruk Assefa presented to Addis Ababa University college of Commerce procurement and supplies management department.

The paper discusses the problems hindering the efficient purchasing practice in the organization. The main problems in the enterprise were poor quality of grain purchases because of suppliers deceiving purchasers, continuous price fluctuations, unclear purchasing procedures and incompetent purchasing staff. The paper presents a general research objective analyzing the purchasing procedures and understanding the relationship between purchasing and other units of the organization. The research findings show that the poor quality of grain is attributable to the fact that no technical specifications are given to purchasers and disloyal act of suppliers. The paper discusses unreliable suppliers are causes of inefficient purchasing since the enterprise has no permanent source of supply. Further the problem of unclear purchasing procedure is mentioned as a research finding. Thus developing a clear purchasing procedure is recommended for speedy purchasing process. Also development of specification for purchases and training the purchasers on the application of specification is recommended. Although the problem of unreliable and disloyal suppliers is presented as the critical problem possible ways of solving this problem are not suggested.

2.8.2 Purchasing Practice problems in Addis Modjo Edible Oil Factory (Tewodros, 2006)

A senior essay prepared by Tewodros Walelgne presented to Addis Ababa University College of Commerce procurement and Supplies management department. The paper presents a list of problems which badly influence the company's purchasing performance. The major challenges are continuous price fluctuations in the supply market, shortage of raw materials, poor quality purchases, delayed purchases and unreliable suppliers. To address the above stated problems the researcher developed research objectives, which are analyzing the effects of purchasing on organizational performance and its process and learn about source of supply. The research findings shows that the absence of permanent suppliers is related to unreliable source of supply, which is bringing poor quality purchases, the existence of weak relationship between purchasing and other departments together with unskilled purchasing staff is delaying the purchasing process, the least price selection criteria the company is currently using are bringing poor quality materials. Based on the analysis made the paper recommends solutions assumed to improve the challenges. The researcher proposes further research on the area to come up with viable solutions. Besides this, employing skilled manpower, and establishing permanent source of supply are recommended.

2.8.3 Purchasing management in Commercial printing enterprise (Getachew, 2006)

Research paper prepared by Getachew Zeleke and presented to Addis Ababa University College of Commerce purchasing department. The discussion of the research problems states the occurrence of poor quality and delayed purchases critical hindrances on the effective purchasing performance. Further the minimum weight given by management for the function expedites the problem. The research

objectives include analyzing the purchasing procedure, exploring management support and organizational structure and identifying the effects of organizational structure on purchasing performance. Additionally learning how purchases are being accelerated and finding out about the purchasing plan of the organization are mentioned as research objectives. The paper details a number of findings, which explain the reason behind the critical problems. This includes that there is no sound and strong relationship with suppliers, purchases are not properly planned, implemented and expedited, the absence of clear specification of items. Feasible recommendations were given by the researchers to improve the purchasing performance. Consequently the need for improved and strong relationship with suppliers is suggested. Besides this, the management is suggested to have effective plan and follow up system for purchasing. Further the paper proposes that the order processing system should be revised to meet current purchasing needs. Even though the findings show wrong purchases resulted from lack of clear specifications, the paper didn't propose on the importance of having specifications

2.9 Conceptual Framework

Many factors affecting the performance of purchase an effective purchasing performance is the combination of a good skilled purchasing personal and organization settings. The frame work of this study give more emphasis for the following factors that influence purchasing practices in any organizations.

2.9.1 Purchasing procedure

After policy has been formulated to guide purchasing department action towards basic company objectives, operational purchasing procedures must be developed to implement the policy. Purchasing procedures are operating instructions (reference

guide) for purchasing personnel how to accomplish different activities of assignments. For purchasing department and staff members, purchasing procedure manual provide clarification and consistency and order by documenting the steps and activities required to perform different tasks. Well documented purchasing procedures support efficient operations which is more extensive and detailed. In order to accomplish their Objectives, profit of nonprofit oriented organizations primarily give emphasis to on the development of a concise, accurate and complete set of operational instructions. If purchasing procedures specifies many steps or present unnecessary details, it will be ineffective and organization performance distorted. Many organizations have found that the traditional procedure for developing new products does not support cooperation between purchasing department and others. To achieve the maximum objectives of the organization, the existing procedures are being replaced by streamlined procedures that encourage timeliness and responsiveness. As with the policy, organizations must review and evaluate their purchasing procedures to make sure that they timely and accurate that they are contribute to rather than hinder performance .Without implicating well formulated purchasing procedures, organizations will not achieve their maximum achievements.

2.9.2 Purchasing performance evaluation and measurement

Purchasing performance evaluation and measurement represents formal systematic approach to monitor and evaluate the performance by setting standards to improve the quality of services and products for in internal and external customers. Modern purchasing performance measurement and evaluation system based on the effectiveness and efficiency in terms of cost, quality, price, delivery time and other related issues of purchasing performance. Purchasing performance measurement

and evaluating directly support decision making process, better communication b/n departments, provide feedback insights how well an organization is meeting its objective performance over time. In order to measure purchasing performance all organizations (government and non government) should set performance standards that can meet the attainment objectives of purchasing cost effectiveness, deliver time, quality requirement without measurement and evaluation future performance improvement will be very difficult(Nair, 1985).

2.9.3 Purchasing personnel Training

Trading is the act of improving or updating the knowledge and skills of employees to understand their responsibility and accountability in performing particular job. Purchasing department expecting to play vital role in the organization's cost reduction aspects. Therefore, additional skills have to be imparted to prepare an executive to react effectively to changes. Continuous training and workshops can be prepared for purchasing department staffs to function effectively with in the changing world and the organization that enable to handle any challenges. A firm must train its purchasing personnel in order to achieve its objectives of cost reduction relation to purchasing. Without continuous training personnel, purchasing cost reduction strategies will not meet and inadequate performance resulted and decline of profits.

2.9.4 Purchasing behavior Ethics

In the business setting, ethical behavior is the use of recognized social principles involving justice and fairness throughout business relationship. When purchasing personnel interacting with suppliers, treats them in adjust, decent, fair, honest and fitting manner. Being ethical means following a code viewed as fair by those with

in the profession as well as the community. To have such ethical purchasing personnel guided by principles of loyal to organizations faith in the purchasing profession, organizations should develop continuous training policy and develop a statement of ethics that defines the boundaries of ethical behavior. Therefore, without formal ethical policies more likely to make discounted purchases for their employees, questionable practices in some state and preventive measure impossible(Monza. Trent .Hadfield,2005).

2.9.5 Material specification

Specification is detailed descriptions of materials that tell the seller exactly what quality, standards and type the buyer wants to purchase. Unnecessarily tight to tolerances results in needlessly high material Purchase specification directly affects the quality and performance of item purchased and the price paid cost. When purchasing specifications are clear, precise and communicated between seller and buyer reasonable price will be paid, right quality purchased, unnecessary cost will reduced and purchase profit increased. Therefore, to purchase the right quality at fair price organizations should develop detailed material specification clearly and precisely(Nair, 1990).

CHAPTER THREE

Research Design and methodology

This chapter covers methods of the study and also deals with data collection covers how primary and secondary data is collected. The chapter also details the approach used and designing of survey questionnaires and interview questions used by the researcher to collect the primary data.

3.1 The study design

A research design is a blue print that deals with what question to study, what data are relevant, what data to collect and how to analyzed the result yin(1994;cited by Ravi 2010). This study used descriptive research design that is approached by survey method using questionnaire and interview to assess procurement practice of Addis Ababa Road and Transport Bureau. The finding and conclusion of the study depends on the fully utilization of statistical data collection and analysis

3.1.1 Data gathering tools

In this research primary data/interviews, observation and questionnaire/were employed as the data gathering tools which were more appropriate for descriptive type.

3.1.2 Sources of Data

1. **Primary data**:-which included questionnaire and interviews. The questionnaire contains both close and opens ended and distributed to all employees selected as sample of the study. In addition to questionnaire, face to face interview conducted

with two top Management members and two senior members of purchasing department.

2. **Secondary data:-** In this source the data collected from the bureau's purchasing Manual, previous records of the bureau and researches conducted before related to this study.

3.1.3 Sampling techniques

Purposive sampling techniques for purchasing , Accounting and Human Resource departments and random sampling technique for users departments were applied to conduct the researches which ensure that every member of the population has equal chance of being selected.

3.1.4 Population and Sampling size

The size of the sample for the study was determined to be 80 respondents. All 50 employees from purchasing , accounting and Human resources departments and 30 employees from users department who are working in the different department under the bureau.

3.2. Data presentation method

The study used both qualitative and quantitative data analysis approaches. The analysis completely done on the basis of data and information collected from 80 respondents through questionnaires. Tabulation methods, frequency distribution and description of facts used the mean and standard deviation were used to verify results and arrive at certain conclusions. A mean of 3 was used as cut-off point decision making for each item on the instrument. Any item with a mean of 3 and above was considered adequate and hence enhances the level of respondents. Any

item with a mean of less than 3 was considered inadequate. Statistical analysis is the techniques that are used in the study to analyze and interpret the data.

For the data collected through questionnaire the study give some insight about practice of purchase. The data analysis technique that mainly followed or used in this study is the method of descriptive analysis applying SPSS software program because the above mentioned objectives will better be achieved using this technique.

3.3 Reliability

➤ 0.85 For 37 items (Purchasing and accounting and Human resource) department.

➤ 0.75 For users department for 25 items.

3.4 Ethical Issues Consideration.

All respondents who were participated in this study provided with all the relevant information about the purpose of the study benefits to the researcher and as did not misbehave the behavioral norms established by the Bureau .In addition to this findings were reported in a complete and honesty manner, without misrepresenting the real information.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1. Demographic Characteristics of respondents

The data is collected from two different sub-groups which are incorporated in one organization; the first group involves purchasing and HRM department and the second groups were other supportive departments who work in collaboration with purchasing department.

4.1.1 Sex of Respondents

Table 4.1 Sex of respondents

Sex	Sample Group One		Sample Group Two		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
valid male	31	62	18	60	49	61.25
Female	19	38	12	40	31	38.75
Total	50	100	30	100	80	100

Source: own computation

On the first group of respondents 31(62%) were male and 19 (45.5%) were female respondents; on the other groups 18 (60%) of them were male and the rest 12 (40%) are females. Apart from this, out of the total sample respondents 61.25% them are male and the rest 38.75% are female respondents.

4.1.2 Age category of Respondents

Table 4.2 age category of Respondents

Age	Sample Group One		Sample Group Two		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Valid Percent
26 – 35	28	56.0	6	20	34	42.5
36-45	18	36.0	24	80	42	52.5
46-55	4	8.0	-	-	4	5
Total	50	100	30	100	80	100

Source: own computation

In the first group in which the data were collected from purchasing and HRM department, majority (56%) of the respondent fall in the age group of 26 to 35; whereas for group two the majority (80%) of respondents were between in the age range of 36 – 45. The rest 18% and 4% of the first group were fall in the age group of 36-45 and above 45 years of age respectively. Apparently, for group two the rest 20% were in the age range of 26 to 35. Taking together the two groups or considering the whole sample together 52.5% of the sample respondents are between 36 to 45 years of age and the rest 42.5% and 5% of the respondents were grouped in 26 to 35 and above 45 years of age respectively.

4.1.3 Marital status of respondents

Table 4.3 Marital status of respondents

Marital Status	Group one		Group two		Total	
	Frequency	Percent	Frequency	Percent	Percent	Cum Percent
Single	28	56	13	43.3	41	51.25
Married	22	44	17	56.7	39	48.75
Total	50	100	30	100	80	100

Source: own computation

41 (51.25%) of the total samples were single and the rest 48.87% were married. From this the first group contains 56% single and 44% married; and in group two 43.3% of the respondents were single and 39% of them were married.

4.1.4 Educational background of respondents

Table 4.4 Educational background of respondents

Education	Group one		Group two		Total	
	Frequency	Percent	Frequency	Percent	Total	Cum Percent
Valid Diploma	8	16	12	40	20	25
Degree	38	76	18	60	56	70
Masters	4	8	0	0	4	5
Total	50	100	30	100	80	100

70% of the respondents were first degree holder; 25% and 5% of the respondents were diploma and master's degree holder respectively. In terms of group, in the first group 76% of the respondents were first degree holder and 16% of them are diploma holders; the rest 8% were master's degree holders. In the second group 60% of them are first degree holder and the rest 40% are diploma holder.

4.1.5 Work experience of respondents

Table 4.5 Respondents Work Experience

Experience In years	Group one		Group two		Total	
	Frequency	Percent	Frequency	Percent	Total	Cumulative Percent
0-10	4	8	--	--	4	5
11-20	30	60	12	40	42	52.5
21-30	11	22	17	56.7	28	35
31-40	5	10	1	3.3	6	7.5
Total	50	100	30	100	80	100

Source: own computation

With regard to working experience 52.5% of the respondents had 11-20 years of working experience, 35% of them had 21-30 years of experience, the rest 7.5% and 5% of the respondents had a working experience of 31-40 and 0-10 years respectively. In terms of group, in the first group which was considered purchasing and HR department as a sample, majority (60%) of the respondents had experience of 11to 20 years, the next is 21-30 years experiences which accounts 22% of respondents; the other 5% & 4% of the respondents had 31-40 and 0-10 years of

experience respectively. In the second group which incorporates departments other than purchasing and HR which had direct relationship with purchasing department, 56.7% of their sample had experience of 21-30 years, 40% had 11-20 years and 3.3% had 31-40 years of experiences.

4.2 Descriptive statistical analysis of purchasing and Human Resource Departments Respondents

4.2.1 Purchasing Ethical consideration

Table 4.6 Purchasing Ethics Consideration

No	Description	SD%	D%	N%	A%	SA%	Mean	Std. devn
1	The Bureau Provide ethics training regularly for purchasing staffs and new employees	62	10	4	16	8	1.98	1.436
2	Purchasing staffs follow professional code of ethics (loyalty, justice, faith)	6	42	14	28	10	2.94	1.168
3	The Bureau developed statement of formal ethics policy help define unethical purchasing behavior	60	8	8	22	2	1.98	1.332

4	Unethical behavior prevention mechanisms are well organized and stated clearly us of the Bureau objectives	50	8	2	32	8	2.4	1.552
5	There is enforcement of relevant ethics policy to ensure ethical behavior from purchasing department.	58	4	10	18	10	2.18	1.521
6	More emphasis given for ethical behavior when purchasing staffs assigned as responsible	38	26	8	18	10	2.36	1.411
7	Purchasing staffs assigned based on their profession they have and their field of study.	18	50	8	14	10	2.48	1.233
	Total	41.78	21.14	7.71	21.14	8.23	2.33	

Source: own computation

The table 4.6 depicts the ethical consideration of the organization; this mean what is the feeling and observation of respondents with regard to ethical things in purchasing practices. For this, seven measurement instruments (questions) were established and used. Accordingly, the bureau doesn't provide regular trainings for its staffs concerning purchasing ethics, and this is confirmed by 72% of the respondents; on the other end 24% of the respondents agreed for that the bureau

provides ethical trainings for its staffs. Approximately, 48% of the sampled works doesn't agree that purchasing staffs follow professional code of ethics such as loyalty, justice and faith; conversely, 38% of the workers agreed that the purchasing staff follow professional code of ethics. In addition, the workers comment the bureau should identify the gap between their performance and their defect in their day today activities, and then give proper and consistent ethical concern training that fulfill their gap; likewise, it should provide training to develop sense of belongingness on public resource and maintain code of ethics, apparently, they insight the salary paid should be competitive and clear rules and regulation have to be existed; and also this ethical issue should get more time and focus.

Furthermore, 68% and 58% of the workers reported that the bureau didn't have formal stated ethical policy as well as unethical behavior prevention mechanism; on average 24% and 40% agreed that the bureau had stated policy and unethical prevention mechanism respectively. The worker also justify some of the reasons why the organization had no stated policy such as lack of required professionals (only 10% to 15% of the human power are professionals), top managements were not ruled by the purchasing policy, it didn't get much concern, and the bureau did not worry about ethical statement; Moreover, they suggest it would better to have such policy.

Although, almost 62% of the respondents disagreed that there is enforcement of relevant ethical policy which would ensure ethical behavior of purchasing department; with regard to this 28% of them agreed that the enforcement is there. As purchasing is critical issue for any organization more emphasis should be given, accordingly, 64% didn't agree more emphasis was given for ethical behavior when purchasing staffs were assigned in the organization; 28% conversely agreed that

ethical behavior got high emphasis. The respondents also justify why purchasing relates didn't get much emphasis such as lack of training, corruption, top managements are engaged in other activities, top management positions are not occupied by qualified individuals, and the recruitment process is not on the basis of merit and education it is political allocation. Moreover, respondents were also asked whether purchasing staffs were assigned on the right qualification, unfortunately 68% of the respondent confirms that purchasing staffs were not assigned based on their profession and field of study; while 24% of them agreed that the right qualified individuals were assigned.

As summary table 8 boons purchasing ethical considerations of the office; the mean score of this variable is 2.33. There were 7 items (questions) under this variable; the question "Purchasing staffs follow professional code of ethics such as loyalty, justice and faith" has the highest mean score of 2.94. The minimum score for this question is 1 i.e. "Strongly Disagree" and maximum score is 5 i.e. "Strongly Agree. The questions both "The Bureau developed statement of formal ethics policy help define unethical purchasing behavior " and "The Bureau Provide ethics training regularly for purchasing staffs and new employees" has the lowest mean score of 1.98. Here, in the above table the mean score of overall purchasing ethical consideration aspects is near to 2 i.e. 2.33. So, we can conclude that purchasing ethical aspects lie on "disagrees level"

4.2.2 Purchasing performance evaluation and measurement

Table 4.7 Purchasing performance evaluation and measurement

No	Description	SD%	D%	N%	A%	SA%	Mean	Std. devn
1	The Bureau developed Purchasing performance evaluation and measurement standards(system)	8	54	--	26	12	2.8	1.262
2	Performance measurement and evaluation training available for purchasing staffs according to policy and technological changes	54	18	8	12	8	2.02	1.363
3	Purchasing effectiveness measured in terms of Cost, Time quality in every budget period	4	46	16	24	10	2.90	1.129
4	Top management use purchasing performance	44	8	14	30	4	2.42	1.416

	measurement and evaluation support for better decision for future improvement							
5	Administrative cost efficiency measured according to budget assigned for physical period.	4	6	8	4	8	3.76	0.847
6	Supplier performance measurement statements are defined clearly within the Bureau's manual.	8	56	10	20	6	2.60	1.088
7	Purchasing performance is measured according to mutual agreement of objectives	4	40	12	38	6	3.02	1.097
8	Performance evaluation criteria used in the Bureau for fair and capable of true measurement	18	44	6	22	10	2.62	1.292
	Total	18	34	9.25	30.7	8	2.76	

Source: own computation

Table 4.7 presents the perception of the respondents in term of purchasing performance evaluation and measurement. 62% of the respondents confirm that the bureau didn't have purchasing performance evaluation and measurement standards (system). Likewise, more than 71% of the respondents argue that the office had not performance measurement and evaluation training for purchasing staffs. Moreover, 52% of the respondents reported that top management didn't use purchasing performance measurement and evaluation support in order to make better decision; conversely, on average 34% of them responded that the top managements use purchasing performance measurement evaluation support.

Furthermore, 82% of the respondents agreed that the administrative cost efficiency was measured according to the budget assigned for the physical period; although, 44% of respondents agreed that purchasing performance was measured according to mutual agreement of objectives, on average the same (44%) amounts of respondents confirmed that purchasing performance was not measured based on mutual agreement. Apparently, 62% of them said performance evaluation criteria were not used for fair and capable of true measurement.

There were 8 items (questions) under purchasing performance evaluation and measurement aspects (table 7); and its grand mean score was 2.76. Out of 8 questions "Administrative cost efficiency measured according to budget assigned for physical period" and "Purchasing performance is measured according to mutual agreement of objectives" scored the highest with the mean of 3.76 and 3.02. For "the administrative cost efficiency" respondent's maximum score was 5 i.e. "Strongly disagree" and lowest score was 1 i.e. "Strongly agree". The items which scored the lowest were "Performance measurement and evaluation training available for purchasing staffs according to policy and technological changes" and "Top management use purchasing performance measurement and evaluation

support for better decision for future improvement” with the mean score of 2.02 and 2.42. Both of the questions in the Likert scale got the highest score “5” and lowest score “1”. But looking at the above table we can conclude all the questions mean score are slightly below 3 which means, it is below the neutral

4.2.3 Detail Purchasing specification

Table 4.8 Purchasing specification

N0	Description	SD%	D%	N%	A%	SA%	Mean	Std. dev
1	The Bureau has well developed procurement manual that incorporate specifications of item initial	16	42	12	26	4	2.60	1.16
2	Specification developed by the Bureau satisfy the requirement of materials	4	10	12	70	4	3.60	.881
3	Specification developed by various units of the Bureau address clear ,concise and unambiguous communication with purchasing department	18	46	8	24	4	2.50	.165
4	Specifications specify performance characters of	46	14	6	24	10	2.38	1.510

	desired items such as quality of products, serviceability, commercial standards, durability and features.							
5	The bureau applied different approaches (formal committee, in formal approach, purchase coordinator approach) during material specification development.	50	6	14	24	6	2.30	1.44 6
6	During detail specification development material availability, supplier capacity, design, market consideration taken in to account.	14	48	6	26	6	2.62	1.19 3
7	Specification considered as initial document in the purchasing department.	--	4	4	34	58	4.46	.762
8	The staff members of purchasing department have Enough knowledge	14	52	10	4	0	2.54	1.2

	how to develop material require mints							
	Total	20.25	27.7	9	30.2	2.75	2.875	

Source: own computation

Table 4.8 presents the insight of the respondents with regard to purchasing specification implemented in the organization. Accordingly, 58% of the respondents conclude that the bureau had not well developed procurement manual that incorporate specifications of items; also considerable (30%) amounts of respondents agreed that the bureau had well developed procurement manual. Also 64% of the respondents disagreed no that the specification developed by various units of the bureau address clear and concise communication with purchasing department. Moreover, 74% of respondents agreed that the specification developed by the bureau fulfilled the requirements of materials. 56% of sampled workers responded that during material specification development the bureau didn't apply different approaches (formal committee, in formal approach, purchase coordinator approach, etc.); conversely, 30% of them agreed that the office applied different approaches for material specification and development. In addition, 62% reported that during specification development material availability, supplier capacity, design, market considerations were not taken in to account. Furthermore, 92% confirmed that in purchasing department specification considered as initial document.

In general, table 4.8 presents the perception of the respondents towards the purchasing specification of the organization. This measurement variable gains a

mean score of 2.875. So, the mean score of purchasing specification is above neutral. There were 8 items that asked about purchasing specification; among 8 items “Specification considered as initial document in the purchasing department” score the highest. The mean score was 4.46. The maximum score was 5 i.e. “Here, in the above table the mean score of overall purchasing specification is near to 3 i.e. 2.875. So, we can conclude that purchasing specification aspects lie on “Neutral level”. Strongly Agree” and minimum score was 1 i.e. “Strongly Disagree”. Items like “The bureau applied different approaches during material specification development” and “Specifications specify performance characters of desired items such as quality of products, serviceability, commercial standards, durability and features” got lowest mean score of 2.3 & 2.38.

4.2.4 Purchasing Procedures and principles

Table 4.9 Purchasing Procedures and principles

No	Description	SD%	D%	N%	A%	SA%	Mean	Std.v
1	The Bureau give more consideration for basic purchasing principles(right quality, quantity, sources prices and time)during material purchasing	2	48	4	30	16	3.10	1.23
2	During Purchasing the basic operating procedures (need recognition, develop specification, approved by assigned person, supplier	40	6	4	34	16	2.80	1.63

	selection, supplier evaluation, placing order, contract follow up order inspect and receiving) are followed.							
3	Purchasing manual of the Bureau encompasses basic document policy, principles, procedures, Decision, practically applicable during purchasing process.	2	46	10	30	12	3.04	1.160
4	All the five right principles equally treated during purchasing performance.	16	46	14	10	14	2.60	1.278
5	All purchasing manual (Principles, procedures, policies) understood by the purchasing department and top management level-	58	4	10	18	10	2.18	1.521
6	Well organized purchasing manual is available that clearly define each unit responsibilities	54	10	6	22	8	2.20	1.48
	Total.	28.67	26.6	8	24	12.6	2.65	

The above table discussed about the purchasing procedures and principles followed by the organization; having this, 46% agreed that the bureau give more consideration for basic purchasing principles such as right quality, quantity, sources prices and time during material purchasing; in contrast, around 50% disagree on this issue. In addition, 50% agreed that during purchasing the basic operating procedures such as need recognition, develop specification, supplier selection and evaluation, were followed; conversely, on average 46% reported basic operating procedures were not followed while material purchasing takes place. With regard to understanding of purchasing manual, 62% confirmed that all purchasing manual (Principles, procedures, policies) were not properly understood by the purchasing department and top management level; whereas 28% responded the purchasing manuals were well understood by the staffs including purchasers and top managers. Moreover, 64% reported a well-organized purchasing manual were not available that clearly define each units responsibility.

In summary, the grand mean score of purchasing procedures and principles was 2.65. 6 items (questions) were employed under this sub issue. Out of 6 questions “The bureau give more consideration for basic purchasing principles such as right quality, quantity, sources prices and time during material purchasing” and “Purchasing manual of the bureau encompasses basic document policy, principles, procedures and decisions practically applicable during purchasing process” scored the highest with the mean of 3.10 and 3.04. For both items respondent’s maximum score was 5 i.e. “Strongly disagree” and lowest score was 1 i.e. “Strongly Agree”. The items which were scored the lowest were “Well organized purchasing manual is available that clearly define each unit responsibilities” with the mean score of 2.20. Looking at the mean we can conclude all the questions mean score are slightly below 3 which means, it is below the neutral.

4.2.5 Purchasing personnel Training

Table 4.10 Purchasing personnel Training

No.	Description	SD%	D%	N%	A%	SA%	Mean	Std
1	The Bureau provides regular training for purchasing staffs that helps to improve and upgrade their skill and talent.	58	16	12	8	6	1.88	1.25 6
2	Sufficient training on purchasing policy, procedure and measurement given on time.	58	10	8	20	4	2.02	1.36 3
3	Training opportunity is treated equally as of other units for purchasing staff members.	2	50	16	28	4	2.82	1
	Total	39.34	25.34	12	18.67	4.67	2.24	

Source: own computation

Table 4.10 discusses about trainings which is delivered for purchasers or purchasing staffs; with regard to this, 74% responded that the bureau did not provides regular trainings for purchasing staffs that helps to improve and upgrade their skill and talent. Seemingly, 68% of the respondents disagree on that sufficient training on purchasing policy and procedures were given on time. Moreover, 52% refuses that training opportunity is treated equally as of other units for purchasing staff members, in reverse, 32% replied the purchasing staffs treated equally as of

other units and departments. Furthermore, table 10 elaborates the grand mean score of purchasing personnel training was 2.24. Totally 3 items (questions) were used under this variable. The question “Training opportunity is treated equally as of other units for purchasing staff members” has the highest mean score of 2.82. The minimum score for this question is 1 i.e. “Strongly Disagree” and maximum is 5 i.e. “Strongly Agree. The question “The Bureau provides regular training for purchasing staffs that helps to improve and upgrade their skill and talent” has the lowest mean score of 1.88. In conclusion as observed in the above table the mean score of overall purchasing personnel training is near to 2 i.e. 2.24. From these it is possible to conclude that purchasing personnel training aspects lie on “Disagree levels”.

4.2.6 User departments perception towards purchasing practice

User departments are those departments who had direct contact and relation; and also work in collaboration with purchasing departments. Here 30 respondents have been taken as a sample in order to measure their perception towards the purchasing practice of the office.

Table 4.11 perception of user departments

No	Description	SD %	D%	N%	A%	SA%	Mean	Stdv
1	Purchasing department regularly conducts users need survey to update their needs with market sources	100	--	--	--	--	1	0
2	The Bureau Provides ethical	80	--		20	--	1.60	1.22

	training regularly for purchasing staffs and new employees							
3	purchasing department seriously follow purchasing procedures during purchasing process	--	--	6.7	73.3	20	4.13	0.57
4	Purchasing staffs follow professional code of ethics (loyalty, justice, faith)	23.3		6.7	46.7	23.3	3.47	1.48
5	purchasing unit staff have Enough knowledge how to develop material require description	100	--	--	--	--	1	
6	More emphasis given for ethical behavior when purchasing staffs assigned as responsible	80	-	-	20	--	1.60	1.22
7	users can obtain the product they need of time	100	--	--	--	--	1	0.00
8	Performance measurement and evaluation training available for purchasing staffs according to policy and technological changes	63.3	16.7	--	20	--	1.77	1.19
9	purchasing department follows the principles of purchasing while purchasing	--	3.3	--	60	36.7	4.30	0.65
10	Top management use purchasing performance measurement and	20	16.7	6.7	53.3 3	3.3	3.03	1.3

	evaluation support for better decision for future improvement							
11	products purchase for different purpose based of the requirements of users in terms of quality, quantity, an serviceability	100	--	--	--	--	1	0.00 0
12	Purchasing department seriously interpreted procedures, polices and principles practically in to tangible	80	3.3	--	--	16.7	1.70	1.51 2
13	The bureau applied different approaches (formal committee, in formal approach, purchase coordinator approach)during material specification development	100	--	-	--	--	1	.000
14	the department has strong relation with top management of the bureau	53.3	26.	--	20	--	1.87	1.16 7
15	the staff members of purchasing department have enough knowledge how to develop material requirements	96.7	--	--	3.3	--	1.10	0.54 8
16	the department invite users department during material	23.3	--	3.3	53.3	20	3.47	1.46

	specification development							
17	The Bureau give more consideration for basic purchasing principles (right quality, quantity, sources prices and time)during material purchasing	43.3	--	3.3	23.3	30	2.97	1.81
18	Purchasing manual of the Bureau encompasses basic document policy, principles, procedures, Decision, practically applicable during purchasing process	--	--	3.3	46.7	50	4.47	0.57
19	The Bureau provides regular training for purchasing staffs that helps to improve and upgrade their skill and talent	96.7	--	-	--	3.3	1.13	0.73
	Total	60.9	3.69	1.6	23.2	10.7	2.19	

Source: own computation

As it has been mentioned on the first paragraph the aim of this sub-topic is to elucidate the perception of other departments towards purchasing activities of the office. For the purpose of measuring this 19 items (questions) were employed. Accordingly, 100% and 80% of the responds disagree on that purchasing department regularly conduct users need survey and the bureau Provide ethics training regularly for purchasing staffs and new employees respectively. Moreover,

more than 90% agreed that purchasing department seriously follow purchasing procedures during purchasing process; apparently, 70% agreed on that purchasing staffs follow professional code of ethics such as loyalty, justice and faith.

Concerning the knowledge of purchasing staff 100% of respondents conclude that purchasing unit staff did not have enough knowledge how to develop material require description; Moreover, 80% & 100% of the respondents reported that the necessary emphasis were not given for ethical behavior when purchasing staffs assigned as responsible and users of the purchasing department did not obtain the product they need on time. More than 56% agree that the top management use purchasing performance measurement and evaluation support for better decision for future improvement; conversely considerable (36.7%) amount of respondents disagree on that the top management used purchasing performance measurement. Furthermore, all of the respondents confirmed that every material which is purchased for different purpose was not based on the requirements of the users and also it is not with the right quality, quantity and serviceability. Likewise, more than 99% of them reported that the bureau didn't apply different approaches such as formal committee, in formal approach and purchase coordinator approach during material specification development. With regard to purchasing manuals 96% agreed that Purchasing manual of the Bureau encompasses basic document policy, principles, procedures, and Decisions which practically applicable during purchasing process. Moreover, 43% confirmed basic purchasing principle didn't take in to consideration such as right quality, quantity prices and time during material purchasing; apparently, more than 96% disagree the bureau provides regular training for purchasing staffs. Furthermore, table 4. 11 elaborates the perception of user departments toward purchasing practice of the office. Totally 19 items (questions) were used to measure their perception. The question "Purchasing

manual of the Bureau encompasses basic document policy, principles, procedures, Decision, practically applicable during purchasing process” and “purchasing department follows the principles of purchasing while purchasing ” has the highest mean score of 4.47 and 4.30 respectively. The minimum score for this question is 1 i.e. “Strongly Disagree” and maximum is 5 i.e. “Strongly Agree. The minimum mean score is 1 which is scored by five questions “The bureau applied different approaches (formal committee, in formal approach, purchase coordinator approach) during material specification development”, “Purchasing unit staff have enough knowledge how to develop material require description”, “Users can obtain the product they need of time”, “Products purchase for different purpose based of the requirements of users in terms of quality, quantity, and serviceability ” and “Purchasing department regularly conduct users need survey to update their needs with market sources” . In conclusion as observed in the above the overall mean score is near to 2 i.e. 2.19. From these it is possible to conclude this aspects lie on “Disagree level.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATION

From the research findings and literature reviewed, a number of cases were investigated and out comes has been analyzed in chapter four. This chapter presents the findings of conclusions and recommendations have been analyzed in the charter four based on the existing purchasing practices of the bureau

5.1, summery of findings

Based on the responses of the questionnaires and analysis, the following major findings were identified.

- Purchasing ethical consideration questionnaires were distributed for purchasing, accounting and human resources development departments and users departments. According to the result in both respondents, concerning ethical consideration indicated that the average (grand) mean is around 2.33 which is below 3 the cut point, This result indicated that the bureau was not given more consideration about ethical behavior of purchasing staffs.
- performance evaluation and measurement based approach ongoing process helps organizations to continues improve their performances. Purchasing performance evaluation and measurement was taken as one of the variables to assess the actual purchasing practices within the Bureau. As the result indicated in both users and purchasing departments, the Bureau was not developed evaluation and measurement standards, evaluation and measurement trainings for purchasing staffs and cost effectiveness measurement statements were not clearly define. Generally, the concerning purchasing performances evaluation and measurement the grand mean war about 2.76 which war less than 3(poor performances).

- Detail purchasing specification is the initial document in the purchasing process. Without clear material specification, it will be difficult to achieve the requirements. To assess detail purchasing specification development questionnaires were distributed for both respondents. The result indicated that purchasing manual was not incorporated detail specification, performance characters and material availability in the market and design consideration were not taken into account during specification development. In addition to these, the results indicated that purchasing staff have not enough knowledge how to develop material specification.
- Concerning purchasing procedure and principles as the respondents result indicated, all the Five right principle were not equally treated and more focuses were given for least prices. Another result indicated that purchasing procedure and principle were not understood by top level managements and purchasing staffs. In addition to these, well organized purchasing manual not available that clearly define each unit responsibilities. In summary, concerning purchasing procedure and principles the grand mean was indicated that 2.2 which is below the cat point mean of three.
- concerning purchasing personnel training all respondents strongly disagreed as the Bureau was not provide training for purchasing staffs that helps to improve and upgrade their skills and talent. The grand mean of all response war 2.24 which is less than three
- Questionnaires were developed and distributed for users department employs who are working in the deferent departments to assess the perception of the Bureau. Most of the response indicated that the actual purchasing practices was poor and the analyzed result of grand mean concerning users perception was 2.19 which below the cut point mean of 3.

5.2 Conclusion of the Research

Based on the basic questions and major findings of the research the following conclusions were made:-

- Concerning purchasing ethics, as the result indicated from the respondents' analysis the grand mean of all variables was 2.33 which was less than 3, this indicates the Bureau's purchasing ethical consideration is poor. From the outcome result, it was concluded that the Bureau has not given more emphasis for purchasing staffs about ethical trainings, professional code of ethics, assignments of purchasing personnel.
- Another issue concerning ethical behavior that the findings indicated the Bureau-does had not have well-developed formal statements of ethics policy, preventive measures and enforcement policies to ensure ethical behavior during purchasing practices.
- Purchasing performance evaluation and measurement was one of the cases included in the research. Except administrative cost, all other variables grand mean is below the standard (3). This result lead to the conclusion of the bureau does not have measurement and evaluation standards, clearly define suppliers evaluation statements, performance evaluation criteria's applied during purchasing practices.
- Furthermore, the analysis of the research data indicated the bureau's purchasing performance effectiveness not measured in terms of cost, time, quality and other related issues.
- Purchasing specification was one of the variables that assessed during the research. As the survey result depicts that the Bureau has not well developed purchasing manual that incorporates specification of items.

- Another issue concerning specification that the result of the research reveals specification developed by the Bureau had not specify performance characters of desired item quality product, serviceability commercial standards and features. In addition to this the survey indicated that during material specification development, the Bureau had not taken into account materials availability, suppliers' capability, market availability and design.
- As the result of analysis indicated, the Bureau's purchasing staff members have not adequate knowledge respect to purchasing specification development. In addition to this the survey indicated that staff members have also lack of communication with various units of the Bureau in regard to specification.
- As the research result indicated purchasing policies, procedures and principles was not understood by purchasing staffs and top management level.
- The Bureau had not given more consideration for basic purchasing principles and not equally treated during purchasing practices.
- The result of the research strongly complained that the Bureau had not provided regular training for purchasing staffs that helps to improve their skills on policies, measurement and evaluations.
- The survey depicts that the Bureau had not conduct user needs survey to update their demands with market supplier.
- As the result of the study indicated, users department could not obtain the materials that the requested for different purpose.

5.3 Recommendation

❖ When the Bureau considering to create competitive advantages through purchasing management effort, it must ensure priority that relevant ethics policy, procedure, principles, monitoring and evaluation approaches, well trained purchasing personnel and integrated approach with users department are

implemented in the proper way in which they support efficiently, effective and consistent of purchasing operation practices. To improve future performance of the Bureau concerning purchasing practices, the following directions were recommended based on the analysis of data and conclusion.

❖ In the business setting ethical behavior used as a guide to recognized social justice and fairness through business relation. Based on this principle, the Bureau should assign qualified purchasing personnel staffs who are loyal for their bureau and strive for professional code of ethics.

❖ The Bureau required developing and establishing formal ethical policies of preventive measures and providing regular training program to ensure ethical purchasing practices.

❖ During material specification development, the Bureau should apply various units of the Bureau who have different technical skills in order to gain the right materials with reasonable price.

❖ The Bureau should revise the existing purchasing performance evaluation and measurement practices, in study should develop formal systematic approach standards that help to improve the quality of services and products.

❖ The Bureau should give more emphasis for purchasing staffs who assigned in the development of detail material specification.

❖ More emphasis should be given for the materials purchased to ensure whether on the requests of users departments in terms of product quality, delivery time, serviceability and Features.

❖ Failure to interpret purchasing policies and procedures may causes interruption of work flow and the Bureau should give emphasis seriously interpreted practically during purchasing process.

- ❖ Short and long term training is the best way to upgrade skills and ability of employees in order to ensure the competitive position of the bureau by setting regular program training.
- ❖ In order to ensure the competitive position, bureau should provide regular training program for purchasing staffs and who participate in the purchasing process that sufficiently addresses the knowledge gap in the purchasing practices. Finally, as this research did not fully address all areas of the Bureau's purchasing practices, the research recommend further research related to bidding system, negotiation practice. supply chain relation and bidding committee as a part of the Bureau's purchasing practices in order to gain the maximum achievement from the overall practices and recommend possible areas of improvement to enhance the efficiency of purchasing practice performances.

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