

**SOURCING AND MANAGEMENT OF SUPPLIER
A CASE STUDY OF SHINYANGA DISTRICT COUNCIL
IN TANZANIA**

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**A DISSERTATION SUBMITTED TO THE FACULTY
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DECLARATION

I Wambura Sabiano declare that this dissertation is my original work and has never been submitted in any institution for any academic award not published at any level.

Signed.....

WAMBURA SABIANO

Date.....*3th December 2009*

APPROVAL

This work has been done under my supervision as a university supervisor and submitted with my approval

Signed.....

WANDIBA AUGUSTINE.

Date ..th4/Dec/2009.

DEDICATION

To the Almighty God in where vindication is my success

ACKNOWLEDGEMENT

This desertion is not a result of the effort of a single but a fruit of help from “God” and energy of different people. First and foremost, I extend my thanks to Almighty God who continuously cares for me in everything.

My heartily thanks also go to my parents for their support from my child hood up to this moment.

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May the Almighty God Bless you all.

LIST OF ACRONYMS

SDC – Shinyanga District Council

LPO – Local Purchaser Order

PPRA – Public Procurement Regulatory Authority

MRO – Maintenance Repair and Operations

ABSTRACT

This study is about sourcing and the management of suppliers in the organization. It examines various policies towards sourcing, evaluation and management and demonstrates how those policies can be integrated to bring efficiency in procurement issues in the organizations.

The topic of the study was to find out whether the organization has the policy towards suppliers and its importance on the organization to ensure that it obtains value for money on undertaking procurement activities.

The study results show that Shinyanga District Council employees most of them are aware about in procurement functions and they are following the procedures in acquiring and goods and services. This indicates that the program established by the PPRA to the whole government organs (parastatals) is successful.

The research conclude that the policy towards supplier should be revised through a constructive process with the management about consortia purchasing especially on building materials in order to obtain quantity discount and reduction on transportation cost and holding cost.

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CHAPTER ONE

1.0 Introduction

In this chapter the researcher explains the background of the study statement of problem, purpose of study, specific objectives and significant of study in sourcing and supplier management

1.1 Background of the study

Sourcing is the process of identifying, selecting and developing suppliers, is a key purchasing activity, Lysons (2006).

Sourcing refers to the number of procurement policies aimed at finding, evaluating and engaging supplier of goods and services Young K. KimM (2008)

Sourcing is the process of choosing the right supplier, get the right producer and good services, Galen (2008).

Sourcing is the process include the selection of surplus design of supplier contracts, product design collaboration, procurement of materials and evaluation of supplier, Meidl and Chopra(2005).

Supplier management is the process focused on the interaction between the enterprise and suppliers that are upstream in supply chain , Lyson (2006).

Supplier management is the processes would include the selection of supplier for various products, negotiation of pricing and delivery terms with supplier, sharing demand and supply plans with suppliers and placement of replenishment of orders, Graiger (2005).

In the organization, sourcing is taking place/carried out in two ways either tactical operation or strategically.

Tactical and operational sourcing is where by decisions are made at lower level which related to high-profit, low risk non critical items. Usually it concerned with short term

adaptive decision as to how and from where specific supplier are to be met. Thus suggestion may be made to top management regarding temporary tactical deviation from strategic decisions.

Sourcing strategically is concerned with top level, long term decision related to high profit, high supply risk, strategic items and low profit, high simply risk bottleneck products and services. It is also concerned with the formulation of long term purchasing policies, the supplier buys partnership sourcing, reciprocal and intra-company training, globalization and counter trade, the purchaser of capital equipment and ethical issues.

In critical solving in viewed as a function concerned with the placement of orders, while in strategic sourcing is viewed as knowledge based activity concerned with the total cost of ownership rather than the price paid per item with the optional mix of relationship to provide competitive advantage.

In our organization tactical sourcing environment is carried out by clearly defined requirement and specifications of products and services from suppliers and also open bid process takes place to obtain supplies.

Strategic sourcing environment is carried out by development of a deep understanding of requirement (forecasting) value analysis for identifying operational value trade off and setting policies towards performance drives of key suppliers. Lyson & Farrington (2006).

1.2 Statement of the problem:

Most of the organizations are faced with many problems as far as supplier sourcing and management and non using suppliers in their non core activities. They have failed to implement policies towards supplier selection and management. Proper supplier selection and management assists to improve organizations activities and leads for efficiency and company's competitiveness and better growth. Likewise poor supplier selection and its management results into poor operations and contributing to hinder organization's growth and leads to failure on meeting its goals and objectives. Lyson & Farrington (2006).

1.3 Purpose of the study

To assess the effect of sourcing and management of suppliers in the organization.

1.4 Specific objectives

- To examine sourcing processes in the organization.
- To examine the significant of supplier evaluation and performance in the organization.
- To identify policy issue in sourcing

1.5 Research question

- What are sourcing process in the organization ?
- What is the significant of supplier evaluation in the organization?
- What are sourcing strategies in the organization?

1.6 Scope of study

1.6.1 Geographical scope

The study was carried out in Shinyanga District Council in Tanzania including employer and employees, namely the stake holders of Shinyanga District Council. A selected sample was used to represent the whole population.

1.6.2 Content Scope

Based on the interest of the researcher, the researcher collected the data determining the relationship between sourcing and the supplier management in the organization.

1.7 Significance of the study

- The study will help the entire management of Shinyanga district Council (Tanzania) to maintain an adequate and reasonable number of suppliers for its daily operation activities.
- The study will help other organizations to understand the importance of having the suppliers and how to manage their operations
- Further more the findings will provide update literature for academicians and it will be used basis for further research.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

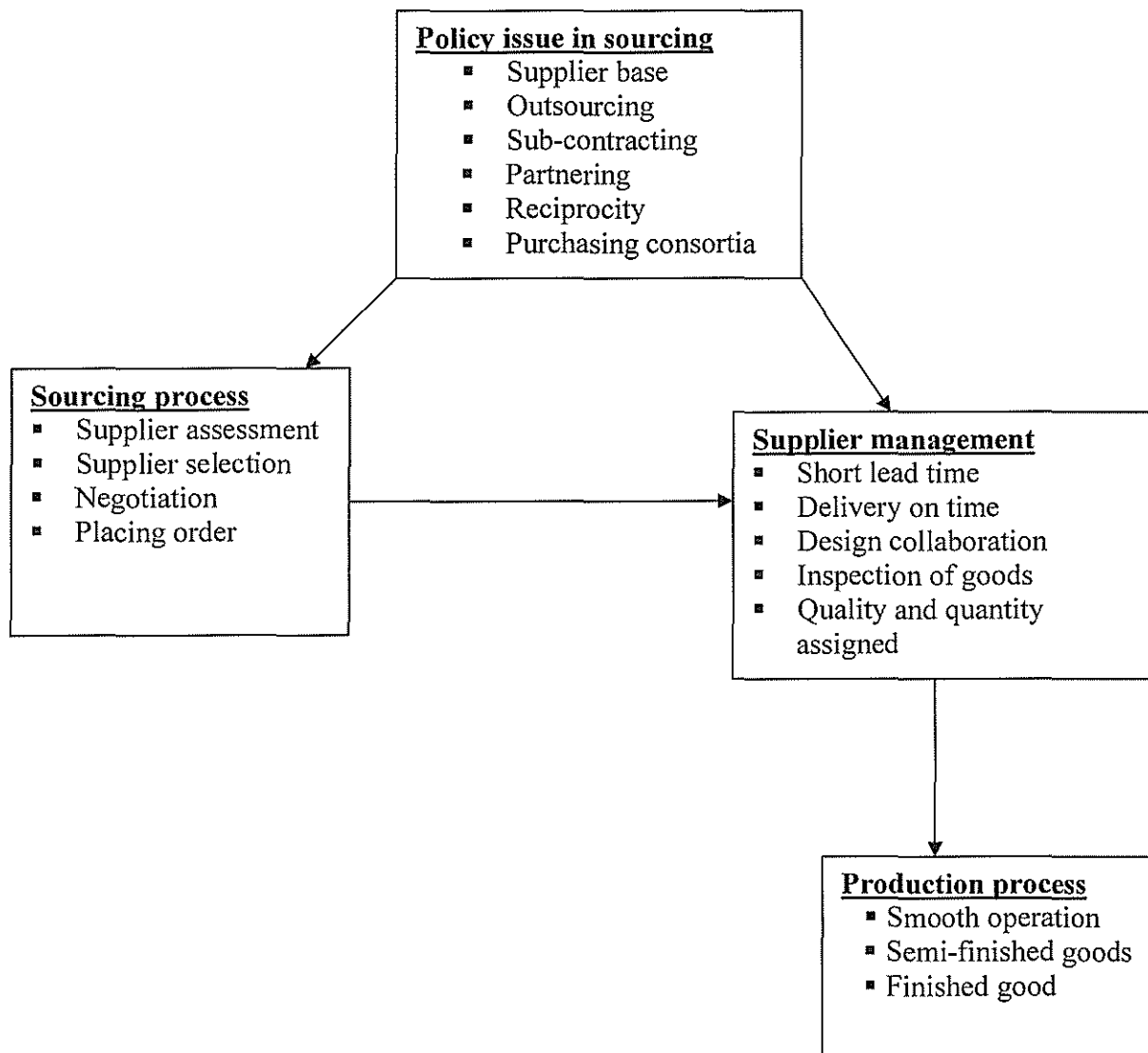
This chapter presents data sought from already done students by other researchers, publishers, authors and journalists among others. This literature is reviewed upon the background of the study. Purpose and objectives of the study that includes, examining the importance of sourcing and management of suppliers in the organization

2.1. Theoretical frame work

The research aided by Lyson and Farrington on the theory of sourcing and supplier management. Effective sourcing decisions thus have significant impact on financial performance. Good sourcing decisions can improve supply chain performance by aggregating orders, making procurement transactions more efficient, achieving design collaboration with suppliers facilitating coordinated forecasting and planning with supplier and diversity. Also the identification of supplier performance assists to reduce impact of total cost. Besides the quoted price the total cost of using supplier is affected by replenishment lead time, on-time performance, supply flexibility, supply quality, inbound transportation costs and surplus viability. These factors must be evaluated to get effective and competitive suppliers.

2.2. Conceptual frame work

This will describe the relationship between the independent variables is sourcing of suppliers and dependent variables in management of suppliers. This is simply because supplier sourcing is predicted from where a supplier sourcing (selection) facilitates simply management and improves service providing in the organization.



Source: Researcher, 2009

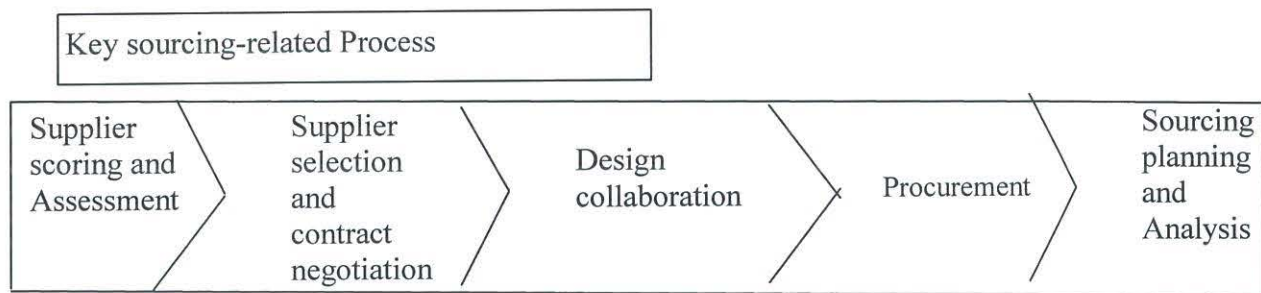
When policy issues towards sourcing are implemented will have the implication on the method of sourcing and supplier management. For example the organization will use the partnering policy it means it will create close relation with supplier in designing, product development for mutual benefit of the extent of both organizations. So sourcing, policy and supplier managements determine the extent of the final product or service.

Related literatures

Which it will be reviewed objective by objective

2.3.1 . Sourcing Process

Sunil Chopra and Peter Meindl (2004), Sourcing is the entire set of business process required to purchase goods and services. Sourcing process include the selection of suppliers, design of supplier contracts, product design collaboration, procurement of materials and evaluation of supplier performance.



- Supplier scoring and assessment: Is the process used to rate supplier performance. Suppliers are gauged (assessed) or compared on, price, lead time, reliability, quality and design capability that impact the total cost of doing a business with a supplier.
- Supplier Selection: This uses the output from supplier scoring and assessment to identify the appropriate supplier. Likewise suppliers can be selected through competitive bids, direct negotiation and Reverse action.
- Design and Collaboration: It refers to the process of supplier and manufacture to work together when designing components for the final products.
- Procurement is the process in which the supplier sends product in response to orders placed by the buyer. The goal of procurement is to enable orders to be placed and delivered on schedule at a lowest possible overall cost.

- Sourcing planning and analysis is to analyze spending across various suppliers and component categories to opportunity for decreasing the total cost.

Novack and Simco (2006). To evaluate sourcing role and process in the organization. Sourcing process is a complicated process involving a number of interrelated tasks; a typical model is as following in 11 stages

- Identifying re-evaluate needs,
- Define or evaluate user's requirements
- Decide to make or buy
- Identify type of purchase for example straight, a modified rebuy or new buy
- Conduct market analysis for example perfect competition, oligopoly or monopoly
- Identify possible supplier
- Prescreen possible supplier- reduce the number remain with
- Evaluate the remaining supplier base-given accomplished by means of competitive bidding
- Choose supplier
- Deliver product/perform service
- Post purchase/make performance evaluation-to determine to purchaser needs has been met. This will provide date for future sourcing.)

2.3.2 The significant of supplier performance and evaluation how can be managed in the organization

Supplier management concerns every organization; supplier performance analysis should be used to build a portfolio of suppliers with complementary strengths. Cheaper but lower performing, suppliers should be used to supply the base demand, whereas high performing but more expensive, suppliers be used to buyer against variation in demand and supply from the other source, Maindl (2003)

Design collaboration between the manufacturer and supplier highlights the importance of supplier performance. Today between 50 and 70 percent of the spending at a manufacturer is through procurement; it is generally accepted that about 80% percent of the cost of a purchased parts is fixed during the design stage. Thus it is crucial for a manufacturer to collaborate with suppliers during the design stage if product costs are to be kept low. Design collaboration can lower the cost of purchased inclined and also lower logistics and manufacturing costs. Chopra (2003)

The managing supplier's process should focus on improving coordination and visibility with the supplier. This process should focus on decreasing the transaction costs for each order whereby the consolidated orders should practiced as advantage of economies of scale and quality discount. Chopra (2003)

According to ABB Company (USA), Zoo USA (2005) ABB is committed to improve supplier's performance through the standardized supplier performance rating process. The process consists of a data driven approach to regularly measure and provide feedback to suppliers. This feedback enables ongoing communication, continuous improvement and supplier development ABB Journal (2005).

Performance management also focuses upon cost and service level as the supplier is providing off shelf goods or short to mid term services that are not strategically important and are provided from the competitive market environment as well as supplier development by secure continuous improvement to service level and cost. Where strategic long-term goods and or services suppliers are managed to secure supply and drive collaborative engagement with shared benefit. Emil Kay (2005)

Manufacturers can attain multiple benefits by measuring supplier performance. Companies that fail to measure most of their suppliers risks, large scale quality mishaps, service deficiencies and cost overrun that can eat into bottom-line Aberdeen (2004).

The well property done supplier evaluation and performance can assist the organization to;

- Decision making regarding when a supplier is retained or removed from an approved list
- Assists in deciding with which suppliers a specific order should be placed
- Evaluation provides suppliers with an incentive for continuous improvement and prevents performance slippage
- Assists in decision regarding how to distribute the spend for an them among several supplies to better manage risk www.emptors.com/solution/supplier-performance-managament-module.asp

2.3.3 To identify policies issue in sourcing

There are numerous aspects of sourcing policing and strategy, but eight of the main ones considered are the supplier base, outsourcing (make or buy decision) sub-contracting, pertaining, reciprocity, intracompany trading, local supplier, and purchasing consortia, Lyson & Farrington (2006)

The supplier base; relates to the number, range, location and characteristics of the vendors that supply the purchaser; supplier bases may be described as a broad, lean narrow, simple sourced local, national, international, diversified or specialized. They can relate to a "family" or relate products and suppliers or the totally of vendors with whom purchaser does business. In this supplier base optimization takes place by determining the approximate number of suppliers with whom the purchaser with do business Lyson & Farrington (2006).

;Outsourcing; refers to a management strategy by which major non-core functions are transferred to specialist efficient external provider and central to over-sourcing are make or buy decision and partnership between supplier purchases, Verikatesan (1992)

Most of outsourcing relates to service, the range of services that can be outsourced is almost limitless and the following are just few, clearing, catering, security, library, medical/welfare computer IT, staff management legal services etc.

Sub contracting; sub-contracting may be distinguished from outsourcing in that the latter involves the total restructuring of an enterprise around core competences and outside relationship; whether the degree of outsourcing, enterprises must retain certain core capabilities outsourcing in a strategic long-term decision sub-constructing is a tactical short-term approach.

If you want the most beautiful lawn in the neighborhood and hire some one to take responsibility for every aspects of lawn core including cutting the grass, weed control, watering and fertilizing it's strategic sourcing. But hiring someone to only cut your lawn in sub-contracting , Lyson & Farrington (2006).

Partnering; refers to buyer and supplier collaboration which includes close working relationship built on trust communication and mutual dependency where both parties have a vested interest in reducing costs and achieving a favorable business outcome Humbert and Passarelli (1997)

Partnering refers to a commitment to both customer and surplus regardless of size, to a long-term relationship based on clear, mutually agreed objectives to strive for world class capability.

Partnering aims to transform short-term adversarial customer supplier relationships focused on the use of purchasing power to secure lower prices and improve delivery into long cooperation based on mutual trust in which quality, innovation shared values complement price competitiveness. Partnership sourcing Ltd (2006)

Reciprocity; often referred to as "selling through the order book" is a policy of giving preference to suppliers that are also customers of the buying organization. The reciprocity is influenced by economic climate whereby pressure for reciprocity increases in times of recession when sales may attempt to put pressure on their suppliers to buy their product.

A more liberal approach is that reciprocity policy may offer advantages to both parties as; supplier and buyer may benefit from the exchange of orders, supplier and buyer may obtain a greater understanding of mutual problems, thus increased good will and create direct communication between suppliers and buyers

Intra-company; trading applies to large enterprises and conglomerates where the possibility arises of buying certain materials from a member of the group. This policy may be justified on the grounds that it ensures the utilization and profitability of the supplying undertaking and the profitability of the group as whole; it may also be resorted to in times of recession to help supplying subsidiaries cover their fixed costs. Specific guidelines may direct buyers to:

Purchases specified items exclusively from group members regardless of price. Obtains quotations from group members that evaluated against those from external suppliers with the order being placed with the most competitive source, whether internal or external.

Local suppliers; These are suppliers (vendors) who available/located nearby close to buyer's enterprises.

What is local must be determined bearing in mind such factors is case of transport and communication. The advantages of using local rather than distant suppliers include the following; Closer cooperation is facilitated between buyers and suppliers based on personal relationships, reduced transportation costs, Improved availability in emergency situations, such as the case of road transport to collect urgently needed items. The main principle in deciding where to place orders must, however, be what is best for the buying undertaking (Lyson and Ferrington, 2006).

Purchasing consortia; A collaborative arrangement under which two or more organizations combine their requirements for a specified range of goods and services to gain price, design, supply availability and assurance benefits resulting from greater of purchase. In public purchasing, for example, several separate authorities may establish a central purchasing organization to provide three basic supply services to its constituent's members, namely delivery from stores, direct purchasing of non-stock items for users in constituents authorities and the negotiation of call-off standing offer contracts.

Purchasing consortia exist in a wide range of industries, and cover for profit and non-profit organizations, including universities and libraries. (Lyson a Ferrington, 2006).

CHAPTER THREE

METHODOLOGY

3.1. Introduction

This part contains the research design which was used, area and population of the study, simple selection and size, instruments used in collecting data explaining what, how and why they were used, method and procedure of data analysis.

3.2. Research design.

The study was both descriptive and analytical. Different tools of data collection were used like; interviews, questionnaire, observation and documentary review.

3.3. Study of the Population

The study was carried out in Shinyanga District council in Tanzania including employers and employees, namely the stakeholders of Shinyanga District council. A selected sample was used to represent the whole population.

3.4. Population Size

Here some employee were selected according to their section and posts they hold in Shinyanga District Council, others are some suppliers of services and goods at Shinyanga District Council and the other stakeholders those who benefit from procurement activities such as head of departments like, education, finance, works, water and sanitation, health, Human Resource and management and planning. On each department 12 employees were interviewed and other stakeholder such as suppliers and contractors 14 respondents, total was 100.

3.5 The instruments used

The following tools were used;

3. 5.1. Interviews

These were both structured and unstructured. Structured had a topic list of questions.

Where as unstructured wont have of that orders. Interviews were used because of;

-They are easy to administer because instructions are few and simple

-The researcher wants to observe the emotions, attitudes and general response reaction of respondents

-They save money and time

3.5.2. Observation

This is where the researcher used his naked eye and record information. This method was used because of the;

- Need to get first hand information
- Easy to record information from viewing actions and practices
- This will make the researcher part of study since he is also an employee in Shinyanga District Council

3.5.3. Questionnaires

A set of written questions will be distributed to respondents to fill in the appropriate answers. They will be used because of;

- Need to get the different views of different respondents
- They will widen the study through the enriched suggestion and observation by the respondents yet are ones researched about

3.5.4. Documentary review

Different research studies done and other related literature of sourcing and management of suppliers this was included in reading and recording information from documents like books written by intellectuals. This was used because;

- Need to know what other intellectuals say or observed about supplier sourcing and management
- Need for evidence to be the basis of the study for further investigation
- Need to avoid some people becoming biased as the study may appear subjectively confined to the researcher alone

3.6. Data analysis

The researcher used an analytical method of interpreting data and statistical method employed in interpreting and analyzing data. These includes mean, mode, medium, tallies, chart, graph percentages degree or ratio. All these may not be employed but at least a number of them will be employed in presenting data.

CHAPTER FOUR:

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1. Introduction

This chapter presents and analyses data the data that had been collected in order to ascertain the aims and objectives of the study with consideration of the scope and limitation of the study, the findings are to act as basis to understand the rule of sourcing and the management of suppliers in the organizations.

4.2 Sourcing process in the organization

Table 4.1 Respondents who having knowledge about sourcing and management of suppliers.

Responses	Frequency	Percentage
Yes	62	62%
No	38	38%
Total	100	100%

Source. Primary data

From the table above majority (62%) of respondents agreed they had the knowledge about sourcing and management of suppliers.

The researcher found that the 38% the respondents there were not aware about sourcing and suppliers management.

The number of 62% who respondent that they are aware about sourcing and management suppliers also explained that Shinyinga District council sources its suppliers through tendering system. They explained that the council uses tendering system to obtain various types of suppliers. They said tendering process starts with preparation of tender (bid) document then supplies officer prepares advertisement of tender then those advertisements are advertised in the popular newspaper, for a period of one month then bidders buy and submit their bids. Afterwards evaluation process takes places then the tender boards awards to those who has successes[√] and those winners becomes the council suppliers.

Table 4.2: Group/Type of supplier do the organization have

Group	Yes	No	Number of suppliers	Local	Foreigner
Stationeries	√		3		N/A
Hospital Equipment	√		3		
MRO	√		3		
Motor vehicle maintenance	√		3		
Clearing services		√		-	
Security services	√		1		
Clearing serves		√		-	
Civil works		√		-	
Building and contractors		√		-	
Electrical and equipment repair	√		3		

Source. Primary data

The researcher found that the type/group of supplier which organization had were for.

Stationeries, Hospital equipment and suppliers, motor vehicle maintenance, electrical and repair equipment, MRO and security.

Those respondents observed that the whole group of suppliers are in the number of three each except security. There was one group of Security Company which proving security services. Also respondents said that on placing an order the quotation is issued to those supplier and the supplier who quoted the lower price wins the order. This implying that through that system the organization gets value for money in its procurement undertaking

Likewise 100% of respondents said that the council has local suppliers only. No foreign supplier because they are Government organization which provide services to its citizen. Shinyanga District Council is a public and has no competition with other organization because it undertakes its operations on the basis of service oriented, it collects its own revenue through levies and industrial and produce cess. A part from that the government and donors funds the council in its activities and several project. The service which it

supervise or offer in respect of the government are primary and secondary education, health care, water, road construction, administrative on the areas of jurisdiction.

Table 4.3: Showing the relationships between suppliers and SDC.

Responses	Frequency	Percentage
Win/win situation	67	67%
Win/Lose situation	33	33%
Total	100	100%

Source : Research finding 2009

Out of 100 respondents 67(67%) reported that the relationship exists between suppliers and SDC are at Win/win situation meaning that there are mutual benefit on undertaking transaction between two sides which indicates that both they are benefiting from the transactions. And 33 (33%) of respondents showed the win/lose situation meaning that the organization has no good terms with the suppliers so that there is one side which is benefiting from the undertakings of transactions.

From 33% of respondents who said that there is win/lose business mode 20 respondents said that the suppliers are winning and council lose and 13 said that council win and supplier lose. How supplier wins? the respondents reported that the supplier are inflating the price twice compared to prevailing market price of the same product, for example they said printer cartridge N.15 in the market is sold at Tsh 60,000 but they sell it to SDC for more than Tsh 150,000=. This show how suppliers are benefiting from those truncation.

Conversing the researcher find that 13 respondents said that the council benefit and the supplier lose because SDC buy from its supplier through LPO (Local Purchase order) meaning that the supplier is issued first LPO then he/she suppliers according to the order, a worse thing is that it can take more than a year to effect the payment of supplied items.

Some time it takes more than 3 years before any payment being effected. According to the items value of money you find that the suppliers are losers.

4.3 Significant of supplier evaluation and performance.

Out of one hundred respondents who participated in the full study about the significant of supplier evaluation and performance 65 said the organization has the comprehensive program towards supplier evaluation and 35 respondents reported that there is no that program.

Researcher found that the suppliers' data bank at SDC meet the requirement as enumerated above. Meaning that the suppliers are performing their obligations to SDC according to their contract agreement, such as they deliver product /services at to right times, right place right quantity , right quality and are flexible. However all of them their financial position which they possess is according the SDC requirements.

The respondents who reported the existence of the program they gave the analysis of how suppliers are being evaluated they mentioned the areas which suppliers are being evaluated as following:-

- Competency. of the suppliers to undertake the task required.
- Capacity: of the supplier to meet the purchaser's (SDC) total need.
- Commitment: of the suppliers to the customers in terms of quality cost driving and service.
- Control systems in relation to inventory, costs, budget, people and information.
- Cash resources and financial stability; ensuing that the selected suppliers is financially sound and is able to continue in business into the foreseeable future.
- Cost commensurate with quality and services.
- Consistency; the ability of the supplier to deliver constantly and where possible improve level of quality and services.
- Communication; can the supplier communicate and receives information immediately and if possible electronically.

- Clean, suppliers' products should satisfy legislative and other environment requirement.

4.4 Policy issues in sourcing.

Table 4.4: Showing Organizational policy issue in sourcing

Particulars	Responses number	Frequency	Cumulative frequencies	Ratio	Percentage
Supplier base	76	76	76	76:232	30%
Outsourcing	56	56	132	56:232	20%
Subcontract	20	20	152	20:232	10%
Local supplier	80	80	232	80:232	40%
Total		232	232	1:1	100

The table indicted that SDC has four types towards suppliers policy these types are ; supplier base whereby 76 respondents marked it, outsourcing whereby 56 respondents marked it subcontract whereby 20 respondents marked it and local supplier whereby 80 respondents market it in the questionnaires that respondents asked to mark various key polices towards suppliers in the organization.

According to the respondents the researcher find that the organization (SDC) has no policy issues about partnering with suppliers, intra company trading and purchasing consortia because no respondents who indicated that policy in the questionnaires and even on interview no such analysis of study findings about policy issue in sourcing towards suppliers in Shinyinga District council. The study found that there are four types of policy towards suppliers as enumerated below

Supplier base: The researcher found that number of suppliers base is available through evaluation of suppliers according to criteria such as performance, cost services and quality and the amount of business transacted during a specified period,. Such an analysis may result in supplier base consolidation which leads to an approved or

preferred suppliers list, selection of single supplier of supplying strategic/critical products.

Outsourcing; researcher found that SDC has the policy of outsourcing of security services whereby they have outsourced security guards from Salu security groups. These security guards are for safeguard of SDC's properties such as offices building, motor vehicles garage and the whole property belongs to SDC. They are making security service during the day and night. The researcher found that SDC started that service since 2006. Researcher also found that there is not complains raised by the SDC against the security guards. SDC is benefiting by using these guards compare to their traditional ways where by they had watchmen who were involving in stealing conduct. So the council found has saved a lot of money through outsourcing the security activities.

Subcontractin; The researcher found that the organization uses subcontractors on rare cases especially when there are emergencies construction activities. The researcher found that SDC uses sub contractors where the organization as the employer or that entrusting works to a main contractor who in turn, subcontracts part of the work.

Likewise the researcher fund out that buyer's organization is the main contractor and subcontract works for such reasons as;

- To ensure completion of work in time
- lack of specialist know-how

Researcher found out that there is a friction over who should negotiate with the selected suppliers which sometimes develops between purchasing and works or technical sections this happened because purchasing department had a power of commercial veto works and technical department had technical veto. Also researcher found out that most of the time sub contractors are supplied working equipment and materials by the council whereby there is no proper control over subcontractors.

Local supplier: Researcher found that local supplier is these located close of the organization. The location e.g. town or centered nearby the organization such as not more

than 10 km from by SDC. Researcher found the following benefit of using local suppliers and suppliers, easy and good relationships between SDC and suppliers, easy and good communication between the parties closer cooperation, response to request for special assistance from the buyer were rapidly responses..

On the thorough checking through several documents in the purchasing department research found that the council had no programmed for developing local suppliers.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMENDATION

5.0 Introduction

This chapter contains an overview of study's findings, summary conclusion and recommendation of the study.

5.1 Discussion

5.1.1 Sourcing process in the organizations:

At Shinyanga District council in my discussion with the employees it found that 65% of the respondents said that there were four ways through which suppliers are sourced, namely the first process evaluating of needs of the organization for the said year, then organization groups the needs into categories, such as hospital equipment, stationeries building materials, clearing suppliers, construction works and security services. After, categorizing those services, then the stage follows is the preparation of tender document which indicate the specifications and standard of works/services how is supposed to be done. This stage is followed by tender advertisement and hence bidders buy those tender documents and filing them accordingly. This stage ends up on tender evaluation and awarding for best evaluated bidders. The task of signing a contract between organization and its bidder follow for the purpose of providing the said service for one year. The purchasing orders are being done through those shortlist suppliers.

The second process is negotiation and contract signing in this stage the organization form a team for negotiating about delivery terms and price mechanism for quoting the product hence the organization discourage fluctuating price and insist the fixed price during the period of the whole year.

Third process is issuing Procurement orders; issuing purchase orders the organization initially issue quotation to suppliers then the suppliers fill the quotation afterwards submit it to the organization then the organization selects the lowest price supplier and issue

order to him/her. Then suppliers deliver the goods/services according to issued orders then the organization affects payment.

The fourth process is recording all received goods in the books (store ledgers) this process is done by store keeper. Then store keeper issues the materials /goods to the user department subjective the direction of the head of procurement section (supplies officer).

According to Simco(2006) model of sourcing which having 11 stages the organization follows 7 stages only such as

- Identifying (re-evaluate) needs
- Define or evaluate user's requirements
- Identify type of purchase ; for example straight, modified rebuy or new buy.
- Identification of possible suppliers
- Choose supplier
- Deliver product/perform services.
- Post purchase evaluation of the product meets the requirements.

All of this process is being undertaken by the procurement management units in the organization.

5.1.2 Significant of suppliers performance and evaluation

The researcher found that 70% of the respondents said that the organization has no any program concerned with supplier performance evaluation because the relationship exists between organization and suppliers are adversarial (win/lose) which means that the supplier are being used for one year only. Te supplier provide service in a year only, on the next year other suppliers are selected. This system discourage to process of suppliers development, likewise discourage partnership relationship (win/win - situation) the organization of Shinyanga District Council is the service oriented organization, there fore there is no design collaboration between it and its suppliers. The suppliers are supplying the manufactured item, so due to that scenario we call them "vendors" there is no quality improvement so far as the suppliers are supplying products which they are

acquiring from whole sellers and retail merchants. Also it was found that there are some suppliers who they are getting less than 3 orders per year. The research found that there is one supplier whom the Shinyinga District council never ever gave him an order despite he was short listed as a supplier for the year 2007.

5.1.3. Policy issues in sourcing

The Shinyinga District Council had four policy towards suppliers namely, supplier, outsourcing, subcontracting and local suppliers. The major policy which is used is local supplier as indicated by 40% of the respondents. These suppliers are close to the organization therefore enable the organization to avail any emergence orders (requirements). It found that the organization decided to use those local suppliers due to their reliability, accessibility and transportation costs. These suppliers are closer of less than 8 km from the organization. On discussion with some employees said that “let as assume that you are demanding like 50 reams photocopy paper immediately and you are having a supplier who is far away as a 200 km from here, it will take two or three days to obtain those papers” closer availability of suppliers enables the organization to get a required orders within an hour. This leads to smooth operation for activities like office operations.

Researcher found that the suppliers who are closer to organization are those of office stationeries, maintenance repairs and operation materials, building materials, fuels and security serves. But the suppliers of hospital equipments and suppliers as well as motor vehicle maintenance are far away like more than 100km from the headquarter of the organization.

5.2. Conclusion

The study investigated the role of sourcing and management of suppliers in Shinyinga District Council of Shinyinga Region of Tanzania between 2004 and 2008. The study was guided by specific objectives that included examining sourcing process in the organization, to examine the significant of suppliers' evaluation and performance in the organization and identification of policy issue in sourcing.

The study used a sample survey and cross sectional study designs based on quantitative and qualitative data design. Secondary data were also sought through in documentary analysis. Quantitative data were sought through interviews, observation and focus discussion. Quantitative data were gathered through questionnaire. A sample population of one hundred (100) respondents were selected from various departments of the SDC that include Finance, procurement, water works, education, and resource and manpower. The study is Demographic nature considered sex, age, level of education and work experience.

The major sourcing process in Shinyinga District Council were through request for proposal tendering system , a quotations and proposals, through this way it gets suppliers of Hospital equipment educational equipments supplier, contractors for road construction, drilling and office stationeries. Also the organization had a good system of evaluating and management of suppliers, the organization sometimes used external experts to evaluate and monitoring the performance of suppliers. The organization is service oriented. Thus the service delivered to the citizen through procurement department is very satisfactory according to the option of the stakeholders.

5.3 Recommendations

The researcher therefore recommends that:

The life span of approval list of suppliers should be extended to more than three years this will enable the organization to create a good relationship with suppliers also this will lead to empowerment and development of suppliers through the government and its institutions.

Shinyinga District Council should employ procurement specialists personnel' because the researcher found that the person who holds the post of District supplies offices is a a trade officer who posses marketing professionalism.

Procurement offer should be given a full mandate department unlike with the real situation. Whereby the head of that section reports to the head of finance department.

The organization should ensure that they are effecting payment to their suppliers immediately after receiving supplies, unlike with the really situation when it take more than three months to effect payment after receiving a supplies.

The organization should introduce the consortia purchasing policy in order to reduce the cost of procurement especially on quantity discount and transportations costs.

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APPENDIX I

Questionnaire Guide

1) Dear Sir/Madam

I am carrying out study on sourcing and the management of suppliers as a perception of employees at shinyanga District Council. I am happy to select you as one of my respondent, the information you give is purely for academic purposes and it will be treated with utmost confidentiality.

Thank you:

Tick at appropriate box

1. Gender: Male ☐ Female ☐
2. Education back ground
Standard VII ☐ O level ☐ A level ☐ Diploma ☐
3. Age
4. How long have you worked in this organization?
Less than 2 years ☐ 2-5 years ☐ 5-10 years ☐ above 10 ☐
5. Which department are you.....
6. What is your present status/title in your organization.....
7. Do you have any knowledge about sourcing and management of supplies
Yes ☐ No ☐
8. Which method does your organization use for sourcing suppliers, Mention at least three
.....
.....
9. Does your organization maintains short listed suppliers have supplier/ have supplies bank
Yes ☐ No ☐

10. Which types or groups of supplier do your organization have

Tick where is appropriate

- Stationeries
- Hospital Equipments
- Maintenance repair and operation
- Motor Vehicle Maintenance
- Clearing services
- Security services
- Cleaning Services
- Security services
- Civil works
- Building and Construction
- Electrical and Equipment repair

11. How many supplies do you have in each categories

.....

12. what type of suppliers do you have

a) Local ☐ b) Foreign ☐ c) Both ☐

13. Which type of relation exists between supplier and your organization?

a) Win/Win Situation ☐ b) Win/lose situation ☐

If is Win/lose who Wins and who loses

.....

.....

14. Does your organization has comprehensive programmes on supplier evaluation and performance?

Yes ☐ No ☐

If Yes explain briefly the above statement.

.....

15. Does your organization pay supplies promptly?

Yes ☐ No ☐

If No what is the reason behind to delay the payment

.....

16. What are your organization's policy towards suppliers (tick where appropriate)

Supplier base ☐

Outsourcing ☐

Sub contracting ☐

Partnering ☐

Reciprocity ☐

Intra company trading ☐

Local suppliers ☐

Purchasing consortia ☐

Explain briefly your answer above

.....

.....

17. Have the organization encountered with any problems of suppliers failure to deliver ordered requirement

Yes ☐

No ☐

IF yes how is the organization affected.....

.....

18. What challenges suppliers face in your organization?

.....

.....

19. What is your opinion towards supplier sourcing and management in your organization

.....

.....

.....