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Evaluation of Purchasing Practice of Wollo University Dessie Campus

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Abstract: *The objective of this study was to assess the purchasing practice of Wollo University-Dessie Campus. To achieve this objective a descriptive research design was employed. In order to get the required data primary and secondary data sources were used. From primary data sources questionnaire, interview and personal observation was considered. In addition to these, bids, Performa, and annual reports also used under secondary data sources. In this study, combinations of qualitative and quantitative research approaches are employed. 35 departments, 7 college deans, 1 purchase team leader and 16 directors for unit of analysis were purposefully selected. The critical findings of the research are; problems of filling the purchase request form, failure of to prepare purchase plan from the departments, colleges and director, delay of delivery and mismatching of order and purchase. As a recommendation, establishing systematic ways of expediting and follow up of the purchasing process should be implemented. The university must also decentralize the purchasing department in every college to reduce the purchase process steps and delay.*

Keywords: *Purchasing, evaluation, purchase request, delivery, delay, mismatch and incidence.*

I. INTRODUCTION

Purchasing is one of the basic functions for both government and private business and (non-business) enterprise. The fundamental objectives of purchasing are to purchase right materials from the right source at the right price, in the right quantity, of the right quality, and receipt or delivery of these materials at the right place to maintain continuity of supply to support various activities. Thus, minimum investment in stores and materials must be ensured consistent with safety and economy. Further duplication of wants and obsolescence should be avoided (Singh, 2008)

Since 2009, there have been a number of debates on the handling of government tenders. Almost every major government project has generated controversy and such projects include construction of airport road in Harare, Zimbabwe Electricity Supply Authority's (ZESA) prepaid meter supply project, and the expansion of Gokwe District Hospital. The enactment of the Indigenization Act has also complicated the procurement process and locally owned companies is supposed to be given priority. The type of tender system is adopted when quantities to purchase involve large amount, the system known as unlimited tender system. A tender notice in newspapers or trade journals is published, so that wide publicity can be given. All the interested suppliers or contractors will apply for tender from available at certain price and all such tenders have equal opportunity to submit a tender. It provides the greatest opportunity for competition and satisfies the needs for economy and efficiency (Eurepean Bank, 2010 and Sharma, 2008).

The study of Tewodros (2007) shows that there are various limitations that affecting the purchasing practice of institutions, such as the management is not giving sufficient emphasis for the purchasing function, the member of purchasing unit lacks skills and experience to meet the purchasing requirements, requisition forms are not properly designed, lack of comprehensive record for purchasing activities and the purchasing process is very long and involves some unnecessary steps.

There are different categories of items purchased in Wollo University-Dessie campus. Of these categories education facilities such as stationeries and office materials, computer and accessories, teaching materials such as chalks, boards, markers, dusters, gown and others are the items consume the huge amount of the university purchasing budget.

Since purchasing is consuming substantially large budget its management requires considerable attention. Whereas observing the purchasing practice in the Campus, one can realize the importance for thorough analysis and fundamental improvements so that the function plays valuable role for the efficient and effective accomplishment of the university's mission.

This research, therefore, has divulged the real purchasing practice of Wollo University-Dessie Campus

The main objective of this study was to assess the purchasing practice of Wollo University-Dessie Campus. The study had the following in specific objectives;

- To assess the purchasing problems
- To identify which items are frequently requested by targeted users
- To appraise the matching between request and purchase
- To examining the purchasing process

II. REVIEW OF RELATED LITERATURE

Purchasing Department Responsibilities

According to Leenders (1989), purchasing is one of the basic functions of a given organization shouldering the following major responsibilities.

1. Provide an uninterrupted flow of materials, supplies, and services required to operate the organization.
2. Keep inventory investment and loss at a minimum
3. Maintain adequate quality standards
4. Find or develop competent vendors
5. Standardize where possible, the items bought
6. Purchases required items and service at lowest ultimate price
7. Improve the organizations competitive position.
8. Achieve harmonious, productive working relationships with other departments within the organization.
9. Accomplish the purchasing objectives at the lowest possible level of administrative costs

From the top managerial perspective, purchasing has the following objectives, which can be explained in terms of the 5R's of purchasing.

I. Right quality -quality is defined as simply 'fitness for purpose' or the British standard institution defines "the totality of features and characteristics of a production or service that bear on its ability to satisfy a given need" (Nair, 1990).

In meeting, this objective purchasing must select items, which have sufficiently quality to fit users' requirements and specifications. The term quality as used in the field of purchasing carries quite a different meaning than the meaning that we usually associated with this word.

In common usage, it refers to the excellent features of the subject, "The right quality is the suitable of an item for a given purpose" (Nair, 1990).

II. Right quantity -The right quantity is more relevant to the purchase of consumables or parts or assemblies for manufacturing than for project buying. Fulfilling these objectives will enable to provide a continuous and uninterrupted material at the minimum cost. In most organization the decision of how much to purchase is more important by the close relationship of purchases quantity and schedule use (Parson, 1982).

The decision of how much to acquire follows clarification of what is acquired. Therefore before making decision considering factors that complicate that quantity decisions are essential, including:

- The larger the quantity is the lower the unit price.
- The larger the quantity the higher the storage costs
- The larger the quantity is the higher the risk of damage.
- The larger the quantity the higher the cost of items in storage
- The larger the quantity the fewer orders that will be place and hence the lower the ordering cost.

III. Right price -A traditional purchasing objective is to obtain the lowest possible purchase price. However, the common practice is to obtain the best life cycle price or the lowest total acquisition cost. "The factor that affect the price of items are quality and quantity required, urgency of requirements, demand and supply of materials in the market, whether there is room for competition or not, whether the past business relationship was good or not' strained " (Parson, 1982).

IV. Right time --The delivery of the contracted item to the right place at the right time is an important procurement function. Proper buying enhances production schedules without loading warehouse with excessive inventory and also minimizes the unfavorable effects of price changes. In case of regularly used or procuring' items, right time may mean the time when the stock reaches the minimum level adhering the responsibility shared both by the purchasing unit, and the approving body.

V. Right supplier -the right source is fundamental component or the major purchasing objectives. Basic information about the number and location of potential suppliers, the nature of products, prices charged and forecasts of the economic condition can be acquired if we are to analyze the supply market effectively rather than simply t buy from traditional sources which may not be competitive.

III. RESEARCH METHODOLOGY

The evaluation of purchasing practice in Wollo University-Dessie Campus involves several activities such as proposal development, literature review, research design, questionnaire design, and pilot study, sampling procedures, visiting of relevant office, selection of participants, data collection and data analysis.

The type of research employed under this study is descriptive and evaluative. The major purpose of descriptive research is description of the state of affairs as it exists at present in Wollo University.

Then this study describes and critically assesses the purchasing practices of Wollo University-Dessie Campus.

Both mixing qualitative and quantitative approaches were gives the potential with strengths from the other method. In this study, a combination of qualitative and quantitative approaches of doing research was employed, as recommended by Creswell (2009).

Wollo University Dessie Campus is purposely chosen among Universities in Ethiopia, as a study area for this research. The University is selected based on its nearness, researcher work exposure and day-to –contact and convenience to collect data in short time.

The research population includes 675 administrative staff and 465 academic staff and totally 1270.

Based on the sample determination formula, the sample size of the study is;

$n_1 = z^2 pq / e^2$, where n_1 is the sample size for an infinite population $n^2 = n_1 / 1 + [(n_1 - 1) / N]$, where n^2 is sample size for finite population, where Z represent z value of confidence level, P represents expected standards deviation, C margin of error (confidence interval), and N is the population.

P : population reliability (or frequency estimated for a sample of size n), where p is 0.5

E : Margin of error considered is 5% as it is recommended in social science researches

The confidence level of the research is 95%

Source: Kothary, 2004

Accordingly, $n_1 = [z^2 (p*(1-p) (0.5))] / e^2 = [(1.96)^2 (0.5) (0.5)] / (0.05)^2 = 386.16$

$n^2 = n_1 / 1 + (n_1 - 1) / N = 386.16 / 1 + (386.16 - 1) / 1270 = 386$

Though it is strongly believed that the sample sizes of this research are 386, the researcher however, indebted to take only 59 of the sample size for the units of analysis.

IV. MAJOR FINDINGS

User fill the purchase request, however, they fill the request carelessly and this resulted for complex and cumbersome work of sort out and sometimes the specifications are difficult to understand by the purchasing staffs. Besides, the request the users made so far did not take into account the budget of the university.

According to Alijan, (1975), purchasing department must coordinate with the user departments to identify purchase needs. This data, however, a clear indicator of that there is no coordination between the users and purchase departments as well as budget department of the university in creating the awareness about the available budget for purchasing purpose.

Users are not satisfied by the quality of the items being purchased. Quality being fitness for the intended purpose or meeting users requirements, if such large number of users are dissatisfied with the quality of purchased items, this would indicate some problems in purchasing performance.

The researcher's observation to different offices in the university also guaranteed that there are a lot of materials purchased in which the purchasing department staffs compromise quality of the materials, there are printer inks purchased in large volume and kept without any use because of quality defects, there are poor markers stored in some director offices for more than two years without giving any service (see on the annex), there are huge cartons of poor quality of chalks in every departments.

This finding supports with the finding of (Mehari: 2006) and (Biruk: 2006) which both researcher came up with the purchasing department in respective research area purchases poor quality materials.

This data can be further discussed with the concept and principles of purchase, which says purchasing is the activity responsible for getting the right material to the right place, at the right time, in the right quantity, at the right price (Herel, 1996) and (Sharma, 2008).

This data, therefore, is a clear indicator of poor performance of purchasing practices of Wollo University-Dessie Campus with regard to purchasing quality materials. This practice will lead the university to incur huge amount of money for maintenance and repurchase.

The finding clearly indicates that, even though the university purchases the right quantity, it also may mean excess purchase, because as the researcher could also observe some purchase (for example permanent marker) purchased very excessively and dried without usage. Purchasing right quantity is also does not mean purchasing at the right time. Some

materials purchased at the end of June excessively, this never guaranteed that the efficient operation of the teaching and learning process. The right quantity must go with the right time (Herel, 1996) and (Sharma, 2008).

The data obtained from interview indicates that the university makes purchase from the right source. The interviewed clearly justified that, the university seek and sort for suppliers and has criteria to end this. According to the interview data, the suppliers chosen if they are VAT registered, have the capacity to supply, who have renewed license in the area and who will agree in the terms and conditions of the university purchasing policies and procedures. However, the data from the perceptions and opinion of the users and the people who are directly responsible for the purchase indicates contradiction.

The data obtained from interview, however, guarantees that the university makes purchase with right price. As the interviewed indicated, if the purchase department do not face very urgent request to pass through all the formal purchasing process, the department do not compromise on prices. Sometimes, however there is conditions where purchasing can be made without more concern for the price from the point view of the urgency and sensitivity of needs.

V. CONCLUSION

To gather information for the paper primary sources including questionnaire, interview and observation were used, and also secondary sources including purchasing documents, manuals and reports were revised. Both the primary and secondary sources revealed that the purchasing management of Wollo University-Dessie Campus has lots of problems and is inefficient. The major areas of poor performance can be summarized as follows:

- I. There are critical problems of filling the purchase request form, purchase plan from both the departments, colleges and directors and purchasing department side.
- II. The members of purchasing unit lack skill and experience to meet the purchasing requirements of the college, as a result of these wrong items are purchased creating waste of public resources
- III. Because of unplanned plan, carelessness of filling the purchasing form and long process of purchasing process, the requested materials delivery time takes very long time. This operation is affects the teaching and learning process
- IV. There are serious problems of delivering materials, which can total affects, the teaching operation.
- V. There are materials purchased which are defected in their quality, this led the university to incur too much costs of maintenance and repair, even repurchase.
- VI. Everyone is giving high emphasis only for least price other principles of purchasing to secure right quality, quantity; source and time of purchases are not given any attention.
- VII. The purchasing process is very long and involves some unnecessary steps and parties
- VIII. There is big gap in preparing coordinated purchase plan, which resulted poor purchase practice in the university.

VI. RECOMMENDATIONS

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

- I. The management should give proper emphasis for purchasing function and should give consideration for the following
 - Assigned qualified staff for purchasing department, and give training. This can help the staffs to improve their skills
 - Effectively communicating the importance of having efficient purchasing management which can be met by securing the purchase of right quality item, in the right quantity, from the right source, purchased for the right price and delivered at the right time.

- Establishing systematic ways of expediting and follow up of the purchasing process
 - Revising the purchasing process and avoiding steps which are redundant and make sure the parties involved are mandatory in the process and have the ability and willingness to contribute for efficient purchasing practice.
 - The university better notice the budget allocated for purchase purpose in advance for the users so that they can balance their purchase request with the available budget
- II. From the Department, College and director side;
- They must have well organized purchase plan,
 - Request purchase in consulting the budget of the university
 - They must seriously fill the purchasing form

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